

Family Business Casebook Annual 2004

Joseph H. Astrachan, Ph.D., Executive Editor
Kennesaw State University, USA

Panikkos Poutziouris, Ph.D., Volume Editor
University of Manchester, England UK

Khaled Soufani, Ph.D., Volume Editor
Concordia University, CANADA

**Cox Family Enterprise Center
Coles College of Business
Kennesaw State University
*Publisher***

Publisher

Cox Family Enterprise Center
Coles College of Business
Kennesaw State University
Kennesaw, Georgia USA 30144
*with generous support from the
George and Robin Raymond
Family Business Institute and
Loyola University Chicago
Family Business Center*

Managing editor: Mary B. Cawley, Kennesaw, Georgia
Layout and cover design: Griff Graphics, Atlanta, Georgia

Copyright ©2004 Cox Family Enterprise Center

ISBN: 0-9753893-0-0

TABLE OF CONTENTS

Commentary

.....i

Chapter 1

Love and Work: Finding One's Place in the Family Firm.1

Randel S. Carlock, Ph.D. and Elizabeth Florent-Treacy

This case study is structured to allow students to explore the conflict and emotional dilemmas faced by young business family members. It is designed to help business family members and non-family executives recognize the many forms of significant participation, both internal and external, that an organization can create for family members, including governance, ownership, and advising.

Chapter 2

Typologies of Family Business: A Conceptual Framework Based on Trust and Strategic Management.27

Gonzalo Gómez, Ph.D.

A study that elaborates a conceptual framework for family businesses that allows better economic and family performances. This model permits the study of different typologies to understand which are the most successful and why.

Chapter 3

A Case-Based Approach to Study Strategic Attributes of an Ethnic Family Firm.53

Dr. Ajay Bhalla, Steven Henderson and Professor David Watkins

An attempt to broaden the prevailing discourse by studying the strategic affinities of an ethnic family firm in the context of a Whittington's framework that proposes four approaches to study strategy.

Chapter 4

The Case of the Prodigal Daughter.77

Trish Reay, Ph.D. and Lloyd Steier, Ph.D.

This case was developed as a teaching tool for undergraduate and graduate business students and for professional development workshops. The case provides a foundation for discussions about family dynamics as they interconnect with business decisions and provides an opportunity for students to apply theoretical concepts about the Three-Circle Model and Three-Dimensional Developmental Model for family business.

Chapter 5

**The Professionalization Process in Family Business:
The Dennis Family Corporation Case.91**

Professor Justin Craig and Ken Moores, Ph.D.

This teaching case study details how the Dennis family has been able to professionalize their family business while still retaining their family values and realizing the vision of the founders.

Chapter 6

**Management of Social Capital: Challenges for Next
Generation Entrepreneurs.123**

*Professor Cristiana Compagno, Francesca Visintin, Ph.D. and
Dr. Daniel Pittino*

Using two case studies of family firms operating within Italian industrial districts, this case study focuses on the stakeholders' level of trust towards the successor, considering it as one of the main factors that influence the dynamics of social capital development.

Chapter 7

**Succession Challenges in the Family Business:
Evolution of Process.159**

Jill Thomas, Ph.D.

This study highlights the impact the lack of a formal succession process can have on potential successors, and on family and non-family managers.

TABLE OF CONTENTS

Chapter 8

Succession and Continuity for Johnson Family Enterprises.183

Carol Adler Zsolnay and John L. Ward, Ph.D.

This case was prepared as a basis for class discussions on the impact of succession and continuity planning in a family business.

Chapter 9

The Rise and Fall of a Large Family Business: The T. Eaton Co Ltd.203

A.B. Ibrahim, Ph.D., Khaled Soufani, Ph.D., Jose Lam and P. Poutziouris, Ph.D.

This study of The T. Eaton Co Ltd., sheds some light on critical issues facing family firms such as succession planning, offspring level of involvement in the business, the importance of grooming offspring, and successor selection.

Index

.....237

The Entrepreneurial Development of Family Businesses and Business Families

by Panikkos Poutziouris, Ph.D. and Khaled Soufani, Ph.D.

On behalf of IFERA, the International Family Enterprise Research Academy, our congratulations to the *Family Business Casebook Annual*, an initiative that supports the development of scholar efforts in the field of case writing, case teaching and case research which can add further value to family business education. *FBCA* is a platform where scholars and practitioners can engage in a synergistic exchange of their dispositions about family business-centered research ideas and best practice experiences. The resultant increased volume of teaching and research case studies will thus provide more learning opportunities for the growing family business network of owner-managers, scholars, researchers, trainers, advisors and policymakers.

Family firms are widely celebrated by the business press for fostering entrepreneurial development, sustainable business activity and wealth creation. Throughout history, business families and family businesses have ventured across commercial, economic and geo-political frontiers. It is axiomatic that, world wide, family enterprise constitutes the most prevalent form of business organization; indeed, within developed market economies, the family business sector is estimated to represent over two-thirds of all enterprises and accounts for about half of GDP-economic activity and private employment (Shanker, M.C. and Astrachan, J. H., 1996).

Paradoxically, the family business subject as an academic field emerged following the publication of two classic articles by R.G. Donnelley (1964) and L. Barnes & S. Hershon (1976) in the *Harvard Business Review*, which focused on the transfer of power. In the last two decades, the family firm subject has experienced phenomenal growth as a focus of business, political and academic research interest.

Today, many premiere business schools teach and research the multi-disciplinary topic of family business entrepreneurship. Subsequently, as more academicians and practitioners engage in family business programs, it becomes imperative that all the stakeholders with an interest in development of the family business economy have access to more practical case studies. This is essential in order to allow them to gain greater insight into the expanding body of research focusing on best practice, theoretical advancement and other pioneering research investigations. Thus, family business-specific case studies can help towards the orchestration of more practical, high quality and influential educational, teaching, outreach and training initiatives.

The launch of *FBCA* aims to embrace teaching and research case studies focusing on entrepreneurial development of family businesses and business families. The *FBCA* is a welcome addition to the many forms of family business exchange currently available, including the Family Firm Institute and Family Business Network. *FBCA* has a number of objectives. These include:

- (i) Offering a platform for leading research scholars and practitioners – often representing different cultures – to work together in the systematic review of factors shaping the strategic development of entrepreneurial family enterprises;
- (ii) Promoting the formulation and dissemination of case studies drawn from around the world that can be used for teaching, training and empirical study;
- (iii) Highlighting how the multiple case study research process can act as an integral part of multi-dimensional research triangulation methodologies (supplementing statistical analysis of primary survey fieldwork and secondary databases), and can impart additional stimulus to the advancement of the family business theorization process;
- (iv) Providing a vehicle in which the case study method approach can be used for the exposition of the processes in family-controlled firms that may lead either to their competitive advantage or to their demise; and
- (v) Allowing for in-depth understanding of unique situations that can, in turn, greatly aid theory development.

The legacy of family business entrepreneurship is not all beneficial. More researchers should employ research case - theory process methodology to investigate the less positive side of family business entrepreneurship (Kets de Vries, 1996). Let us not overlook the disastrous experiences of Wang Laboratories and the downfall of Stakis Hotels due to family nepotism; and the tremors experienced by the Gucci dynasty for decades due to family feuding. It is true that the

more negative side of family business entrepreneurship is under-researched by academics, and more research is needed in order to draw practical lessons from, and learn how to contend with, the more detrimental aspects of family dynamics.

This inaugural issue of *FBCA* incorporates nine contributions featuring family business entrepreneurial developments from a global perspective. The collection not only increases our repository of family business teaching tools, but also provides useful insights for new research approaches, addressing such topics as family business-centered ethnic entrepreneurship; social capital; entrepreneurial dilemmas of succession and continuity planning; professionalization and governance (boards); and the conceptualization of family and business co-evolutionary developments.

This issue contains cases from seven different countries focusing on the development of large family businesses. Following is a brief review of each contribution with key highlights:

R. Carlock and E.F. Treacy present the *Love and Work* case study which epitomizes the conflict and emotional dilemmas faced by young business family members as they develop their careers. It's a marathonian question: "*Should I stay in the family business or should I go?*" The teaching objective of the case is, therefore, to help successors discover their "fit" in their own family businesses. Moreover, it is also designed to help business family members – and non-family executives – recognize the many forms of significant participation, both internal and external, that the organization can create for family members, including governance, ownership, and advising.

G. Gómez employs a process theory approach and develops through multiple research case studies a conceptual framework that explains the factors that better influence family and business performance. It emerges that variables such as trust in outsiders, the use of strategic management and family protocols are positively related to superior business performance. Family performance is positively related to a strong family culture and the presence of family trust.

A. Bhalla, S. Henderson and D. Watkins offer a research case study which explores the strategic attributes of an ethnic family firm, using as a prism Whittington's strategy framework, i.e., classical, systemic, evolutionary, processual and dynamic approach to strategy. The case study demonstrates that this ethnic south Asian family firm is characterized by absence of formal planning. Making key strategic decisions is strictly a family affair under the nominal command of the eldest brother, and managerial ideology is shaped by South Asian cultural values such as strong belief in external

forces (faith in god, luck in guiding strategic decisions). It emerges that the firm has an orientation towards systemic paradigms of strategy; processual dynamics tend to be regulated by family traditions in a wider culture; and evolutionary pressures are muted by the cultural processes of family and community.

T. Reay and L. Steier offer *The Case of the Prodigal Daughter*. This is a very interesting Canadian case which makes a practical teaching tool for workshops. Part A addresses the complicated issues associated with family businesses, in particular, the inherently emotional nature of families. Part B shows how different individuals react differently to the case, and this diversity of opinion is important to understand. Moreover, the case provides a foundation for discussions about family dynamics as they interconnect with business decisions and provides an opportunity for students to apply certain theoretical concepts relating to the Three-Circle and Three-Axis Developmental Models.

J. Craig and K. Moores offer another teaching case study, which deals with *The Professionalization of the Dennis Family Corporation*. In summary, this teaching case study, which is intended for family business, corporate governance, strategic management or entrepreneurship courses, details how the Australian Dennis family has been able to professionalize their family business while still retaining their family values and realizing the vision of founders. The case covers topics such as founder succession, the role of the board, generational conflict, leadership styles, company structure, growth strategy and diversification.

C. Compagno, F. Visintin, and D. Pittino present multiple research case studies which demonstrate how family business owner-managers manage social capital across the generations. They employ two case studies of family firms operating within Italian industrial districts in order to expound the main dynamics of trust formation which entails significant level of trust in the newcomer. The findings suggest that the challenges for family business owner-managers relate to the difficulties arising from the transfer of tacit knowledge embedded in long-term relationships, usually established by the founder of the firm; the difficulties in recognizing and strengthening the value-creating relationships in competitive environments, often different from those faced by the founder; and the need for the stakeholders to legitimize the entrepreneurial role of the successor.

J. Thomas contributes another Australian case study which explores the challenging issues relating to the succession planning process. More specifically, the study addresses the impact the lack of a formal succession process can have on key stakeholders

such as family and non-family managers and potential successors. Moreover, it highlights that the older and younger generations need to ensure that while working towards a transition of leadership in a family business, the day-to-day management of that business is not compromised.

C. A. Zsolnay and J. L. Ward offer an in-depth teaching case study about the *Succession and Continuity for Johnson Family Enterprises*. This multi-dimensional case offers the basis for class discussions on the virtues of family dynamics; the impact of succession and continuity planning in a family business; the evolution of the ownership and leadership regimes; and the building of a value system.

A.B. Ibrahim, K. Soufani, J. Lam and P. Poutziouris present a historical account of *The Rise and Fall of the Canadian Eatons*. This longitudinal research traces the transfer of leadership through five generations, from the entrepreneur/founder, Timothy Eaton in 1869, to George Eaton in 1997. The study highlights critical issues and dilemmas facing family firms such as family level of involvement in the business, succession, grooming and selection of successors, lack of strategic planning, and absence of effective generational leadership.

We would like to thank the reviewers who were dedicated to providing valuable guidance to the authors and the editorial team. They include: Anuradha Basu (University of Reading, UK); Christine Blondel (INSEAD, France); Denise Fletcher (Nottingham Trent University, UK); Anikka Hall (Jonkoping International Business School, Sweden); Ellie Hamilton (Lancaster University, UK); Carole Howorth (University of Nottingham, UK); Sabine Klein (University of Trier, Germany); Mattias Nordqvist (Jonkoping International Business School, Sweden); Lloyd Steier (University of Alberta, Canada); Salvo Tomasseli (University of Palermo, Italy); Alvaro Vilaseca (University of Montevideo, Uruguay); and Yong Wang (University of Lampeter – Wales).

On behalf of the authors, reviewers and editorial team of *Family Business Casebook Annual*, enjoy and employ the knowledge contained in this collection of family business case studies, which hopefully will help forge stronger bridges between advancing theory and best practice.

References

- Barnes, L. B. & Hershon, S.A. (1976). Transferring power in the family business. *Harvard Business Review*, July/August, 105-114.
- Donnelley, R. G. (1964). The family business. *Harvard Business Review*, 42, pp.93-105.
- Kets de Vries, M.F.R (1996). *Family business: Human dilemmas in family firms*. International Thompson Business Press.
- Shanker, M.C. and Astrachan, J. H. (1996). Myths and realities: Family businesses' contribution to the US economy, a framework for assessing family business statistics. *Family Business Review*, 9(2): 107-19.

Dr Panikkos Zata Poutziouris is Senior Lecturer in Entrepreneurship, UMIST-University of Manchester; and Visiting Fellow at Manchester Business School, ENGLAND, UK. He is President of IFERA – International Family Enterprise Research Academy.

Dr. Khaled Soufani is Associate Professor of Finance, Department of Finance, John Molson School of Business, Concordia University, Canada.