

Success as a function of love, trust and freedom in family businesses

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The data collection protocol. There are 3 different models, depending on the characteristics of the person interviewed.

Introduction

By Kristin Cappuyns

IESE, International Business School

Several years ago researchers have pointed out that, the main difference between Family and non Family Business is the extraordinary level of unity and commitment of the family members to their business. The successful family businesses have been able to improve their business results by a well taken use of this distinctive strength.

This monographic presents the recent findings of an international research project that have been exploring beyond this driving force for the family business, and has analyzed the underlying reasons favoring unity and commitment.

The results are presented in different chapters. Although each of the chapters has been attributed to its main author, the content of each of them has been discussed among all of the participants at different levels of the research project until a final consent was reached.

This research project is built up on the assumption that an important part of the success of family businesses is based on a circular relationship in which three intangible factors: Love for the family business, trust among different business actors and freedom of behavior for family members, enhance each other. This assumption has been shaped in a conceptual framework.

Chapter 1: Unity and commitment: The conceptual model presents the new conceptual framework that is built up with the 3 intangible values of love trust and freedom. Apart from the definitions of each of the factors this chapter also mentions some practical applications and some of the most common errors that have been detected in the unsuccessful family businesses from our sample.

Chapter 2: The antecedents of trust and love give a more in-depth analysis of the importance of each of these variables, based on examples from the cases that have been analyzed in the different countries.

Chapter 3: Good and bad acts of freedom: Examples from the cases defines this new concept of good and bad acts of freedom and it illustrates with

examples from the cases the very importance of these acts as it may affect the family unity which provides to the Family Business its sense of “being”.

Chapter 4: When unity and commitment are threatened; coping with family business crises aims to read crises through the reference framework and, particularly, to verify whether and how love and trust are connected to crises and can help manage and, possibly, anticipate them. Based on the cases it was possible apart from defining crisis, to classify crisis in different types, to explore crisis’ antecedents and these cases also provide some examples from their personal life experience on coping with different types of crisis in FB.

Chapter 5: Research methodology provides the reader more information on the way this research paper has been realized, how the model has been created and redefined several times until it has been given its final shape.

Appendix:

A presentation of the different family businesses that have been taken part in this project in the different countries. The companies are unanimous , but there are some anagraphical data available such as size, turnover, foundation year, and in each of the cases there is a synthesis of the collected information referring to Trust, Love and Freedom.

Unity and commitment: conceptual Model

Professor M. A. Gallo
IESE, International Business School

1. Introduction

One of the most critical points in the research of Family Businesses, as opposed to Non-family Businesses, consists of identifying that which is unique to them; to take an in-depth look, analyze their causes, study their consequences, and search for ways to favor their continuity and development.

Research carried out up to now has discovered differences in points as important as difficulties in transferring control to the next generation, the tendency to remain in mature products and markets, resistance to indebtedness, and resistance to investment capital from third parties.

The field of internal indicators for strategy formulation and implementation, "Strengths" and "Weaknesses" that a business has compared to its competitors, has demonstrated that under equal product, technology, management, and financial capacities, the main differences between Family and Non-family Businesses are the extraordinary level of UNITY and COMMITMENT shown by family members with their own business, as a peculiar "strength" of the good Family Business, and the DISUNION and LACK OF JOINT EFFORT, as a peculiar "weakness" of the bad Family Business.

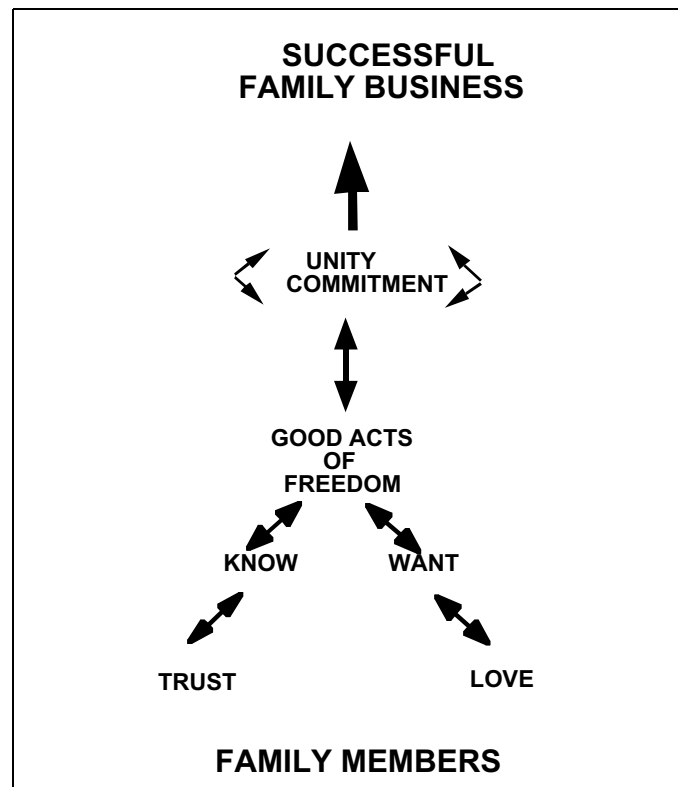
The present conceptual model intends to serve as guideline to investigate the deep-seated reasons fostering this UNITY and COMMITMENT, and the practical ways of application that make them a reality in Family Businesses.

2. Conceptual model

2.1- Unity and Commitment

The conceptual model proposal appears in Figure 1.

Figure 1



2.1.1. Summary

Success is defined as the healthy relationship between the family system and the Family Business. This healthiness is comprised of **unity** and **commitment**. **Unity** is defined as the bond among family members with relation to the business; in other words, there is unity as members come together to nurture and care for the business, not only willing to avoid conflicts related to decisions of limited importance, but to make the sacrifices that are needed in relation to difficult decisions. **Commitment** is defined as the degree of devotion and loyalty family members give to the survival and development of the Family Business.

Success if considered as a function of three intangible variables:

- **Love** for the Family Business: In this model, love is the willingness and disposition that brings about commitment to the Family Business. This love may be based on extrinsic motivations, but mainly on intrinsic ones. It is the result of identifying (an emotional connection) with the business similar to the sibling or parent-child relationship, and willingness to help each other whenever necessary, placing the good of others before one's own good.

- **Trust** among different business actors: This variable is used to describe the quality of personal relationship and the conviction that something is factual and true.
- **Freedom** is the trait of a family system that is accepting and supportive of family members' choices even when such choices are dissonant with the family interest. In the case of a Family Business, freedom would be evident when a family member leaves the firm without reprisals (neither financial nor otherwise) or joins without feeling compelled to do so.

Relationship between these variables might be a circular one in which all variables enhance each other. Moreover, in addition to the positive influence that each variable may have on family business success, there may be a "collective" contribution stemming from the very relationship between the three variables.

2.1.2. Architecture of this model

A Family Business will be –and will continue to be– more successful as such, the greater the UNITY, in the first place, among the family members that participate in it, and secondly, among all Family members, including those that don't participate, for different reasons, in the business.

This UNITY is what provides the Family Business its sense of "being." All UNITY requires energy to acquire a certain form, and in the Family Business, this energy is the COMMITMENT by Family members of developing its performance by means of GOOD ACTS OF FREEDOM, that is to say, acts that follow the good operating principles of the business.

Every human ACT is an ACT OF FREEDOM. "Bad" ACTS, bad in the sense that they are contrary to good operating principles of the Family Business, annul the FREEDOM of whoever executes them. These ACTS can be:

- Capricious spontaneity. Spontaneity as a sign that there has been FREEDOM, not that one is free.
- Behavior that stands outside of reason in the strategic management of the Family Business. Behavior that also signals FREEDOM, but FREEDOM without reason cancels itself out.

GOOD ACTS OF FREEDOM, good because they are in favor of the Family Business good operating principles, and they also maintain UNITY, helping the person carrying them out to grow in FREEDOM, thus perfecting that person.

GOOD ACTS OF FREEDOM cost effort. The effort to:

- **KNOW**, understand, and become a professional in whatever one "freely" pursues.
- **WANT** to decide and do the best thing. Respecting the freedom of others, searching for harmony of interest in everything adequate and feasible, looking to separate community members rather than fighting.

In order to **KNOW** it is necessary to TRUST those who are part of the community of people that form the Family Business; especially those that direct and manage it, and the information they contribute.

A Business is an "organized community of people," not an amorphous mass of people and resources. As such, this community has the responsibility of fulfilling its "social function," which it accomplishes when it "Provides goods and services useful to society," "Creates enough economic wealth," "Develops personally and professionally its workers," and "Guarantees successful continuity as a Business."

Attaining results requires a rational assignment of all people and resources to the different activities. But, among all the people, those that formulate and implement strategies and those that contribute resources are the most influential. The "act of managing" means finding the appropriate place for each person.

To carry out the act of **WANTING** to decide the best for the business, it is necessary to LOVE the Family Business. LOVE it not only as an affective feeling, but, and much more importantly, as a "vocation", as a real intent to be devoted, work hard, and sacrifice anything to achieve the goals pursued by the community of people, and all the people that conform it.

Love that must be complete in the sense of loving all the good elements of the system that is the business, and not only some of them with indifference for others.

Love that has as consequence that the people making up the community establish links and nexuses of union among them, durable in time, with the purpose of continually improving it.

The relationship between KNOWING and LOVING is one of need, because one cannot LOVE what is not known, and the more one loves the more one wishes to know.

In the community formed by people, besides family members, there are other people whose **COMMITMENT** is necessary for **UNITY**. These are the Non-family management, middle managers, and workers.

Similarly to family members, they must also carry out **GOOD ACTS OF FREEDOM**. For such acts not to appear mercenary, they also need to **LOVE** the **FAMILY BUSINESS** and to trust family members, to **KNOW** their most basic intentions in connection with the Family Business, and the reasons that can change these purposes.

2.2 The dynamics of change

The passage of time gives rise to three general types of change:

- Changes in the *ENVIRONMENT* such as changes in technologies, in demographic and social make-up, in legislation, in international relations, in the structure of competitors, customers, and suppliers. And changes in the *STRATEGY* of the Family Business to take these recently mentioned developments on board successfully.
- Changes in the *QUALITIES* of the people who make up the 'community', such as changes in their 'knowledge' of business in general, and about their own Family Business in particular. Changes in their attitudes and personal preferences, and changes in their age circumstances, time availability, financial and other needs.
- Changes in the *RELATIONS* that members of the community have with each other. Changes that end up influencing the level of **TRUST** and thus of **COMMITMENT** to the Family Business.

All these changes are a permanent 'dynamic' source of decisions that give rise, consequently, to new changes, which in turn originate new decisions, forming a 'progressive spiral of evolution'.

If the recently mentioned decisions are the result of **GOOD ACTS OF FREEDOM**, the continuing effort to put them into effect will, as a result, have encouraged the 'progressive spiral of evolution' with positive increases in persons both in their **KNOWLEDGE** and in their **WANTING**.

If, on the other hand, they are the result of "negative" acts of free will, they will give rise to an unfavourable spiral that will reduce **KNOWLEDGE** and **WILL**, and eventually lead to a **LACK OF UNITY** and a **DENIAL OF EFFORT**.

2.3 Relationship between family members and Family Business

In the previous section when commenting on UNITY and COMMITMENT the family was considered as “one,” making no distinction among its members.

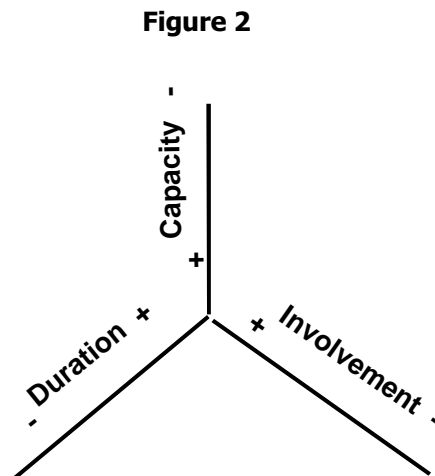
As the Family Business advances with time, it is natural that it grows with more members, blood-related and not, of different generations and ages, with different intentions and capacities, etc.

As consequence of the recently commented points and of exercising personal freedom, the relationships of the different family members with their Family Business can come to have very diverse characteristics.

Obviously each set of characteristics will give rise to different types and levels of UNITY and COMMITMENT, which will be peculiar to each person, to the Family Business.

The conceptual model that is proposed to explore the personal level of UNITY and COMMITMENT, by analysis of the person’s relations with the Family Business, is shown graphically in Figure 2.

Figure 2



The three dimensions to qualify family member relationships with the Family Business are:

Duration indicates the amount of time one intends to maintain the relationship (for example: a “test” period, pre-set term, indefinitely, etc.).

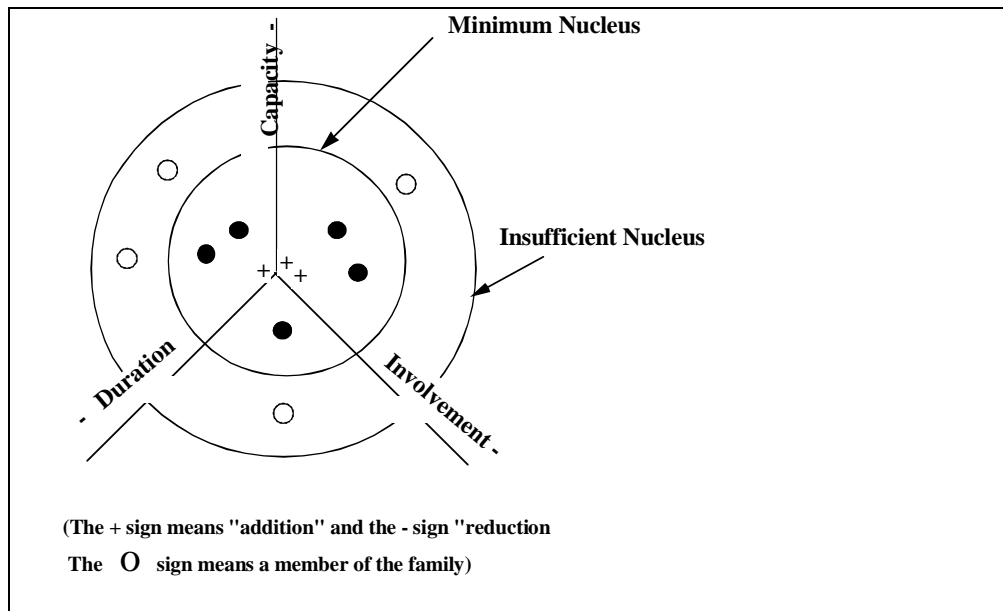
Involvement level indicates the degree of participation that one intends to achieve in the activities and results of the same (for example: partial or full time, taking or evading risks, acquiring or declining certain responsibilities, etc.).

Capacity indicates the level of knowledge and other resources that the person can contribute to help business strategy become a reality.

At any given moment in time each family member has a specific situation in the three dimensions that qualify their relationship. This situation (except for extraordinary circumstances such as starting to work in the Family Business, receiving a significant part of capital, etc.) will remain stable for a long time.

In order for the Family Business to continue exhibiting Family Business characteristics, a minimum level of UNITY must exist, achieved thanks to a minimum level of COMMITMENT from several key members of the family. (Graphically represented by the circle and black points in Figure 3).

Figure 3



If the number of key members inside the minimum level of COMMITMENT is not enough, or while enough in numbers, the dimensions that qualify their relationship are eroded, the Family Business runs the risk of losing its UNITY.

As a consequence of these points, the UNITY point can be made operative as:

- Identifying all actors of the family, especially those that are, will be or can end up being "key actors."
- Evaluating the characteristics of their relationships, reasons, and possibilities of evolution with the Family Business.
- Obtaining the deepest COMMITMENT from the majority of them.
- Structuring the ways of doing things in the Family Business to favour the establishment of good relations.

2.4 Important and frequent errors in Family Businesses

With regards to the conceptual model described in the previous point, in addition to the mistake of interpreting FREE WILL as a “fanciful spontaneity” that “is independent from reason”, there are another four important and frequent errors that arise from an erroneous interpretation of the rights established by law, when it comes to putting the “educational” and “economic” function of the family into practice. The legal rights of the owners are restricted in that family businesses are under the obligation to fulfil the social function of an organised community.

I am the owner and therefore I am a competent professional.

The belief that the owner of the capital is automatically a professional.

If this happens, their incompetence will lead to loss of the property. And if power is conferred to other competent people to avoid losing the property, they will have yielded the power. Power can only be exercised by professionals in their field.

I am the owner and can do whatever I want.

The business is a community of people. In this community, the proprietors are owners of the results obtained with the economic resources they contribute, but not of people because people have no owners, therefore they cannot do whatever they want with the business, which is a common good for all community members.

I am the owner and have the right to all information.

The information that one is entitled to depends on the responsibilities held in the community of people (Shareholder's, board of directors, management, worker...). Widespread diffusion of all information is contrary to management process rationality since indiscriminate use of sensitive data can damage the common good.

I am the owner and have the right to all value added.

There is no doubt that the owner risking economic resources in the business is entitled to part of the value added. But, in the community of people, other groups also risk what they have, for example, managers and workers (non-owners) that contribute, and therefore risk, their time and abilities to work. Owners and other community members must find a balance in the allotment of economic value added and reinvestment that guarantees the Family Business' successful continuity.

The Antecedents Of Trust And Love

Professor Guido Corbetta,
SDA Bocconi - Bocconi University School of Management

1. The antecedents of trust

According to the model drawn up on the basis of the research carried out, trust is a variable which depicts the relations between two or more protagonists in a family business and can be understood as the conviction that an event, an act of behavior or an attitude are right and correspond with the truth.

Trust is the base upon which the possibility to develop understanding and knowledge, which, in turn, influences the ability to carry out *good acts of freedom*. Using the research interviews, the relation between trust and understanding between two subjects (which, for simplicity we shall henceforth call A and B), is enacted following three paths:

- Mutual trust makes it easier for A to assess calmly the advice from B (and vice-versa), so as to make the most of what the other's experience can provide. In this way, the one gets from the other, all the knowledge that he or she makes available.
- If A and B trust each other mutually, they will be naturally induced to exchange information and relations (with persons both inside and outside the company) without fear that same could be used by the other party for personal ends. The personal standing of both A and B in terms of knowledge and relations is also destined to grow as a result of this direction taken.
- If two people mutually trust each other, each one of them can concentrate his attention and knowledge attained to a specific area of the company's business activities (a function, a division) without fearing that the other, due to his incompetence or his bad will, can inflict harm on their common good. In this way, the individual knowledge and understanding of each person is destined to grow more rapidly.

The successful cases analyzed in this study have also enabled us to understand how mutual trust increases a persons ability to make risky decisions without

being later subject to an unbalanced judgement from others. Taking on well-calculated risks, as is noted, is the basis of successful business decisions. In a company where mutual distrust rules, each person tends to avoid risky decisions, thus depriving the company of potential opportunities for future development.

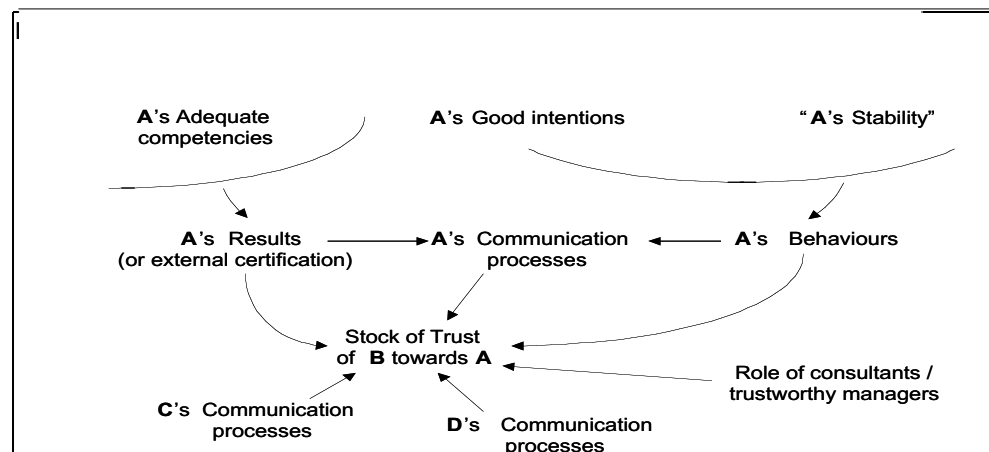
Lastly, it should be underlined that mutual trust allows energy to be concentrated on the analysis and solution of problems, rather than interpreting the reasons why others behave as they do, or tiresome discussions and arguments that originate from the suspicion that the other party is not telling the truth and/or is not behaving correctly.

The stock of trust available at a given time to a family business therefore constitutes a significant intangible asset for explaining the success or failure of such a company.

The stock of trust available to a family business is made up of the sum of trust existing between the various members of the company and the family. However, not all relationships are of the same importance. Of significant relevance are the relationships existing between the people who control resources (capital, skills, relations with family or non-family persons working in the company, relations with outside persons who bring resources into the company) which are critical for the firm's success. Also relevant are the relationships of trust with those members of the family who, whilst not controlling critical resources, have the necessary capabilities (e.g. reaching agreements) for stopping certain decisional processes.

The interviews carried out allow us to propose a model of the antecedents for the stock of trust between two persons (Figure 1). The model, with appropriate modifications, could also be applied to relations between three or more individuals.

Figure 1-Antecedents of trust between two subjects (A and B)



Firstly, trust grows if each of the parties shows itself to be equipped with the necessary skills to carry out the task assigned to it or which it has decided to take on. The possession of these skills must be assessed either by results achieved or by external consultants. A control system is therefore required. Without a system of control for the results achieved by a certain person, sooner or later a dangerous situation develops because at any time trust can be placed in doubt. The cases studied show that a non-assessed skill is not a stable asset available to the family and the company: it can be called into question, e.g. by a noteworthy increase in competition between companies.

The possession of sufficient skills cannot be substituted for other things, such as for example, cordiality in relationships. On the contrary, just one conflicting person manages to achieve trust if he/she displays an ability to act with competence and ability. The issue of competence evokes that of training and selection of the family and non-family members of the firm: all the people who are critical for the success of the company cannot be chosen only on the basis of their being part of the family or their loyalty to it. This constitutes a serious threat to the family company's future, most of all when business conditions become more competitive.

Secondly, trust grows if a person shows, in his or her behavior, to be driven by good intentions with regard to others. Good intentions are not based on a question of character, but instead on the absence of conflicts of interest and the actual willingness to pursue a common goal. In the history of relations between two members of a family it is inevitable that, sooner or later, conflicts arise in terms of opinions about company strategy, assessment of personnel, various management decisions about running the business. The common good is not always best served by adopting compromises, but instead by clarifying one's own position and a willingness for the same to be questioned. This requires transparent behavior, but in order to be transparent it is necessary to have intentions that are good, clear and publicly defensible. Good intentions induce the focusing of great care and attention to those processes during which one's own position is laid out and is opened to comparison with others'. In particular, in the successful cases studied, the persons concerned avoid making their own positions extreme ones, they always seek to generalize problems and solutions, avoiding getting into a negative mind set about certain individuals, they concern themselves instead with understanding the reasons behind other people's points of view, and are willing to negotiate.

Lastly, the degree of trust depends on the "stability" of people's behavior. This study enables us to suggest that a person is perceived as being stable when:

- He/she does not change over the course of time, unless for valid and justified reasons, the values, guiding principles and criteria underlying the opinions and behavior he/she demonstrates;
- He/she participates energetically in discussions, defending his/her standpoint, but once having accepted a common decision, adopts behavior in keeping with this.

Unstable people, on the contrary, provoke mistrust, because they give rise to the suspicion that they are following, under various situations, their own special interests without worrying about the common good at all.

As can be seen in Figure 1, the stock of trust between two persons does not depend only on objective factors (results and behavior), but just as much on the perception that each of the parties has with regard to the other. At this point, therefore, the processes of communication between the parties becomes critical. The successful cases studied enable us to affirm that communication processes are efficacious if they base themselves as far as is possible on reality and not on opinions, and if they are devised starting from the ability of who is listening to them and if they are carried out with a certain degree of regularity.

Given that the cognitive models of two persons, even though belonging to the same family, are always partially different, the study suggests the hypothesis that communications processes between two persons can be facilitated of one or more third parties (consultants, managers....). Sometimes, however, these third parties can also become an obstacle to mutual communication: this happens when rather unskilled people are involved, or people motivated by personal interest which is against that of the common good. The choice of the third parties to involve therefore becomes very critical in terms of the process of constructing a context that facilitates the growth of mutual trust.

Lastly, we should not forget that the level of trust between two people can also be influenced by processes of communications activated by other persons who, sometimes motivated by less noble interests, influence the perceptions and the judgement of one or both of the people involved.

This study also shed light on some specific aspects of the processes of creating trust in various types of relationships:

- Inter-generation relationships between an entrepreneur and a son or daughter. In these cases, growth in mutual trust always depends on the ability of the parent to dedicate sufficient time to explaining the reasons

for his actions and decisions, listening to the reasoning and expectations of the younger family member and respecting the given word (“stability”). Young people in fact tend not to trust adults, whose behavior they do not understand, who do not listen to them and who “don’t do what they say they will”. Moreover, it is very important that the sons or daughters are encouraged to take on responsibilities and that their results obtained are judged fairly. If the children do not take on responsibilities the parents lose their trust and standing in their eyes. If the children are not judged fairly after they have accepted some responsibilities, they will tend to withdraw to lesser roles and thereby lose their parents’ respect. In successful cases, the children are aware that their parents’ trust in them depends on the results that they manage to obtain and, for this reason, they commit themselves to carrying out more important jobs as time goes by.

- Intra-generation relationships between *siblings*. Trust between these people is heavily influenced by what occurred when they were young. Some interviewees recalled things that happened even many years earlier and traced the current existing trust or lack thereof to this time. A very important aspects concerns the management of sibling rivalry: a certain degree of rivalry is necessary because it indicates ambition in people who are ready to make personal sacrifices and are committed to getting excellent results. Rivalry is confined within practical limits and does not change into war if the parent entrepreneur is able to create enough room for all to take on responsibilities, if both parents dedicate time to smoothing over differences and helping dialogue, if each sibling finds room for his or her personal growth without being overwhelmed by that given to the others.
- Intra-generation relationships between cousins. In these cases, the degree of mutual trust is influenced, in addition to factors relevant to siblings, also by the degree of trust existing between the various parents belonging to the preceding generation.
- Between family and non-family members managing the company. In unsuccessful family businesses, trust is almost always denied (or given) to non-family members on principle, not on merit. This either produces a situation in which the company denies itself potentially valuable input from external persons, or a situation in which the non-family members feel unappreciated and they therefore commit themselves less to the business. Behavior of non-family members can have a big impact on trust existing between family members because if the former adopt biased behavior which favours one member or branch of the family, this creates the

conviction in those left out that said member or branch is building an alliance with the non-family member against the others' interests.

In unsuccessful companies studied, a low level of trust was found, due to process of trust destruction associated with:

- A manifest inability to produce the promised results over various periods of time associated with the unwillingness to be judged or helped by others and, in extreme cases, to become detached
- Unilateral decisions made without consulting the others (distrust increases if said decisions then produce damage either to the others or to the company)
- Unjustified divergence between stated and actual behavior
- Behavior held to be unfair or influenced by undeclared or not publicly justifiable interests
- Communication processes that are inadequate for a wide range of reasons: not enough time, inability to listen, and so on.

Whilst the processes for accumulating trust need a long time and much verification, those for destroying it can make their effects felt much more quickly. A crisis in trust can remain latent for some time then become manifest following a specific event that acts as a detonator, for example, poor company performance or differences in opinion about strategy to adopt following a radical change in the competitive context. The seriousness of the crisis in trust manifest and its consequences in terms of relationships between family members depends on the quality and quantity of trust accumulated in the past, in addition to the love existing between the persons involved.

All the successful companies studied have devised family accords, though under different forms. These are important both because the process leading to drawing them up facilitates communication and reflection on guiding values and principles, and because they constitute a framework of reference for the future.

2. The antecedents of love for the company

Love for the company is the tie which unites a person with the family business. There is some relation between love for the company and love for the family

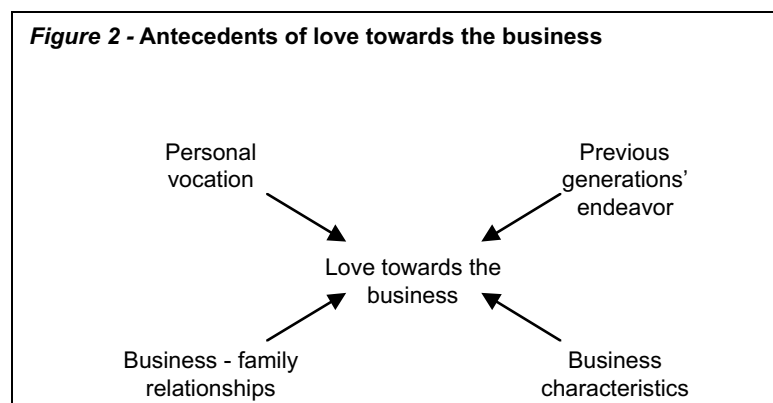
itself: cases are rare in which the company is loved without affection being felt for the parents or *siblings*; in a much larger number of cases, a person can be tied to the family, but less so to the company. In many family businesses, at least one member of the family has decided to sell his or her share (or to surrender it) and follow another profession, whilst maintaining excellent relations with the family.

The reasons why a person loves a company can be diverse: in some cases it is loved out of a sense of responsibility or respect for family traditions or the local community which the company is part of and which is a source of income for all, in other cases it is loved most of all out of convenience.

Love for the company takes different shapes and forms according to the individuals concerned: in some cases it is loved passionately and with gut-feeling, in others in a quieter way.

All ways and motives seem legitimate: what counts is understanding that real love for the company is not of the teenage or sentimental type of falling in love, which remains superficial and collapses when it encounters the first inevitable problems. The most significant test of love for the company consists in the willingness, when necessary, to place a one's own personal interests behind those of the company, that is, they take second place behind the company's lasting development. Long-lasting love for a company is therefore also founded on a mature assessment of the ties between oneself, one's family and the company. To sum up, to love a company a person needs to find a meaning in being both entrepreneur and owner.

The conditions which induce a person to love a company can be reduced to four antecedents: personal vocation, the commitment of the preceding generation, the state of relations between company and family and the characteristics of the company (Figure 2).



Each person has their own professional vocation, meaning that they feel happy when doing certain jobs. If a family member finds business or manufacturing of no interest, it is unlikely that he or she will love the family company. On occasions, some young people are obliged to work for the company as managers or owners. This arises from the legitimate desire of a parent who, having had a positive experience from his work, hopes that his children carry it on. It is entirely reasonable, and even should be hoped that in order to fulfil this wish a parent is driven to show the children all the positive aspects of his work. It is entirely legitimate that a parent should influence his children, as an Emilia-Romagna entrepreneur interviewee with five heirs aged over 30 all happily employed in the company said, "acting as a lever on their attitudes directs them to being committed to the company". It is, however, entirely wrong that a parent constrains his children to courses of education or work experience in order for them to be prepared for joining the family company or even just pushes them to make choices of education or profession that have not been sufficiently thought-through. Years later, many of these children, looking back, will regret not having followed their vocation and, for this reason, will not be able to commit themselves with the necessary enthusiasm in the family business, and they certainly will not love it.

Love for the company depends furthermore upon the strength with which the preceding generation has been able to transmit this value to the future one. Love is born out of fascination before responsibility for a job. For this reason, love for the company is closely tied to the knowledge a person has of it and its history, as well as the history of the family. In many families, the members are accompanied from when they are very young to get to know the company (through stories, visits, meeting people in it) and a certain amount of care is taken to create events or places that arouse their emotions. The office of one of the entrepreneurs interviewed, inherited from his father, full of photographs and other memorabilia, was a fascinating place for the youngsters belonging to the third generation of the family, all now happily working in the firm. In all the successful companies interviewed, one or more of the adult generation members is committed to conveying to the youngsters the family and company traditions.

From a family member's standpoint, the relationship between company and family is not always a positive one. Many entrepreneurs have little time to spend with their children and, when they are at home, are not very relaxed because they cannot stop worrying about work. If the company is experiencing financial problems, the entrepreneurs may also be obliged to ask the family to make some financial sacrifices. If the company is solid and well-known, the family has to concern itself in guaranteeing the security of its members,

including asking them for some sacrifice in terms of personal freedom. Aware of the fact that it is difficult to love what makes life difficult, many of the families interviewed have helped the younger members to recognize the positive aspects of the relationship between family and company. These positive aspects can be reduced essentially to personal autonomy and being well-off. A non-superficial love for the company requires nonetheless each person to make a balanced judgement as to what the company gives to the family and what it takes away.

To conclude, love for the company also depends on its characteristics. Loving a company in fact means loving one's work, but also becoming fond of people, products or plants. Each company has something that can interest a family member: it is only necessary that this becomes evident.

With reference to financial results, if a person has not already developed a close tie with the company it is likely that, should the latter find itself in difficulties, it will become less attractive.

Good and bad acts of freedom

Examples from the case

Professor Salvatore Tomaselli. University of Palermo

1. Foreword

According to the conceptual model adopted to carry out the survey, the energy needed to produce unity in family businesses is generated by acts of freedom.

The main goal of this paragraph is to analyze how freedom influences unity and commitment in family businesses.

In this section we make some comments on the definition of freedom adopted in the conceptual model. Section 2 reports some examples of good and bad acts of freedom from the cases, and analyses the impact of good and bad acts of freedom on love and trust. Section 3 tries to give a classification of such acts, and proposes a model to read the relationships among variables. Section 4 proposes some concluding remarks.

Freedom can be intended as the power of self-determination of a human being, that enables him or her to act according to his or her will, being free or unrestricted, even though it can require some control on automatic impulses that push towards different directions.

In the conceptual model we refer to, freedom has been defined as *“the trait of a family system that is accepting and supportive of family member’s choices, even when such choices are dissonant with the family interest.”* It is also stated that *“In the case of a Family Business, freedom would be evident when a family member leaves the firm without reprisals (neither financial nor otherwise) or joins without feeling compelled to do so.”* (see Gallo, paragraph 2, pag. 12).

The example included in the definition reported above puts on evidence that a family can restrict the freedom (power of self-determination) of its family members either by preventing them to act according with their own will, or by compelling them to do something they really do not want to.

On the other hand, such relationship can also be reversed in the sense that a single family member, through his or her actions can favor or hinder the possibility for the family as a whole to act according to its will.

Actions are the material expression of freedom, they transform wishes into reality.

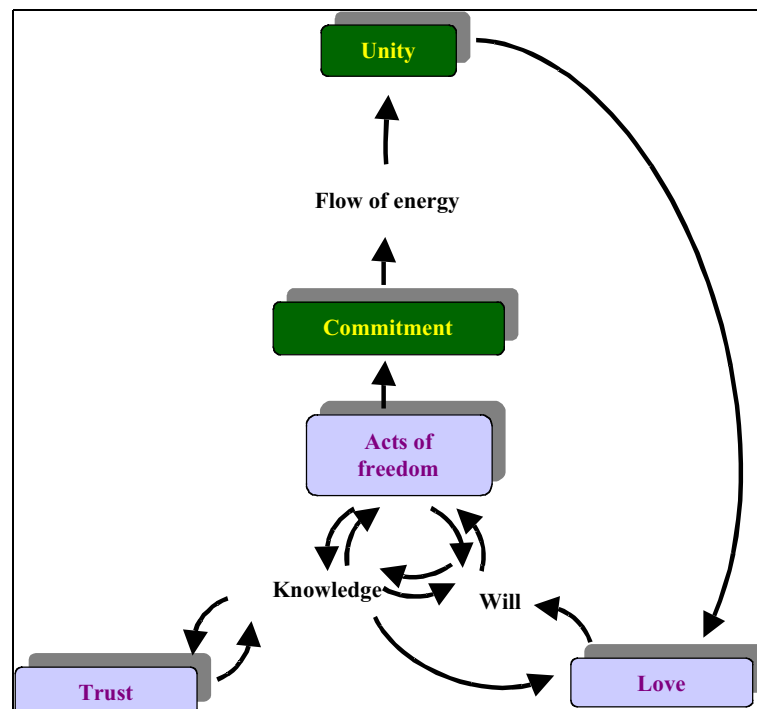
The exercise of freedom asks for some prerequisites:

- **Knowledge**, since the person who does not have sufficient knowledge to discern what is really good cannot be consider as free;
- **Opportunities**, to exercise freedom;
- **Proactivity**, that is the initiative of action.

Acts of freedom influence the degree of unity and commitment of family members, and are expression of love and trust. This is why in the section devoted to the architecture of the model is stated that, in a Family Business, acts of freedom are the means through which the energy required to foster unity is produced (see Gallo, paragraph n 5, pag.13).

Figure 1, that follows, shows how such relationship works.

Figure 1: How acts of freedom influence Unity and Commitment



Love and trust have a mutual relationship with acts of freedom. The result of this mutual relationship influences (either positively or negatively) the level of commitment, which, in turns, produces the flow of energy required for unity. Also, the flow of energy that has been generated as a consequence of acts of freedom can work to reinforce unity or, on the contrary, to destroy it.

2. Good and bad acts of freedom: examples from the cases

In the section devoted to introduce the architecture of the model has been put on evidence that acts of freedom can be classified into good and bad.

Bad acts of freedom are defined as actions contrary to good operating principles; they can be:

- Capricious spontaneity
- Behavior that stands outside of reasons of strategic management of the family business.

Good acts of freedom are defined as actions that follow good operating principles of the business, and cost effort to know and want.

In the present section of the document we will report some examples of good and bad acts of freedom from the cases.

Given that, as stated in the conceptual model (see Gallo, paragraph n6, pag.8), every human act is an act of freedom, it was almost impossible for us to make a complete analysis of each case in such respect. The following analysis simply aims at showing, with respect to a few areas, how good and bad acts of freedom can be distinguished, and what consequences they have on unity and commitment.

The areas where we will concentrate our analysis are:

1. Ownership
2. Work
3. Governance bodies
4. Information.

1. Ownership

Ownership is at the root of the relationship between the family and the business. The main issues related with ownership in a family business are

distribution of dividends and ownership transfer. In both areas there is space for good and bad acts of freedom.

Decisions concerning distribution of dividends are taken by shareholders. They should take into account both the legitimate desire of remuneration for the invested capital and the need of the business to retain resources for future development.

When dividend policies are unbalanced in favor of shareholders' requests, the performance of the business is negatively affected; when they are unbalanced in favor of the business, minority shareholders complain about their rights. Sooner or later both situations will affect both unity and commitment.

In both cases presented above we have examples of bad acts of freedom. In the first case family members act as predators in respect to the business, depriving it of resources. In the other case shareholders are deprived of their right to perceive a just remuneration of their investment.

Establishing clear and well designed dividend policies that balance, at least in the long term, the needs of both the business and shareholders is an example of good act of freedom that reinforces unity and commitment.

Ownership transfer is another hot topic. Whenever a family member wants to sell his shares there is a possibility of a crisis.

The desire, common to most entrepreneurial families, to maintain control over the company, very often reduces the number of potential buyers of the shares, and, consequently, their value. In many cases ownership transfer becomes the trigger for a deep crisis.

Buy-sell agreements, and, more in general, rules that smooth the process of leaving the family business for those who want to are aimed at giving freedom to leave the business, without damaging the business itself and the other family members, involving them in fights. They also foster unity since those who maintain the ownership feel this is because of their own will.

In our survey we found different examples of such kind of agreements.

- In one case the family protocol establishes rules to evaluate shares and make easy the process of selling shares for those who want to.

- In another case the family protocol establishes that family members who want to sell shares must give information 5 years before, to allow the other family members to prepare succession.
- In another case the family established a policy that the shares of the operating company are bought and sold in the market, since five years ago ownership was opened in the stock market. In the holding company they established rules to prevent paralysis due to conflicts among owners. Whether in the future family members will work in the company or not depends on the needs of the business. But they all agree that this is the right way for growth and development.

2. Work

Gallo¹ notices that confusion between family and work relationship is a typical trap for family businesses. As a consequence of such confusion the work relationship between family members and the company is not regulated by capacities, responsibilities and performance. Furthermore, very often there is a form of prevarication of family members in respect to non family workers. These situations are the results of bad acts of freedom performed by those family members who stand at the top of the pyramid in the family business. On the long term, such behavior erodes unity and commitment both in family and in non family workers.

Work in the family business is mainly related with entrance and career.

Entrance in the family business is a typical ground for the exercise of freedom in a family business.

It can be the result of capricious spontaneity: in one case we analyzed a young family member entered the family business without any kind of plan for her job. She received no help to integrate herself in the business. She left the company crying because of frustration. The relationship among family members became tenses for a while. Allowing family members to enter the family business without clear carrier plans, without clear position, without giving them the necessary support is not rare at all in family businesses, but it usually has negative consequences on trust and, consequently, on commitment and unity.

Entrance in the family business can also be the result of compelling pressure from the family. This is not unusual that a parent forces his children to enter

¹ Gallo, M. A. (1991). "Las Trampas Profundas de las Empresas Familiares". *Staff Catalunya*. N. 10.

the family business, independent from their real interest and professional vocation. As Corbetta points out in another section of this document, this will have negative consequences on love and commitment (see Corbetta, paragraph n10, pag.9).

Entrance in the family business can also be the result of a personal decision and well prepared process. In many successful cases we found rules aimed at establishing requisites for entering the business (studies, training, experience, etc.). This has positive consequences both for candidates and for the company. Family members who want to enter the business are invited to acquire professional competences; this requires effort, consequently gives them an opportunity to evaluate their real interest. On the other hand, those family members who really want to enter the business and make the effort to obtain the required requisites will obtain professional competence, what reinforces their freedom in their job and insures that the company will be managed according with good operating principles. Such rules are prerequisites for autonomy in day by day decisions, that can be easily delegated, without fear of wrong choices.

In some case we also found that the assessment of requisites is made by external directors or consultants, or by a collegial body where candidate's parents are excluded. Such kind of rules are aimed at preventing conflict of interest, so reinforcing trust (see Corbetta, paragraph n4, pag.23).

Career paths are another typical ground for good and bad acts of freedom.

Often, the confusion between family and work relationship induces family members to consider their own position in the family business as a way to exercise power rather than as an expression of professional skills. In one of the cases we analyzed one of the non family managers we interviewed said: family members do not think about their personal carrier as executives, rather they consider themselves in comparison with the other family members. Each one has his own zone of influence, protects a certain group of persons, acts without coordination, etc.

On the other hand, in many successful cases we analyzed, both family and non family executives have career plans, with clear requirements and goals to meet in order to reach higher positions and responsibilities. Internal mobility within the group is favored. Both family and non family members have the same opportunities for professional development.

These habits strengthened unity and commitment. On the one hand they insure that people are equipped with the necessary skills to carry out the task assigned, and responsible for the results; on the other hand they show fairness towards non family members, reinforcing their commitment to the family business too.

Retirement is an aspect of career, although this is often treated as a specific topic in family businesses.

In our perspective, retirement should be considered a part of the ordinary career path. Developing a perspective of eternity about the permanence in the business, as we found in some case, is a bad act of freedom that can have negative consequences for the family businesses. In fact, when the senior generation refuses to retire, the younger generation feel that its own career opportunities are compressed. This erodes their commitment to the family business. Even worst when retirement is announced and not accomplished.

Another topic related with work in the family business concern the attitude towards non family workers. In one case that we classified as unsuccessful, in occasion of a crisis that obliged the company to reduce dramatically the numbers of employees they took care of workers' destiny giving them support despite they had no legal obligation to do so.

This act of freedom strengthened the commitment of non family workers towards the family business. It was also an opportunity for family members who were fighting among them to think about their conflict, and start a different approach to it.

3. Governance bodies

Establishing collegial bodies (such as Family Council, Board of Directors, and Committees) and using them is another ground for good and bad acts of freedom.

In most unsuccessful cases we analyzed such bodies are either inexistent or simply formal accomplishment.

Family council and Committees are quite uncommon in unsuccessful companies; Boards of Director are more frequent, but very often their role is misunderstood; they are simply considered a room for power in itself. In the paragraph devoted to crises, Montemerlo reports some example of crises deriving from such misunderstanding.

We can find a very common example of such misunderstanding of the role of the board of directors in those cases where directors are mainly intended as representatives of single family branches' interests. Whenever this is the case the level of unity in the family shows a high degree of erosion. Lack of trust among family members pushes them to appoint board members not in view of their competence but in view of their belonging. The negative consequences of such mistake usually arise after short time.

Another example of bad act of freedom concerning governance bodies can be found in behaviors neglecting their role. A family member of one of our unsuccessful cases refers: We have been unable to incorporate good non family members in our board of directors; we have not listened at the advice of good professionals.

- In another case, both the Family Council and the Liquidity Committee have been deprived of their role. As a consequence of this, the level of trust has decreased significantly, and so has commitment of family members.
- On the other hand, in the successful cases of our sample we found many examples of good acts of freedom inherent to governance bodies.
- In many cases the family selects directors in view of the contribution they can give to the growth of the business, renouncing to direct representation of all family branches in the board in favor of professional competence of non family executives and independent directors.

Such kind of decision is a signal of good level of unity and commitment, but also creates conditions for further increase.

4. Information

Information plays important roles in the relationship between the business and its stakeholders. This at the root of the consent a business needs to raise around itself in order to acquire resources (capital, work, solidarity, political support, etc.) that are indispensable for its own survival and development.

The conceptual model presented in the first paragraph introduces the relationship between knowledge and love and trust (see Gallo, paragraph n10, pag.9), which, in turn, are the basis for consent. In the paragraph devoted to the antecedents of love and trust, Corbetta highlights the influence of transparency and communication in the level of trust among two or more

actors. The scheme he presents can be easily applied to the relationship between the business and its stakeholders.

In whatever business only a reduced number of stakeholders (workers, managers, directors) know the business through direct, personal experience. Even those who are in such situation, in most cases have personal knowledge of a small portion of the company. Most stakeholders know the business through the information they receive.

Giving poor or false information to family members is not at all rare in family businesses. But, as Montemerlo highlights in the paragraph devoted to crises, little information, lack of transparency and bad communication can be at the root of many crises. When information is bad or insufficient, love for the family business and trust for managing owners deteriorate.

- In most successful cases we analyzed family members receive complete information about the family business' strategy, and its economic and competitive performance.
- In many cases, when receiving such information family members feel free to express their opinions, show dissent, make proposals, present projects. Similar processes create a culture of dialogue and accountability that helps strengthening love and trust, and, consequently, unity and commitment. By giving transparent and accurate information to non-managing owners, those who manage the company deserve the legitimate expectation for accountability.
- In one case, information was deliberately used by the Chairman as an instrument for shareholders' education. At that time, the only relevant question for non-managing shareholders were dividends. He began to promote informal meetings where, at the beginning he gave very basic information. Later on, information became more complex and articulated. As a consequence, non-managing shareholders developed a different attitude towards the company, and the level of commitment and unity has grown significantly.
- In a few cases information includes security, quality, and respect for the environment. We found this in those cases where such values are strong and living ones in the company. Giving such kind of information makes shareholders aware of how the business accomplish its social responsibilities.

If, as we said above, giving poor or false information to family members is not at all rare in family businesses, even more diffused is the use of giving poor information to other stakeholders. Very often the justification of this is found in the family's need for privacy and confidentiality.

The deep evolution experienced in the last decades by financial markets and the business community has produced a growing call for information and expectation of accountability from stakeholders other than the family.

Similarly to non family businesses, family businesses need consent and support from stakeholders. Although unity (in and with) and commitment (from) the family is important, this is a necessary but not sufficient condition. The same reasoning we made for shareholders can easily be applied to other stakeholders, showing what are the consequences of good and bad acts of freedom concerning information.

In the case of a family business exists a subtle means of communication that has great impact both on the young generation of family members and on stakeholders external to the family. This is the family members' lifestyle.

- In most successful cases we analyzed family members maintain austerity as a standard of life. Within the family this is a way to educate the young generation to use properly the privilege of opulence. This increases the sense of responsibility and, in the long term, reinforces reciprocal trust by preventing future conflicts due to bad use of economic resources. In to other stakeholders such attitude creates respect, so reinforcing unity and commitment on their side.
- When, as we found in some unsuccessful case, family members maintain an excessive standard of life it is easy that envy takes the place of respect both within and from outside the family; on the other hand, crises deriving from unsustainable dividend distribution required by shareholders to maintain their standard of life are more likely to happen. In both cases unity and commitment are hardly questioned.

3. Classifying good and bad acts of freedom: a tentative model

The examples reported in the previous section concerns different areas and aspects of the life of a family business. In this section of the document we will try to build a model for classifying and analyzing good and bad acts of freedom.

In our opinion good and bad acts of freedom can be analyzed with respect to different dimensions:

1. the ambit where those act were originated;
2. the intentions of the person or group of persons who perform the act;
3. the capabilities of the person or group of persons who perform the act.

Concerning the ambit, the examples reported in the previous section show that good and bad acts of freedom can happen at both the business and the family side of the system. Although, at the very end, they have an impact on the whole family business system, the specific impact can be very different:

at business level

- Good acts of freedom increase the attitude of the business to perform properly according with good operating principles;
- Bad acts of freedom erode such attitude.

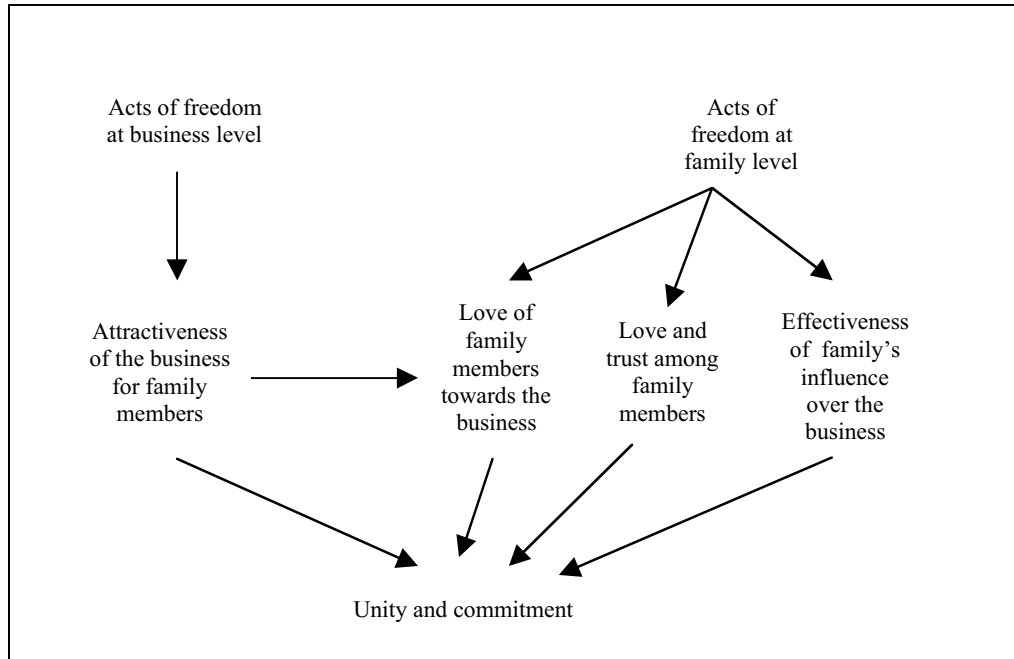
at family level

- Good acts of freedom reinforce love and trust among family members, strengthen their relationship with the business, and/or produce positive influence of the family over the business;
- Bad acts of freedom weaken those elements.

Acts of freedom at business level influence the level of unity and commitment through the consequences they have at the level of attractiveness of the business for family members. Under the same conditions, the better the results of the company, the more attractive it results for family members to maintain the relationship with the business.

Acts of freedom at family level have an impact on the interpersonal relationship among family members and on their relationship with the business. They have an impact on unity and commitment by determining:

- a) the level of trust and love among family members;
- b) the level of love of family members towards the business;
- c) the effectiveness of the influence of the family on the business.



By effectiveness of the influence of the family on the business we mean creating conditions that favor the attitude of the business to perform properly.

This can be the consequence of the level of trust and love among family members and of the level of love for the business, but it can also be independent on this, at least in the short term. Certain specific acts of freedom can have very low impact on the level of love and trust among family members and on their love for the business, but on the contrary, have very relevant influence on the family business depending on their effectiveness.

Identifying the ambit of good or bad acts of freedom helps understanding their consequences on unity and commitment.

Below, we propose a matrix where good and bad acts of freedom can be classified with respect to ambit and quality.

Business	increase the attitude of the business to perform properly according with good operating principles	erode the attitude of the business to perform properly according with good operating principles
Ambit	reinforce love and trust among family members, strengthen their relationship with the business, and produce positive influence of the family over the business	weaken love and trust among family members, and their relationship with the business, and/or produce negative influence of the family over the business
Family	Good	Bad
	Quality	

Positioning specific acts of freedom in the matrix can be helpful both in a diagnostic and in a preventive perspective.

In a diagnostic perspective it can help identifying the ambit of erosion of unity and commitment, and, eventually, plan intervention to recover that are consistent with that ambit. In a preventive perspective it can help in raising the consciousness of the consequences of certain actions.

Whereas identifying the ambit of acts of freedom helps understanding their consequences on unity and commitment, identifying the reasons that caused and act to be good or bad requires an analysis of the other two dimensions: intentions and capabilities. Acting according to ones own will, requires both the identification of a will one wants to pursue, and the ability and skills necessary to transform the desire into reality.

Wills are expression of intentions, that means the motives that push an individual to pursue certain goals, whereas abilities and skill are an expression of capabilities. A certain specific action (either in the family or the business) can be the result different combinations of intentions and capabilities.

Intentions	Good	Consistent, but ineffective. Threaten the attitude of the system to pursue the desired goal	Consistent and effective. Strengthen the attitude of the system to pursue the desired goal
	Bad	Inconsistent, and ineffective. Heavily threaten the attitude of the system to pursue the desired goal	Inconsistent, but effective. In the short term allows the system to pursue the desired goal, in the long term threaten it
		Bad	Good
		Capabilities	

Acts of freedom performed with both good capabilities and good intentions are both effective and consistent². They strengthen the attitude of the family business to perform properly while producing an increase in trust, and, consequently, in unity.

Acts of freedom performed with bad capabilities and bad intentions severely threaten the survival of the family business. We can find different cases of bad acts of freedom that fit in this frame. For instance, when a family member is appointed in a role he has not skills and competence to perform, simply because of his or her belonging to the family and with the main intention to spy upon other family members; or when family members are appointed in the board despite their lack of competence with the main intention to “defend” the position of a family branch against the others; or even when shareholders receive poor information not only because of selfish interests of those who manage the company, but also because the information system of the business is inadequate, due to lack of competence. In all similar cases, or whenever selfish intentions couple with lack of competence, the actions performed weaken the business’ attitude to perform properly, while directly deteriorating the degree of unity among its stakeholders.

Acts of freedom performed with good capabilities and bad intentions while threatening unity, still allow the system to perform properly, at least until the effects of bad intentions become manifest. Let us take the example of giving

² By consistency we mean the degree in which the agent of a certain action cares of the consequences of that action for the other person or persons who are affected by it. In other terms, an action can be qualified as consistent if, in the case the person or persons affected by it knew the agent’s intentions, an increase in trust resulted. For deeper understanding of the concept, see Pérez López Juan Antonio (1993) *Fundamentos de la Direccion de Empresas*. Ediciones Rialp, Madrid, Capp. 3 y 11.

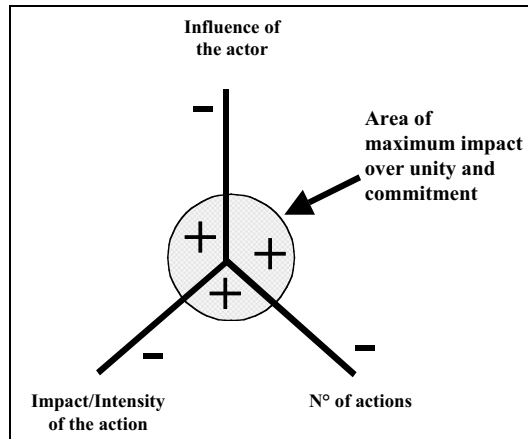
poor or false information to stakeholders we reported above. Let us imagine that those who are in charge of running the company have competence to make the business perform properly, and the information system of the company is well designed and adequately performing. Let us imagine that they do not give information to shareholders because of selfish interest - either because they want to maintain their power over the business, or because they do not want to make the others know about some "privilege" (high compensations, fringe benefits, private use of company's resources, etc.) they maintain -. At least in the long term, similar actions produce an erosion of trust that can flow into deep crises.

Acts of freedom performed with good intentions and bad capabilities threaten the system's effectiveness, but serious erosion of trust can be prevented. In one case we analysed, due the incompetence showed by the board in controlling the behavior of a dishonest non family manager the company suffered a financial crisis. As a proof of their good intentions, board members unanimously resigned, but with equal unanimity the family rejected the resignation, while asking board members to fill the gap in the control system. The crisis was overcome with an increase in trust and unity among family member.

The influence of acts of freedom on the level of unity and commitment can also vary as a consequence of:

- a) The impact (high or low) of the action;
- b) The number of times the action is performed;
- c) The influence of the person (or group of persons) who makes the action, in terms of position, visibility, respectability, etc.

Depending on how the elements we just exposed combine among them, good and bad acts of freedom can have very different influence on unity and commitment.



On the one hand, under the same conditions, the intentions of the person performing a certain specific action, and, even more, the evaluation of the other family members about this, should have a more persistent influence on trust and commitment, as compared with competence. In fact, whereas it is relatively possible to improve one person's competence - or to replace an incompetent person - it is much more difficult to recover an erosion of trust due to bad intentions.

On the other hand, other variables can have an influence. A single bad act of freedom of great impact, performed by a very influential family members with good intentions but manifesting critical lack of competence, can have very different consequences in the level of trust and unity among family members depending on the kind and amount of damage it produces to the system, on the possibility to recover that damage, and so on.

4. Some concluding remarks

The analysis reported above, and the tentative model we propose put on evidence many aspects that can result of interest of family members, consultants and academics.

Being able to single out the both the ambit and the reasons that caused a family business to reach a certain degree of trust and unity can be useful, both for diagnosis and for therapy, either in the case of crises and in the case of good times.

In the case of a crisis, recognizing where and why the crisis was originated helps in understanding whether and how it can be recovered. In the case of good times such knowledge helps in making family members aware of the reasons of their unity and commitment and makes it possible to preserve and reinforce them.

Such model can also be of pedagogical usefulness since it can be useful to highlights the implication of certain actions in a structured framework.

As far as research is concerned the tentative model of analysis we propose needs lot of testing to validate or invalidate its usefulness.

When unity and commitment are threatened; coping with family business crises

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1. Foreword

Most family companies - both successful and unsuccessful ones - have experienced crises that have threatened their unity and commitment.

The main goal of this part of the research is to read crises through our reference framework and, particularly, to verify whether and how love and trust are connected to crises and can help manage and, possibly, anticipate them .

In this section we define the concept of crises as compared to the concept of conflicts. Section 2 classifies different types of crises. Section 3 explores crises' antecedents. Section 4 discusses how sampled companies have coped with crises. Section 5 proposes some concluding remarks suggesting some implications of this study for families, professionals and researchers.

The concept of crises is close to the concept of conflicts, which has been widely investigated in family business literature.

Some authors have focused on the nature and determinants of conflicts and have studied topics like: conflicting relations among certain relatives, like father & son or siblings, highlighting their psychological roots (Levinson, 1971)³; patterns of conflicts within different generations, showing that conflicts may increase when family business move on from generation to generation (Davis, Harveston, 1999)⁴; patterns of conflicts amongst different generations that may be involved at the same time in a family business, featuring the existence of cycles in which conflicts go up and down systematically (Kaye, 1996)⁵.

³ See H. Levinson, , Conflicts that Plague Family Businesses, *Harvard Business Review*, March-April, 1971.

⁴ Particularly, these studies explored the "predecessors' shadow", that is how each generation can influence the intensity and level of conflicts that may occur amongst their successors ; see P.S. Davis, P.D. Harveston, In the Founder's Shadow : Conflict in the Family Firm, *Family Business Review*, 12 (IV), 1999, 311-323..

⁵ According to this study on cycles, families typically alternate phases of anxiety because there is no conflict, thereby raising it up, and phases of anxiety about the fact of being in conflict, which

Other authors have focused on different types of strategies to overcome conflicts, finding that cooperation is the most effective one as it produces positive outcomes for both family and company, whilst compromise and accommodation seem to be good strategies for the family, but not for the company and competition and avoidance may produce negative outcomes for both institutions (Sorenson, 1999)⁶. Interestingly, these studies highlight existence of a correlation between the strategies mentioned above and the level of trust in the family business: cooperation proves to be particularly effective when trust is high and stable, while competition seems to be mainly used in presence of low trust (Cosier, Harvey, 1998)⁷. So, consistently with the reference model of this research, trust is ultimately seen as a key factor for family business success, as it favors cooperation that, in turn, determines the best family and business performances.

By definition, conflicts mean lack of unity and they may occur between anybody in the family and in the business.

In this research, we define "crises" as extended conflicts that threaten the healthiness of family-firm relationship, i.e. as decreases in unity and commitment that involve a significant part of the owning family (e.g. the majority of owners or particularly influential actors) and that may create decisional blocks on key family and business issues.

2. Types of crises

Observation of cases shows that family business crises feature a variety of characteristics. Some crises were raised around a family issue, others concerned a company issue. There are cases in which crises lasted a short period of time, whilst in others they took quite a long to be overcome. Certain crises were acknowledged and coped with from the very beginning, while other ones were just neglected until they became irreversible. Coping with crises required sometimes small and sometimes big changes in family and company. And finally, some crises proved to be physiological as they brought about positive changes that prevented future troubles from occurring, whilst other ones were just pathological for family and company.

enables them to reduce it until concern about lack of conflict re-appears and a new cycle starts : K. Kaye, Penetrating the Cycle of Sustained Conflict, *Family Business Review*, 1(IV), 1988, 21-44.

⁶ R.L. Sorenson, Conflict Management Strategies Used by Successful Family Business, *Family Business Review*, 12 (IV), 1999, 325-339.

⁷ R.A. Cosier, M. Harvey The Hidden Strength in Family Business : Functional Conflict, *Family Business Review*, 11 (I), 1998, 75-80.

To classify this variety of possible situations, two variables seem to be particularly significant:

A/ The subject matter of the crisis;

B/ The contingency or structural nature of the crisis itself.

A/ The subject matter of the crisis

As to the subject matter, it can **be the company, the family-firm relationship or both.**

To start with the **company**, in some sampled cases unity and commitment could not or could hardly be found round key issues, like: whether or not to invest in new production facilities to foster company growth ; how to cope with the unavoidable decline of traditional distribution channels and the rapid rise of modern ones; who to appoint in top executive positions. In essence, crises concerned strategic decisions with direct impact on the business.

In other cases, the crisis' subject matter was the relationship between the **family and the company** and its "ground rules" concerning issues like entry and career of family members, governance bodies' structure and functioning, ownership transfers, communications among family owners, etc.

In one situation, for instance, when it was time to re-appoint the board the process was stopped from the very beginning by non-managing family owners, who claimed new nominating criteria. In another one, the company President was about to resigning as a board member representing the other family branch did not support his decision to fire the non-family CEO, and he interpreted this episode as a sign of mistrust that questioned the two branches' partnership.

In such situations, crises may not directly affect the company but rather the structural and behavioral context in which the company is owned and governed. Besides, it is interesting to notice that, in the cases quoted above and also in other similar ones, crises occurred even if companies were performing well in terms of profitability and competitiveness.

Other cases feature broader crises, concerning **both the company and the relationship between family** and company. In one sampled family business, for example, a number of issues were questioned at the same time by 50% of owners, such as: some company contracts with suppliers related to company managers; the company's strategies for the future; the project of family

protocol proposed by the CEO and the very meaning of the partnership between the two branches at 50%-50%. Years before, the same branches had fought about whether or not to appoint the present CEO in his position and about which mechanism might assure his accountability to both branches.

B/ The contingency or structural nature of the crisis itself

As far as the structural or contingency nature of crises is concerned, crises can be considered as contingent, or transitory, when to overcome them it is "just" necessary to restore the existing equilibrium that characterizes the relation between family and company.

In these cases, the basic "rules of the game" concerning the various facets of this relation (such as the mission and role of family, family and non-family members' access to ownership, governance and top management, structure and functioning of family councils, shareholders' meetings, boards of directors, etc., the family's vision for the company) are not questioned. The "hot question" may be that some rules are only "written on paper" and, to keep unity and commitment, it is critical to apply them concretely; or it may be necessary to make some changes in family members' roles without altering the role of family as a whole, as it happened in the quoted case of conflict between a company President and his brother-in-law, who finally left the board but kept his management position, with no other change in the family business.

On the other hand, crises are structural ones when they make it necessary to create a new equilibrium in family-firm relationships, by re-formulating the rules of the game (through formulation of family protocols, re-design of governance systems, formulation of a new mission and vision, etc.) and/or by introducing important changes in the group of key actors (e.g. through opening up equity, pruning family equity, appointing non-family members in positions that were formerly reserved to the family, letting go to the next generation, etc.).

Sampled cases featured most types of crises that come out from the combination of the two criteria (see table 1).

Table 1. A classification of crises in the sampled companies

Nature of Crisis	Structural	B case 2 case 6	C case 4
	Contingent	A case 1	D case 5
		Company	Family-firm relation

Subject Matter of Crisis

It is interesting to notice that, in some cases, the crisis was potentially "too much structural"; i.e. to question the existing equilibrium would be so disruptive for the company or the family or both - e.g. because it could lead to liquidate an important owner and this cannot be afforded economically and/or would irremediably break up family relations - that every possible effort is made in order not to make the crisis emerge (in table 1, such situations have been put in case 6's place).

As long as time passes by, companies can change their position in the matrix, and particularly: crises may evolve from contingent to structural ones; their scope may be extended or, vice versa, it may be reduced to either family-firm or business issues; and of course crises can be solved, thereby enabling companies to exit the matrix. Some of these paths are explored in the following sections.

3. Antecedents of crises

As to crises' antecedents, three basic ones emerged from the sampled cases:

- A - Decrease in trust among family shareholders;
- B - Decrease in family owners' love for the company;
- C - Different shareholders' beliefs and visions on family and company.

A - Decrease in trust among family shareholders

Decrease in trust appears to be the most important. In all structural crises it was the main cause, if not the unique one; in some cases, trust happened to be deteriorated even if a strong attachment to the company was persisting.

On the other hand, all temporary crises happened in family companies characterized by a very high level of trust. In one case, trust allowed the President's siblings to "allow" him pursue the strategic changes he had proposed even if they were very hesitant about them; in another one already

mentioned above, trust enabled a company President and his sister (who were the controlling shareholders) to keep ownership unity even in presence of a big conflict between the President himself and the sister's husband.

B - Decrease in family owners' love for the company

Decrease in love can be referred to from both a quantitative and a qualitative point of view. In fact, family unity and commitment can be threatened not only when the amount of love is reduced, but also when it ceases to be a "healthy" love and, for example, some family members mature a "partial" love (i.e. centered on either company or family and not on the family business system), or an "immature" one (i.e. overlooking adult love's concrete implications of hard work, sacrifice etc.; see G. Corbetta, paragraph n 3, pag. 26.).

C - Different shareholders' beliefs and visions on family and company

As far as diverging beliefs and visions are concerned, they may emerge also in presence of high trust and high love. Sampled cases show that trust and love give the family the "energy" to look for the best vision and not to stop at first options ; should different actors' vision remain incompatible in any case and require structural solutions such as exit of some actors, love and trust help the family identify the solutions that cause minimum trouble to family and company. Vice-versa, unhealthy love and low trust may favor the formation of incompatible views and encourage family members to stick to them rather than try to understand each other.

Naturally, the three mentioned antecedents may be featured and "mixed" in such a way as to give rise to different types of crises in terms of both nature and subject matter: conflicting visions can emerge with regard to company and/or family issues; family members' love too much centered on company or family can raise discussions on either topic; too much decreased trust can play a decisive role in making the crisis structural.

But what lays behind the three identified antecedents? Some "second-level" antecedents appear to be :

A - a. Strategic challenges

B – b. Basic differences between the actors involved

C – c. Bad acts of freedom and other factors against love and trust.

A - a. Strategic challenges

Diverging visions - and particularly those focused on company issues - seem to arise more frequently in presence of strategic challenges, particularly if it is challenges that represent discontinuities from the past and require big financial and managerial investments to family owners. And it seems that the more ambitious the challenge, the higher the risk that it generates conflicts that, in turn, evolve into a structural crisis.

B – b. Basic differences between the actors involved

Basic differences between the actors involved can be observed in terms of meta-values, culture, competences, personal histories, perspectives etc. Such differences may impact all types of first-level antecedent, by favoring formation of different and even incompatible beliefs and visions, by facilitating quantitative and qualitative decrease in love for the family company and by making it harder to keep trust. Besides, differences may emerge also due to strategic challenges : in a couple of cases, e.g., for quite a long time some top positions were covered by family members who were less skilled than their siblings-colleagues; the family could live with that until a big contribution to strategic decisions was requested to everyone due to an increased competitive pressure and professional differences made the decision-making process hard.

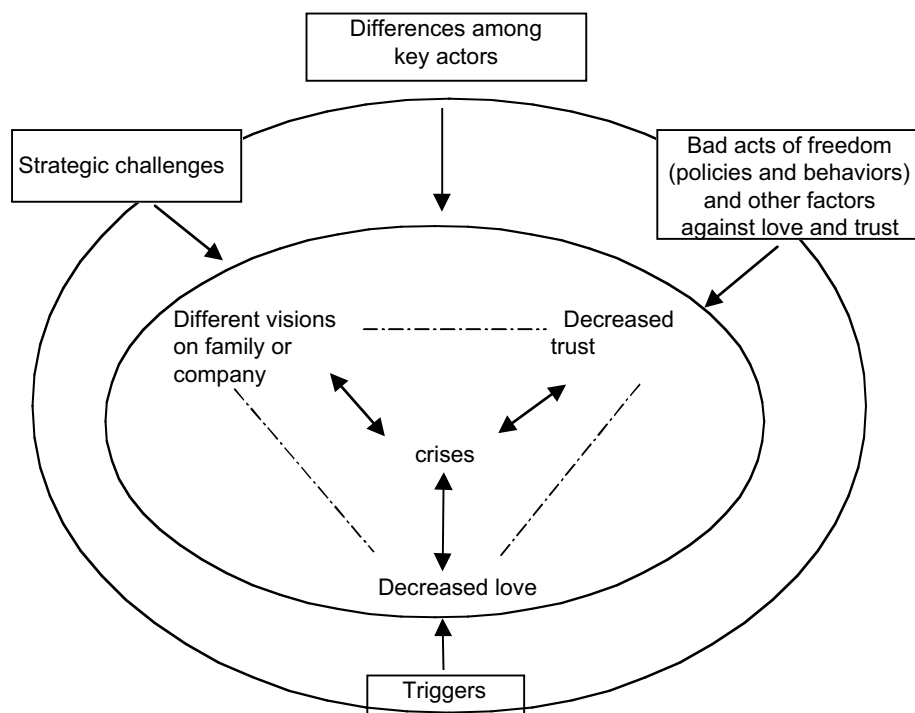
C – c. Bad acts of freedom and other factors against love and trust

Then, we have to consider all factors (including bad acts of freedom) that may bring about decreases in love and trust (see G.Corbetta, paragraph n 2 pag.19). In one of the cases quoted above, for example, managing owners were used to giving little information to non-managing ones; inactive owners started spreading gossips about how the company was led, and this was the main "information channel" for quite a long time. This brought about a progressive erosion of trust that finally ended up with non-managing openly opposing the CEO's proposals concerning the appointment of the new board of directors.

Crises' antecedents, both at first and second level, are sketched out in table 2. It has to be noticed that all of them can be "inactive" - or at least very slow in producing their effects - for a long time. Crises can actually take a while to manifest themselves, which seems to happen when the family business has "run out" of the stock of trust and love that is necessary to keep a minimum level of unity and commitment (the minimum level, of course, varies from company to company : see Gallo, paragraph n.3 pag.17).

In this perspective, every crisis is not just a "fact" that makes it clear to everybody that unity and commitment are seriously threatened. The fact can be considered as the "top of an iceberg"; the crisis is actually the whole process that makes the iceberg emerge in a more or less incremental way through progressive deterioration of trust, love and cohesion of family members' views, which may be favored in turn by strategic challenges, by basic differences amongst the actors involved, by bad acts of freedom and sometimes also by means of "triggers". Triggers act as catalysts and they may accelerate the process : in some sampled cases, they were events independent on the main actors' will, like death of some family owners of the leading generation or unexpected decreases in company product's demand ; in other cases, they were bad acts of freedom, such as attempts to dilute some branches' shares or other decisions that were not communicated to the board as it would have been required, that were the end of a long series and finally became the last straw.

Table 2. Crises' antecedent



In any case, even in presence of triggers, some time may pass between the moment a crisis emerges and the moment the whole process behind it started, also because the family may take a while in making conflicts explicit, in

acknowledging them as crises and in addressing them (see also next section on this point). This can influence both nature and subject matters of crises, as overlooking problems for a long time can transform crises that could have been kept contingent and limited in scope topic into structural and broader ones.

So far, we have dealt with single crises, first considering them as facts and then looking at their process side. Keeping the dynamic perspective, as it was mentioned above, family businesses may experience multiple crises during their history, and particularly, crises can be followed by structural ones and their subject matters can get broader and broader over time.

As to changes in crises' nature, again, trust decrease seems to be a key factor. In sampled cases where crises first became structural and then were reiterated until they became irreversible, consistently with what was stated above about single crises, key actors' love for the company did not basically change over time, whilst trust was weakened and weakened.

As to changes in crises' subject matter, conflicts may start around company issues and then move on to family-related ones. Particularly, disunion on past strategies' effectiveness may raise questions about whether the family has groomed and chosen the right leaders, if governance systems are properly designed and managed and if new actors and/or new rules of the game are needed; divergencies on future strategies can raise the issue of what family members expect to get from the company and what to contribute to it in the long-term, and very different views can emerge at this point. Vice versa, disunion on family-firm issues may instill doubts about the way the company is run ; by this means, the crisis can be extended to company -related decisions like present and future strategies.

Crises' subject matters can also be narrowed when the owning family re-builds unity and commitment on certain issues, but other ones are left open. In all these cases, crises are not at all, or not completely solved and generate a negative feedback, i.e. they re-activate their antecedents and so they re-start processes that lead to new crises.

Fortunately, many family companies do manage to solve their crises ; from this point of view, crises can also have a positive effect to the extent they give the owning family the opportunity to re-create a healthy relation with the business, and thereby to prevent future troubles from occurring. The issue of how to cope with crises is addressed in the following sections.

4. Coping with crises

A number of actions were put in place to cope with crises in the sampled cases, with more or less success. Different types of crises, especially with regard to their nature, seem to show various patterns in the way they were addressed.

In temporary crises, that were all successfully overcome, the family had done a lot of work before the crisis occurred to build up sound trust and love. Particularly:

1. The previous generation transmitted enthusiasm for the family company, nurtured strong guiding values and beliefs about the importance of cooperation, tolerance and, at the same time, commitment to excellence in one's profession. Sometimes, former leaders were still there to remind these values to their children;
2. Both the previous and the leading generation devoted great care to grooming family members so that they would play their role with adequate competence;
3. Family protocols had been formulated in such a way as to make the family-firm relation clear and shared by everybody with regard to such issues as: family members' roles, criteria for access to different roles, communication between family members and also with non-family members in key positions;
4. The protocols' rules created sorts of "free fields", like family councils, shareholders' meetings, boards of directors etc. (sometimes with participation of third parties) where family members know they can openly confront their opinions and work on divergencies in such a way as not to break up both the family and the company. Liquidity funds aimed at coping with shareholders' financial needs play a similar role, as they make family members aware they are not "forced" to stay in the company; by this means, they help manage exit processes without having them turn into crises;
5. Strong personal relations were kept among key actors also informally, through regular and open communication both inside and outside official meetings, as it happened for the company President and his sister in the quoted case. Informal meetings can represent very important free fields as well;

5. While looking for solutions to the crisis, the “stock of trust” was leveraged, but great attention was paid to preserve it through solutions that took into consideration all parties’ needs ; it was the case of the sister’s husband, who despite his conflict with the President-brother-in-law did not completely leave the company.

Coming **to structural crises**, the following critical issues emerged:

1. In most cases in this situation, very few efforts had been made to build up shared values and to strengthen both trust and love;
2. Before looking for solutions, family businesses sometimes take quite a long time as it may be difficult for the leading actors both to recognize the existence and nature of a crisis and to address it consistently and at the right time. Especially when the critical matter is family-firm relationship, this “inertia” can be due to various reasons, such as more urgent matters to be dealt with, difficulty to abandon the consolidated way of managing relations with family owners, mis-perception of the relevance of the topics that were raised, or even correct perception of their relevance, but fear of touching too delicate matters;
3. Even when the initial inertia was overcome, attempts to solve crises were sometimes “incomplete” and, particularly, they did not leverage the broad range of love and trust determinants. Consequently, love and trust may not be recovered enough, and so may unity and commitment. In the case of inactive shareholders who blocked decisions about board's reappointment, active owners proposed to work on a family protocol to share principles and rules on a variety of issue and not only on the board one. So they prepared a first draft (which was actually a demonstration that trust still existed, as the mandate to prepare it was unanimously assigned to managing owners by non-managing ones). But the draft lacks some rules that inactive owners likely expect, especially on family meetings or any other mechanism to facilitate communication between family and company. In essence, unity has been recovered around the protocol's project, but the risk that it decreases again - and with regard to a broader range of issues - still exists;
4. In any case, various solutions were generally tried to solve crises, and they seem to follow quite typical patterns, first involving outsiders, like board members and consultants to re-start decision-making processes, then changing some basic rules of the game and implementing them through

new structures and operating mechanisms and then, or even at the same time, changing the "mix" of actors and roles. When crises concerned company issues, the latter solutions may come earlier, especially in presence of big strategic challenges ;

5. Incompatibility between key actors can make all mentioned solutions insufficient; what is more, solutions can be mixed with bad intentions and "bad acts of freedom" by different counterparts that finally make them ineffective. In one case, for instance, it was accepted to have a functioning board to make the CEO accountable to family owners, but some decisions were taken outside the board without even informing it;
6. In cases where the owning family managed to recover at least a minimum level of unity and commitment, crises may significantly weaken both company and family and make the process of going beyond this minimum level hard and long. In one case, solving the crisis - originated by a deep conflict about how to recover company profitability and competitiveness - required a number of steps, such as intervention of consultants, mediation by a family member, replacement of the sales director that was considered responsible for the bad performances by his father, exit of the father and one of his brother, empowerment of a team at the top composed by three successors and introduction of some new management systems. Company results gradually improved (and an acceptable level of unity and commitment was recovered) even if the situation is still critical; the successor that plays the role of *primus inter pares* within the team is facing the difficult task of monitoring unity (also because divergences still exist among family owners), of strengthening his brother's commitment (as after being replaced he has never recovered from the conflict that occurred with his father) and, last but not least, of motivating non-family managers (as many of them still don't trust the new generation). So, a lot of energy is required for the "post-crisis" phases as well;
7. In other cases of recovered unity and commitment, part of the solution was to give up discussion on some key issues. This can stop important strategic initiatives, slow down company development and ultimately threaten its continuity.

As stated above, we also observed cases in which crises are kept latent as they are potentially so structural that they would end up to be disruptive for family and company. In these situations, key actors - typically siblings or other shareholders of the leading generation - seem to be aware of all the risks they run and to share the idea that "they must get along well together", despite of

differences and even incompatibilities. To accomplish this, factors like founders' legacy, open communication within the company (again, frequent meetings can represent very useful "free fields" to address differences without earthquakes), absolute respect of one another in front of other family members or managers, total independence as far as life outside the company is concerned can be very critical. Two critical issues are, on one side, to keep the equilibrium among owners without damaging the company and, on the other side, to keep equilibrium and company viability also with entry of the next generation.

5. Some concluding remarks

In sum, the analysis conducted highlights a number of key points that may be of interest and help for family business members and professionals that may be involved in family business crises ;

- Trust seems a most critical factor to solve and anticipate crises ; vice versa, its decrease proves to be decisive in bringing crises about and in making them worse and worse. Many authors have pointed out its special role in family and non-family firms (LaChapelle, Barnes, 1998)⁸. At the same time, trust appears to be very vulnerable; other Authors studying crises in all types of companies have remarked how it can be a fragile resource, which may require a very long time to be created, but a very short time to be destroyed (Coda, 1983⁹; Corbetta, paragraph n 2, p.24)
- Company success, in terms of profitability and competitiveness, is a necessary, but not sufficient condition to keep trust and, by this means, to preserve unity and commitment. Especially in extended family firms, crises may arise on the relation between family and firm in its various facets;
- It seems critical, for family and business leaders, to keep a very broad perspective on the family firm, to be able to monitor all episodes that, if considered alone, may not give rise to any crisis but, if put together, can act as crises' antecedents;
- It seems also critical not to overlook contingent crises, but take them as opportunities to strengthen family and company and protect both from bigger troubles;
- To solve both contingent and structural crises, the broad range of trust and love antecedents should be leveraged;

⁸ See K. LaChapelle, L.B. Barnes, The Trust Catalyst in Family-Owned Business, *Family Business Review*, 11 (I), 1998, 1-18.

- Another critical issue seems to be the capacity to understand which questions can be solved and which ones have to be left open, otherwise running the risk of not recovering unity and commitment at all. And another one seems to be the capacity to accept that some crises can be solved only with exit and separation processes. Third parties can be of great help in addressing these issues;
- In any case, to manage crises effectively requires significant efforts, sometimes at the expense of company viability. Such efforts may not be avoidable, but to make some *ex-ante* work is confirmed to be of great help ; in other words, to devote time and energy to build up a healthy family-firm relationship and to keep it over time creates a structural and behavioral context in which crises can be prevented or, at least, have less harmful effects;
- To prevent crises does not mean to avoid open confrontation ; as it was demonstrated by sampled cases, “free fields” can be decisive for confrontation to end up in shared views ;
- Some decisions on the family-firm relationship, on the contrary, create sorts of “blocked fields”. Especially in extended family firms, ownership structures at 50%-50%, family assets totally concentrated in the company with scarce opportunities to meet shareholders’ liquidity needs, family cultures in which being part of the business is equivalent to being part of the family, etc. may force family members to share company ownership even if they would not do it. Besides, in case crises arise, blocked fields enforce all the sources of inertia in acknowledging and coping with them already mentioned above. In these situations, again, a lot of energy needs to be spent in crises’ management, creating troubles for individuals and withdrawing attention and resources from company governance ; at the end, to “break up the blocks” and let some family members exit can be necessary anyway, especially in presence of big strategic challenges and deep differences among the actors involved, often at high costs for both family and company.

As far as future research is concerned, present findings are explorative ones. Limitations of this research are, for instance, the small number of cases and the fact that not in all cases it was possible to go deep into the analyses of characteristic features, antecedents and solutions of crises and to analyze

⁹ Coda, V. (1983) Crisi e risanamenti aziendali, Sviluppo & Organizzazione, n.75, Gennaio-febbraio, pp. 29-44

multiple crises in a longitudinal perspective. Some open questions, among others, seem to be : how do specific crises' subject matters impact the rise of new crises ? which solutions work better than others, and in what circumstances ? when is it better to address crises openly and when, and to what extent, it is better to wait ? how to deal with latent crises across generations ?

Research methodology

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1. Research Framework

This study has been launched by specialists in the family business field in three different countries USA, Italy and Spain: From USA professor Gibb Jr. Dyer, and his research assistants Marcelino Sanchez and Eric Murphy, (Brigham Young University, USA). From Italy, there are professor Guido Corbetta and professor Daniela Montemerlo, (SDA Bocconi, Italy) and professor Salvatore Tomaselli (University of Palermo, Italy). And from Spain professor Miguel Ángel Gallo and his research associate Kristin Cappuyns, (IESE, Spain).

This international research project is built up on the assumption that an important part of the success of family businesses is based on a circular relationship in which three intangible factors: Love for the family business, trust among different business actors and freedom of behavior for family members, enhance each other. This assumption has been shaped in a conceptual framework¹⁰ that has been used in its first form as the starting point for the research. The case study method has been used to validate this conceptual framework by results extracted from the different cases.

The final outcome of this international study is a descriptive model, a paradigm that discloses a complete new point of view on the FB success, This model can be used as a starting point for further research in the field.

2. Research design

The empiric research procedure, for Christenson ¹¹(76) must follow a logical experimental process, a priori there must be drawn a conceptual framework, which will analogically be used as a *"cup that will be filled with water"*. Accordingly, the fitting depends on the quantity of the water gathered. And

¹⁰ The presentation of the conceptual model and the definition of each of its variables can be found in Chapter 1.

¹¹ Christenson, C. (1976): "Concepts, Theory and Techniques: Proposal for a program of empirical research into the properties of triangles". In Decision Sciences, Vol. 7, pp.-631- 648.

so does the fitting of the conceptual model depend on the amount of data captured in the different cases.

Starting from an initial conceptual framework, the case study method was used to learn more about the direct and /or indirect influence of values such as trust, love and freedom on family businesses' success. The research methodology based on the study of multiple cases was in this research project an obvious choice.

One of the main reasons has been the fact that a case study allows to capture information directly from face to face interviews. This direct personal interviews facilitate the soliciting of insights over an impersonal survey.

Another important reason was that, the people interviewed had to share their personal impressions on events that affected their professional as well as their personal life. The amount of information that is divulged during the interviews is directly related to the degree of confidence that exists in the interviewer or the research team behind the project. Therefore to make the people feel at ease ,it has been explicitly mentioned that the information gathered would be dealt in a very discrete way.

Apart from that , most of the family businesses who participated in this project had been chosen because the case fitted in this study and these family members had been in contact with the researchers on regular basis .

A good theoretical construct also demands some familiarity with the phenomenon that has to be analyzed (Gómez, 2000)¹². The case study permits this familiarity as the information is obtained by observation in situ.

3. Research procedure

This study used the model-building approach, as illustrated by Yin, 1994.(Figure1)

¹² Gonzalo E. Gómez Betancourt, G.E. (2000) "Tipologías de Empresa Familiar: Un marco conceptual basado en la confianza y la dirección estratégica", Tesis doctoral, Universidad de Navarra.

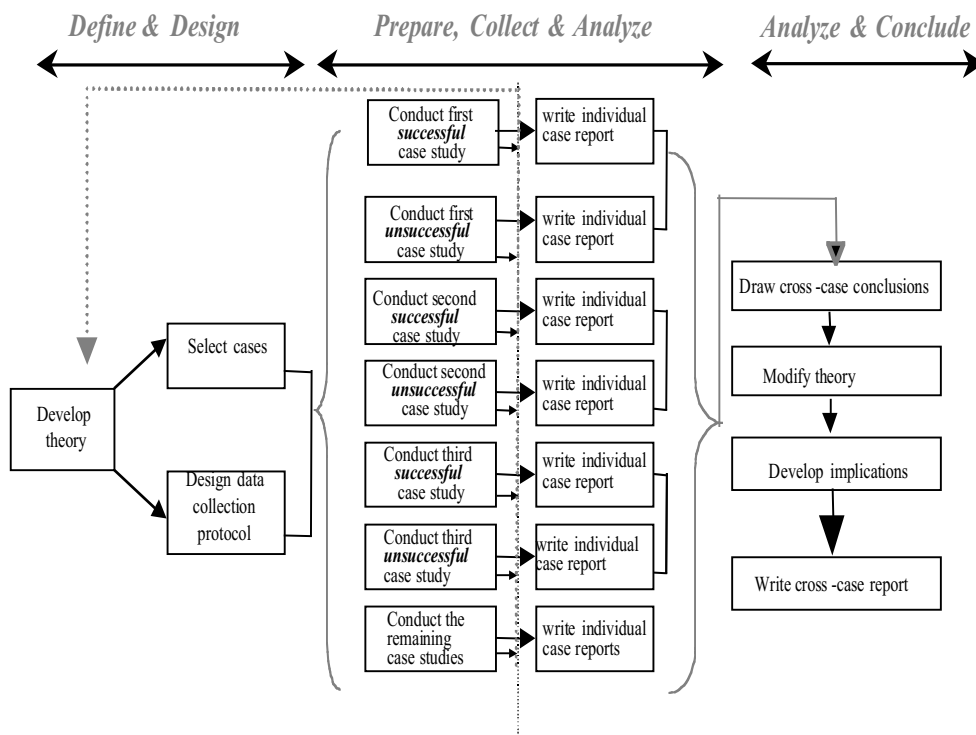


Figure 1: Research Procedure of the case study Method

Source: Yin (1994)¹³

This procedure is built up on three steps: 1) definition and design an initial framework and a data collection protocol¹⁴, 2) prepare, collect and analyze data 3) analyze and review the initial framework and conclude.

3. 1 Definition and design:

a) Drawing the conceptual model & questionnaire.

Given the fact that there was no previous literature where these three dimensions trust, love and freedom, considered as research variables have been related to each other, an initial model had been drawn following the experience in the field of the four research groups involved in this international project.

Once the framework was designed and it got the approval from all the researchers, a data collection protocol was worked out.

¹³ - Yin, R. (1994): "Case Study Research: Design and Methods", Beverly hills, CA: Sage Publications.

¹⁴ Appendix 2 contains the data collection protocol.

The interview guide appears in appendix. The interviews were prepared in collaboration with the different researchers of this project and the final result was translated into Italian and English and Spanish to have exactly the same interview guides in the different countries. The interviews were slightly different in some specific questions, depending on the different roles of each of the four different people interviewed.

b) Sample

The survey consists of a sample of Family Businesses located in Italy, Spain and USA. In each of these countries some industry sectors were determined to choose possible candidates for an in-depth analysis

Each of the researchers was charged to find the cases that best fitted. But some conditions had been formulated:

- The family businesses that have been selected are at least second generation ones with over ten family members involved in ownership/and or management.
- All of the firms are large to medium sized companies candidates.
- Six industrial sectors have been chosen to avoid that all the cases represent the same sector. In Italy the companies belong to oil and food and pharmaceutical industry. The Spanish family firms belong to textile, paper and cardboard industry. And the US case is from the retail industry.
- Within each of these six different industries we have chosen a successful¹⁵ and an unsuccessful family business to compare if our hypotheses are confirmed.

Out of 24 companies that have been approached, 16 finally have accepted to take part. Not surprisingly, that most difficulties have risen when trying to contact with the unsuccessful family businesses. Due to the fact that they had family and /or company troubles, and even if the researchers disguised the reason for analyzing the business, they were concentrated on the problems that rose in the company or / and in the family.

3. 2 Prepare, collect and analyze information.

In each family business a minimum of four people have been interviewed, each with a different role: 1 – an important shareholder and board member, 2 - a family manager, 3 - a non family manager and 4 – a family shareholder who is not active in the business management.

These four categories have been chosen as four stereotypes of people that can be found usually in family businesses. The specific role will also influence the tree values that will be analyzed in this study.

For this research project more than 75 people have been interviewed. The interviews took anywhere from 45 minutes to 2 hours. Most of the interviews have been recorded, with the explicit permission of the interviewee.

Once the transcription of the interviews was finished, they have been given to each of the interviewed people for revision and /or any comments. At this stage the researcher took advantage to ask some questions on items where he /she wanted some explanations on one or more topics.

Given the case study methodology is used, the researcher needed some objective tools to validate the interviews impressions. This has been obtained by consulting other sources of information on the company (newspaper reports, industry and corporate publications,...) and to contact with other people who have maintained a professional relationship with this business.

Each research group analyzed the individual cases first and they presented the final results to the rest of the group in a reduced form.

3.3 Analyze and conclude.

When the data collection process was finished and each of the researchers had analyzed his/her data, a meeting took place where all researchers involved attended to exchange their points of views with the rest. This meeting had three priorities:

- In the first place each of the researchers presented in a brief introduction each of the selected companies. This introduction of each of the companies contains information about the following topics:
 - 1- Family tree
 - 2 - General data on size, employees, foundation year, ...
 - 3 - Data on the family structure
 - 4 - Ownership structure
 - 5 - Management and government
 - 6 - Family protocols

¹⁵ The definition of successful and unsuccessful family businesses can be found in Chapter 1.

- In the second place when all companies had been presented to the rest of the group, a synthesis of the collected information in relation to the values trust love and freedom was presented for each of the companies.
- In the third place the previous exchange of results led to a revision of the conceptual model and also to a redefinition of the different concepts.

A second meeting was planned four months later and had as main objective to compare the successful with the unsuccessful Family Enterprises and to deduce similarities and/or differences in the behavior of both groups of companies concerning trust, love and freedom.

The characteristics were listed and there was a way of looking for a new form to bring this to a reduced format , representing all of the separated individual experiences.

All characteristics were listed and compared with the rest. This led to another review of the conceptual model which was redrawn in function of the outcomes from the different research groups on each of the variables. The researchers did, not force the data gathered into the initial framework, quite the reverse, after analyzing the data and when drawing conclusions they referred to the conceptual model and to re-draw it accordingly to the findings, where necessary.

A third meeting had been planned five months later . A new aspect of the dimension of freedom has been introduced by dividing this variable in 2 sub categories: good acts of freedom and bad acts of freedom. Furthermore, examples of crisis situations -where unity and commitment are threatened - have been focussed on , and determinants of trust and love in each of the cases has been analyzed.

At this stage, the conceptual framework received its final shape and each of the concepts have been illustrated by examples from the cases. Accordingly, the definition of each of the concepts was reviewed and adapted to these results.

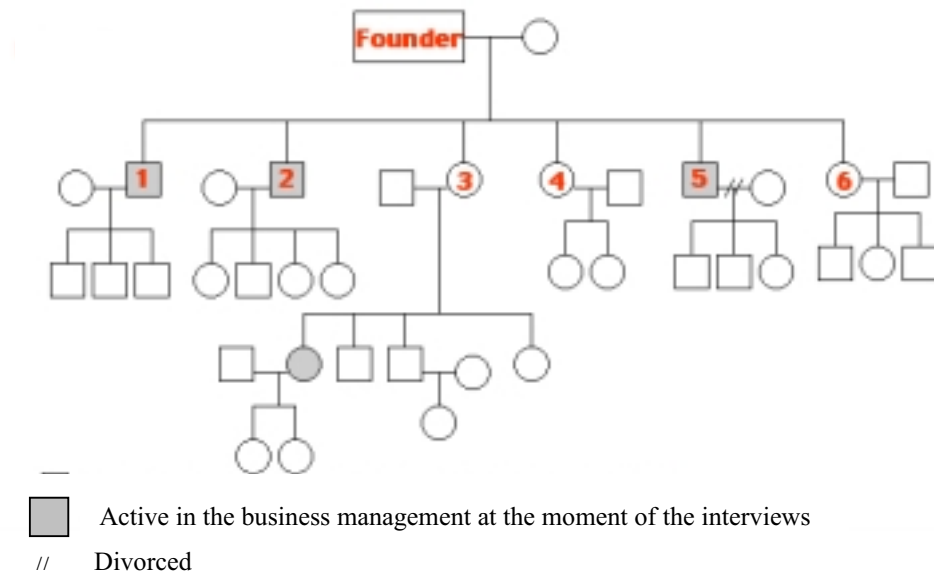
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1/CASE A/Successful FB

I. Business information

1 . Family tree



2 . Anagraphical data

- Foundation year: 1937
- Generation: III
- Size: 1020 Million Euro
- >7000 employees in the whole group.
- Sector: Food
- Competitive position: very strong competitive position due to fact that they have several agreements of 50-50 with very successful global companies
- Profitability: Very high

3 . Family structure

- Family branches: 6 family branches
- Number of family members per generation (G) and per branch

1st G 1 person still alive

2ndG 6 people with their respective spouses,

3rdG 21 members and

4th G 3 members.

4. Ownership structure

- Shares distributed per branch: 1/6th part. The shares are divided equally among the 6 of 2nd generation
- Individual shares' range: 1/6 part of 100%
- Presence of inactive¹⁶ shareholders: 4 of second generation and almost 20 of the third generation
- Presence and percentage of outside shareholders: No
- Family and ownership collective bodies: family council organizes different activities: visits to FB, academic sessions , revision of the protocol, ..

5. Governance and top management bodies

- **Board of Directors (BoD)** 8 people : 3 Family Managers; 3 passive shareholders; 2 non Family managers (who retired recently in the FB) This is the BoD for the holding company.
- The Holding has several companies which all have their own BoD,
- Executive Committee (of Directors) with the CEO and 5 to 6 managers in each of the different companies of the holding
- Family member's role: All the Family members of the second generation are BoD members
(3 are active in the FB and 3 are not)
- Outsiders' roles: Right now there are no outsiders in the BoD but it has been considered in the future. Only in 2 cases a position in the company is only available for family members: President and vice president of the BoD.
- In the BoD there are no outsiders, unless you count the 2 recently retired executive managers. But they could not been considered as outsiders in the strict sense.
- In the Executive committee consists in people active in the business only. There are no outsiders right now.

6 . Family protocol

Presence

One of the most professionally Family Protocol lately. "The family values are present in the FB and in the family , not because they are included in the Protocol but because these values are part of our way of living. " says one of the family shareholders.

Main characteristics

It has been prepared with the active collaboration of all the family members, shareholders. It took a long time but every point was worked out until agreement was obtained/reached on each of the different issues. Even some very conflictive items .

As the business comes on the first place, the family members consider the unity as condition sine qua non the business could continue as a FB.

1. Unity and respect for each other, this has been the basis of the preparation process of this family protocol. They consider the FB as a good that benefits the family, the company and the Society.
2. Very strong family values: punctuality, respect, ... that are present in the lifestyle of the family members.
3. The business comes on the first place: very professional business structure. The business represents a social obligation

II. Synthesis of collected information by grouping

Questions on L O V E

1. Unity among Family members is considered as the condition *sine qua non* of the FB success!. The non family members mention it as one of the strong characteristics of this family.
2. Strong sense of the ELISA¹⁷ values. And these are not just values that are written down in a protocol, but they are forming part of the family members' lifestyle in general. Also the Non- family members notice these values in the day to day of the business.
 - a) The main values are excellence, perfectionism, respect for each other, responsibility, sacrifice, punctuality, they have a strong tradition of entrepreneurial capacity

¹⁶ Inactive shareholders , refers to share holders who are not active in business management . But this doesn't exclude the fact that they are active in business governance.

¹⁷ ELISA stands for 5 values that have been detected in successful Spanish family businesses.(Gallo, Each of the letters of the word ELISA refers to a different value. The 5 are: E of Excellence, L of labourness, I of initiative, S of simplicity in the lifestyle, low profile, and finally the A of austerly.

- b) The founder had an exceptional entrepreneurial capacity and was good at handling people, good at choosing his collaborators.
- c) The spouse is also a person whose example has marked the 6 children and even grandchildren.

3. Strong sense of pride of family members at 3 different levels:

- a) As this makes them responsible with respect to the family members (to transfer in better conditions than when you got it),
- b) to firm
- c) to the welfare of the Society (offer jobs and wealth to families).

The FB is a good that must benefit to all, not only family owners, but also to the Society in general.

4. The love for the business is real. The family is aware of the important weight they represent for the business success as well for its bankruptcy. They undertake positive initiatives to improve their involvement in the business, each at the level he /she is. (in or outside the business.) success or the as they are able to sacrifice

5. The strong feelings of love are transmitted to the non-family members in the FB. They like the ambiance, they feel identified with the family culture.

Questions on T R U S T

1. Very strong sense of trust in the TMT, In the Board members and all the people involved in the Business. People are trusted from the very beginning and they have to show if they are worth this trust.

2. Very professional organization at all levels, with annual evaluation process by an external prestigious company. The ELISA values , encourage to have a very professional Management team leading the business,

People: No discrimination among DF and DNF.

Two criteria to hire people: a good professional and someone who fits in the family culture.

Relationships: Relationships in the business are cordial, but without losing the professionalism (it is not because a good relationship, that you don't need to be excellent)

- a) In the business: Information is clear and adapted to the level of knowledge of the person who receives it. Communication process is very flexible.
- b) In the family: They bring family to the business for visits, activities,....

Encourage the knowledge on business by organizing special sessions for family members to better understand the general information they receive: such as balance sheets, and other basic information on business.

Questions on F R E E D O M

1. OWNERSHIP

- Only family members
- There are clear formulas to calculate the shares value to enable people to sell their part of property whenever they want it. (Family protocol)
- Right now there are no cases of exit.
- No fear to leave the FB , as each of the members respect each others' decision.

2. MANAGEMENT

- There are clear rules available in the Family protocol on the conditions to work in the business. Equal conditions, for all who wants to enter.
- Equal professional career opportunities for DF and DNF: you have the job you deserved, you gained it by your capacity.

3. NOTES

As far as we know, no exceptions have been allowed..

As there is a high level of respect at all levels (in and outside the FB)

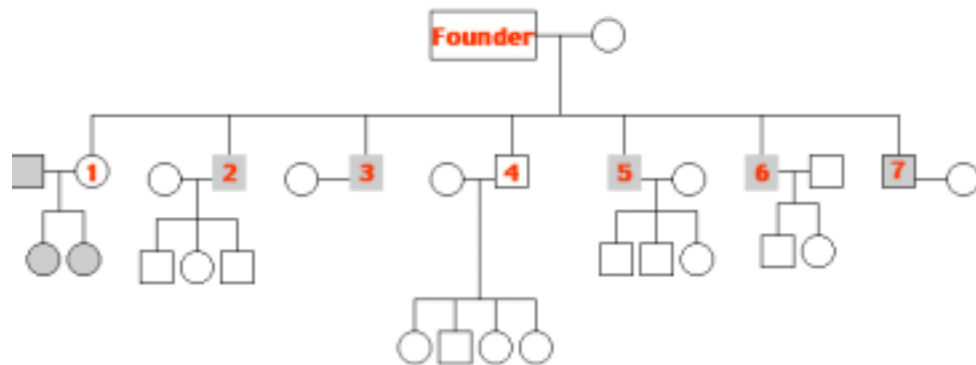
As they consider the business first, there are no abuses until now.

No obstacles for those who want to leave the FB

2/CASE B/unsuccessful

I. Business information

1. Family tree



Active in the business management at the moment of the interviews

2. Anagraphical data

- Foundation year 1952
- Generation: III
- Size: 66.11 Million of Euro
- 1500 employees
- Sector: Food
- Competitive position: Has been the absolute number one in its market niche. Its strongest competitive advantage was the enormous network of salesmen all over the country. They lost this excellent position the past 5 years as they were not able to face the competitors in a right way.
- Profitability: Medium

3. Family structure:

- Family branches: 7 family branches
- Number of family members per generation and per branch:
Right now the second and third generation (G) are active in the business.

1st G : 2 (Founder retired from FB) ;

2nd G : 7 people with 5 active in the FB and all 7 active in BoD. ;

3rd G : 4 active in the FB and there are about 20 people

4. Ownership structure:

- Shares distributed per branch: 1/7th part. The shares are divided equally among the 7 children of 2nd generation 100% Equity is held by the Family
- Individual shares' range: equal parts for all of the 7 children of the founder.
- Presence of inactive shareholders: 2 of second generation, out of 7
- Presence and percentage of outside shareholders: No
- Family and ownership collective bodies: family council which meet twice /year.

5. Governance and top management bodies

- **Board of Directors (BoD)** 10 people: 5 Family Managers; 2 shareholders (Non active in Business management); 1 non-Family managers (CEO) and 2 outsiders.
- Apart from the Board meeting, the second generation organized an informal meeting once a month were they took important decisions on the future of the FB.
- *NOTE:* in 1998 after several violations of the family protocol and of the hiring protocol the outsiders , the CEO included, left the FB
- Steering Committee consists of people active in the business only. .It has 3 family members .
- Family member's role:

All the Family members of the second generation who are active in the FB (5) do have executive management positions. The CEO is family member. In 1997, after some years of low growth level, an outsider was hired for the position of CEO. But the CEO left the business in 12 months time because part of the family members did not accept his decisions as CEO and they did not fulfill the hiring protocol¹⁸. The family members for example took important strategic decisions without his approval, they organized informal meetings were important items were discussed only among family members.

- Outsiders'roles:

Right now there are no outsiders in the BoD, they have left after a conflict that began when family members organized parallel board sessions without the presence of the 3 outsiders nor the CEO. This was one of the multiple violations of the rules of the family protocol as well as a special

¹⁸ This protocol had been redacted , when the new CEO came to the business, as a way to protect him from being manipulated by the family who have all the power in management and governance.

protocol that was prepared when the CEO was hired . (see also previous paragraph)

6. Family protocol

Presence

It has been signed in 1994. But it was not really respected by the family members.

Main characteristics

I. The preparation process was very slow and a lot of difficulties arose due to following two reasons:

- a. The lack of education of all of the family members . This made it difficult to discuss business issues.
- b. The fact that among the 2nd generation only some of them always speak and the same ones that never talk.
- c. The oldest brother's opinion has a special weight because he is the oldest son (This is acceptable in family matters, but not in business). In case of disagreement his decision is very important.

II. Seen the difficulties with the redaction of the final version and the partial collaboration , this family protocol has been useless. From the very beginning many violations of the family protocol have been claimed.

III. The most discussion arose when talking about the incorporation of third generation members: in-laws were fired and the family members had to fulfill very strict conditions, which have never been used for the second generation ...

The preparation was long and it took 6 versions to come to the final one signed in 1996. ,From the very beginning it has not been respected by the family members.

II. Synthesis of collected information by grouping

Questions on L O V E

1. Deeply rooted relationship of the family members into the business. From very young age the second generation entered working in the FB. It was necessary to keep the business going on. They are proud of what the

business is right now, but they consider the business as some sort of pay-back for their efforts in the past.

2. The founder did not transmit all ELISA¹⁹ values to the second generation. (there was no time , he had to work very hard 7 days a week...)

The stress lies on the "Labourness", but when this hard work is not coupled with professionalism, it will end up in affecting the results of the business.

The ELISA values are in erosion process, this erosion is noticed were members of the second generation are trying to get benefits out of the business, instead of putting in efforts.

3. The family business has always existed to serve the family (and not the other way round) And so it is still conceived by second generation..

That explains why in the Family protocol there is a rule that says that the FB will lose FB character, as soon as the unity among F members has disappeared.

4. No unity between the family members of second generation: They consider there is unity but it is a forced one, only some members give opinions, the others don't want to intervene...

- Different groups in the family:
- Competition among the children in the FBV
- No respect in professional , nor in personal life.

Questions on T R U S T

1. NO TRUST among family members: Therefore each of the family members has taken a position where he /she feels comfortable to do whatever he/she likes.

The FB is a toy for the Family members to keep them busy.

They compete for the best positions , for the prestige

None of the Family members dare to interfere in the area of another one.

The business has become the sum of little independent entities, each of them headed by a family member .

The family members have complete control at all levels (management and governance)

¹⁹ ELISA stands for 5 values that have been detected in successful Spanish family businesses .(Gallo, 1999) Each of the letters of the word ELISA refers to a different value. The 5 are: E of Excellence, L of labourness, I of initiative, S of simplicity the lifestyle or low profile, and finally the A of austerity.

2. Discrimination between family members and non family members. Only family members can occupy the executive and governance positions. Outsiders have experienced how the family members denied their existence in the FB.
3. Almost no information on the business is given to Family members active in other departments, or even non family members active in the business. No transparency. There is no control on the information presented. Everyone presents the information he wants to share the rest is kept secret.
4. Trust is very weak due to:
 - lack of love for the business
 - lack of education of the second generation, meanwhile they are at top management level.
- 5 –Eventhough they are all active in top management positions, they do not have undergraduates. And the family issues are still primordial.... Disagreements in business issues are conceived as aggressions to one's personal life...
All decisions are taken by consensus, either business or family issues.

Questions on F R E E D O M

The second generation has confused the concept of freedom with that of personal preferences.

1. OWNERSHIP

- Only family members
- No freedom as far as your acts are affecting the unity among the siblings. Because in this family the family comes on the first place and whenever some disagreement should rise among the family members the FB will no longer be able to exist as a FB.
- There are formulas to calculate the shares value to enable people to sell their part of property, but as the Protocol was not respected by the FM, it was difficult to sell.

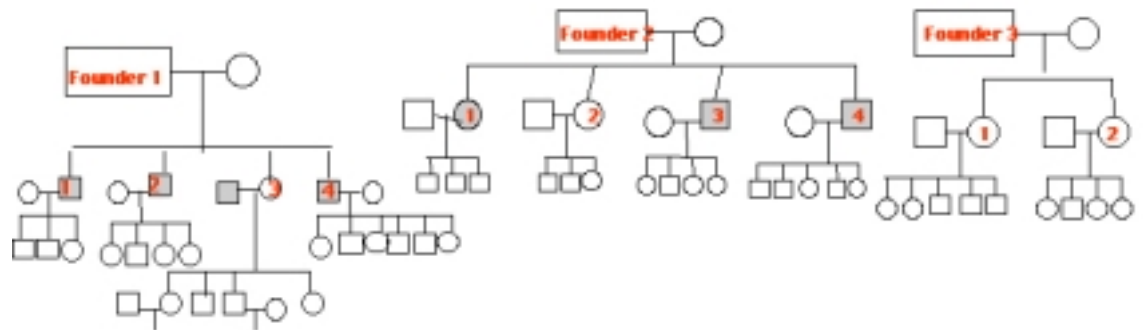
2. MANAGEMENT

- There are no clear rules available in the Family protocol on the conditions to work in the business. No equal conditions, for those who want to enter. Each of the family members decide following his/her personal criteria.
- No equal professional career opportunities for DF and DNF: All the family members hold the power as well in management as in governance. There is no room left for outsiders. The CEO quit in less than 12 months because his decisions were neglected by the family members.
- No freedom as far as your acts in business matters are affecting the unity among the siblings. Discussions on business issues are affecting the family relationship.

3/ CASE C/Successful

I. Business information

1. Family tree



Active in the business management at the moment of the interviews

2. Anagraphical data

- Foundation year: 1943
- Generation: III
- Size: 188 Million Euro
- >500 employees
- Sector: Paper and card board.
- Competitive position: absolute leader, with 42 % of the national market share.
- Profitability: Very high

3. Family structure

- Family branches: There are 3 branches. The company has been founded by 2 cousins and a partner.
- Number of family members per generation (G) and per branch
 - 1st G : all died
 - 2nd G : 10 members , and 6 are active in the business management
 - 3rd G : 40 people and none of them is active in the business.

4. Ownership structure

- Shares distributed per branch: When the business was founded the 2 cousins had each 40% of the total equity and the partner got 20%.
- Individual shares' range: After an equal repartition of the shares in the second generation the third one has distributed the shares in unequal part among the family members in each branch.
- Presence of inactive shareholders: There are more than 40 inactive shareholders right now.
- Presence and percentage of outside shareholders: none
- Family and ownership collective bodies

There is a Board of Directors 1/ month, and a family council that gathers all the family members 2/year. This family council organizes visits to the company, information sessions on the business performance, etc..

5. Governance and top management bodies

- BoD 7 people : 4 Family Managers; 3 non Family managers .
 - Meets 1/month
 - It is a very professional board.
- The steering committee: Is composed by 8 people: 4 people are fixed members (CEO + 3 family members) and 4 other non-family members depending on the issues on the agenda.
 - Responsible for each of the 3 business units
 - They meet 1/ month.
- Family member's role: The third generation are about 40 people and about 20 of them take part in the Annual General Meeting of Shareholders.
- Outsiders'role: In the BoD there are 3 outsiders. One of them attends the board as a representative of one family, defending their interests.
- The family has been using the help of some outsiders, specialized in Family business protocols to redact a very professional one for this family business.
- The Executive committee consists in people active in the business only, no outsiders.

6. Family protocol

Presence

They prepared a very professional Family Protocol, that has been updated since its first redaction to bring it closer to the mission of the family business.

Main characteristics

- The first Family protocol was very hard on the conditions for family members to enter the business. This kept many very capable family members away from the business.
- Therefore they rewrote the part on career planning for family members aiming to motivate them and avoid that talented people was making career in other companies.

Examples:

1. Career plans for the family members in the business were specified.
2. Specific rules for family members who want to sell their shares, to avoid that such could affect neither the business , nor the other family owners.
3. One of the main goals of this Family Protocol was to improve the unity among family members and to increase the sense of commitment towards the FB.

II. Synthesis of collected information by grouping

Questions on L O V E

1. Very strong feeling of love for the business , specially by first and second generation.
This seems due to enormous sacrifices that have been done for the good sake of the business: intensive workdays, high reinvestments, etc....
2. Strong family culture rooted in the ELISA²⁰ values: Excellence is the most important one. This value seems a characteristic that has been inborn. This sense of excellence has been transmitted to all those who are involved in the business, indifferently if they belong to the family or not.

²⁰ ELISA stands for 5 values that have been detected in successful Spanish family businesses. (Gallo, 1998) Each of the letters of the word ELISA refers to a different value. The 5 are: E of Excellence, L of labourness, I of initiative, S of simplicity the lifestyle, low profile, and finally the A of austerity.

3. One of the founders was a charismatic leader with an exceptional background and education . He has been the living example of these ELISA values for the next generations and also to all the employees in the FB.
4. These values are still alive thanks to the exemplarity of the family members who have been educated in the spirit of these values, even though it seems that the perception is not so strong anymore among the third generation, who is more distant to the business due to the strict rules of entering the business of the first protocol. .

Questions on T R U S T

1. High level of transparency in the business.
Different communication channels to provide information among people active in the business (FM and NFB) as well to family members outside the business.
2. The level of trust is highly related to the capacity and the characteristics of the people active in the business. The company is managed by highly professional people.
3. The trust factor has played a very important role in the business growth. As the TMT was trusted they could invest high part of the patrimonies in the business. This built up the very strong market position that the company reached nowadays.
4. Highly professional organization with an important commitment to Society as they have been starting Environmental Management System, they have also signed some ecological projects to improve the environment: cleaning the river where they used to dump toxic waste.

Questions on F R E E D O M

1. OWNERSHIP
 - Only family members
 - There are clear formulas to calculate the shares value to enable people to sell their part of property whenever they want it. (Family protocol) Very strict rules determine the steps to go if some FM wants to sell his/her shares.
 - Right now there are no cases of exit.

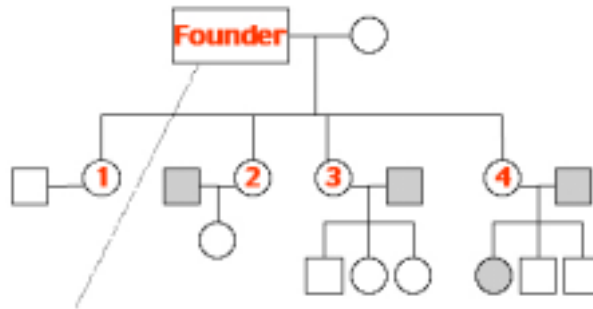
2. MANAGEMENT

- There are clear rules available in the Family protocol on the conditions to work in the business. These rules have changed in the second version of the Protocol to motivate capable family members to enter the business.
- Equal professional career opportunities for DF and DNF: you have the job you deserved, you gained it by your capacity.

4/ CASE D/Unsuccessful

I. Business information

1. Family tree



■ Active in the business management at the moment of the interviews

2. Anagraphical data

- Foundation year: 1952
- Generation: III
- Size: 298 Million Euro
- 302 employees
- Sector: paper and cardboard
- Competitive position: strong competitive position in the local market
- Profitability: Very high

3. Family structure

- Family branches: 3 family branches left, after the definitive separation of the 4th branch in the late eighties.
- Number of family members per generation (G) and per branch

1st G founder died suddenly at the age of 62.

2nd G 4 women with their respective spouses,

3rd G 7 members, all over 15 years

4. Ownership structure

- After a large and difficult dispute the oldest sister left and her part of property has been bought in, by the other family members. Nevertheless they were not able to pay the total price and they had to accept that part of equity is held by an outsider
- None of the shareholders is active in business management, but they are active in business governance.

5. Governance and top management bodies

- **BoD** : The Board meetings were still in an experimental stadium. The family signed the final version of the family protocol, less than one year before we interviewed some of the family members. The board had been paralyzed during many years by the former CEO, a Non family manager. To avoid similar problems in the future, the new protocol, defines the role of the board, but it need some more time to become a professional body of governance.
- Composition: 2 outsiders, 3 shareholders, and CEO (without voting rights)
- Family member's role: Administration and finance department (3rd generation)
- Outsiders' role: The spouses of the 3 shareholders are active in the FB in different positions : Sales director, Finance director, Marketing Director. The actual CEO is also a non family manager, who has been working in the business for many years.

6. Family protocol

Process

Family protocol has been signed in 1998.

Main characteristics

Worked out with help of experts in preparing FB protocols.

Important discussions arose on the following issues:

- How to transmit love for the business to next generation.
- The entrance of the next generation
- Control of ownership

This family protocol has been prepared by people who feel a strong commitment in the future of the business as a FB. The bad experience in the

past made them more committed than ever to help this business continue as a FB .

II. Synthesis of collected information by grouping

Questions on L O V E

1. A very strong sense of unity among the 3 shareholders after the terrible experience they went through when the 4th shareholder wanted to sell her part . The conflict was finally disputed in court. And at this moment the family lost total ownership.

2. This crisis also improved the commitment of all family members of second generation who have being put most of their efforts to keep the business in the family.

One result of this commitment is the preparation of a Family Protocol with the help of some experts in Family Business.

3. Due to the traumatic experience, the third generation has been separated from the FB for a long period of time. Their love for the business is a more sentimental one: proud, and other positive feelings.

This is reflected in the attitude of the third generation, when complaining on all the sacrifices that are asked from them for the good sake of the business .

(But now the second generation intends to restore this relation by organizing visits, and explaining more on the business)

4. In this case there is a local factor that is very important: The family lives close to the FB, they are a well known family, an important part of the local population works in the fb, ... This is a factor that stimulates the proud the family members feel about this business that wears their family names.

5. Love is here more an emotional issue, that has in several cases more influence on the professionalism of the organization This is a problem to maintain the competitive position.

6. Strong family culture that stresses the Love for the business. But they lack the sense of professionalism, excellence, to make the business grow.

7. Love has been shared with the employees that are happy to work there for a long time. Many started with the founder,

Questions on T R U S T

1. Important lack of communication between second and third generation, which seems difficult to restore as well at professional level as in private life.
 - (a) Third generation doesn't feel comfortable commenting their dissatisfaction about their job or whatever issue related to the business.
 - (b) They don't want to sacrifice for the business, nevertheless they feel that as family members they have much more responsibilities than the Non Family members. For example: as FM you work more hours, you chose as last your holidays,
 - (c) No feedback on the family members performances of third generation active in the FB.

2. Lack of professionalism of the TMT, is an important obstacle for trust for the entering new generation, who all have graduates .
 - In the Family protocol some strict conditions are mentioned for the next generation to enter BUT the problem is that the second generation do not fulfill most of theses rules.
 - Same salary for all family members in business, it is not correct to motivate people to improve their contributions.
 - Employees are very relaxed in this nice familiar ambiance,
 - No separation between the emotional and the rational part of the business.

- 3 . Discrimination of career development in the business, as the family business does not trust the control of ownership to someone who does not belong to the family!

4. As the founder suddenly died without transmitting his ideas on the future of the business also caused a communication problem among the second generation members.

Questions on F R E E D O M

1. OWNERSHIP

- One member of the second generation left the business and sold out her part of property.
- They have a chapter in the Family Protocol that manages this issue
- Family members own the majority, and a small part had been sold to an outsider.
- There are clear formulas to calculate the shares value to enable people to sell their part of property whenever they want it, but in the Family protocol, to avoid another traumatic experience in the future.

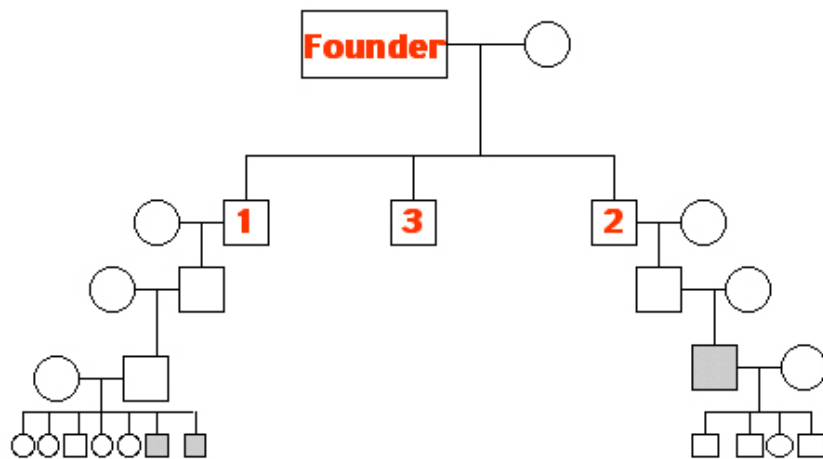
2. MANAGEMENT

- Non family manager contributions are positively evaluated by the family.
- The founder did not allow women of the family to work in the FB. This rule is not valid anymore.
- The Family Protocol defines the conditions that family members must fulfill to enter the business. This was to avoid conflicts such as a the case of one member of the third generation who entered because she wanted to, in spite of the fact that the position she wanted was not available.
- Equal professional career opportunities for DF and DNF: you have the job you deserved, you gained it by your capacity.
- Fear to leave the FB, because of the reaction of the other family members.

5/ CASE E/Successful

I. Business information

1. Family tree



■ Active in the business management at the moment of the interviews **5.**

2. Anagraphical data

- Foundation year: 1895
- Generation: IV and V
- Size: 120 Million Euro /
- 960 employees
- Sector: Textile
- Competitive position: Very strong competitive position
- Profitability: Very high , but recently the company suffers the consequences of an important sectorial crisis that forces the company to face far reaching changes in the its strategic planning.

3. Family structure

- Family branches: 2 family branches. Each of the branches takes care for a different area in the business, so that the family members not really often meet unless for special meetings.
- Number of family members per generation (G) and per branch:

1st G died

2nd G died

3rd G 2 members still alive in both of the branches

4thG In the first branch there are 7 siblings, to active in management positions in the business. In the second branch, there are 4 siblings only 1 active in the day to day operations of the business.

5thG In the first branch they are still too young to enter the business.

In the second branch, there are 3 of the siblings active in the EF.

4. Ownership structure

- Shares distributed per branch: Each branch has 50% the distribution of shares is different.
- Individual shares' range: Within each branch the shares are divided in a different way.
- Presence of inactive (in business management) shareholders: There are 25 shareholders at this moment. Their role has been very important for the FB success, as they accepted to be owners of "QUIET CAPITAL", no dividends were paid to attain a maximum level of reinvestment. These efforts from the previous generations increased the value of the shares considerably. Nowadays, the instability of the actual situation provokes the impatience of several family members to sell their shares.
- Presence and percentage of outside shareholders: No outsiders, 100% of capital belongs to the family.
- Family and ownership collective bodies: A family council is organized about 3 times a year, including visits to the different factories, academic sessions about business issues for those who are interested in it,...

5. Governance and top management bodies

- **BoD** is represented by a 2 CEOs ;, One is responsible for commercial decisions, and the other one for administration. They always take decisions both of them . They are respected and trusted by the rest of the company employees. (family members FM as well as non-family members NFM)

- Steering Committee: 5 people, they have several meetings . The composition of this group: 3 of the 5 members are permanent the other 2 depend on the subjects on the agenda
- Family member's role: The family has always been a support for the business, accepting all necessary efforts for the good sake of the business.
- Outsiders'roles: In the Top Management Team is 1 NFM, the rest are FM. But as there is no discrimination for the professional career between FM and NFM.

6. Family protocol

Presence

There is a Family Protocol, but it hasn't been mentioned very often in these interviews.

Main characteristics

There are strict rules for incorporation of family members in the FB
There exists a strict procedure to sell one's shares.

II. Synthesis of collected information by grouping

Questions on L O V E

1. For the family, the business comes on the first place. They have been able to do sacrifices all the long of the existence of the business. The family has been educated in the fact that unity among the family members is important for the family business success.
2. The second most important value is the one of sacrifice for the well being of the business.
3. Among this family there exists a strong sense of social responsibility. The FB is a good that may affect interest of more people than the owners only. This is closely related with the previous idea on sacrifice.
4. Eventhough the fact that the family from its second generation has been split up into 2 branches, each of the branches , even if there are some important differences maintain unity for the good sake of the business. This unity in part has been retained by respecting that each of the family branches occupy a different area in the business

5. The ELISA²¹ values are also very strongly present in this FB. specially the labourness and the initiative have been very strong values. The company has been able to introduce complete revolutionary products on the market and create at the same the necessity of those products by the consumers.
6. This family has been characterized by its strong industrial tradition, which survived the multiple generations.
7. The family has been able to avoid that family matters interfere in the business. In the business the family members have professional relationships with all of the colleagues without distinctions among FM and NFM.
8. The Non- family members active in the business do not really feel a strong emotional link to the business because of its family characteristic. This maybe the result of the separation of family and business matters.
9. Love for the business has been educated from one generation to another in each of the family branches. There does not exist a special rules on this , but each of the families try to send their children for summer jobs to the FB.

Questions on T R U S T

1. The top management team TMT is composed by family members, except 1 person. They are good professionals and they are trusted because of their professional capacity. They have been trusted by all the family members even those who are not taking part in management and /or governance of the business.
2. This team has been trusted., although actually the bad results due to the acute crisis, obstructs this trust. This provoked tension among the people active in the business as well the family members outside the business.
3. The organization chart is very flat, which enables the direct and personal contact among the different departments. This way of direct contact has been a specific characteristic of this family business over time.
4. The information the family members outside the business receive is complete and reliable. Nowadays due to the important change the business

²¹ ELISA stands for 5 values that have been detected in successful Spanish family businesses.(Gallo, Each of the letters of the word ELISA refers to a different value. The 5 are: E of Excellence, L of labourness, I of initiative, S of simplicity the lifestyle, low profile, and finally the A of austerity.

has to face they prefer to reduce the information given to the family members outside the business.

5. There exists a very high trust level from the FM active in the business, explicitly mention that they trust the Non-family members.

Questions on FREEDOM

1. OWNERSHIP

- Only family members
- There are clear but very strict formulas to calculate the shares value to enable people to sell their part of property whenever they want it. (Family protocol) . There is a special committee that will analyze the reason why people sell their shares. Eventhough there are rules in the family protocol, there is a strong emotional barrier which may influence people's decision to sell. Right now there have been a few cases of exits, which where traumatic because of the strong emotional impact on the rest of the family.
- No fear to leave the FB , as each of the members respect each others' decision. One family member left the business after three years because he decided to start an academic career.

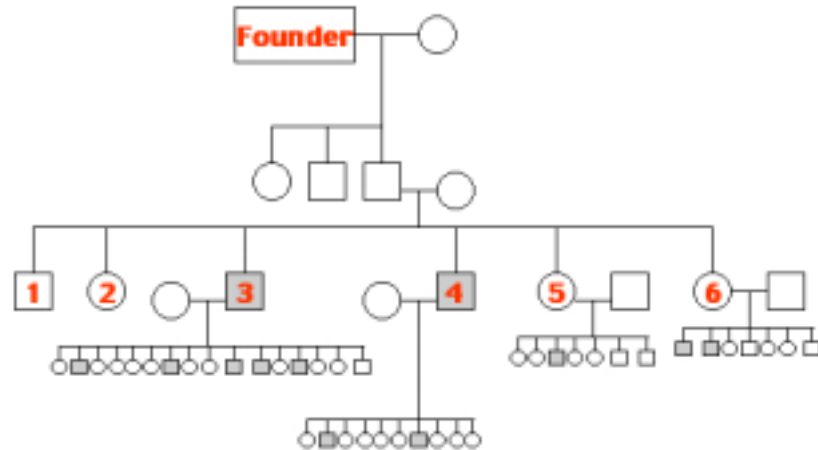
2. MANAGEMENT

- There are clear rules available in the Family protocol on the conditions to work in the business. No equal conditions, for all who wants to enter: for the family members the company is more demanding.
- Equal professional career opportunities for DF and DNF

6/ CASE F/Unsuccessful

I. Business information

1. Family tree



■ Active in the business management at the moment of the interviews

2. Anagraphical data

- Foundation year: 1890
- Generation: IV
- Size: 300 Million Euro 500 employees
- Sector: Textile
- Competitive position: very strong .
- Profitability: high

3. Family structure

- Family branches: 4 family branches , Each of them with 1 vote in the BoD
- Number of family members per generation(G) and per branch

1st G: died

2nd G : 3 siblings , but only one continued the FB. (Died)

3rd G: 6 siblings, but only 4 branches will continue from now on. (One of the 4 branches wants to separate from the rest.)

4th G: 42 people

4. Ownership structure

- Shares distributed per branch: 25 % per branch
- Individual shares' range: Each branch organizes the distribution of shares in a different way.
- Presence of inactive shareholders: There are several shareholders who are not active in the business management, but who take part as shareholder in the Corporate Board. The majority of the 40 members of the 4th generation are shareholders from very young age. They attend the Annual General Shareholders Assembly, but they are not active nor in business management, nor in business governance.
- Even if they are shareholders from very young age, they do not receive any training to be prepared to fulfill their tasks as a shareholder.
- Presence and percentage of outside shareholders: none
- Family and ownership collective bodies : There is a corporate board for the holding, and three more Board of directors, a family council and a General Shareholders Assembly (2/year). Apart from these formal meetings there are several informal family meetings such as birthdays, Christmas, ...where family members meet.

5. Governance and top management bodies

Governance and top management bodies: This company is an holding company that is 15 different companies

- **BoD** for the holding 9 people : 5 Family Managers; 2 non Family managers and 2 outsiders

There are 3 more BoDs at lower level

- The steering Committee is composed in function of the issues on the agenda.
- Family member's role: The family members of the third generation have been active in the business from very young age and they are still not preparing their retirement, in spite of their advanced age. Their input has been decisive for the business, but since more than 10 years the fourth generation is coming up with new ideas. But it seems that the older generation is not willing to give a free hand to the younger generation as long as they stay at the top.
- Outsiders' role: In the BoD there are no outsiders, unless you count the retired executive managers. But they could not been considered as

outsiders in the strict sense . In the Executive committee consists in people active in the business only. there are only people

6. Family protocol

Presence

They have signed a family protocol , but as the third generation was used to organize the business the way they wanted to, they never respected this protocol.

Main characteristics

It has been finished almost 5 years ago. It was a very slow process, with long discussions on almost all of the articles that have been redacted, as it has been decided by consensus.

II. Synthesis of collected information by grouping

Questions on L O V E

1. The love for the business is mostly noticed in a strong feeling of proud by the family members. It is more a question of nostalgic feeling, etc.. Nevertheless, this feeling is disappearing bit by bit as the family grows and as the fourth generation is coming up. They live a more distant relationship to the FB, also because times have changed and there are lots of holidays, and people travel more often.

The third generation lived very close to the business. They grew up in and around the business. They feel affection for it because the business has been part of their lives. They passed the weekends and the school holidays at the factory.

2. The presence of family culture through some values that have been transmitted to the family members over time. The main values are: unity, labourness, rigourosity in taking decisions, ...
3. The third generation is strongly committed to the family business, in a double way: by working in the business and by doing all the possible to keep the unity among family members .
4. The Non Family managers do not feel closer to the business because of its family character . They are not integrated in the family.

5. From the very beginning , the family name has not been used as business name, to avoid that the family would be associated with the business.
6. There is an important discrepancy on the issue of unity depending on the generation you are talking with. The third generation are brothers who get along well and they divided the company in different entities so that each of the family branches could be responsible for one each.

Questions on T R U S T

1. In the FB the lack of trust is a result of several issues:

- a) Trust is a problem in this business. The third generation holds the power. Even if this has been disguised by the co- leadership system . As each of the companies is led by a Family Member (FM) and a Non- Family Member (NFM), this is a delicate situation as it is very difficult to contrast the FM decision, even if you are at the same level in the company.
- b) The decision making process is based on consensus, which slows down the decision making process enormously.
- c) Lack of professionalism in the business, which has been detected in some of the following situations:
 - The third generation didn't established rules for the retirement age of family members.
 - The younger generation does not trust the older one as they seem to be stuck to the power.

2. Outside the FB the lack of trust is caused by:

- a) The lack of consistent information to enable the non active members to express their opinion
- b) The formation of different family branches that each have part of the business under control.

3. There is discrimination on the professional careers for the NFM compared to FM.

4. The family members of the top management team are not trusted by their peers for their capacity but rather because of an existing relationship over time.

Questions on F R E E D O M

The level of freedom is very low and this seems to go on as long the third generation will hold the power.

1. OWNERSHIP

- Only family members
- There are clear formulas to calculate the shares value to enable people to sell their part of property whenever they want it. (Family protocol) But people feel
- Right now there are no cases of exit.

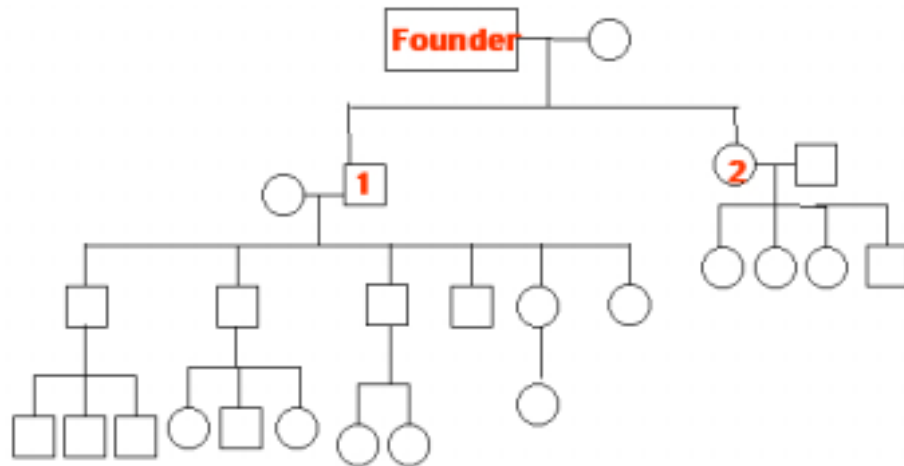
2. MANAGEMENT

- There are rules available in the Family protocol on the conditions to work in the business, but they are not always respected by the third generation.
- No equal professional career opportunities for DF and DNF.
- Fear to leave the FB , as you may undergo pressure from the rest of the family members. One of the interviewees commented he is considering to leave the business but he says that only mentioning this idea in his family means his professional suicide.
- It is not really easy to quit. "When you are in the business your are as a prisoner", said one of the family members active in the business.

7/ CASE G/Successful

I. Business information

1. Family tree



2 . Anagraphical data

- Foundation year : 1938
- Generation : III
- Size : 2 billion EURO,
- > 1500 employees
- Sector: Petrochemical
- A group of companies
- Competitive position : 7% of the Italian market, the largest of the three private Italian companies operating in this industry
- Profitability : fairly good

3. Family structure

- Family branches : 2
- Number of family members per generation (G) per branch :
 - 1stG 1 person still alive
 - 2ndG 1 member + spouse per branch
 - 3rdG 10 members, 6 in one branch and 4 in the other one
 - 4thG 9 members at present

4. Ownership structure

- The family controls 60% of the main company of the group by means of a family holding.
- One of the two branches has the majority, but for some key decisions - like selling of companies, appointment of family owners' representatives, etc. - the favorable vote of at least one member of the other branch is requested.
- Family owners are 14, 5 active in governance and management and 9 inactive.
- Presence and percentage of outside shareholders : the remaining 40% of the main company's equity is listed in the Stock Exchange.
- Family and owners' collective bodies : family owners' meetings twice a year. Particularly, the company Vice President, who belongs to G3, is responsible of relations between family ownership and company and takes care of these meetings, preparing the information to be presented especially to inactive shareholders.
- Sometimes, these meetings are organized in correspondence with important company events - e.g. inaugurations of new plants - and family members' participation is generally high.

5. Governance and top management bodies

The holding company is located outside Italy and it does not include any family members.

- As to the main company :
 - the President is a family member of G2 ;
 - the Vice President acts as the "interface" between family ownership and top management ;
 - since 1992, the family has appointed a non-family CEO who is still at the head of the group ;
 - the board of directors is composed by the family active owners (President, Vice President, 3 other family members in top management positions), the CEO, an old friend of the family and 2 outside directors (both university professors, one is expert in business law and the other one is an industry specialist). The board generally approves and monitors strategies rather than taking active part in their formulation;
 - a "family executive committee" is held every months between all family directors before board meetings ;
 - the strategic committee is composed by the CEO, the marketing and finance managers, the general managers of the 2 main business areas.

- They are currently designing some “mixed” committees (i.e. composed by both board members and top managers) to strengthen cooperation between board and management on key strategic issues.

6 .Family protocol

Presence

The protocol has basically stated the principle of separation between ownership and management and agreed that the fourth generation will not work in the company in principle ; in case of very brilliant candidates, they will be very carefully evaluated by company management and will be submitted to the same recruitment process undertaken by non-family members.

Main characteristics

- founder’s principles and values ;
- pre-emption clauses ;
- rules about majorities for key decisions ;
- rules to manage liquidity needs ;
- rules for management candidates’ evaluation ;
- arbitration clauses for conflict management.

II. Synthesis of collected information by grouping

Questions on LOVE

Very strong love for the company in general.

1. Importance of family tradition and reputation, previous generations’ work, and company results as determinants of love.
2. As to company results, there is general acknowledgement of entrepreneurial capabilities and ownership unity as two key factors.
3. As to family reputation, there is deep awareness of the contribution that, by means of the company, the owning family has given to the development of local community in terms of employment, sponsorship of public works, etc. ; the fact of having been able to give such contributions has also strengthened the relation between family and company.
4. Different kinds of love according to family owners’ roles.

Particularly, active owners seem to be more detached and to have an “investor-like” approach ; they find it very important to preserve the family’s wealth, and they are aware this might require to dilute the family’s stake or even to exit it.

Inactive owners are also aware of the this fact, but they show a more “sentimental” attachment to the family company: e.g., expectation of future involvement is stronger for them than for active ones; love is deliberately not taught by the active young owners to their children, whilst the opposite is said by inactive ones.

5. Strong love for the company is felt by the non-family CEO as well (“this is my company”).

Questions on TRUST

1. Trust, and especially inactive owners’ trust in active ones, is considered as a source of company success.
2. Good relations amongst shareholders, with the exception of a conflict between the President and his brother-in-law some years ago ; but the conflict did not reduce trust between the President and his sister (i.e. the two family shareholders of G2).
3. A lot of work has been done by the Vice President on information for shareholders, and particularly for inactive ones. In perspective, more technical information will be provided to inactive shareholders; at present, information is as simplified as possible and very synthetic.
4. Both managing and non-managing shareholders think that this work has greatly improved family owners’ skills, relations and trust. At present, communication among family owners is considered good, open and frank. Inactive shareholders are considered as very responsible by active ones.
5. Inactive owners are involved in PR activities (such as sponsored events) which has also improved relations.
6. High trust in the key decision-making group, and both in family and non-family directors and managers ; their competence and performances are generally acknowledged.

7. Perception of different reasons for trust depending on team members (CEO trusted for professional skills, father-entrepreneur because in any case he is a family member,...)
8. Within the group, relations are good as well.
9. There is open communication between family and non-family management through the Vice President
10. High trust in family ownership on behalf of the CEO and his team, and vice versa.
11. Confidence in family future, question mark on family role

Questions on FREEDOM

1. OWNERSHIP:

- No one has ever exited family ownership
- The family protocol has created conditions for owners' freedom to sell their shares

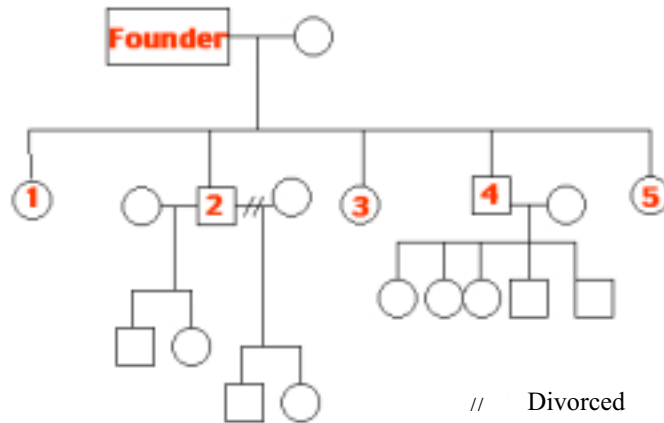
2. MANAGEMENT:

- Some family members exited the board in the past, also due to conflict with the President, but with no troubles either for the family as a whole or for the company.
- In some cases family members have evaluated the opportunity to leave their full-time job in the company temporarily or permanently. The issue has always been discussed within the family, who expressed its opinion; for example, a counter-proposal has been made to a young member of G3 who had been offered an outside position; in another case, the family supported another member of G3 running for chairmanship of an important employers' association. But the final choice is always left to individuals with no obstacles whatsoever.
- No relevant obstacles are figured out should someone want to exit in the future (only inactive owner said the opposite), but some concern would be (and has already been) expressed if some active owners would exit from governance or management.
- Looking into the future, the family protocol has already restricted freedom to enter management in order to keep the company attractive to outsiders.

8/ CASE H/Successful

I. Business information

1. Family tree



NB : G2 female members are completely outside the company and do not hold shares either.

2. Anagraphical data

- Foundation year : mid '60s.
- Generation : III (II leading)
- Size : round 1500 employees
- Sector : Petrochemical
- Competitive position : 16% of the Italian capacity, one of the three private Italian companies operating in this industry
- Profitability : good

3. Family structure

- Family branches : 5, but only 2 involved in the company.

2ndG : 2 brothers own the company a 50%-50% and hold governance and top management positions

3rdG : 2 cousins involved, one in governance and top management, one part-time.

4. Ownership structure

- The family controls 85% of the company, which is the industrial holding of a group.
- Family owners are the 2 sons of the founder, both active in governance and management. They hold 50% each.
- The remaining 15% is held by a state-owned group operating in the same sector.

5. Governance and top management bodies

The board of directors is composed by :

- the President (the oldest brother of G2), who is actually the company leader ;
- the CEO (the younger brother of G2) who is also in charge of sales ;
- the Vice President and General Manager, who is not a family member ;
- the oldest son of the President, who is also in charge of IT
- the Vice General Manager, who is a non family member ;
- an non-executive director representing the state-owned partner.

- An informal board is held every week.
- Executive directors also make up the top management team, which also includes a Vice Sales Manager.
- An informal "managing committee" composed by President, CEO, General manager and IT manager meets every late afternoon in the President's office.

6. Family protocol

- The founder left some rules that were never written but are very strong and G2 want to apply them to the next generation as well: only male children become shareholders ; mail children are expected to help their sisters ; spouses do not enter the business.
- G2 also has some unwritten and shared rules : particularly, no one expresses opinions on what the others decide to do outside the company, but everyone is there if some help is needed.
- Other rules are different depending on the family ; the oldest brother in G2 never accepted his children to enter the company on a part-time basis, the other one does ; the oldest is more severe as to training and working paths, etc.

II. Synthesis of collected information by grouping

Questions on LOVE

1. Strong love for the company and for the founder's legacy.
2. The founder's values (hard work, honesty, respect for competitors and industry rules of game, availability to help family members, attention towards poor people) are deeply felt by all family.
3. The founder's story has created a strong commitment to enter the company and to work there all life long, both in G2 and G3; in the case of the President's son, he has been stimulated to initiate his own venture to make a start-up experience like his grandfather did, and to make the most of this experience to the benefit of the family business.
4. Strong motivation to innovate the business by both G2 and G3.
5. Family members' love is perceived by non-family members as well.

Questions on TRUST

1. Very high trust between the 2 brothers-shareholders ("it is the key relation").
2. Family executives highly trust non-family executives, due to their competence, their entrepreneurial spirit and their capacity to provide challenging ideas ("we are all very innovative, all executives").
3. Open, frequent and informal communication within the executives' team.
4. Very strong cohesion and trust within the team ; family members pointed out that "within the board and management teams, we are all equal, family and non-family members, otherwise it is the end of the company, only ownership belongs to the family".
5. NF managers acknowledge the family respects their autonomy ("in a state-owned company I would have been conditioned, here I am not"). Family members are highly respected and trusted by NF.
6. Good relation amongst G3 family members.

7. G2 is working on succession issues ; at present, the two brothers-shareholders have different ideas (“we have to find a common vision”).
8. In general, very good relations within the whole family.
9. Looking into the future, awareness that to sustain growth it would be necessary to dilute family’s stake.

Questions on FREEDOM

1. OWNERSHIP:

- G3 daughters will not be involved in the company.

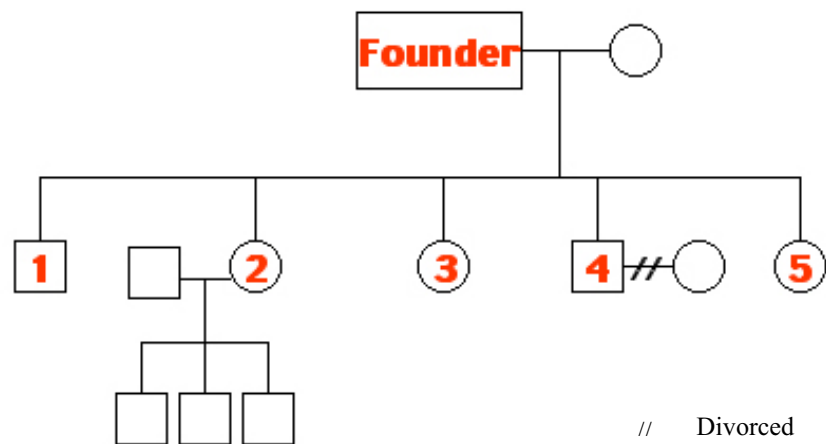
2. MANAGAMENT:

- As to sons, the 2 shareholders are discussing about succession in ownership and management.

9/ CASE I/Successful

I. Business information

1. Family tree



2. Anagraphical data

- Foundation year : 1952
- Generation : II
- Size : 150 million EURO
- 700 employees
- Sector : Food
- Competitive position : leader in Italy, high growth rate in a mature industry
- Profitability : high

3. Family structure

- Founding entrepreneur and spouse with 5 children, two brothers and three sisters.

4. Ownership structure

- The family controls 100% of the company.

- The 2 brothers hold the majority of shares.
- Founder and spouse are now inactive owners, their children are all active ones.

5. Governance and top management bodies

- The board of directors is composed by the 5 siblings and meets every week.
- The five siblings are in charge of sales, operations, purchases, administration and general affairs; the oldest one, in charge of sales, acts *de facto* as CEO. He is Chairman of the board.
- As to non-family managers, most of them are functional managers. One is general manager with particular focus on organization, financial accounting and control.
- Managing committees, with participation of family and non-family members, are held weekly to monitor costs, revenues and investments and to monitor sales as well.

6. Family protocol

Presence

- A family protocol was signed a few years ago with assistance of a consultant.

Main characteristics

- spouses are not involved in the company (neither in ownership nor in other roles) ;
- compensation is the same for all siblings ;
- all siblings have definite roles and responsibilities ;
- the 2 brothers hold the main responsibilities.
- Other rules regulate ownership transfer, basically making it very disadvantageous to sell company shares.

II. Synthesis of collected information by grouping

Questions on LOVE

1. Very strong identification with the family company and the territory in which it operates
2. Long-term commitment by everybody

3. Great care has been devoted to transmitting love for the company to the 5 children since they were very small
4. Strong identification and commitment are felt by non-family managers as well. Family owners' entrepreneurial spirit and capacity to transmit it to collaborators are very highly considered.
5. Non-family members' contribution is very highly considered by the family and is evaluated in terms of competence and loyalty.

Questions on TRUST

- The 5 sibling trust one another ; each one acknowledges that everyone has contributed to company success.
- They are trusted by both parents (that transferred their shares quite a long time ago) and non-family collaborators.
- Again, founder and spouse have worked a lot to teach their children to trust one another ("you must always remember that each of you has been helped by his/her siblings in certain periods and helped them in other ones ; it is a sort of compensation mechanism that has to be kept in mind").
- Personal relations are very good both amongst family members and between family and non-family ones.
- Communication in the family and between family and non-family members is very open and frequent.
- Very strong team spirit, family and non-family members spend time together also outside the company.
- Very optimistic expectations have been expressed with regard to company future.

Questions on FREEDOM

1. OWNERSHIP:

- Nobody has ever exited either from ownership or management.

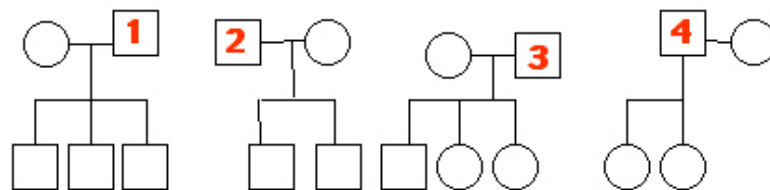
2. MANAGEMENT:

- No problem should someone want to leave his/her job
- On the contrary, great obstacles exist in case one wants to sell shares ; i.e. he or she would have to make a big economic sacrifice as the evaluation would be very low with respect to company's assets and performances.

10/ CASE J/Unsuccessful

I. Business information

1. Family tree



2 . Anagraphical data

- Foundation year : 1923
- Generation : II
- Size : 20 million EURO,
- 130 employees
- Sector : Food
- Competitive position : once good, now marginal
- Profitability : low

** The company experienced a deep crisis, losing sales and profits, between 1993 and 1997, then a slow recovery started. The crisis brought about deep conflicts in the family about the strategic direction to take, and finally led to exit of 2 founding brothers (who were the company leaders in G1) in 1998.

3. Family structure

- Family branches : 4
- One of the 4 branches was totally liquidated.
- Number of family members per generation (G) per branch :
 - 1stG 4 brothers, 2 of which have completely exited the company
 - 2nd G 10 cousins, 4 of which are actively involved in the company

4. Ownership structure

- The family controls 100% of the company.
Before 1998, 4 branches held 25% each. Today, the 3 remaining branches hold 37,5%, 37,5%, 25% of shares respectively.
Family owners are 6.

5. Governance and top management bodies

- The board of directors is composed by the 5 of the 6 active owners and meets once a month (both as a board and as a management committee).
- Key management roles are played by three siblings, sons of one of the 2 former co-leaders. They are in charge of operations, Italian sales, foreign sales ; the one in charge of foreign sales acts *de facto* as general manager.
- The 4th active owner of G2 plays a marginal role in sales.
- The two founding brothers who have remained in the company are respectively in charge of administration and general affairs. The latter would like to exit and would like his son (the one with a marginal role) to have a key position even if he lacks competence and commitment. He often opposes his brother's and the three siblings' proposals.
- In this cases conflicts occur, and his brother generally acts as a mediator ; another mechanism to solve conflicts is to vote on hottest topics.
- Non-family managers are involved as second-line functional managers

6. Family protocol

None

II. Synthesis of collected information by grouping

Questions on LOVE

1. Deeply rooted belief that important positions have to be occupied by family members because they are more committed to company success.
2. Company perceived as a personal challenge by some active owners (but with a definite time horizon). Interviewed family members in G1 and G2 are both aware that the family firm gave unique career opportunity to active owners, that important goals have been accomplished as the crisis has been stopped, that some new projects might definitely solve the company's problems.

3. A special contribution of family owners to company continuity is also acknowledged, but at the same time, both family and non-family members think the family has always behaved in a too much detached way with respect to company and collaborators.
4. Non-family members' motivation is generally low.
5. Consistently with their detachment, G1 members did not teach love for the company to their successors.

Questions on TRUST

1. Trust has increased especially after the big crisis was overcome. But it is generally low.
2. One branch (father and son, by the way the less competent ones) mistrusts the other family members.
3. Trust exists among the 3 leading siblings (even if the interviewed NF manager complains about the fact they do not always speak about one another in positive words) and between them and their uncle who is in charge of administration and always mediates conflicts.
4. Not all employees trust the new generation; "they think we are weak". Many perceive that family members encourage competition among collaborators to the detriment of trust, that they do not pay much attention to integration among collaborators and that company organization could be much clearer.
5. On their part, family owners complain about non-family employees' unwillingness to change and to take on responsibility and they think many people should be replaced.
6. Communication between family and non-family members is generally difficult.
7. Young active owner-general manager claims that communications between family members are not focused on strategic issues. He and his brothers meet monthly and hold monthly meetings with their collaborators as well
8. Moderate trust has been expressed, with many "question marks", as to the company's future by both family and non-family members. Particularly,

interviewed family members do not exclude that they might decide to leave the company and sell it.

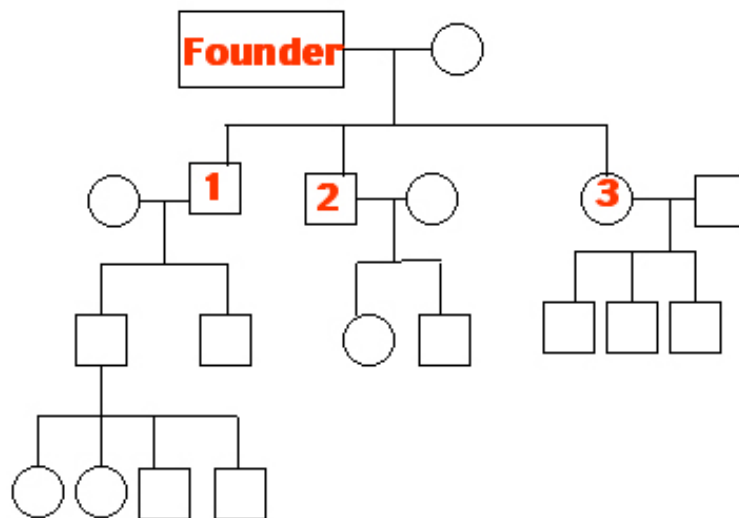
Questions on FREEDOM

1. Two of the founding brothers left the company with no troubles for management ; successors were actually looking forward to that to be able to manage the company autonomously. The greatest trouble was to find the money to liquidate the one who decided that his branch had to definitely exit.
2. Today, exit of the hostile branch would be welcome, but financially a problem.
3. Should the young general manager decide to leave, he thinks his exit would be perceived as a betrayal by his siblings.

11/ CASE K/Successful

I. Business information

1. Family tree



2 . Anagraphical data

- Foundation year : 1935
- Generation : III (II leading)
- Size : 350 Million EURO,
- > 2000 employees
- Sector : Pharmaceutical
- Competitive position : leader in some segments
- Profitability : good

3. Family structure

- Family branches : 3
- Number of family members per generation per branch :
 - 2ndG 3 members, 2 work in the company
 - 3rdG 7 members, 3 work in the company

4. Ownership structure

- The 2 brothers in G2 and their children hold 95% through a holding ; their sister holds 5% and does not work in the company. The company is in turn an industrial holding.
- The 2 active shareholders meet their sister once or twice a year.

5. Governance and top management bodies

- The two second-generation brothers are, respectively President-general manager and Vice President and R&D manager.
- First-line managers and general managers of controlled companies are all non-family ones. The main company's managing committee is composed by the 2 brothers-active owners and managers of Italian sales & marketing, foreign branches, human resources, corporate development, finance and control, legal services)
- Third generation family members involved in the company are respectively: i) assistant to the General manager ; R&D planning manager (reporting to the R&D manager); corporate development assistant (reporting to a non-family manager).
- The board of directors is composed by the five family members involved in the company and by the husband of the second-generation inactive owner.
- Official board meetings are held 3-4 times per year, informal ones are held monthly.

6. Family protocol

They are working on it, with the objective to keep the company attractive to non-family managers, by imposing strict rules for entry and career, by asking a sober style to those who are involved in the company. Family conflicts will be regulated as well by means of third parties' mediation.

II. Synthesis of collected information by grouping

Questions on LOVE

1. In general, strong attachment to the company, its activity and its team of people
2. Importance of founder's legacy and values like attachment to work, respect for the company, passion for well-done jobs, ambition to become an internationally prominent Italian company.

3. Parents' example is considered to be an important determinant of young family members' attachment to the company. The company's achievements are also considered very motivating for G3 members to commit themselves to its development.
4. Family owners' vision is considered as a key factor for company success so far.
5. Looking into the future, family members are aware that to sustain growth it would be necessary to dilute family's stake and maybe go public ("but we'll never sell").
6. Non-family members are also very attached to the company, and amongst various determinants there is the awareness that it is really possible for them to contribute to company development (even if oldest managers sometimes feel excluded as the international expansion required new entries, new management systems and organization, etc.).

Questions on TRUST

1. Good relations and trust between G2 members, based on company results, transparency and openness of communication, mutual patience and compatible personalities. Particularly, relations between the 2 brothers and their sister has always been good.
2. Relations between third-generation cousins are also good, but not so good (especially amongst active members of different branches); family bonds are weaker, personal habits are different, etc. ; communications are not considered to be totally transparent ; there is some competition that might increase in the future. The protocol is expected to be helpful in preventing conflicts.
3. Trust within the top management team has increased over time, and so has team spirit (despite the dichotomy between the "old" and "new" managers). Establishment of managing committee and entry of G3 greatly helped internal communication between family and non-family executives, but both family members and non-family ones think such communication needs further improvements. More delegation to non-family managers is generally perceived as necessary as well.

4. Non-family executives are basically trusted by family ones ; some senior collaborators are considered to be too rigid to change with respect to company needs.
5. Family executives are also respected and trusted by non-family ones, with some differences (senior family members are more highly considered, some G3 members seem sometimes to confuse their ownership and management roles).

Questions on FREEDOM

1. OWNERSHIP:

No one ever exited the company.

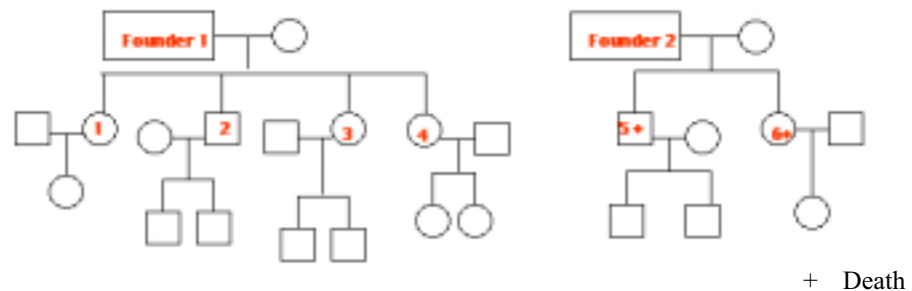
2. MANAGEMENT:

So far whoever wanted entered the company, in the future rules will be stricter with the family protocol.

12/ CASE L/Successful

I. Business information

1. Family tree



2. Anagraphical data

- Foundation year : 1935
- Generation : III (II leading)
- Size : 40 million EURO
- 300 employees
- Sector : Pharmaceutical
- Competitive position : Italian leader in its segment with 16% of the Italian market
- Profitability : good

3. Family structure

- 2 families (non-related to one another) hold 50% each.
- Number of family members per generation(G) per branch :
 - 1stG 2 persons still alive (the founders' wives)
 - 2ndG the present CEO and his three sisters in one family ; the former co-CEO's widow in the other family
 - 3rdG 7 members in one family and 3 in the other one

4. Ownership structure

- The 2 families own 50% each.

- Individual shares range between 6% and 25%. Particularly : the President-CEO holds 25%; the former co-CEO's 'stake has been inherited by his wife, who has 6,17%, and by his children who own 13,58% each.
- Family owners are 8, 1 active in governance and management (i.e. the President and CEO) and 7 inactive.
- Shareholders' meetings.
Shareholders' meeting are generally called more than once per year to take key decisions.
Inactive owners, especially those who do not belong to the P-CEO's family, usually monitor monthly results as compared to budget ones besides all the documentation concerning special projects.
Relations between the 2 owning families have always been tense after death of the former co-CEO.

5. Governance and top management bodies

- The board of directors is composed by the President-CEO and by outsiders representing the two families, 1 for the P-CEO's family and 2 for the other one. Outsiders are a university professor, a lawyer and a consultant.
- The board meets every one month and a half/two months on average, to discuss and decide on such issues as: annual budget ; infra-annual results ; quarterly investments. Directors receive materials some days before (in general, 7-10 days before) ; company managers are very often invited to give presentations and explanations on specific topics.
- According to statutory norms, if one director exits the board for any reason, the whole board must be re-appointed.
- All company managers are non-family members.

6. Family protocol

The two families started the process of building up a protocol a few years ago, but stopped it because of deep conflicts, especially between the President-CEO and a representative of the other family.

II. Synthesis of collected information by grouping

Questions on LOVE

1. P-CEO considers the company to be his own company as if he were the sole proprietor ; his sisters are emotionally very much linked to the company

2. The other family is maybe less emotionally attached to it, but is committed anyway .
3. There is perception that family ownership contributed to company success and that legacy of founders is perpetuated.
4. Children have been transmitted family tradition, they are said to feel affection for the company.
5. Up to now, conflicts have been overcome and company health safeguarded; big question marks for the future.
6. Non-family members generally seem to be very attached to the business.

Questions on TRUST

1. P-CEO feels under strict control by the other family.
2. He feels deep mistrust towards the other branch and would like to get rid of them.
3. His sisters trust him and he appreciates them.
4. The other branch has never fully trusted the P-CEO, keeping him under control especially for financial issues and recently accusing him of incorrect behaviors. They would like someone that can control him from inside the company
5. It is acknowledged that information to inactive shareholders has improved over time, but even the P-CEO's sisters would like to receive more information and to be involved in more family meetings.
6. P-CEO strongly believes in company growth; his sisters feel uncertain; the other branch strongly doubts that the company can go on growing.

Questions on FREEDOM

1. OWNERSHIP:

No experience of ownership transfers, if the other branch would like to leave it would be welcome.

2. MANAGEMENT:

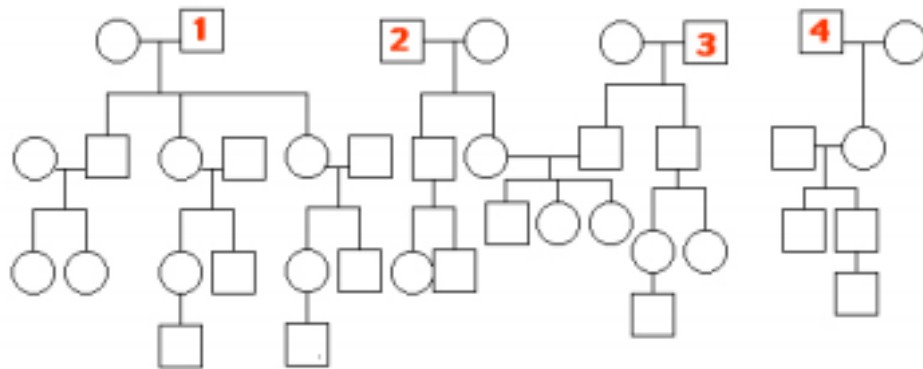
Today, CEO sisters feel they were not free to enter and would like their children to have this opportunity ; CEO would like to put severe restrictions

13/ CASE M/Successful

I. Business information

1. Family tree

The genealogical tree starts from the 4 cousins in Vth generation



2. Anagraphical data

- Foundation year: 1779
- Generation: VII
- Size: 25 million EURO (sales)
- 50 employees
- Sector : Alcoholic beverages
- Competitive position: Italian leader with 25% of the market. Some small competitors + a number of micro-firms operating at local level. They are giving impulse to foreign markets
- Profitability: good

3. Family structure

- 4 Family branches
- Number of family members per generation (G) per branch :
 - 6thG 5 people still alive
 - 7th G 15 people (+ spouses and children)

4. Ownership structure

- Each branch holds 25% of equity; Individual shares' range: 3% to 15%

- 100% of equity is held by the family
- 15 out of 20 are inactive shareholders
- A shareholders' meeting is held every year; a pre-meeting is held one week before to informally answer inactive shareholders' questions

5. Governance and top management bodies

- A board of directors is recently being re-designed in such a way as to both lead the company and represent family owners' branches. It should be composed by 4 of the 5 active owners + some inactive ones.
- Family members active in the business are:
 - the President and CEO (6th generation)
 - the administration and finance director
 - the Italian sales and marketing director (6th generation)
 - the Foreign sales and marketing director (6th generation)
- Outsiders' roles: two non-family managers are in charge of production in the two distilleries

6. Family protocol

- The family is working on a draft proposed by active shareholders.
- The draft is quite comprehensive and it should regulate ownership transfers (main topic), structure and functioning of board, family members' entry.

II. Synthesis of collected information by grouping

Questions on LOVE

1. Strong personal commitment in a long-term perspective, strong identification and emotional link with the company (for family and non-family members)
2. Satisfaction for job and perspectives (for family and non-family members) and awareness that the company is a source of fame, recognition and prestige. Opportunities for personal development are perceived by both active and inactive owners (they all recognize being provided with training opportunities and with resources they can use to take care of their own training personally).

3. Awareness that family values and history (integrity, respect for people, sense of duty) have made the company last for over 200 years, and that family legacy is perpetuated.
4. Family tradition and financial rewards are considered as important ways to transmit love for the company.
5. Love is taught to next generation according to non-family member as well.
6. Family members have never made use of mechanisms to solve conflicts; the role of the family & company leader has prevented divergencies from becoming serious conflicts so far.

Questions on TRUST

1. Trust is recognized as a source of company success (together with other values) and vice versa. Success is not so much envisioned (there are some concerns) in the company future.
2. And general concern for next leadership transition.
3. Generally, relations among owners are perceived as good by everybody; no or very few relations exist outside the business.
4. Communication in the company and in the family is positively evaluated in general.
5. All perceive an improvement in relations between active and inactive owners thanks to more numerous shareholders' meetings and to the start-up of the protocol process. But there are different ideas on what still needs to be done (little for active, much more for inactive owners) and on how relations might evolve (active owners are more optimistic).
6. The decision-making group is basically trusted by the interviewed people (even with different perceptions of its composition and with some doubts on next generation by inactive owner and non-family member).
7. All the interviewed people feel trusted. Trust is perceived to have increased over time.
8. Good relations between active owners, with general admittance of some problems between one of them and the others.

Questions on FREEDOM

1. OWNERSHIP:

- In the past, no access for women to keep ownership united.
- In G4, there was one case of exit, non-traumatic.
- All agree that it is not very likely that someone leaves the company at present. Particularly: active family members do not consider the idea; inactive shareholder has more doubts that the present unity will be kept just as such in the next generation.
- No obstacles are perceived should one want to exit ownership : the family protocol aims at fostering flexibility

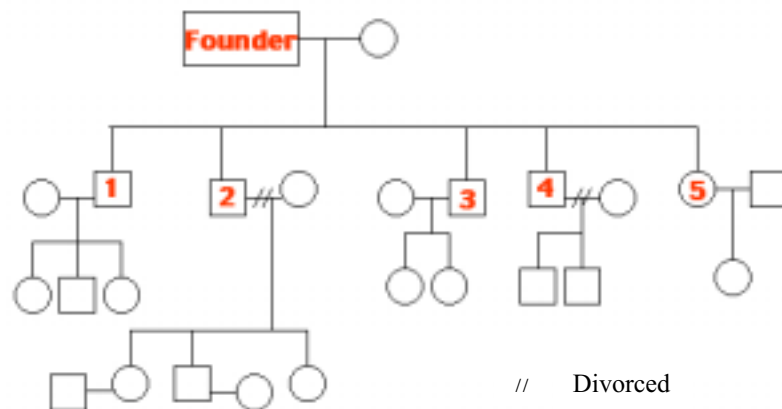
2. MANAGEMENT:

- No family entries are figured out in the near future; inactive shareholder thinks some other inactive shareholders might ask for a job in case of need.
- In any case, less freedom will be brought about by the rules in process. So far, whoever asked entered the company even against the implicit rule of outside experience before

14/ CASE N/Successful

I. Business Information

1. Family tree



2 . Anagraphical Data

- Foundation year: 1963
- Generation: Second generation leads the firm. Second oldest son is the CEO. Some family members in the third generation work in the firm.
- Size: 5.4 million Euro in sales.
- 80 employees
- Sector: Retail
- Competitive position: Strong position in the industry due to good location of retail outlets, strong brand name, and relationships with insurance providers (they sell eyewear)

3 . Family Structure

Jim (Founder) & Ellen K.

4 Sons (all in the Business) 1 son divorced, rest married

1 daughter (Divorced)—acts as consultant to the business

4 or 5 third generation family members work in the business (some work part time)

4. Ownership Structure

- Originally, Jim and Ellen K. owned all of the business. The ownership was then divided between them and the four sons in the mid 1980s. Each owned 1/6 of the stock. In the mid 1990s one of the sons, Guy, wanted to leave the business. He was bought out by the other stockholders. Another optical company was purchased in the 1990s and the two owners of that company now own 6% of K. stock. Now Jim, Ellen, and three of their sons each own 1/5 of the remaining stock (94%).
- The three sons who are shareholders are managers in the business. Jim and Ellen are in retirement, but attend board meetings. There are two passive shareholders

5. Governance and top management bodies

- Board of directors consists Jim, Ellen, the three sons in the business, the non family chief financial officer, and one passive shareholder whose business was purchased by K. Optical.
- The business is a sub-chapter S corporation
- The executive committee consists of the three sons and the nonfamily CFO.

6. Family Protocol

The family sees the business as a family business. The business represents the values of the family: quality products, innovation, and high service. They also pride themselves on integrity. The business benefits both the family and society at large.

II. Synthesis of collected information by grouping

Questions on LOVE

1. Family members stress cooperation and unity. Even Guy, who left the family business, was given special help by the family with his personal problems. There is a clear distinction of who is family and who is not family in the business, although family members are expected to be high performers and work hard.
2. Love of the business is transferred to non family members as well. The business is a source of pride and unity for the family.

3. Family members are encouraged to work in the family business at an early age.

Questions on TRUST

1. High trust exists in the family that is currently in the business.
2. Family and nonfamily employees are trusted to carry out their responsibilities.
3. Relationships are friendly in the family (although little contact is made with Guy who moved to Alaska). They often do things together, hold family reunions, etc.

Questions on FREEDOM

1. OWNERSHIP:

- Primarily for family members—two passive investors own 6% of the company
- Family members can sell their ownership at any time for book value to other family members
- Guy left the business and was bought out by the rest of the family over a few years time.

2. MANAGEMENT:

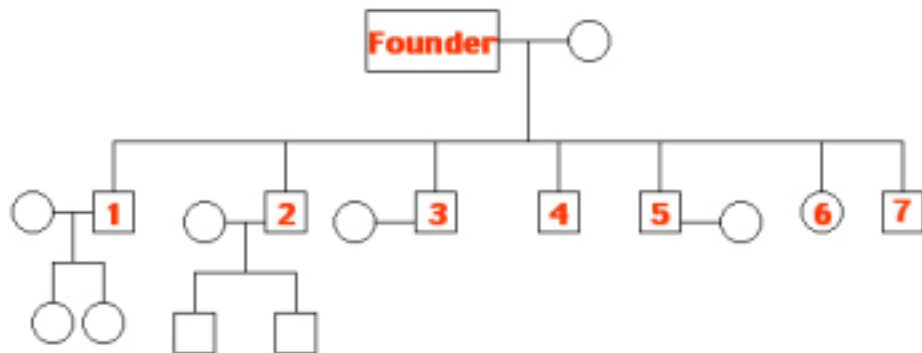
- Family members are encouraged to work in the business and perform well. They are mentored by other family members.
- Top management positions are generally reserved for the family. The nonfamily chief financial officer is the major exception.

NOTE: This is an example of a family business that has grown successfully through good business ideas and family unity.

15/ CASE 0/Unsuccessful

I. Business Information

1. Family tree



2 . Anagraphical Data

- Foundation year: Early 1960s
- Generation: Father and Brothers started a business together in the 1950s. There was a falling out between the father and John W. . John left the business to start his own business, The W. Company, to compete with his father and his brother. There were two generations working in the business when we first started studying this business.
- Size: About 900 Euro in sales.
- 30 employees
- Sector: retail
- Competitive position: Strong position in the industry due to good location of retail outlets and strong brand name

3 . Family Structure

1stG : Founder and his wife John (Founder) & Freda K.

2ndG 2 Sons (in the Business) 1 son married—his wife works in the business

Four sons and 1 daughter are not in the business (7 children total)

4. Ownership Structure

- John and Freda W. own all of the business. No other family members are shareholders. The company is a subchapter S corporation.

There are no passive shareholders

5. Governance and top management bodies

- Board of directors consists Tim (John's son), John, and three outsiders—two consultants and the family accountant. The board rarely met and so the two consultants resigned from the board in the late 1980s. Then there were only three board members.
- The business is a sub-chapter S corporation
- The executive committee consists of John, his son Bill, his office manager and his head salesman. Freda would also attend executive committee meetings periodically.

6. Family Protocol

The family sees the business as a family business. The business represents the values of the family: quality products. The business is well known in the community and represents the family to the broader community.

II. Synthesis of Collected Information by Grouping

Questions on LOVE

1. All family members reported that they would like the business to grow and be successful. The family name on the business is a source of family pride. There are different points of view, however, regards to the role of family members. John's two sons and his daughter-in-law who work in the business feel like John treats them worse than he does non family employees. However, John reports that he sees the company as a family business and would not allow a non family manager to run the business

Questions on TRUST

1. Low trust exists in the family that is currently in the business. John W. accuses other family members of being dishonest and doing things that are unethical. Family members have been fired and rehired.

2. Family and nonfamily employees are generally not trusted to carry out their responsibilities. John W. trusts nonfamily employees more than family employees.
3. Relationships are strained in the family. Family members have gone to therapy and marriage counseling.

Questions on FREEDOM

1. OWNERSHIP:

- Only for family members John and Freda W. (Children not involved)
- All family members report that they would like to continue to work in the business. However, John's two sons have been fired by John and subsequently rehired by him. Neither of the sons have the skills that would allow them to succeed outside of the family business. Thus while they could leave, they don't want to. There are not many good options for them outside the family business.

2. MANAGEMENT:

- Family members are allowed to work in the business but all family members have had difficulty working for John. John clearly is the leader of the business.

Notes: John W. ended up selling the business recently to his son's father-in-law who has allowed this son (who was not in the business before) to play a significant role in managing the business. John and Freda got a divorce and John ended up firing his two sons again. They left the business along with his daughter-in-law who worked there. The W. case study is a story of how a dysfunctional family can be ruined by being together in a family business.

The data collection protocol

1. Participant Family Shareholder

I LOVE (ATTACHMENT)

1. Working in the company

A1.- How long have you been working in the company?

A4.- How satisfied are you with your position now? How satisfied are you with the prospects of your career in the future?

L6.- Are professional career options the same for family members as for non-family employees? If so, how does the company seek to maintain such equality?

L5.- How do family managers value the contributions of non-family employees?

L4.- How does the company affect the mobility of family members within the business?

A12.- What direction would you like the company to take in terms of its governance and ownership?

2. Leaving the company

A2. - How long do you plan on staying in the company?

L1.- Have you ever considered leaving the company? If yes, what were the circumstances?

L2.- Assuming you wanted to leave, how easy would it be?

What obstacles or assistance would you get from the family and the company?

L3.- Has any member of the family left the company in the past? Or seriously considered leaving?

L3.1.- No, why?

L3.2.- Yes, what was the experience like for him/her? What was it like for those who remained in the company?

A3.- What else binds you to this business? How would you describe your

relationship to the business?

A8.- Is the company a topic of conversation at home or other non-business settings? With whom (sons, daughters, spouse)?

3. Your Relationship with your Family

A5.- What does it mean for you to be a member of this family?

A7.- In your opinion, what characteristics of the family have contributed the most to the development and growth of the business?

A6.- What characteristics of the family do you think have made it possible for the company to remain a family enterprise?

A13.- How is the business perpetuating the legacy (value system) of its founders or predecessors?

A15.- How has this business enhanced the personal development of family Members Why?

4. The Family

A9.- How would you describe your relationship with the rest of the family members who have stock in the company? How would you describe relationships among other family members?

A10.- Have you in the past participated in activities outside the business? (Does the family organize activities for family members not working in the business?)

A14.- How are the members of the younger generation taught to love and care about the business? If yes, how do they respond to these initiatives?

C12.- How about their behavior and attitudes as shareholders toward the company?

A11.- Are there methods for resolving conflict that naturally arise within the company? What about methods for resolving conflict in the family?

II.TRUST

5. The Company

C1.- Who is part of the board of directors and the executive team? (Family Director (M), Non-Family Director (NFD), etc.)?

- C2.- What is your assessment of this team? Do you trust (have confidence) in them?
- C3.- How would you characterize the relationship (their day-to-day interaction) among the members of the executive team and the board?
- C4.- Is there a feeling of mutual trust and confidence within the group of individuals? Why?
- C5.- If you had to pick, in whom would you have the most confidence? What are some of that individual's characteristics or attributes that merit your trust?

6. Trusting and being trusted by other family members and employees

- C6.- How effectively is information communicated between family members and non family employees? Do you trust in the communication media and information channels used within the business? How do you make your assessment?
- C7.- Do you think employees who are family members but not part of the executive/management team have confidence in you? Please explain.
- C8.- How has your level of confidence in the management of the company changed through time? Why?
- C9.- How is the relationship among different family members employed in the company?

7. Information channels

A) In the family business

- C10.- How effectively is information communicated between family members and non-family employees? Do you trust in the communication media and information channels used within the business? How do you make your assessment?
- C11.- What would enhance or diminish your trust in the internal communication of the company?

B) In the family

- C10.- How effectively is information communicated among family members? Do you trust in the communication media and information channels used? How do you make your assessment?

C11.- What would enhance or diminish your trust in the communication among family members? Is there any thing being done about it?

8. Other

C13 How do you envision the future of (the company)?

2 - Non-family employee

I. LOVE (ATTACHMENT)

1. Working in the Family Firm

A1.- How long have you been working in the company?

A4.- How satisfied are you with your position now? How satisfied are you with the prospects of your career in the future?

L5.- Are professional career options the same for family members as for non-family employees?

L4.- How do family managers value the contributions of non-family employees?

L3.- How does the company affect the mobility of family members within the business? What about the mobility of non-family employees?

A11.- What direction would you like the company to take in terms of its governance and ownership?

2. Leaving the Company

A2.- How long do you plan on staying in the company?

L1.- How easy would it be for a family member to leave the company

L2.- Do you know of any family member that has left the company in the past? Or seriously considered leaving?

L2.1.- No, why?

L 2.2.- Yes, what was the experience like for him/her? What was it like for those who remained in the company (for you)?

A3.- What makes you stay in the company? How would you describe your relationship to this company?

A10.- Is the company a topic of conversation at home or other non-business settings? With whom (sons, daughters, spouse)?

3. Your Relationship with the Owning Family

- A5.- What does it mean for you to be a non-family member?
- A7.- In your opinion, what characteristic of the family have contributed the most to the development and growth of the business?
- A6.- What characteristics of the family do you think have made it possible for the company to remain a family enterprise?
- A12.- Do you think the business is perpetuating the legacy (value system) of its founders or predecessors?
- A15.- Do you think the company had been an effective means for promoting the personal development of members of the owning family? Why?

4. The Family

- A9.- Do you have any other relationships (outside of the business) with the owning family? Do you participate in outside family activities?
- A13.- How are the members of the younger generation taught to love and care about the business? If yes, how do they respond to these initiatives?
- C12.- How about their behavior and attitudes as shareholders toward the company?
- A8.- Do you know of methods for resolving conflict within the company?

II. TRUST

5. The Company

- C1.- Who is part of the board of directors and the executive team? (Family Director (M), Non-Family Director (NFD), etc.)?
- C2.- What is your assessment of this team? Do you trust (have confidence) in them?
- C6.- Do you sense that members of the owning family place similar trust (confidence) on non-family managers or employees? Regarding such trust (confidence), do you think it makes a difference whether you are a family member or not?

6. Trusting and Being Trust

- C6.- Do you sense trust from (feel trusted by) family members working in the company?

How about from family members not working in the business? Please explain.

C11.- Has your level of confidence in the management of the company changed through time? Why?

C8.- How is the relationship among different family members employed in the company?

7. Information Channels

A) Within the company

C9.- How effectively is information communicated between family members and non family employees? Do you trust in the communication media and information channels used within the business? How do you make your assessment?

C10.- What would enhance or diminish your trust in the internal communication of the company? If concerns exist, is something being done about it?

8. Other

C13.- How do you envision the future of (the company)?

3 - Non-participant family shareholder

I. LOVE (ATTACHMENT)

A1.- How long have you been a shareholder in the business?

A2.- Besides ownership, what else binds you to this business? How would you describe your relationship to the business?

A3.- What does it mean for you to be a member of this family?

A4.- What characteristics of the family do you think have made it possible for the company to remain a family enterprise?

A5.- In your opinion, what characteristics of the family have contributed the most to the development and growth of the business?

A6.- Is the company a topic of conversation at home or other non-business settings? With whom (sons, daughters, spouse)?

A7.- How would you describe your relationship with the rest of the family members who have stock in the company?

- A8.- Do you now or have you in the past participated in activities outside the business?
- A9.- Are there methods for resolving conflict that naturally arise within the company? How about in the family?
- A10.- What direction would you like the company to take in terms of its governance and ownership?
- A11.- Do you think the business is perpetuating the legacy (value system) of its founders?
- A12.- How are the members of the younger generation taught to love and care about the business?
- A13.- In your opinion, has this business been a good vehicle for promoting the personal development of family members? Why?
- A14.- As a shareholder, have all your expectations been met?

II. TRUST

- C1.- Who is part of the board of directors and the executive team? (Family Director (FD), Non-Family Director (NFD), etc.)?
- C2.- What is your opinion of this team? Do you trust in them?
- C3.- How would you characterize the relationship among the members of the executive team and the board?
- C4.- Could you say that there is a feeling of mutual trust and confidence within this group of individuals? Why?
- C5.- If you had to pick, in whom would you have the most confidence? What are some of that individual's characteristics or attributes that merit your trust?
- C6.- How has your level of confidence in the management of the company changed through time? Why?
- C7.- How do you know that other family members active in the business have confidence in you? How about family members not active in the business?
- C8.- How effectively is information communicated between family members and non family employees? Do you trust in the communication media and information channels used within the business?
- C9.- What would enhance or diminish your trust in the internal communication of the company?
- C10.- What is your opinion of the quantity, quality, and accuracy of the information with which the company provides you?

C11.- Share with us your opinion about the life style of the shareholders? How about their behaviors as shareholders toward the company?

C12.- How do you envision the future of (the company)?

II. FREEDOM

L1.- Have you ever considered becoming an active member of the company (as an employee)? Under what circumstances would you do it and why?

L2.- How easy would it be for you to sell your shares if you chose to? Under what circumstances would you do it? What obstacles or assistance would you get from the company?

L3.- Has any member of the family left the company in the past?

L3.1.- No, why?

L3.2.- Yes, what was the experience like for him/her? What was it like for those who remained in the company?

L4.- To what extent can you influence business decisions or matters?

L5.- How does the company affect the mobility of family members within the business?

L6.- Are professional career options the same for family members as for non-family employees?