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**Title: HOW AND WHY ARE FAMILY BUSINESSES “DIFFERENT”?
A THEORETICAL APPROACH**

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Abstract: In most organizations today, people no longer know –ore even care- what or why their companies are (Bartlett and Ghoshal, 1994). Corporations are neglecting the core stem of their being. In this milieu, leaders have an urgent role to play; they must withhold control over the processes that forge the company’s strategic priorities. Nevertheless, strategies can develop enduring, strong emotional bonds only when they are supported by broader organizational principles and values. This is, to develop a corporation in which every member can identify, sharing a sense of pride and to which they are willing to commit. Within a nutshell, top managers should aim at converting contractual employees of an economic reality into committed members of a principle-value driven corporation (Ghoshal, 1994).

In terms of principles and values family businesses are well ahead from their non family counterparts, in that the two systems in family firms –the family and the business- are continuously interacting with one another, imprinting family principles and values into the business, developing entities where the creation of wealth is not a goal but rather a consequence of investing in the business and the people who manage it, and where family and non-family employees have a strong emotional link with the organization. Here lies the blue print of family firms, which makes them different and worthwhile studying.

As a result of the two system interaction –the family and the business- family firms have unique competitive advantages over non-family businesses. This is the so called family-effect (Dyer, 2006) which means that there are family or business practices that result from family ownership and management, and positively affect performance. It is argued that family dynamics at both the individual and family levels influence family values and behaviour especially in two dimensions: active ownership and time frame:

Active Ownership

Running an organization in which you have a personal stake creates a special feeling of independence. Having your name on a building or brand gives a sense of stewardship and responsibility, and it also brings a competitive advantage. Even more significantly, the image of the company and its products can affect the name of the family. Families want to be proud of the quality of their products. Their involvement with company product adds to the company a competitive advantage; moreover the

active ownership of family business makes a difference for the sustainable success of the individual corporation.

A family's internal understanding of their principles and values often determines the kind of behaviour that will be acceptable or unacceptable in their organization. Therefore for family business the principal stem lies within the families' principles and values. The family principles and values also direct their approach to stewardship of assets, and affect their attachment to the family legacy, which in turn helps to establish a sense of identity and commitment of the firm's non-family employees. This is, non family employees often feel like part of the family and are actually considered that way, creating a much more caring organization than would generally exist in large non family-run firms.

Time frame (long term vision)

Due to the fact that family business think in generations, family firms generally take a longer term, and more "objective" view of their planning and decision making than do non-family-run firms. This strategic openness gives rise to new opportunities for change. This long term view support value creation, the board of directors is not worried about meeting short time projects or bypassing new investments because of their effect on the next year's earnings, they are looking further ahead on time...

This more long term perspective is also shaped by the fact that family business often look at wealth creation not as a goal but as a consequence of investing in their business and the people who manage it.

Tendency towards a long term strategy supports the development with suppliers, costumers, partners and their loyalty to their employees. Family firms are also more careful in downsizing their organizations during economic troublesome periods. As a result, family organizations tend to maintain their core organizational skills, including intellectual property and experience of their employees, when the market recovers; family organizations are thus often best prepared to take advantage of their potential.

Interest on the family business field has increased sharply over the past few decades, partly in acknowledgement of the fact that the economic landscape in most nations is dominated by family firms (Morck & Yeun, 2003) and partly because of the booming interest by researchers to its special characteristics, particular advantages, and hazards.

Even so, the field of family firms still suffers to a degree from a lack of coherence in theory and research preventing research from capturing the attention of other than a committed group of family business scholars (Sharma, 2004). Although there is a rising convergence of paramount theoretical approaches, these are still shackled by the lack of clarity regarding the nature of the distinctiveness of family firms (Chrisman, Chua, & Sharma, 2005).

The goal of this seminar is to introduce to the field multidisciplinary concepts, whose principles and propositions have the potential to take the field beyond the description into the conceptualization of family enterprises.

The notion of enterprise is an economic, legal and social reality that dates beyond the times suggested by contemporary studies, which look at its organization, control and government. This conceptualization is achieved through a multidisciplinary deductive process, in which different branches of the human knowledge participate.

The observational, analytical and quantitative method is often limited to contemporary situations, resulting from the incorporation of the enterprise notion as an entity that can be delimited within a series of comprehensible and obvious parameters: analysing and studying each of the production sectors, the position of the enterprise in a particular sector, results, and sales, to name a few. These are the external elements that assist us in the comprehension and conceptualization of such reality as an enterprise.

The view of the enterprise as an activity that seeks to increase heritage, generate wealth, jobs and shareholder satisfaction is recent, even though its consideration as a human activity can be found in times long past. The primary function undertaken by the head of the family –the father/mother- after formalizing a life together with another person, and most important, when the extension of the family occurs, is to guarantee the upkeep, maintenance, and well-being of the established family.

The most intense drive we can observe in family business owners is their ability to sell a product or a service that is capable of generating value. A value that will benefit the enterprise and at the same time the family. In this line, we might say that a family business is the individual punch, which adopts a legal and economic configuration reacting to the obligation of finding the means for the subsistence of the primary organization we label family.

From an analytic viewpoint, the primary level of social formalization takes place within the family, and the answer to such responsibility is the enterprise, therefore, from an anthropological and sociological perspective, we may say that all business activities can result in a family firm, as long as they portray the characteristic features that are peculiar to family enterprises.

At this point we come across with the following question: **Is it of interest to study family firms?** If we consider the family business as an insular object of study most probably not, however, if we take into consideration the historical, sociological and anthropological deployment we can scrutinize the origin of business activities as well as their persistency over time and place. Therefore, we would be considering a constant of mankind related to an obligation originated out of free will: to establish a family. The second step, almost natural, is to develop an activity to get the means to maintain the family, it is the origin of the business, and the families which increase this activity and establish a business are the founders of the family businesses and they add a new duty to the natural one: to build up and to undertake enterprises with the family and for the family.