NON-FINANCIAL PERSPECTIVES ON FAMILY FIRM PERFORMANCE

By

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ABSTRACT

Family owned businesses are the backbone of the world economy but are poorly understood due to their complex nature. As a member of a family business, I was interested in systematically examining the nature of success within such firms. An initial study sought to reveal how family and non-family participants within a family business perceived attributes of successful times in the firm as well as features of times when their firm was perceived to be less successful. From this line of inquiry, several themes emerged that seemed to distinguish more successful firms from those that were perceived to be less successful. These themes included Shared Vision, Trust, Organizational Development, Confidence in Management Ability, etc. A second quantitative research study was conducted to assess these concepts and explore whether they constituted the foundation of a more effective organizational culture which improve overall firm financial performance. The non-financial nature of these themes suggests the opportunity to construct an index to predict organizational performance without relying on financial outcomes which are not readily available from private family owned firms. Research findings identified four significant variables; Shared Vision, Role Clarity, Confidence in Management and Professional Networking that impact firm financial performance. In addition, the functional integrity of the family also proved to have a significant supporting role. Taken together, the variables may indicate the presence of an effective culture might also prove instrumental in the long term sustainability of family owned firms.

Key words: Family firm; performance; culture; non-financial indicators, sustainability

DEDICATION

To my family, friends and colleagues:

MOUNTAINS OF LIFE

Live each day as you would climb a mountain. An occasional glance toward the summit keeps the goal in mind, but many beautiful scenes are to be observed from each new vantage point. Climb slowly, steadily, enjoying each passing moment; and the view from the summit will serve as a fitting climax for the journey. It is incredible as we reach our limitations, the self-imposed limits fade away. As we draw near to what was considered our capacity, we discover new-found ability. When we approach our boundaries, the borders disappear and we find new horizons. Only when reaching the summit can we catch a glimpse of yet another mountaintop. We have within us capacity beyond our dreams. Only when we push beyond, can we discover who we really are.

- Anonymous.

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Finally, to all classmates & practitioner/scholar colleagues whose paths I have crossed, especially the class of 2010. Your presence added to the richness of my experience and I feel privileged to think of you as friends and colleagues.

Thank you all and as I look to the future, I believe the best is yet to come!

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AN INTRODUCTION TO THREE RESEARCH REPORTS THAT CONSTITUTE THE RESEARCH REQUIREMENT OF THE DOCTOR OF MANAGEMENT PROGRAM

Combined, this research seeks to investigate and comprehend the nature and inner workings of ‘success’ and ‘performance’ within family owned businesses. Family owned businesses are a multifaceted form of business due to the presence of two complex and overlapping systems of Business and Family. As a result and inherent in the nature of family businesses is the intense emotional connections between family members (Tagiuri and Davis 1996). While often studied, this dynamic remains the subject of continuing research (Stewart and Hitt 2010).

The uniqueness of this form of business organization distinguishes it as a separate field of study (Chua, Chrisman et al. 1999). Formal study and research of family owned businesses is a developing area for scholarly research with heightened rigor and sophistication in recent years (Bird, Welsch et al. 2002).

Family owned businesses are the most common form of business organization in the United States, representing over 60% of business entities (Astrachan and Shanker 2003). At the same time, a significant practitioner community has also developed to serve the unique needs of family firms.

Our study sought to examine several issues. First, we asked: what are the key elements of success among family owned firms. Would these understandings be consistent across members of the same firm, specifically from family members to non-family members? How would these perceptions differ across firms? Due to the unique nature of family firms, an understanding of ‘success’ would not be complete without the perspectives of firm members themselves. In addition, we sought to compare the views of members of “very successful firms" versus "less successful firms". This step was thought to reveal firm attributes, policies and/or behavior which distinguished levels of performance across family firms within the same geographic region and industry.

Second we considered whether their beliefs and attitudes of success ultimately influenced the firm performance. To do this, we examined how to operationalize the revealed organizational attributes affecting family firm success and validate their influence on financial performance of family owned firms. In essence, we ask: whether certain non-financial attributes of family businesses might serve as indicators or even predictors of performance and thus help explain the longer term sustainability of the business.

The structure of the paper first reviews relevant family business literature and conceptual frameworks considered in our study followed by a general introduction into the specific studies and finally addresses the purpose, method and findings of each study.

Family Business Literature and Conceptual Frameworks

Family owned and managed businesses have existed for centuries and served as a fundamental, even primary business institution from ancient times (Bird, Welsch et al. 2002). Likewise, early economic history of the United States is full of family dynasties (e.g., Ford, Rockefeller, Carnegie, Vanderbilt, etc.) which were at the forefront of economic and technological development. As a formal field of study, however, family business research is a fairly recent phenomenon. Though some practitioner and scholarly activity predates the 1980's, the vast majority of activity began toward the end of the century. Significant milestones, for example, being the establishment of the *Family Business Review*, the first peer reviewed journal dedicated to family firms in 1988.

Important to the development of family business research was establishing its identity as a distinct field of study. Previously existing fields of study, such as small business management and more recently, entrepreneurship, overlap in many respects with the field of family business. The presence of both a family system as well as a business system is seen as a distinguishing feature of this field of study. In recent years many studies have focused on the performance differences between family and non-family firms (Anderson and Reeb 2003; Lee 2006; Villalonga and Amit 2006). While most studies have focused on financial performance some have examined other dimensions, such as operational efficiency (Lee 2004). These studies have yielded some differences but on the whole are not conclusive (Gibb Dyer Jr 2006). While these studies add to the development of family business research, narrowly targeting family firm inquiries to comparisons with non-family firms may draw attention away from in depth analysis and full understanding of their complex world. Further examination of the potentially unique indicators and drivers of family firm performance are warranted.

However, few studies have focused on the organizational level (Sharma 2004). Indeed, fundamental to the field of family business research is the questions: What are the implications of family ownership and management for firm performance? While focused primarily on firm performance, we recognized and included measures of 'family' into our research to capture the richness and nuances of the family firm. Given the nature of the complex nature of family firms, we expected the 'family' dimension to have some impact on overall firm performance.

A question fundamental to this study arose from curiosity of the nature and perception of success for family owned businesses. As a unique organizational form, the family business is thought to have more complex and broad themes regarding organizational success. One perspective on the ultimate success of the family owned business lies in the goals pursued by family firms. Several studies have attempted to surface the varied goals pursued by such firms. Private family firms may consider or pursue other objectives such as tax minimization, private family or personal benefits and other non-financial goals that impact financial results (Tagiuri and Davis 1992; Dunn 1995; Paige and Littrell 2002; Walker and Brown 2004). These and other studies describe perspectives on the goals of family firms. Table 1 below, briefly outlines examples of both financial as well as non-financial goals across various levels of analysis. They suggest that the domain of perceived success in the family firm context may be quite involved.

TABLE 1
Family Business Goal Matrix

Unit of Analysis	Financial Goals	Non-Financial Goals
Individual	Wealth Accumulation, Personal Financial Security	Personal Autonomy, Prestige and Satisfaction
Family	Family Financial well being and Security	Good Family Relationships
Organization (the Family Business)	Profit, ROI, Sales Growth, etc.	High Quality Products, Firm Reputation, Employee Job Security, etc.
Community	Philanthropy	Community Respect, Other Social/Community Concerns

The table above deals primarily with the goals of family firms. However, goal achievement does not exclusively define success but certainly represents an important aspect of performance in the family business context. Therefore reliance upon a single performance metric such as profit maximization or return on investment is therefore limiting and may even be an inappropriate representation of overall performance of private family firms.

While researchers in the field have posited that inherent differences between family and non-family firms affect performance, evidence to date in not conclusive. Also, most studies have involved public firms. Therefore, research into the performance of private family businesses remains underdeveloped.

In recent years, several conceptual frames have been proposed to solidify the field and direct research efforts. These efforts develop the foundation for establishing a structured approach to family business research. Among these perspectives is the Family Business Sustainability Model (FBSM) (Stafford, Duncan et al. 1999) which recognizes both the family and business system as fundamental features of the family business context. The SFBM represents a flexible systems approach. This approach focuses on the interaction between the family and the business as critical to the long term sustainability of the firm. The model also is broad in its consideration of the factors, financial or non-financial, which are important to the long term success of family firms. It is critical that these characteristics or dimensions be included in order to capture the full richness and complexities of the family business.

The theoretical foundation of the field of family business research is a necessary and evolving aspect of ongoing research. Development of a rigorous theory of family business is just beginning" (Chrisman, Chua et al. 2005). While such fundamental research in needed, family businesses as well as family business practitioners also need practical, evidence based research to assist in aiding the continued success of family firms. We sought to extend recent scholarly research into practice by investigating how to operationalize the conceptual SFBM as it relates to firm financial performance.

OVERVIEW OF THE STUDIES

We began with an overview of the field of family business research and the development and findings of inquiry as to the indicators and drivers of firm performance. While much research has been conducted on performance of family owned firms, much of it has focused on larger public firms. Fewer studies have been conducted on private family firms due to the lack of available or reliable financial information. While investigation into financial performance differences among family firms is essential, the multidimensional make up of family firm success asks for consideration of broader elements, including potential non-financial metrics. To reveal perceptions of success, a detailed qualitative research study was conducted with a small sample of family owned and managed firms in the manufacturing industry. A fundamental inquiry for this study was to seek an understanding of how key constituents of family owned businesses understand firm and family success? It is important to include the perspective of firm members in order to fully understand the meaning of success in this context. The perceptions and attitudes of family firm members, may reveal other themes or dimensions on which success of the family firm is perceived. How did they describe success in their organization? Finally, we asked; how and to what extent do such beliefs and attitudes about success influence firm performance?

To further investigate the qualitative findings discussed below, a second, quantitative study followed. This study sought to more specifically define and measure the influential themes revealed in the qualitative study. Based on the themes of more successful firms, established construct scales were sought as measurement tools to quantifiably evaluate their potential influence on family firm financial performance. For this study, firm financial performance was used as the dependent variable. Though we sought to uncover potential non-financial indicators of overall firm performance, such variables were thought to need to be aligned with financial performance. As a requirement of long term sustainability, profitability was thought to be a necessary component of long term firm performance. Therefore, we sought factors, from a broad perspective, that might be used to establish and measure performance of family owned firms. We asked; do certain nonfinancial indicators of organizational performance align with objective and perceived financial results of a family owned firm?

In addition, we posited that a number of these non-financial factors might comprise an index of family firm performance. We also considered whether this group of factors might have predictive powers beyond merely being associated with firm performance. Specifically, we asked: What non-financial organizational traits influence financial performance in the family owned firm? Could this composite variable of business organizational traits be a significant predictor of firm financial performance? Is so, such a composite variable could prove to be an effective tool where financial performance data is unavailable and a broader measure of performance is desired.

The following sections outline the purpose, methods and findings of our research studies into the nature and perceptions of family business success and performance. They are presented sequentially as the findings of the initial study guided the approach to the second study.

PURPOSE, METHODS AND CONCLUSIONS OF EACH STUDY

The Qualitative Study

Purpose. The motivation of this study arose from curiosity into the nature of "success" in the context of family owned firms. Previous research has documented the complex nature of family firms. They are often characterized as having multiple or even conflicting goals as discussed at length in both practitioner and academic literatures. This study sought to surface how firm success is understood by various family firm members.

The key research questions driving this research include: What non-financial organizational traits influence financial performance in the family owned firm? Do certain nonfinancial indicators of organizational performance align with objective and perceived financial results of a family owned firm? Might these organizational traits compose a predictor variable of firm financial performance? The conceptual model implies that some organizational traits may impact the family while others may impact the business. Some factors may have an influence on both the family and the business.

Methods. The exploratory qualitative research was greatly influenced by Grounded Theory. The focus of a Grounded theory approach lies with the participants who are embedded in the environment of interest. It seeks to reveal participant experience and perceptions as a method of understanding their 'lived world'. By using this approach, research is 'grounded' in the real world experiences of research participants.

To reveal these lived world perspectives, semi-structured interviews were used. The interview protocol was based on a critical incident approach. Research participants were asked a series of open ended questions which asked them to recall times when their firm was "particularly successful" as well as during times when their firm was "not successful". The definition of “success” was left up to each individual to interpret. In this way, participant comments, stories and recollections formed a rich pool of data from which to discern how they perceived both very successful times and less successful times in the history of their respective businesses. From this rich source of data, it was the research intention to understand common themes and differences between perceived levels of success both within and across participating firms.

All of the firms included in this study were located in the Midwest region of the United States. Industry contacts known or introduced to the researcher provided a list of family owned printing companies. Several knowledgeable industry experts then independently classified these firms as “very successful”, “less successful”, and “unsuccessful”. Three firms that had been unanimously categorized as “very successful” and three classified as “less successful” were invited to participate in the study.

A total of twenty members from six family owned commercial printing firms located in the U.S. Midwest region participated in the study. The firms represented a variety of generational ownership ranging from 2nd to 5th generational ownership. The sample included the family member CEO/President from each firm. In addition, a second family member/manager was interviewed. The sample also included at least one senior non-family manager from each firm. In this way, similarities and differences within firms could be examined as well as differences between firms. All of the family member employees were shareholders in their respective firms and none of the non-family members were shareholders. All interviews were recorded and transcribed.

Findings. Participant interviews were analyzed using thematic analysis in order to reveal common themes within the “very successful firms” (VSFs) and “less successful firms”

(LSFs) groups as well as for differences between the two groups. Several themes were revealed that indicated differences across the two main categories of firms.

Family business research has been constrained by a lack of consensus about how to measure firm success. Our overall findings suggest that it may be possible to develop metrics to evaluate levels of family firm success. Specifically our study revealed four factors associated with higher levels of firm success. These factors were much more prevalent in VSFs when compared to the LSFs. To summarize, VSFs were characterized by…

- Greater emphasis on concrete measures of success:
- Heightened attention to personal and organizational development
- Higher levels of trust among family and non-family firm members
- More positive attitudes about firm members' abilities

Also identified were areas of less pronounced differentiation between VSFs and LSFs. These themes included Shared Vision, Pride in firm uniqueness or track record and Respect for Firm History and Continuity.

Some family firm themes, such as Family Harmony, did not differentiate across the VSF and LSF groups. However, Family Harmony tended to be more prevalent with the older family firms.

The Quantitative Study

Purpose. Many previously published research studies have compared various aspects and performance measures between family and non-family firms. The majority of these studies have focused on public firms, where financial performance data is relatively easy to obtain (Anderson and Reeb 2003), (Villalonga and Amit 2006), (Miller, Le Breton-Miller et al. 2007). However, most family owned businesses are smaller private firms. By their nature, such firms do not readily share financial information. In addition, the quality of financial information from private firms is impacted by other factors. These factors may include tax strategies, compensation, or family related purposes which may impact firm financial performance. The presence of these various influences suggests that the inclusion of multiple dimensions may be required to fully encompass the nature of performance within the family firm context.

Previous researchers have explored the idea of a multi-dimensional performance metric and developed measurement tools such as the balanced scorecard (Kaplan and Norton 1992). However, much of the research on performance measurement has focused on indicators of past performance. While useful to an extent, measurement indicators with predictive value are also needed (Neely, Gregory et al. 1995). Nonfinancial or long term growth measures may prove more useful for family businesses (Corbetta and Salvato 2004) due to their long term orientation.

To more fully encompass the varied and complex nature of family firms, the Sustainable Family Business Model (SFBM) was used as a theoretical guide for this research. The SFBM was first introduced as a more holistic systems approach to considering the long term success or sustainability of family owned firms (Stafford, Duncan et al. 1999). It focuses on the entire family business system which is composed of the family system as well as the business system. The SFBM is flexible in its approach and recognizes that long term sustainability requires both a successful family as well as a successful business. It posits that the complex family dynamics may impact firm performance as well as its growth and transition over time (Olson, Zuiker et al. 2003). Thus, the SFBM sees the adaptive intermingling and interaction between Family and Business Systems as a key element of long term sustainability for family owned firms.

This study sought to explore the SFBM by revealing and understanding drivers of family firm performance from a non-financial perspective. This research was motivated by the findings of the previously mentioned inductive research study on aspects of success in private family owned manufacturing firms. The previous qualitative study identified several organizational traits which seemed to be associated with higher levels of perceived organizational success. Within the context of family owned businesses, these traits may combine and reflect an effective organizational culture that enables and/or drives performance of the organization. These organizational traits may influence either or both the family and the business but ultimately the financial performance of the family firm. Therefore, this study presents an attempt to quantifiably assess the qualitative findings of the initial study, in a similar fashion of previous research (Denison and Mishra 1995).

These relationships may represent potential firm performance measures outside traditional financial performance metrics. They may also prove valuable indicators of financial performance that are more easily captured than actual financial results for private family firms. This could serve not only the research community but also practitioners seeking to assist their family firm clients.

While the focus of this research study is long term business sustainability, the model uses firm financial performance as its dependent variable. Profit may not be the sole or even primary goal of family business organizations, but it is a necessary element to the long term continuation of a business entity. The proposed research model accounts for the fact that profit is a necessary outcome though not the only outcome for a 'successful' family owned business. In this model, non-financial organizational traits are components of family firm sustainability, and these factors align with and support firm financial performance.

The key research questions underlying this research include: What non-financial organizational traits influence financial performance in the family owned firm? Might these organizational traits compose a predictor variable of firm financial performance?

The initial research model suggests that certain organization characteristics may form a second order formative construct which in turn influences firm financial performance. A formative construct is seen as causing and not merely reflecting the chosen outcome variable. In other words, might certain organizational features combine in some fashion as to comprise an 'effective family business culture' which drives family firm financial performance?

Methods. The quantitative research model was rooted in the initial qualitative study findings. That model attempted to encompass various aspects thought to reflect of perhaps influence firm success. To fully capture these performance themes, established research constructs where researched to operationalize these themes for a more formal quantitative test of their salience. We sought to test hypotheses of the relevance and significance of these identified factors. From this starting point, an online survey was developed and distributed to private firms that self-identified as "family owned" and "family managed". Data collection efforts yielded usable responses by senior executives from 110 family firms.

Analysis of the data was undertaken using statistical techniques including Partial Least Squares (PLS) using SmartPLS software. Due to the theorized formative nature of the second order Effective Family Business Culture (EFBC) construct, the PLS statistical method was preferred. This approach afforded the opportunity to examine whether such a variable might provide some predictive relevance to overall firm performance as measured by a grouping of financial performance outcomes. In this way our research sought to further develop the SFBM approach to long term family firm performance.

Findings. Statistical analysis of survey data revealed several nonfinancial organizational elements displayed significant statistical relationships as components of EFBC. The independent variable constructs; Shared Vision, Confidence in Management Ability, Role Clarity and Professional Networking were significant at the .001 level with the exception of Professional Networking (0.10). Contrary to expectations, family functionality did not exhibit a significant direct impact on EFBC. However, an indirect and significant relationship of the family's influence on components of EFBC was revealed. The effect of family functionality on EFBC was fully mediated by Role Clarity, Confidence in Management and Shared Vision.

Several constructs did not reveal significant relationships to EFBC. These variables included Trust, Role Conflict, Organizational Learning Commitment and Growth Orientation. While these variables may be useful in other contexts, they did not appear to be significant in contributing to the impact of the EFBC construct on firm financial performance.

Another contrary finding of this research included the NEGATIVE impact of Role Clarity on EFBC. The need for Role Clarity within a business organization and particularly within family firms is a common theme in both practitioner and academic literature. However, additional statistical analysis surfaced a moderating influence of Role Clarity on Family Functionality's direct effect on firm financial performance. The addition of high Role Clarity in the presence of high family functionality results in diminished financial performance of the firm. However, when family function is low, the presence of high Role Clarity improves financial performance. In the presence of low Role Clarity, overall financial performance is slightly higher with family functionality is high rather than low.

IMPLICATIONS FOR PRACTICE

Lessons for practitioners emerge from this body of research. These include awareness of the presence of success measures beyond traditional financial and operational measures. These measures represent aspects of a more effective business culture which may sustain long term performance. The availability of a non-financial firm performance measure could be quite useful to the practitioner community when financial information is unavailable or incomplete. Taken together these elements may assist family business practitioners to align their efforts with improving the business performance of their family firm clients.

The main implications for practitioners include the following:

1. Non-financial indicators may prove to be effective predictors of sustainable long term firm performance. These need not be independent of financial performance metrics. Where access of quality of financial measures is limited, such overall non-financial performance measures would prove quite useful.
2. Certain non-financial metrics ADD to firm financial performance. The organizational factors identified in these studies seem to exhibit modest predictive ability relative to financial performance. This suggests that the elements of an Effective Family Business Culture may provide a foundation for firm performance and should be included in practitioner assessment of firm performance.
3. Complex nature of family influence and its impact on firm performance. The family functionality did not appear to have significant direct impact on the EFBC construct. The impact was mediated through other direct factors of the EFBC. This suggests that while important, the functioning of the family is subtle in the context of FIRM performance.

4. Possible reconsideration of what ‘Role Clarity’ means within the context of a family firm. The negative influence of Role Clarity on the EFBC construct was unanticipated. However, it may suggest that heightened Role Clarity may not always be a positive influence in the long term performance of family firms. Excessive levels of Role Clarity may become rigid bureaucratic structures that impede the adaptability and long term success of family firms. It may also be useful to clarify the differences and impact of Family Role Clarity versus Business Role Clarity in this context.

CONCLUSION

These studies provide valuable insights into how key members of family owned firms understand organizational success and performance. It also extended these findings into a proposed model of the performance effectiveness of family business culture. While far from conclusive, these studies explored an important and under researched area in the field of family business. Our research represents a contribution to the research field as well as to the practitioner community. We surfaced non-financial organizational attributes that impact firm financial performance which extend previous research. Likewise, these elements could prove useful to the extensive practitioner community which serves the needs of their family business clients.

LIMITATIONS

There are several limitations that may affect the generalizability of the qualitative research findings. The study was based on a very small, non-random sample. According to recent statistics published by the Printing Industry of America/Graphic Arts Technical Foundation (PIA/GATF), a large printing industry trade association, there were 38,819 printing plants located in the United States in 2007. Our research included only six of them, all located in the Midwest region of the United States.

We only examined firms that were private, family owned and family operated. Non-family owned firms were excluded from the study. Therefore, we were not able to compare or contrast their members' understanding of success with those of members of family owned firms. The composition of the research respondents was not diverse in terms of gender or ethnicity. The majority of respondents were middle aged Caucasian males.

Firms included in the research were selected based on third party, subjective evaluations of their organization's success. While the evaluators we consulted were highly familiar with the family firms they rated, and we relied on multiple rater's evaluations, we acknowledge the potential for bias that may have affected our findings. Our findings were also based on participants' recollection of past events. We recognize that the passage of time affects memory and may have influenced the findings of the study.

Finally, as in any qualitative study, researcher bias is a potential limitation. The researcher is a principle in a family owned printing business and despite conscious efforts to minimize bias, personal experience, values and beliefs may have compromised data interpretation.

The findings of the quantitative study also have limitations. The study examined only firms that were self-classified as private, family owned and family operated. Therefore the basis for the definition of 'family firm' may not be consistent across the research sample. All non-family owned firms were excluded from the study. Therefore, we were not able to compare or contrast study results between family and non-family firms.

The study sample was derived from three commercial database sources. Since the research sample was non-random, study results may not be fully representative of all family owned businesses. This may limit the generalizability of the findings outside of the respondent groups. In addition, respondents displayed a lack of diversity with the majority of respondents being male and no data was collected regarding respondent ethnicity.

FUTURE RESEARCH

The underlying theoretical basis for this research is the SFBM which is focused on the long term performance or sustainability over time. This implies a longer term time horizon than firm financial performance over a 3 year period which was utilized for this research study. Extending the research findings of this study to include longer term sustainability of family owned firms may require longitudinal research designs. In addition, follow-up research utilizing a longitudinal design may also prove insightful.

Also, from the findings of the quantitative study, cultural elements of the family business organization seem to be influential. The current research studies relied on a single senior executive to assess the non-financial performance aspects. Future research may include multiple respondents per firm. In this way, a richer, more complete assessment of family firm culture and its influence on organizational performance may be revealed.

Finally, future research must include nuanced approaches which can help distinguish between the influence of ownership concentration (owner-management) and the particular influence of family.

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Note to the reader: Each of these research papers was created as a stand-alone document based on the requirements of the Doctor of Management program. As such, some background material has been repeated in the opening sections of each study.

HOW FAMILY FIRM MEMBERS UNDERSTAND SUCCESS AND ITS INFLUENCE ON THE FAMILY FIRM

By

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Submitted in Partial Fulfillment of the Requirements for the Conceptual Paper
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HOW FAMILY FIRM MEMBERS UNDERSTAND SUCCESS AND ITS INFLUENCE ON THE FAMILY FIRM

ABSTRACT

Family owned businesses are a significant and important component of our economic landscape. However, to date, a full understanding of family firm members' perception of success and the implications for ultimate firm performance has not been articulated. Investigations into family business goals and notions of success have not utilized a multi-stakeholder approach. An improved understanding of how family firm members understand success may provide the basis for evaluating ultimate firm performance from the perspective of family firm stakeholders. Using systems theory as an organizing framework this research proposal seeks to explore how family firm members understand and work to achieve 'success' in their family owned businesses.

INTRODUCTION

Family owned businesses represent a significant economic force in many countries around the world. Faccio and Lang, classified forty-four percent of 5,200 corporations in thirteen Western European countries (Faccio & Lang, 2002), and LaPorta, et al. classified thirty percent of large firms in twenty-seven wealthy countries (LaPorta, Lopez-de-Silanes, & Shleifer, 1999) as family controlled. Similarly, in the United States thirty-seven percent of large publicly owned U.S. Fortune 500 corporations (Villalonga & Amit, 2006) and thirty-five percent of the firms listed in the S&P500 stock index (Anderson & Reeb, 2003) are family controlled. Many of these U.S. firms have well established even household names such as Nordstrom, Ford, New York Times, and J. M. Smucker's.

While a significant portion of U.S. public firms are family controlled, there are many more that are privately owned. Using a broad definition of family owned businesses, Astrachan and Shanker found that family firms contribute 64% of GDP and employ 62% of the U.S. workforce (Astrachan & Shanker, 2003). Even using a narrow definition of family business, they estimated that such firms contribute 29% of U.S. GDP and employ 27% of the workforce (Astrachan & Shanker, 2003). As important as it is to the U.S. economy, however, until recently, family business ownership in the U.S. has not been extensively studied. In particular, a full understanding of the goals of family owned businesses has yet to be articulated (Sharma, Chrisman, & Chua, 1997).

Previous studies indicate that family business goals include both financial and non-financial objectives (Taguiri & Davis, 1992; Dunn, 1995; Lee & Rogoff, 1996; Paige & Littrell, 2002). The financial aspects included typical accounting based measures such as sales growth, profits, and return on investment for the business as well as personal financial aspects such as accumulating wealth. Some of the non-financial measures were linked to the business in the form of high quality products, reputation of the business or its products, and job security for employees. Non-financial aspects included personal goals of autonomy and personal satisfaction. Other personal non-financial goals incorporate a wider perspective, including social/community concerns, quality of family relationships, and passing the business onto future generations.

These and other similar studies, however, generally focus on family business goals as described by one firm member, typically the Owner-Manager. While the leadership of the CEO-Owner is vital to any company, the nature of family owned firms involves the added influence of family within the business organization (Olson, Zuiker, Danes, Stafford, Heck, & Duncan, 2003). To achieve a full understanding of family business a broader perspective of these organizations is needed. For example, the goals or aspirations of the successor generation may differ from the senior ownership generation (Sharma, Chrisman, & Chua, 2003). Likewise, the presence of non-employee family ownership may introduce another differing influence to the firm (Vilaseca, 2002). Therefore, the family business literature has inadequately addressed perceptions and understanding of the constituents of family owned firms with regard to the success of these enterprises.

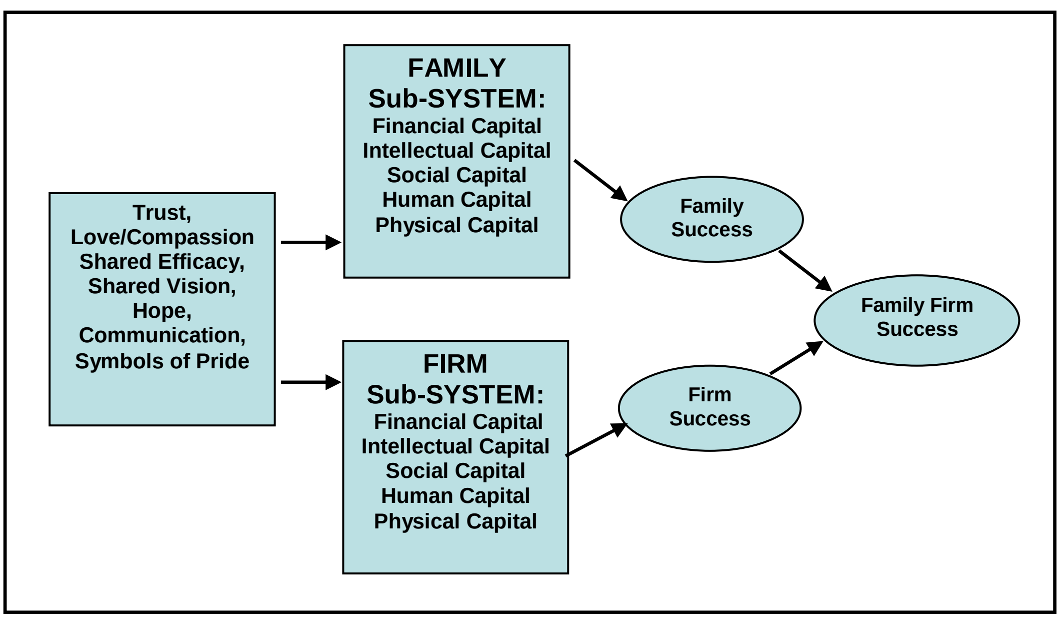
Beyond the individual preferences of success measures lies the uncharted territory of goal alignment. The degree of stakeholder alignment around such measures has not been explored, constituting another gap in family business research. Sharma (2004) stated that "Understanding of the alignment of goals within the family owned business is an important direction for future research".

This research proposal was motivated by a desire to better understand how family firm members' understandings of success might manifest in the management and policies of the family firm. We wonder whether family business members' feelings of success or perception of 'being successful' result from activity in and around the firm; whether family firm success is merely the result of goal achievement; if factors other than goal achievement enter into perceptions of success; and to what extent do the goals of the owning family overlap with the goals for the business itself.

RESEARCH QUESTION AND CONCEPTUAL MODEL

How do family firm members perceive and evaluate firm success? To what extent is the actual performance of the family business influenced by their perceptions. Does the alignment of perceptions among key constituent members of the family firm affect firm success? How might their understanding of success influence the ultimate performance of the family business? See Figure 1 below as a representation of the initial conceptual model to be used in this study.

FIGURE 1
Conceptual Model



The model suggests that family firm success is influenced by the level of success within the owning family as well as the level of success within the firm. The model characterizes family firm success as influenced by the level of success of the dual entities of the family and the firm. The model further suggests that the success of the family is influenced by various factors within the entity termed the family sub-system. Success of the firm is influenced by various factors within the entity termed the firm sub-system.

The two sub-systems are broken down into various component elements. These sub-system components and their mutual interactions influence the level of resulting success generated from each sub-system. In other words, the interaction of factors within the family sub-system influences the level of family success. The interaction of factors within the business sub-system influences the level of business success.

The components, for purposes of this study, include the notions of the various forms of capital within each system. These various 'pools' of capital are akin to a resource based view of each system. The elements represent various aspects which may influence the functioning of the sub-systems as well as each sub-system's influence on family or business success.

For this study, the forms of capital include financial capital, intellectual capital, social capital, human capital and physical capital. This approach is used as an organizing tool to facilitate understanding of how firm members' view success and how their perspective on the meaning of success may influence various aspects of each sub-system. Family firm member views may influence the family system in a variety of ways. Financial capital represents the normal financial assets of the family or business. Intellectual capital represents intellectual property, tacit knowledge or processes within the firm or family. Human capital represents the skills and capabilities inherent in the family firm members themselves. The social capital within the firm or family represents the social connection or relationship between members. Physical capital within each system represents physical items within each sub-system such as property, family heirlooms, etc.

Finally, the model indicates that both the family sub-system and business sub-system are influenced by a variety of factors. These factors may include trust, compassion, shared vision, shared efficacy, shared hope, communications, and symbols of pride. The model suggests that these factors influence both the family sub-system and firm sub-systems. These will be discussed in further detail in the conceptual framework section below.

CONCEPTUAL FRAMEWORK

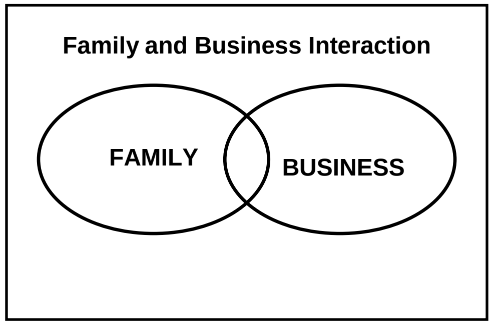
This study will explore the perceptions of and attitudes toward family business success as experienced by various stakeholders within the firm. For purposes of this study, stakeholders involved in family business will include family members who are owners and/or employees as well as senior non-family employees. We are interested in what aspects of the family business indicate success to firm members and how indicators of success, as perceived by family firm members, impact decisions and the ultimate performance of the firm.

Preliminary interviews with family business practitioners reveal that many family owned firms do little if any planning. Family business owners often seem more comfortable working 'in' the business rather than working 'on' the business. In the early development of a family business, founding owners work hard to get the business started and profitable by focusing on the details of operations and sales; the day to day aspects of running the firm. While certainly necessary, such a focus may not serve the firm as it grows and its competitive business environment evolves. A dynamic business environment can erode firm resources over time if they are not protected or upgraded (Bettis & Hitt, 1995 as cited in Sirmon & Hitt, 2003). Therefore, lack of awareness of a firm's dynamic environment may negatively impact a firm's long term profitability and ultimately its sustainability. A major reason why family firms fail is their "lack of a clear conceptual framework for thinking about their businesses" (Ward, 1987). The awareness and development of family and business goals are crucial to the continuation of the family owned firm and its ultimate success.

Family owned businesses are seen as a unique organizational form (Donckels & Frohlich, 1991; Chua, Chrisman, & Sharma, 1999; Chua, Chrisman, & Steier, 2003). The uniqueness of family owned businesses is what distinguishes them from other business forms and justifies the study of family firms as a separate field of study (Chua et al., 1999). The key element of distinction is the interaction of the family system with the business system (Chua et al., 1999). The comingling of the family system along with the business organization adds an additional level of complexity to the family owned business (Kepner, 1983; Beckhard & Dyer, 1983).

The inclusion of the family along with the business suggests a systems view of family owned businesses. The fundamentally different nature of the family system compared to the business system is the source of further complexity in family owned businesses. Generally, business is a system based on efficiency and meritocracy. Family is a more altruistic system with foundational aspects of close relationships, trust, loyalty and love. The 'two-circles' model of family owned business, is often used to illustrate the presence of both systems within the family firm (Beckhard & Dyer, 1983; Lansberg, 1983). See figure 2 below.

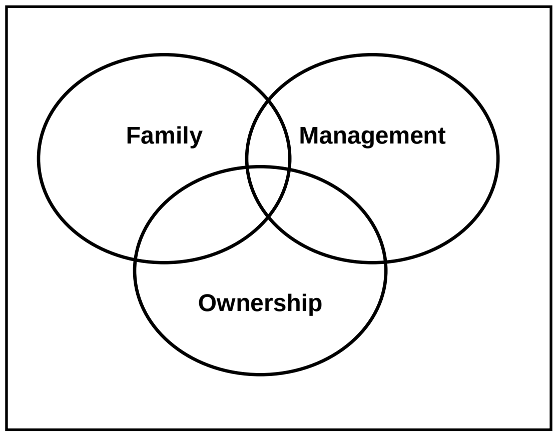
FIGURE 2
Two-Circle Model of Family Business



This view of the firm is not necessarily unique to family owned businesses. In some sense, the elements of both work and family enter into every person's life at various times. Single parent or dual income families with full schedules are faced with straddling both worlds on a regular basis. However, the nature of family business goes well beyond the balancing of personal and professional lives. The nature of family owned businesses includes not only balancing the duality of work and family but in the degree of overlap and commingling of both worlds (Kepner, 1983). In addition each aspect can have significant influence on the other. Clearly, in a family owned business, the family has the ownership interest to control and direct the current and future course of the company. Likewise, the business success or failure may have dramatic impacts on the family, financially as well as in the quality of family relationships that are enhance or strained by involvement in the business.

Family business researchers extended this model to include a third element into the dual systems model (Tagiuri & Davis, 1996; Gersick, Davis, Hampton, & Lansberg, 1997). In this characterization, the 'business' element is split between management and ownership. In the family business literature, this is commonly known as the 'three-circle' model (Gersick et al., 1997; Sharma, 2003; Poza, 2004). This model illustrates the distinction between management and ownership as discussed by many authors over the years such as Adam Smith, Berle and Means and more recently in the agency theory literature (Fama & Jensen, 1983). See figure 3 below.

FIGURE 3
Three-Circle Model of Family Business



While the models above have been used extensively in the family business literature, recent research has begun to address issues and extensions of this sub-systems view of family owned firms. Conceptually, the models fit the general circumstances of family owned businesses; however the application is difficult to operationalize (Chua, Chrisman, & Sharma, 1999). The models do not consider variations in the degree of family involvement in the business. Also, the models do not explicitly address the dynamics within each sub-system, such as the nature of the relationships and interactions among various individual family members of the family sub-system. The family system, loosely characterized as emotion based and the business system generally characterized as tack based may indicate different goals or objectives. Also, the potential differences between management and ownership within a firm have been widely discussed in the agency theory literature (Jensen &

Meckling, 1976; Fama & Jensen, 1983). Based on differences between these systems, it would be natural to presume that the types of goals or measures of success would likely be quite different in each.

Further, the dualistic and static representations of family firms have potential drawbacks. If the concepts of separate sub-systems become too rigid, stereotyping of individual sub-systems may result. In addition, the sub-system representation may limit analysis of the interplay between systems and/or under appreciation of the functioning of the whole system (Whiteside & Brown, 1991). Recent research has attempted to address the issues of the multiple sub-system approach by applying joint optimization (Poza, 2004) and a unified systems approach (Habbershon, Williams, & MacMillan, 2003).

To better understand family firm members' perspectives, stakeholder theory may provide a basis for considering member viewpoints about success of the family business. Members of a family owned firm can be viewed as internal stakeholders (Sharma, 2003). Such members who have both power and legitimacy can be considered to be part of the firm's dominant coalition (Mitchell, Agle, & Wood, 1997). To date, few specific studies of stakeholder perceptions have been undertaken. Those that have, tend to focus on a specific topic within family business. In their study of satisfaction with the family business succession process, the perceptions of incumbent owner-managers were significantly different on several dimensions compared to the successors (Sharma et al., 2003). Other research, which surveyed both family and non-family employees, found significant differences in perceptions of CEO's compared to other stakeholders relative to management and culture within the business (Poza, Alfred, & Maheshwari, 1997). A later study found that the perceptions of family business CEO's, non-family managers and family managers were significantly different from each other on a number of factors (Poza, Hanlon, & Kishida, 2004). Though they did not specifically address perceptions of family business success, they suggest that various family business stakeholders may not have aligned notions of success.

In addition to individual differences, other factors may influence the perspective of family firm members such as age, position within the firm, generational position within the family.

Researchers have also speculated that because of this interaction of family and business, the goals for family-owned businesses may also differ from non-family firms (Sharma et al., 1997). Kuratko, Hornsby and Naffziger (1997) found that entrepreneurs seek to satisfy both goals of both an intrinsic and extrinsic nature. While their study sample focused on entrepreneurs, it may apply to family owned businesses to some degree. Intrinsic goals of business owners included descriptive items such as 'enjoy the excitement,' 'meet the challenge,' 'prove I can do it' as well as personal growth and public recognition (Kuratko et al., 1997). Other studies indentified extrinsic goals which include financial performance of the business, development of new or quality products, and providing job opportunities to family and other employees (Dunn, 1995; Tagiuri & Davis, 1992).

Another perspective to classify member perceptions of success may be as an economic dimension. It is generally acknowledged that family businesses have both economic and non-economic goals (Chrisman, Chiua, & Litz, 2004). As cited by Masuo, Fong, Yanagida and Cabal (2001), the satisfaction of quality of life is

> "…reflected in the differences between objective attributes and one's expectations and aspirations with respect to important aspects of one's life" (Campbell, Converse, & Rodgers, 1976 as cited by Masuo et al., 2001).

The traditional view of financial success, based in narrow financial accounting based measures, may be insufficient for the ultimate success of the family owned firm. While a certain level of financial performance may be necessary for the continuation of the firm, it is not necessarily the only desirable outcome. In family businesses, success may be perceived at a multi-dimensional construct that extends beyond the narrow concept of financial returns. Indeed, many of the conflicts manifest in family owned businesses stem from conflicting values and goals of firm members (Hilbert-Davis & Dyer, 2003). Broader concepts of financial or economic success may include personal or family finances or job security for firm employees. In addition other non-economic factors may play a role in family firm members' notions of overall success. Non-economic goals could include positive family relationships or providing challenging work opportunities.

For family firms, success may even extend beyond the idea of goal achievement. The nature of these factors may be either intrinsic or extrinsic in nature. Intrinsic factors are generally seen as personal, internal factors such as personal accomplishment or job satisfaction (Walker & Brown, 2004). Extrinsic factors of success may include elements of recognition or company growth (Kuratko et al., 1997). The family business view of success may have multiple dimensions and contain both economic and non-economic aspects. Below are examples of study findings on 'success' in family owned firms.

Success themes found in interviews with managers of Scottish family owned firms included family values, family dynamics and responsiveness to change (Dunn, 1995). In addition to identifying 'success themes,' Dunn's work also revealed the underlying philosophies within each of these general themes. Goals within the 'family values' theme included 'caring and loyalty for staff and customers,' 'Maintaining family ownership and control,' 'Preserving the family name and reputation,' etc. The theme of 'family dynamics' included 'philosophies of maintaining good quality of working and home relationships', 'control held within the family' and 'succession concerns.' The success theme of 'responsiveness to change' encompassed the concept of 'balanced risk taking', 'improving products/processes,' and using a 'long time frame for payback of investment.' From this description, the richness of family business success starts to unfold.

Family firm members may also see success as goal achievement. Business goals serve an organizing role in the functioning of the business goals. Tagiuri and Davis (1992) state that

> "By specifying its goals and purposes, a firm can build an efficient structure, motivate and evaluate its employees, assess the company's performance, and, above all, provide strong leadership."

Tagiuri and Davis (1992) surveyed 624 business owners to determine their perceptions and attitudes of success. The results of the 74 question survey indicated both financial oriented goals (such as 'make profits now'), as well as personal oriented goals (provide me with a challenge) and organizational goals (provide a good work atmosphere).

A study of small businesses found that family related goals are more highly regarded in small firms with family participation compared to small firms without family participation (Lee & Rogoff, 1996).

In their survey of over 500 family business owner-managers, Tagirui and Davis summarized their findings into 6 categories which indicate both economic as well as non-economic goals. Based on their findings, the six categories included work-life goals; owner-financial goals; development of new and quality products; personal growth, social advancement and autonomy; good corporate citizenship; and job security (Tagiuri & Davis, 1992).

Dunckels and Frolich, studying over 1,100 small to medium sized firms in Europe, found that managers of family owned firms placed more emphasis on financial independence of themselves, their family and of the firm than did managers of non-family firms (Donckels & Frolich, 1991).

Research by Ritch Sorrenson used four outcomes as indicators of family business success. The four outcome factors were financial performance, family outcomes, satisfaction, and commitment (Sorenson, 2000). He used these indicators to measure the influence of family business leadership.

Based on the examples cited above, the nature of success and goals pursued by family owned firms appear to be multifaceted. Views of success and goals also appear to occur on multiple levels – personal, family and organizational. In addition, success factors seem to include both economic and non-economic elements. As a result, the research approach needs to be open to a broad range of potential influences. A resource based view may provide such a comprehensive framework.

A resource based view of family and business systems, segments the workings of both the firm sub-system and the family sub-system. Generally, the resource based view of the firm focuses on a firm's assets and capabilities, which are more generally referred to as 'resources' (Habbershon & Williams, 1999). Habbershon and Williams (1999) further classify resources of family firms under the categories of Human, Organizational, Process and Physical capital. For purposes of this research proposal, the family firm resource categories have been adapted to include Financial, Human, Social, Physical, and Intellectual capital.

Financial capital within both the family and firm sub-systems is a critical ingredient for ultimate success. Financial capital may be viewed as a general resource, used to acquire specific assets needed for firms to achieve their goals (Dollinger, 1999 as cited by Wiklund & Shepherd, 2005). Financial capital may also provide resources to promote experimentation and exploration of innovative products and services (Wiklund & Shepherd, 2005). In addition, financial capital may provide a cushion against a business downturn or temporary financial distress.

Within the concept of financial capital there are two variations unique to family firms; patient financial capital and survivability capital (Sirmon & Hitt, 2003). Patient financial capital is characterized as capital invested with a longer time horizon not subject to the short term focus of markets. Survivability capital represents the pooled financial, labor and knowledge assets of the entire family that may be offered to the family business. The extent of family capability and willingness, their combined assets represents a resource pool unique to family owned business.

Generally, human capital refers to the pool of individual knowledge, expertise and experience of individuals within a firm. The combination of high human capital and its productive application can be a source of competitive advantage for firms (Wright, Dunford, & Snell, 2001). Human capital may also influence the family sub-system. As a result, the levels of success achieved through the family and firm sub-systems may be enhanced by members with appropriate skills, knowledge and capabilities. A particularly important aspect of developing human capital in the family owned business is leadership succession. The succession process involves not only the development of the next generation but also transitioning leadership responsibility. A smooth succession process requires the current family leadership to perform on both professional and personal levels (Aronoff, McClure, & Ward, 2003).

Social capital is based on the proposition that networks of relationships constitute a valuable resource for any social organization. Social capital can be viewed not only as a network of relationships but also the resources of assets available through that network (Nahapiet & Goshal, 1998). Thus social capital may influence the functioning of the family and firm sub-systems. In this way, social capital may foster the level of success within each sub-system of a family owned business.

Physical capital represents physical items within the organizational sub-systems of the family and the firm. Within the firm, for example, the physical capital may take the form of buildings, structures and equipment used in the productive processes of the organization. Within the family, physical capital may take the form of homes, material possessions or even heirlooms and memorabilia from previous generations of the family.

Intellectual Capital may be represented by knowledge within the family and business organization. This knowledge may be either explicit or tacit in nature. Such intellectual knowledge can prove to be a significant resource used within an organization. It also represents a valuable capability for actions based on knowledge (Nahapiet & Goshal, 1998).

Underlying the valuable assets or capital outlined above are the social elements or relationships that form the basis for member interaction within the firm. As stated previously, the factors which may influence the functioning of the family sub-system and the firm sub--system may include trust, compassion, shared vision, communications, efficacy, hope, and symbols of pride.

The level of trust is a unique feature of family firms due to the deep level of interpersonal ties between family members due to a shared history and experiences as a family (Sundaramurthy, 2008). This factor may influence the workings of the family sub-system as well as the firm sub-system. Generally speaking, "Trust is the foundation on which social capital is built" (Bubolz, 2001). In addition, from an economic perspective, trust may reduce the transaction costs of exchange by lowering monitoring costs and inhibiting opportunistic behavior (Steier, 2001). Therefore, trust may be an influential factor in both the family sub-system as well as in the firm sub-system.

Compassion within the family owned business may be an important factor in family business by fostering understanding and empathy among family firm members. Compassion in the workplace can take the form of individuals reaching out to others or in the form of 'organizational compassion' (Kanov, Maitlis, Worline, Dutton, Frost, & Lilius, 2004). In this way, compassion may influence both the family sub-system and the firm sub-system.

Shared Vision is a central to the long term success of any organization. Ward (1997: 335) stated that

> "…the best practice that is most important to long-term family business growth is the process of holding family meetings to define family purpose and mission, family values, and the motivations and rationale for continued business ownership."

A unique feature of family owned businesses is the transfer of the firm to successor generations. Sharing views on the goals of the business is considered vital to an effective succession process (Le Breton-Miller, Miller, & Steier, 2004).

The importance of communications is a commonly discussed issue among family business practitioners. Based on personal experience from 20 years working in a family owned business and conversations with family business practitioners, it is perhaps the most important aspect of maintaining a successful family firm. Non-existent or poor communication is more risky for family businesses than tackling a complex issue within the family or business (Astrachan & McMillan, 2003). Poza (2004) also noted that family firm communication among stakeholders tends to increase awareness of the implications and the reactions of others to their own actions.

One particular way in which poor communication might affect the family firm is in the articulation of business goals throughout the organization. Practitioner experience indicates that even if a CEO-Owner has goals or plans, they are often not shared throughout the organization. “Owner-managers of family businesses usually have a stronger voice in the articulation and implementation of company goals” (Tagiuri & Davis, 1992). Without actively articulating firm goals, an owner-manager may limit the business potential of their organization.

Research on the individual level indicates that higher sense of efficacy toward task completion improves the likelihood that the task will actually be completed. To the extent a group functions as a team, task performance may be influenced by group efficacy perceptions (Gist, 1987). Therefore, the sense of efficacy within the leadership team may influence the family and firm sub-systems within a family owned business.

Hope may play a role in the functioning of the family sub-system and the firm sub-system. Management by exception with a continual problem focus may create a mental orientation toward deficiency within an organization. A sense of appreciation, on the other hand, may lead organization participants to look and strive for heightened potential (Barrett, 1995). Therefore hope may be a factor in the functioning of either the family sub-system or the firm sub-system.

Pride is the result of a sense of accomplishment or contribution to the firm or the community at large. Morris, Williams, Allen and Avila (1997) suggest that family firm members may experience some intrinsic personal gain through the sense of pride generated from organization growth, success, job creation, etc. The value some family firm members place on the reputation of the business may serve as a symbol of pride. Family firm members may consider the reputational impact of their actions. Thereby actions driven by a desire to be proud of their family or firm may influence both the firm sub-system and the family sub-system.

RESEARCH QUESTION AND RESEARCH DESIGN

How do family firm members perceive and judge the success of their business? What is the source of their concepts of success? What is the nature of various success themes – are they economic or non-economic or something else? Do various participants within the family business have similar views as to meaning of success? How might other factors such as position within the firm or family influence a particular member's attitudes toward success? To what extent does the alignment of stakeholder perceptions affect firm decisions and performance? How do the indicators of success, as perceived by family firm members, impact decisions and the ultimate performance of the firm.

Methodology

This study will utilize a qualitative approach to the study of family business success. A qualitative approach is useful where the goal is to understand the meaning and context of participant action (Maxwell, 2005). This study seeks to reveal the viewpoints, concerns, and issues of family firm members by having them recall specific experiences as participants in a family owned business. The value of qualitative research lies in the understanding of human interaction in real-life organizational settings (Gephart, 2004).

In order to surface the attitudes and perceptions of family firm members or stakeholders, a semi-structured interview protocol will be used. The questions were developed in order to surface the issues which are important to the members of family owned firms (Strauss & Corbin, 1998). As a result, the interview findings will be grounded in the lived world of family firm members. Within each firm involved in this study, several members will be interviewed. The purpose of interviewing multiple members involved with the same firm is to gather information on firm success from multiple perspectives. The interviews will include the senior family owner-executive, a senior non-family manager, as well as an additional family manager, and a non-employee family owner.

Sample

Approximately 20 interviews will be conducted. All interviewees will be constituents of six family owned firms pre-selected for inclusion in the study. Firms included in the study will have a minimum sales level of one million dollars and have been in business at least 10 years will be included. The criteria for family firms eligible in this study include criteria used in the 2007 MassMutual Survey of family business. In addition, the firms will have at least 20 employees and in order to retain a focus on small to medium size enterprises (SMEs), a maximum annual sale is limited to under $150 million.

Due to the nature of this research project; a limited number of firms will be studied. The study will also focus on a particular industry; the commercial printing industry in the Midwest. Though there will be limitations to the study based on size and industry focus, we believe that the nature of the research design will add sufficient richness to justify the approach. Within this industry, the study will seek some firms that are considered 'very successful' by knowledgeable industry participants as well as some firms that are considered 'not as successful.' The interview participants will be unaware of this distinction throughout the interview process.

The sample methodology follows a nomination process. Knowledgeable industry experts will 'nominate' particular firms they view as successful as well as other firms they are familiar with. The list of 'successful' firms will be drawn from companies that are mentioned by several experts in the field. Once potential firms are identified, the co-investigator will contact the senior executive of each firm and gain permission to other members of the firm.

Data Collection and Analysis

The research process will involve semi-structured interviews using an outlined interview protocol. Whenever possible, interviews will be conducted face to face. All interviews will be recorded. No aspect of the interview process will be detrimental to the participants. Data analysis will follow a comparative method (Glaser & Strauss, 1967).

Validity

Several validity issues are inherent within this proposal. The first issue is in the small sample size being used. The study will involve fewer than 10 family owned firms. In addition, the sample will not be random. The study will rely on the co-investigator's personal contacts as an initial source for industry experts as well as participant firms. In addition, as previously stated, the study will focus on a particular industry. This may limit the generalizability of the findings.

JUSTIFICATION FOR THE RESEARCH

Research into family owned firms is still a developing field. While significant progress has been made in certain areas, there are unexplored topics as well as a need for integration and development of robust theoretical foundations. From a practical standpoint, practitioners need to understand the goals of family businesses before helping them achieve success. The challenges of family owned businesses are well documented in the popular press and many professional advisors provide sound counsel to these firms. This study seeks to add not only to the body of extant knowledge about family firms but also to the practical knowledge used to assist family firms thrive and survive into subsequent generations.

To date, some research on family business goals exists. However, none of these studies involve a multi-stakeholder view. Danes, Zuiker, Kean and Arbuthnot (1999) supported the multi-stakeholder approach with the following quote;

> "Obtaining information from more than one member of the family is crucial; it provides a more complete picture of the family business dynamics because of the different realities that individual family members experience".

Other studies have indicated that attitudes can vary among the participants within a family firm (e.g., Poza et al., 1997). Research has been silent about attitudes of family business success from the perspective of various family firm members. Also, the nature and alignment of these attitudes and how they might impact actual firm performance has yet to be examined.

This study will not seek to support or justify any particular theory or position. The exploratory nature of this qualitative study merely seeks to uncover the perspectives on success held by family firm members. By revealing these perspectives in a rigorous and systematic way, this study will add to the understanding of family owned businesses.

Through this grounded theory approach, future research opportunities may present themselves.

APPENDIX
Interview Protocol

Introduction to the interview – informally describe these elements (do not read).

Purpose – The purpose of the interview is to gain an understanding of YOUR perspective. In this interview, assume I know nothing about you or the business. Essentially, I am trying to understand what you can teach me about your experience as a member of a family owned business.

Process – I am most interested in stories about your own personal experience and not short answers or your interpretation of how others experienced these events. I would like you to recall your experiences – take me back to that time & circumstances.

Questions:

1. To begin the interview, I would like to find out about you. Could you tell me about yourself? (Your background and experiences that got you to where you are today.)
    a. Probe for Family information
    b. education,
    c. work history,
    d. personal goals and objectives.

2. Tell me about a family business in which you were involved that was successful.
    a. Probe for clarification of circumstances.
    b. Ask about any other related factors which were occurring at the time.

3. Can you tell me about a time when that company was particularly successful?

4. You said it was "successful". What makes you think it was successful?
    a. What were the characteristics of the company at that time that might be part of the success you describe?
    b. Were there any particular aspects of what was going on with the business that you associate with that period?

5. In that same business, can you recall a time when it was not successful?
    a. What do you remember about that time?
    b. Were there any other aspects you associate with that period of time?

6. Could you tell me about another time in the family business when it was successful?
    a. What were the characteristics of the company at that time that might be part of the success you describe?
    b. Were there any particular aspects of what was going on with the business that you associate with that period?

7. Can you think of a different time when the family business was not successful?
    a. What do you remember about that time?
    b. Were there any other aspects you associate with that period of time?

8. In your opinion and from an overall family business perspective, what are the key criteria for success in a family business?

Other questions if there is extra time…

9. Can you think of a time when the family had a particularly strong influence on the success of the business?

10. Do you recall a time when the business had a particularly strong influence on the success of the family?

11. Can you tell me about your first experience (that you can recall) with this family business?

Demographic information –

Position in the firm ______________________________.
years with firm ________________________________.
Relation to the business founder(s) _____________________________.
Age _________________________.
Gender (M or F)
Employee (Y or N)
Stockholder (Y or N)
Does the firm have a board of Directors (Y or N)
Are you a Director (Y or N)

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CONSTRUCTING A DEFINITION OF AND PORTFOLIO MODEL OF FAMILY BUSINESS SUCCESS

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CONSTRUCTING A DEFINITION OF AND PORTFOLIO MODEL OF FAMILY BUSINESS SUCCESS

ABSTRACT

Our qualitative study sought to understand the meaning of success within the context of the family owned firm. The study, designed to identify success factors that distinguished more successful firms from less successful firms, revealed four significant and three moderate differentiators. Significant among the findings was the role of trust not only within the owning family but also between the family and non-family members of the firm. Implications of the study suggest it may be possible to construct a multi-attribute model of family firm success.

Key words: Family business; success; performance; emotional intelligence; trust; organizational development; confidence; growth

INTRODUCTION

U.S. family firms contribute nearly two thirds of GDP and employ over 60% of the workforce (Astrachan & Shanker, 2003). As important as they are to the U.S. economy, however, until recently, family businesses have not been extensively studied. In particular, the goals of family owned businesses have been under-researched (Sharma, Chrisman, & Chua, 1997). The relationship between goals and their successful outcomes motivated the present study.

"Success" has not been defined or articulated in the context of family owned firms. Prior research on family business success has focused – narrowly – on describing how CEO/owners of family firms perceive it (Dunn, 1995; Paige & Littrell, 2002; Walker & Brown, 2004). The understandings of other firm constituents have not been taken into account. CEO's, studies reveal, distinguish between family success and business success - both motivated by economic and non-economic factors which have been only broadly defined. But, research on other family firm topics such as succession (Poza, Alfred, & Maheshwari, 1997; Sharma, Chrisman, & Chua, 2003) has found that attitudes of family firm constituents – both family and non-family – are not necessarily uniform. This suggests research on family firm success should include the perspectives of organizational actors beyond the CEO.

Our study sought to extend prior research by investigating how firm success is understood by multiple members of family firms. In particular we sought to compare the views of constituents of "very successful" versus "less successful firms". Semi-structured interviews were conducted with both family and non-family managers of both categories to capture complementary and contrasting understandings of what constitutes success.

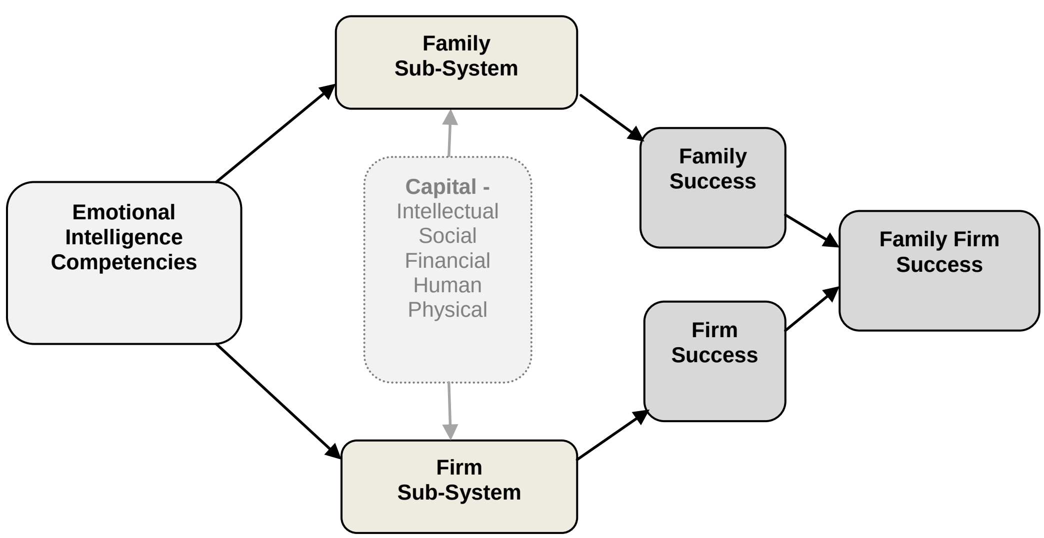
Although our investigation aimed to advance the research community's theoretical understanding of family firms, it should also be of interest to the professional/practitioner community. A full understanding of success from the perspective of family firm members may assist CEOs to more effectively manage their enterprise and family business practitioners to better align their efforts with those of their clients.

RESEARCH QUESTION AND CONCEPTUAL MODEL

How do key constituents of family owned businesses understand firm and family success and how and to what extent do beliefs and attitudes about success influence firm performance? To guide the study, we constructed a conceptual model informed by the literature and preliminary interviews with executives of family firms.

The conceptual model, presented as figure 1 below, suggests that family firm success may be a function of the success of its two sub-systems – i.e., "family" and "firm" in which five forms of capital – financial, intellectual, social, human and physical - operate (Boyatzis, 2007).

FIGURE 1
Conceptual Model



These various ‘pools’ of capital are akin to a resource based view of each sub-system. We thought that probing firm members’ understanding about these forms of capital would be a useful way to surface their notions of firm and family success.

Our preliminary model also suggests that both the family sub-system and business sub-system may be influenced by a variety of factors associated in the literature with emotional intelligence - trust, compassion, shared vision, shared efficacy, shared hope, communications, and pride. These variables are discussed in further detail in the Literature Review below.

LITERATURE REVIEW

We begin this section with an overview of recent family business literature, identifying within it, gaps that position our own inquiry. We follow with a discussion of the notion of success in family business as it has been discussed and measured in previous studies. Finally we review specific literature that informed the design of the conceptual model that guided our study. The literature positions the family owned business as a unique organizational form (Donckels & Frohlich, 1991; Chua, Chrisman, & Sharma, 1999; Chua, Chrisman, & Steier, 2003), and thereby justified as a separate field of study (Chua et al., 1999). A key distinction in family versus other business forms is the interaction, within it, of the family system with the business system (Chua et al., 1999), a dynamic that provides an additional level of complexity to the firm (Kepner, 1983; Beckhard & Dyer, 1983). The nature of family owned businesses includes not only balancing the duality of work and family but in the degree of overlap and commingling of both worlds (Kepner, 1983).

The family and firm sub-systems may have different goals or objectives – and we conjecture in our research design, different notions of success. Stakeholder theory may provide a basis for considering family firm member viewpoints about success of the family business. Members of a family firm can be viewed as internal stakeholders (Sharma, 2003) and those with both power and legitimacy can be considered to be part of the firm's dominant coalition (Mitchell, Agle, & Wood, 1997). To date, few specific studies of family firm stakeholder perceptions have been undertaken. Those that have, tend to focus on a specific topic within family business (Sharma et al., 2003; Poza et al., 1997; Poza, Hanlon, & Kishida, 2004). Although these studies did not specifically address perceptions of family business success, they suggest that various family business stakeholders may not have aligned notions of it. The lack of empirical evidence on this point represents an unaddressed gap in the literature that the present study was designed to address. The family firm literature is also silent on whether the notion of success is consistent across firms with different levels of performance, however defined.

Researchers have speculated that because of the interaction of family and business, the goals for family-owned businesses may differ from non-family firms (Sharma et al., 1997). In family businesses, success may be perceived as a multi-dimensional construct that extends beyond the narrow concept of financial performance. Indeed, many of the conflicts manifest in family owned businesses stem from conflicting values and goals of firm members (Hilburt-Davis & Dyer, 2003).

Specific literature on the perceptions of success by the participants in family owned firms is sparse. Several studies have been conducted on the 'goals' of family owned businesses. While notions of success may not have the same meaning as the goals for family owned firms, research findings of the former influenced the research design of the present study.

Kuratko, Hornsby and Naffziger (1997) found that entrepreneurs (who are not necessarily family firm heads) seek to satisfy both intrinsic and extrinsic goals. Intrinsic goals were articulated as "enjoy the excitement," "meet the challenge," "prove I can do it" as well as aspirations for personal growth and public recognition (ibid). In other studies, personal accomplishment and job satisfaction have been identified as intrinsic predictors of success (Walker & Brown, 2004). Extrinsic goals, identified by both Kuratko and others (Dunn, 1995; Tagiuiri & Davis, 1992), have included financial performance of the business, development of new or quality products, and providing job opportunities to others.

It is generally acknowledged that family businesses have both economic and non-economic goals (Chrisman, Chiua, & Litz, 2004). Family firm members may see success as goal achievement. Tagiuri and Davis (1992) state that:

> "By specifying its goals and purposes, a firm can build an efficient structure, motivate and evaluate its employees, assess the company's performance, and, above all, provide strong leadership."

Tagiuri and Davis (1992) surveyed 624 family business owners to determine their business goals. The results of the 74 question survey indicated both financial oriented goals (such as "make profits now"), as well as personal oriented goals ("provide me with a challenge") and organizational goals ("provide a good work atmosphere").

Dunckels and Frolich, studying over 1,100 small to medium sized firms in Europe, found that managers of family owned firms placed more emphasis on financial independence of themselves, their family and of the firm than did managers of non-family firms (Donckels & Frolich, 1991).

A study of small businesses found that family related goals are more highly regarded in small firms with family participation compared to small firms without family participation

(Lee & Rogoff, 1996).

Using statistical techniques, Tagirui and Davis summarized survey data from over 500 family business owner-managers into six categories of economic as well as non-economic goals. These included work-life goals; owner-financial goals; development of new and quality products; personal growth, social advancement and autonomy; good corporate citizenship; and job security (Tagiuri & Davis, 1992).

Family vs. Business Systems

Our model reflects that both family systems and business systems are constituted by various forms of capital. These forms of capital include Financial, Human, Social, Physical, and Intellectual (Boyatzis, 2007). Capital may be considered by a family business member as part of both family and business systems, but may be perceived differently, depending on one's vantage point as a family member versus a business constituent. A brief overview of the five forms we have included in the model follows:

Financial capital may be viewed as a general resource, used to acquire specific assets needed for firms to achieve their goals (Dollinger, 1999 as cited by Wiklund & Shepherd, 2005). Financial capital may also provide resources to promote experimentation and exploration of innovative products and services (Wiklund & Shepherd, 2005). Within the concept of financial capital there are two variations unique to family firms; patient financial capital and survivability capital (Sirmon & Hitt, 2003).

Generally, human capital refers to the pool of individual knowledge, expertise and experience of individuals within a firm. According to Astrachan and Kolenko (1994),

> "Human contributions to the bottom line in a family business can only increase when that resource base is identified, managed, and developed."

Specifically, the combination of high human capital and its productive application can be a source of competitive advantage for firms (Wright, Dunford, & Snell, 2001).

Social capital is based on the proposition that networks of relationships constitute a valuable resource for any social organization. Social capital can be viewed not only as a network of relationships but also the resources of assets available through that network (Nahapiet & Goshal, 1998).

Within the firm, physical capital may take the form of buildings, structures and equipment used in the productive processes of the organization (Habbershon & Williams, 1999). Within the family, physical capital may take the form of homes, material possessions or even heirlooms and memorabilia from previous family generations.

Intellectual Capital may be represented by knowledge within the family and business organization. It represents a valuable capability for actions based on knowledge (Nahapiet & Goshal, 1998).

Emotional Intelligence Competencies in Family Firms

Inherent in the nature of family owned businesses is the intense emotional connection between family members (Tagiuri & Davis, 1996). Emotion based factors such as trust, compassion, shared vision, communications, efficacy, hope, and pride may influence the functioning of the family and firm sub-systems. Generally, the factors of emotional intelligence influence leader effectiveness as they work on complex social systems (Goleman, 1998).

Trust is a unique feature of family firms due to the deep level of interpersonal ties between family members and their shared history and experiences as a family (Sundaramurthy, 2008). This factor may influence the workings of the family sub-system as well as the firm sub-system. Generally speaking, "Trust is the foundation on which social capital is built" (Bubolz, 2001). From an economic perspective, trust may reduce the transaction costs of exchange by reduced monitoring costs and opportunism (Steier, 2001).

Compassion may be an important factor in family owned business by fostering understanding and empathy among firm members. In the workplace, it can take individual or organizational forms (Kanov, Maitlis, Worline, Dutton, Frost, & Lilius, 2004). Workplace compassion may contribute to a sense of kindness, belonging, and life-giving relationships among people at work is a direct result of acts of compassion in organizations (Frost, 1999), thereby influencing both the firm and family sub-systems of the family firm.

Shared Vision is a central to the long term success of any organization. Ward (1997: 335) stated that

> "…the best practice that is most important to long-term family business growth is (defining) family purpose and mission, family values, and the motivations and rationale for continued business ownership."

Sharing views on the goals of the business is considered vital to an effective succession process (Le Breton-Miller, Miller, & Steier, 2004).

The importance of communications is a commonly discussed issue among family business practitioners as the most important aspect of maintaining a successful family firm. Poor communication is more risky for family businesses than tackling a complex issue within the family or business (Astrachan & McMillan, 2003). Poza (2004) noted that family firm communication among stakeholders tends to increase awareness of the implications and the reactions of others to their own actions.

Research on the individual level indicates that a higher sense of efficacy toward task completion improves the likelihood that the task will actually be completed. To the extent a group functions as a team, task performance may be influenced by group efficacy perceptions (Gist, 1987; Gibson, 1999). Therefore, the sense of efficacy within the leadership team may influence the family and firm sub-systems within a family owned business.

Hope may play a role in the functioning of the family sub-system and the firm sub-system. Management by exception with a continual problem focus may create a mental orientation toward deficiency within an organization. A sense of hope on the other hand, may aid manager and this work unit performance (Peterson & Luthans, 2002).

Pride is the result of a sense of accomplishment or contribution to the firm or the community at large. Morris, Williams, Allen and Avila (1997) suggest that family firm members may experience some intrinsic personal gain through the sense of pride generated from organization growth, success, job creation, etc.. The value some family firm members place on the reputation of the business may serve as a symbol of pride. Thereby actions driven by a desire to be proud of their family or firm may influence both the firm sub-system and the family sub-system.

METHODS

Methodological Approach

A grounded theory approach, with the objective of generating theory from collected data was pursued (Glaser & Strauss, 1967). Qualitative research was deemed an appropriate methodology because of its usefulness in revealing, “the process by which actors construct meaning” (Suddaby, 2006) and its value in the understanding of human interaction in real-life organizational settings (Gephart, 2004). Our goal, to understand the viewpoints, concerns, and issues of family firm members, was facilitated by having them recount stories relating to specific experiences as participants or members in a family owned business.

To surface firm members' attitudes and perceptions of 'success', semi-structured interviews using open ended questions were conducted. The questions were developed to elicit from respondents deeply held and valued perspectives (Strauss & Corbin, 1998). As a result, the interview findings were grounded in the lived world of family firm respondents.

Sample

Twenty members from six family owned commercial printing firms located in the U.S. Midwest region participated in the study. The firms represented a variety of generational ownership: two firms were fourth generation businesses and the remainder were 1st, 2nd, 3rd, and 5th generation family businesses. One of the firms in the sample had recently converted to an ESOP but family members remained in their top management and board of director positions after the transaction.

The sample included the CEO/President of each firm who were also family members. Six other family members in the sample were employees of their firms: (4) Sales/Marketing, (1) CFO and (1) COO. One family member was retired (former CEO). All family members were shareholders in their respective businesses. The sample also included at least one senior non-family manager from each firm. There were a total of seven non-family members in the sample with responsibilities in sales management (3), finance/accounting (2), and production/operations (2). None of the non-family members were shareholders. The sample was not diverse in terms of gender or ethnicity. Only three of the 20 participants were women and all interviewees were Caucasian. The age range of the participants was as follows: CEO's (35 to 67), Family members (27 to 75), Non-family members (31 to 62). The range of firm tenure was as follows: CEO's (13 to 37), Family members (7 to 39) and Non-family (6 to 40).

Firms included in the study had a minimum sales level of one million dollars and had been in business at least 10 years. The criteria for family firms in this study mirrors criteria used in the 2007 MassMutual Survey of family business. In addition, the firms had at least 20 employees and in order to retain a focus on small to medium size enterprises (SMEs), maximum annual revenue was limited to under $150 million.

All of the firms were located in the Midwest region of the United States. Industry contacts known or introduced to the researcher provided a list of family owned printing companies in the Midwest. Several knowledgeable industry experts then independently classified firms as ‘very successful,’ ‘less successful,’ and ‘unsuccessful.’ Six firms that had been unanimously categorized as very successful and less successful were invited to participate in the study. Several firms rated as ‘unsuccessful’ were either unreachable or unwilling to participate.

Data Collection

Data was collected between July and October, 2008. All interviews were conducted face to face at the respondent’s place of work, were digitally recorded, and subsequently transcribed by a third party transcription service. Interviews averaged one hour.

Once potential firms were identified, the co-investigator contacted the senior executive of each firm to describe the research project and gain permission to interview several members of the firm. Other family and non-family participants were nominated by the senior executive of each firm. Interviews within each firm generally took place on the same day.

To maintain confidentiality, the names of the actual participants were known only to the researcher. Interview transcripts were edited to remove references to specific persons, family members or companies. The interview documents were then loaded into Qualrus, an electronic coding software program.

Data Analysis

Data analysis followed an interative process of cycling between interview data, literature and emerging theory (Strauss & Corbin, 1998). The initial analysis involved open coding of individual interview transcripts. Repeated reading, rereading and listening to interviews resulted in the capture of 780 "codable moments" – words, phrases or other expressions of interest that emerged from the data.

Following a thematic analytic approach, the codable moments were grouped and organized into broader categories. These were then refined and compared and contrasted across sub-samples within the study. This process revealed 72 emergent themes. These themes were compared across the two major groupings of the VSFs and LSFs to reveal differentiation between the two levels of success across firms. This step yielded seven themes which were developed into codes (Boyatzis, 1998).

These codes were the compared with the initial conceptual model and where variations arose, the transcripts were reviewed to clarify the presence, absence or inclusion in other theme categories.

FINDINGS

Our findings revealed four significant differentiators between how members of very successful firms (VSFs) and less successful firms (LSFs). VSFs were characterized by

- Greater emphasis on concrete measures of success
- Heightened attention to personal and organizational development
- Higher levels of trust among family and non-family firm members

- More positive attitudes about firm members' abilities

We also identified areas of less pronounced differentiation between VSFs and LSFs and differences between subsets of the aggregated sample (older vs. younger VSFs and LSFs, for example, family vs. non-family members and CEOs vs. other members of the firms of both groups).

We begin this section by presenting tables 1 and 2 below, which summarize our findings on a firm level and a participant level. We then review the key differentiators between the VSFs and LSFs and conclude by reporting characteristics less distinctive - in particular, perceptions of shared vision, pride in and respect for the family firm and family harmony.

TABLE 1
Firm Level Findings*

Findings – Firm Level	Finding Description	Very Successful Firms (VSFs) – 3 Firms	Less Successful Firms (LSFs) – 3 Firms
Signs of a Growing Business	Focus on observable company results	3 out of 3	1 out of 3
Development of People and Networks	Individual learning, management development and peer networking	3 out of 3	1 out of 3
Shared Trust Among Family and Firm Members	Trust among family members and with non-family members of the firm.	3 out of 3	2 out of 3
Confidence in Abilities of Self and Others	Sense of confidence in self and others in the firm.	3 out of 3	2 out of 3

*--Note: Firm level findings were based on responses from at least half of the participants from a given firm.

TABLE 2
Participant Level Findings

Findings – Participant Level	Participant Quote	Very Successful Firms (VSFs) – 11 Participants	Less Successful Firms (LSFs) – 9 Participants
Signs of a Growing Business	"we've grown a lot sales wise … and employee wise."	11 out of 11	4 out of 9
Development of People and Networks	"I think every successful family business sees that everybody needs to develop…"	9 out of 11	4 out of 9
Shared Trust Among Family and Firm Members	"… a lot of people depend on what (the) three of us do as a company…"	11 out of 11	5 out of 9
Confidence in Abilities of Self and Others	"…we have so much faith in our business, faith in our people here and faith in myself	10 out of 11	5 out of 9

Key Findings: VSF/LSF Differentiators

Measures of success: Signs of a growing business. Family and non-family employees of both VSFs and LSFs referenced successful family firms as those that were 'growing'. Participants in VSFs, however, spoke of growth more extensively and in more concrete, results oriented terms than LSF respondents. All 11 individuals in all three VSFs elaborated on growth in this manner while four out of nine participants in one of three LSFs did so. VSF employees associated success with increases in production capacity, higher sales and/or employment levels of the firm and expansion of facilities or capital equipment. In most cases, they compared results in these areas to prior performance as evidence of success.

Three family members from two VSFs associated success with modest, steady or "organic" – and consequently more manageable and sustainable - growth than with rapid or "excessive" growth which tax both management and technical capabilities of the firm.

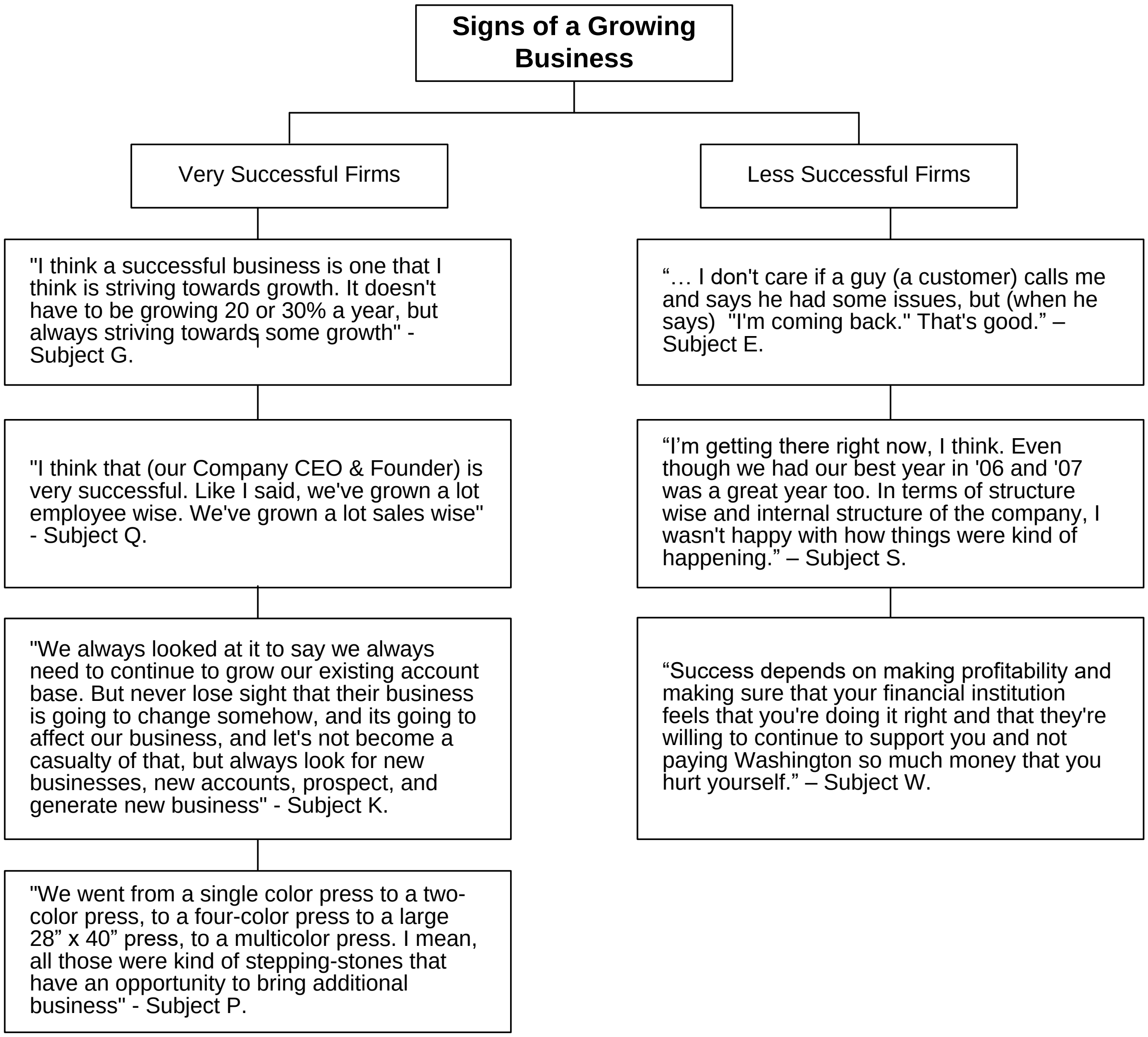
Some members of LSFs depicted growth in similar terms, but significantly less often. More often, LSF participants described growth in terms of some narrow aspect of the firm or even a specific situation - investing in technology, for example, that impacted only one particular aspect of the business, not its overall ability to grow. In a different circumstance, all three members from one LSF discussed a 'success' as a specific manufacturing innovation that improved efficiency and margins of one product for a single customer.

At other times, LSF members discussed "growth" more abstractly, not citing specific indicators of success. For example, a CEO of one LSF said,

> "You have to look forward and a good successful company has to take advantage of what's out there, and you do have to gear up and gear down, and that's okay, you know."

Additional quotes are below in Figure 2:

FIGURE 2
Signs of a Growing Business

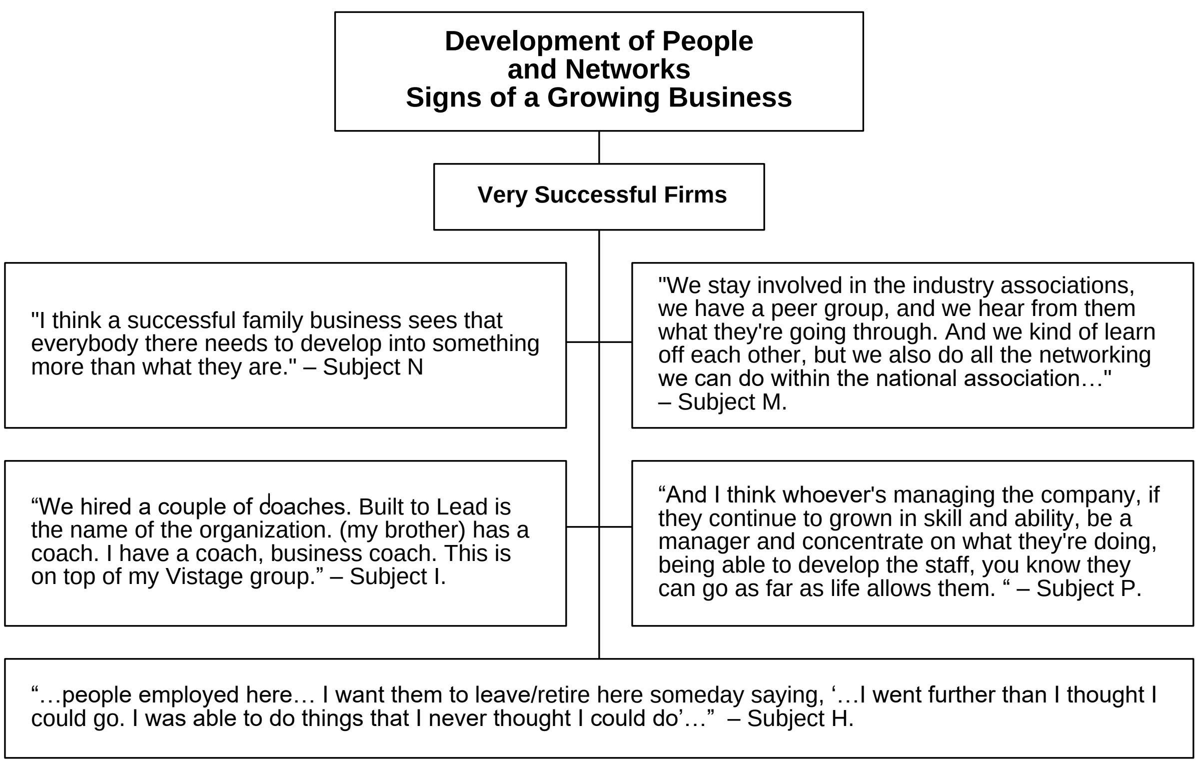


Development of people and networks. All members of the three VSFs unanimously emphasized personal and management development as well as intra-industry networking when discussing factors associated with successful times in their firm – while only four of the nine participants of one of three LSFs did so. As the quotes in Figure 3 illustrate below, the VSF members exhibited commitment to personal growth and enhancing the potential of employees generally.

In addition to formal and informal development, firm members relied on business coaches and industry peers for learning opportunities and further development. VSFs were more likely than LSFs to attribute industry association activities or executive roundtable organizations as personal or firm growth drivers. In VSFs the emphasis on a learning environment extended to all firm constituents including non-family members.

Participants in LSFs put less stress on the importance of personnel development. Some LSF members spoke of the internal development of personnel through “promoting from within” but did not emphasize the use of development resources outside the firm. In addition, one LSF participant related a situation where “promoting from within” did not work out and created animosity within the firm.

FIGURE 3
Development of People and Networks



Shared trust among family and firm members. Overall the emphasis on trust appeared in all three of the VSFs while in only one of three of the LSFs. Specific aspects of trust indicated a stronger difference between VSFs and LSFs. Table 3 below indicates the firm level differences on the dimensions of trust among family members and the trust between family and non-family members of the firm.

TABLE 3
Types of Trust – Firm Level*

Type of Trust	Trust Description	Very Successful Firms (VSFs) – 3 Firms	Less Successful Firms (LSFs) – 3 Firms
Family to Family	Trust or reliance between Family Members within the Firm	2 of 3	0 of 3
Family to Non-Family	Trust in the relationships between Family Members and Non-family Members of the Firm	3 of 3	0 of 3

*--Note: Firm level findings were based on responses from at least half of the participants from a given firm.

Five out of eleven VSF respondents (representing two out of three firms in this category) and only one out of nine LSF respondents referenced the role of family trust. (None of the LSFs indicated family trust, as none of the firms had half or more respondents indicate so.) Family members reported relying on other family members as "sounding boards" to discuss sensitive business topics and appreciating the availability of support from family members in times of need. Members from two VSFs noted the benefit of having siblings in the business to "share the burden" of running the business.

Two members of one of the VSFs indicated that the level of trust between family members was somehow different and superior to the trust between family and non-family participants in the business. This high level of family trust was seen as a special resource they often relied on to manage the business.

All participants of all three VSFs (compared to five of nine LSF members) attested to the importance of firm trust transcending family lines. Respondents reported dependence on and commitment to one another along with the absence of conflict and self-serving motives by employees (citing both family and non-family relationships) as influencing success.

While members of LSFs spoke infrequently of trust, two participants from one LSF gave negative examples about incidents when trust had been violated. See quotes in Figures 4 and 5 below:

FIGURE 4
Family Member Trust

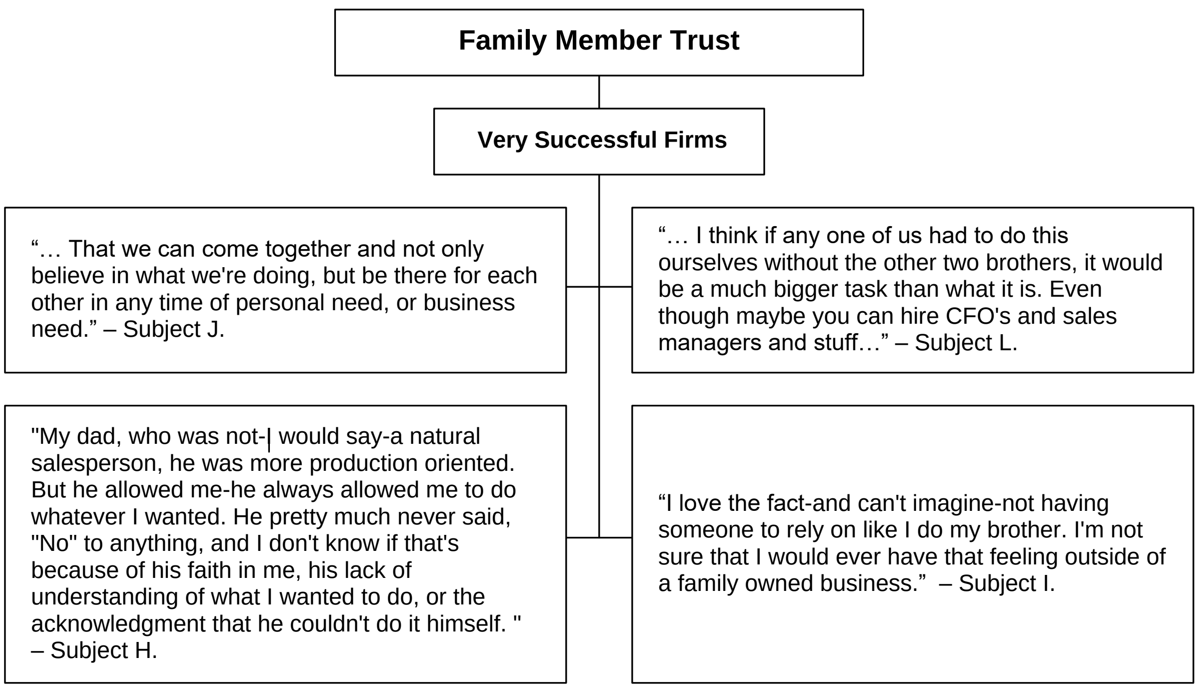
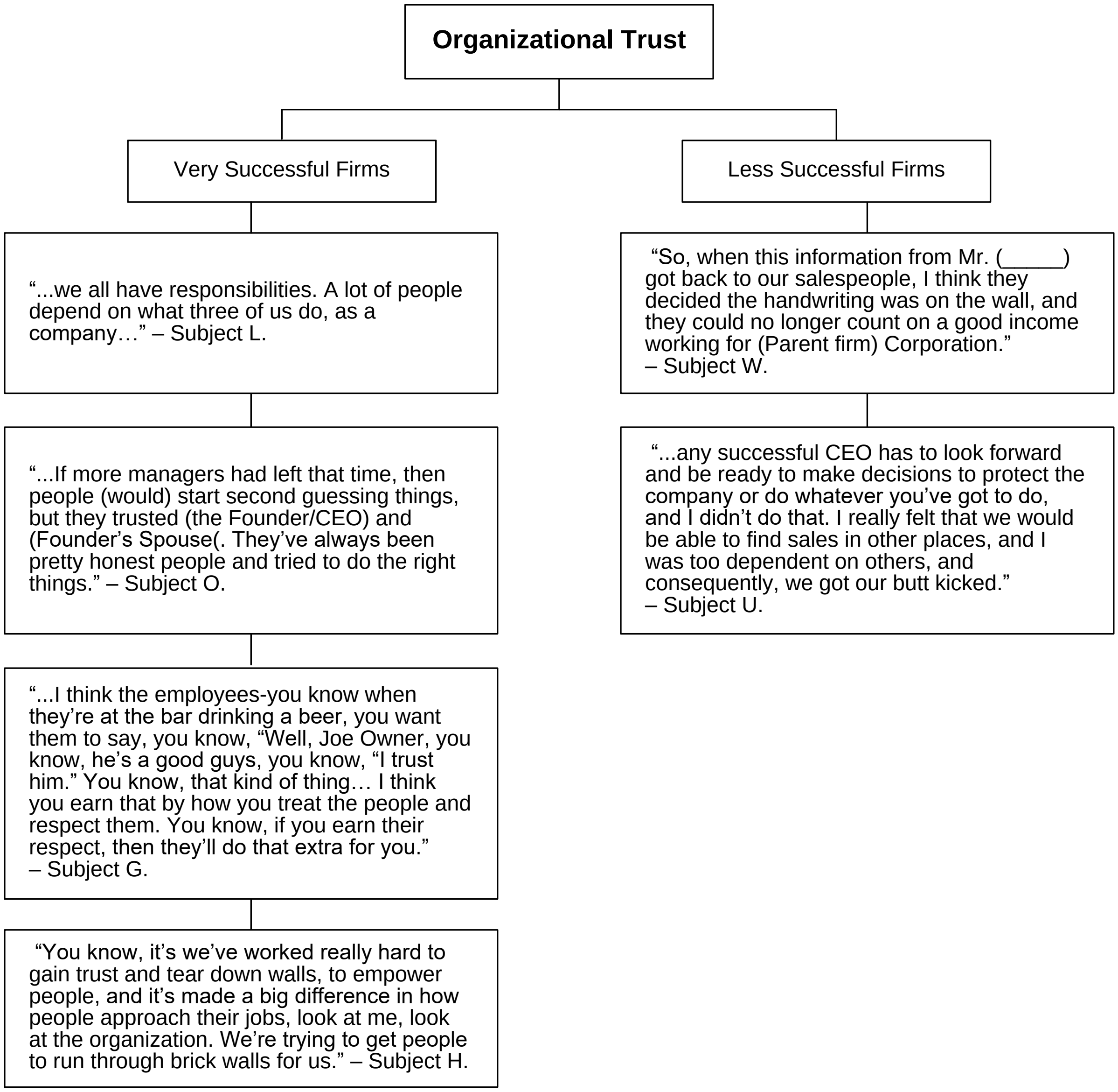


FIGURE 5
Organizational Trust



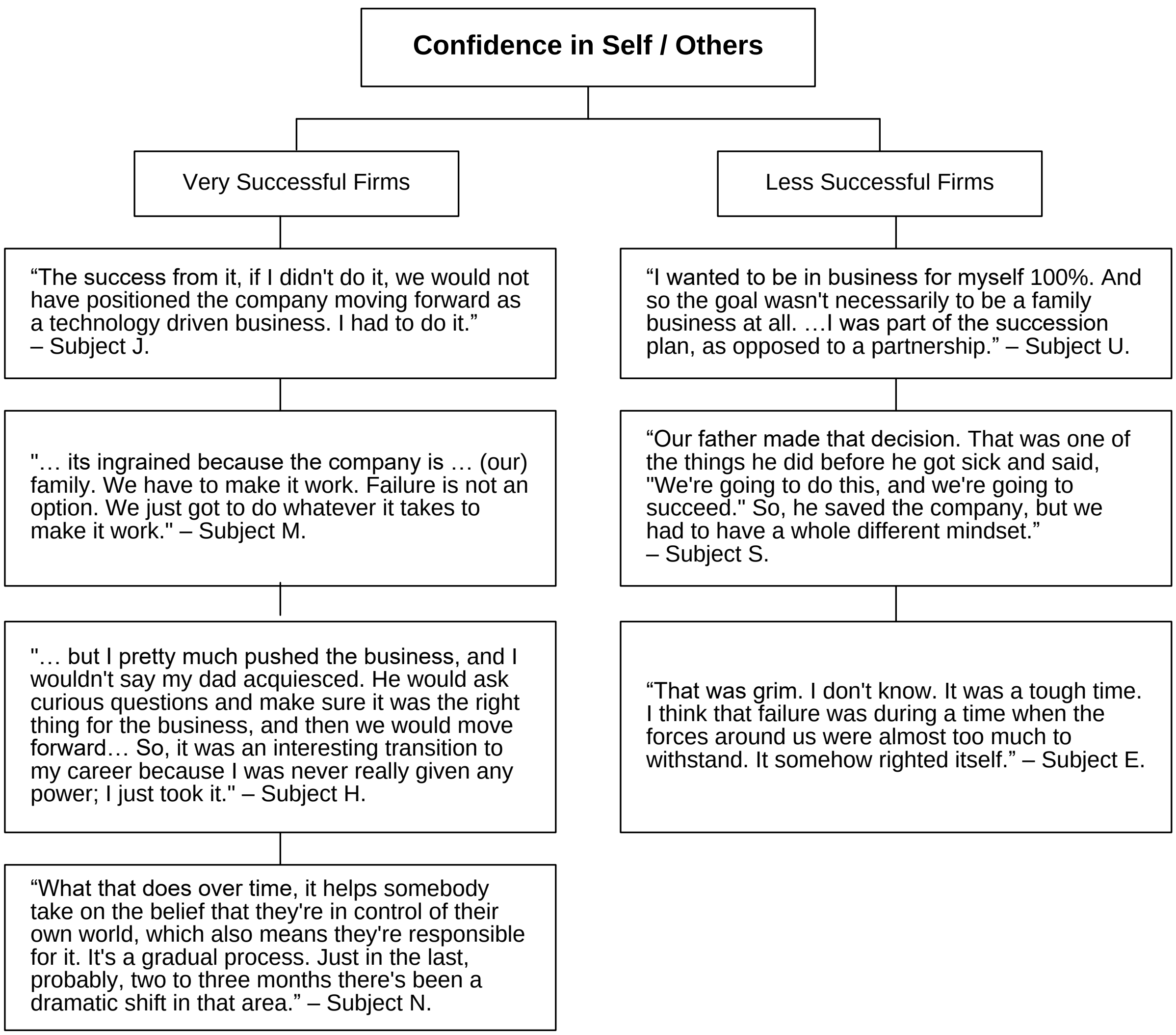
Confidence in one's own and others' abilities. Ten of eleven participants in all three VSFs emphasized confidence in oneself and others in the organization – while five out of nine respondents in two of three LSFs did so.

Examples of this theme included comments about having faith in people working for the family firm, confidence in the firm's ability to adapt to changing circumstances in the business environment, and confidence to "stay the course" when implementing a new business initiative. The VSF members tended to voice their confidence in either themselves or others within the firm. One CEO from a VSF said,

> "You know we have so much faith in our business, faith in our people here and faith in myself,…We can take this thing to $100 million if we want to,"

See additional quotes in Figure 6 below:

FIGURE 6
Confidence in Self/Others



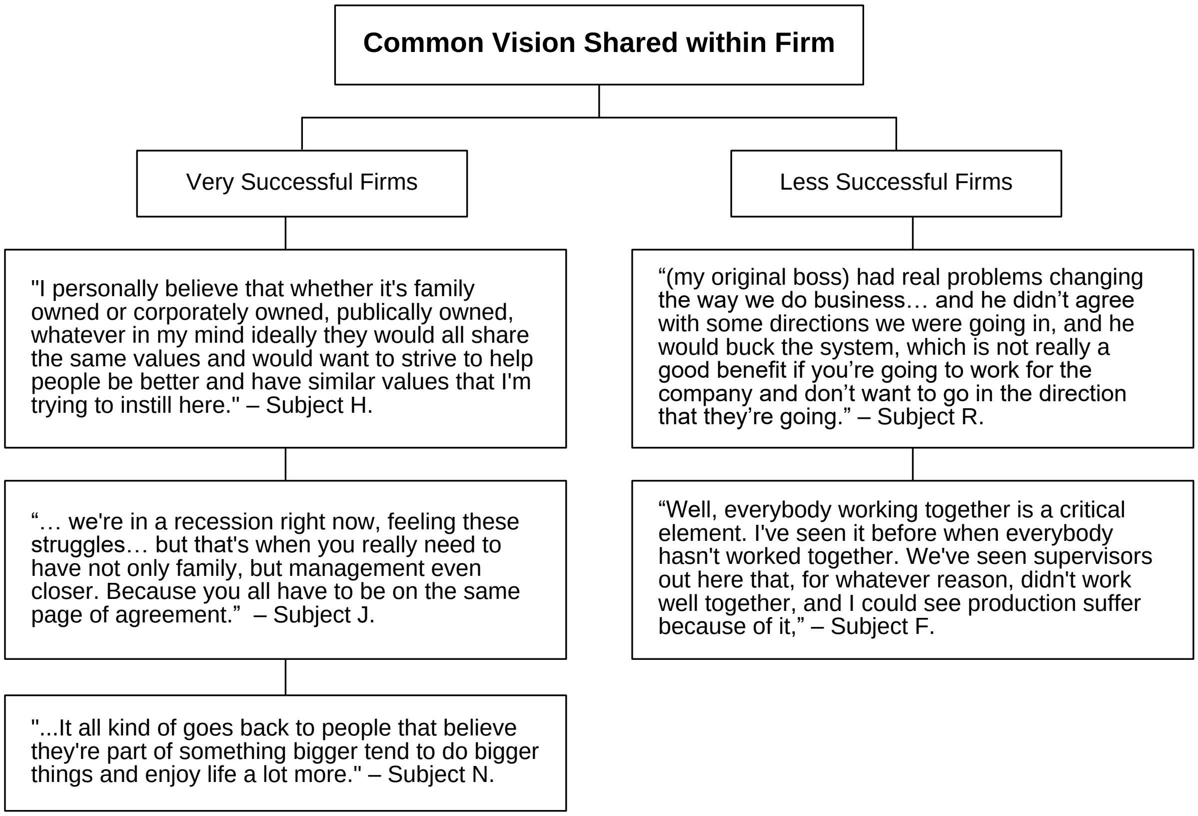
Less Distinctive VSF/LSF Characteristics

Shared vision among firm members. Having a common or shared vision was associated with perceived success within some family owned firms. Slightly over half (six out of eleven) of the VSF participants (representing all such firms) discussed shared vision while six of nine LSF participants (representing two of three firms) did. However, all three CEO's of the VSFs discussed shared vision' when commenting on the success of their respective businesses while two out of three LSF CEOs did so.

The participants agreed that unity of purpose was important among firm members – both family and non-family alike and reported purposeful efforts to promote it (including board meetings, management discussions and employee meetings).

Comments on shared vision are represented in Figure 7 below:

FIGURE 7
Common Vision Shared within Firm

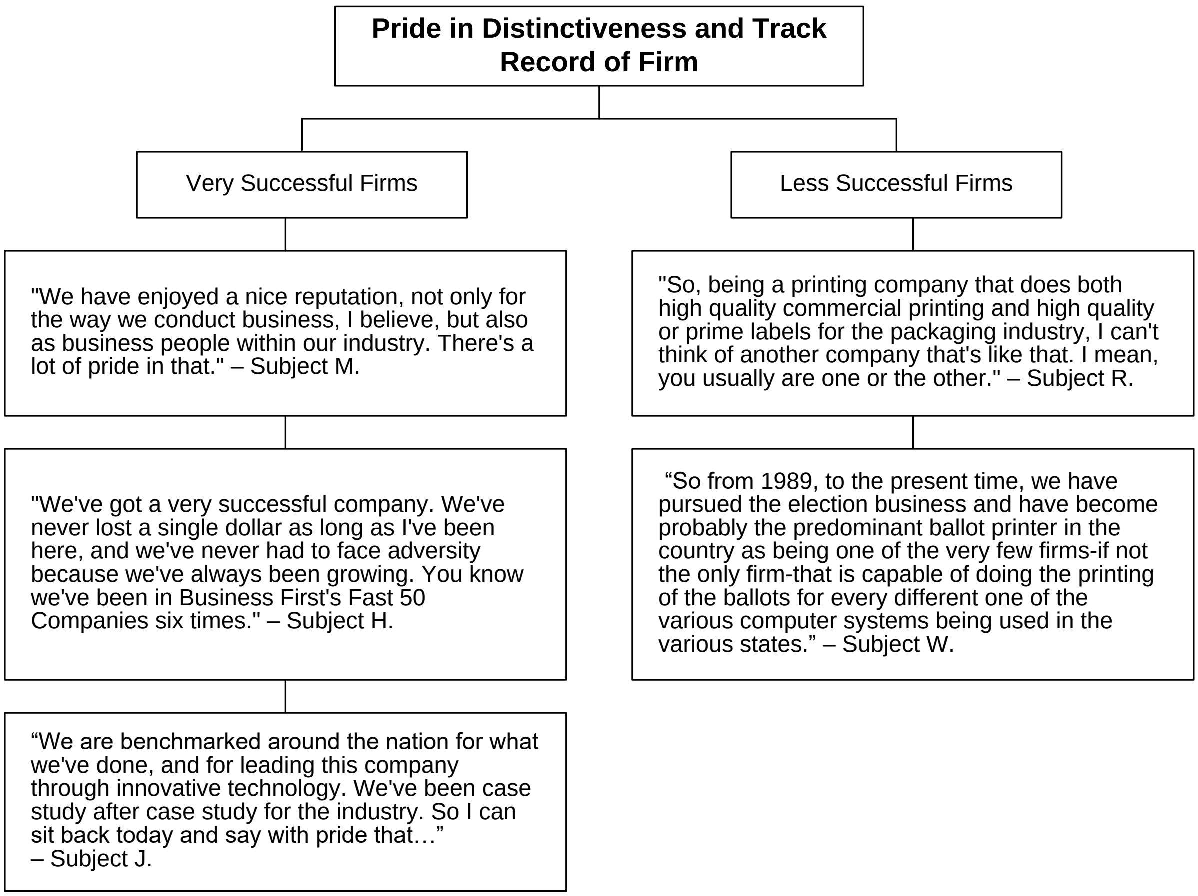


Pride in the distinctiveness and track record of the firm. Pride in the distinctiveness and track record of their businesses was reported by seven of eleven participants from all three VSFs and six out of nine participants from two of the three LSFs.

Respondents described pride in their firm's uniqueness and accomplishments of the firm as well as in the family ownership legacy. Participants from LSFs tended to place more emphasis on the uniqueness of the firm compared to typical firms in their industry. In addition to pride in their firm's distinctiveness, participants in VSFs also exhibited pride resulting from outside recognition to a greater degree than LSFs did.

Representative quotes can be found in Figure 8 below:

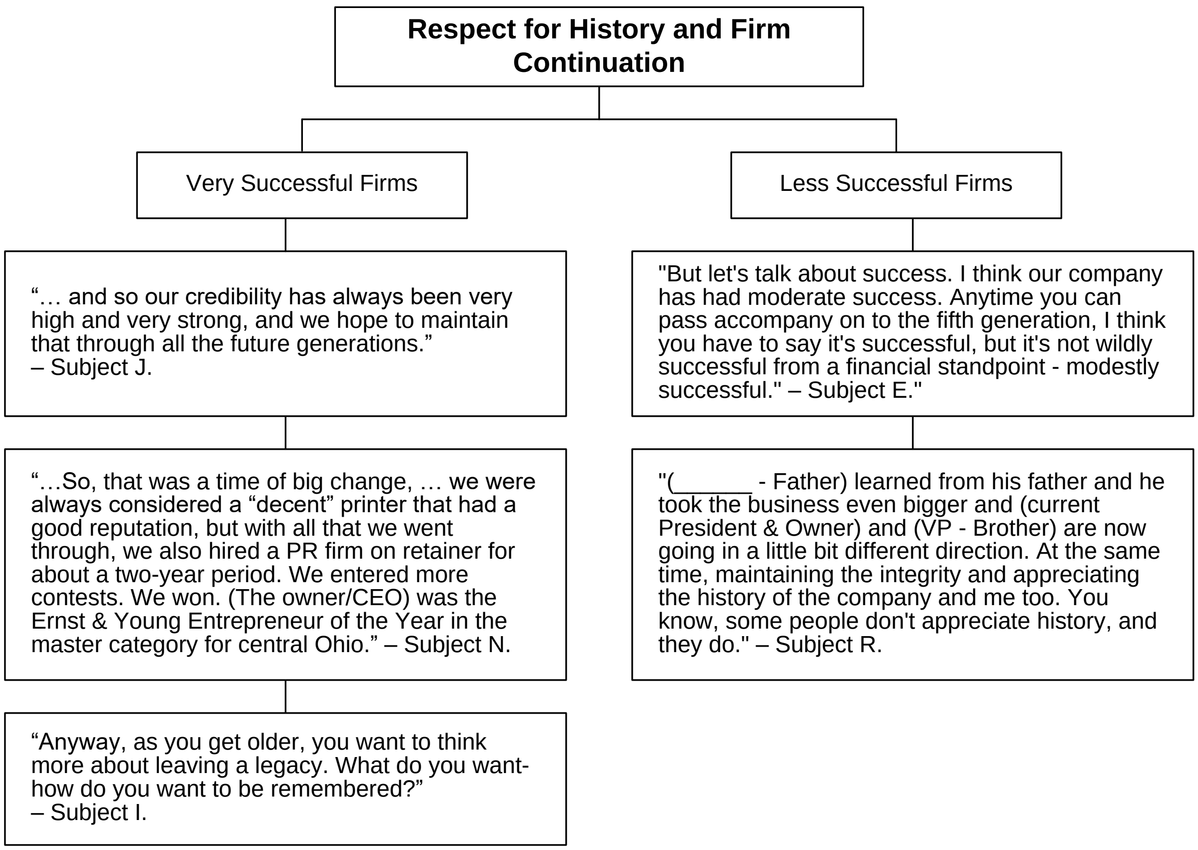
FIGURE 8
Pride in Distinctiveness and Track Record of Firm



Respect for the history of the firm and its continuation. Respect for family history and the continuation of the family firm was commonly reported by eight out of eleven respondents in all the VSFs (three out of three) and five out of nine LSF participants in two of three firms did so. This theme related to how firm members felt about the legacy of their family firm, its past as well as its continuation. The importance of the firm's legacy was emphasized by older firms (those in their third generation or more) while representatives of firms in their first and second generations did not reference it. Concern about the continuation and success of the older firms was expressed unanimously (four of our such firms).

Direct comments are listed in Figure 9 below:

FIGURE 9
Respect for History and Firm Continuation

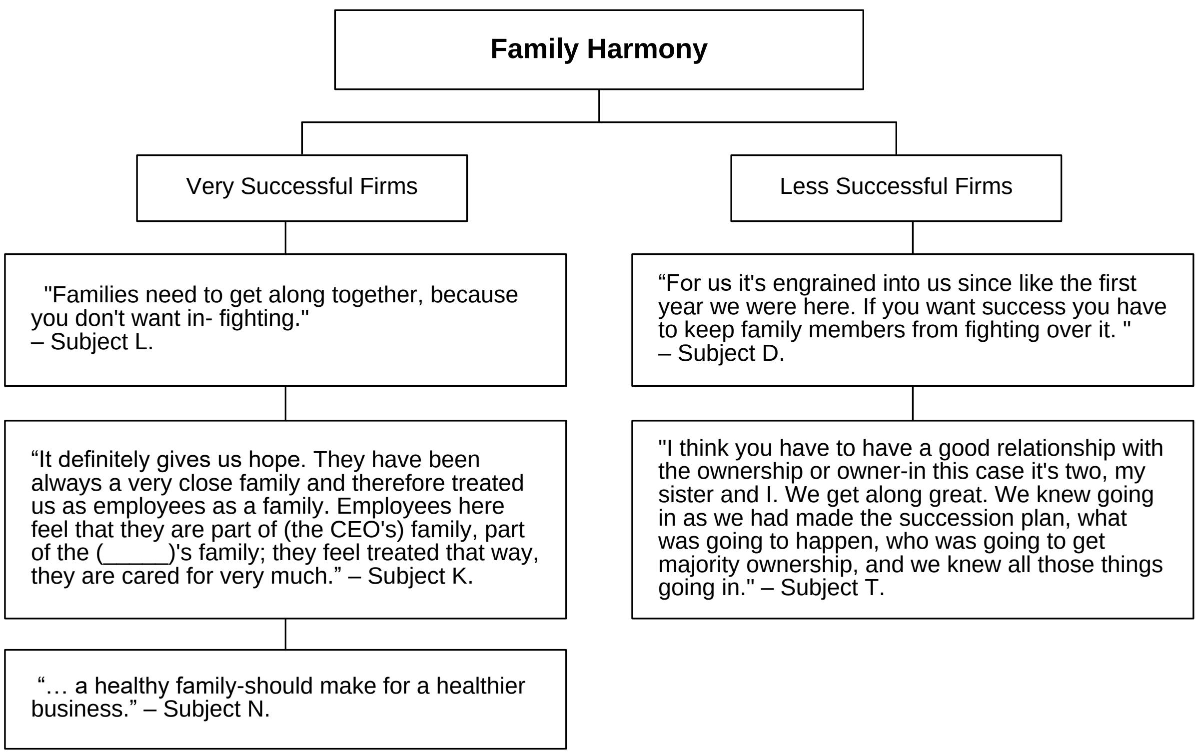


Family harmony. No distinctions in the importance of Family Harmony were revealed by VSFs and LSFs. Seven out of eleven VSF participants in two of three firms and five out of nine participants in two of three LSFs discussed the importance of Family Harmony. While Family Harmony was seen as part of family firm success, it was not a differentiator between VSFs and LSFs.

However, references to family harmony occurred in all of the four firms (both VSFs and LSFs) that were in their 3^{rd} generation or later. Only one of the two 'younger' firms (1^{st} or 2^{nd} generation) indicated feelings about the importance of family harmony. On a participant level, eight out of nine family members in the older firms discussed family harmony, while half of the four non-family members did so. In younger firms, one of four family members revealed family harmony while none of the three non-family members did so.

Comments regarding family harmony are listed below in Figure 10:

FIGURE 10
Family Harmony



DISCUSSION

Family business research has been constrained by a lack of consensus about how to measure firm success. Our overall findings suggest that it may be possible to develop metrics to evaluate levels of family firm success. Specifically our study revealed four factors associated with higher levels of firm success – an emphasis on concrete growth measures, organizational development, trust among firm members and confidence in member abilities.

One of these factors, trust among firm members, was seen to impact both the family and the firm. The other three factors impacted only the firm. While trust was reflected in our initial conceptual model, we did not appreciate its apparent significance in both the family and the family owned firm.

Our initial model also contained seven factors related to emotional intelligence. Trust was the only factor that impacted both family and firm. Among the other six factors, several were of moderate significance (shared vision, shared efficacy and pride) while others played little or no role (communication, hope, love/compassion). It is not that these factors may not be important to the functioning and ultimate success of the firm but that they were not discussed as differentiators between VSFs and LSFs.

Trust, emphasized by Goleman, Boyatzis and McKee (2002) as a significant factor in establishing strong relationships, emerged as a key differentiator between very successful and less successful family firms. Respondents distinguished between trust among family members (social trust) and with non-family members (organizational trust). Participants described how trust among family members created a safe atmosphere for discussion of sensitive issues – both business and personal. High levels of trust among family members enabled two distinct aspects of communication. Some respondents indicated that other family members served as ‘sounding boards’ to discuss ideas or concerns. In this circumstance, trust seemed to enable communication around issues or opportunities facing the firm.

Another aspect of high trust levels revolved around the security of knowing that ‘trusted’ family members were there to support each other in the event of either a business or personal problem. Both manifestations of trust seemed to facilitate communication among the family members – and as suggested by Sundaramurthy (2008) communication in turn, may have fortified trust within the firm.

Organizational Trust, or trust among family and non-family firm members was discussed by both parties. A significant distinction between the VSFs and the LSFs was in the strength of trust expressed by non-family participants. While all non-family members in the VSFs discussed trust, none of the non-family participants in the LSFs did so. Non-family member attitudes toward trust in a family owned firm may be the key to revealing trust within the firm. Family members, due to their close affinity, may have inherent levels of trust independent of whether it exists within the business itself. Therefore family members themselves may prove to be unreliable sources for evaluating of trust within an organization.

Feelings of trust by non-family members were typically described in relation to the owning family or family CEO rather than the firm itself. For a non-family firm member, the owning family IS the firm. This is different than conjectured by Sundaramurthy (2008) – "… interpersonal trust cannot be sustained without confidence in the system that governs key interpersonal exchange". Our findings suggest that from a trust perspective, the family itself is the key factor in establishing a ‘trusting’ work environment. Indeed, the family may serve as a "constellation of role models" within their firm (LaChapelle & Barnes, 1998).

At the CEO level, both LSFs and VSFs indicated trust as an important success factor. Some commented on the feedback they received from non-family members who expressed appreciation for being trusted by the family. Family members also spoke of their recognition of the trust that non-family employees have in the family. Family members felt responsible for non-family employees who put their trust in the family and 'count on' decisions they make.

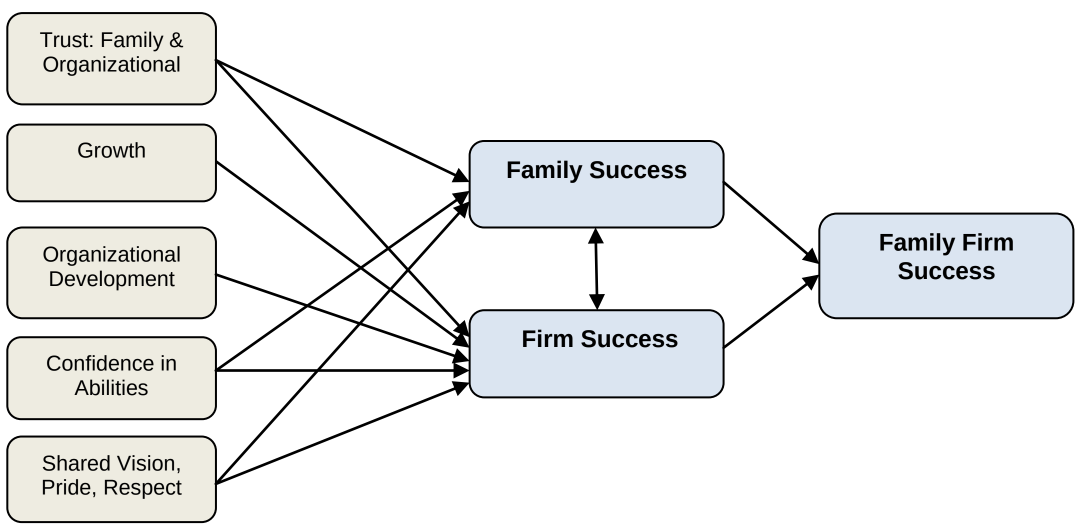
This may indicate some usefulness for the ability to recognize the other party's role in their trusting relationship. This recognition of the recursive nature of trust relationship between family and non-family members may assist in continuing a high level of trust within the organization.

Trust between family firms and their customers, a topic of some interest in the literature and in business media, was not significant in terms of perceived success of the family firm.

Based on interview data collected from study participants, the interaction between family and firm played a role in the success of the family owned firm. Study participants described the success of the owning family through its impact on the business. Firm members, both family and non-family members did not separate family success as separate from firm success. However, as frequently seen in the popular and business press, unhealthy relationships within an owning family can have disastrous effects on a family business. In the context of the family business, respondents characterized family success in general terms – that for example, family 'gets along' or at least don't exhibit negative behaviors within the firm. Participants were aware of or had first-hand knowledge of other firms where negative family interaction within the business hurt the family and/or the business. Open conflict was symptomatic of an unsuccessful family that also had negative effects on the prospects for success within the family firm. Firm success was aided by avoiding family problems that were seen as a drag on the business. Based on these findings, our revised conceptual model includes the interplay between family and firm.

Therefore, our findings motivated a revision of our conceptual model, shown below in Figure 11. The model differentiates trust as the single most important influence on family success as well as emphasis on firm growth, organizational development, confidence in member abilities and shared vision/pride/respect as additional drivers of firm success. The model also suggests an interaction between family and firm which may influence the ultimate success of the family owned firm.

FIGURE 11
New Conceptual Model



Success Differentiators

As discussed previously, growth was a prominent aspect of firm success mentioned by most participants (both VSFs and LSFs). VSFs focused on observable metrics of firm growth but LSFs far less so. The later tended to characterize success in less specific or non-growth terms.

While the specific measures of success (growth and others) varied among firms, the manner in which they were evaluated was common across firms. The prominent standard for comparison or evaluation of success indicators was previous firm results. The outcomes of firm success indicators were not compared to a standard or goal. VSFs used previous experience as the benchmark for assessing growth. So while the firm's strategic plans, moves, etc. may have impacted business results, they were not typically in the minds of participants when considering successful times in their firm. It may be that in the family business context success is more about direction than destination.

A few of the participants described 'success' as a time when their firm overcame adversity within the business. One particular member of a VSF described a situation where his firm maintained a profit in the face of a substantial (30%) drop in sales. This seems to indicate that in addition to variety in the indicators of success there are also nuances in how family firm members define the concept of 'success' itself.

While profit was acknowledged as necessary to remain in business, our respondents did not reference it specifically as a success factor. When discussing the performance of their firms, participants typically referenced a variety of "success" factors. This suggests a 'portfolio' approach to measuring family firm success may be fruitful.

Organizational development and networking were significant differentiators between the VSFs and the LSFs. VSFs recognized that the knowledge base of the firm is enhanced through development efforts – both improving skill and knowledge acquisition within the firm and strengthening relationships with external constituents (individual or organizational) that might benefit the firm.

Development efforts of the VSFs permeated the organization including both family and non-family members. Development efforts within the LSFs were not as extensive and tended to be focused internally. This could have the effect of limiting firm awareness of opportunities or threats which impact business success.

Confidence in one's self and in others' abilities was a significant differentiator between the VSFs and LSFs. Statements of self confidence were very evident among all CEOs in both VSFs and LSFs. This follows a finding of Chrisman, Chua & Sharma, and (1998) who found self-confidence was one of several factors deemed important trait in family firm successors. In our study, however, the non-CEO respondents drove the firm level differences between the VSFs and the LSFs. This again raises the potential importance of 'agreement' among high level executives in family firms, regardless whether they are family or not.

Shared Vision within a family firm was a moderate differentiator among study participants. Unity of purpose not only among family but also other firm members was considered important to the success of the firm. One member of a LSF noted a time when shift supervisors did not work well together and quality and production suffered.

Pride was another moderately distinctive factor between VSFs and LSFs. A further refinement of this theme may prove useful. Participants typically described pride in two ways. Firm members showed pride in the accomplishments or track record of firm as well as in the uniqueness of the firm. Parsing the feelings of pride may prove helpful in distinguishing levels of success in the family firm. Uniqueness per se may not influence the potential success of a firm while a track record of accomplishment as indicated by a firm's past performance may.

Respect for a firm's history & continuation was also a less significant differentiator among participant firms. This factor and that of family harmony were associated more with the older family firms in our study.

Stakeholder Perspective

Our study responds to calls for research about stakeholder attitudes in family business into stakeholder attitudes in family business (Sharma, 2004). Our findings contribute to a literature that has not extensively investigated the differences in stakeholder understandings about the firm and their impact on performance. Below we summarize the implications of our work for practice and for future research.

IMPLICATIONS

Our findings have implications for future research as well as for practice. While financial and operational measures are useful measures of success, family firm owners and practitioners ought not to neglect other less obvious but potentially influential indicators.

From a research perspective, the notion of family firm 'success' is in its infancy. Our study is an initial step in the important process of clarifying the meaning of 'success' for family owned businesses and developing metrics to evaluate success across family firms. While this study suggests that it may be possible to identify factors that can distinguish levels of success among family owned firms much work remains. Further investigation is needed to verify these factors across industry sectors and to discovery of other factors not revealed by our investigation.

Our findings point to the need for further research about the role of emotional intelligence in the family owned businesses. High levels of emotional intelligence may aid firms in dealing with or even avoiding the often reported emotionally charged atmosphere of family owned business.

We also recommend further examination of the role of trust not only within the family but also with regard to non-family members of the firm. Our findings have motivated the design of a quantitative study to examine the relationship between the success factors identified in the present study and actual firm performance.

RESEARCH LIMITATIONS

Several limitations that may affect the generalizability of our findings across all family owned firms should be noted.

The study was based on a small, non-random sample. According to recent statistics published by the Printing Industry of America/Graphic Arts Technical Foundation (PIA/GATF), a large printing industry trade association, there were 38,819 printing plants located in the United States in 2007. Our research included only six of them, all located in the Midwest region of the United States.

We only examined firms that were private, family owned and family operated. Non-family owned firms were excluded from the study. Therefore, we were not able to compare or contrast their members' understanding of success with those of members of family owned firms.

The composition of the research respondents was not diverse in terms of gender or ethnicity. The majority of respondents were middle aged Caucasian males.

Firms included in the research were selected based on third party, subjective evaluations of their organization's success. While the evaluators we consulted were highly familiar with the family firms they rated, and we relied on multiple rater's evaluations, we acknowledge the potential for bias that may have affected our findings. Our findings were based on participants' recollection of past events. We recognize that the passage of time affects memory and may have influenced the findings of the study.

As in any qualitative study, researcher bias is a potential limitation. The researcher is a principle in a family owned printing business and despite conscious efforts to minimize bias, personal experience, values and beliefs may have compromised data interpretation.

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NON-FINANCIAL INDICATORS OF FAMILY FIRM PERFORMANCE: A PORTFOLIO MODEL APPROACH

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ABSTRACT

This study sought to explore and understand the drivers of family firm performance from a non-financial perspective. The key research question underlying this research is whether certain organizational traits may compose a predictor of firm financial performance. This research extends the findings of an earlier inductive study on aspects of success in private family owned manufacturing firms. Organizational traits identified in the prior inductive study appeared to influence either or both the family and the business and ultimately the long term sustainability of family firms. Research findings suggest that certain organizational features combine to form an 'effective family business culture' that drives family firm financial performance.

Key words: Family business; culture, performance; formative; effectiveness; sustainable

INTRODUCTION

Family firms are a common organizational form and represent a significant portion of the U.S. economy. Broadly defined, family owned businesses contribute nearly two thirds of GDP and employ 60% of the domestic workforce (Astrachan & Shanker, 2003). Despite their presence, the field of family business research is relatively new and evolving (Bird, Welsch, Astrachan, & Pistrui, 2002). Of particular interest in recent years is the nature and scope of family firm performance.

Many previous studies have compared various aspects and performance measures of family and non-family firms. The majority of these studies have focused on ‘public’ firms, where financial performance data is relatively easy to obtain (Anderson & Reeb, 2003; Villalonga & Amit, 2006; Miller, Le Breton-Miller, Lester, & Cannella, Jr., 2007). However, most family owned businesses are smaller private firms. By their nature, such firms do not readily share financial information. In addition, the quality of financial information from private firms is impacted by other factors. Private family firms may consider or pursue other objectives such as tax minimization, family or personal (private) benefits and other non-financial goals that impact financial results (Tagiuri & Davis, 1992; Dunn, 1995; Paige & Littrell, 2002; Walker & Brown, 2004).

Reliance upon a single metric such as profit maximization or return on investment is therefore limiting and may even be an inappropriate representation of overall performance of private family firms. Previous researchers have exploring the idea of a multi-dimensional performance metric have developed measurement tool such as the balanced scorecard (Kaplan & Norton, 1992). However, much of the research on performance measurement has focused on indicators of past performance effectiveness. While useful to an extent, measurement indicators with predictive value are also needed (Neely, Gregory, & Platts, 1995). Nonfinancial or long term growth measures may prove more useful for family businesses (Corbetta & Salvato, 2004) due to their long term orientation. This approach requires further development.

Our study seeks to uncover and understand the drivers of family firm performance from a non-financial perspective. This research was motivated by the findings of an inductive research study on aspects of success in private family owned manufacturing firms. The qualitative study identified several organizational traits which seemed to be associated with higher levels of perceived organizational success. Within the context of family owned businesses, these traits may combine and reflect an effective organizational culture that enables and/or drives performance of the organization. Culture in organizations is often underestimated in its importance to organizational functioning (Schein, 1996). These organizational traits may influence either or both the family and the business but ultimately the financial performance of the family firm. Therefore, this study presents an attempt to quantifiably assess the qualitative findings of the initial study, in a similar fashion of previous research (Denison & Mishra, 1995).

These relationships may represent potential firm performance measures beyond traditional financial performance metrics. They may also prove valuable indicators of financial performance that are more easily captured than actual financial results for private family firms. This could serve not only the research community but also practitioners seeking to assist their family firm clients.

This paper draws on several lines of inquiry in order to better understand the sources and drivers of family firm financial performance. Given their tendency toward a long term orientation (James, 1999), the long term perspective of family firms sustainability may be of particular relevance. In addition, the complexities of family owned firms must be factored in. To fully capture the uniqueness of family owned firms, the complexities of family owned firms must be factored in. The Sustainable Family Business Model (SFBM) (Stafford, Duncan, Dane, & Winter, 1999), which recognizes family firms as systems of systems, provides a theoretical foundation that includes both the organizational system of the business as well as the family unit system. It helps to explain that as a complex system, the family firm is seen as more than the sum of its parts and its ultimate success is based on the success of both the family system as well as the business system.

LITERATURE REVIEW

This section begins with an overview of recent family business literature on firm performance and various aspects relating to family owned firms. It is followed with a review and discussion of the Sustainable Family Business Model as presented in the literature. This model serves as the theoretical framework for this research study. Finally we review specific literature that informed the design of the conceptual model that guided this research.

The literature positions the family owned business as a unique organizational form (Donckels & Frohlich, 1991; Chua, Chrisman, & Sharma, 1999; Chua, Chrisman, & Steier, 2003) and thereby justified as a separate field of study (Chua et al., 1999). A key distinction in family versus other business forms is the interaction, within it, of the family system with the business system (Chua et al., 1999), a dynamic that provides an additional level of complexity to the firm (Kepner, 1983; Beckhard & Dyer, 1983). The nature of family owned businesses includes not only balancing the duality of work and family but in the degree of overlap and commingling of both worlds (Kepner, 1983).

What are the implications of family ownership and management for firm performance? Several studies have found that publicly traded firms that are family owned/controlled perform better than non-family firms (Anderson & Reeb 2003; Lee, 2004; McConaughy, Walker, Henderson, & Mishra, 1998; Lee, 2006; Villalonga & Amit, 2006). While other studies, mainly in Europe and Asia have found the opposite (Maury, 2006; Claessens, Djankov, Fan, & Lang, 2002). These mixed results have lead to additional research to untangle the issues. Research by Miller et al. (2007) found that variation in the definition of 'family firm' impacted the research findings. They concluded that superior performance was found in the 'lone-founder' firms but not in ownership/management of later generations. In addition, Westhead and Cowling (1998) also found that various definitions of 'family firm' lead to different results of whether family firms perform better than non-family firms.

Non-listed or Private firms necessarily have fewer large studies but have been researched to some extent. A matched pair study of family and non-family firms by Westhead and Cowling (1997) found no significant difference in a variety of financial performance measures or non-financial measures. The authors, however, did find a significant difference in the non-financial objectives of 'maintaining/enhancing the owners' lifestyle' and 'providing employment for family members of management team' between family and non-family firms.

While such foundational research on family owned firms is needed, it does little to assist the owners of family firms and how they might improve the performance of their own business. What factors, from a broad perspective, might be used to establish and measure performance of family owned firms? Could some group or portfolio of measures provide the basis for evaluating the full breadth of the complex environment of family owned businesses?

Family Firm Performance

While research into family firms has developed, there remains a need to clarify the various facets of family firm performance (Sharma, 2004). The motivation of private family firms is likely not limited to ‘profit maximization.’ Other considerations may also enter into decision processes, such as tax considerations or a preference for private benefits of ownership as an alternative or in addition to the ‘bottom line’ profit. From a financial perspective tax considerations for the business and owning family are a significant factor (Murphy, 2005). Also, compensation influences may also impact the reported financial results of privately owned businesses (Westhead & Howorth, 2006).

In addition, previous research indicates that the private benefits of control are important to family owned private firms (Morck & Yeung, 2004). The presence of ‘private benefits’, however, are not necessarily detrimental to the firm itself or to minority shareholders. Research has suggested that family firms may consider the private benefits of control in addition to financial returns of firm ownership (Ehrhardt & Nowak, 2003). Other researchers have begun to expand their inquiries into other possible non-financial costs & benefits of family firm ownership (Astrachan & Jaskiewicz, 2008).

Other researchers suggesting that family firms may have non-financial objectives in addition to the ‘profit motive’ include citations of (Dunn, 1995) – success themes of Scottish family firms and (Tagiuri & Davis, 1992). The latter found that ‘family goals’, such as work-life goals; owner-financial goals; development of new and quality products; personal growth, social advancement and autonomy; good corporate citizenship; and job security are also aspects of family firm success.

There also exists the possibility of an interaction between the financial with non-financial objectives of family firms. The inclusion of multiple and/or nonmonetary objectives may introduce distortions into the decision processes in family firms "that run counter to the optimal decisions for the business" (Bertrand & Schoar, 2006). Therefore, inclusion of non-financial goals may dampen financial goal outcomes. However, focusing solely on financial measures may distort the true overall value provided to the family. Astrachan and Zellweger (2008: 7) state:

> "…financial measures of family firms might be understated since they do not reflect the private benefits owners earn from their firms" (Demsetz, Lehn, 1985; Holz-Eakin, Joulfaian, Rosen, 1993; Zellweger 2006) (Astrachan & Zellweger, 2008)

The complex nature of family firms however, indicates that the pursuit of such private objectives may be detrimental to other family stakeholders, notably minority and non-controlling shareholders. While some private benefits of family firm ownership may include social status, prestige, etc. they may also include direct or indirect economic benefits that merely expropriate value for the benefit of some shareholders at the expense of other minority shareholders.

Among family business researchers themselves, there is no consensus as to what the appropriate specific outcome variables for family owned businesses. Recent research by Yu, Lumpkin, Brigham and Sorenson (2009) studied the output performance (dependent) variables used in family business research over a 10 year period and found 259 different variables used in 212 articles (Yu et al., 2009). This compilation of research based dependent variables identified 7 domains of interest to family business researchers. These seven areas included performance, strategy, environment, governance, succession, family roles and family outcomes.

Multidimensional Nature of Firm Performance

Historically research on family firm performance has tended to focus on a single mostly financial based performance measurement (Westhead & Cowling, 1998). Previous researchers have considered the potential for various dimensions of firm performance. Certainly financial variables have been used extensively to evaluate firm performance. However, this is a narrow perspective and relying on traditional financial measures is inadequate for evaluating the strategic performance of any firm (Chakravarthy, 1986). Financial objectives, such as profit maximization may have been inaccurately assumed to be the primary or even sole objective of a family business (Westhead & Cowling, 1997). In the family business context, considering success as the simultaneous achievement of business and family goals has been used by researchers, such as Mitchell, Morse and Sharma (2003), explore emotional attachment as one such business and family goal. They state:

> "Scholars have suggested that family firms display a strong preference towards noneconomic outcomes as independence, firm survival or family harmony (Lee, Rogoff 1996; Chrisman, Chua, Litz 2004; Dunn 1995; Gimeno, Folta, Cooper, Woo 1997; Smith, Miner 1983; Lafuente, Salas 1989). Some non-financial goals have also been characterized as family goals (Tagiuri, Davis 1996; Corbetta, Salvato 2004). Sorenson (1999), based on Dunn (1995), developed a scale to measure family outcomes, like family independence and satisfaction, tight-knit family, respect in the community and child and business development." (Mitchell et al., 2003)

Emotions may be a problematic goal. (Sharma & Manikutty, 2005) find that executive's emotional attachment to their firms may inhibit resource shedding in a timely manner. Additionally, emotional entrapment with an activity can lead to strategic inertia.

Sharma and Manikutty (2005) find that attachment might be particularly pronounced in privately held family firms due to nostalgia, traditions and social constraints.

An internal stakeholder perspective may also prove helpful in the context of family owned firms. The presence of additional salient groups, such as family member owners, family member managers and/or non-family employees complicates the paradigm of multiple objectives. The inclusion of a stakeholder performance framework could improve the overall organizational effectiveness of family owned firms (Zellweger & Nason, 2008). However, (Sharma, 2004) notes that this framework needs development.

Sustainable Family Business Model

This research project is rooted in the concepts underlying the sustainable family business model (Stafford et al., 1999). A fundamental concept underlying this model is the notion that a sustainable family-owned business requires both a successful business AND a successful family. Also, the focus on sustainability implies a longer term view and broader perspective than current 'business performance', however defined. The Sustainable Family Business Model (SFBM) utilizes a flexible systems approach. While recognizing the presence of both a family system and the business system, the SFBM focuses on a single systems view. This enables an aggregate view which focuses on the entire system, rather than either the family or business system as a separate entity. Thus, the SFBM recognizes the family owned business as a system of systems and the importance of including both aspects in order to fully understand the whole. It posits that the complex owning family dynamics impact business performance as well as its growth and transitioning over time (Olson, Zuiker, Danes, Stafford, Heck, & Duncan, 2003). The theory also encompasses the impact of the business on the family and most importantly, issues which are impacted or draw resources from both. Inclusion of the family system is vital not only by its presence but by virtue of its importance. The family system is the first group in our lives that has a significant effect on our values, attitudes, beliefs, and behavior (Giddens, 1984; Sharma & Manikutty, 2005). Thus, SFBM recognizes entrepreneurship in the social context of family – recognition that a family business is a system of systems and is more than the sum of its parts. This approach is flexible in its consideration of the issues & circumstances impacting family firms and allows for the consideration that one aspect may be more salient compared to the other in certain circumstances.

The SFBM concentrates on the adaptive interactions of family and business as a key source of sustainability of the organization. The SFBM describes these interactions as 'disruptions'. While the underlying theory allows for both positive and negative interactions, the use of the term 'disruption' may unduly emphasize the traditional negative aspects of family owned firms. For the purposes of this paper, we have chosen to re-characterize the intermingling of family and business as an adaptive process.

Organizational Culture in Family Business

Peters and Waterman (1982) in their book *In Search of Excellence*, popularized the notion that organizations have personality characteristics or 'culture' that can be harnessed as a competitive advantage (Lief & Denison, 2005). Previous research indicates that organizational culture may be a source of competitive advantage for family owned firm if it is valuable, rare and difficult for other firms to duplicate (Barney, 1986). Culture in family firms embodies the values, behaviors and norms of the organization.

Due to its unique structure, family firms may have organizational traits that set them apart from other, non-family firms. One potential differentiator for family firms is the continued presence of the founder's vision and values (Lief & Denison, 2005). A unique aspect of family owned businesses stems from the role of the business founder in establishing a common purpose, identity and shared sense of destiny and helps create a positive family culture that embodies commitment, stewardship and strategic flexibility (Eddleston, 2008). While the founder's stamp appears in every company, in the case of family firms, it is more easily maintained and nurtured through the founder's descendents. Thus, family ownership may contribute toward the long term legacy of owner values and impact firm culture. Therefore 'culture' in family firms may be stronger and more enduring than in other business organizations. To the extent to which culture influences firm performance, family firms may experience enhanced performance.

In the family business context, culture of the organization as influenced, even driven by the founding family could create a unique culture which in turn could lead to a distinct environment that would be difficult to duplicate by competitor firms (Zahra, Hayton, & Salvato, 2004). Such a unique resource could assist a family firm establish and maintain a competitive advantage. Family ties to the business may establish a long term commitment to the business and family commitment to the business has been found to be associated with firm strategic flexibility (Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008).

The sustainable family business model describes the business system as being composed of multiple sub-systems such as the family system and the business system. However, the initial conceptualization of the model does not outline the specific aspects of the business system which influence firm performance and ultimately the sustainability of the family firm. Examining various characteristics of the business system and their role and influence within the SFBM may enhance this model.

Family Firm Culture and Performance

Previous research found that certain organizational factors are associated with firm performance (Hansen & Wernerfelt, 1989; Marcoulides & Heck, 1993; Denison & Mishra, 1995). In the context of family owned firms, Denison, Lief and Ward (2004) found support for the notion that culture in family firms may contain certain advantages over non-family firms. For long run viability and success, a strong culture must also remain flexible to the environment and talents of family business successors (Denison et al., 2004). While business culture may have a strong influence on the business, its long term positive effect depends on the adaptability to changes in the business environment and generational leadership in the family business.

This study seeks to build on the SFBM by examining specific characteristics of the business system along with measures of financial performance. In addition, aspects of family influence and its interaction within the business system will be considered. These organizational characteristics include trust, confidence in management, shared vision, role clarity, professional development, growth orientation and family functionality. Many of these factors were found to be moderate to strong indicators of higher firm performance in a small qualitative study of family owned printing companies (Neff, 2008).

There are several working definitions of organizational culture. It is beyond the scope of this research project to address the finer points such as the distinction between organizational 'culture' and organizational 'climate'. While the academic literature has debated the distinctions, they may be rooted in the same ground (Denison, 1996). Suffice it to say that this study seeks to study specific organizational traits and how they relate to firm financial performance.

RESEARCH MODEL

The key research questions driving this research include: What non-financial organizational traits influence financial performance in the family owned firm? Do certain nonfinancial indicators of organizational performance align with objective and perceived financial results of a family owned firm? Might these organizational traits compose a predictor variable of firm financial performance? The conceptual research model is shown in Figure 1 below. The model implies that some organizational traits may impact the family while other may impact the business. Some factors may have an influence on both the family and the business.

FIGURE 1
Initial Research Model

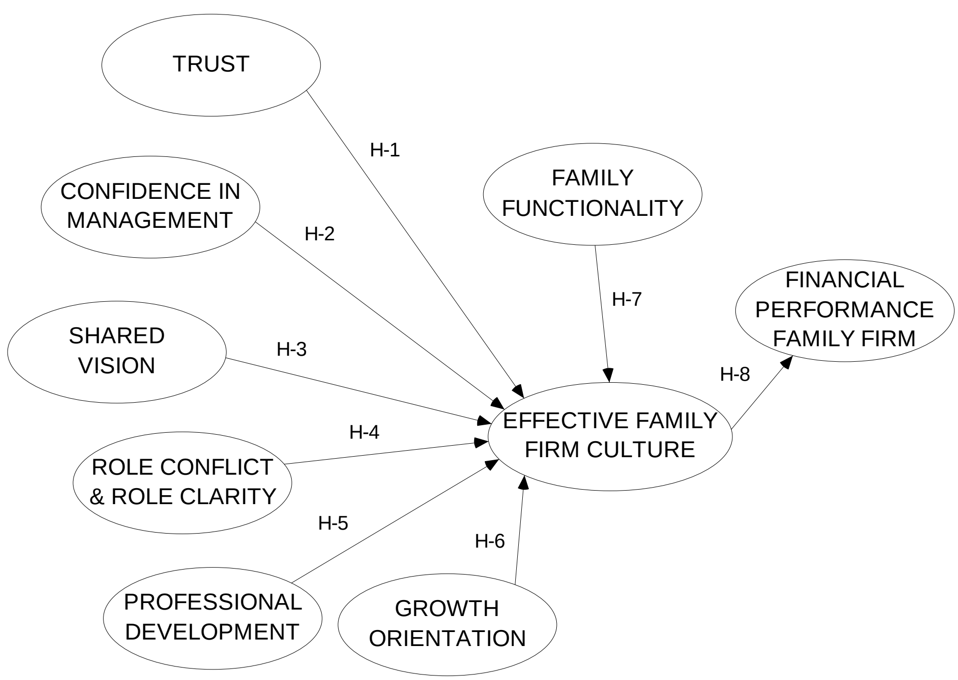


Table 1 summarizes the testable research hypotheses included in the model. The constructs underlying the hypotheses are detailed below.

TABLE 1
Research Hypotheses

	Performance Model Hypotheses
H1	Trust will have a positive impact on the Effective Family Business Culture construct.
H2	Confidence in Management will have a positive impact on Effective Family Business Culture.
H3	Shared Vision will have a positive impact on Effective Family Business Culture.
H4a	Role Conflict will have a negative impact on Effective Family Business Culture.
H4b	Role Clarity will have a positive impact on Effective Family Business Culture.
H5	Higher levels of Professional Development will have a positive impact on Effective Family Business Culture.
H6	Growth Orientation will have a positive impact on Effective Family Business Culture.
H7	Family Functionality will have a positive effect on Effective Family Business Culture.
H8	Effective Family Business Culture will have a positive effect on the Financial Performance of Family Firms

While the focus of this research study is long term business sustainability, the model uses firm financial performance as its dependent variable (DV). Profit may not be the sole or even primary goal of family business organizations, but it is a necessary element to the long term continuation of a business entity. The model accounts for the fact that profit is a necessary outcome though not the only outcome for a 'successful' family owned business. In this model, non-financial organizational traits are components of family firm sustainability, and these factors align with and support financial performance.

Financial performance is measured both objectively and subjectively. Subjective assessments of financial performance are presented to differentiate stakeholder groups within the family firm. These subjective measurements are included in order to judge the perceptual alignment of perceived performance. Different stakeholders may perceive performance differently and this model attempts to clarify those potential differences.

The SFBM is based on the notion that the requirements of a sustainable family business include both a successful business as well as a successful family. While this study emphasizes organizational traits that support the functioning of the business system, it also examines the impact of some constructs on the functioning of the family system. The research model constructs are described below.

Trust

Inherent in the nature of family owned businesses is the intense emotional connection between family members (Tagiuri & Davis, 1996). Trust is a unique feature of family firms due to the deep level of interpersonal ties between family members and their shared history and experiences as a family (Sundaramurthy, 2008). This factor may influence the workings of not only the family sub-system but also the firm sub-system. Generally speaking, "Trust is the foundation on which social capital is built" (Bubolz, 2001). From an economic perspective, trust may reduce the transaction costs of exchange by reduced monitoring costs and opportunism (Steier, 2001).

From an organizational perspective, the trust between the family and non-family employees is another important aspect. Non-family employees may place their trust in the owning family rather than to just the 'firm' (Neff, 2008). In other words, for a non-family member, the owning family IS the firm and represents a key factor in establishing a trusting work environment. This is different than conjectured by (Sundaramurthy, 2008) "… interpersonal trust cannot be sustained without confidence in the system that governs key interpersonal exchange." The family may serve as a "constellation of role models" within their firm (LaChapelle & Barnes, 1998).

For purposes of this study, trust is measured with a scale adapted from (Schoorman & Ballinger, 2006) and include three sub-dimensions benevolence, integrity and ability.

Hypothesis 1. Trust will have a positive impact on Effective Family Business Culture.

Confidence in Management Ability

Certainly self-confidence has been associated with managerial effectiveness. In the family business setting, a successor's self-confidence has been associated with more effective successor transitions (Goldberg & Wooldridge, 1993). While self-confidence may be an important factor, this study focuses on employee confidence in management's ability. It is distinct from the 'trust' construct above in that is focuses on management's ability to achieve stated objectives. Churchill and Hatten explain:

> "Trust in this sense involves knowing the goals or objectives another will try to attain. Confidence involves knowing the other is capable of attaining these objectives" (Churchill & Hatten, 1997)

To gain a broad perspective, this study includes the views of other family member employees as well as non-family managers to gauge the confidence in management as perceived by the organizational participants, not just the current CEO/President.

> *Hypothesis 2. Confidence in Management Ability will have a positive impact on Effective Family Business Culture*.

Shared Vision

Shared Vision is central to the long term success of any organization. Ward (1997: 335) stated that:

> "…the best practice that is most important to long-term family business growth is (defining) family purpose and mission, family values, and the

motivations and rationale for continued business ownership" (Ward, 1997).

In the family business setting, sharing views on the goals of the business is considered vital to an effective succession process (Le Breton-Miller, Miller, & Steier, 2004). According to Lansberg (1988) and Ward (1987), "succession planning should be explicit and should include the formulation of a viable vision of the company after succession" (Lansberg & Astrachan, 1994). Also, the inclusion of the next generation in the strategic planning process, promotes continuity of family business shared vision and 'future success' (Mazzola, Marchisio, & Astrachan, 2008). For the family firm, a shared vision may help unite the family, whether employed in the business or not. Developing a shared vision within the family firm may be a key strategy in reducing unproductive conflict in family firms (Kellermanns & Eddleston, 2004). Thus the development of a shared vision may not only aid the business but the family as well. The continuity of family firms across generations may lead to pluralistic leadership which also requires a shared vision (Hoy & Verser, 1994). Also, if the founder fails to articulate a vision, problems may arise from family member perceptions of outdated reactions to current business events (Frohman & Pascarella, 1990).

The scale used to evaluate the shared vision construct is from (Boyatzis, 2007). The scale consists of three dimensions: shared vision, compassion and overall positive mood. This scale is in the development stage but has been used in previous research. The shared vision scale exhibited a Cronbach-Alpha of 0.905 (Mahon, 2010). This research project only utilized the shared vision portion of the scale.

Hypothesis 3. Shared Vision will have a positive impact on Effective Family Business Culture.

Role Conflict and Role Clarity[1]

A common aspect of family owned businesses is the potential for family member employees to experience confusion with the multiple roles presented to them in this context. A family member occupies several roles simultaneously, such as owner, employee, manager, father, child, etc. In this integrated environment, the expectations of these roles may be ambiguous or even in conflict (Sundaramurthy & Kreiner, 2008). Some roles may value family harmony while others may prefer return on investment, for example.

The inclusion of this construct is based on the often mentioned multi-role situation experienced by family members working in a family owned business. The impact of role conflict and role clarity may influence the effectiveness of the family firm which in turn may impact business performance.

The role conflict and role clarity scales used in this research were developed by Rizzo, House and Lirtzman (1970). The scales are designed to capture the extent to which individuals experience confusion regarding the clarity of behaviors and performance (ambiguity) and whether the roles they may play are incongruent with their own values or with each other (conflict) (Van Sell, Brief, & Schuler, 1981).

Hypothesis 4a. Role Conflict will have a negative impact on Effective Family Business Culture.

Hypothesis 4b. Role Clarity will have a positive impact on Effective Family Business Culture.

[1] Note: The original scales developed by Rizzo and House were termed Role Conflict and Role Ambiguity. However, upon review of the items contained in the Role Ambiguity scale, it appeared that the items related to 'Role Clarity' rather than 'Role Ambiguity.' As a result, the Rizzo and House Role Ambiguity scale will be described as 'Role Clarity' throughout this research paper.

Network Learning and Commitment to Organizational Learning

The capabilities of individuals within an organization may be characterized as human capital. Clearly the education and experience of organizational members influence the success of that organization. Also, given the dynamic nature of business, recognizing the importance of continuing to learn and develop individuals within the organization may influence the success of the organization over time.

For this research project, the focus is on specific personal and organizational development within the family business organization. This theme is comprised of two sub-dimensions. One aspect concerns the learning orientation commitment of the family business. In other words, how employees in the firm perceive the business commitment to the development of human capital within the business. This construct goes beyond mere job training and includes additional education, etc. In addition, this construct also includes the use of networking outside the business organization as a source for further professional development. It seeks to more fully capture individual development by capturing the process of forging linkages and relationships with peers outside of the family business. These 'weak ties' in the business world may provide an additional pool of experience and support that an employee may bring to bear as they help manage the family firm, whether they are family members or not. These relationships may be with customers, suppliers as well as with industry peers or casual business acquaintances in the community. These specific learning behaviors may help draw information, data & knowledge into the family firm. Networking with managerial peers for example through involvement in industry related associations may help family firms stay abreast of market/technology changes as well as new business opportunities.

> *Hypothesis 5. Higher levels of Personal Network Learning and Firm Commitment to Learning and Development will have a positive impact on Effective Family Business Culture.*

Growth Orientation

This construct seeks to measure perceptions of whether organizational capabilities will support continued or future business growth. It also addresses perceptions on whether the organization and its management have the experience and structure for significant growth in the future. In addition, this construct includes participant perceptions of certain performance indicators as appropriate indicators of business growth. These indicators include sales volume, employment growth and investment in capacity/technology.

The source for the growth orientation scale used in this research was from Poza, Hanlon and Kishida (2004). It is anticipated that growth orientation within family firms is positively associated with financial performance and influences the overall effectiveness of the organization. Also included are items relating to the perceived importance of common performance metrics such as sales volume, employment and investment for the future as adapted from previous research (Rutherford, Muse, & Oswald, 2006).

> *Hypothesis 6. Growth Orientation emphasis will have a positive impact on Effective Family Business Culture.*

Family Functionality

For purposes of this study, the family APGAR scale was used as a measure of family functionality. This scale was originally developed in a clinical setting to assess the functional integrity of the family. The instrument was developed as a convenient instrument to easily assess the functional health of a patient's family. The APGAR acronym is derived from the five functional components of <u>A</u>daptability, <u>P</u>artnership, <u>G</u>rowth, <u>A</u>ffection and

Resolve. The instrument measures a person's satisfaction with the five basic components of family function (Smilkstein, 1978). The APGAR instrument revealed a Cronbach-Alpha of 0.82 in its original research assessment.

While the APGAR scale was developed in the clinical medical field, it has been used in family business research (Danes, Zuiker, Kean, & Arbuthnot, 1999; Avery, Haynes, & Haynes, 2000; Danes & Olson, 2003; Danes & Lee, 2004). Based on these previous applications and the need for a parsimonious measure of family functionality, the APGAR scale was utilized. While not a complete measure of 'family success' as described in the SFBM, a certain level of family functionality would be needed to avoid any negative impact of the family on the business. In addition, prior research indicates that greater family functionality as measured by the APGAR scale was associated with family business goal achievement (Danes et al., 1999).

Hypothesis 7. Family Functionality will have a positive impact Effective Family Business Culture.

Effective Family Business Culture

This construct is seen as a second order construct of seven independent constructs discussed above. It is hypothesized that the independent variables (IVs) of Trust, Confidence in Management, Shared Vision, Role Conflict/Clarity, Professional Networking/Firm Learning Commitment, Growth Orientation and Family Functionality collectively form a composite second order construct. This construct, which we term 'Effective Family Business Culture,' will positively impact the financial performance of family owned firms.

A key aspect of this research is to investigate the Effective Family Business Culture construct as a composite indicator of firm financial performance in the context of family owned firms. It may be that the Effective Family Business Culture construct is a second order formative construct. In that circumstance, the model independent variable constructs are expected to cause Effective Family Business Culture rather than be reflective of its presence. The independent variable constructs such as growth orientation, shared vision and family functionality, etc. may be seen as influencing Effective Family Business Culture. Other constructs such as trust or confidence in management may not be as clear as to the direction of causality. Beyond the direction of causality, other factors are indicative of a formative relationship. The indicators of Formative constructs may not necessarily co vary as with reflective indicators and will be examined during survey data analysis. Also, formative indicators are not interchangeable and the removal of one of more indicators can alter the nature of the formative construct. In addition, the antecedents of formative indicators may not align as with reflective indicators.

> *Hypothesis 8. The Composite variable, Effective Family Business Culture, will have a positive impact on Financial Performance of Family Firms.*

RESEARCH DESIGN AND METHODS

Sample

The research sample consisted of 110 senior executives from firms that were self-identified as being both ‘family owned’ and having family members ‘active’ in firm management. Individual participants tended to be male (71.8%). The respondent age profile indicated that 53.6% of respondents were over 50 years old while 25.5% were under 40 years old.

The average age of firms in the study was 46 years. Firm size based on number of employees indicated that 70.6% of the respondent firms had fewer than 50 employees while

14.7% had over 250 employees. Industry categories for firm classification were based on NAICS codes in eight categories. Participating firms self-classified their businesses as Manufacturing (30.3%); Retail (17.4%); Wholesale Trade (10.1%); Construction (8.3%); Finance, Insurance and Real Estate (6.4%); Transportation and Warehousing (2.8%) and IT Services (1.8%), while 22.9% were self-classified as ‘Other’.

Respondents indicated that the generational stage of family firm ownership was as follows; 32.7% were 1st generation, 32.7% were 2nd generation and 34.6% were 3rd generation or older. Most respondent firms had four or fewer family member employees (81.1%). Also, the firms generally had four or fewer owners (80.4%). A slight majority of firms (57.9%) had a single owner with more than 50% of voting control.

Data Collection and Preparation

All responses were collected using an online survey. Given the research focus on family firms, study participants self identified their firms as being both family owned and having the owning family active in management of the business. The primary sources of participating firms came from purchased access to commercial databases. This approach was used in order to avoid inherent bias associated with a pure convenience sample. The three main national database sources included a graphic arts industry publication, a commercial business database service, and private firms solicited by through an online survey company. In each case, the proportion of businesses that are family owned and operated was unknown. Previous research estimated that the overall percentage of family owned businesses (public and private partnerships and corporations) in the U.S. is approximately 60% (Astrachan & Shanker, 2003).

Survey Response Rates

The first data source was from a widely distributed Graphic Arts Industry publication. This publication maintains an opt-in e-mail list of approximately 7,200 individuals. While the proportion of these firms that were family owned and managed was unknown, a recently published figure from the Printing Industry Association indicated that on average 60% of printing firms characterized themselves as 'family-run enterprises'. Based on this proportion, the e-mail list would have approximately 4,320 potential 'family' firms. The list was solicited via e-mail in three successive e-mail waves approximately two weeks apart. This yielded 47 responses, of which 37 were complete. This resulted in response rates of 1.1% and 0.9% respectively.

The second data source was a commercial database service provider of business information. To help identify family firms, a software search was conducted of each firm's profile descriptions for phrases related to family owned firms, such as, 'family firm' or 'family business.' This search compiled a list of 1,229 firms. The Initial introductory letter mailed to these firms directed interested participants to an online survey. Subsequently, two waves of reminder postcards were mailed at 10 day intervals. Mailings to 64 firms were returned as undeliverable. Thirty-three of the recipient firms responded that they were not presently family owned businesses. Eight firms responded to the mailing by declining to participate in the survey. A total of 43 completed surveys and 15 partially completed survey responses resulted from this process. Based on all responses received from the mailings, the proportion of 'family owned and managed' firms in the list would be approximately 67%. The surveys returned suggest an overall response rate of 7.4%. Final usable surveys totaled 43 and represented a 5.5% response rate.

Using their proprietary panel database, the online survey company solicited owner run private businesses to participate in this survey. A total of 1,300 firms were solicited and resulted in total 79 responses. Of these, 28 did not self-classify themselves as 'family-managed' firms and three family firms failed to fully complete the survey. This left 48 complete surveys that self-identified as family firms. Based on the survey response, the implied proportion of family firms in this sample would be 64.5%. If this proportion of family owned and managed firms applied to the entire group of 1,300 solicited firms, then 838 firms would fit the criteria of this study. Therefore, the 48 completed surveys would represent a response rate of 5.7%.

Non-Response Bias

Data collection period began in October, 2009 and concluded in April, 2010. Two of the three data sources did not allow investigation into non-responders. From the third data source, non-responders gave reasons such as "no interest in participating," "lack of time to dedicate to completing the survey" and "a policy of non-disclosure of firm financial information" for not participating in the survey. While far from complete, the non-responder reasons did not appear to indicate a systematic reason for non-participation.

Measures

The survey instrument consisted of 110 questions. Most of the independent variable construct items were from previously established scales. See Appendix for a complete list of survey items by construct with references as to their source.

The dependent variable items related to multiple facets of performance which included sales growth, profit level, and overall firm growth. These items were evaluated by survey participants over a three year period. The outcome measures were compared against perceived long term firm trends as well as to perceived performance of major competitors. In this way, the study sought a broad assessment of firm performance across multiple dimensions and from various perspectives to achieve a holistic measure of firm performance.

Data Collection and Analysis

The methodology utilized in this study consisted of data screening and exploratory factor analysis using SPSS statistical software and structural equation modeling using Partial Least Squares (PLS). PLS is well suited for dealing the inclusion of formative constructs (Götz, Liehr-Gobbers, & Krafft, 2010). PLS also is useful in analyzing data that do not conform to the restrictive statistical assumptions of other analysis techniques (Henseler, Ringle, & Sinkovics, 2009) . Finally, PLS is also useful in developing predictive models (Chin, 1998) and in early stage theoretical development in order to test and validate exploratory models (Henseler et al., 2009). A bootstrapping technique using 500 resamples was used for testing the significance of path coefficients.

Missing Values

In almost all cases, missing values were replaced by mean of the particular item. Several independent variable items (9 of 74) had missing values in excess of 10% of total responses. However, for one particular construct, the benevolence sub-dimension of Trust, all seven construct items had very high missing values, ranging from 27.3% to 39.1%. Upon review, the nature of these particular questions dealt with an employee's relationship to their supervisor. This perspective may have been confusing to owner-operators who may not have a direct supervisor in the usual sense. These items were excluded from further analysis. The remaining two items, RC2 and TI2 were retained but monitored in subsequent analyses.

Normality and Adequacy of the Data

Descriptive data on survey items are found in Table 2. Analysis of the independent variable items indicates the presence of non-normal data. Forty of 74 items had standardized skewness values in excess of +/- 3.00, indicating a fairly high degree of non-normality. Standardized values of Kurtosis were less so with 13 of 74 items in excess of +/- 3.00. Further analysis of the survey items using the Kolmogorov-Smirnov and Shapiro-Wilkes normality tests suggest non-normal data since all items for both tests were significant at the .001 level. However, the PLS analysis approach mitigates the presence of non-normal data as it does not have the distributional restrictions of other covariance based structural equation methods (Chin, 2010).

Exploratory Factor Analysis (first order factors)

Due to the relatively high number of constructs and survey items compared to the sample size of 110, an effective EFA could not be performed on all constructs simultaneously. As most of the independent variable constructs have been previously established, a partial EFA was used to verify the validity of the constructs in the context of this research on family owned businesses.

Principle Axis factoring (PAF) was used for an exploratory factor analysis extraction method to evaluate the first order independent variable constructs. In addition, oblique rotation using Promax was chosen in order to account for potential correlation of items within a given construct (Field, 2005).

The initial EFA analysis was used to assess the construct items for suitability in this research project as exhibited by high factor loadings (0.60 and above) and low cross loadings with other construct items (no cross loadings above 90% of factor loading). The results are found below in Table 4. Over 79% of the items (53 of 67) exhibited moderate to high factor loadings in excess of 0.40. Of the nine cross loaded items, six involved reverse scored questions, which can cloud the EFA outcome and indeed, introduce Common Method Variance (Schwarz, Schwarz, & Rizzuto, 2008). Given all but one of the Research scales are established constructs from prior research, it was determined not to alter the item makeup based on the EFA analysis outcomes. However, two of the constructs, Growth Orientation (GO) and Signs of Growth (GOs) showed cross loadings among two of four and one of three items respectively. These constructs may warrant close monitoring in subsequent analysis.

Additionally, constructs were evaluated on Cronbach-Alpha (CA), see Table 5. This analysis indicates that with only one exception, CA values for the research constructs exceeded 0.70 and most exceeding 0.80, which indicates a high level of reliability among the independent variable construct items. The lone exception involved the GOs construct, which had a CA value of .438, well below a common threshold of 0.70 (Field, 2005). In addition, the elimination of the most problematic item in this scale only marginally improved the overall CA. Therefore, the GOs construct was eliminated from subsequent analyses.

Sample Consistency

The sample utilized for this research was derived from three independent sources. While avoiding issues associated with pure convenience samples, this approach may introduce construct interpretation differences across the three sample groups. Ideally, independent Exploratory Factor Analysis (EFA) or Confirmatory Factor Analysis (CFA) of the research constructs across the three sample groups would identify whether the survey items align with their respective constructs across the three groups. However, the small group sizes (29, 34 and 47 respectively) do not provide an adequate ratio of respondents to survey items for such a comprehensive analysis. As an alternative, construct pairs were evaluated across the three groups using an EFA approach. While this is less than ideal, the results indicated that construct measurement across the three sample groups were similar. Therefore, it appears that combining the three sub-groups into a single sample is reasonable in the context of this research.

Measurement Model

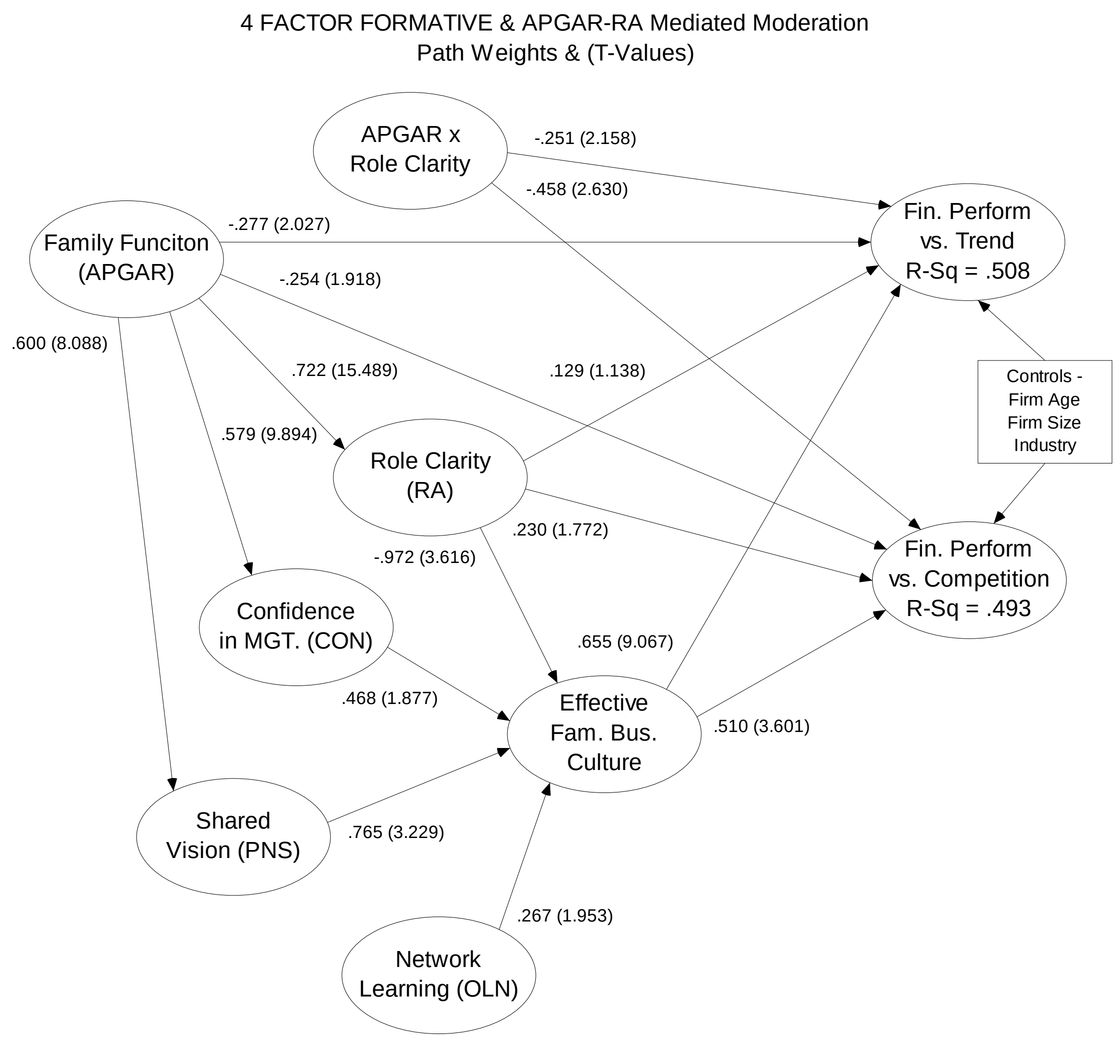
This exploratory research sought to identify non-financial drivers of family firm financial performance. As a result, the focus of analysis was on the explanatory power of the first and second order constructs on the firm performance dependent variables. From the initial model seen earlier in Figure 1, non-significant paths from the IVs to the second order construct EFBC were removed.

In the final model, five first order independent variables remain along with the second order formative construct, termed Effective Family Business Culture (EFBC). The APGAR construct exhibited no direct significant impact on the EFBC construct. However, the APGAR construct had highly significant and positive impact on the first order IVs. Therefore, its influence on EFBC appears to be fully mediated through the PNS, RA and CON independent variables.

Convergent and Discriminate Validity

As seen in Table 6, the independent variable constructs exhibited AVE values above the typical threshold value of 0.50. Table 7 reports the between construct correlations along with the Average Variance Extracted (AVE) square root (bold diagonal values)n. For the most part, the values indicate adequate discriminate validity among the independent variable constructs. However, two variable pairs did not result in sufficient differences. These pairs included the PNS to CON variables and the RA to CON variables.

FIGURE 2
4 Factor Formative & APGAR-RA Mediated Moderation Path Weights & (T-Values)



Moderating Effect of RA on APGAR

The final model also indicates a significant moderating effect of RA on the APGAR variable. The paths from the interaction term to the DVs have negative path weights are both significant at the 0.05 level, supporting the presence of a moderating effect. The strength of the moderating effect can be assessed by comparing the model R-Squared with and without the moderating variable (Henseler & Fassott, 2010). The moderating variable seems to have a nearly moderate level impact of .132 on the Perf-Trend DV and .158 on the Perf-Comp DV based on criteria described in previous research (Chin, Marcolin, & Newsted, 2003).

Using a two-way graphic, interpretation of this moderating impact is more clearly illustrated. In Figures 3 and 4 below, high levels of Role Clarity (RA) in the presence of low Family Functionality (APGAR) yields higher levels of firm financial performance. While in the simultaneous presence of high Role Clarity combined and high Family Functionality, firm performance is slightly REDUCED. The data also indicate that when Role Clarity is low, the presence of high Family Functionality has only a slight positive impact on firm performance.

FIGURE 3
APGAR Influence on Performance vs. Trend Moderated by RA

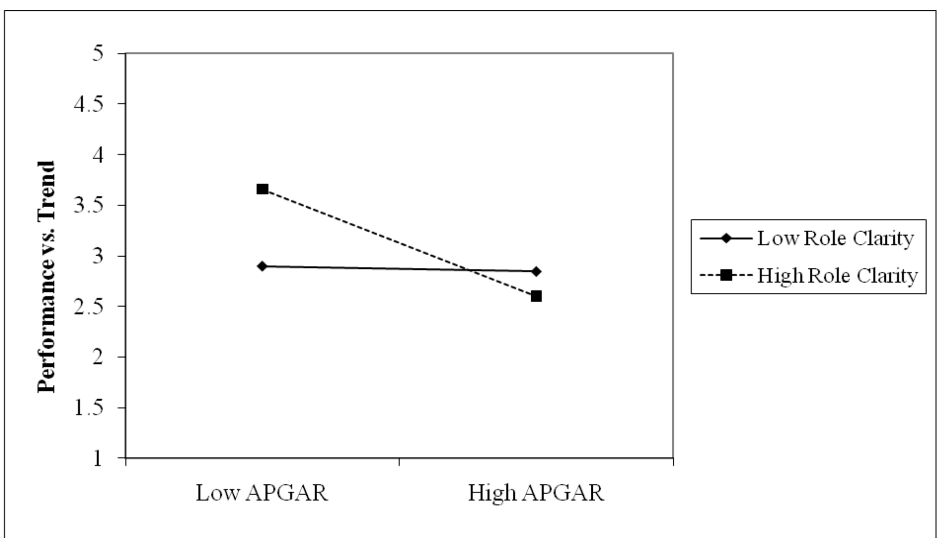
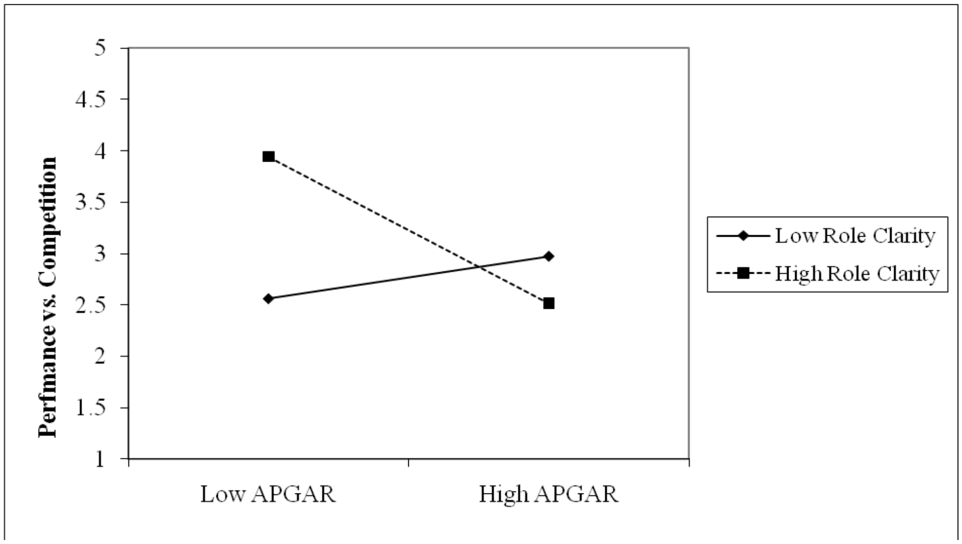


FIGURE 4
APGAR Influence on Performance vs. Competition Moderated by RA



Model Predictive Value

As previously discussed, one of the advantages of using PLS is in developing predictive models. As with other regression based approaches, the final model R-Squared magnitude of just over 50% is one indication of the explanatory potential of the research model. The PLS blindfolding procedure, based on the Stone-Geisser test, can be used to further evaluate the predictive validity of the final research model. The table below, Table 8, indicates blindfold test results greater than zero, suggesting the final structural model has some predictive relevance (Chin, 2010). However, Chin also states that cross validated redundancy values above 0.50 are preferred (Chin, 2010).

In PLS modeling with formative constructs, multicolinearity can be a significant issue. High levels of multicolinearity among the components of a formative index implies a redundancy among index variables and clouds assessment of the influence of a particular variable. Among the four IV comprising the second order formative construct, EFBC, the maximum variance inflation factor came to 2.884 as seen in Table 9, well below the common cut-off threshold value of 10 (Diamantopoulos & Winklhofer, 2001). Therefore, multicolinearity did not impact the inclusion of the four IVs.

FINDINGS

To review, the objective of this study was to investigate potential non-financial indicators of financial performance in private family owned and managed firms. Due to the exploratory nature of this research, several constructs were included in the initial research model, which also hypothesized that multiple independent variable constructs form a second order formative factor, EFBC, which influences overall firm financial performance. Research results did not support the hypotheses H1 (Trust), H4a (Role Conflict) and H6 (Growth Orientation) as significant first order IVs. Study findings did identify four constructs; H2 (Confidence in Management), H3 (Shared Vision), H4b (Role Clarity) and H5 (Network learning) as significant components of EFBC. In addition, the hypothesized second order formative construct in H8, EFBC, was supported. Finally, hypothesis H7 dealing with the impact of Family Functionality on EFBC, was not supported as initially presented.

Data analysis indicated that EFBC is highly significant and has a strong positive effect on overall firm performance. Paths to the two financial performance DVs are significant at the 0.001 level and exhibit relatively high positive path weights. The model R-squared values on the dependent variables of performance to past trends and performance versus competitors was .508 and .493 respectively. So as a formative construct, the non-financial EFBC construct may prove useful in predicting family firm financial performance.

Relatively good results from Variance Inflation Factor (VIF) and Blindfold tests support the potential predictive power of this non-financial construct.

Significant IV components of EFBC consisted of four first order reflective constructs, CON, PNS, RA and OLN. These constructs did not exhibit excessive cross correlation and were significant at the 0.10 level or higher to the second order EFBC construct. Path weights of these constructs ranged from moderate to relatively high. Three of the four IV constructs were found to have a positive influence on EFBC, as anticipated. However, analysis of the Role Clarity (RA) construct revealed a negative influence on EFBC, contrary to expectations. This surprising finding implied that more Role Clarity in the context of family firms has a dampening impact on effective culture and thus firm performance. Additional investigation revealed a significant moderating effect of RA on APGAR. The two-way interaction figures suggest that high Role Clarity is associated with superior firm performance in the presence of LOW Family Functionality. However, when Family Functionality is high, firm performance is WEAKER when Role Clarity is also high.

It was anticipated that APGAR would play a meaningful role on EFBC and thus firm performance, however, analysis revealed that while APGAR did not display a direct influence on the second order EFBC. The impact of APGAR seemed to be fully mediated by CON, PNS and RA. The APGAR construct exhibited very strong positive influence on these IVs with high positive path weights. This relationship illustrates the manner in which "family" may affect businesses owned and operated by family members.

DISCUSSION

The second order formative construct, EFBC, is a key feature of this exploratory research. Overall model fit suggest that this construct may have potential as a nonfinancial predictor of family firm performance. It may also be useful as a gauge of organizational effectiveness which is crucial for the long-term sustainability and success of family firms.

An unexpected and interesting finding was the moderating effect of RA relative to APGAR. Generally, a well functioning family and role clarity (Dana & Smyrnios, 2010) within family firms are a common recommendations from family business research and practitioners. However, our data suggests that this is not a universally positive recommendation. For closely held family firms, RA may be an influential counterbalance in the absence of high functioning family owner/managers, however, when the owning family is already highly functional, the moderating effect of high Role Clarity may stifle the entrepreneurial adaptation with unnecessary or even counterproductive bureaucratic structure. In the family firm, the organizational influence of high RA on a highly functional family may diminish long term performance.

IMPLICATIONS

The implications of this research may add value and present opportunities for family business owners, advisors as well as academic researchers.

From a theoretical perspective, further development of non-financial performance measures for private firms and family firms in particular seems warranted. Also, the findings of this study suggest an important role for organizational culture/climate on the performance of family firms. In addition, since this research focused solely on family firms, further study of non-family private firms would prove helpful in identifying the unique aspects of family firms which contribute to their long term success.

From the perspective of practitioners, this research suggests the possibility of a purely nonfinancial measure of family firm performance. This may prove useful for practitioners seeking to assist family firms where financial information might be unavailable or of limited value. Also, specific aspects of organizational culture and climate may provide a foundation for a sustainable future for family firms and therefore be a key area for organizational development.

LIMITATIONS

As this study is exploratory in nature, the inherent limitations must be considered in conjunction with the research findings. Our study examined only firms that were private, family owned and family operated. So we were not able to compare or contrast study results between family and non-family firms. Research respondents self-classified businesses included in this study as 'family' firms, therefore the definition of 'family firm' may not be consistent across the research sample.

The study sample was derived from commercial databases. Since the research sample was non-random, study results may not be fully representative of all family owned businesses and may limit the generalizability of the findings outside of the respondent groups. Also, each firm response came from a single senior executive from each firm. Future research involving multiple participants from each firm may add to the robustness of this line of inquiry.

The underlying theoretical basis for this research was the SFBM which focuses on long term performance and sustainability over time. The three year performance time horizon considered by respondents may not be fully compatible with long term sustainability as characterized in the SFBM. Extending the research findings of this study to include longer time horizons of even longitudinal designs may also prove insightful.

TABLE 2
Item Descriptive Statistics

Item	N	Mean	Std. Dev.	Skewness	Standard Error	Skewness Normality Test	Kurtosis	Standard Error	Kurtosis Normality Test
APGR1	110	4.136	0.883	(1.087)	0.230	(4.726)	1.147	0.457	2.510
APGR2	106	4.038	0.965	(0.724)	0.235	(3.081)	(0.170)	0.465	(0.366)
APGR3	105	4.076	0.817	(0.574)	0.236	(2.432)	(0.221)	0.467	(0.473)
APGR4	105	3.952	0.924	(0.725)	0.236	(3.072)	0.165	0.467	0.353
APGR5	109	3.862	0.976	(0.874)	0.231	(3.784)	0.382	0.459	0.832
CON1	106	4.406	0.727	(1.253)	0.235	(5.332)	1.663	0.465	3.576
CON2	103	4.204	0.732	(0.645)	0.238	(2.710)	0.156	0.472	0.331
CON3	107	4.355	0.717	(0.961)	0.234	(4.107)	0.743	0.463	1.605
CON4	104	4.298	0.722	(0.836)	0.237	(3.527)	0.517	0.469	1.102
CON5	104	4.029	0.830	(0.470)	0.237	(1.983)	(0.445)	0.469	(0.949)
CON6	107	4.327	0.724	(1.045)	0.234	(4.466)	1.279	0.463	2.762
GO1	105	4.086	0.942	(0.737)	0.236	(3.123)	(0.414)	0.467	(0.887)
GO2	108	3.935	0.878	(0.884)	0.233	(3.794)	1.176	0.461	2.551
GO3	109	3.872	0.851	(0.484)	0.231	(2.095)	0.200	0.459	0.436
GO4	110	3.946	0.866	(0.758)	0.230	(3.296)	0.594	0.457	1.300
GOs1	109	4.083	0.829	(1.050)	0.231	(4.545)	1.572	0.459	3.425
GOs2	108	3.259	0.980	0.002	0.233	0.009	(0.943)	0.461	(2.046)
GOs3	107	3.888	0.816	(0.531)	0.234	(2.269)	(0.005)	0.463	(0.011)
OLC1	108	4.120	0.851	(0.606)	0.233	(2.601)	(0.461)	0.461	(1.000)
OLC2	107	4.206	0.723	(0.639)	0.234	(2.731)	0.209	0.463	0.451
OLC3	106	4.123	0.713	(0.504)	0.235	(2.145)	0.163	0.465	0.351
OLC4	106	4.094	0.750	(0.433)	0.235	(1.843)	(0.285)	0.465	(0.613)
OLC5r	108	3.528	1.156	(0.587)	0.233	(2.519)	(0.456)	0.461	(0.989)
OLC6	109	4.037	0.757	(0.714)	0.231	(3.091)	1.401	0.459	3.052
OLN1	105	3.952	0.955	(0.918)	0.236	(3.890)	0.668	0.467	1.430
OLN2	108	3.593	1.238	(0.562)	0.233	(2.412)	(0.762)	0.461	(1.653)
OLN3	107	3.561	1.238	(0.477)	0.234	(2.038)	(0.917)	0.463	(1.981)
OLN4	107	3.785	1.125	(0.618)	0.234	(2.641)	(0.547)	0.463	(1.181)
PNC1r	105	4.048	1.086	(1.288)	0.236	(5.458)	1.016	0.467	2.176
PNC2	106	4.349	0.648	(0.702)	0.235	(2.987)	0.497	0.465	1.069
PNC3	109	4.514	0.647	(1.409)	0.231	(6.100)	2.607	0.459	5.680
PNC4r	106	4.170	0.980	(1.462)	0.235	(6.221)	2.050	0.465	4.409
PNC5r	108	4.269	1.010	(1.838)	0.233	(7.888)	3.357	0.461	7.282
PNC6	107	4.336	0.700	(0.911)	0.234	(3.893)	0.874	0.463	1.888
PNM1	109	4.431	0.725	(1.168)	0.231	(5.056)	1.002	0.459	2.183
PNM2	109	4.367	0.729	(1.134)	0.231	(4.909)	1.361	0.459	2.965
PNM3r	110	4.164	1.063	(1.456)	0.230	(6.330)	1.574	0.457	3.444
PNM4	108	4.065	0.752	(0.510)	0.233	(2.189)	0.044	0.461	0.095
PNM5r	106	4.076	1.110	(1.301)	0.235	(5.536)	1.062	0.465	2.284
PNM6	109	4.312	0.648	(0.823)	0.231	(3.563)	1.466	0.459	3.194
PNS1	104	4.346	0.773	(1.334)	0.237	(5.629)	2.631	0.469	5.610
PNS2	104	4.202	0.874	(1.296)	0.237	(5.468)	2.231	0.469	4.757
PNS3	109	3.982	0.860	(0.409)	0.231	(1.771)	(0.196)	0.459	(0.427)
PNS4	108	4.037	0.842	(0.549)	0.233	(2.356)	(0.323)	0.461	(0.701)
PNS5	103	4.223	0.671	(0.493)	0.238	(2.071)	0.114	0.472	0.242
PNS6	109	3.982	0.805	(0.726)	0.231	(3.143)	0.995	0.459	2.168
PNS7	109	4.009	0.822	(0.425)	0.231	(1.840)	(0.473)	0.459	(1.031)
PNS8	106	4.028	0.696	(0.556)	0.235	(2.366)	0.727	0.465	1.563
RA1	106	4.396	0.880	(1.897)	0.235	(8.072)	4.001	0.465	8.604
RA2	106	3.877	0.933	(0.683)	0.235	(2.906)	(0.258)	0.465	(0.555)
RA3	109	3.716	0.883	(0.311)	0.231	(1.346)	(0.545)	0.459	(1.187)
RA4	110	4.446	0.615	(0.875)	0.230	(3.804)	1.019	0.457	2.230
RA5	105	4.152	0.794	(1.103)	0.236	(4.674)	2.067	0.467	4.426
RA6	108	4.019	0.785	(0.387)	0.233	(1.661)	(0.399)	0.461	(0.866)
RC1	102	2.902	1.182	0.157	0.239	0.657	(0.828)	0.474	(1.747)
RC2	93	2.710	1.185	0.546	0.250	2.184	(0.640)	0.495	(1.293)
RC3	102	2.510	1.032	0.773	0.239	3.234	0.174	0.474	0.367
RC4	103	3.340	1.201	(0.375)	0.238	(1.576)	(0.750)	0.472	(1.589)
RC5	105	2.391	1.079	0.617	0.236	2.614	(0.135)	0.467	(0.289)
RC6	108	2.852	1.092	0.300	0.233	1.288	(0.797)	0.461	(1.729)
RC7	101	2.228	1.076	1.104	0.240	4.600	0.790	0.476	1.660
TB1	68	4.000	0.881	(0.675)	0.291	(2.320)	(0.104)	0.574	(0.181)
TB2	67	3.164	1.123	(0.069)	0.293	(0.235)	(0.848)	0.578	(1.467)
TB3	85	4.388	0.674	(0.893)	0.261	(3.421)	0.688	0.517	1.331
TB4	80	3.813	0.901	(0.680)	0.269	(2.528)	0.370	0.532	0.695
TB5r	73	3.069	0.991	(0.405)	0.281	(1.441)	(0.612)	0.555	(1.103)
TB6r	76	3.197	1.096	(0.155)	0.276	(0.562)	(0.602)	0.545	(1.105)
TB7r	77	3.416	1.151	(0.824)	0.274	(3.007)	(0.153)	0.541	(0.283)
TI1	105	4.467	0.708	(1.123)	0.236	(4.758)	0.552	0.467	1.182
TI2	98	4.174	0.985	(1.218)	0.244	(4.992)	1.111	0.483	2.300
TI3	106	4.453	0.678	(1.228)	0.235	(5.226)	1.759	0.465	3.783
TI4r	105	3.591	1.222	(0.842)	0.236	(3.568)	(0.256)	0.467	(0.548)
TI5	102	4.402	0.693	(1.096)	0.239	(4.586)	1.343	0.474	2.833
TI6	107	4.215	0.753	(0.920)	0.234	(3.932)	0.993	0.463	2.145

TABLE 3
EFA Analysis on First Order Independent Variables

	EFA Analysis on First Order Independent Variables								
EFA Groups	Construct (Abbreviation)	KMO	Barlett's Sphericity	Variance Explained	Total # of Items	# of Factor Wts. > .60	Factor Wts. >.40 & <.60	# of Factor Wt. < .40	Cross Load-ing > .90
1	Role Clarity/Ambiguity (RA)	0.825	0.000	52.2%	6	4	1	1	0
1	Role Conflict (RC)				7	4	3	0	0
2	Confidence in Mgt. (CON)	0.924	0.000	64.4%	6	6	0	0	0
2	Trust-Integrity (TI)				6	5	0	1	1 *
3	Learning Commitment (OLC)	0.802	0.000	52.6%	6	4	1	1	0
3	Networking Activity (OLN)				4	2	1	1	0
4	Shared Vision (PNS)	0.854	0.000	61.9%	8	4	2	2	0
4	Positive Mood (PNM)				6	4	0	2	2 *
4	Compassion (PNC)				6	1	2	2	3 *
5	Family Functionality (APGAR)	0.783	0.000	57.6%	5	3	2	0	0
5	Growth Orientation (GO)				4	2	0	2	2
5	Signs of Growth (GOs)				3	2	0	1	1
						* - Involve Reverse Scored Items			

TABLE 4
Construct Reliability

Construct Reliability				
Construct Name	Abbrv.	Cronbach Alpha	Improved	if Delete item...
Role Clarity	RA	0.819	n.a.	n.a.
Role Conflict	RC	0.863	n.a.	n.a.
Confidence in Mgt.	CON	0.907	n.a.	n.a.
Trust Integrity	TI	0.854	0.007	TI4r
Commit Org. Learning	OLC	0.792	n.a.	n.a.
Network Activity	OLN	0.725	n.a.	n.a.
PEA-Compassion	PNC	0.801	n.a.	n.a.
PEA-Overall Mood	PNM	0.884	n.a.	n.a.
PEA-Shared Vision	PNS	0.860	0.003	PNS2
Family Functionality	APGAR	0.812	0.007	APRG5
Growth Orientation	GO	0.759	n.a.	n.a.
Signs of Growth	GOs	0.438	0.050	GOs2

TABLE 5
Average Variance Extracted

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
APGAR	0.557	0.862	-	0.799	0.557	-
CON	0.667	0.923	0.335	0.899	0.667	0.222
FB Eff Culture	-	-	0.936	-	0.129	0.115
OLN	0.543	0.824	-	0.719	0.543	-
PNS	0.502	0.887	0.361	0.851	0.502	0.179
Perf Comp	-	-	0.493	-	0.242	(0.012)
Perf Trd	-	-	0.508	-	0.345	(0.024)
RA	0.518	0.863	0.521	0.808	0.518	0.259

TABLE 6
Construct Correlations and AVE Square Root (Bold Diagonal)

	APGAR	CON	FB Eff Cultur	OLN	PNS	Perf Comp	Perf Trd	RA
APGAR	**0.747**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
CON	0.579	**0.817**	0.000	0.000	0.000	0.000	0.000	0.000
Eff. FB Culture	0.082	0.433	1.000	0.000	0.000	0.000	0.000	0.000
OLN	0.172	0.289	0.562	**0.737**	0.000	0.000	0.000	0.000
PNS	0.600	0.747	0.610	0.405	**0.708**	0.000	0.000	0.000
Perf Comp	-0.022	0.252	0.504	0.249	0.314	1.000	0.000	0.000
Perf Trd	-0.083	0.211	0.649	0.336	0.330	0.594	1.000	0.000
RA	0.722	0.703	-0.120	0.154	0.630	0.003	-0.115	**0.720**

TABLE 7
Construct Cross Validated Redundancy

Construct Crossvalidated Redundancy			
Total	SSO	SSE	1-SSE/SSO
CON	660.000	520.006	0.212
PNS	880.000	739.222	0.160
RA	660.000	511.329	0.225
FB Eff Culture	2,640.000	2,257.967	0.145
Perf Comp	660.000	549.304	0.168
Perf Trd	660.000	606.466	0.081

TABLE 8
Variance Inflation Factor Analysis

	Independent Variables			
DVs	CON	OLN	PNS	RA
CON	--	2.003	1.204	1.739
OLN	2.884	--	2.366	2.210
PNS	2.202	1.086	--	2.093
RA	2.238	2.450	1.187	--

APPENDIX
Construct Definitions & Items

Construct	Items	Source(s)
Trust – Family & Organizational	Benevolence: 1.) My supervisor keep my interests in mind when making decisions. 2.) I would be willing to let my supervisor have complete control over my future in this company. 3.) If my supervisor asked why a problem occurred, I would speak freely even if I were partly to blame. 4.) I feel comfortable being creative because my supervisor understands that sometimes creative solutions do not work. 5.) It is important for me to have a good way to keep an eye on my supervisor.(R) 6.) Increasing my vulnerability to criticism by my supervisor would be a mistake.(R) 7.) If I had my way, I wouldn't let my supervisor have any influence over decisions that are important to me. (R) Integrity: 1.) Top management has a strong sense of justice. 2.) I never have to wonder whether top management will stick to its word. 3.) Top management tries hard to be fair in dealings with others. 4.) Top management actions and behaviors are not very consistent. (R) 5.) I like top management's values. 6.) Sound principles seem to guide top management's behavior.	"An Integrated Model of Organizational Trust: Past, Present & Future" by Schoorman, Mayer & Davis. Academy of Management Review 2007, V-32, #2, p.-343-354. Cronbach-Alpha - .84 Taken from "Leadership, Trust and client service in veterinary clinics" – by Schoorman & Ballinger, 2006 working paper. Adapted from: (Mayer & Davis, 1999). (Davis, Schoorman, Mayer, & Tan, 2000). (Mayer, Davis, & Schoorman, 1995). (Schoorman, Mayer, & Davis, 2007)
Confidence in Management	1.) The Top Management Team is very capable of performing its job. 2.) The Top Management Team is known to be successful at the things it tries to do. 3.) Top Management has much knowledge about the work that needs to be done. 4.) I feel very confident about Top Management's skills. 5.) Top Management has specialized capabilities that can increase our performance. 6.) Top Management is well qualified.	
Shared Vision	PEA/NEA survey items – Shared Vision: 1.) Management emphasizes a vision for the future. 2.) We often discuss possibilities for the future 3.) Our future as an organization will be better than our past. 4.) I feel inspired by our vision and mission.	(Boyatzis, 2007). Cronbach Alpha of the three dimensions are Shared Vision – 0.91

	5.) We are encouraged by management to build on our strengths. 6.) Our work is focused on our mission and vision. 7.) Our purpose as an organization is clear in our vision and mission. 8.) Management emphasizes our current strengths. Compassion: 1.) I do not feel trusted by my colleagues. (R) 2.) I feel trusted by my colleagues. 3.) I care about my colleagues at work. 4.) I do not trust my colleagues. (R) 5.) I do not care about my colleagues at work. (R) 6.) I trust my colleagues. Overall Positive Mood: 1.) This is a great place to work. 2.) I enjoy working here. 3.) I do not like working here. (R) 4.) Working here is a joy. 5.) If I had a choice, I would work somewhere else. (R) 6.) Overall, it feels good to work here.	Compassion – 0.85 Overall Pos. Mood – 0.91
Role Clarity and Role Conflict	Role Clarity (previously – Role Ambiguity): 1.) I feel certain about how much authority I have. 2.) There are clear, planned goals and objectives for my job. 3.) I know that I have divided my time properly. 4.) I know what my responsibilities are. 5.) I know exactly what is expected of me. 6.) Explanation is clear of what has to be done. Role Conflict: 1.) I have to do things that should be done differently. 2.) I receive an assignment without the manpower to complete it. 3.) I have to buck a rule or policy in order to carry out an assignment. 4.) I work with two or more groups who operate quite differently. 5.) I receive incompatible requests from two or more people. 6.) I do things that are apt to be accepted by one person and not accepted by others. 7.) I receive an assignment without adequate resources and materials to execute it.	"Role Conflict and Ambiguity in Complex Organizations" by John R. Rizzo, Robert J. House, Sidney I. Lirtzman Source: Administrative Science Quarterly, Vol. 15, No. 2 (Jun., 1970), pp. 150-163
Organizational and Personal Learning	Commitment to learning: 1.) Managers basically agree that our organization's ability to learn is the key to our competitive advantage. 2.) The basic values of this organization include learning as key to improvement. 3.) The sense around here is that employee learning is	Learning orientation, firm innovation capability, and firm performance -- Industrial Marketing Management 31 (2002) 515– 524 By Calantone, Cavusgil,

	an investment, not an expense. 4.) Learning in my organization is seen as a key commodity necessary to guarantee organizational survival. 5.) Our culture is one that does not make employee learning a top priority. (R) 6.) The collective wisdom in this enterprise is that once we quit learning, we endanger our future. Network Learning: 1.) I phone business contacts a phone call to keep in touch. 2.) I attend professional development seminars and workshops. 3.) I attended meetings of Industry-related associations. 4.) I participate in civic/social groups, clubs and so forth.	& Zhao, 2002 Adapted from: "Correlates of Networking behavior in Managerial & Professional Employees", by Forret & Dougherty. Group & Organization Management, 26(3) 2001.
Growth Orientation	Growth Orientation: 1.) The Capacity of our management has kept pace with our growth. 2.) We have been effective on capitalizing on opportunities. 3.) We understand where our growth will come from. 4.) We have the systems, procedures and practices for significant growth. Signs of Growth… 1.) From your point of view, how important is sales volume growth as an indicator of business performance. 2.) From your point of view, how important is total employment growth as an indicator of business performance. 3.) From your point of view, how important is investment in capacity/technology as an indicator of business performance.	"Does the Family Business Interaction Factor represent a resource or a Cost" – by Poza, Hanlon & Kishida. Family Business Review, V-17, #2, 6/2004. "A New Perspective on the Developmental Model for Family Business" by Rutherford, Muse & Oswald. Family Business Review 2006 19:317.
Family Functionality	1.) I am Satisfied with the help that I receive from my family when something is troubling me. 2.) I am satisfied with the way my family discusses items of common interest and shares problem solving with me. 3.) I find that my family accepts my wishes to take on new activities on make changes in my life-style. 4.) I am satisfied with the way my family expresses affection and responds to my feelings such as anger, sorrow, and love. 5.) I am satisfied with the amount of time my family and I spend together.	APGAR Model of family functionality. Smilkstein, 1978. Cronbach Alpha - .82
Family Firm Performance (individual perception) using a 7 point Likert	Subjective measures – Perception of success/performance (using multiple benchmarks and multiple standards.) 1.) Relative to our historical trend, sales growth in the	Sources: adapted from "A New Perspective on the Developmental Model for Family Business" by Rutherford, Muse &

Scale	past 3 years has been VERY high. 2.) Compared to our major competitors, our sales growth over the past 3 years has been VERY high. 3.) Compared to our historical profits, our company profits in the past 3 years have been VERY high. 4.) Relative to our major competitors, our profits in the past 3 years have been VERY high. 5.) Compared to our historical trends, our overall company growth in the past 3 years has been VERY high. 6.) Relative to our major competitors, our company's overall growth in the past 3 years has been VERY high.	Oswald. Family Business Review 2006 19:317. "Entrepreneurial Orientation and Growth of SME's: A Causal Model - By Moreno & Casillas. ET&P 2008.

Firm level Items –

Firm Financial Performance – Objective Measures (dependent variable). Using a 10-point categorical scale	Objective measures – (incorporated into Senior Executive survey instrument) 1.) Sales level for fiscal year ending in 2008 – 10 categories 2.) Sales Trend for the three years 2006-2008 – 7 Pt. Likert 3.) Pre-Tax Profit % for year ending in 2008 – 10 categories 4.) Pre-Tax Profit % Trend 2006-2008 – 7 Point Likert. 5.) Total Company Employment in 2008 (FTE) – 10 categories 6.) Employment Trend for 2006-2008 – 7 point Likert 7.) Total Net Assets for fiscal year ending 2008 – 10 categories. 8.) Company Asset Trend 2006-2008 – 7 Pt. Likert.	Sources: Developed by researcher.
Company Level Control Variables	1.) Year business was founded. 2.) Number of generations involved in the business since business was founded. 3.) Number of family shareholders. 4.) Percentage of stock held by the family. 5.) Size, in percent, of largest ownership position held by an individual family member. 6.) Number of family members in management in the business. 7.) Number of family members, who are not managers, employed in the business. 8.) Number of family members on the board of directors. 9.) Industry (NAICS categories)	Adapted from "Research note – Perceptions are reality: How Family meetings lead to Collective Action" by Habbershon & Astrachan. Family Business Review 1997, V10, #1.

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