Research Innovation and Development Lab

FAMILY BUSINESS MANAGEMENT. AN INNOVATIVE SCIENTIFIC TOPIC.

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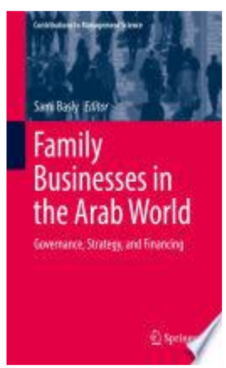
introduction

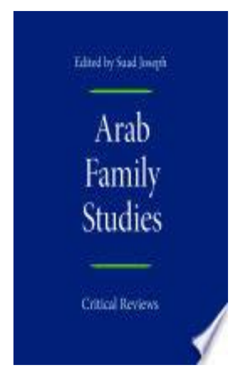
***Family firms are the most common type of business organizations around the globe. The Arab world is no different. Perhaps* the strong importance of family, *clan and community* in these countries anchored in Muslim values and ethos makes the family enterprises even more central in this region.**

From the Maghreb to the Middle East, family firms of all sizes and ages are the backbone of all economies and societies.

***Yet,* there is a lack of scientific knowledge on Arab family business The significant heterogeneity within the Arab cultures makes generalizability of findings across the region problematic**

Nevertheless, a good starting point to build knowledge is ***to view Arab family enterprises using insights and theories developed in other parts of the world****, to better understand what applies and where more scholarly attention is needed.* (Family Business in the Arab World, Sami Basly, Springer)





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Learning Objectives

1. Learning about Family Firms and their crucial role in national economies.

2. Learning about the Generation Transfer process and the role of founder and successor.

3. Learning about the measurement of the Family Firm Performance.

4. Learning about the Family Governance Mechanisms.

5. Learning about the Strategic Planning in Family Firms

6. Qualitative and Quantitative Research in Real Case Studies.

Section I

Family Business: Definition – Characteristics

Size - Sectors

F.B. in National economies

A new Academic Field

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The Definition

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The Definition

Definitions of Family Business in the Literature

Author(s)	Definition
Alcorn, 1982	a profit-making concern that is either a proprietorship, a partnership, or a corporation If part of the stock is publicly owned, the family must also operate the business (p 230)
Babicky, 1987	is the kind of small business started by one or a few individuals who had an idea, worked hard to develop it, and achieved, usually with limited capital, growth while maintaining majority ownership of the enterprise (p 25)
Barnes & Hershon, 1976	Controlling ownership is rested in the hands of an individual or of the members of a single family (p 106)
Bernard, 1975	an enterprise which, in practice, is controlled by the members of a single family (p 42)
Carsrud, 1994	closely-held firm's ownership and policy making are dominated by members of an "emotional kinship group" (p 40)
Churchill & Hatten, 1993	what is usually meant by family business is either the occurrence or the anticipation that a younger family member has or will assume control of the business from the elder (p 52)
Davis, 1983	are those whose policy and direction are subject to significant influence by one or more family units. This influence is exercised through ownership and sometimes through the participation of family members in management (p 47)
Davis & Tagiuri, 1985	a business in which two or more extended family members influence the direction of the business (quoted in Rothstein, 1992)
Donckels & Frohlich, 1991	if family members own at least 60 percent of the equity (p 152)
Donnelley, 1964	when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family (p 94)

Dreux, 1990	are economic enterprises that happen to be controlled by one or more families (that have) a degree of influence in organizational governance sufficient to substantially influence or compel action (p 226)
Gallo & Sveen, 1991	a business where a single family owns the majority of stock and has total control (p 181)
Handler, 1989	an organization whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board (p. 262)
Holland & Oliver, 1992	any business in which decisions regarding its ownership or management are influenced by a relationship to a family or families (p 27)
Lansberg, Perrow, Rogolsky (1988)	a business in which members of a family have legal control over ownership (p 2)
Leach, et al (1990)	a company in which more than 50 percent of the voting shares are controlled by one family, and/or a single family group effectively controls the firm, and/or a significant proportion of the firm's senior management is members from the same family (quoted by Astrachan, 1993, pp 341-342)
Lyman, 1991	the ownership had to reside completely with family members, at least one owner had to be employed in the business, and one other family member had either to be employed in the business or to help out on a regular basis even if not officially employed (p 304)
Pratt & Davis, 1986	one in which two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights (chap 3, p 2)
Rosenblatt, deMik, Anderson, & Johnson, 1985	any business in which majority ownership or control lies within a single family and in which two or more family members are or at some time were directly involved in the business (pp 4-5)
Stern, 1986	owned and run by the members of one or two families (p xxi)
Welsch, 1993	one in which ownership is concentrated, and owners or relatives of owners are involved in the management process (p 40)

The Definition

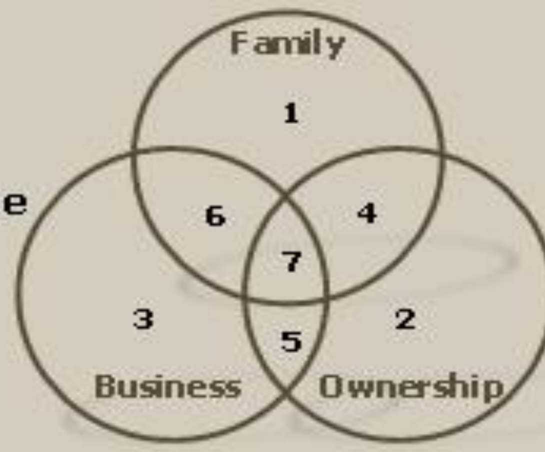
The definition accepted by the European Commission Expert Group was proposed by the Finnish Working Group on Family Entrepreneurship. The expert group proposes the following definition: (E.C. Expert Group, 2009)

A firm, of any size, is a family business, if:
1) The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
2) The majority of decision-making rights are indirect or direct.
3) At least one representative of the family or kin is formally involved in the management of the firm.
4) ***Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 percent of the decision-making rights mandated by their share capital.***
5) More than one generation should become involved into the business.

The study shows that the ***self-employed***/one-person enterprises are considered family businesses in approximately one third of the countries surveyed. ***Sole proprietors*** (i.e. companies with one owner but that may employ other family and/or non family members) are considered to be family firms in most countries. (E.C. Expert Group, 2009)

3 Cycle Model

The Family Business System



1. Family members not involved in the business
2. Non-family/business owners
3. Non-family employees
4. Family owners not working in the business
5. Non-family owners who work in the business
6. Family members who work in the business but are not owners
7. Family owners who work in the business

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Size

In some of European countries the **share of family businesses** is **measured on the SME population** instead of (or next to) total enterprise population. The cross-national comparison shows quite diversified results. This is at least partly due to the definitions used.

At the same time, the available data also shows that **some of the largest European companies are family businesses**.

In Luxembourg, Norway or Sweden, for example, research pinpoints that about **30 % of the largest companies are family businesses**.

In Belgium, this respective **share is even higher (about 50 %).**

IFERA (2003) indicates that not only **Wal-Mart as the world's largest enterprise is a family business**, but further **37 % of the Fortune 500 companies are family firms.**

Price Waterhouse Coopers (PWC, 2007) observes a **positive relationship between size class and age of the company**.

Sectors of Activity

Family businesses are active in all sectors of the economy. In some countries, data are available highlighting that ***Family firms are more prevalent in traditional and labour intensive sectors such as agriculture, manufacturing/crafts, construction, tourism or retail trade***

while they are **underrepresented** in, for example, the financial sector (with national exemptions, see below) or high-tech industries.

The Family Business Monitor of FBN International also pinpoints that **at least 40 % of all family businesses are concentrated into three sectors: manufacturing, construction and wholesale /retail trade** (FBN International, 2008).

Family Business in Europe

Across Europe, about ***70 % - 80 % of all European companies are family businesses*** and they account for about ***40 % - 50 % of employment.*** Family businesses account for about ***40 % of private sector turnover*** whereas ***their share in national GDP or value added ranges from about 20 % to about 70 %.***

On the one hand, ***a large share of European SMEs is family businesses***, and ***some of the largest European companies are also family businesses*****.**

On the other hand, similar to the European economy in general, ***the family business sector is dominated by SMEs,*** and particularly by micro enterprises with less than 10 employees.
(E.C. Expert Group, 2009)

According to European Family Businesses- GEEF- ***family businesses in Europe represent*****:**
- *Over 1 trillion euro in aggregated turnover*
- *9% of the European Union's GDP and*
- *More than 5 million jobs.*

(GEEF,2010)

Family Business in Maghreb (Algeria)

The History

The Algerian economy experienced a historic change in the early 1990s. This economic change is due to political change. After decades of managed administration characterized by a lack of international competitiveness and an orientation towards public enterprises. Private sector companies in Algeria have been severely disadvantaged. With the opening of the market; The development of small and medium-sized enterprises (SMEs) in Algeria has grown considerably, encouraged by public incentives in terms of institutional framework, public support, regulation and upgrading.

Overview of SMEs in Algeria

SMEs are an indispensable element in the process of economic development in Algeria. They energize the regions, create wealth and many jobs.

In Algeria, at the **end of the first half of 2016**, **SMEs amounted to 1,014,075 entities**, nearly **57% of which are legal entities**, **438 of which are public companies**, the remainder of which are **natural persons (43%), of which 20% are self-employed**.

The number of public SMEs has decreased and many public SMEs switch to "private" status.

Lyes OUABDESSELAM , Board of Directors, SPA CRAPC EXPERTISE, Algeria

Fethi NOUI, Department of Economic Sciences, University of Algiers, Algeria

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Family Business in Maghreb (Algeria)

Family Firms

More than 98% small and medium business in Algeria represents private sector which divides to : legal entities, liberal business, artisanal business, and in this percentage 97% are very small business according to the statistic of 1st semester 2016. And the ownership structure of the most companies are familial.

The **Algerian family firms** have a greater interest in managing its ownership and involved the shareholders in the discussion of goal and strategies but, according to the legal form of the family firms, and **most of them do not have a clear plan in the subject of the succession**.

Also, they agreed that the natural **character of the owner of the family firms** and the extent of his awareness and exploitation of the opportunities are significantly affected in the support of the **entrepreneurial orientation in Algerian family firms**, added to the degree of the interest of the family members (the children) about the work and management in the family firms.

The activation of the **corporate governance principles in Algerian family firms** ensures its sustainability and contributes to **maintain the entrepreneurial spirit trans-generational.**

Fatiha GUESSAS, Wassila TABET AOUEL LACHACHI
Vol. 3, No 1 (2018) African Management Review

The Academic field

The **research field of family businesses** in Europe is **fairly young** – compared to other entrepreneurship research areas.

Family enterprises have become subject of socio-economic research only in **the last 20-25 years**, but in some European countries even later.

Although **family businesses** have been in existence and operating for thousands of years, it ***wasn't until the 1990s that the field was viewed as a separate academic discipline***.

Wortman (1994) pointed out that family business as a field was 30 years old and Handler (1989) notes that prior to 1975, research in the area of family business were relatively limited.

In some European countries the issue of family businesses is, however, rather neglected as regards public and policy discussions. **Limited interest for this business type can be found, for example, in Greece.** Across the individual European countries the **time horizon** since when family businesses are considered in **public and policy discussions** varies. Thereby, there is a split between Eastern and Western European countries. KMU, (2008)

In some countries ***family businesses are equated to SMEs in public and policy discussions***. This is particularly the case in ***Central and Eastern European countries***

while in ***Northern, Southern and Western European countries*** the ***awareness*** about the ***heterogeneity*** of *family businesses* regarding their size class is more ***widespread***.

Furthermore, there is a **slight relationship between this assessment** and the ***country's size*** (in terms of the number of inhabitants), i.e., *in smaller countries family businesses and SMEs are considered to be the same more often than in larger countries*. KMU, (2008)

"Exams" or Brainstorming (I)

Identify the three dimensions of the business in which a family must be involved to treat it as a family business.

Identify the relationship between SMEs and Family Businesses (F.B.).

Section II

Generation Transfer Succession – Successor - Founder

The Role of Women

Generation Transfer

Succession in a family company **is the most important issue** it faces, **since its success depends on its own survival**. The **continuation** of family businesses from one generation to the next **depends mainly on a successful plan**.

(W. Handler, 1994).

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The Process

Churchill and Hatten (1987) define the **succession process** as a **four-stage life cycle**.

The **first** stage concerns **the period when the owner of the company is the only one involved in the family.**

In the **second** stage of **education and development, when the successor learns the company.**

The **third** stage concerns the **cooperation between the two, owner and successor**.

The **fourth** stage concerns the **full transfer of responsibilities to the successor.**

The Role of Founder

The **owner's characteristics play an important role** concerning the transfer of his authority.

Owners are particularly **reluctant to withdraw** from the company they have established and directed.

All studies converge on the fact that **founders who have difficulties in transferring power lead to problematic succession situations,** Danco (1981).

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The Role of Successor

The **personality, experience, ambitions** of the chosen **successor** determine his or her **desire** or **reluctance** to finally take the reins of the family business.

According to his research (W. Handler, 1992), a successful succession depends on two factors:

the individual successes of the successor (**need for self - fulfillment, professional interest, personal experiences**);

the influences from his / her relationship with the family (family respect, relationship with relatives, ties with the business).

Ianarelli (1992) concludes that prospective **successors** to gain professional experience **start their socialization** in the company since their **pre-puberty years**.

Organizational Changes

Lansberg argues that the **founder is afraid of losing control of the company because it means at the same time both his "demise" within the family and society.**

On the **managers' side there is the fear of change** believing they will **lose their personal relationship with the founder by creating a more formal relationship with the successor**. The same fear exists in the company environment since the relationship that has developed will be lost.

A Lansberg proposal to address the **founder's insecurity** is to **develop a supportive team that will design succession**. Open communication with all members of the family and with members in the company will help in the planning as well as the involvement of the administrative

Steps for a Successful Succession

1st Step

Successor Selection Criteria
Defining the range of candidates
Determining potential successors
Governance guide (property rules, succession group, boards)
Design of property separation
Timeline

2nd Step

development of successors

3rd Step

choice of the successor

4th Step

Management transfer

5th Step

Transfer of capital

Key Factors for the Succession

The study of Ward (1987) states that **maturity of the market** and **changes in the technological environment** lead to the failure of an effective succession, for which reason the company's plan should be strategically designed to meet the new needs of the era.

Another important factor, as Lansberg mentions for an effective succession, is the **successor's skills, capabilities, and his will to work**.

Dyer (1986) believed that the **role of the family** and the **board** was crucial to succession.

Also, the **company's environment** and **other partners** should help **socialize the new successor** without clinging to old situations and processes.

Additionally**, competition and new technologies** can influence the succession process.

Key Factors for the Succession

the **balance** that must exist between the three elements: **property, business and family**

the **lack of entrepreneurial knowledge**

the **role** of the **founder** of the company

the **characteristics** of the **owner**

if the **owner** wants to **transfer his power**

the **prospect** of the **next generation**

the **next generation is willing to take over the leadership** and ownership of the business

the **transfer of knowledge and experience** from the current owner to the future

the ***relationship between owner and successor***

Key Factors for the Succession

the **age** of the **owner**

the **sex** of the **owne**r

the **sex** of the **successo**r

the **early participation** of the successor

the **obligation - promise and dedication** on both sides

their **ability to manage conflicts**

the **successor's wish to take over the family business**

the will of the previous owners to want to guide the successor and after they leave

Women Successors

The MassMutual (2010) study shows that **24% of family businesses** surveyed reported having a **woman as CEO** or president. Moreover, despite the fact that 31.1% of US family businesses declare that they may have a female successor in the future, female successors are still a minority.

The recent literature on gender parenting in the US highlights that **fathers continue to favor sons from daughters** ("The Demand for Sons", Dahl & Moretti, 2008). From the family business literature, we know that the **daughters of the predecessors feel less visible than their brothers**, who often urge them to make an extra effort to mark and prove their ability (Dean, 2005).

Other research findings show that **female successors are making greater efforts in vocational-related education** (Dumas, Dupuis, Richer, & St-Cyr, 1995).

Nelton (1998) predicts that **by 2023, one-third of America's family businesses will be owned and operated by women**.

The statistics of the **2010 Business Survey** for the American family report that a growing **24% of the observed American family businesses are driven by a female CEO or president.**

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Sons vs Daughters

Based on a sample of 73 family businesses, Kuratko, Hornsby, and Montagno (1993) observe trends suggesting that **sons are preferred and expected successors** to family businesses in the **US** and **Korea**.

Analyzing a sample of **106 German** family businesses, Arnaud (2011) identifies a **fatherly preference for boys** to take over the management of the family business.

Similarly, Bertrand, Johnson, Samphantharak and Schoar (2008) show from data evaluation of **90 family businesses in Thailand** that **the sons of the founders take ownership and control over other family.**

Investigating a sample of the CEO succession in the limited liability companies in **Denmark**, Bennedsen et al. (2007) report that **the decision to appoint a successor from the family is significantly higher when the first child is a boy**.

In the **United Kingdom and France**, about **two-thirds of** family businesses are reported to have elected CEOs from a primary (succession of the eldest son), while the rates in the US (about **one third** of family businesses) and **Germany** (**only 10%** in a **sample of 732** family businesses (Bloom & Van Reenen, 2007).

In terms of succession, bibliography shows that in family businesses **the chances of women operating the business remain small**, **due to the primacy rule (the first-time son usually inherits the enterprise)** (Cole, 1997).

Families with a greater gender culture are more likely to have a successor daughter. A study conducted by Haberman and Danes (2007) has shown that *families with a more positive attitude towards women successfully integrate them into the upper ranks of the business.*

Women – less visible

Research on a sample of **128 small businesses in the UK**, Martin (2001) reports evidence to **ignore the abilities of women's administration**.

A survey with **40 interviews in California's family businesses** about the management of daughters of family business owners shows that **even if they have sufficient experience and academic education, they are still exploited in family businesses and described as unused resources** (Dumas, 1992).

Dumas et al. (1995) provide indicative evidence of **30 interviews in Canadian family businesses** where **female successors were asked to have more and wider professional experience and training than male successors.**

Women – less visible

Daughters feel less visible than their brothers, because their professional abilities are neglected. This leads the **daughters** to **make an extra effort to prove themselves as an appropriate executive either by working harder or by demonstrating their abilities outside the family business** (Vera & Dean, 2005).

Many **family rules** are in fact **based on gender differences and contribute to the "invisibility" of women** in family businesses (Christensen, 1995; McGivern, 1978).

The invisibility of women is related to:

(a) Discrimination resulting from social prejudice against female sex; and

(b) the **process of women socializing**, which may cause **difficulties for women in developing the necessary attitudes towards managing roles** (Salganicoff, 1990).

The invisibility of women and stereotypical roles are also evident when we analyze the processes that characterize the entry of a daughter into family businesses. In these cases, **women are rarely considered candidates for a serious leader, unless the founder has no sons** (Dumas, 1997, 1998; Cadieux et al., 2002; Curimbaba, 2002; Haberman and Danes, 2007).

Women – management style

Surveys for women owned and operated by businesses have shown that **women run their family businesses as managers, taking into account the <u>diffusion of formal governance</u> into management mechanisms, strategic planning processes and organizational structures.** (Cuba et al., 1997;Cliff, 1998) (Watkins and Watkins, 1984; Hisrich and Brush, 1987; Cromie and Hayes, 1988; Carter and Cannon, 1992; Brush, 1992; Allen and Truman, 1993; Powell et al., 2002).

<u>Mutual empowerment, cooperation and exchange of information characterize the forms of government</u> in women as for their own businesses (Allen and Langowitz, 2003).

Carol Gilligan has articulated how **<u>women and men are different in decision-making</u>**. Gilligan found that women are much more "relational", **giving more weight to the outcome that their decisions will have on others and taking account of the collection and study of opinions of others in decision-making** (United Nations Conference on Trade and Development, 2010).

Comparative gender studies in management show that **<u>male business managers have an authoritarian style of management</u>**, while **<u>female managers are human-oriented and have a supportive style of leadership</u>** (Ünsoy and Gürol, 2000).

"Exams" or Brainstorming (II)

Which stages of succession would you plan to achieve a smooth transition to your family business?

Which of your own characteristics (or practices), as successors, would play a role in the process of succession?

Which of your own characteristics (fears, preferences) as a founder would play a role in the process of succession?

How do social patterns can affect the succession to a woman successor?

What characteristics (personal or professional) characterize the woman successor in managerial positions?

Section III

Family Business Performance

LITERATURE

Many researchers have explored how familiness contribute to the performance of the family business.

(***familiness***, as an organizational identity describes the family involvement in property, administration or control)

The corporate structure of the Board of Directors and its impact on business behavior is one of the most discussed issues in the literature

Many research for the impact of the composition of the Board of Directors - Boards are almost exclusively made up of family members.

This composition of the Board of Directors affects the objectivity of corporate governance, with an impact on the company's health.

there is little research on the influence of external managers on business performance in privately owned small and medium-sized family businesses. (positive, negative and no relationship)

Most surveys have investigated the ownership and control of family businesses and their impact on the performance and value of the business. As family members often hold senior management positions, previous studies have explored the importance of CEOs from the family

LITERATURE

- Regarding **financial performance**, no clear assessment can be made whether or not family firms perform better, equal or worse than non-family firms as the available studies show mixed results and conflicting opinions (Dyer, 2006).

- Experts ***associate family businesses with a stable development of continuous growth and sustainable workplaces***. **For many family businesses the stability of the enterprise and its maintenance for future generations is more relevant than short-term growth.**

- If ***family businesses grow, also diversification is driven forward***. The development of multiple business units is a common feature of sibling partnerships, giving several family members separate management authority (Carlock/Ward, 2005). Consequently, it happens that if this growing and diversification is related with an increasing number of involved family members (due to several realised generational changes) the initial company is divided into several independent parts and ceases to exist in its original form.

- Other factors (e.g., size class, sector, national economic situation etc.) more importantly influence the economic performance than the "familiness". Nevertheless, some of the specific characteristics of family businesses described above directly or indirectly influence the enterprises' performance.

Succession and Performance

Continuing **succession** through the family **has a negative impact on the company's performance**, especially in the **more competitive sectors**.

Cucculelli Marco and Micucci Giacinto (2008) - the **succession causes a reduction in profitability** both in the family succession through the family and non-family members and shows the **cost of succession** in both cases.

Succession affects negatively performance in areas where competition intensity is high, ie where ***successor management quality is likely to play an important role in determining the performance of the company***. If competition is intense, successors are likely to need more time or inherent talent than other sectors to develop the skills needed to manage the company successfully. Companies in highly competitive sectors are experiencing a greater reduction in profitability after succession than companies working in low-competition industries.

The **decline in profitability is important and even greater in more competitive areas** where the founder's talent is likely to play an important role in determining the company's performance.

the **decline in succession after succession is greater** for companies where their **management is undertaken by one person through the family as opposed to succession with an unrelated person from the family.**

Succession and Innovation

C. Grundstrom et al, 2012

The authors studied a family of companies operating in **industries** because they have enough **intensity in innovation** and which were in a succession or change in ownership status. Half of them became a person in the family, while the other successor was an external manager.

According to the authors **after the succession in a family business from a family member**, **the innovation of enterprise is characterized by little emphasis on finding new ideas and discovery of new structures**. ***Innovation is characterized by low intensity.***

Instead, they believed that following **the succession** of a family business **by outsiders**, **the innovation of the business would be characterized by an emphasis on finding new ideas and discovering new structures, and innovation would be more intense**.

Innovation in companies is not just the result of (new) owners or external directors but it also **depends on** the parties, **industry structure**, patterns of interaction, and other features of each family business.

Although this study shows that **external successors** can, to a greater extent, bring development to new contexts and also **have a more positive attitude to change in terms of growth**, the findings from this research show **that attitudes and management of innovation can not simply relate to the type of new owner**, nor can these matters be fully understood by the process by which ownership is transferred. Account must also be taken of the organizational values and ownership structures that apply.

“Exams” or Brainstorming (III)

What do you expect concerning the company's performance during the succession?

How the business sector affects this performance?

What is the succession’s impact on business innovation?

Section IV

Family Governance Mechanisms

FGM Definition

Gallo and Kenyon-Rouvinez (2005) describe it as "a **system of processes and structures** that established at the highest level of business, family, and ownership to **make the best possible decisions** about the direction of the business“.

Family Governance Mechanisms within the family system perform a particularly important function by **facilitating family-to-business relationships, strengthening social interaction and relationships between members of the family business.**

The main purpose of family governance is to to **highlight opportunities for family involvement** in the business, to facilitate the **flow of confidence-building information**, and to **minimize manipulation by family members** and above all to enhance **the sense of belonging to the business among the extended family**.

Unlike many business mechanisms, **family governance is not legally binding** and enjoys freedom of application. Koeberle-Schmid, Witt, & Fahrion, 2012

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Family Governance Mechanisms (I)

The **Board** is usually **selected-appointed by the owners at the annual meeting of shareholders** and has two main functions: the exercise of **control and advice for the CEO** and the management.

The **Chief Executive Officer** and the management are **responsible for the performance of the business and must report to the board of directors.** At the annual general meeting of shareholders, the group of shareholders is informed of the financial position of the company and the board of directors is elected.

Gallo & Kenyon-Rouvinez, 2005; Bammens, Voordeckers, & Van Gils, 2011; Gersick et al., 1997

Family Governance Mechanisms (II)

Family meeting

This is a recurring **meeting of family members to discuss business and / or family issues** and is the **simplest and most common form of FGM.**

Both family meetings and family councils can differ significantly from the point of view of **integration policies**, their **formalities**, their **meeting frequency and the topics covered.**

(Habbershon & Astrachan, 1997; Neubauer & Lank, 1998; Martin, 2001)

Family Task Force

Extremely active families can also set up a **Family Task Force**, such as a family, appointing a **committee that serves to select candidates for the position of Managing Director and Board of Directors**

*(*Neubauer & Lank, 1998; Aronoff & Ward, 2002; Suare & Santana-Martin, 2004)

Family council

This is a select **group of family members** - often including **multiple branches and / or generations** - who meet frequently to **discuss issues related to family involvement in the business**. Its main purpose is to provide a structured forum that allows the family to express their needs, expectations and values about the business to develop policies that protect the long-term interests of the family and the business.

(Berent-Braun & Uhlaner, 2012; Gersick et al., 1997).

Family Governance Mechanisms (III)

Family constitution

This is a **regulatory agreement** that includes the **fundamental principles and guidelines** that the **family organizes its relationship with the business**. It addresses fundamental issues of governance (eg **sale / purchase of shares or recruitment / dismissal of family members**) and expresses "what its family, expectations and fundamental values mean". This is usually done with the collaboration of a rather large group of family members and, among other things, **should reduce the chances of conflict in the family business.**

(Berent-Braun & Uhlaner, 2012; Neubauer & Lank,1998)

Family Foundations are **rather social institutions that serve a higher, public purpose** and place their weight on fulfilling social needs.

(Jaffe & Lane, 2004; Ward, 2004; Amit et al., 2008; Gersick, 2004; Ylvisaker, 1990).

Prosperous family businesses can also set up a **Family Office** to **manage wealth, provide professional management advice and shareholder meetings**, and a Family Foundation to work with the family office to decide on his **donation family wealth for social purposes**.

(Gallo & Kenyon-Rouvinez, 2005; Amit, Liechtenstein, Prats, Millay, & Pendleton, 2008; Ylvisaker, 1990)

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FGM and Firm’s Age

Older family businesses are more inclined to create FGM than younger ones, which has been reported by several researchers. Fahed-Sreih and Djoundourian (2006) concluded that a **mature family business (over 30 years old) is more likely to make decisions on a participatory basis, using advisory committees** and keeping family meetings more frequent. **younger family businesses follow a more centralized decision-making practice, with the power to make decisions usually in the CEO.**

Suare and Santana-Martin (2004) confirm and extend these formalities. They concluded that **FGM,** irrespective of the degree of formality, is primarily **applied by family-owned multi-generational businesses**. As a possible explanation, the authors emphasize the stronger dependence of family businesses on the establishment for the whole family. On the other hand, more **mature family businesses**, which **often include several generations**, **could be more reliant on FGM, as a larger number of family members are now actively involved in the enterprise** (Brenes et al., 2011) for information and coordination.

FGM and Firm's Size

According to Habbershon & Astrachan, (1997), the **larger the number of generations** in the end and the **larger the size of the family**, the **lower the level of social interaction among family members** - a **problem that can be overcome by of FGM.** Thus, **family governance** can be a fertile approach to **managing the increased professional and family complexity** that arises due to increased business age, family size (ie a larger number of family shareholders and inactive family members) or the number of the family generations that lead. (Mustakallio et al, 2002).

Less complex business families may also realize the need to govern themselves, integrate non-active family members into business concerns and ensure continuity of business - to this end, **less formal FGMs such as casual family meetings can be valuable and useful** (Suare & Santana-Martın, 2004).

By increasing the complexity of families and businesses, and family businesses, however, tend to opt for **the use of the most formal FGM, such as a family constitution or a family council.**

Conclusion. **A high level of business and family complexity increases the likelihood of developing FGM,** and if implemented, the degree of formalism is likely to correspond to professional and family complexity. Suare & Santana-Martın, 2004

FGM and Firm's Performance

Whenever **family members develop a united team**, working together to achieve a common goal, it is likely to **lead to a higher level of economic performance**. Fahed-Sreih (2009) also found a **correlation between family governance, business performance and business survival**.

According to another study, Astrachan and Kolenko (1994) showed that **frequent family meetings** along with other **governance mechanisms** (business plans and board meetings on a regular basis) were **positively correlated with business longevity.**

Tower et al. (2007), **on the other hand, do not detect significant performance differences** (measured by the generation currently controlling the enterprise and the enterprise's revenue) **between family businesses with and without regular family meetings**.

Applying a sophisticated (family) system of government may indicate a higher degree of professionalism in the family business, which could therefore be reflected in improving economic performance.

Although Tower et al. (2007) did not find any difference in the overall performance between the groups they meet and the groups they do not meet, they **noticed some differences of performance based on who participated in the family meetings.** Family businesses with the most comprehensive meeting of members (including fathers and children) achieve higher performance results than those with a stronger membership restriction.

FGM and Family's conflicts

Another **important purpose of family governance is to create procedures for managing family conflicts**, as a family business can survive for generations only if it is able to survive inevitable family conflicts (Martin, 2001).

Thus, ***family members should be treated with respect and not be excluded from family meetings or other FGMs as this could lead to anger and isolation among family members and may even cause legal action against it family or business***.

Available liquidity and dividend policy is another important issue in family businesses. To avoid conflicts in this context, **family shareholders should be clearly informed of the amount of cash they can get from the business and when.** The same applies to the appointment or promotion of family members within the enterprise. In order **to minimize anger and jealousy among family members, there must be clear values and preferably written standards for the sake of capacity, qualifications and value.** These standards should also be communicated to family meetings (council).

In addition, it is argued that family differences can lead to the application of FGM (Poza et al., 2004), as there will be a need to resolve these conflicts.

In conclusion, **FGM is positively linked to family unity, conflict mitigation, and conflict resolution among family members.**

FGM and Professionalization

As a step in the direction of business professionalism, Martin (2001) emphasizes that **an effective system of family governance would require "responsible competence in assigning responsibilities".**

To this end, he suggested that the **family should have written the standards to define the qualifications and experience that family members need to have to take on specific positions to ensure an effective governance process.** In addition, ***family members need to be trained in their sense of responsibility*** to understand aspects such as current business performance and addressing any challenges the business has to deal with. As previously mentioned, ***FGM positively affects the social interaction between family members, which leads to a commonly accepted vision***.

This in **turn leads to increased decision quality and a stronger commitment to decisions** (Mustakallio et al., 2002).

The **necessary measures** may, for example, include increased planning, **a higher number of external managers** and **written standards for family work in the company**. ***By taking such measures, the family starts a process of professionalization***. On the other hand, *if, for example, the family decides to hire key managers and consultants in the business, the directors and advisors could - based on their experience with other family businesses - advise the family to set up a family council , so that they do not clearly discuss family issues at business meetings.* Thus, some degree of professionalism within the family (in the form of FGM) could also be the result of business professionalism.

FGM and Succession

Another important issue that family businesses have to **deal with is succession and planning for succession.** Family governance plays a crucial role in this area. To make the family business viable, the ***FGM should create some form of succession planning*** (Martin, 2001). As a result, the ***family council could devise a succession plan, choose the most qualified successor and ensure adequate preparation for the takeover.***

Martin (2001) notes that **such a practice could be particularly difficult if a patriarchal / matriarchal family governance refuses to relax the reins**.

Based on qualitative data, Chittoor and Das (2007) also found that **family councils facilitate succession by providing the next generation of space to develop and represent family values and interests in management without any interference.**

In addition, a **Family Constitution**, for example, which has been developed through intensive dialogue and with the entry of a wide family of family members, **can fulfill the same purpose as a succession plan drawn up and started by the family council** .
In conclusion, ***FGM contributes to the start of the succession planning process.***

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“Exams” or Brainstorming (IV)

Which Family Governance Mechanisms would fit into a second-generation family Bakery with two branches managed by the two-brother families?

Which Family Governance Mechanisms would fit into a 4th Generation Shipping Company?

How can Family Governance Mechanisms can affect the internal family relationships?

How can Family Governance Mechanisms can affect the business’ performance?

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Section V

Family Business Strategy

Strategic Planning in F.B.

The "**model of the three cycles**" *places the strategy formulation at the intersection of the family, business and interests of the owners* (Chua et al., 2003; Sharma et al., 1997; Gersick et al., 1997)

The strategy in family businesses should take into account **a number of factors unique to family businesses**, including the ***association of family members' feelings with strategic choices*** (Chua et al., 2003; Sharma et al., 1997; Drozdow and Carroll, 1997)

Strategic Succession

The **succession process** can have a **significant impact on the company's strategy** and performance. The ways in which one (or many) **successors can be identified, the education and preparation of the successor can affect the success of the transition, and perhaps the strategic direction** of the successor (Gersick et al., 1999)

Early participation and socialization in the enterprise, the **"late entry" into the family business** after a period of external education and employment, the need to reconcile the interests and preferences of the new generation **can influence the strategy of the enterprise** (Murray, 2003).

The analysis of the strategy in family businesses should consider inter-generational strategic plans. Such a focus allows us to look at the succession process, which in itself is an important dimension of the family business strategy.

The presence of intergenerational projects differentiates the strategy of a "family" business from that of other organizations.

Case study (I)

The Influence of Family Interests on Strategy Decision

The need to balance **the strategic interest of succeeding generations** is a further challenge for the succession of family businesses. As the previous generation becomes less active, the new generation can push for a bigger or smaller change of strategy. This flexibility has important implications for the development and development of the business (Osborn, 1994; Murray, 2003)

For example, in company A, **the founder** divided the company into **two departments** to facilitate his offspring. This decision has had a significant impact on the subsequent diversification of the business by setting the framework for second generation diversification activities.

The successor of the **second** generation moved the headquarters of the company to a **new location** to facilitate its lifestyle. This move further facilitated geographic expansion.

The successor of the **third** generation essentially moved the business away from the traditional **business portfolio** to focus on a whole new industry of particular interest to him

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Case study (II)

Depending on Sharma et al. (2003), the process seems to involve the "pressure" from the younger generation and the gradual withdrawal of the older generation from active decision-making. These procedures seemed to **encourage change of strategy and avoid problems of "strategic headaches" from previous generations.**

Finally**, accepting the successor and his strategy** is an important issue in the family business.
The examples imply that the withdrawal of the older generation from the company, and careful attention to other prominent successors (eg only two family members actively in management) facilitated the process. Thus, the two companies avoided many problems described by Murray (2003).

In company B**, the founder acquired a company in Europe to facilitate the interest of his younger son**. As a result, the company significantly increased its European presence and expanded product diversification.

The second generation of successors redesigned the CEO's work to focus on marketing. This was in line with the growing competitiveness in their business core. He also reorganized the company and created two autonomous units to facilitate his two sons. This has **facilitated product diversification**. The third generation of successors created three geographical divisions to facilitate the two sons and daughter.

Key Factors in Strategic Planning

Family firms

driven by values (Denison, Lief, & Ward, 2004; Olson et al., 2003),

pursue not just an economic goal (Astrachan & Jaskiewicz, 2008; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Zellweger & Astrachan, 2008a,b),

can build on networks and long-term relationships that promote trust and altruism (Anderson, Jack, & Dodd, 2005; Carney, 2005; Karra, Tracey, & Phillips, 2006),

achieve success in the market by identifying the family with product identity (Craig, Dibrell, & Davis, 2008),

often have a long-term perspective (Le Breton-Miller & Miller, 2006).

These characteristics shape the family business strategy differently from that found in non-family businesses.

Key Factors in Strategic Planning

Another study (Eddleston, Kellermanns, & Sarathy, 2008) provides some evidence that **family relationships** can be a **source of competitive advantage for the family business**. A recent area of focus on family business research has been **family and social capital, which appears as a source that families are only able to capitalize** (Steier, 2001a; Sorenson, Goodpaster, Hedberg, & Yu, 2009).

Assessing the ***impact of family dynamics on business strategy and behavior***.

Family dynamics makes the family business different from non-family business (Chua, Chrisman, & Sharma, 1999; Dyer, 2003).

Family dynamics effects the business and blends with the dynamics of the business and organization, giving the family business many of its special features. (Brunninge, Nordqvist, & Wiklund, 2007).

Family Culture and Strategy

Dyer (1988) recognized **four types of family business culture** that **provide a framework for analyzing relationships between family members and non-members.** The classification of Dyer's ***paternalistic, liberal, participatory, and professional culture*** is based on different assumptions about human nature, relationships, and the environment.

Reiss (1982) uses a classification related to the **relationship between family members**. This classification identifies **three types of families**: ***sensitive to unanimity, interpersonal sensitive, and environmentally sensitive***.

Sonnenfeld and Spence (1989) recognize **four forms of retreat from the leaders**: ***monarchs, generals, governors and ambassadors***. They argue that the *best retirement style for a family business leader is that of the ambassador,* who leads the organization to moderate levels of development, *recognizes the time to leave, and maintains contact with the organization as a consultant.*

“Exams” or Brainstorming (V)

How do family relationships and family dynamics affect a company's strategy? Give some examples.

Section VI

Case Study 1

Case Study 1

The Role of Women in Family Firm Succession

WOMEN IN FAMILY FIRMS. THE CASE OF THE GREEK ENTERPRISES.

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"Bali Institute of Research Excellence"

Methodology

- Qualitative Research as a research method on Family Businesses conducted on small samples.
- Case studies have been the most used methodology on family business research.
- Interviews are the primary data source.
- Case Studies gives a better understanding of differences in family business population.

<u>This study :</u>

Contains 2 families firms with Women Successors.

We realized 6 interviews. (2 Founders and 4 daughters).

Sample

- 1st Family Firm :

Owns three companies.

3-4 million turnover in the last three years.

25 years of operating.

30 people as employees.

- 2nd Family Firm :

Owns one company.

6-8 million turnover in last three years.

1971 father started working as a technician.

9 people as employees.

Questionnaire

Five dimensions are analyzed in the research area of study:

1. Selection of Successor – Procedure – Integration - Founder Withdrawal.
2. Family Governance Mechanisms.
3. Finance of Transition- Business Administration.
4. Business Policy and Strategy.
5. Women’s Perspective- Human Resources Management.

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EMPIRICAL RESULTS

Table 1	Empirical Outcomes for the Family Firm 1		
Subject	**Founder**	**Succesor 1**	**Succesor 2**
Corporate socialization of the successor - integration.	There was not any corporate socialization process. The succesors were joined slowly from the lower enterprise's levels.		
Succession planning with scientific way.	The succession was not designed with a scientific methodology.		
Evaluation of training period.	---	Good training period, from early age. She felt well prepared.	Good training period from early age, but you never feel well prepared.
The effect of behavioral and emotional criteria on successor selection.	He was not affected by anything.	---	---
The effect of primogeniture on the organizational structure of the company.	---	Primogeniture has not played any role in the organizational structure of the company.	The first child always gets the scepter, but it does not prevent the development of the other members in the organizational structure of the company.
The willing of 1st generation to transfer the business. Behaviour after leaving.	There was a desire for the transfer. Even today the 1st generation has a direct and active involvement.	The 1st generation wanted to withdraw, but because of the enterprise's needs it is still involved.	The 1st generation wanted to withdraw, but they are 100% active. They are not involved in an issue unless they are asked.
What the founder's withdrawal style: ➢ Monarch. ➢ General. ➢ Governor. ➢ Ambassador.	General Style. Supporting and counseling, but passes his opinion without seemingly imposing it.	---	---

EMPIRICAL RESULTS

Establishment of a formal or informal management mechanism.	Has not been established.	Informal family council, the family's lunch in Sunday.	
Establishment of a 'Family Constitution'. Loss of family ownership due to sale of shares.	Clever idea, but it is still early. He ensures that anyone who wants to sell he does it only to other family members.	It is not necessary due to the size of the business and the bonding of the family. If someone wants to sell he will sell to another family member.	
Establishment of a family foundation.	No, since wealth is reinvested in business.		
Does the Family Governance Mechanisms help?	There are no written standards or procedures for family members.		
Financial Performance during the first five years.	Stable with rising tendencies. The succession did not affect earnings.		
Qualification standards and experience for family members to occupy specific positions. External consultants.	There are no standards, each member shows its own abilities. There are no external consultants.		
Possibility to open the management team in non-family members.	He is positive if someone of his associates could be able to lead them to success.	She is positive in the idea. The experience is necessary.	She is very positive.
Characteristics of family CEO.	Persistence, appetite for work, loyalty to the company.	Love for your job.	Communication and teamworking.
CEO Selection Process. There is emotion influence of family members?	There is no selection process, either emotion influence. The only criterion is the adequacy.		
Business Group. There is separate management of each company? Separate agenda?	4 businesses. Each of the family member manages a separate business. Leaders develop their own agendas that sometimes be connected and always the family members discuss to each other all the issues.		
Existence of dilemma for selling a company.	He has not entered a selling dilemma, but he would not hesitate to sell a business if it had a profit.	She has not entered a selling dilemma, but she believes that their businesses will hardly be sold because the personal part is intense.	She has never entered a selling dilemma.
Differentiation of strategy by the second generation. Differantiation of company's portfolio.	The new generation has changed the business strategy because of its preferences and its education.	Strategy has been changed not because of succesors preferences, but due to the new era.	Of course, the new generation chose to make the business better and so diversified the strategy.
New generation's involvement in strategic decisions.	They participated from very small age. The final decision was made by parents.	She participated according to her age. Many times, they listen only her opinion.	There was not any involvement in strategic decisions at the preparatory stage.
Strategic planning process - tools.	They do not have strategic planning tools. The emotions play role.		

EMPIRICAL RESULTS

Strategic resources and capabilities that give the competitive advantage.	Knowledge, hard work.	The love for whatever she does. Her own female characteristics.	The willingness for her job.
Effect of family interests on strategic decisions of the company.	Family interests affect strategic decisions, but sometimes the opposite does happen.	Of course, they affect the strategic decisions.	Strategic decisions could be influenced by the interests of the family, but so far it has not happened.
First generation withdrawal from active decision-making and transfer the strategic planning to the next generation. Is the successors' strategy accepted?	He has not left from the active decision-making. Each strategy is accepted when it is profitable.	1st generation wanted to withdraw from active decision-making, although it keeps some pieces. Her strategy has been accepted.	1st generation wanted to withdraw from active decision-making. It did not accept her strategy from the beggining.
Involvement of family members in the strategic planning of the enterprise.	No, involvement of those who wish.	No, random choice of participants due to conditions.	Only those who want to commit themselves are involved.
The connection between family and business, as an influence in the funding decisions.	Profits are re-invested in businesses.		
Intergenerational strategy plan.	It did not exist.		
International activity in 1st and 2nd generation.	The flexibility and knowledge of the new generation has enhanced the internationalization.	There was a slower internationalization from the 1st generation, the 2nd generation developed the internationalization strategy.	
Diversification of governance mechanisms from the 2nd generation.	---	Many have changed gradually.	Conservative structures that did not respond to the era, have changed.
Second generation career linked only to business leadership?	---	She wanted to work only in the business as a career path.	She had not thought of another career path.
1st generation's inertia in terms of change. Does 2nd generation introduce innovative ideas?	---	Changes were taking place at a slower pace. The new generation introduced innovative ideas.	She can not judge the 1st generation. Nowadays, the company have become open to the changes and innovative ideas they have introduced.
Parents' receptivity concerning the succession from daughters.	---	Both were supportive.	Both receptive to deliver the baton. Mother more encouraging.
Participation of women successors in ownership and business governance.	---	The women successors participate in both.	
"Visible" female successor? Does the successor gain professional experience out of the company?	---	Because of a family culture, even if she had brothers, she would not feel less visible. No extra effort or work experience was needed.	

EMPIRICAL RESULTS

Women in the senior management positions of the family firm.	---	There is an increasing engagement of women, even now in financial crisis.	
Effect of the social bias concerning the females in the succession process. Can the woman successor self-confidence be reduced?	The succession and function of the successors were not affected, on the contrary they took the advantages of the female sex.	No, succession & function was not affected. Despite negativity, she was not influenced either.	No, succession & operation was not affected. She never received a negative attitude.
Are the women equal candidates if there are sons?	There are more chances for the daughter if she has knowledge & beauty.	---	---
Are there company networks that runed by women? Does participate in some?	---	Indeed, there are networks and she has also created one by herself.	There are networks. She has not participated in any.
Reactions or acceptance by male stakeholders.	---	Strict criticism and hesitation, due to industry rather than sex.	Positive reactions.
The effect of the mother's role in the high-level management position.	---	There is effect. It is ipmportant how much pressure a woman can withstand.	They are positive effects. The mother's role helps her to find workplace balance.
A family business provides a more flexible program for a mother.	---	The program is more flexible in the family business.	
The female successor may transfer her position in the future to her husband to dedicate to the role of mother.	---	She would not transfer her position. Job makes her creative.	She would not transfer her position to her husbant. One helps the other to be balanced.
Appropriate human resources management practices.	They have some informal human resources management rules.	They have begun to adopt human resource management practices.	They have not adopted appropriate human resource management practices, although they would like it.
Payment practices for family and non-family members.	Meritocratic system of wages, Fees according to the effort of everyone.	Common practices for family and non-family members, depending on each one's position. No benefits for family members.	
Culture concerning the relationships between the family and non-family members.	Participatory type of culture.	Professional type of culture.	Liberal type of culture.
Possible threats for the company from the internal environments of the family.	He does not see threats from within the family.	Possible threats are the creation of children's families and the involvement of young people.	Possible threat is the development of personal egoism.
Management of the internal information and knowledge between family and non-family members.	There is complete trust, information is being channeled to all levels of the business.	All information is communicated with no secrets.	Non-family workers learn only the information has an impact on them.

EMPIRICAL RESULTS

Table 2	Empirical Outcomes for the Family Firm 2		
Subject	**Founder**	**Succesor 1**	**Succesor 2**
Corporate socialization of the successor - integration.	There was not any corporate socialization process. The succesors were joined slowly from the lower enterprise's levels.		
Succession planning with scientific way.	The succession was not designed with a scientific methodology.		
Evaluation of training period.	----	She was trained step by step, well prepared for everything except sales.	She was slowly trained, and she think she was well prepared.
The effect of behavioral and emotional criteria on successor selection.	He chooses the older daughter, due to her age and experience.	----	----
The effect of primogeniture on the organizational structure of the company.	----	The first daughter took up first the most tasks and gained experience.	
The willing of 1st generation to transfer the business. Behaviour after leaving.	There was a desire to engage the next generation. The founder left due to his age, but is still involved in the administration.	1st generation wanted to withdraw due to age, but was involved in the administration after leaving.	There was no intention of leaving, the 2nd generation was involved even today.
What the founder's withdrawal style: ➢ Monarch. ➢ General. ➢ Governor. ➢ Ambassador.	The departure style was General-Governor. He supports and helps his daughters, but no decision is taken without his approval.	----	----
Establishment of a formal or informal management mechanism.	No mechanism has been established. Simple conversations with the older daughter.	No mechanism has been established.	No mechanism has been established. But everything are being discussed.
Establishment of a 'Family Constitution'. Loss of family ownership due to sale of shares.	He has not thought of it. He has no fear of losing family ownership, since it is controlled by the founder.	She has not thought about it, maybe she must do it in the future. There is a risk of loss of family control, in the very future.	She has not thought of it. There is no risk of losing family control, she would not sell shares outside family members.
Establishment of a family foundation.	He never has thought of it.	She has not thought of it. Maybe if the busness grow up.	She has not thought of it.
Does the Family Governance Mechanisms help?	There are no written standards, everything is solved through discussions.	There are no FMG structures. Only family-level discussions help. There are no written standards for family members.	
Financial Performance during the first five years.	There was no changes.	During the succession period the profits were steady. While generally rising trend.	A steady course of financial figures.

EMPIRICAL RESULTS

Qualification standards and experience for family members to occupy specific positions. External consultants.	There are no standards. they know what each position requires.	There are not written standards. They know what each post needs. There are no external consultants.	There are no neither qualification standards nor external consultants.
Possibility to open the management team in non-family members.	He is negative for the idea due to the lack of confidence.	She is positive, it needs an outside third-party with knowledge to help the balance.	It is not negative on the idea, but only at lower levels of administration.
Characteristics of family CEO.	Education and experience.	Experience, knowledge of the business.	Expirience.
CEO Selection Process. There is emotion influence of family members?	There is no selection process. The choice made due to experience.	There is no procedure. The selection was made from the 1st generation.	
Business Group. There is separate management of each company? Separate agenda?	There is one enterprise in the family business group. All members are participating in the administration.		
Existence of dilemma for selling a company.	He has never been in a dilemma selling the business.	She has never been in a dilemma.	She does not have a dilemma, if she wants to leave she will give her shares to her sister.
Differentiation of strategy by the second generation. Differantiation of company's portfolio.	The business's strategy has not changed from 2nd generation interests and preferences. There was not any shift of a 1st generation's business portfolio.		
New generation's involvement in strategic decisions.	There is no involvement of the new generation in decision-making.	There is an involvement in decision-making. They always discuss everything like a family.	There is no any involvement in strategic decisions and decision-making.
Strategic planning process - tools.	They have not any tool. Feelings doon't play any role.	Every year they make business plan, with market analysis, marketing mix, distribution channels, competition analysis but in simpler form.	There is no formal process and tools. There are some more informal business plan forms. Feelings play a role, because members must agree among themselves.
Strategic resources and capabilities that give the competitive advantage.	Their feature to adapt quickly to changes.	Good management of product and innovations.	Customer service & networks.
Effect of family interests on strategic decisions of the company.	They have not influenced so far but could in the future.	They have not influenced so far but could in the future.	Family decisions do not affect family interests. The family follows the business.

EMPIRICAL RESULTS

First generation withdrawal from active decision-making and transfer the strategic planning to the next generation. Is the successors' strategy accepted?	He wanted to leave because of fatigue. He still actively participates in decision-making. The successors' strategy was not accepted in the first stages.	The 1st generation had the willing to leave, not from the first years that new generation take over. The succession strategy was not accepted from the beggining.	The first generation has not yet left the active decision-making. The succession strategy was not accepted from the beggining.
Involvement of family members in the strategic planning of the enterprise.	The involvement of family members is not only an element of strategic planning. It has been decided not to engage other relatives.		
The connection between family and business, as an influence in the funding decisions.	It is not emotional effect in such decisions.	Decisions on funding are affected from the link family-business.	
Intergenerational strategy plan.	There was not any intergenerational strategy plan that followed by the 2nd generation.		
International activity in 1st and 2nd generation.	There is not any international activity for the company.		
Diversification of governance mechanisms from the 2nd generation.	----	Several things have changed.	Slight changes.
Second generation career linked only to business leadership?	-----	She could not follow a different career path.	There was no alternative, 1st generation did not leave time to think of a different career path.
1st generation's inertia in terms of change. Does 2nd generation introduce innovative ideas?	----	The 1st generation made changes in a slower way. Innovative ideas were introduced by the 2nd generation but followed the same slow adoption of the changes.	There was an inertia of the 1st generation. Innovative ideas were introduced by the 2nd generation.
Parents' receptivity concerning the succession from daughters.	----	Mother neutral. Father receptive.	Mother receptive. Father hesitant.
Participation of women successors in ownership and business governance.	----	They participate in both dimensions.	
"Visible" female successor? Does the successor gain professional experience out of the company?	-	She believes it depends on the age of the brothers and the temperament. An additional effort was required to demonstrate competence, but no work experience outside the family firm.	She would be less visible in succession if she had brothers. An additional effort was required to demonstrate competence, but no work experience outside the company.
Women in the senior management positions of the family firm.	----	He did not see any increase, but he heard that he was there.	Women are involved but there is no increase.

EMPIRICAL RESULTS

Effect of the social bias concerning the females in the succession process. Can the woman successor self-confidence be reduced?	----	The process of succession and the successor's operation was unaffected by social bias. It did not reduce her self-confidence.	The process of succession and the successor's operation was affected from social bias. Her self-confidence has not diminished.
Are the women equal candidates if there are sons?	It is the same. There is not any gender issue.	----	----
Are there company networks that runed by women? Does participate in some?	----	She does not know networks of companies which runed by women.	
Reactions or acceptance by male stakeholders.	----	They were hesitant in the beginning.	
The effect of the mother's role in the high-level management position.	----	It depends on priorities. The balance can be lost.	Can be affected as you bring everything home.
The managerial position in a family business provide a more flexible program for a mother.	----	She has privileges, but it is difficult to manage together children and a company.	No, it is not generally flexible because you are committed without hours.
The female successor may transfer her position in the future to her husband to dedicate to the role of mother.	----	She is positive to the idea if the husbund had adequate knowledge.	No, she would not transfer her position to her husbund because he should not be involved in family businesses.
Appropriate human resources management practices.	They do not have official human resources management practices.	They have training process and they are considering integrate an evaluation process.	They have not adopted appropriate practices. Only in the technical department they have tests and training process.
Payment practices for family and non-family members. Wages and benefits for family members.	There are no privileges and bigger wages for family members. His daughters have the lowest wages.	Depending on how much everyone works. There are some privileges for family members.	The salaries are the same, there are no privileges for family members.
Culture concerning the relationships between the family and non-family members.	Liberal type of culture.		
Possible threats for the company from the internal environments of the family.	The future successors's husbunds and these who do not belong to the hard family circle.		
Management of the internal information and knowledge between family and non-family members.	All information is shared.	Not all the information is shared, some of them are kept within family.	All information is shared.

Concluding Remarks

<u>Succession:</u>

- Primogeniture did not play role.
- Experience & Suitability of successor played a key role.
- Family firm acts informal and without procedure of business socialization.
- Selection procedure was not planned in scientific way.
- Financial performance Bond of family& firm has proven efficient.
- Group of successors.

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Concluding Remarks

Firm:

- Governance not act by formal rules.
- FMG there are no formal structures.
- Organization & Administration do not have model of qualifications & experience for family members' evaluation.
- Strategy in simply ways,without tools & methods.

Founders:

- First generation weren’t affected by emotional criteria.
- Founders wanted new generation’s involvement.
- They remain active either from their emotions or as a guidance.

Concluding Remarks

<u>Successor & Gender:</u>

- None of interviewees had dilemma of selling the firm.
- Women participate both in ownership & management.
- Increase in women's involvement in high managerial level.
- Parents had distinctive roles (Mothers more encouraged)
- Roles relation of wife and mother.
- Family firms are friendlier to mothers and offer flexible schedule.
- Family members do not have higher salaries or privilege than non family.

Section VII

Case Study 2

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Case Study 2

Quantitative Research for the Performance of F.B. in the Hellenic Exchanges.

ENTREPRENEURIAL FAMILIES ACROSS GENERATIONS IN THE GREEK STOCK EXCHANGE.

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Department of Business Administration
University of the Aegean.

Paper Presented in

14th EIASM FAMILY FIRM MANAGEMENT WORKSHOP
UCLan Cyprus, Pyla Campus, Larnaca, Cyprus
May 17-18-19, 2018

EXECUTIVE MBA PROGRAMME

586418-EPP-1-2017-1-MA-EPPKA2-CBHE-JP

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PURPOSE

The study of the corporate governance & performance in family business listed on the Athens Stock Exchange, both before and during the Greek economic crisis, considering as the beginning of the economic crisis the year of 2010.

- the degree the participation of family members in the Boards of listed family businesses;
- the degree of participation of family members in the positions of Managing Directors in listed family businesses; and
- the effect of this family nature of corporate governance in the performance of listed family businesses before and during the crisis.

The data of the 131 listed companies on the Athens Stock Exchange (ASE) for the period 2005-2015 were compiled using the Thomson Reuters database.

SAMPLE

80 Family Business in the Greek Stock Exchanges

Business Sector :	19
Number of Employees :	15 - 6.146
Family Share Capital :	>10%, >30%, >50%
Family Members in the Board of Directors :	1 - 6
CEO Family Member :	YES

Business Name	Business Sector	Number of Employees	Family Share Capital	Family Members in the Board of Directors	CEO Family Member	
GEK Terna Holdings Real Estate Construction SA	Industrial & Commercial Services	1.871	> 10%	1	Yes	
Eltrak SA	Industrial Goods	350	> 10%	2	No	
Selected Textile Industries Association SA	Cyclical Consumer Products	319	> 10%	3	Yes	
Fourlis SA	Cyclical Consumer Products	3.904	> 10%	3	No	
Intralot Integrated Lottery Systems & Services SA	Software & IT Services	5.225	> 10%	1	No	
Intracom Holdings SA	Telecommunications Services	2.133	> 10%	2	No	
Jumbo SA	Retailers	6.146	> 10%	3	No	
Profile Systems and Software SA	Software & IT Services	105	< 30%	1	Yes	
Ilyda SA	Software & IT Services	27	< 30%	1	Yes	
Aegean Airlines SA	Transportation	2.882	< 30%	3	No	
Folli Follie Commercial Manufacturing and Technical SA	Transportation	5.062	< 30%	3	No	
General Commercial and Industrial SA	Industrial Goods	78	< 30%	3	No	
Newsphone Hellas SA	Telecommunications Services	656	< 30%	2	No	
Elastron SA	Mineral Resources	151	< 30%	3	Yes	
N Leventeris SA	Mineral Resources	42	< 30%	5	Yes	
Titan Cement Company SA	Mineral Resources	5.482	< 30%	3	No	
Ellaktor SA	Industrial & Commercial Services	-	< 30%	5	No	
J & P AVAX SA	Industrial & Commercial Services	1.376	< 30%	2	No	
Haidemenos SA	Industrial & Commercial Services	177	< 30%	3	Yes	
Athens Medical Centre Commercial SA	Healthcare Services & Equipment	2.720	< 30%	3	Yes	
Intertech SA	Retailers	87	< 30%	1	No	
I Kloukinas I Lappas Construction and Commercial Co SA	Retailers	485	< 30%	3	Yes	
Korres Natural Products SA	Personal & Household Products & Services	318	< 30%	1	No	
Mytilineos Holdings SA	Industrial Conglomerates	1.886	< 30%	2	Yes	
LanaKam SA	Cyclical Consumer Products	15	< 30%	3	Yes	

Interwood Xylemporia ATENE	Applied Resources	105	< 30%	2	No
E Pairis SA	Applied Resources	128	< 30%	3	Yes
Flour Mills C Sarantopoulos SA	Food & Beverages	45	< 30%	2	No
Minerva Knitwear SA	Cyclical Consumer Products	157	> 50%	2	No
Vogiatzoglou Systems SA	Cyclical Consumer Products	108	> 50%	3	No
Elve SA	Cyclical Consumer Products	492	> 50%	2	Yes
Nafpaktos Textile Industry SA	Cyclical Consumer Products	40	> 50%	3	No
El D Mouzakis SA	Cyclical Consumer Products	184	> 50%	-	-
AS Company SA	Cyclical Consumer Products	65	> 50%	3	Yes
FG Europe SA	Cyclical Consumer Products	127	> 50%	2	No
Thrace Plastics Co SA	Cyclical Consumer Products	617	> 50%	1	Yes
Geke SA	Cyclical Consumer Services	142	> 50%	3	No
Naftemporiki Publishing SA	Cyclical Consumer Services	177	> 50%	2	No
Kiriacoulis Mediterranean Cruises Shipping SA	Cyclical Consumer Services	57	> 50%	4	Yes
MLS Multimedia SA	Software & IT Services	118	> 50%	1	Yes
Quest Holdings SA	Software & IT Services	1.288	> 50%	1	No
Logismos Information Systems SA	Software & IT Services	39	> 50%	2	Yes
Paperpack Printing Box Manufacturing and Paper Packaging Industrial SA	Applied Resources	97	> 50%	2	Yes
Karatzis SA	Applied Resources	385	> 50%	3	Yes
Flexopack SA	Applied Resources	244	> 50%	3	Yes
Viohalco SA	Mineral Resources	-	> 50%	3	No
Alumil Aluminium Industry SA	Mineral Resources	1.283	> 50%	3	No
Biokarpet Industrial and Commercial Enterprises SA	Mineral Resources	374	> 50%	2	No
Iktinos Hellas Greek Marble Industry SA	Mineral Resources	310	> 50%	4	Yes
Kordellos Ch Bros SA	Mineral Resources	88	> 50%	3	Yes
Bitros Holding SA	Mineral Resources	138	> 50%	5	Yes
Mathios Refractory SA	Mineral Resources	187	> 50%	4	Yes
FHL I Kiriakidis Marbles and Granites SA	Mineral Resources	313	> 50%	1	Yes
N Varveris Moda Bagno SA	Retailers	139	> 50%	4	No

Philippos Nakas SA	Retailers	287	> 50%	3	Yes
Plaisio Computers SA	Retailers	1.286	> 50%	2	Yes
Galaxidi Marine Farm SA	Food & Beverages	51	> 50%	1	No
Evrofarma SA	Food & Beverages	99	> 50%	2	Yes
Karamolengos Bakery Industry SA	Food & Beverages	646	> 50%	2	Yes
Flour Mills Kepenos SA	Food & Beverages	66	> 50%	3	Yes
Loulis Mills SA	Food & Beverages	220	> 50%	1	No
Ktima Kostas Lazaridis SA	Food & Beverages	58	> 50%	4	Yes
Kri Kri Milk Industry SA	Food & Beverages	245	> 50%	1	Yes
Creta Farm SA	Food & Beverages	615	> 50%	3	Yes
Elgeka Trade Distributions Representations Industry SA	Food & Drug Retailing	1.699	> 50%	2	No
Stelios Kanakis SA	Food & Drug Retailing	63	> 50%	3	Yes
Daios Plastics SA	Chemicals	118	> 50%	2	Yes
Elton SA	Chemicals	224	> 50%	5	Yes
Druckfarben Hellas SA	Chemicals	296	> 50%	1	Yes
Crete Plastics SA	Chemicals	969	> 50%	4	Yes
House of Agriculture Spirou SA	Chemicals	120	> 50%	2	Yes
Dromeas Office Furniture Industry SA	Industrial & Commercial Services	52	> 50%	3	Yes
Inform P Lykos SA	Industrial & Commercial Services	913	> 50%	1	No
Motor Oil Hellas Corinth Refineries SA	Energy - Fossil Fuels	2.017	> 50%	3	Yes
Revoil Petroleum Company SA	Energy - Fossil Fuels	184	> 50%	3	Yes
Cars Motorcycles and Marine Engine Trade and Import Company SA	Automobiles & Auto Parts	70	> 50%	1	No
Petros Petropoulos SA	Automobiles & Auto Parts	119	> 50%	2	Yes
Autohellas SA	Transportation	966	> 50%	4	Yes
Technical Olympic SA	Investment Holding Companies	416	> 50%	6	Yes
Gr Sarantis SA	Personal & Household Products & Services	1.651	> 50%	2	Yes

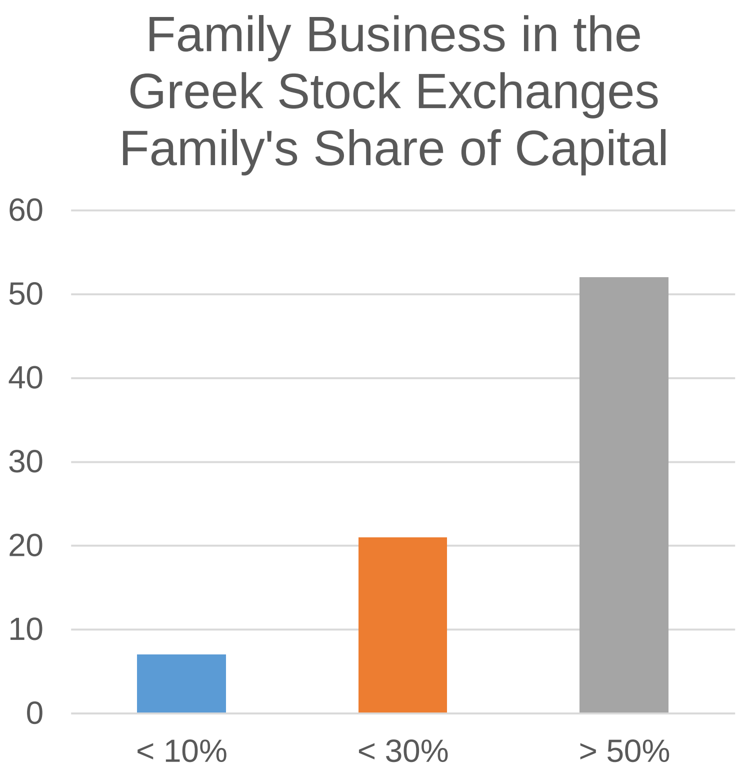
DATA

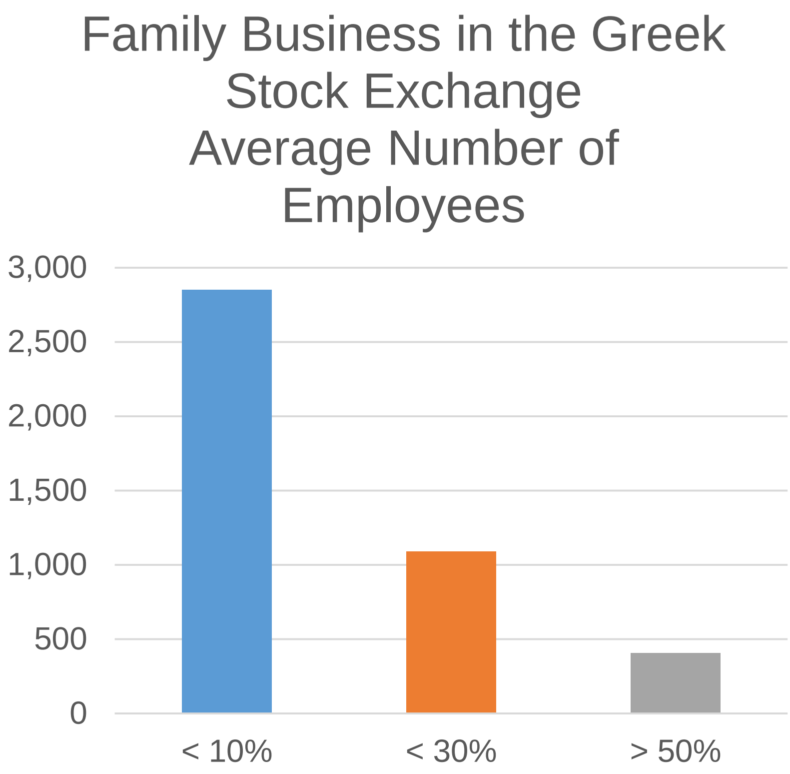
- **PRE-TAX ROA,**
- **PRE-TAX ROE**
- **EBITDA MARGIN**

for the years ***2005 - 2015***

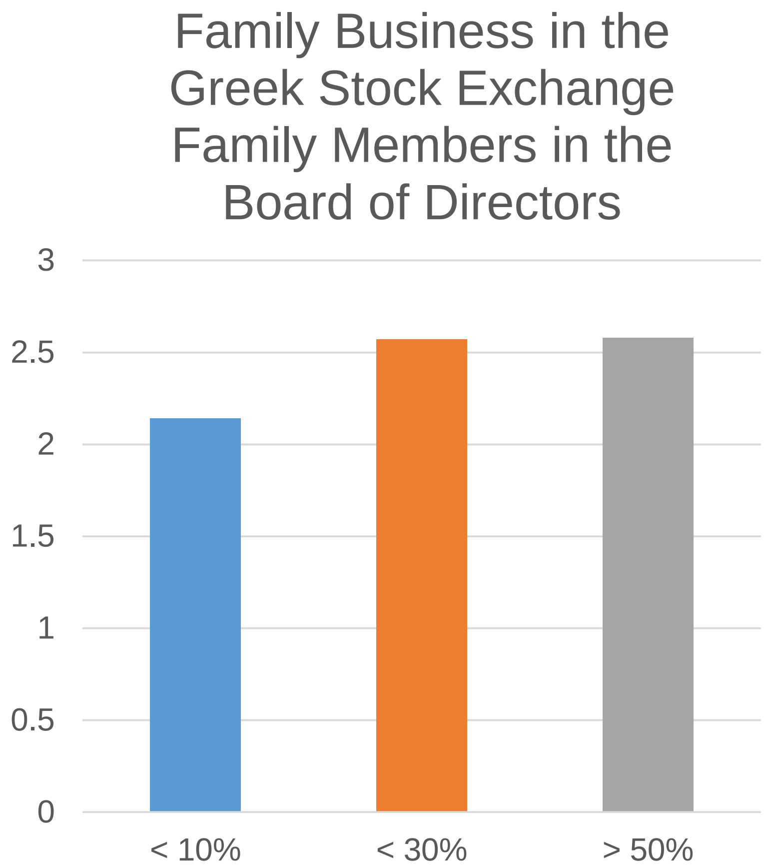
for listed companies by category	***total***	***(131)***
	family	***(80)***
	non-family	***(51)***

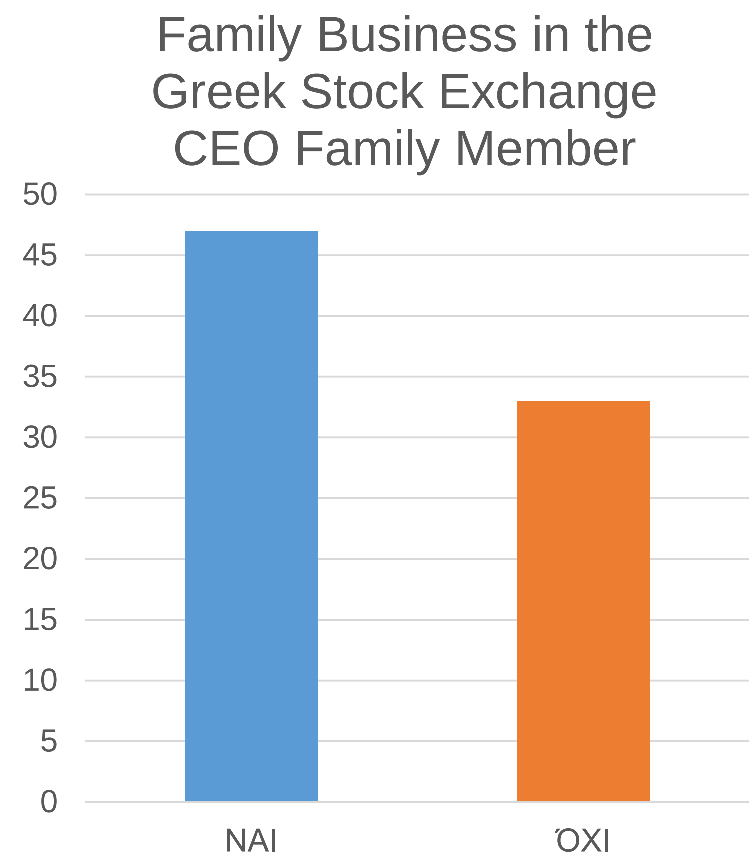
Family's Share of Capital & Number of Employees





Family Members in Board of Directors or as a CEO





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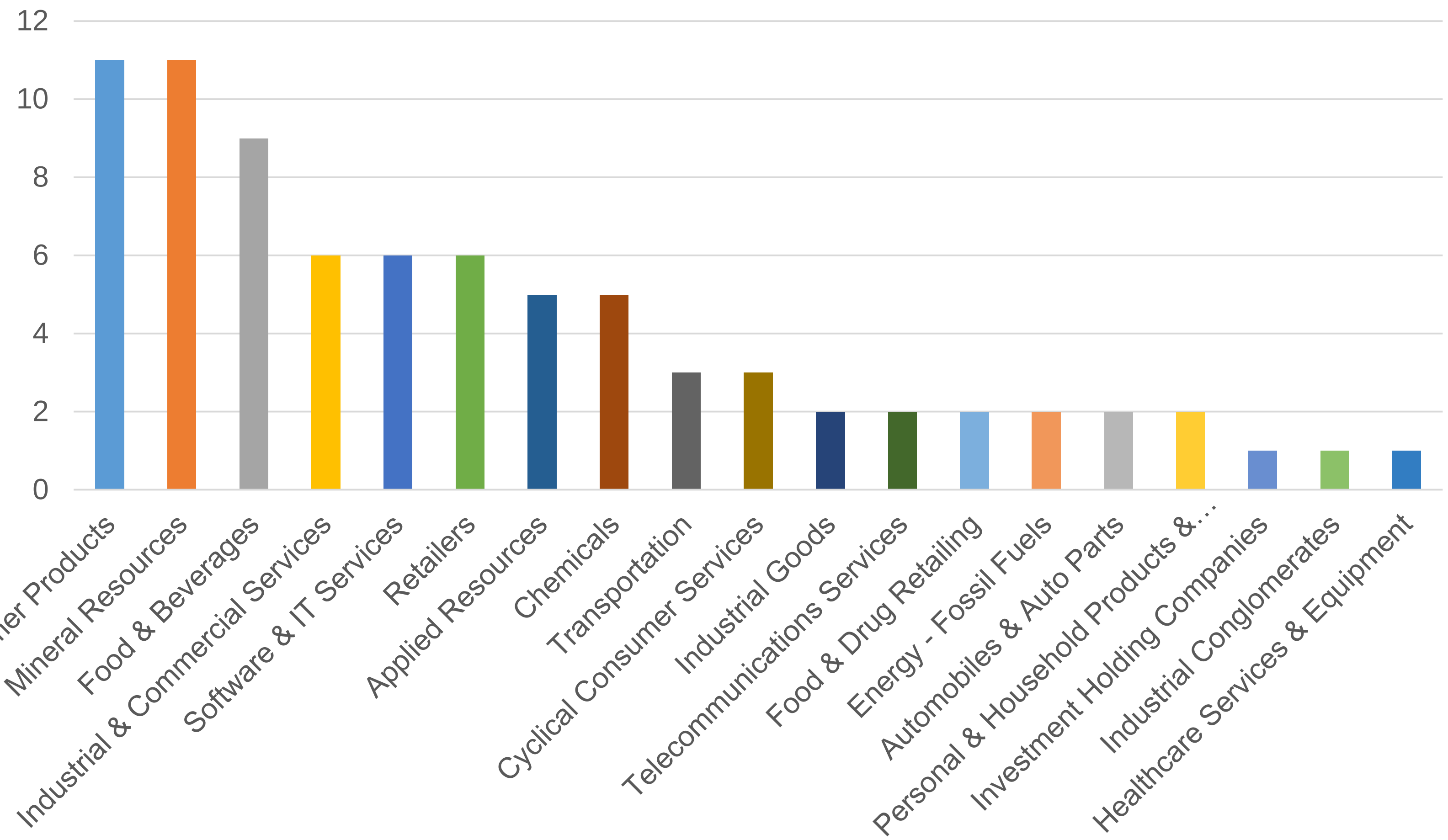
Family Business in each Sector in the Greek Stock Exchange



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GENERAL OUTCOMES

1. as the **family ownership increases** in family businesses, the **number of workers decreases.**

the families, in the **larger companies, give up their business shares** while, the **smaller family-owned enterprises, maintain** a greater degree of **family character.**

2. as the percentage of **ownership** in family businesses **increases**, the **family members** increase in the **Board of Directors**.

bigger increase in enterprises with ownership rates between 10% and 30%.

the **majority** of family businesses maintain a **family member as Chief Executive Officer.**

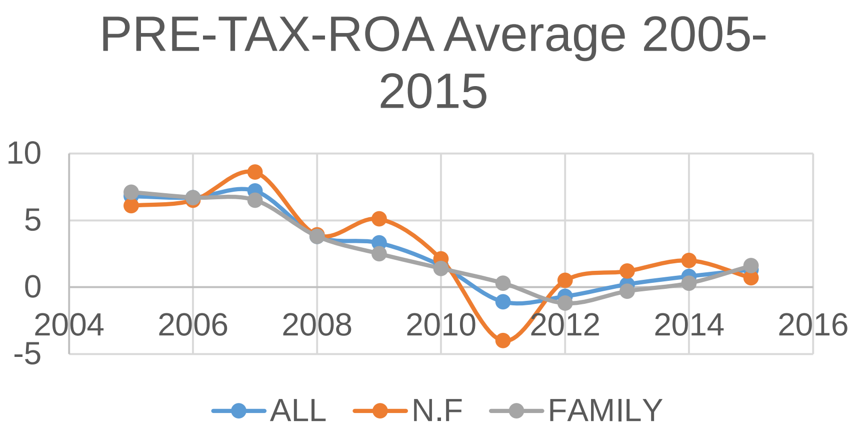
3. **8 sectors** with the most **important presence of listed family firms**

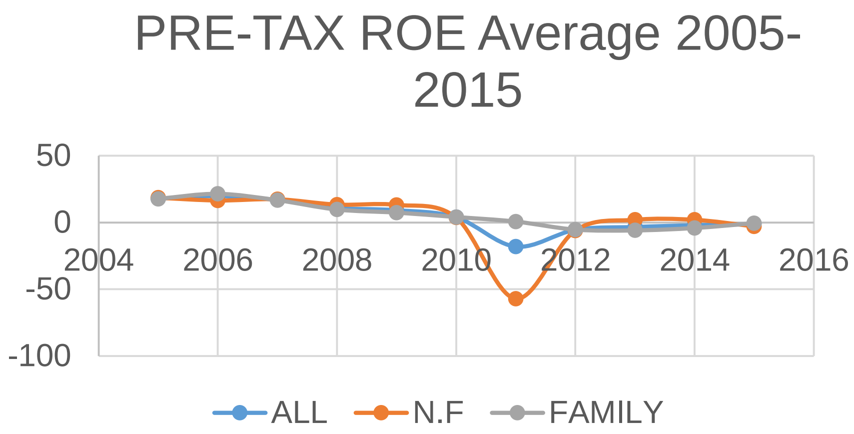
Chemicals - Applied Resources - Retailers - Software & IT Services -

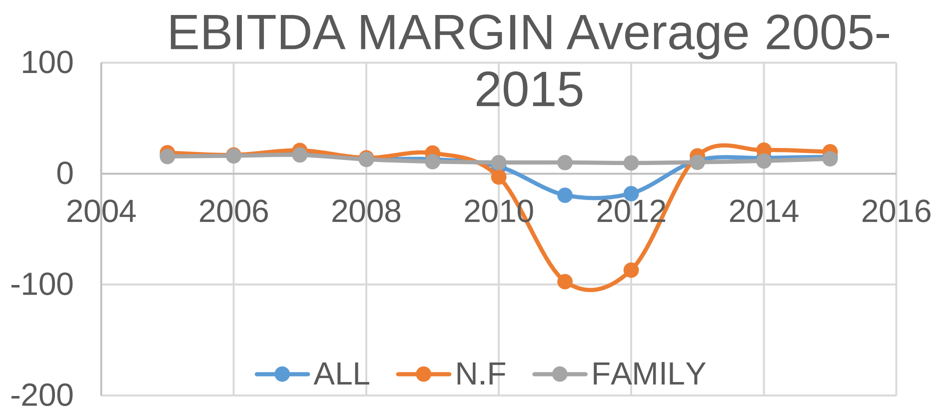
Industrial & Commercial Services - Food & Beverages –

Mineral Resources – Cyclical Consumer Products

Financial Performance (2005-2015)







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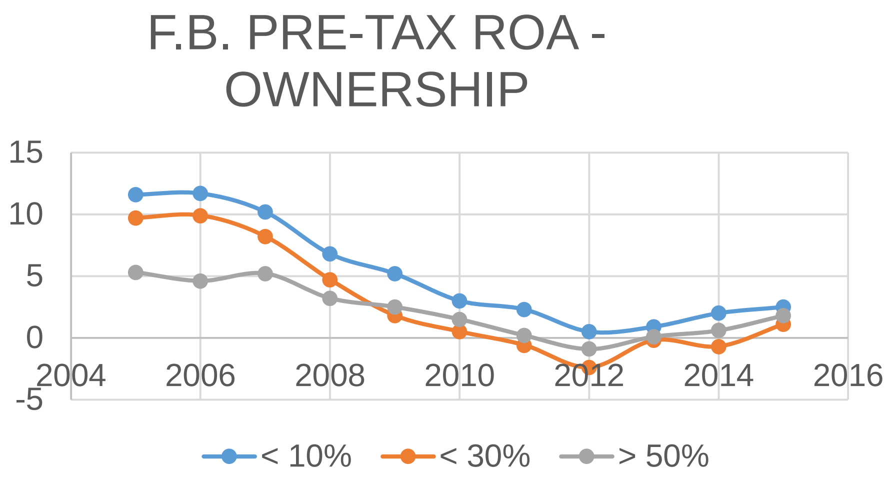
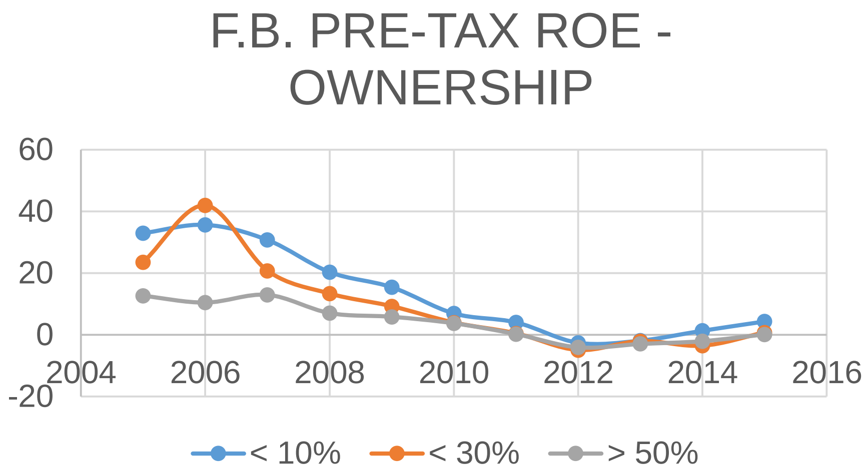
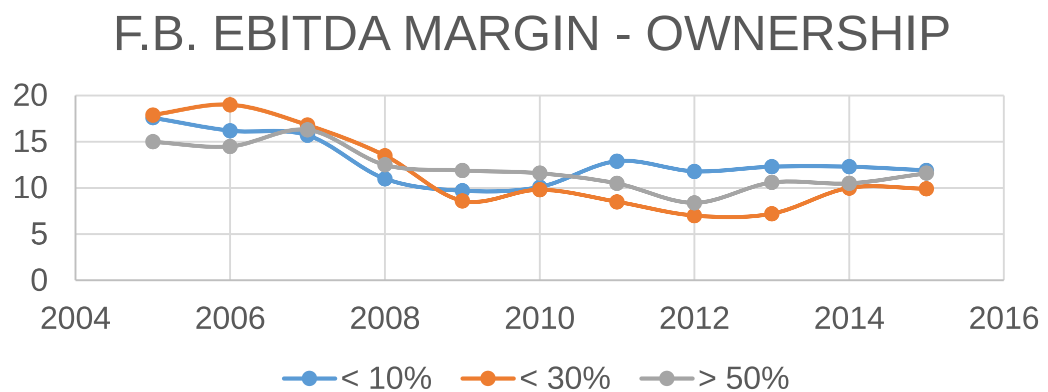
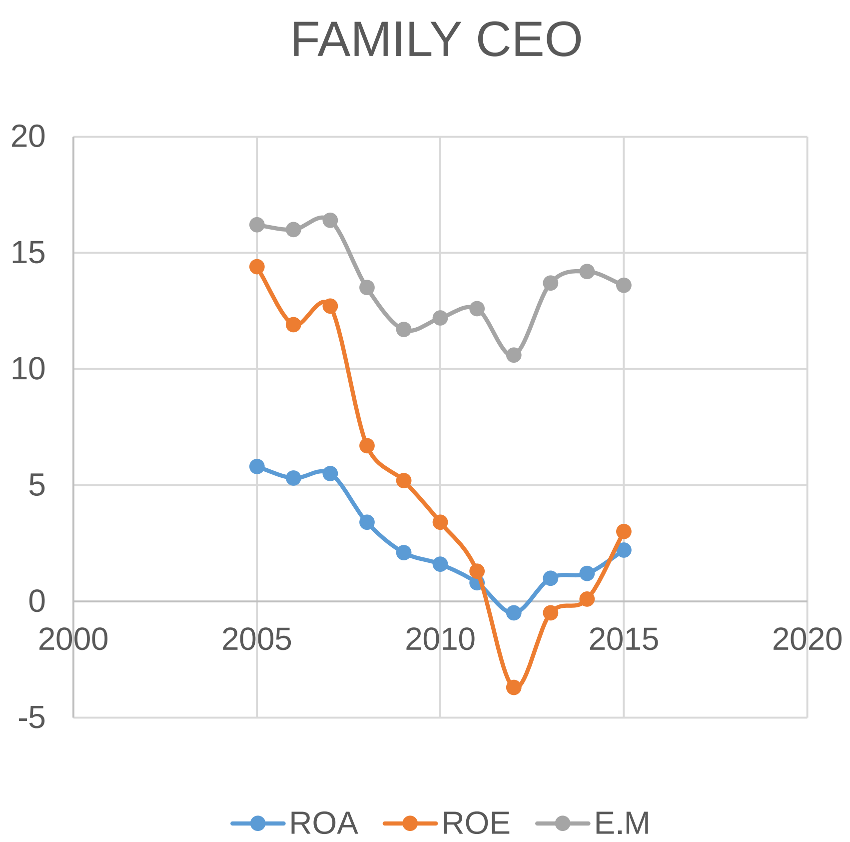
Financial Performance of Family Business - Ownership

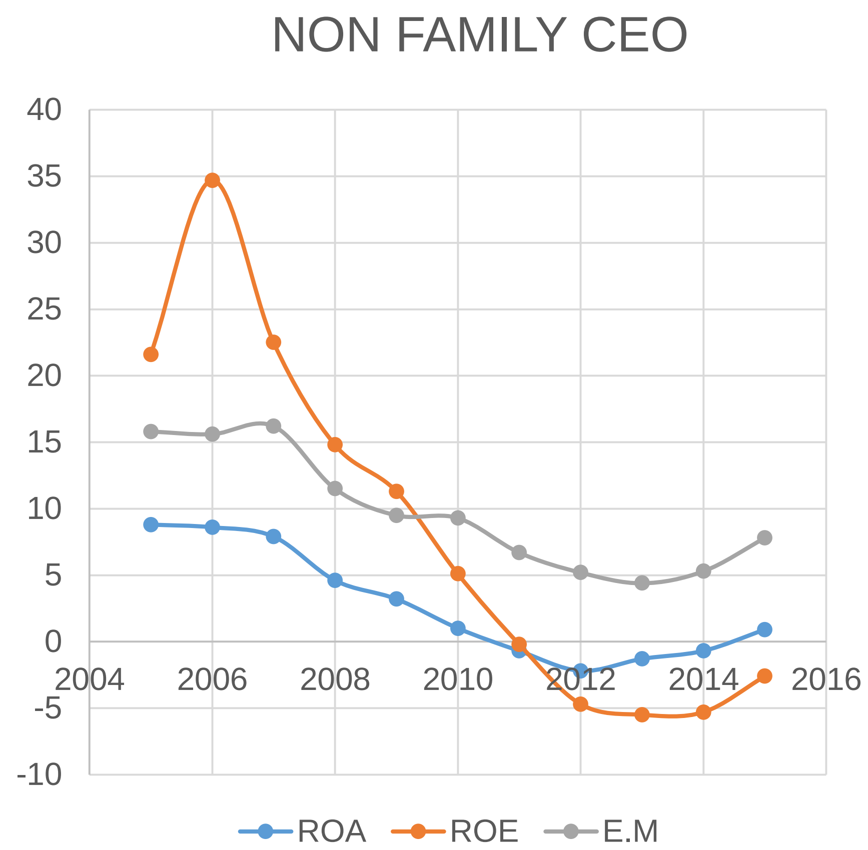




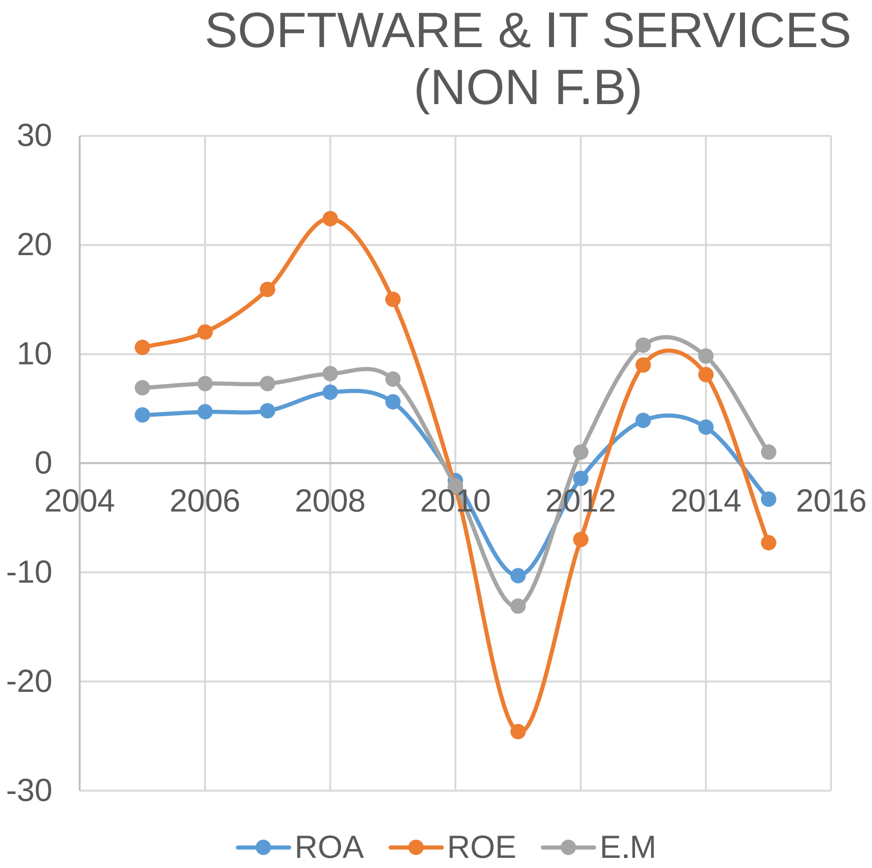


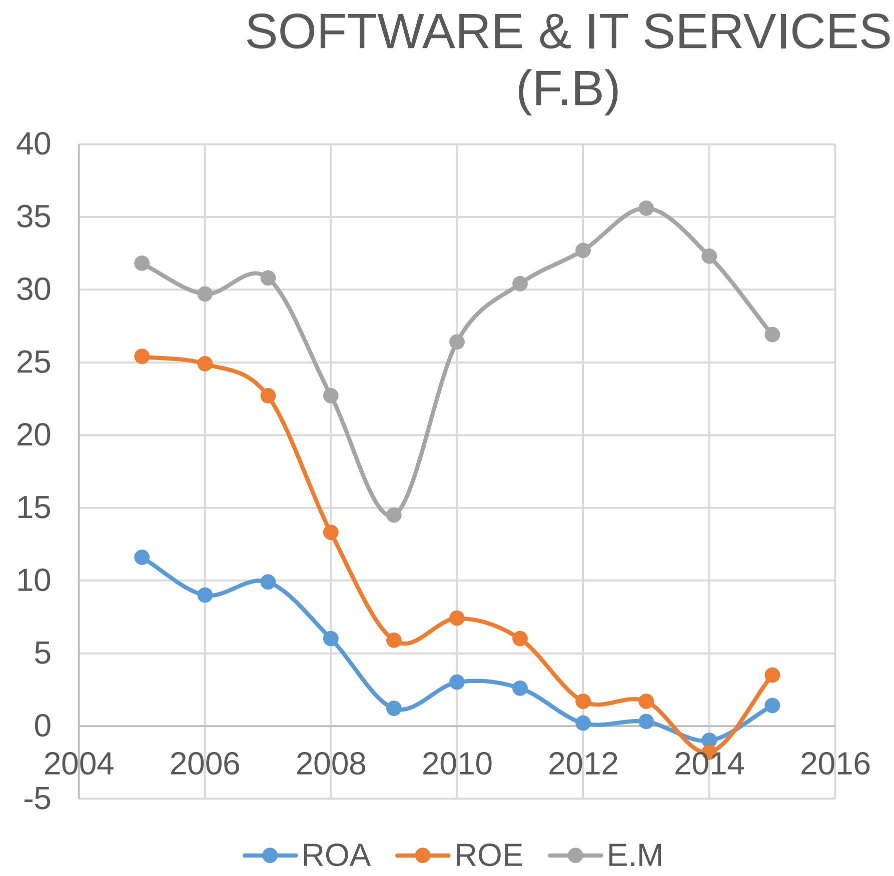
The effect of CEO in the performance



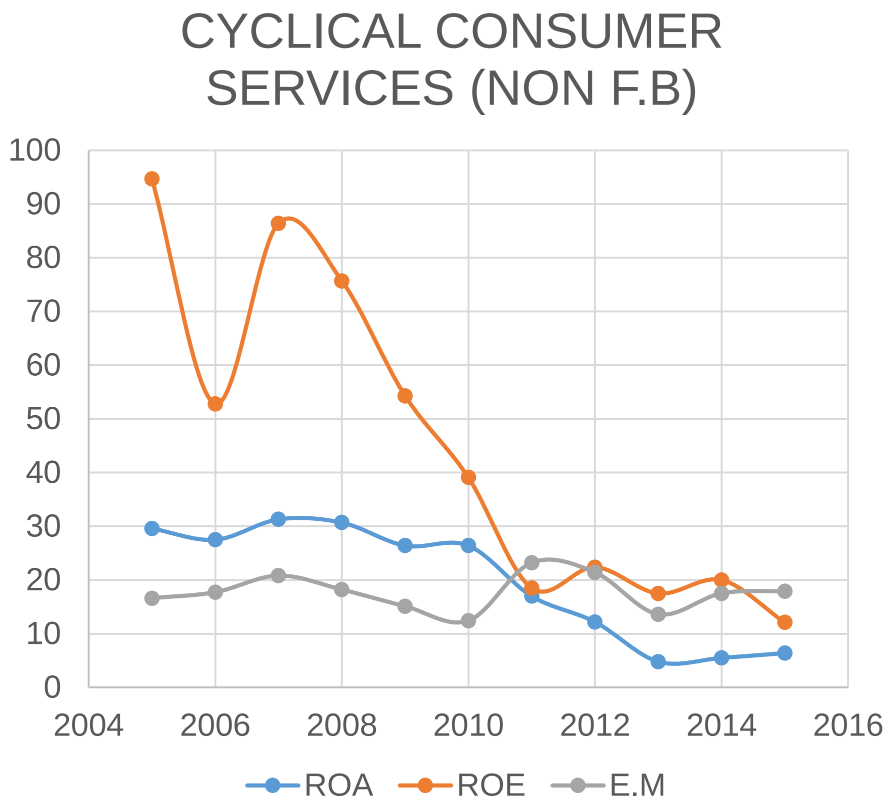


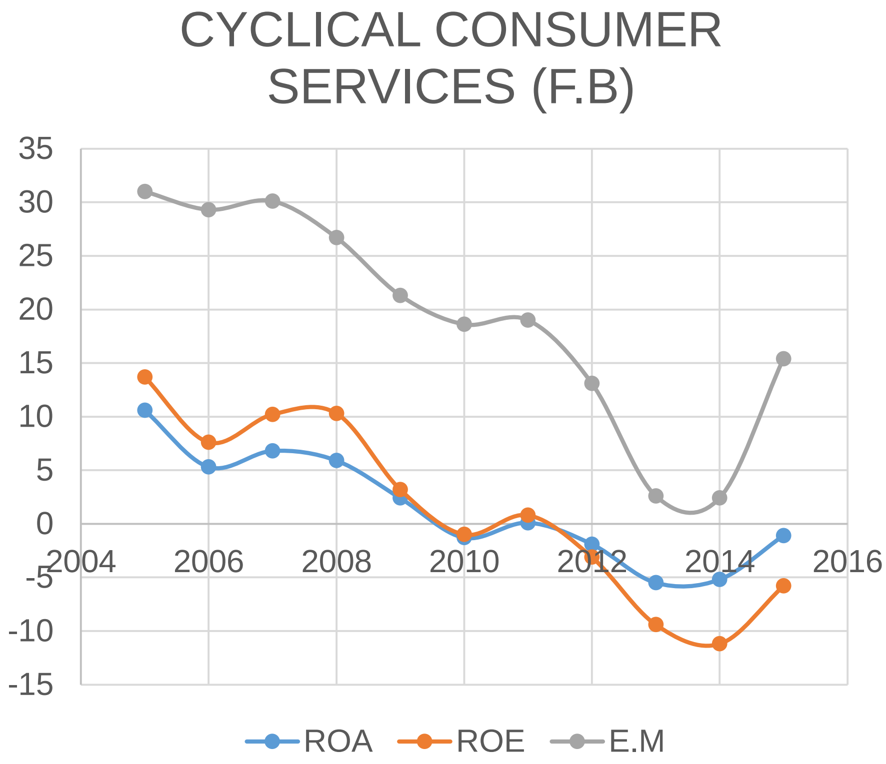
Financial Performance for family and non family firms in the sector of «Software & IT Services»



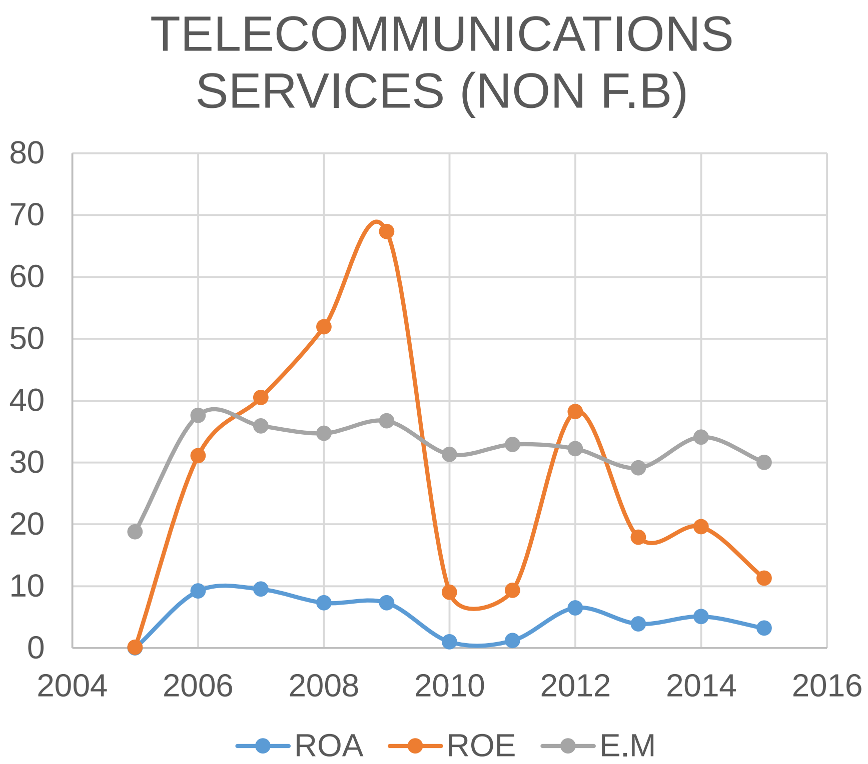


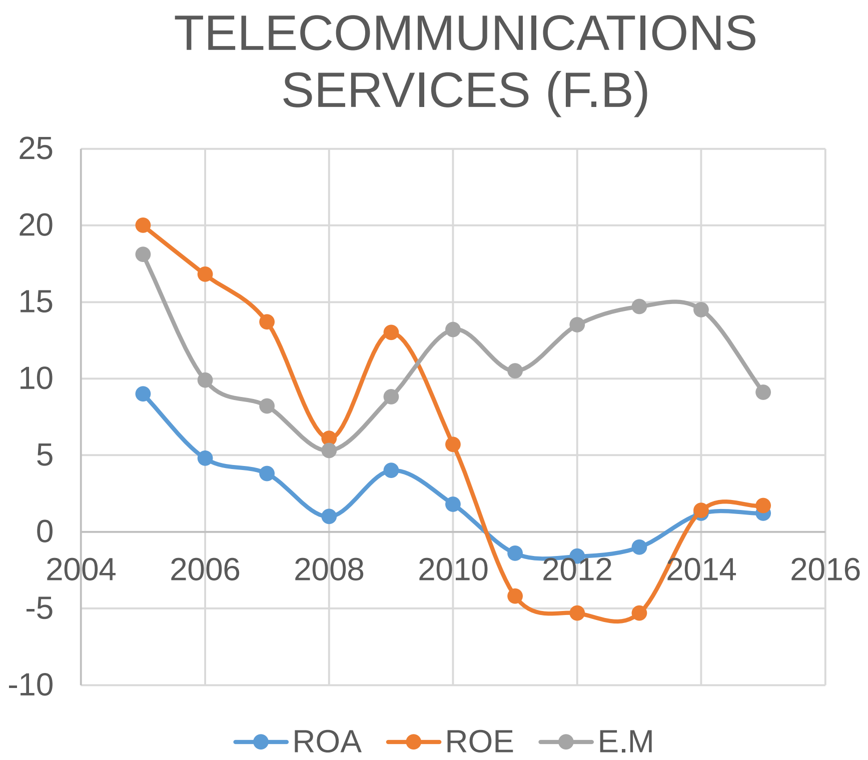
Financial Performance for family and non family firms in the sector of «Cyclical Consumer Services»





Financial Performance for family and non family firms in the sector of «Telecommunications Services»





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PERFORMANCE OUTCOMES

4. **family businesses** in all three financial indicators show a more **stable** course, especially in the **three-year period 2010 - 2012** where the effects of the economic crisis are particularly evident in non-family enterprises, which have a sharp fall in all three indices. From this we conclude the **greater stability** demonstrated by family businesses **during the economic crisis**.

5. in all 3 financial indices the family enterprises with a **share of less than 10%** of the family have a clearly **better behavior than the other 2 categories**, which leads us to conclude that as the **professionalization** of a business **increases** its **performance** and its overall behavior in best.

6. Observing these comparative charts, it is noted that in both cases the behavior of listed family businesses is similar **without** any **noticeable difference** in the **influence of the CEO's origin**.

PERFORMANCE OUTCOMES

7. in specific sectors **the behavior of listed family businesses appears to be better**, **more stable**, with increased **resistance to the period of economic crisis without sharp fluctuations** in yield, and **faster recovery - exit from the economic crisis**.

(Software & IT Services, Industrial Goods, Cyclical Consumer Products, Industrial & Commercial Services, Food & Beverages, Transportation and Applied Resources)

5 out of 8 with the most significant presence of listed family businesses

8. in certain sectors the **behavior** of **both** listed family businesses and listed non-family businesses is **similar without any noticeable difference** during the period of the economic crisis.

(Cyclical Consumer Services, Energy - Fossil Fuels, Healthcare Services & Equipment and Personal & Household Products & Services)

4 out of 11 with the least significant presence of listed family businesses.

PERFORMANCE OUTCOMES

9. in certain sectors the behavior of **listed non-family businesses** appears to be **better**, **more stable**, with increased **resistance** to the period of economic crisis without sharp fluctuations in return, and a **faster recovery** - exit from the economic crisis.

(Telecommunications Services and Mineral Resources)

the fact that only 2 branches belongs to in this category, does not allow us to make safe conclusions as in the two previous categories.

Research Innovation and Development Lab

Thank you for your attention

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"This project has been funded with support from the European Commission. This communication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein"