Competitiveness of Family Businesses: Distinguishing Family Orientation and Business Orientation

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Abstract

The purpose of this study is to systematically examine the advantages and disadvantages of different types of family businesses. We distinguish four different types of family businesses based on their family and business orientation: (1) House of Business, (2) Family Money Machine, (3) Family Life Tradition, and (4) Hobby Salon. In our empirical research among family businesses (n=220), we find that all four different types co-exist. In addition, we find that differences in family and business orientation result in different advantages and disadvantages with respect to performance indicators such as motivation, conflict resolution and continuity. Finally, our results indicate that, if a family firm would move along the dimensions of the orientation landscape, due to internal motivations or external circumstances, it will experience improvements on one or several criteria, but it may also encounter new concerns. These changing profiles in strengths and weaknesses can be viewed as mobility barriers or mobility opportunities when moving from one group to another.

Introduction

From Heinz to Marriott, from Heineken and Philips Electronics to the small company on the corner of the street, family businesses play a dominant role in many industries today. They represent about 75% to 90% of all the enterprises in the world.[1] In Europe, more than 70% of businesses are family-owned or controlled.[2] As a result, it is often argued that family businesses are the most substantial economic force in society.[3]

The abundance of family-owned business in so many industries comes as no surprise when one realizes that a new business commonly starts as a result of the ambition of close friends or relatives that very much trust each other. Whether or not the newly started family business is going to continue and flourish depends on many factors concerning both market developments and the handling of internal management issues. In this respect, the 'family' factor of a family business is an important characteristic that may enable a company to succeed due to close ties between organization members, or, the other way around, may be the cause of failure due to, for example, problems with succession.[4] A rule of thumb is that only one out of three family businesses survives to the next generation.[5,6]

The importance of family businesses in today's society and the unique features of this type of organization have inspired a growing number of scholars to study different aspects of the family business. Substantial attention has been paid to issues with respect to management succession.[7,8,9,10,11,12,13] For example, we know now that succession is not only a matter of successor development and the incumbent's willingness to let go. The process is more complex and it involves all key players, such as family members, executives, and advisors. Although important, research has also made clear that succession planning is not the single dominant factor in success. Where research permitted correlations to be studied between specific family business operations and survival, succession planning did not emerge as a critical variable.[6]

We observe in the family business literature a tendency to come up with a variety of general 'success factors' such as shared power, a balanced life between work and play, and the planning of succession.[14] Though interesting, this approach is likely to provide limited insights given the abundance of types of family businesses that co-exist. Different firms may have different motivations and ways of doing business, which will have consequences for the critical factors that will make them flourish. For example, if the long-term motivation for a family-run business is to keep the family tradition alive, child succession will be a critical concern. If, on the other hand, the goal is to create a sound financial business - with or without family input - the critical factors may shift to other issues like strategic planning and developing a strong board of directors. Birley and Sorensen conclude on the basis of a study among British family businesses that such firms are not a homogeneous group with the same set of concerns, but that different firms with different concerns co-exist.[15] The main purpose of this research is to explore in-depth these differences in critical factors for *different types* of family businesses.

This paper is structured as follows. First, we theorize on two important dimensions of family businesses that can vary independently, namely family orientation and business orientation. On the basis of these factors, we distinguish four different types of family businesses and postulate a number of possible advantages and disadvantages for each type. Next, we empirically test our ideas on the basis of data gathered from a sample of family businesses. Finally, we discuss the consequences if family businesses would shift from one type to another, thereby possibly giving up some of the current advantages for gaining other virtues.

Family Orientation and Business Orientation

Before we examine the important dimensions of a family business, a family business has to be defined. In the literature, no generally accepted definition exists.[16,17,18] In this paper, a business firm is considered a family business when its ownership and/or management are concentrated within a family.[19,20] It recognizes that family businesses may very easily have a low family orientation or lose their family orientation completely.[21,22] The movement away from being a family business might occur because of detachment of the owning family from actual management of operations or because of an acquisition.[23] A firm's 'family orientation' can therefore be seen as an important first dimension on which family businesses differ from each other. This is in line with research from Birley et al. who identified a broad range of issues that are related to the family dimension such as the involvement of children, succession, family income, and share distribution.[22] They find groups of companies ranging from the 'Family Rules Group' to the 'Family Out Group'.

Holland and Boulton view the family dimension as a constraint on the business requirements.[24] They find that managers have the flexibility to handle the business as long as they operate within family constraints. In case of a conflict, the constraints could be revised, the business requirements ignored, or the role of the family in the firm adjusted. In contrast, other studies have highlighted the advantages of the family dimension.[22,25] In a comprehensive overview, Kets de Vries elaborates on several advantages related to the family factor such as a long-term orientation, independence, culture, and the knowledge of the business that is based on early training in the family.[23]

Overall, it is clear that family firms vary with respect to their family orientation and this is may result in a specific set of advantages and disadvantages.

The second dimension we distinguish is 'business orientation' which is related to the value creation of the firm. According to the findings of File and Prince, family businesses falter due to either family-related problems, like the family succession of current management, or due to business-related problems like bad financial management.[24] This statement points to the undeniable fact that the family component is not the single orientation in the family business. Regular business related concerns are present as well, irrespective of the role of the family in the business. For individual managers, this means that they can obtain power from their position in the family as well as from their position in the business.[22] Family related power generally comes from family seniority or one's ability to influence senior members of the family. Business related power depends on for example the position in the hierarchy and expertise. As Aranoff and Eckrich (p.63) state: "Success, we came to recognize, depends on being able to combine and balance businesslike thinking and familylike thinking.".[6] Balancing family and business is not an easy matter, however. For example, an owner-manager is expected to hire employees who are most competent, and to pay salaries and benefits in accordance with performance. When the business orientation is weak, the owner may allocate business resources in a sub-optimal way. Kets de Vries describes the example of family members that add little or no value to the business, which may turn the company in a welfare institution.[25] It gives family members something to do without adding productive elements to the business. Most companies cannot afford to have too many of these people around. At the same time, however, we believe that there is not necessarily a negative relationship between business orientation and family orientation. It should be possible to combine, for example, a strong family orientation with a strong business orientation or vice versa. As a result, we go beyond the identification of groups such as 'business first'[26], which is a combination of low family and high business orientation, and consider a more complete range of combinations of the two of family orientation and business orientation.

Hereafter, we will develop scales to measure both the family orientation and business orientation of family businesses, and we will validate whether the constructs are indeed relatively independent of each other. Assuming that family orientation and business orientation are indeed two independent distinctive characteristics of a family business, they can be succinctly described by the combination of the two. Figure 1 shows a grid of the possible combinations. Each cell is given a name that labels a specific type of family businesses.

Place Figure 1 about here

In the lower right cell, we find companies with a strong family orientation and a weak business orientation, i.e. companies where family drives are strong and where the business element of the company is not dominantly established. We label these companies 'Family Life Tradition' businesses. Typically, these companies feel that involving family members strengthens the business in general, that children must be involved in the business at an early stage, and, preferably, that one of them should be the successor. For example, one could think of a third generation building contractor. Personal networks and trust of the family members are at the heart of the business. The upper right cell contains firms that also have a high level of family orientation, but they score high on business orientation as well. Hence, both value creation and family are important for these firms, which we call 'Family Money Machine'. Examples of this type of firms are the hotel group Marriott and the supermarket retailer Ahold. The left part of the grid contains companies that are less family-oriented and hence more outwardly directed. Such companies are more willing to let outsiders join the management of the business. The firms in this group can also vary in business orientation. The upper left cell represents firms that are weak on family orientation but strong on business orientation. We label this the 'House of Business' type of firm. Think of companies such as Philips Electronics, L'oréal, and Roche where the family is still involved – as major shareholders and/or members of the board of commissioners - while outsiders are directly responsible for running the company. The external network and economic motives play an important role in this type of business. Finally, the grid displays the 'Hobby Salon' type of firms, i.e. firms having low scores on both family orientation and business orientation. These firms have a non-financial and open personnel context. Consider, as examples, the many start-ups in the dot.com sector, where hobbies and friends often play an important role.

In the next section we will formulate our expectations concerning the perceived advantages and disadvantages of the different types of family business in more detail.

Expected Differences in Advantages and Disadvantages

Our premise is that the four types of family business distinguished above each possess different advantages and disadvantages. To explore such differences, we include the following set of aspects in our study: trust, social control, employee motivation, management control, conflict resolution, continuity, private life, and atmosphere. These characteristics are referred to in contemporary research as possible advantages and disadvantages of businesses in general and family businesses in particular.[13,25,28,29,30] We will start with a discussion on the performance criteria, also called evaluation criteria in this article, and highlight which type of family business is expected to scores high or low on them.

To many, the main advantages of the family business seem to be related to *trust*, *control*, and *employee motivation*. In a recent article, Gregg Roth, a second-generation family business owner states: "To me, the advantage of being in a family business is that there is a personal relationship with employees and suppliers that encourages confidence and cooperation".[31] Family ties and values are often said to create a strong business identity and a high level of internal 'closeness', which may lead to better performance of the firm in terms of internal trust and control.[28] Therefore, we expect firms with a strong family orientation to score higher on trust, control, and motivation than firms with a weak family orientation.

A regularly mentioned issue regarding family businesses concerns *conflict resolution* when conflicts between organizational members occur. Hutcheson (p.1) argues that: "To many, a family business means conflict ….. It is only when conflict is not managed in a positive way that it becomes a destructive force".[29] If conflicts occur between organizational members, they may be more difficult to handle if the family orientation is strong.[20,24] Hence, we expect highly family-orientated firms to score lower on the conflict resolution dimension. In addition, a strong business orientation may be more beneficial for conflict resolution because it can provide some objective criteria to solve possible problems and to evaluate solutions. In summary, we expect firms with a weak family orientation and a strong business orientation to score high on conflict resolution competencies.

A commonly noticed concern of family businesses relates to the *continuity* of the firm, for example, on the decision on whether there should be one management successor or whether the business should be run by a larger board with various members from inside and outside the family. As mentioned before, decisions related to succession and succession planning are extensively documented in the literature. We expect firms with a low level of family orientation to experience less difficulty with respect to the succession issue than firms with a strong family orientation. The former type of family business is less concerned with retaining the family members. Therefore, the possible pool of good managers is much larger.

Finally, we address the *atmosphere* in different family businesses. Generally, having a good corporate atmosphere is considered an important advantage for a company.[32,33] Levicki postulates that the mental environment of a firm reflects the attitudes of the managers and choices of the firm.[34] We argue that a more positive atmosphere can be expected if there is more clarity in the orientation of the company. For example, it is often assumed that for family businesses, profits may be sub-optimal because keeping a happy family sometimes outweighs creating more value and profits. This can create a good corporate atmosphere if the dominance of the family emphasis is generally accepted in the firm.[25] By contrast, if members of the organization know that actions are strictly evaluated on financial criteria, the atmosphere can also be good. Hence, we expect consistency with respect to the orientation to be important for a company's atmosphere. So companies with a strong family/ weak business orientation and companies with a weak family/ strong business orientation are expected to have an advantage with respect to corporate atmosphere.

Methodology

We tested our ideas about the different types of family businesses and their advantages and disadvantages, on the basis of data collected by means of a mail survey among Dutch family businesses.[†] A random sample was taken from a large database covering all companies with annual revenues between 1 and 50 million Dutch guilders and of

[†] This survey was part of a larger research project sponsored by Grant Thornton, and was carried out by the Erasmus Business Support Centre. We thank them for sharing the data with us.

which the owner/director was known. The database covered more than 10.000 companies in all industries except agriculture. Excluded from the survey were also companies such as trading companies, charitable institutions, and subsidiaries of larger organizations. Of the 1,900 questionnaires that were sent out, a total of 241 were returned. The response rate (12%) is rather low, but unfortunately quite usual in this type of research.[22] This was also the main reason for selecting such a large sample size. However, the modest response rate does not have to hamper our analyses, since we are especially interested in explaining variance in the sample and not in generalizing the descriptives of the sample. Of the returned questionnaires 220 were acceptable in terms of timing and completeness. These form the basis of our analyses. The respondents were the owners-manager of a family business, 37% of whom were the founders, and 30% were second-generation family. An average of slightly more than three family members worked in the business, while an average of 65 people were full-time employed. The responding firms cover a wide range of branches. Production companies counted for 32.6% of the sample, retail 11%, construction 10.6%, financial services 3.7%, and 42.2% miscellaneous with a broad mix of services such as transportation and all types of advice and services for companies and consumers. The relatively large percentage of companies in the miscellaneous category is in line with our premise that family businesses cover a wide space in the business arena.

A questionnaire was developed using regular procedures.[34] The questionnaire contained items selected from recent literature on family businesses.[15,22,26,34] The items were translated into Dutch and were pre-tested among three academics (colleagues) and three practicing family business managers. In the pre-test, people were encouraged to express their reactions on format, wording, and time needed, which resulted in a few small changes to the final questionnaire. The items were back translated for cross check purposes.

Apart from a section on background characteristics of the business and the respondent and his/her family, the survey covered questions on the family and business orientation constructs and on the perceived advantages and disadvantages concerning the business.

Scales and Measurements

Family orientation. To measure a company's family orientation, various items were generated based on the family business issues described by Birley et al. .[15,22,35] Scales run from completely disagree to completely agree. The items are presented in Appendix 1. Factor analysis revealed one underlying dimension. Therefore, the items were averaged to compute the score on the composite scale for family orientation, labeled FAMILY. (Cronbach α =.69).

Business orientation. A firm's business orientation was measured by means of four items (see Appendix 1, partly based on the work of Birley[22,36] and File and Prince).[27] These items are related to the value of the firm. Again, factor analysis revealed one underlying factor. The items were averaged to compute the score on the composite scale for business orientation, labeled BUSINESS (Cronbach α = .65). Both Cronbach α's are above the commonly accepted level of .6.

Confirmatory factor analysis showed that the two-dimensional model had a good fit χ (26) = 30.57 (p=.24), RMSEA = .03, GFI = .97, AGFI = .95, TLI=.98, CFI=.98. The Root Mean Square of Approximation (RMSEA) is one of the most informative criteria and values below .05 indicate a good fit.[37] All the other indicators are above the value .90, which is often used as a benchmark. The relationship between the Business orientation scale and the Family orientation scale proved not significant (T=-.08), which indicates that the two scales indeed measure different aspects of the firm. Moreover, the confidence interval did not contain a value of 1. The discriminant validity was also assed by setting the inter-factor correlation to 1. This resulted in a very poor fitting model, offering broad support the discriminant validity of the two orientations.[37]

Evaluation criteria (advantages and disadvantages). Seven advantages and disadvantages commonly attributed to family businesses were measured in the questionnaire. These are referred to as trust, social control, employee motivation, management control, conflict resolution, continuity, and atmosphere. Precise operationalizations are presented in Appendix 2. The items were measured on 5-point Likert scales running from 'completely disagree' to 'completely agree'.

Findings

A first important result that emerges from the newly developed family orientation scale and business orientation scale is that a high level of family orientation is not necessarily accompanied by a strong or weak business orientation. On the contrary, in our sample the two concepts are completely independent of each other, which validates our scale analysis ($r = .01$, $p = .92$). Companies that have a strong family orientation may or may not have a strong business drive. Importantly, the variation among family businesses on these dimensions is very large indeed. A scatter plot of the firms on the two dimensions showed a complete range on both dimensions.

Next, the companies were divided into four different groups, depending on their family orientation and business orientation by means of a median split.[35] The use of the median split has several advantages in our study compared to, for example, a cluster analysis. In our approach, we group the companies on their orientations and then investigate their advantages and disadvantages. Since the two orientations are mutually independent, cluster analysis on those orientations would not produce substantial clusters. The median split has the advantage that it results in an almost equal number of companies in each cell, which is sufficient to study similarities and differences across the dimensions. Given that we have a broad variation on our orientation scales, the median split automatically divides that population in a low and high family orientation group and a low and high business orientation group that have a considerable distance between them.

Figure 2 shows the typology grid again. To explore the advantages and disadvantages of the different types of family businesses, the average scores (and the overall rank) on the various criteria are shown in each cell of the matrix. Analyses of variance (ANOVA) showed that the groups score significantly different ($p<.05$) on all evaluation criteria, except for continuity ($F=.23$, $p=.88$), and atmosphere ($F=.96$, $p=.41$). However, for atmosphere, the difference between Family Life Tradition and Family Money Machine was significant ($F=2.65$, $p<.1$). In addition, a multivariate analysis of variance (MANOVA) was carried out using all seven criteria together. This confirmed the significant differences across the groups ($p<.001$).

Place Figure 2 about here

Advantages and disadvantages

Figure 2 shows that, in accordance with our expectations, the Family Life Tradition and the Family Money Machine score high on *trust*, *social control*, *motivated employees*, and *management control*. Hence these groups of firms, which have a strong family orientation, believe that their business benefits from more mutual trust among family members and employees compared to a non-family business. This is accompanied by a feeling of more social control and more motivated employees. These feelings are linked to a general perception of having more control over the company. Like the Family Money Machine, the House of Business also scores relatively high on social control and management control, but both types of businesses score relatively low on conflict resolution. Since both types of firms have a strong business orientation, it seems that a strong business orientation does not necessarily damage the feeling of having control over the business, but it creates concerns about potential conflicts that may be difficult to resolve.

The low scores on *continuity* for all groups indicate that, in general, all types family businesses worry about choosing a successor, offering support for the extensive attention for this issue in the literature. The Family Life Tradition type of business scores the lowest on continuity, indicating, as expected, that firms with a strong family orientation and weak business orientation will be most concerned about handing over the business to the best among various potential successors. As it happens, Family Life Tradition types of business score high on all aspects except for continuity, which is their most critical concern.

Finally, the data shows that the Hobby Salon and the Family Money Machine score low on the *atmosphere* dimension. It seems indeed that the existence of mixed orientations can be the underlying reason for atmosphere difficulties: the atmosphere is better if there is consistency and clarity in the orientation of the firm, whether the dominant orientation is either business or family.‡

Trajectories in the development of family businesses

Now that we have explored the scores of the different types of family businesses on various advantages and disadvantages, we give our analysis a more dynamic perspective[17,25,38]. What would be the effect if a firm shifts from one type to another? Although we realize that we do not have access to longitudinal data that follow specific firms over their lifetime, our data do allow us to compare the various advantages and disadvantages of the different types of family businesses. Table 1 shows the extent to which specific advantages and disadvantages significantly change if a company shifts to a different quadrant. Or, to put it differently, if a company wants to strengthen certain criteria by changing its general orientation, which group might be most suitable. For example, if a Hobby Salon firm tried to evolve into a House of Business type of firm, it would gain a significant advantage in terms of control and motivated employees, but at the same time it would be more worried about potential conflicts. Where it boils down to is that each type of business has its own mixture of 'good' and 'bad' features, and if during its development a company wants to shift into another type of company, it has to trade off the gains against the losses. To illustrate the trade-offs, we analyzed the significant changes by means of an analysis of variance (ANOVA, post hoc tests) for four trajectories illustrated in Table 1.

Place Table 1 about here

‡ We also measured to what extent a private life was possible next to a business life. All scores were relatively low (<2.5), indicating that this is something from which all family businesses suffer. It showed that the hobby salon had the highest score (2.31) and the

Table 1 shows that if a firm is in the Hobby Salon category, there are more substantial incentives to evolve into a Family Life Tradition compared to trying to become a House of Business. The significant positive gains are on four criteria (i.e. trust, social control, management control, and motivated employees) as opposed to only on two criteria for the trajectory towards the House of Business (i.e. social control and motivated employees). In case of the House of Business, the firm also has to sacrifice its advantages in the field of conflict resolution. Table 1 also shows that a House of Business company may consider increasing their family orientation because this can improve their profile on employee motivation significantly and on trust, social control, conflict resolution, and management control somewhat although the differences are not significant. Finally, Table 1 and Figure 2 show that Family Life Tradition businesses do not have substantial incentives to increase their business orientation. They would lose significantly on atmosphere and conflict resolution. Thus, a shift would only be wise if succession problems and management control need to be improved significantly and potentially new concerns about the atmosphere and conflict handling are not seen as a potentially major issue.

As mentioned before, Table 1 explores the extent to which specific advantages and disadvantages significantly change if a company shifts to a different quadrant. This analysis can be deepened by using the two orientations separately for explaining the variation in (dis)advantages. For this, seven multiple regression analyses were conducted with business orientation, family orientation and size as a control as predictors of the evaluation criteria. The interaction between the two orientations was studied by means of a hierarchical regression analysis using mean centered variables to reduce multicollinearity.[39] The Results are presented in Table 2.

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family life tradition the lowest (2.06).

Place Table 2 about here

Table 2 shows that Family orientation has a significant effect on all evaluation criteria except continuity. The business orientation has a strong effect on conflict resolution and a somewhat weaker effect on atmosphere. Interestingly, size did not enter significantly in any regression, which indicates that the two orientations that we distinguish are much more suitable to study advantages and disadvantages than for example company size. If the interaction between the two orientations is significant, it means that one may want to consider a change in the business orientation in conjunction with a change in the family orientation (and vice versa) because the effect on the evaluation criteria can be multiplied or mitigated by changing the other orientation as well.

Conclusions and Implications

In this paper we developed a typology of family businesses in order to study their critical performance factors in a more refined way than has been the case in previous studies. Our basic reasoning was that one couldn't simply assume that family businesses are all governed by the same set of 'success factors' and all have or need the same critical strengths.[20] Especially since the variety among family businesses is so large in today's business space.

This paper presents a succinct way of differentiating between different types of family businesses on the basis of their fundamental orientation with respect to doing business: their orientation towards the family aspects, and their orientation towards the business aspects of the firm. We regard these dimensions as valid descriptive elements of a family business and developed and validated multiple item scales for measuring family orientation and business orientation that can be used in future research in this area.

We tested our ideas on the strengths and weaknesses of different types of family businesses using data obtained from a sample of Dutch family businesses. On the basis of this data, we found proof that it is indeed useful to differentiate family businesses according to their family and business orientation. Our results indicate that the two dimensions are not correlated, which implies that the world's family businesses can be distributed over the whole spectrum of family and business orientation. In other words, all combinations can be observed in real business life. This observation seems intuitively appealing given the fact that it is in line with the general tendency of nature to spread and differentiate in order to foster evolution.

In essence, each type of family business does have its own combination of pros and cons. A strong family orientation combined with a weak business orientation generally implies strong feelings of trust and control, but it also implies concerns about the continuity of the firm. On the other hand, strong business/weak family orientation type of firms seem less worried about their continuity, but do not seem to profit much from the potential advantages of having a feeling of more trust and control. Of course, the sample may limit our findings concerning the specific advantages and disadvantages of family businesses, but it does not necessarily hamper our methodological conclusion that different types of family business can be distinguished that can explain differences in critical success and failure factors.

The findings of this study lead to a number of implications both for family businesses to improve their current business as well as for firms that want to shift on the family/business orientation landscape. Even if a firm feels comfortable with the current mix of family-like and business-like thinking, implications are plentiful regarding specific advantages one could capitalize upon, and concerns one should take more notice of. For example, House of Business type of firms could work more on improving conflict resolution processes. Importantly, if, due to internal or external circumstances, a family firm wants or needs to move on the orientation landscape, it will experience improvements on one or several criteria, but it will also encounter new concerns that can be viewed as mobility barriers when moving from one group to another. The results of this study should encourage management to assess current performance on various criteria and to explicitly contrast and compare the current situation with specific gains and losses if it wants to migrate along the family and/or business orientation dimensions. It would be interesting to focus future research on further investigating the dynamics of evolution paths of family businesses.

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Figure 1: Typology of family businesses

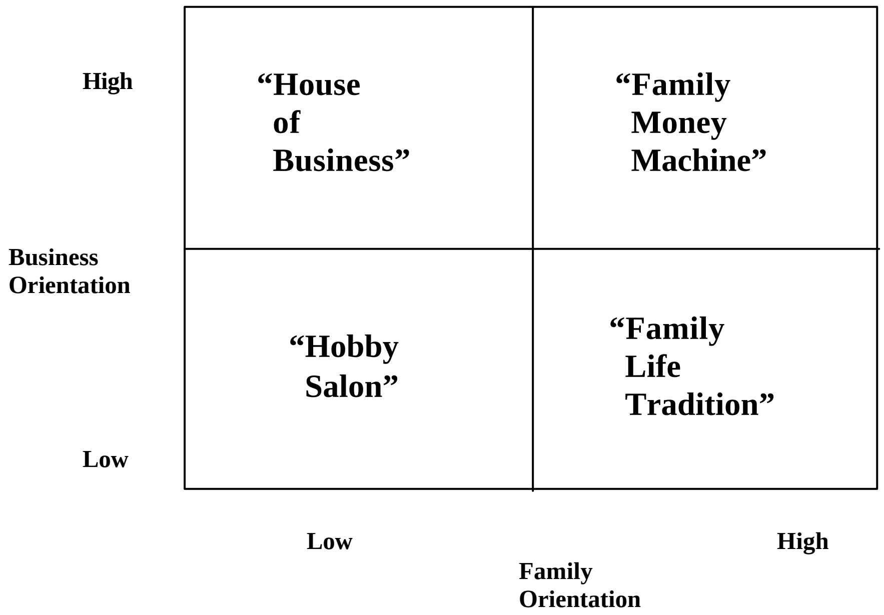

Figure 2: Types of family business and their qualities

(higher scores refer to higher criterion quality; rank of score is added in parenthesis)

Business Orientation	Family Orientation: Weak	Family Orientation: Strong
Strong	**House of Business** Trust = 3.59 (3) Social control = 3.61 (3) Motivated employees = 3.27 (3) Management control = 3.73 (3) Conflict resolution = 2.92 (4) Continuity = 2.63 (3) Atmosphere = 3.90 (2)	**Family Money Machine** Trust = 3.76 (2) Social control = 3.73 (2) Motivated employees = 3.64 (2) Management control = 4.00 (1) Conflict resolution = 3.02 (3) Continuity = 2.73 (2) Atmosphere = 3.65 (3)
Weak	**Hobby Salon** Trust = 3.26 (4) Social control = 3.20 (4) Motivated employees = 2.87 (4) Management control = 3.37 (4) Conflict resolution = 3.90 (1) Continuity = 2.80 (1) Atmosphere =3.64 (4)	**Family Life Tradition** Trust = 3.91 (1) Social control = 3.92 (1) Motivated employees = 3.79 (1) Management control = 3.85 (2) Conflict resolution = 3.67 (2) Continuity = 2.52 (4) Atmosphere = 4.02 (1)

Table 1 Orientation shifts and their effects on advantages and disadvantages

Strategy shift between	Evaluation criteria	Direction	F-value
Hobby salon	Trust	+	7.29***
⇒ Family life tradition	Social control	+	11.73***
	Management Control	+	15.04***
	Motivated employees	+	3.79*
Hobby salon	Social control	+	3.09*
⇒ House of Business	Conflict resolution	-	9.21***
	Motivated employees	+	3.02*
House of Business	Motivated employees	+	3.44*
⇒ Family money machine			
Family life tradition	Conflict resolution	-	7.03***
⇒ Family money machine	Atmosphere	-	2.65*

Only significant changes in advantages and disadvantages are presented.
*p<.1 **p<.05 ***p<.01 (two-tailed)

Table 2 What orientation is most strongly associated with a certain advantage or disadvantage? (absolute standardized regression coefficients are presented)

	Trust	Social control	Motivated employees	Mgmt control	Conflict resolution	Continuity	Atmosphere
Family Orientation	.27***	.19***	.29***	.21***	.12*	.06	.13*
Business . Orientation	.05	.10	.05	.04	.32***	.00	.11*
Interaction Significant?	Yes	Yes	Yes	No	No	No	Yes

*p<.1 **p<.05 ***p<.01 (two-tailed)
All regression were controlled for size and estimated with an intercept. Size did not obtain a significant beta in any regression.

Appendix 1 Measures for Family Orientation and Business Orientation

Family Orientation

Children should be introduced to the business at an early stage

Management successors should be chosen from the family

It is important that children are interested in the markets and products of the business

The founder and/ or older generation should always have a formal role in the business

The business is stronger with family members involved

Business Orientation

How do I finance growth but still retain control?

How much is the business worth?

Could the business do better for me?

If I introduce outside shareholders, how greedy will they be?

Appendix 2. Measures for evaluation criteria (advantages and disadvantages)

Variable	**Operationalization**
Trust	An advantage of a family business is having more mutual trust
Social control	An advantage of a family business is having more social control
Motivation	An advantage of a family business is having more highly motivated employees
Management control	An advantage of a family business is having more control over the business
Conflict resolution	I'm worried about what happens if my business partner and I have a serious disagreement (reversed scale)
Private life	A disadvantage of a family business is that business dominates private life
Continuity	There can only be one management successor
Atmosphere	The culture in my company is more important than profit

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