Managing Growth:
Best Practices of Family-Owned Businesses

The Honors Program
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ABSTRACT

Family-owned businesses represent the majority of business in the United States. As consumers and employees, we are compelled to their sense of trustworthiness that all too often disappears in the business world. Our economy depends on the success of family-owned businesses, but only one third of these organizations successfully transition to the second generation and only one in ten survive to the third generation. While a series of best practices attempt to prescribe solutions their challenges, these practices fail to account for the various types of family-owned businesses. More specifically, many types of family-owned businesses exist as evident by specific transitions in terms of ownership, family and business. Therefore, the study of best practices in family firms must consider the timing of implementation. This study analyzes three family-owned businesses that successfully transitioned from start-up businesses owned by a single controlling owner ready to give up control to an expanding business owned by a sibling partnership with young children. From this analysis of a specific type of family-owned business, six common practices emerged.

INTRODUCTION

Family-owned businesses represent the majority of businesses in America. They heavily contribute to employment as well as to the local economies of thousands of communities across the nation. As consumers and employees, we are compelled by their story and trust in their products and services. However, the minority of family-owned businesses succeed at surviving from generation to generation. With only one third of these businesses surviving the transition to the next generation, family-owned businesses experience the added complexity of managing unique family aspects (Perman, 2006).

In order to understand the family firm, researchers have searched for strategies to improve the firm's likelihood of survival. The growing literature on family-owned businesses, includes case studies, empirical tests, opinion and experience, and offers a series of recurring findings. From succession practices to governance, the family firm must overcome a unique set of challenges in order to survive. However, the effectiveness of these best practices depends on the timing of their implementation. In other words, there are hundreds of typologies of family-owned businesses that each require different practices in order to succeed.

While the organizational lifecycle concept has been applied to businesses for the last several decades, only recently has a model been identified to account for the growth patterns of family firms. The current three-dimensional model, established by Kelin E. Gersick, John A. Davis, Marion M. Hampton and Ivan Lansberg in 1997, categorizes the growth of family-owned businesses by examining changes in three dimensions – ownership, family and business. Each of these dimensions comprises of different growth stages, which adjust as these organizations develop over time. A change in any of the stages within each dimensions, results in new challenges for the organization to address in order to sustain and grow. Further, family-owned businesses may move forward or backward along each dimension. This creates an enormous number of possible transitions that the organization may face during its lifetime.

While much research explains best practices of family firms, these practices have not been connected with the three-dimensional developmental process, referring to both the stages of development and the best practices at these particular stages. By considering the interconnection of each stage, a more complete model will be uncovered. Therefore, this research will expand upon the prior research by considering the best practices for each typology of family-owned business based on the organizational lifecycle. More precisely, this study will determine common practices utilized by three family-owned businesses that experienced the same transitions along the organizational lifecycle.

This research will analyze three family-owned businesses in search of the practices that helped them successfully transition from small, unstructured single-owner controlled firms, to sibling partnerships with more complex systems and rapid growth. The information gathered through interviewing members of these three family-owned businesses will showcase the common practices applied by all three organizations. This research will be important for two reasons. First, it will help family-owned businesses understand critical practices utilized by these businesses to navigate successfully through this specific transition. Second, it will provide a platform for developing best practices for family-owned businesses by fully considering the specific transition faced by the organization.

THE THREE-DIMENSIONAL MODEL

Like living and breathing organisms, businesses have what literature refers to as an organizational lifecycle. The lifecycle concept assumes that businesses develop through a series of definable stages as they grow in terms of size, age, complexity, etc. In each stage, businesses face new challenges requiring a unique set of solutions. The study of organization lifecycles has become increasingly more specific by considering the unique elements of different types of businesses.

An early model, by Larry Greiner (1972), characterized organizational growth through a one size fits all approach. The model focuses on progression and breaks businesses down to moments that require a “revolutionary” change in order to “evolve” to the next stage of development (Greiner, 1972). The speed at which an organization experienced these changes depended on the pace of the industry (Greiner, 1972). In early stages of this model, the business experiences problems of creativity and direction, which spark the development of leadership and autonomy. The business then experiences growth through delegation, which causes a crisis as the top managers fear a loss of control. This leads to an overhaul of coordination to the point where too much "red tape" prevents productive work. In the final stage, collaborative efforts grow the business to the point where personal enrichment becomes the objective (Greiner, 1972).

This model sparked thought and lead to the development of more specific developmental models that accounted for the individual circumstances of the organization. For example, to address the complexity of growth in small businesses, Churchill and Lewis (1983) outlined a more detailed model (Churchill & Lewis, 1983). A critical difference is that this model has a series of cusps at which the business may change directions, succeed or fail, or move backwards to redevelop. The model also takes into account the small start-up business's reliance on the founding and controlling individual in the success of the business. Throughout the developmental process, the small business may move in and out of four stages: exist, survive, succeed and disengage or grow, and take-off. As the business evolves, the relationship between its founder and the business becomes increasingly dettached (Churchill & Lewis, 1983).

Progressing even further, researchers expanded on prior research in order to develop an organizational lifecycle model applicable to family-owned businesses (Gersick, Davis, Hampton, & Lansberg, 1997). For years, literature described the nature of the family-owned business by separating it into the overlapping circles of family and business (Peiser & Wooten, 1983). However, this two-dimensional approach failed to capture the developmental process of the organization as it transitioned from generation to generation. Like the organizational lifecyle models before it, the three-dimensional development model works to classify businesses into various typologies (Gersick, Davis, Hampton, & Lansberg, 1997). The type of family-owned business and the challenges it will face are determined by its position along three axises which, over time, transition from stage to stage.

The three-dimensional growth model characterizes businesses based on the three dimensions of ownership, family and business. Each dimension is further separated into a series of stages. It is important to note that the family-owned business exists in each dimension at all times, but that the makeup of each dimension changes overtime. Because these organizations may move forward or backward, from stage to stage along each dimension, many types of family-owned businesses exist. The model examines the family-owned business based on the dimensions of ownership, family and business as displayed in the following table.

THREE-DIMENSIONAL DEVELOPMENT MODEL

Ownership Dimension	*Family Dimension*	*Business Dimension*
Controlling Owner	Young Family Business	Start-Up
Sibling Partnership	Entering the Business	Expansion/Formalization
Cousin Consortium	Working Together	Mature
	Passing the Baton	

Source: (Gersick, Davis, Hampton, & Lansberg, 1997)

The following section describes the transitional process of each dimension of ownership, family and business. I will explain both the characteristics of each stage as well as the challenges faced within the stage. At the close of the discussion on each dimension, I have outlined guidelines provided by the authors of the model. However, what should be evident from the following discussion is that lack of attention paid to developing best practices based on the interconnection between all three dimensions.

<u>Ownership Dimension</u>

Within the Ownership dimension of the three-dimensional model, three stages may occur based on the number of owners and the complexity of ownership. As the organization moves along these stages, ownership increasingly dilutes among a broader array of family. The organization may move to any of these stages as it transitions in ownership, becoming more complex or simpler over time. However, the Ownership dimension typically develops in the following order:

Controlling Owner	**Sibling Partnership**	**Cousin Consortium**

In its infancy, a single Controlling Owner, who lies at the center of the organization, operates the organization based on a wealth of knowledge and experience. As a result, the business cannot survive without high levels of input from the owner. The business relies on the owner to make most decisions and employees to complete the required tasks. While this centralized power upholds during this stage, when a Sibling Partnership takes over the organization, shared control becomes a critical issue. Each sibling typically finds their own role and stands up as a spokesperson for their division in the business and their family branch. This shared power may spark growth and spread the delegation of power to more employees in the organization. The common thread that tied these siblings together often fails to connect the Cousin Consortium. With a blend of many cousins and relatives owning the business, each with their own culture, a shared vision may fail to develop. An expanded summary of the challenges faced in each stage of the Ownership dimension is displayed in Appendix A. (Gersick, Davis, Hampton, & Lansberg, 1997)

To navigate through these stages of development within the Ownership dimension, the authors of the model suggests three fundamental guidelines. First, the establishment of shareholder meetings creates an environment for discussing specific issues regarding ownership. Second, developing a board of directors and advisers provides a long-term strategy that helps the president by broadening his/her perspective. As the organization develops, these boards become increasingly important, especially in the Sibling Partnership and Expansion/Formalization stages of development. A board should comprise of unbiased individuals who do not benefit from any specific decisions made. Lastly, planning in the business should occur in four forms – the strategic plan, the management development team, the contingency plan and the continuity plan. It is the job of the board to aid the president in developing these plans. (Gersick, Davis, Hampton, & Lansberg, 1997)

<u>Family Dimension</u>

A family has the ability to build a close identity founded on interpersonal trust and loyalty. However, we have all experienced the deeply emotional conflicts that can tie into this relationship. These relationships change and develop over time as the family grows and continues to cycle through generations. As each generation ages into adulthood, the structure of their life is reinvented – they gain power in both the family and business, while redeveloping goals, values and objectives. Critical moments affect the lives of each individual members as well as the family. Children grow, move out and marry, while their parents age, retire and pass away. The Family dimension is broken down into the following stages:

Young Family Business | **Entering the Business** | **Working Together** | **Passing the Baton**

Family-owned businesses may comprise of several types of families, as shown above, all at different stages of development. However, most family owned-businesses begin as a Young Family Business, a family with children under the age of eighteen. At the core of this stage is the married couple, who work together to develop a marriage enterprise that accommodates each other's dreams. Children grow up viewing their parents' interactions with the business and its affect on the family. Depending on the child's view of the business, he or she may join the organization as a young adult, moving the family to the Entering the Business stage. As the parents assess their self-achievement of goals and make adjustments, the children battle between a sense of togetherness and a desire for differentiation, in search of their own identity. The Working Together stage occurs as the young generation begins to come of age in the organization and establish a leadership style. While each generation has its own identity, clear communication can unite the two to develop innovative changes in the business. As the parental unit ages, succession becomes a critical issue for the continuity of the business during the Passing the Baton stage. At this stage, the transferring owner may feel a loss of identity and attempt to make one last heroic leadership stand, which will likely hinder the organization. An expanded summary of the challenges faced in each stage of the Family dimension is displayed in Appendix B. (Gersick, Davis, Hampton, & Lansberg, 1997)

To manage the transitions between stages of the Family Dimension, several practices may be utilized. First, developing a family council will provide the appropriate setting for educating family members, setting boundaries between business and family, and creating shared values. In early stages, these meetings may be informal; however, as the family develops, formal family discussion become critical in developing norms and resolving conflict. According to the 2007 Family Business Survey conducted by Kennesaw State University's Family Firm Institute, over half (55.4%) of family-owned businesses utilize formal family meetings. The goal of the family council is to develop a family plan that represents a shared vision based the history and a longer-term plan. It connects the family to a mission statement and philosophy that guides their actions. Lastly, the family plan present clear objectives and an action plan of how to achieve the goals as a family. (Gersick, Davis, Hampton, & Lansberg, 1997)

Business Dimension

Most small businesses, family and nonfamily, fail to sustain enough cash flows to stay alive for only a significant period. More specifically, only one third of family-owned businesses survive to the second generation, 12 percent make it to the third and a dismal 3 percent survive to the fourth generation (Schooley, 2007). The added dimensions of Family and Ownership, affect relationships and place great stress on the continuity of the family-owned business. Often, changes in these dimensions spark growth or new challenges in the Business dimension. The authors categorized the Business dimension into three stages based on the growth and complexity of the business:

Start-Up	**Expansion/Formalization**	**Maturity**

In its early years, during the Start-Up stage, the entrepreneurial founder or beginning generations act on high aspirations and little organizational structure. In order to survive, the business must develop a niche in the marketplace by utilizing an intense energy that other firms cannot match. As the business finds new markets and develops new products, it enters the Expansion/Formalization stage. The speed at which a start-up advances to the Expansion/Formalization stage depends on numerous factors and may happen slowly or, often, suddenly, stemming from trigger events, such as a new location, department or owner. The rapid changes mean that the owner-manager must often adjust his or her role by allowing other employees to make decisions. Strategic planning, policies and procedures help to consistently aligning employees with the organization's goals. The fast pace of the Expansion/Formalization stage is replaced by declining margins and a secure market share in the Maturity stage. While many procedures have become norms, the organization may continue to develop its internal structure, placing greater emphasis on functional- or product-based departments. However, increased competition requires the business to reinvent itself in order to avoid complacency. An expanded summary of the challenges faced in each stage of the Business dimension is displayed in Appendix C. (Gersick, Davis, Hampton, & Lansberg, 1997)

As the business transitions, the authors of the model suggest the implementation of a management development team with the purpose of developing a management plan. Made up of the owner and top managers, the management development team has the purpose of acquiring talent. While the primary goal is to determine what works best for the business, the team must also consider developing family members. The outcome of the management development team is a descriptive plan of how to hire, when to hire and how to groom employees. This management development plan considers what areas of business will grow, what stage of the business dimension it is facing, the environment and its appraisal and career management process. (Gersick, Davis, Hampton, & Lansberg, 1997)

CRITICISMS

Developed by Gersick et al. in 1997, the three-dimensional development model is a widely accepted organizational development model within the study of family-owned businesses. However, since its finding, additional literature has been conducted to assess the validity of the model. Overall, the main criticism of the model is in its failure to address the interconnectivity of each dimension.

While not directly addressing the model, other literature argues that a model should not view the family and business as separate entities, but rather, as complementary (Winter & Morris, 1998; Aldrich & Cliff, 2003). This comes in terms of the economic relationship between the business and the family in the allocation of resources (Winter & Morris, 1998). More importantly, the interconnection, or "embeddedness," of the family and business elements in society adjust based on changes in one another. For example, in North America all business have been impacted by changing attitudes about the makeup of the family. The nuclear family has become smaller and more disconnected from extended relatives and women have gained power within the family. These family changes affect the nature of business.

Further research on practices of family firms sparked a group of scholars to conduct a quantitative analysis of 934 firms in an emperical test of the three-dimensional development model. The analysis incorporated new variables based on literature published since the development of the three-dimensional model. Based on this research, the authors extended the original model by adding the following considerations to each dimension (Rutherford, Lori, & Oswald, 2006).

First, within the Ownership dimension, Rutherford et al. added the following variables: the aspects of gender, growth orientation and education levels (Rutherford, Lori, & Oswald, 2006). Gender was added to account for the different reasons that women and men start businesses, including the female's s search for family stability versus the male's desire for wealth. Growth orientation accounts for the difference between life-style firms and growth-oriented firms, where lifestyle firms attempt to accomplish personal goals before financial goals. Intuitively, we expect the owners' education levels to have an impact on the success of the business. However, the literature utilized by Rutherford et al. found mixed results as to the importance of education.

Next, to the Family dimension, Rutherford et al. added the level of family business tension, the percent of the family's net worth in the business and the co-prenership type of ownership (Rutherford, Lori, & Oswald, 2006). Tension, as measured by divorce rates and turnover in this study, within the family business is thought to decrease the performance of the family and negatively affect profitability. As family-owned businesses share resources between the family and the business, they are more likely to diversify their funds as they grow in order to reduce risk. The co-preneur form of ownership, marked by control by a married couple, tends to result in more constraints and a reluctance to employ outside help, resulting in a smaller firm (Rutherford, Lori, & Oswald, 2006).

Lastly, to the Business dimension, the test by Rutherford et al. added an analysis of capital structure and strategic planning. The thought was that the development of a capital structure would have the most significant affect on the success of a family firm. Family-owned business often attempt to keep control within the family, but struggle to raise capital and require external financing as it develops. Strategic planning literature suggested that those firms with increased levels of planning were more success and that operational planning was a crucial element.

With the addition of the above variables to the three-dimensional model, researches Rutherford et al. supported the following conclusions (Rutherford, Lori, & Oswald, 2006):

- Family firms headed by growth-oriented owners will be larger and older and will have higher growth rates than those headed by non-growth-oriented owners.
- Family firms with lower levels of debt, as compared to the equity, will be smaller and younger and will have lower growth rates than those with higher levels of debt.
- Family firms with lower levels of strategic planning will be smaller and younger and will have lower growth rates than those with higher levels of strategic planning.
- Family firms with a larger percentage of family net worth invested in the business will be smaller and younger and will have lower growth rates than those with small percentages invested.

The Rutherford et al. concluded their study by offering future researchers two suggestions. First, they suggested that attempting to classify family-owned businesses fails to account for the extreme diversity among the various typologies. Second, when attempting to classify these organizations, a look at the owner must be done at a more personal level than provided in the original model (Rutherford, Lori, & Oswald, 2006). Both these suggestions and the supported hypotheses must are consistent with current research and the nature of this project.

Lastly, Johan Lambrecht criticized the three-dimensional model for failing to fully account for the elements of family business transitions (Lambrecht, 2005). In response, Lambrecht developed a model that addresses the fact that the individual operates within the confineds of his/her family and the family does the same within the business. The makeup of the business, family and individual change over time, but Lambrecht outlined critical points to consider within each when analyzing a transition. The individual's perspective develops from their experiences with the business and with the transferor as well as their personal values. The individual lies within the family circle and is influenced by all elements shaping the family, including its name, values, members, symbols and more. Both the individual and family lie within the business and are impacted by its operation. (Lambrecht, 2005)

COMMON BEST PRACTICES OF FAMILY-OWNED BUSINESS

Separate from the three-dimensional model, literature provides a reoccurring set of best practices or issues faced by family-owned businesses. While many of these best practices fail to account for the specific stages of development or the timing of their implementation, they will be utilized as references when examining the three businesses in this study. The existing literature covers a wide range of areas within the field; however, for the purpose of this research, I have looked at popular literature by categorizing them into three areas. I have excluded the capital management aspects associated with the family-owned business due to the complexity of the material and for the privacy of the organizations examined in this study.

Therefore, the following categories represent three common areas of study considered in this research:

Culture and Governance	**Communication and Trust**	**Strategy and Succession**

Culture and Governance

Family-owned businesses have a distinct culture, which will likely adjust as the business develops. Some have characterized the culture of family-owned business as though it exists on a spectrum from a family controlled paternalistic culture to one that is highly structured and managed by outside professionals. Within these two extremes, a business may have an open entrepreneurial culture or an effective form of participation between family and nonfamily employees (Dyer, Culture and Continuity in Family Firms, 1988). Similarly, In his later work, Dyer analyzed the effect of the family dimension on the performance of family-owned businesses (Dyer, Examining the "Family Effect" on Firm Performance, 2006). In this approach, he described businesses based on their ability to reduce agency costs by aligning ownership and management vision and by balancinging between family assets and liabilities. Through this analysis, Dyer developed a spectrum of four family-owned business types – those businesses who are in total alignment with a shared vision throughout the company, those who strive to implement professional tactics, those who align a vision and lack professional structure, and those whose family members desire self-interests (Dyer, Examining the "Family Effect" on Firm Performance, 2006). Each type of culture has its own strengths and weaknesses, but the general premise is that the culture of family-owned businesses exists along a spectrum ranging from highly professional to a “mom and pop” mentality.

This culture may be perpetuated by the owner-managers attitudes toward family involvement. Three groups may develop from this standpoint – those who want their family to be involved in the business, those who put the business first and those who juggled between the two (Birley, 2001). Based on quantitative data, research determined that the least popular attitude was the “Family In” mentality, providing some entitlement to family members. The most popular was the mixed standpoint followed by the “Family Out” mentality, the belief that children should not be forced into the business, but rather, allowed to find their own path (Birley, 2001).

As the family-owned business grows, it begins to face the decision between maintaining its family orientation or shifting to a professionalized culture. The increased amount of research in this area of professionalization has influenced family-owned businesses to become more professional in recent years (Aronoff, 2009). However, through their family-owned status, these businesses earn a strong reputation in their communities (Aronoff, 2009; Mustakallio, Autio, & Zahra, 2002). Of course, some level and type of professionalization benefits a family-owned business and allows it to compete within the market. Early studies on professional management suggested that it eliminated the inefficiency of having control and ownership together (Chandler, 1977). However, in studies of family firms which implemented professional management teams, many outside managers failed to adjust to the culture of the family business ((Hall & Nordqvist, 2008). Therefore, each family-owned business must determine the type of culture that best supports its family and business objectives.

When deciding to professionalize, human resource tactics have been credited with providing many benefits to the family firm (Lansberg, 1983). A professional human resource team separates the owner from the difficult choice of employing family members over those who are best fit for the organization (Gersick, Davis, Hampton, & Lansberg, 1997; Lansberg, 1983). While the family may supply trustworthy workers in the early stages, it may fail to provide the level of knowledge needed to grow the business (Sundaramurthy, 2008; Lansberg, 1983). Human resources eliminates the problems of selection, compensation, appraisal and training faced by the owner when deciding who to employ (Lansberg, 1983). Often, the family business owner shifts between a family and business mindset and makes the subpar decision. Switching to a systematic procedure separates management from ownership, which ultimately separates family from business (Lansberg, 1983).

Communication and Trust

As the family-owned business develops, communication becomes a critical function in aligning workers and ideas. It is a popular thought that building a “culture of candor” will allow the organization to work most effectively (Bennis & O'Toole, 2009). This type of culture is characterized by truthfulness, admiting mistakes, transparency and free flow of information (Bennis & O'Toole, 2009). Similarly, in family-owned businesses, effective and frequent communication, an envisioned future, conflict resolution, and trustfulness help to develop an effective personal culture (Mustakallio, Autio, & Zahra, 2002). Furthermore, trust has been cited as providing a competitive advantage to the family firm (Steier, 2001). However, overtime, the organization often adds more family members and employees which alters relationships and may diminish trust (Steier, 2001).

In order to cope with the evolving relationships in the organization, trust must also develop (Bennis & O'Toole, 2009; Steier, 2001; Sundaramurthy, 2008; Mustakallio, Autio, & Zahra, 2002). The model outlined by Chamu Sundaramurthy (2008), breaks trust into a systematic development gravitating to trust in systems (Sundaramurthy, 2008). In early stages, the trust between memebers of the oranganization is built on common interests – interpersonal trust. As the business grows, trust must develop because work is delegated to others who are thought to be capable of accomplishing the task – competency trust. An advanced family-owned business discovers the benefits of transparent policies and procedures working to direct resources – system trust. To manage with declining trust that may occur as more generations enter the business, all three dimensions of trust must continue to develop (Sundaramurthy, 2008).

A platform for developing strong communication practices and developing an envisioned future are family meetings. At the cornerstone of the family meeting or family council is the goal of establishing a family vision (Gersick, Davis, Hampton, & Lansberg, 1997). The family council and vision bring the family together to understand long-term plans between the business and the family. In his examination of the twenty oldest currently operating family-owned businesses, Dr. William O'Hara found family unity and a commitment to continuity as two primary practices exhibited by all twenty of these successful businesses (O'Hara, 2004). However, a family-owned business cannot rely on family meetings alone to develop the business. The organization should develop some process for organizing its business strategy, which should be discussed outside of the family meeting (Gersick, Davis, Hampton, & Lansberg, 1997).

<u>Strategy and Succession</u>

Family-owned businesses tend to have a set of goals structured from economic and noneconomic objectives (Mustakallio, Autio, & Zahra, 2002). While many studies have provided diverging results as to the importance of strategic planning in the family firm, research generally accepts that some level of planning benefits the firm (Ward, 1988; Mazzola, Marchisio, & Astrachan, 2008; Peiser & Wooten, 1983). In his study of the twenty oldest and currently operating family-owned businesses, Dr. William O'Hara cited "plans in writing" as one of the eleven best practices ehibited by these organizations (O'Hara, 2004). Another study found the purpose of planning in family-owned businesses is largely twofold; planing helps to prepare for growth through strategic or financial evaluation and, also, to prepare for a change of ownership or job roles (Mazzola, Marchisio, & Astrachan, 2008).

A strategic plan is a written plan of how the family and business plans to compete effectively. It futher outlines its purpose and how they will improve the professional and personal livelihood of those involved (Ward, 1988). Further, strategic planning "promotes the alignment of attitudes toward growth opportunities and risk by forcing agents to define the firm" (Schulze, Lubatkin, Dino, & Buchholtz, 2001, p. 103). Providing some context as to the timing of strategic planning, William Schulze et al. (2001) argue that strategic planning tends take place after the initial period of business and occurs as the business becomes more formalized (Schulze, Lubatkin, Dino, & Buchholtz, 2001).

From this process, the organization, like any business, should work to develop a vision for the organization that addresses its core ideology and an envisioned future (Collins & Porras, 1996). From this, a family-owned business can develop its strategy based on a balanced scorecard approach by taking into account the four perspectives of financials, customer, internal business process and innovation (Craig & Moores, 2005). The family element leads to a longer risk-adverse financial perspective as earlier generations fight to survive and pour profits back into the business (Craig & Moores, 2005). From a customer standpoint, family-owned businesses tend to leverage their value based family management when promoting their company. In developing the internal process, family-owned business often encourage the family to provide input.

While family-owned businesses may tackle the planning process on their own, research tends to suggest that they should utilize a board of advisors or directors (Gersick, Davis, Hampton, & Lansberg, 1997). The board can offer unbiased help in the planning of stragety and succession when set up and utilized properly. This includes avoiding a board that consists of stakeholders, including family, friends, workers and customers (Gersick, Davis, Hampton, & Lansberg, 1997). A board's counseling is positively associated to management's commitment to strategic decisions (Mustakallio, Autio, & Zahra, 2002).

As the business transitions to a new generation, a lifecycle crisis may occur as the senior generation fears giving up control to the worthy succeeding generation. This crisis can be alleviated by the use of strategic plans (Peiser & Wooten, 1983). Similarly, strategic planning can be used as a tool to help a succeeding generation gain involvement in the business. Strategic planning, both its content and the process, allows the upcoming generation to gain both professional and relationship skills (Mazzola, Marchisio, & Astrachan, 2008). Additional research suggests that a formal training program for new generations is critical to continuing the growth of knowledge (Dyer, Cultural Change in Family Firms: Anticipating and Managing Business and Family Transitions, 1986).

In a study of generational transfers, John Lambrecht (2005) developed a model based on the "understanding that the individual belongs to the family, which belongs to the business" (Lambrecht, 2005). From this standpoint, succession is an evolving lifelong process that factors in the influences of the individual, the family and the business. Lambrecht outlined the process in a six-stage pattern as follows: (1) the transfer of professional knowledge, values and passions during the entrepreneurship stage (2) most successors earned an advanced degree prior to entering the firm in the studies stage (3) once the successor enters, they enter a formal internal education during this stage (4) successors then typically earn some level of experience outside of the family business (5) the successor enters either at the bottom and/or has freedoms within the business (6) a succession agreement is formally written (Lambrecht, 2005).

MOTIVATION OF RESEARCH

While a common set of best practices serve as guidelines to improve family-owned businesses, these practices do not yet connect with the organizations' developmental process. As a result, the three-dimensional growth model is not complete and lacks specific best practices based on the exact transition faced by the firm. Similarly, the best practices fail to address the most effective timing of their implementation.

The existing three-dimensional model outlines the various stages that a family-owned business may pass through as it develops along the dimensions of ownership, family and business. It characterizes each stage and describes the challenges that may test a business during that particular stage. The authors of the model then apply it to understand the four most typical types of businesses as defined by the particular stage in each dimension. They use the model to describe what it is like to be in a stage and what challenges the business will need to overcome in each dimension. This approach fails to consider the interconnection between each dimension. The authors close by suggesting general best practices that will help family-owned businesses throughout the developmental process.

The three family-owned businesses in this study have experienced the same transitions in terms of stages of development outlined by the three-dimensional model. Therefore, the model serves as a resource for understanding the fundamental challenges that these businesses have overcome. While I will incorporate suggestions from the authors of the model into this analysis, I will focus on developing practices that consider the interconnectivity of the dimensions and the timing of implementation.

While the model does provide a strong foundation for understanding how family-owned businesses develop, it does not fully analyze the practices that help an organization succeed in each stage. Many best practices have been offered to family-owned businesses. However, few suggestions take into account the exact developmental stage faced by the organization. This project will examine three family-owned businesses, all of whom have been successful in their own respective industries. Again, these three businesses have experienced the same stage transitions within each dimension as defined by the model. Therefore, the common practices of these businesses factors in the timing of implementation based on the similarity of their transitions along the model.

More specifically, the three businesses experienced the following transitions as defined by the model. While each of these businesses experienced these transitions during different points in time, they all experienced these changes during the current generation. Further, each of these stage transitions occurred within a short time span, not at the same time, but in no clear sequence. The following table lists the stage transitions across each dimension of the three-dimensional model.

THREE-DIMENSIONAL MODEL

Transitions by the Family-Owned Businesses in this Research

Ownership Dimension	*Family Dimension*	*Business Dimension*
Controlling Owner to Sibling Partnership	Passing the Baton to Young Family Business	Start-Up to Expansion/Formalization

The purpose of this research is to connect these specific transitions of the studied businesses to a set of common practices that facilitated the shift. Future research that aims to prescribe best practices to family-owned businesses should consider the appropriate timing of their suggestions in terms of how each type of family-owned business can incorporate the practice.

METHODOLOGY

The study of growth practices in many businesses is highly questionable as they often fail to account for the specifics of each individual business. In many cases, businesses develop in the wrong direction, at the wrong time, for the wrong reasons or fail at doing it altogether. At the onset of this project, an analysis of Larry Greiner's (1972) broad business organizational lifecycle model triggered further analysis of growth in business. Looking for additional models, I learned that Greiner's model had been critiqued for its lack of consideration on the specific aspects of a business. Further research brought me to a growth model for small businesses that captured the early stages of development where the business relied on its founder. This information combined with my experiences from working with a successful family-owned business lead me to a new question: how do family-owned businesses grow? This question pushed me to study literature on family-owned businesses and, more specifically, literature on the developmental process of family-owned businesses. At the onset, the purpose of this research was to apply qualitative research in search of the practices that allowed family-owned businesses to become successful.

While the research on family-owned businesses has continued to increase over the last few decades, few models characterize growth into clear stages. Literature pointed to the complex nature of the interaction of family and business throughout the developmental process. The three-dimensional model, developed in 1993 by Gersick, Davis, Hampton and Lansberg, sorted family business growth into the three clear dimensions of ownership, family and business. Throughout the lifetime of the business, each dimension moves from stage to stage based on different factors. Therefore, many types of family-owned business exist, and each faces unique challenges that requiring a different set of guiding practices.

After studying the growth process of family-owned businesses, an analysis of best practices further developed the direction of this research. A study of family business magazines, sourcebooks, scholarly articles and books, provided a series of prescribed growth techniques for family-owned businesses. However, these practices did not resonate with the three-dimensional growth model.

All of this information helped to create an interview protocol for interviewing members of the selected family-owned business (Appendix D). The interview protocol ensured that a similar semi-structured process would be replicated for researching each business. The interview protocol incorporated both the three-dimensional model and other suggested best practices. The interviews were structured to begin by identifying the person or people being interviewed. The next section asked the interviewee to tell the story of their earliest memory of the business and to describe how they entered the business. Next, the interview used probing questions to pull out the interviewee's memory of a particular moment of growth within the organization. This moment was utilized to assess the organizations practices, both those of the business and the family. The interview then focused on the long-term tactics of the business and the future plans of the company. The use of probing questions allowed the interviewee to direct the interview toward their experiences, and provided me with the most realistic assessment of the company's growth.

Family-owned businesses to be interview in this project were selected to account for the purpose of this research (Yin, 2003). In order to develop an understanding of what helps family-owned businesses, undergoing the same dimensional changes, become successful,

successful family-owned businesses needed to be selected for research. Therefore, businesses were selected that had a strong community presence, multi-million dollar revenue streams, at least twenty employees, and who have been in operation for at least two generations. Based on the nature of this research, the selected businesses needed to be accessible. Lastly, in order to focus on a set of practices that was geared toward family-owned businesses and not a specific industry, each business selected represents a unique industry.

Within each business, interviewees were selected based on their position and experience with the company. In each business, a representative of the owning-managing partnership needed to be represented. The interview with the owner-manager occurred first and other interviewees were then recommended in a snowball manner. Input from at least three members of each organization were incorporated into this project. Each interview was structured to take approximately one hour. A digital audio recorder was utilized to capture the interview and the interview was then manually transcribed. This process resulted in seven interviews with a total of nine different people, three from each organization.

The content utilized in analyzing these businesses is restricted to publicly available information and the information gathered from interviews. Additional data and information was not utilized in this project in order to maintain the safety and privacy of sensitive information.

The data was then analyzed through a grounded theory and multi-case study practices (Yin, 2003). Business profiles were developed to provide insight into the history of the organization, its culture, business practices, industry and a timeline of events. Commonalities in the interviews were identified based on 25 themes that emerged across all interviews as evident by the interview transcripts. Then, common themes between each company were grouped together into a set of practices to consider when developing my findings (Appendix E). Each interview was restudied and quotations were pulled from each transcript and matched to the appropriate practice. The most substantial commonalities were further organized into a set of six best practices based on their implications to the organization. Additional qualitative and quantitative research should be conducted to determine the significance of these findings. Further, additional sets of best practices for family-owned businesses who have made a different set of transitions along the three-dimensional model.

EXPECTATIONS BASED ON THE MODEL

The three-dimensional model provides a foundation for analyzing the developmental process of the three businesses studied in this project. The model allows defines and describes the characteristics and challenges of each stage of development. This section applies the model to those organizations in this study by looking at their particular transitions of development as depicted below.

THREE-DIMENSIONAL MODEL

Transitions by the Family-Owned Businesses in this Research

Ownership Dimension	*Family Dimension*	*Business Dimension*
Controlling Owner to Sibling Partnership	Passing the Baton to Young Family Business	Start-Up to Expansion/Formalization

Based on the outline provided by the model, these businesses can be characterized in terms of each dimension. Therefore, the Ownership dimension would have transferred from a single individual or couple with high control in the organization to a group of two or more siblings of the same generation. The challenges would shift from raising funds to managing capital with an emphasis on financial control. Further, the owners would focus on sharing control and tending toward the family branch relationships, rather than toward unitary control. The Sibling Partnership will also be less concerned with the next generation's structure and more concerned with the development of the business. As ownership is placed in the hands of a larger group, the importance of a board or directors and advisors becomes increasingly important. These boards will help to navigate the business's ownership plans in an unbiased approach. Further, hosting shareholder meetings may become standard practice in the new stage, as the previous owner was likely the only shareholder. (Gersick, Davis, Hampton, & Lansberg, 1997)

The Family dimension of these businesses shifts from two generations working hand-in-hand, with the senior generation giving up ownership and control, to one generation with young children and a retired advisory senior generation. More specifically, the business will enter a phase where the owning generation is in their forties with children under eighteen. The challenges would change from those associated with succession and the senior generation's disengagement to those of setting up for the future. The young owners must now determine the lifestyle they want to live, including how they will interact with their families and with the business. As more family branches emerge in the business, a family council will provide a sound environment for family discussion and a place to develop a family plan. (Gersick, Davis, Hampton, & Lansberg, 1997)

The Business dimension switches from an informal, entrepreneurial environment, to an organization with a developed structure. In this change, the business offers more products and services to meet the growing demand by its market. Similarly, as it develops, the business passes the test of rationality and moves past survival mode. In order to compete at a higher level, the business becomes increasingly professional and develops a strategic plan, systems and policies, and cash management practices. These changes come as needed and allow the business to progress as the owner-manager is removed from the center of the business. This change, allows the owner-managers to focus on the development of its management team. The focus moves to creating a plan that outlines how the organization will find, retain and develop the new management layer. (Gersick, Davis, Hampton, & Lansberg, 1997)

To summarize, the transitions of the family-owned businesses in this project are marked by the spreading of ownership among a larger group of owners who must share control. During this process, the focus moves away from the talents of the family and toward the talent of the team of employees within the organization. If the business successfully confronts the challenges within each dimension – ownership, family, and business – it can progresses to new heights and increases its professionalization, while maintaining communication of goals within the family.

To gain a sense of the transitions in stages across the three-dimensional model, the following section outlines a brief summary of the history of these businesses. While each business has a unique profile, they exemplify transition points that are consistent with the stages of the three-dimensional model.

BUSINESS PROFILES

With an expectation of characteristics and challenges, understanding three-dimensional model sparks a new perspective when viewing the business profiles of these organizations. The family-owned businesses analyzed in this study have all successfully navigated common transitions across all three dimensions of the model. Each of these organizations experienced these transitions in different industries and over a different period. However, within each profile, overlapping themes connect the business together in terms of their transitions and practices. This section briefly elaborates upon the history of each business from its foundation to major transition points and examples of growth. From the history, the cultures and transition points of each organization become apparent. I arranged the businesses in the order the year founded beginning with the most recent. Coincidently, this corresponds to the number of employees, complexity of operation, sales revenue and the chronology of these transitions. The business profiles are arranged in the following order:

Chex Finer Foods	**Gem Plumbing & Heating**	**Cardi's Furniture**
1965	1949	1928
Third Generation	Second Generation	Third Generation
Founder: Jay Isenberg	Founder: Larry Gemma	Founder: Rose Cardi
30 Employees (est.)	300 Employees (est.)	500 Employees (est.)
Specialty food distributor	Plumbing, etc. services	Furniture & accessories stores
Interviewees:	Interviewees:	Interviewees:
Jeremy Isenberg (President, Sibling)	Larry Gemma (VP of Operations, Sibling)	Nick Cardi (Director of Sales, Sibling)
Michael Isenberg (Marketing Director, Sibling)	Jenn D'Ambra (Admin. Director, Larry's Step-Daughter)	Ron Cardi (Director of Admin., Sibling)
David Isenberg (Senior Generation, Father)	Joe Andrade (Director of Operations, Larry's Apprentice)	Pete Cardi (Director of Dist., Sibling)

Chex Finer Foods

Year Founded: 1965

Founder: Jay Isenberg

Generation: Third

Approximate Number of Employees: 30

Industry: Specialty food distribution.

Interviewed: David Isenberg (Senior generation), Michael Isenberg (Marketing Director), and Jeremy Isenberg (CEO & President).

At the age of fifty-five, Jay Isenberg, after years of sales experience in the specialty food business, made the decision to purchase a small food distributor called Chex Finer Foods. Shortly after purchasing the company, Jay's son, David Isenberg, moved home from a California job hunt after graduating from Boston University. With Jay, his wife Dorothy, his son David and one other employee, the team began working together out of a small garage, each taking on a distinct role. After two years of out-of-garage operating, the business moved to a new facility, which it again grew out of, pushing the business to its current facility in 1970.

Chex Finer Foods faced a major setback early on when one of their largest clients consolidated their suppliers and cut Jay Isenberg's small company out of the mix. Faced with a major challenge, Jay put his sales skills to the test, leaving David to sort out the back end of the business. With few competitors at that time, Chex Finer Foods found a strong number of clients, allowing it to build its way into the market. The company crafted a niche in the market and focused on developing an assortment of high quality specialty food products. While it did not grow at the rate of many of its nonfamily owned competitors, it developed a strong reputation within the market.

Along with their focus on quality products, Jay and David upheld high customer service standards. The company began catering to the needs of its customers by offering its own brand of private label products – Laurel Hill. Their salespeople were highly educated on the products that they sold to clients. They gathered suppliers and clients at annual food shows and put together holiday campaigns to improve their clients selling strategies. Having learned from the business from the ground up, David gradually gained control of the business as the company's competition grew and his father aged. At the age of 86, Jay Isenberg passed away after working at the business until the day he died. David gained ownership of the business and some shares were granted several to each of David's children.

David and Dorothy brought their children up by encouraging them to pursue their dreams and earn an excellent education. The success of the business allowed each sibling, Michael and Jeremy, to pursue their own goals and to attend reputable colleges. Michael, the eldest, pursued his interest in environmental studies from high school to college and then attended a graduate school for business. Jeremy, the youngest, spent summers in the warehouse of Chex and worked side by side with his father, before graduating college and moving to New York for employment. Two competent siblings now represented the upcoming generation, but both had their own career paths developing.

With many years invested in the business, David reached a point where the rigors of the small business became overwhelming. He weighed out his options with his board of advisers and met with prospective buyers, not wanting to pull his children away from their careers and ambitions. Realizing that his father planned to sell the business, Jeremy Isenberg approached his father about moving home to take over the business and declining his acceptance to graduate school. David quickly withdrew his intention to sell and Jeremy joined the business, eager to take it to new heights.

Only one to two years after joining the business, Jeremy replaced his father as president of Chex Finer Foods, at the age of twenty-seven. After over a year of mentoring and teaching Jeremy, David realized that his son had the talent to take over the business. David quickly relinquished control, allowing the business to flourish under Jeremy's control and new strategies. Shortly after Jeremy joined the business, his older brother, Michael, jumped on the team. The two siblings brought a new energy to the company, modernizing the computer system, budgeting, positions, and even the company's sacred logo. Much of the work originally done by David was delegated to new employees with new roles. This delegation has allowed the upper management team to deal with strategic issues.

In early stages of the transition, tensions among David, Jeremy and Michael grew. The company employed an outside professional to help them develop each other's unique roles. Now with clear roles and responsibilities, the two brothers have worked together to move the business forward, maintaining open communication throughout the process. While the business has progressed in terms of sales and strategy, David and his two sons are currently working out ownership and family issues. With recent developments in the company's own Laurel Hill brand and plans for fifteen percent growth moving forward, Chex Finer Foods has many of its best days still ahead.

Gem Plumbing & Heating Company
Year Founded: 1949

Founder: Larry Gemma

Generation: Second

Approximate Number of Employees: 300

Industry: Plumbing, heating, cooling, electric, and mechanical services.

Interviewed: Larry Gemma (VP of Operations), Joe Andrade (Director of Operations), and Jenn D'Ambra (Administrative Director of the Service Department)

With experience as an apprentice, Larry Gemma started a small plumbing and heating company in 1949 with the goal of supporting his family. From the start, Larry relied on hard work and dedication to keep Gem Plumbing & Heating Company in operation. With help from his wife, Gloria Gemma, the business continued to serve its customers and help the Gemma's earn a living. When his children were old enough to help, they joined their father on service calls. While the children were not paid, they gained valuable information about the discipline required to operate a business. With nine children, Larry's goal was to feed his family, and to utilize his son's labor whenever possible. The small business rarely called for help from nonfamily employees.

Through the family's sacrifices and focus on the business, the children were able to attend college and pursue higher opportunities. Larry encouraged his children to pursue excellence and to avoid the plumbing industry's difficult manual labor. Despite their father's recommendations, the children were infused with the desire to enter the business. One of Larry's sons, Larry Gemma, currently the Vice President of Operations, recalls a feeling that the business was "in his blood".

When it came time to enter the work force, the first three children committed to the family business. Though they had no experience outside of the business, they were eager to take their father's small company to new heights. As they became involved, their father, tired after years of laboring, quickly allowed his sons to take control of the business. While he did not officially retire until around 1997, Larry's role became largely focused on job quality and customer service and, in later years, as an advisory position.

With the children in control and hungry to grow the business, profits were continually reinvested in wealth building operations. Eager and not tied down, the siblings broadened the business's portfolio. The business also began to grow in terms of employees, reaching roughly forty people in the mid 90s. A tight knit culture began to develop as employees felt a strong interpersonal connection to the owners. As the business developed, it entered more profitable markets and developed new dispatching practices, utilizing high quality walkie-talkies and their mother as a dispatching system. The company began to develop its unique one-hour service model that set it apart from the competition.

The decisions that made this growth possible were made through close interactions between the owning brothers and their employees and customers. They made decisions that other companies in the industry simple did not make or made too late. More importantly, they made these decisions because they already had enough volume and needed to figure out how to handle it better. The business was so busy, that all of the family members needed to focus on completing their own projects. When small family business arguments arose, they did not escalate past the business because a shared vision kept the group working together.

As the business entered the new millennium, the brothers began to implement new practices and restructure the organization. While each brother had their own distinct position, function and department within the company, they worked together to pursue a vision. The company benchmarked from great companies in other industries, the brothers read business book upon business book, and they started to look at their own company in new ways. With the business changing, the management layer needed to become increasingly involved in developing new systems and procedures. Outside consultants and advisors were brought in when needed. While the owners kept their office doors open and managed by walking around, they allowed managers to develop their own thoughts and encouraged them to pursue their passions. This effort created a highly motivated family and nonfamily management layer with a deep connection to the family.

Working in the office, the brothers, with the exception of Eddie, were no longer directly involved on the front lines. Some of the employees, who worked for them for years, felt that they had earned privileges because they knew the brothers. This mentality did not fit in with the continuous improvement management practices being implemented by the siblings. The culture of some employees remained that of a "mom and pop shop". As the business developed new systems and procedures, many of the employees could not keep up or complained. These employees did not make it through the changes. Through intense training and the development of team based incentive system, the technicians inspired each other to become better. Good employees did not want to work with bad ones, who were weeded out of the organization. The development of professional human resource practices helped to ensure that new employees could fit into this fast past, productive culture. Many of these changes occurred and developed as the business expanded into a larger headquarters, equipped with a training room, warehouse, dispatch center, mechanic shop and more.

While the business began to develop corporate style practices, its family influence was still highly present and continues to earns much respect from both customers and employees. The mix of family style and corporate style business provides employees with a strong sense of culture and a feeling of open opportunity. These major changes, which ultimately helped the business, were difficult choices for the brothers. Though no structured meeting was required to make the professionalization decision, each brother dealt with the change in their own way. Each brother contributed his own perspective, helping to ensure that the business did not move forward to quickly or fall behind. Their mixed skills and varied opinions, fueled by passion and preparation, allowed the brothers to make smart, effective decisions.

With several members of the third generation now involved in the organization, the business continues to develop. In the middle of many of these decisions is Larry Gemma's step-daughter, Jenn D'Ambra, the Administrative Director of the Service Department. With an incredible knowledge of the business, Jenn understands the complexity of the business and the importance of pursuing evidence based decisions. However, without experience on the front lines, Jenn relies on key managers in other departments to do their jobs. The systems are in place, but still, the brothers are still needed to make gut decisions and to keep the troops motivated. They stay on the pulse of the business.

Cardi's Furniture
Year Founded: 1928

Founder: Rose Cardi

Generation: Third

Approximate Number of Employees: 500

Industry: Furniture and accessories stores.

Interviewed: Nick Cardi (Director of Sales), Ron Cardi (Director of Administration), and Pete Cardi (Director of Distribution and Promotion)

After immigrating from Itri, Italy in 1901, Rosa and Dominic Cardi, with a small English vocabulary, the two began working hard to build a family and careers. In 1928, with a big family living above, Rosa started a small general store in the storefront below their home, while Dominic labored in the sand and gravel business. At a young age, their son, Nicholas began working at the store and, when old enough, went to work with their father driving a truck for the gravel business. Quickly, Nicholas realized that he did not want to be in that business.

Tragedy struck, when Nicholas was young, as Dominic died in a tragic accident while working on the gravel banks. This tragedy made the decision to leave the sand and gravel business even clearer for members of the family. Nicholas began putting in more hours at his mother's store and dropped out of high school at the age of sixteen to help the business survive. He worked to build it from a general store into a hardware store. Still, hard work left the family with very little money – it served to provide the essentials. In 1942, the business expanded into the furniture industry and, three years later, Nicholas's brother, Peter, joined the operation.

The business continued to grow in terms of sales, adding on part-time employees and truck drivers when needed. While each of the partners, Nicholas and Peter, had children, Nicholas's children became increasingly involved in the business's operations. The children varying in age, each remember growing up with the business from a young age. From sweeping the floors to driving the delivery trucks, the children began to understand the inner workings of the company. They started out by doing whatever needed to be done. When they went home, the topic of conversation was the business. There was no need for formal meetings or complex strategy building, the company was small and the family worked hand-in-hand each day. Each member understood the ins and outs of the business.

As their father became the sole owner of the business, when Peter gave up his ownership and control, he began placing more power in the hands of his children. After each sibling moved through high school and college, their father informed them that he would be proud to have them join the business, but that the business could not support all of them. By the time the siblings graduated from college, each child was so immersed in the business that the decision was clear – they would work hard to grow it. They already knew the business; they had grown up with it. From that point, the family members needed to be at the company all the time, working together to grow it out of survival mode. As put by the youngest brother Pete, "our thought was to make this thing work because we were trying to make a living."

In 1975, their father retired from the business and took on the role as co-chairman of the board. He acted as an advisor, providing his sons with some direction, but enough empowerment to make their own decisions. The transition was gradual and the brother's father nurtured each sibling into finding his own place within the business. Their father pushed them to find what they liked to do in the business, while ensuring that they stayed out of each other's way and allowed each to get their job done. Nick developed into the director of sales. Ron found his place in managing the office. Peter developed into the promotion and distribution director.

By the 1980s, the company had roughly twenty-five employees and a few store locations, some offering different, unique product lines. In 1989, real growth occurred as the business developed its first superstore at its corporate headquarters. All of the company's administrative and warehousing components were now under one roof. The move to a new location was supported by high demand, which continued to grow and allow the brothers to open even more stores.

Facilitating the speed of these changes was technology and a flat hierarchy. With high interpersonal trust in one another, the siblings relied on open communication, rather than long strategic meetings to push the business forward. The flat hierarchy of the organization allows employees to reach the brothers when needed. However, the organization has its policies and procedures that allow middle managers the empowerment to direct their staff. Though the systems are in place to keep the business running, the brothers are still in control of each department and provide a family feel to the business.

The control that they provide is not so tight to discourage workers from the pursuit of excellence and a sense of opportunity. Nonfamily employees are encouraged to pursue their passions and to grow themselves. Part of the reason why employees feel that there is no glass ceiling stems from keeping family members out of the business. This sets a precedent that any employee in the organization must earn their way into a position. It also prevents business discussions from negatively affecting the family setting by keeping business issues in the business context. While all of the brothers have wives and children, some of whom are too young to enter the business, none of their family members work in the business.

Moving forward, the company plans to continue its rapid growth, opening new stores, expanding their marketing, services and products. Each brother maintains responsibility for their departments and is expected to work in the way that their parents taught them. “We are workers. We don’t golf. We don’t go away. We don’t take a lot of vacation time. We were brought up that way,” says Pete. While the business clearly utilizes established systems that allow it to operate without the direct supervision of its owners, the passion of the siblings pushes the business to achieve new heights. The expectation for the future is no different. When the brothers retire, the business may go in many directions, but they are confident that it will successfully handle the changes and envision their control continuing for many more years.

FINDINGS

The business profiles of these organizations point out their culture, transitions and other critical elements. While each of these family-owned businesses offers its own intriguing story, their similarities provide critical lessons. Having experienced the same transitions along the three-dimensional model, these organizations represent the same typology of family-owned businesses. Therefore, their common practices represent best practices based on a specific point in time along the three-dimensional model. The findings of this research identify six common themes that supported these three successful businesses as they transitioned from single controlled, start-up organizations to sibling partnerships with a growth objective.

The six findings identify why the organizations were pressured to grow, how they transferred to the next generation and the changes in roles, culture and governance that supported this growth. Many of the findings in this research are consistent with theme in the literature on family-owned businesses and the challenges expected from an analysis of the three-dimensional model. However, the findings are proactive in that they do not simple address the challenge, but how the organization successful dealt with the challenge. The result is a set of six common best practices, listed below, recommended for use by other family-owned business experiencing the same developmental transitions as those in this study.

Nurturing Survival in the Sibling Partnership	**Driving Succession with Cautiousness then Confidence**	**Developing Distinct Roles Based on Passion**
Balancing Professionalization with a Family Feel	**Focusing on Skilled People**	**Making Transitions with Symbolic Change**

The following section will identify the meaning of each best practice as exemplified by each of the three businesses. Each finding will outline the specific details of each, how they applied to the businesses studies and the benefits achieved through their application. The practices are presented in what may be a chronological order, based on the interconnection between and influence on one another. More specifically, the timing of each best practice is critical to its

<u>Nurturing Survival in the Sibling Partnership</u>
The driving force that pushed these family-owned businesses to new heights was the expansion of ownership to a sibling partnership with a sense of survival. While the business survived and supported one nuclear family, the addition of siblings meant that the business

would have to support more families. This pressure encourages the siblings to progress the business in order to sustain a certain lifestyle for their family branch.

Siblings from each of the businesses in this study recall the point where they realized that growth was necessary to support the new families entering the business. For Chex Finer Foods, Michael Isenberg remembers thinking that the business "has to be taken to the next level to support three families and not just the one." Essentially, with two additional families employed at a high level in the organization, income would need to double and triple. Similarly, at Gem Plumbing & Heating, Larry Gemma recalled that "when we got out of college, there was not enough business for four full-time employees." Throughout their childhood, the children worked unpaid to help their father support the family. Once each sibling graduated college and entered the business, the only way for each to survive was to build the business. At first, business was not consistent and the brothers did not draw paychecks for nearly five years. At Cardi's Furniture, the entry of the siblings acted as a catalyst for growth as well. Their father warned them to "make a decision. If you go in the business, it cannot afford you and the only way to make it grow is to work hard." In essence, the siblings faced a challenge that required them to grow the business in order to support their family. When the decided to enter, they were quick to realize that "now the family was going to grow. If there were three partners, there would be three families. The only way this could happen is if we grew."

> *Point*: The pressure to grow stems from a survival attitude exhibited by the sibling partnership.

<u>Driving Succession with Cautiousness then Confidence</u>

After years of building the family-owned business, the senior generation must be cautious, but confident when transferring ownership. The process of succession provides a major opportunity for the business to continue and expand, but more often, to fail. By being cautious, the senior generation ensures that the younger generation has what it takes to enter and succeed in the business. On the other hand, the senior generation must act confidently, handing over control to the younger generation at a young enough age. Being both cautious and confident ensures that only those passionate and capable siblings join the business.

By cautious, I mean that the senior generation in the studied firms needed to slowly determine whether the next generation could take on a position in the organization. The owners were cautious both for the success of their business, but more so toward the career and identity of their children. In all cases, the younger generation was pushed to achieve a higher standard and not forced into, but drawn into the business. Be electing or volunteering to enter the business, rather than being asked or forced into the business. The transition was not a matter of continuity, but more about the opportunity that the business provided. The experience that could be earned at another company could not match what could be earned in the family business. The take away point here is that the young generation had earned some experience, both from early interaction with the business, school, and other experiences, and proactively took control of the business. The cautious senior generation did not simply give their children control, forcing them into the business, nor do they completely withhold the business from them.

The senior generation is challenged with the task of engaging their children, while allowing them to develop their own identity. In the family business studied, the members of the sibling generation had experience in the firm at a young age and provide competent elsewhere. At Chex Finer Foods, Jeremy Isenberg worked three summers at the business, from the ground up, starting in the warehouse and progressing to work side-by-side with his father. He then launched into a successful career after graduation at a large company in New York, but returned to Chex and “put in tons and tons of hard work." His brother also gained leadership experience in high school and challenged himself by enrolling in a difficult graduate school program. The siblings at Gem Plumbing & Heating, worked to help their father support the family at a young age, as displayed by Larry Gemma’s childhood photographs – “I have pictures of myself putting in pipe when I was maybe eight years old.” While the siblings had worked in the business since they could remember, their father never forced them into the business and warned that the industry required tough work. At Cardi’s Furniture, “when most kids were out playing baseball,” the Cardi Brothers, “were moving furniture by 12, 13, 14 years old.” Again, they were not forced into the business, “the basics of it are that our dad never dragged us to the business and forced us to do it, but over time, situations happened when we would be at the store." The children slowly gained experience working for the company, went off to college, graduated, and went right back to working at the family business.

> *Point*: Entice the next generation to proactively seek experience and control of the business.

The cautiousness of the senior generation should be replaced by confidence when their children enter the business. All of these businesses handed over control to next generation when the siblings were very young, allowing them to test themselves and hone their skills. Having already qualified the capabilities of the upcoming generation, it is important to feed their eagerness and allow them to develop. While this may result in a large loss of identity for the senior generation, it is a critical factor in building the confidence of the upcoming generation. However, the senior generation should adopt a role as adviser, providing their children with some hints, but allowing them to make their own mistakes. Through making mistakes, the next generation will develop their own approach under the guidance of the senior generation. The critical point of being confident is that the senior generation should hand over control to the next generation when they are young, but guide them through the learning process and allow them to make their own mistakes.

A critical factor exhibited by the senior generation of these businesses was their ability to give up power to the next generation shortly after their entry into the business. At Chex Finer Foods, David Isenberg did not want to be one of the companies "where the older generation stays around forever and, when they are ready to croak, that is when the younger generation is allowed to flourish." Realizing the mistake in this thinking, he gave up control less than two years after Jeremy entered the business full time. While "there were things that [David] didn't agree with" he was able to give his son the freedom to make mistakes. To Jeremy, this was invaluable –"You have to see it firsthand. I think that was one of the key success factors… I came to my own conclusions as oppose to somebody trying to draw them for me." At Gem Plumbing & Heating, "the transition was very smooth going from my father's portion of the business to" the siblings. With much experience in the business prior to graduating college, the siblings were quick to push the business forward and their father began "allowing his sons to take the reins on building the business." As their father provided them more freedom, he took a back role and allowed his children to implement innovative strategies. The Cardi

Brothers also recalled taking on significant positions after graduating from college. Again, their father guided each of them to take control of a department as he took on an advisory role. As put by Nick Cardi, their father "always gave us enough rope to hang ourselves at an early age and that is how we learned."

> *Point*: Confidently hand control over while the next generation is young and eager to produce.
>
> *Point*: Allow them to learn from their own mistakes.

Developing Distinct Roles Based on Passions

Once the siblings decide to enter the business and begin to come of age, each must develop a unique role based on their passions. The development of roles is a gradual process as each sibling begins to understand where they can help the business. By clearly defining the role of each sibling conflict will be mitigated to only their overlapping areas. The right amount of overlap in job roles will foster an opportunity for innovation. These distinct roles often lead to the creation of new divisions and functions as the tasks of the previous owner are spread among the siblings. Spreading out these tasks from the single controlling owner to a partnership of siblings increases the amount of time and effort spend on each task.

At a young age, each sibling will begin to establish their own identity, differentiating themselves from the rest of their siblings and family. The development of each sibling's personality strengthens the resource base of the business by broadening its perspectives. This personality make up acts as a safety net preventing the business from progressing too far forward or falling too far behind. The establishment of each sibling's individual identity serves a second core purpose – the development of their passions. Spurred by their experiences, each sibling forges a dream of what they hope to achieve. Their passions, among other things, push them to build their own role within the organization. The development of each sibling's role happens over time, typically under the guidance of their senior generation, and may be redirected based on self-assessment. Empowerment in a specific role enhances the quality of the businesses strategy and reduces the amount of conflict. Strategy is enhanced by placing more attention on tasks that were formerly completed by the single owner-manager. Further, a sibling who prefers and is passionate about that particular job function presumably is given control over the corresponding position. By spreading control, conflict is reserved to certain occasions by creating roles that only overlap in necessary areas that require all members input.

Utilizing their distinct personalities, the siblings of these firms were able to form separate roles within the organization. While Michael and Jeremy, of Chex Finer Foods, have worked hard to expand the company, it is clear that each did so using different tactics. As David Isenberg recalls, "part of Jeremy's mantra is to work very hard. Even [when he worked in New York] he would be calling me at 9 PM." In essence, Jeremy grew to live in breathe the business of Chex. His brother found that "in the beginning, I tried to emulate my brother and my Dad, but they are really not who I am." Though it took time and hard work, Michael developed his own style that is "different from [his] brother's." Michael stepped into his role of Marketing Director, realizing that he did not want to be the controller, and Jeremy found his role as President, fuelled by a passion for the business. Proudly, all members agree that the siblings work well together and "complement each other now more than in the past." The story is similar at Gem Plumbing & Heating, where Larry Gemma recalled that while the brothers "always were more entrepreneurial," they could not have achieved this level success alone. Larry found his love of systematic governance and found his role in operations, Lenny's personality suited the mechanical division, Anthony excelled in the marketing department and Eddy maintained his presence on the front lines. Larry maintains a belief that, "when you have one person it becomes one dimensional. In any organization, you need multiple viewpoints to make a well rounded company." The multiple viewpoints of the brothers have been critical to providing "that balance, you don't have somebody thinking about the future and not how to maintain." The brothers at Cardi's Furniture recalled growing up with the company and being "nurtured to go into a direct" by their father. And while they each have their own job function and personality, Pete Cardi explains, "we are workers. Being three of the same mindsets is important because our goal is always working for the same point."

> *Point*: Individual personalities among siblings enhance the quality of decisions made by perspective of input.
>
> *Point*: Distinct job roles, based on passion, provide more attention to each function and reserves conflict only for critical decisions.

Balancing Professionalization with a Family Feel

The family-owned business exists along a spectrum ranging from the typical mom and pop shop to the professional corporation. The businesses in this study found some happy medium by incorporating more structure and strategy into the organization, while holding on to some of the advantages associated with being a family firm. The professionalism of these firms took form in many ways including the following practices: addition of middle management, descriptive job roles, professional hiring practices, strategic planning, organization structure, budgeting, capital management, performance reviews, training, and culture.

The platform of incorporating professionalism into the firm is trust. The siblings shift from a trust in each other, to a trust in their management level and to a trust in the competency of the systems that they put in place. The systems allow the siblings to work toward their goals with faith that the strategic delegations will be sufficiently executed. Because systems may buffer the owners from front line employees, they should be complemented by open, honest communication with an open door policy. In other words, while systems provide guidelines for members of the organization, the ability to communicate with the owning family members inspires the team to follow the system. Therefore, trust through systems is a two-way street requiring the owners' trust in his employees to follow the systems in place and the employees trust that the owners will not fall out of reach.

For Chex Finer Foods, the task was "formalizing the business and putting more structure into it." Though the business had successful operated for many years under David's control, "these are pieces of the puzzle that were loosely defined." Since taking control, Jeremy and Michael have modernized the business and increase the number of standard practices. They rely on the team around them to complete the expected tasks and trust the systems they have put in place. Doing so has allowed the siblings to take on a new role in the company, focused on strategy and not doing front-line work. Similar, Larry Gemma found, "you start to rely on the people to know what they are doing. That's where systems really start coming in." Larry further described the shift in his employees as more systems were put in place: "In early stage, people are passionate because they work for the people they like. As the business gets large, it's not about the people they work for, it's about the job itself." The systems put in place by Gem Plumbing & Heating altered the culture of its employees, pushing them to impress through productivity, and the mindset of the leaders, allowing them to better utilize their time. Similarly, at Cardi's Furniture the brothers found that "the better you can delineate the professionalism and respect of the people in the organization, the more comfortable they are that they won't have to bow to your wife, or your son or daughter." Like Gem Plumbing, the employees at Cardi's focus on productively completing the tasks assigned to them.

> *Point*: As the organization develops systems, owners and their employees must trust the systems put in place, but maintain a family presence and influence.

As the business progresses and the sibling owners take an office role, a middle level management team develops. With professional experience, this team begins transforming the business's decision-making style by encouraging evidence based decision-making. This change presents a blend of the siblings' gut feel decisions from experience and the management team's decisions based on evidence. The two come together to promote a healthy level of professionalism in the decision-making process, ensure that both the family philosophy and the numbers are incorporated.

At Chex Finer Foods, it has been about "breathing more modern ways," from building a budget to implementing an expensive computer system, that connects field works to headquarters and product information. Michael and Jeremy Isenberg have placed a greater emphasis on information as represented by their substantial investments in the infrastructure and personnel. They have developed measureable goals and are open with their team: "though we're a family business, we're pretty open with our sales goals. Our error goal in the warehouse is 1 in a thousand, we're at 2 in a thousand. We're sharing what the key measures are and keeping people aware." Michael does not want Chex to fall into the trap of many family business, "I think things in family businesses become more emotionally, you are thinking about the emotions tied to ownership rather than just the facts and figures." For Gem Plumbing & Heating, Jenn D'Ambra told the story of how the big decision to redevelop the company's call center and culture took place. The owners simple picked up the phone and called the company to find the flaws in the current system. The company values information and the success to their meetings "is about coming in prepared and knowing what you're doing." This information has become a vital part of the decision making process. For example, when explaining an upcoming decision, Joe Andrade says, "it's trying to put it into hard numbers. To say, this guy drives 50 miles a day to and from work and it equates to this cost." Similarly, Jenn D'Ambra feels that "we should always make decisions based on the fact. I usually try to present something and to back it up." Driving Cardi's numerous store openings was demand, not just a hope or dream. Since opening their first superstore, the company has develop numerous types of stores each catering to a specific target market, from commercial accounts to mattress stores to stores for designers. They closely follow the market, planning their next move based on what is going on around them. Between each other and their employees, the brothers maintain an open connection; "we have an open door policy. They can e-mail us, call us, they talk to us when we walk through the stores."

Critical to their success, these businesses found a balance between professionalism and the family mentality. Chex Finer Foods changed its methods of operation to resemble a professional business, "My Dad is a street manager. He did well, but imagine the difference between a street business and a professional business." However, the importance of the family dimension keeps the business at a healthy balance and, in Michael's view, "I think it makes an impression. I think that when a new prospective employee or vendor comes in, it says 'This is a company with some heritage and they're going somewhere.'" Gem Plumbing & Heating also incorporated a more professional culture that provides "the best of both worlds. You still have that family-owned mentality that you could go up to anybody and talk to them and say this is what is on my mind." The professionalization in the company is clear, but is something that must remained in check as explained by Jenn D'Ambra, "the bigger we got, the more managers we put in place and the further the brothers got from the staff." As the brothers have become more involved with front-line employees again, the company's culture has improved. At Cardi's Furniture, the history of the family is rich and still very alive, despite the fact that the company has roughly five hundred employees – "we are still mom and pop… we have our fingers on the pulse of the business." The development of professionalization of the firm has been an ongoing incorporation of what employees want, what is best for the company and the family's knowledge. To quote Nick Cardi, "systems were designed over the years. We didn't come in with a set of systems or policies. When we first started, there were no policies. We didn't need policies. Policies came as people came. They wanted a policy and procedure."

> *Point*: Incorporating evidence and intuition into the decision-making process creates a balance between the professional and the family mentality.

Focusing on Skilled People

One of the most critical changes cited by the businesses in this study deals with the people in their organizations. The professionalization of the family firm both drives the acquisition of skilled and talented workers and results from it. More specifically, the professionalization of hiring practices through the implementation of a human resource department is critical to acquiring talent. Similarly, the acquisition of talent pushes the business to operate in a more professional manner. Having taken over the business at a young age, the siblings are too young to consider succession. Rather, they drive full speed ahead, focusing on the business and what is in its best interest. Finding, training and retaining the right people becomes a key success factor as the business attempts to grow. The right people become invaluable in helping the company take-off and in planning for the future.

Out of the professionalization of the firm comes the practice of standard hiring practices, typically through a human resource department. The human resource department provides the procedures for acquiring, developing and retaining employees. By taking this responsibility away from the owners, a conflict of interest is avoided; this allows the firm to hire those employees who best suit the business in the places where they best fit. The focus shifts from what is best for the family to what is best for the organization, separating ownership from management. No longer does the organization hire people who are loyal to the family business, but, rather, it hires for talent.

The Isenberg Family finds quality employees to be a driver of success. Jeremy recalled hiring an employee who could perform a frontline task at a high quality level, allowing Jeremy to focus on his role as president; "bringing in higher caliber talent. Even in the retail side, we hired someone that was a field operation manage and he has been invaluable. I didn't know about it at the time." Both Jeremy and his brother, Michael, have realized that they cannot complete all of the tasks on their own. In fact, by delegating work to skilled employees, each employee has become increasingly competent in their area. In other words, through high quality employees, the company "works smarter," in the words of Jeremy. Marching ahead with growth goals of fifteen percent annually, Michael understands that the company's "biggest challenge is trying to build out enough capable people to help manage growth in the company."

At Gem Plumbing & Heating, Larry Gemma reminisced on old hiring practices; "we were looking for bodies. I mean a lot of the early employees were just looking for a job." This mentality marks a big change from the company's current. Adding professional practices has also been useful in dealing with family members in the company – "it's HR. Where to put them and how to prevent an entitlement attitude." The change on culture has been noticeable by other employees who have been with the company for years, as Joe Andrade explains, "we never really had a human resource department. It's a big change." The big change created enormous benefits for the company and Larry believes that "the people that are most motivated are the ones that you spend the most time educating, training and giving them autonomy to do what needs to be done. That really comes down to good hiring practices." Employees at Gem make a clear distinction between the old culture and the new culture. While the changes led to some resistance from employees, especially the frontlines, they eventually energized employees to mobilize together as a team.

At Cardi's Furniture, Pete Cardi understands what it takes to get and keep the best employees, "the talent pool is not going to want to be the group to run your company or to work on the level that you want them to work with your customers." More specifically, allowing unqualified family members to control the company would prevent the company from acquiring top-notch employees. The company hires for talent and allows its employees empowerment in their job. Ron Cardi further explains the idea of assigning job roles and respecting responsibility –"the fact of the matter is you don't want to impose on their jobs." Cardi's develops it team, focusing on helping employees achieve their goals and rise to their potential. Professional hiring practices allow the company to do this.

> *Point:* Professional hiring practices ensure the company hires based on talent as opposed to relation, then developed and retained.

The organization must then utilize its acquired talent by grooming them to take on more roles and responsibilities. This process develops competent middle-level managers with a background in the business. Each sibling partner is responsible for harvesting managers within his department, providing them the attention and resources they need to grow. As mentioned in previous sections, the owners must maintain an open stream of communication, while allowing the apprentice to learn from mistakes.

All three businesses in this study made it a point to discuss their focus on employees. Chex Finer Foods, for example utilizes its employees to more effectively complete "the functions that were part of the human octopus and putting somebody in the place to run it." In other words, each employee is entrusted with a function formerly controlled by their father, David Isenberg. In the process of growth, new roles have developed, creating opportunities for the company to "develop other people that will help drive the departments." Put simply, "our management is more about developing a middle level right now." Gem Plumbing & Heating also benefits from a highly empowered group of managers with growth potential. As the company has grown and most of the brothers have taken on office positions, Larry Gemma finds that "you build a company to run with good general managers. You groom additional presidents that can move up to the positions." The middle level managers have benefited from this strategy, as employees like Joe Andrade were able to work closely with the owners finding that "they would bounce things off of me. I would ask for more responsibility." Similarly, Jenn D'Ambra declined a job offer for a market leading apparel company to work for Gem Plumbing and have the "opportunity to be mentored by somebody." The belief of grooming others has spread throughout the company as people like Joe Andrade have learned from their mentor; "Larry has always taught me to train a replacement." With about five hundred employees, Cardi's Furniture makes their commitment to employees extremely clear – "our goal is to provide opportunity for our people." The process of pushing employees to succeed impacts the business in every aspect, as summarized by Pete Cardi, "we do take care of our customers, but more importantly we have to take care of our staff. If we can't take care of our staff, they can't take care of the customer." Further, these nonfamily managers "can say things we can't to our staff. Even though we have an open door policy, sometimes the staff will listen to them differently than us."

> *Point*: Each sibling should groom talent through frequent, open communication and a moderate threshold for mistakes.

In order to acquire talent and push them to their full potential, the sense that a glass ceiling exists or that family is entitled to preferred positions must be diminished or eliminated. In other words, employees must believe that endless opportunity exists within the organization. Promoting this belief allows employees to focus on their accomplishing their jobs to the best of their ability. Professional hiring practices are one way to ensure that family members are not entitled to preferable positions. Adding policies and procedures, during the professionalization of the firm, further promotes fair treatment.

At Chex Finer Foods, Michael Isenberg spoke of the flaw of placing too much emphasis on the family element. Rather, Michael and his team at Chex "believe in drivers working for the business." Their recent growth and anticipated growth, is based on their acquisition of talent. The company now focuses on developing the next layer of management by acquiring and retaining professional employees. Larry Gemma, of Gem Plumbing, makes it clear that "family members have to work their way up as well; there is no entitlement. You have you work your way up from the bottom up." He employed this tactic when he brought Jenn D'Ambra into the company and found the effects to be substantial, claiming that she knows near everything about the company. This sense of opportunity drove employees to the company and kept them working hard knowing that they can make a difference and inspire others at Gem Plumbing. Lastly, Peter Cardi, of Cardi's Furniture, realized that "in some companies, having the kids there may hurt the people that are looking long-term." Believing that potential employees would ask, "is there a glass ceiling in that company?" Peter and his brothers made it their goal to "provide opportunity for their people." Each business in this study removed the sense of entitlement that exists in many family-owned businesses, and replaced it with a focus on grooming employees to achieve whatever opportunity they desire.

> *Point*: Encourage employees to work their hardest by eliminating glass ceilings and the sense of family entitlement.

Lastly, the family-owned business has the opportunity to foster a strong culture among its employees. Unlike most firms, the family-owned business begins with the culture of the family, a tight nit social group sharing a similar background, identity and goals. Early on, the family mentality, acting as a mom and pop shop, allows employees to establish close relationships and trust with the owning family. While the business may professionalize, fostering a sense of connection between employees and the family enhances the culture of the organization. This creates a unique sense of belongingness and ownership in nonfamily employees that other firms can only attempt to replicate.

Walking into Chex Finer Foods, employees see pictures of the family, dating back to the first generation. The idea is that "heritage is important… it makes an impression." From the perspective of David Isenberg, "if a family business is really doing well, I think employees value that." While the organization grows increasingly professionalized, it understands the implication of being family owned benefits. It adds something tangible to rally behind. Gem Plumbing embodies this philosophy as pointed out by Joe Andrade finds that "sometimes, I see a guy that is just not doing his job. I want to cut him right away and Larry will ask me to think of the family." Building a culture around the family mentality inspires employees to take a personal stake in the business, as expressed by Joe Andrade; "if the new Gemma generation came in or whatever happened, in the end it is just as much my company as theirs." When difficult decisions must be made, Larry gets up in front of his team and explains what will happen and how the company will resolve the issues. As the recessionary economy changed the business, the brothers have become more involved with their troops, who have "without a doubt" noticed the change in a positive way. Cardi's Furniture ran off a list of employees who have stayed at the company for ten or twenty years. To Ron Cardi this retention is because the company "has good people with a lot of heart and desire." However, it likely stems from the ability of the company to inspire its employees and provide an opportunity for advancement. Most importantly, the employees identify the Cardi brothers with the ones who provide them with this opportunity.

> *Point:* Build a culture that connects employees to the family in order to strengthen cohesion.

<u>Marking Transitions with Symbolic Change</u>

As demand for the business grows and the siblings have come to fully control the organization, a large symbolic change often marks the transition to a large growth spurt. While the change may be to prepare for anticipated growth, it serves as an important moment in the organization's history. The big changes adjust the tangible culture of the organization changing the way people think about things and the way they behave.

All three of these businesses recall a large symbolic change that occurred prior to a major upheaval within the business. As Chex Finer Foods developed modern practices and increased its sales volume, it reflected this change through its brand image. With some resistance, the owners decided to modify the company's sacred logo and making it more appealing by modern standards. President Jeremy Isenberg believes that this change "was a big deal" and a visual metaphor for many of the changes that were occurring at the company. Employees and customers reacted to the change. Similarly, Gem Plumbing & Heating moved to a new building and designed a purposeful layout that placed the call center at the heart and soul of the headquarters. "Believe it or not," Jenn D'Ambra points out, the move to a new facility, "was another change. Just the physical layout of this place affected us. Our call center wasn't looked at as the heart and soul. Anthony designed it so that everything was positioned around the call center." The new facility was purposefully designed to reflect a new culture and to position the company for much of the changes to come. At that point, as noted by Jenn D'Ambra and Joe Andrade, the culture and company started to take off after the move. Cardi's Furniture also moved to their first superstore and putting everything from the office, to the store and warehouse under one roof. It "was something that our Dad dreamed of," and when the business had the demand, something that the siblings implemented. The change set the business up for further growth.

> *Point*: A large symbolic change may solidify cultural changes and precede large growth.

DISCUSSION

Without a doubt, the growth of family firms differs from that of a typical business. As prior research found, the added family dimension complicates the process of growth and creates a unique set of challenges (Gersick, Davis, Hampton, & Lansberg, 1997). While a certain set of fundamental practices help the family firm develop, the timing of implementation influences the effectiveness of these practices. In studying the family firm, we must first consider what type of family firm exists and then select appropriate growth practices. By then matching a set of best practices to the organization's specific stage of develop, this research creates a more complete explanation for the success of these organizations.

The findings in this study represent a set of best practices utilized by three family-owned businesses at the same specific stage of development. More specifically, the practices developed from this research are recommended for those businesses that are transitioning from single-owner controlled start-ups to expansionary sibling partnership. While these are not all of the practices employed by each firm, they are common practices between each. Most of these findings are congruent with the challenges anticipated by the authors of the three-dimensional growth model. Further, many of these practices have been addressed by current literature.

Nurturing Survival in the Sibling Partnership

While the majority of family-owned businesses fail to transition to the second and third generations, these businesses thrived at these transition points. Each of these businesses transitioned to a set of siblings with a sense of survival and a growth-orientation. Intuitively, the transition to a growth-oriented sibling partnership sparked growth, which often occurs during such a shift (Gersick, Davis, Hampton, & Lansberg, 1997). In these firms, the addition of family owners meant that the business needed to support each sibling's family. As an outcome, the siblings felt a pressure to grow the business. The pressure created a feeling of survival in each sibling, which led to hard work and dedication to the business. Perhaps if the business grew prior to taking control, the siblings would not have felt the need to propel the business forward. In essence, the siblings that entered these firms did not have a sense that the business could be used as a money machine for lifestyle needs, but that money would need to be reinvested into the firm. Therefore, these siblings adopted a growth-orientation, which has been cited as increasing the growth rates of family firms (Rutherford, Lori, & Oswald, 2006). Further, following Labaki's inverted-U curve, these second or third generation businesses likely have strong family ties as they have yet to become a cousin consortium (Lambrecht & Lievens, 2008). The stronger ties of these owning generation would be expected to improve the ability of the siblings to work together.

The survival mentality of the sibling partnership occurs over their lifetime as they grow up with the organization. However, in each business, the survival mentality came to fruitition as the business prepared for a transition in control. In each circumstance, the senior generation informed the upcoming generation that they must grow the business in order to earn enough income to support all of the business's owners. Further, this survival mentality unites the sibling partnership and indicates each sibling's commitment to the business.

Driving Succession with Cautiousness then Confidence

When transferring the business to the sibling partnership, the older generation tested their children for assurance, but quickly and confidently transferred ownership to the younger generation. Research suggests that children should not be forced into the business and that a "Family Out" mentality is widely accepted among family-owned businesses (Birley, 2001). Rather than entitlement, the younger generation might enter into a training program for new generations to ensure continuing the growth of knowledge (Dyer, Cultural Change in Family Firms: Anticipating and Managing Business and Family Transitions, 1986). Involving the upcoming generation in strategic planning aids in this training process (Mazzola, Marchisio, & Astrachan, 2008). While these practices suggest that the younger generation must develop skills at a young age, the businesses in this research went one step further by provided control to the young generation after only a short training period.

Endowing control once the youngest generation is capable to run the business builds a commitment to continuity and promotes growth. The succession process of these firms resembles the six-step process described by Lambrecht (2005), which includes early interaction with the business and a brief training period prior to a formal succession agreement (Lambrecht, 2005). While some literature suggests the importance of a board of directors in this process (Gersick, Davis, Hampton, & Lansberg, 1997), two of the three companies did not have a board of directors or advisors at the time of transfer. The third company's board of advisers suggested selling the company to a nonfamily buyer. Fortunately, this decision was avoided because the owner's son sat on the board of advisers. On the contray, the authors of the three-dimensional model suggest that potential future owners should not sit on a board of directors or advisors due to a conflict of interest (Gersick, Davis, Hampton, & Lansberg, 1997). In this scenario, having the owner's son on the board enticed him to joining the organization and ensured continuity of the family's ownership.

The practice of a cautious and confident succession engages the uncoming generation and commits them to the controlling position at a young age. By being cautious, the older generation assures itself that the youngest generation is ready to take control and signals to the youngest generation that the business will not be given to unworthy owners. This practices coincides with the survival mentality of the of the sibling partnerships. After engaging the upcoming generation the transfering owner must be confident in turing control over to the young generation. This practice generates high levels of commitment to the organization and pushes the business to employ new strategies.

Developing Distinct Roles Based On Passion

Once the siblings enter the business, they must establish distinct complementary roles. As children, each sibling attempts to develop their own identity separate from that of the family (Gersick, Davis, Hampton, & Lansberg, 1997). The families in this study represent the open paradigm family, as displayed by their attempts to democratize the family and develop the individual with consideration of the group (Dyer, 2006). By differentiating themselves and creating a unique personality, the children diversify the perspectives in the organization. The diversity of personalities, likely, broadens the company's resources. Further, with more specific job functions than the preceding centralized owner, each sibling may improve the productivity and performance of their department. While the importance of personality differences between partners in a sibling partnership has not been heavily researched, Gersick et al. (1997) suggest that each sibling must develop a distinct role in the organization.

In the studied businesses, the siblings began training in the business at a young age, but did not develop their distinct function until taking control of the organization. The development of individual roles occurs as formal control is passed to the upcoming generation. These roles are continually adjusted as the organization expands and formalizes as well as by the passions of the siblings. The survival mentality facilitates the development of roles, as each sibling understands the value of complementary skills in achieving growth. Further, the senior generation's cautious transition signals to the siblings that each has the necessary capabilities and makes them more confident in one another.

Balancing Professionalization with a Family Feel

In the studied family-owned businesses, the sibling partnership's use of professional tactics comes as expected. Once the business moves past survival mode, it often turns to strategic planning as a method of formalization (Schulze, Lubatkin, Dino, & Buchholtz, 2001). Similarly, the transition to a sibling partnership often triggers change along the Business dimension(Gersick, Davis, Hampton, & Lansberg, 1997; Murray, 2003). Still, the most effective degree of professionalism has been debated. While the agency cost model suggests that a "clan family" provides the lowest agency costs and the highest family assets, the family-owned businesses in this study more closely resemble a "professional family" with low agency cost. The subject businesses successfully balance between having "too little monitoring [which] fails to control opportunism, which leads to poor performance," and having "too many bureaucratic controls [which] may eliminate family assets, stifle innovation and incur significant agency costs" (Dyer, 2006). While utilizing standard systems and delegating power among employees, like a professional firm, these businesses maintain a unique family identity that eases the level of professionalism. Literature suggest that this more personal and relationship oriented culture of these family-owned businesses may stem from their effective and frequent communication, an evnisioned future, conflict resolution, and trustfulness (Mustakallio, Autio, & Zahra, 2002; Sundaramurthy, 2008).

While these family-owned business operated for years with more informal business tactics, the generation of the sibling partnership formalized the business. The sharing of power among the sibling partnership and the development of unique roles, opens the siblings to a more delegative style of leadership. The shared power allows the siblings to empower other skilled employees and accomplish their tasks. Furthermore, with a growth-orientation, the increasing speed of growth in the organization requires internal changes that can not be supported by existing informal systems. The professionalization of the organization occurs in this generation out of need and openness to new ideas that will grow the business.

<u>Focusing on Skilled People</u>

Researchers have also appropriately addressed the significance of the professional hiring practice. By separating the family element from the hiring of employees, the company can aqcuire workers based on their skill level, without negative reprecussions to the owners (Lansberg, 1983). As the organizations in this study professionalized, the human resource department emerged as a crutial component to placing professionally skilled employees into the systems. The grooming of middle management, both family and nonfamily employees, provides a professional sense of opportunity. In other words, an employee will be recognized based on the effort and outcome of their performance, not on their relation to the family. The idea, presented by Gersick et al. (1997), of developing a management team most closely resembles this best practices employeed by the family firms in this study (Gersick, Davis, Hampton, & Lansberg, 1997). However, the establishment of a management team should be backed with a sense of open opportunity through the elimination of glass ceilings. Yet, I found little research on the importance of grooming nonfamily employees and providing them opportunity with no glass ceiling. Further, the concept of engaging nonfamily employees with the identity of the family is under researched. However, this concept has numerous benefits to the firm including: the tightening of culture in the firm, the prevention of ineffective professionalism, the decrease of agency cost and the increase of family asset. Therefore, we would expect these "professional family" firm to closely resemble the "clan family" firm, while maintaining its delegated decision making and other professional systems (Dyer, 2006).

As a Young Family Business, of the Family dimension, the sibling partnership is challenged by the progression of the business, not in the development of a continuity plan. With many years ahead of them, the siblings have the freedom to expand the business through the acquisition of top level talent. Because their children have not reached an age where they can enter the business, the siblings objectively target skilled laborers. Further, the business maintains a culture that identifies with the family firm, which deeply impacts the motivation of nonfamily employees.

<u>Marking Transitions with Symbolic Change</u>

Lastly, Gersick et al. (1997) address the coincidental alignment of a trigger event, such as a physical relocation, entering a new market or developing a new product line, in the growth to the Expansion/Formalization stage of the Business dimension (Gersick, Davis, Hampton, & Lansberg, 1997). Similarly, this research determined that the development of a new company logo and, in two businesses, the move to a larger more capable facility, preceded large growth in these family-owned businesses. Therefore, those family-owned business who can support large growth and anticipate future demand should heavily consider implementation of a big symbolic change. The event may symbolize the era of new leadership, the increased professionalism in the organization, the increased number of product offerings, etc. This change may signal to employees and clients that the organization has made significant changes.

It is important to note the change in these organizations was supported by demand. It was not an "if you build it they will come" mentality. Therefore, those organizations that have, like a hermit crab, outgrown their shell, should make a "big symbolic change." This will help to reinforce and signal changes to the customers and employees and to spark additional growth.

Connection to the Three-Dimensional Development Model

The six findings uncovered from investigating the three family-owned businesses in this study connect to specific transitions along the three-dimensional development model. Two of the findings, nurturing suriving and succession practices, precede the next stages of the model. The remaining four findings occur after the transition to the Sibling Partnership, in the Young Business Family in an Expanding/Formalizing business. The table below displays the connection of each finding to the three dimensions of ownership, family and business. Further, the six findings connect to and depend on one another.

SIX FINDINGS CONNECTION TO THE THREE-DIMENSIONAL DEVELOPMENT MODEL			
	OWNERSHIP	**FAMILY**	**BUSINESS**
Precedents:	***Controlling***	***Passing Baton***	***Start-Up***
Survival Mentality	More owners	More family branches	Growth-orientation
Cautious & Confident Succession	Engagement and commitment	Continuity	Innovation
Antecedents:	***Sibling Partnership***	***Young Family***	***Expansion/Formal***
Distinct Roles	Shared power creates departments	Egalitarian approach prevents conflict	Open to delegation among departments
Professionalization	Owners specialize In departments	Economic and noneconomic goals	Systems
Focus on People		Family identity Own children young	Groom skilled workers
Symbolic Change		Mark of a new generation	Acknowledge and accommodate for change

First, nurturing a survival mentality in the sibling partnership stems from childrearing, but is brought to fruition as the sibling partnership takes control.   Adding more owners to the business increases the number of family branches depending on the business. Therefore, the sibling partnership adopts a growth-orientation in the business dimension. The survival mentality coincides with the practice of cautious succession as the senior generation resists succeeding to incapable successors by fostering hard work. Once they have proved their capabilities, the sibling partnership take control at a young age and family ownership is continued. The young and eager siblings take control and spark innovation in the business as the senior generation allows for mistakes.

Once the family-owned business transitions to a sibling partnership, each owner must develop a distinct role within the organization. The shared power in ownership is reinforced by maintain a balance of power among the family branches.   Conflict is prevented by allowing each sibling to control various aspects of the business and power is delegated to each sibling's management layer.   However, roles overlap in certain areas to improve the quality of critical decisions in the business. The siblings become specialized in a function that was previously a responsibility of the single controlling owner. Sharing power spreads throughout the organization as the owners begin to rely on systems to delegate tasks to their employees. While this specialization increases the siblings' willingness to professionalize, the family's noneconomic objectives act as way to keep the level of professionalization in check. The practice of focusing on skilled people begins with the development of a strong culture backed by the culture of the family. As the business professionalizes, it adopts new hiring tactics based on the acquisition, training and grooming of talent. Lastly, the changes in the family and ownership are marked by a change in the business dimension. This symbolic change both marks changes that have occurred and sets the business up for future change, signaling the direction of the organization to employees and customers.

DIRECTION FOR FURTURE RESEACH

The finding of this research closely resemble the anticipated challenges of each dimensional stage as outlined in the three-dimensional model by Gersick et al. However, several of these challenges were not address in any significant manner by the firms in this study. More precisely, these family-owned businesses tended to underplay the importance of formalized strategy through family meetings or a board of directors or advisors. Further, the three-dimensional model and other literature on family-owned businesses downplay the importance of developing nonfamily employees.

While formal family meetings were largely underplayed by the firms in this study, additional research may consider the best type of family meetings at this stage. More specifically, open, honest communication complemented by candid family meetings seemed to be a reoccurring theme amongst these employees. These family meetings are not to be confused with business strategy meetings. Rather, there family meetings help each sibling define their role within the organization and share information about their function. The development of a distinct role is a push and pull processes as each sibling attempts to find the areas that suit their skills. Family meetings serve as appropriate grounds for reassessing who has what role and responsibility within the business.

Further, I do not doubt that a board of directors or advisers may serve as a critical role in guiding the family-owned business through its development. However, more research on who should comprise the board at each stage of development would greatly benefit owners of the firm. For example, while Gersick et al. recommend a board containing no members with conflicts of interest, having a child on the board of one studied company prevented a nonfamily buyout.

In switching from a single controlling owner to the sibling partnership, these firms may also increase their openness to the delegation of task. From interviewing these businesses, I gained a sense that the shared power of the siblings, marked by their decision-making power within their distinct roles, spread throughout the organization. As each sibling came to control a particular function, they worked as hard as possible to make their area successful. Already comfortable with sharing power amongst each other, the siblings experienced the benefits of delegating tasks to specific job roles. Through this comfort, the siblings pushed the family-owned business toward a more professional form of governance. By delegating out tasks, the siblings have more time to spend on planning the courses of action for the business. By delegating tasks, new systems, policies, procedures, and functions develop to engage and support their workforce.

Future research should also examine the importance of nonfamily employees in the developmental process of the family firm. More specifically, we need to understand how to motivate nonfamily employees and their perspective on the family-owned business. As the organization develops from a mom and pop mentality to a corporate mentality, strategies must be implemented to retain long-term employees. In other words, we must determine the extent to which nonfamily employees identify with the owning or controlling family and its impact on the culture of the organization.

The findings in this study are limited to the successful practices found in three family-owned businesses. While the included findings are common across all three firms, it is highly likely that the firm's specific actions within its market and industry lead to its success as an organization. Further, this research fails to address and consider the financial practices of each firm, which may have been significant in their successful development. The limitations of this research should lead to an in depth analysis of these findings. However, we must Applying these implications more broadly, future research should prescribe best practices with an emphasis on their timing based on the numerous typologies of family-owned businesses. These typologies are appropriately defined in the three-dimensional growth model developed by Gersick et al. Yet, even the dimensions and stages of this model require additional testing. For example, future tests of the model may aim to address the importance of nonfamily employees. Additionally, many of the criticisms of the model, addressed in this study, still apply. More specifically, the model fails to fully connect the three dimensions.

CONCLUSION

While family-owned business represent a vital part of our economy, their survival depends on the ability to merge family and business as they foster competent future generations to commit to continuity. In order to combat the many challenges faced by family-owned businesses, a series of best practices have been developed. However, these practices often fail to consider the specific type of family-owned business that would most benefit from their implementation. Though the three-dimensional development model separates family-owned businesses into various types based on stages within the three-dimensions of ownership, family and business, best practices fail to consider these transition points. My study of a specific transition to young sibling partnerships in an expanding business suggests that common practices exist within specific types of family-owned businesses.

APPENDICES

Appendix A: Summary of the Ownership Dimension Stages

THE OWNERSHIP DIMENSION

Controlling Owner	Sibling Partnership	Cousin Consortium

CHALLENGES OF THE CONTROLLING OWNER STAGE

Challenges	*Description of Challenge*
Capitalization	• The business struggles to maintain its funding in early years. • Much of the funding comes from friends, family and small lenders.
Balancing unitary control with input from stakeholders	• A dependence on the knowledge and energy of the owner. • Followers enjoy having clear tasks that must be accomplished. • The business relies on the owner.
Choosing the next generation's ownership structure	• The owner must decide how to relinquish control. • Longevity depends on finding the appropriate heir and structure.

CHALLENGES OF THE SIBLING PARTNERSHIP STAGE

Challenges	*Description of Challenge*
Developing shared control among owners	• Differentiation of roles based on personality and goals. • Some siblings may be interested in owning, but not working. • Three types of control emerge among the siblings. *Quasi-parental leader* – takes on mentality of prior generation. *First among equals* – decisions to be made by one sibling's hands. *Egalitarian* – disperse control and shared power and glory.
Defining the nonemployed owners role	• These owners might or might not contribute provide input. • Families may limit ownership to only those working.
Retaining capital	• Capital problems shift to managing funds. • Balance between lifestyle changes and business development.
Controlling the factional orientation of family branches	• Several nuclear families rely on the support of the business. • Siblings become branch representatives. • Concern for each branch's children • Family branches develop new cultures with in-laws input.

CHALLENGES OF THE COUSIN CONSORTIUM STAGE

Challenges	*Description of Challenge*
Managing complexities of the family and shareholder group	• Ownership may be widespread and diluted among relatives. • Personal aspect of ownership diminished. • Must clarify between involvement and ownership.
Creating a family business capital market	• Ease the process of cashing in shares. • Process must prevent immediate liquidation.

Source: (Gersick, Davis, Hampton, & Lansberg, 1997)

Appendix B: Summary of the Family Dimension Stages

THE FAMILY DIMENSION

Young Family Business	Entering the Business	Working Together	Passing the Baton

CHALLENGES OF THE YOUNG FAMILY BUSINESS STAGE

Challenges	*Description of Challenge*
Creating a workable marriage enterprise	• The married couple must plan the path of the family. • Develop a vivid description of dreams and how to attain them. • An egalitarian set of relationships make up the modern family.
Making decisions about the relationship between work and family	• Understanding the time commitment the business will require. • Identify how to deal with this problem in the marriage enterprise.
Working out relationships with the extended family	• As the business grows, other family members may want in. • Determine how to deal with requests from family members.
Raising children	• Childrearing usually pulls the mother away from the business. • Child's perspective of the family and business is shaped by the parents' interactions with each other and the business.

CHALLENGES OF THE ENTERING THE BUSINESS STAGE

Challenges	*Description of Challenge*
Managing the midlife transition	• Parental generation performs self-assessment. • Owners may decide to redirect business based on goals. • Must now develop a succession plan as children age.
Separation and individualization of the younger generation	• Children become involved in the business depending on their age. • A sense of togetherness, but a desire for differentiation. • Knowledge of the succession plan impacts child development.
Facilitating process for initial career decision	• Younger generation may question their identity and goals • Children weigh individual goals with business and family goals.

CHALLENGES OF THE WORKING TOGETHER STAGE

Challenges	*Description of Challenge*
Fostering cross-generational cooperation and communication	• Each generation finds their own identity based on experiences. • Clashing generational cultures may hinder the business. • Open, honest and consistent communication relieves this tension.
Encourage productive conflict management	• The family may develop some of its most innovative ideas. • Divisional rivalry and succession planning lead to conflict. • Clear communication prevents debate.
Managing the three-generation family	• Each member of the family may be utilized in the organization. • Opportunities may develop in the form of new positions.

CHALLENGES OF THE PASSING THE BATON STAGE

Challenges	*Description of Challenge*
Senior generation disengaging from the business	• The senior generation identifies with the business. • Seniors must develop a new role, giving control away.
Generational transfer of family leadership	• Authority may be passed quickly or gradually. • The leader judges accomplishments in search of satisfaction. • Unsatisfied leaders may push a final heroic leadership stand.

Source: (Gersick, Davis, Hampton, & Lansberg, 1997)

Appendix C: Summary of the Business Dimension Stages

THE BUSINESS DIMENSION

Start-Up	Expansion/Formalization	Mature

CHALLENGES OF THE START-UP STAGE

Challenges	*Description of Challenge*
Survival	• Success depends on the market, internal planning and funding. • A competitive advantage must be formed. • Must have a clear understanding of product, price and operations.
Rational analysis versus the dream	• An honest assessment of the likelihood of success.

CHALLENGES OF THE EXPANSION/FORMALIZATION STAGE

Challenges	*Description of Challenge*
Evolving the owner-manager role and professionalizing the business	• The controlling owner must develop a delegating role. • Formalized decision procedures improve results. • The family must hire based on skill not relation.
Strategic planning	• Develop deeper understanding of offerings, market, industry, etc. • Gather information for decision making process.
Organizational systems and policies	• Policies and procedures improve the capabilities of the business. • The owner alone can no longer advance the business
Cash management	• Faced with allocating funds between lifestyle and business.

CHALLENGES OF THE MATURE STAGE

Challenges	*Description of Challenge*
Strategic refocus	• Margins decrease and competition grows. • Innovation is required to spark changes. • A board of directors/advisers & management team help reinvent.
Management ownership commitment	• During transitions, the team must openly discuss the future. • Work to inspire shared vision for the family and organization. • Nonfamily employees help provide outside perspective.
Reinvestment	• Invest in new products, people and equipment. • Challenged by personal financial requirements.

Source: (Gersick, Davis, Hampton, & Lansberg, 1997)

Appendix D: Interview Protocol

I. Identification

1. For the purpose of recording, please state your name, occupation and relation to the owners.

II. Background

1. What is your earliest memory of this businesses?
2. For how long have you been employed in this business?
3. How did you come to be employed here?
    a. What did you do before?
    b. How did the family aspect impact your decision?

III. Leadership Transition

1. Could you describe the transition between your parents and the current owners?
2. What role did your parents take on early on?
3. How were leaders selected?
4. How will the transition work for the next generation?
5. Do you feel that family members will always run the business?

IV. Major Change

1. What are some of the biggest changes you have seen while working here?
    a. Could you describe a large change?
    b. What do you think contributed to this change?
    c. Who was responsible for initiating this change? Leader, family, board?
    d. What do you think was the long-term impact on the company?
    e. How do you get non-family members to buy into a change?

V. Growth

1. Could you describe how the organization has grown?
    a. In terms of number of employees? Number and professionalism.
    b. In terms of number of family members involved and interaction?
    c. In terms of structure? strategy? culture?
2. Could you describe the biggest contribution factors to this growth?
    a. What/who motivated this growth?
    b. What changes when you grow?
    c. What does it take to be able to handle growth?
3. Has the direction of growth always been positive or forward?
    a. If no, could you describe an instance when the direction of growth was backwards?
4. If you could categorize the business's growth into stages, how would you do this?
    a. In your opinion, at what stage did the business operate best?
    b. If the company were to get to that point again, would it need to grow forward or backward growth?
5. Could you describe a transition in leadership?
    a. Did the direction of the company change at this point?
    b. Does a board of advisors help to make decisions?
    c. Who is on the board?
6. Could you describe how younger family members enter the business?
    a. How does the company generations work together?
    b. Do the opinions of the two generations align?
    c. What happens to the senior generation upon retirement?
7. How does the family impact the direction of the company?
8. How does the leader impact the direction?
9. If applicable, how does the board impact the direction? Who has the larger impact?

Appendix E: Interview Analysis Coding

1. Reasons for growth

a. For financial reasons to accommodate sibling partnership.
b. For a desire to be the best in the industry.
c. In order to satisfy demand.
d. To be better than previous generation.

2. Changes affecting the direction of growth

a. Differentiated personality makeup of leaders.
b. Decisions based on evidence and experience.
c. Allowing and learning from mistakes.
d. Passion determines individual roles in the company.
e. Get great employees then groom the next generation of managers.
f. Younger generation has enough experience prior to take over.
g. Older generation allows younger generation to take control at a young age.

3. Major changes

a. Build trust in employees then trust in systems.
b. Eliminate glass ceilings for employees and create a world of opportunity.
c. Develop individual roles for all owners based on passions and limit overlap.
d. Employ professionalized decision making process and meetings.
e. Establish candid family meetings.
f. Develop professional hiring practices.
g. When ready, enact a big symbolic event.

4. Upheld Behaviors

a. Maintain open and honest communication with owners and employees.
b. Build a family identity among all employees.
c. Show care for the front lines.
d. Encourage all to find their passions.
e. Allow the customer to access to upper levels.

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