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Beyond Tradition: Exploring the Dimensions of Professionalization and Competitiveness in Hungarian Family Firms

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DOCTORAL DISSERTATION

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I. Introduction

I.1 Research framework and outline

My doctoral research focuses on family business professionalization from a strategic management approach. People often perceive family firms as smaller organizations that are typically not professional, contrary to non-family businesses, which are seen as high-mature organizations with effective managerial systems and governance mechanisms. As family firms are the backbone of many nations' economies, exploring how these organizations can become more professional and handle the challenge of the transformation is vital.

Family firms have an idiosyncratic combination of the family and the business, which non-family companies do not; hence, they are a heterogeneous group worthy of analysis to understand whether family ownership is beneficial. This doctoral dissertation explores the value creation transformation of professionalization, what it means for family firms, which dimensions are preferred, what changes the organizations undergo during their transformation from a resource-based view, and the impact of these distinct resource and capability configurations on their competitiveness.

I developed my doctoral dissertation based on three of my previously published papers:

1. **Kárpáti, Z**. (2021). Családi vállalatok professzionalizálódása: Szisztematikus szakirodalmi áttekintés. *Vezetéstudomány / Budapest Management Review*, *52*(3),53–65. https://doi.org/10.14267/VEZTUD.2021.03.05
2. **Kárpáti, Z**., & Drótos, Gy. (2023). Hogyan professzionalizáljuk a vállalkozásunkat? Egy longitudinális esettanulmány tapasztalatai egy hazai közepes méretű családi vállalkozás példáján keresztül. *Vezetéstudomány / Budapest Management Review*, *54*(2), 53–67. https://doi.org/10.14267/VEZTUD.2023.02.05
3. **Kárpáti, Z**., Ferincz A., & Felsmann B. (2023). Relationship between different resource and capability configurations and competitiveness – Comparative study of Hungarian family and nonfamily firms. *Journal of Family Business Management*, ahead-of-print. https://doi.org/10.1108/JFBM-08-2023-0145.

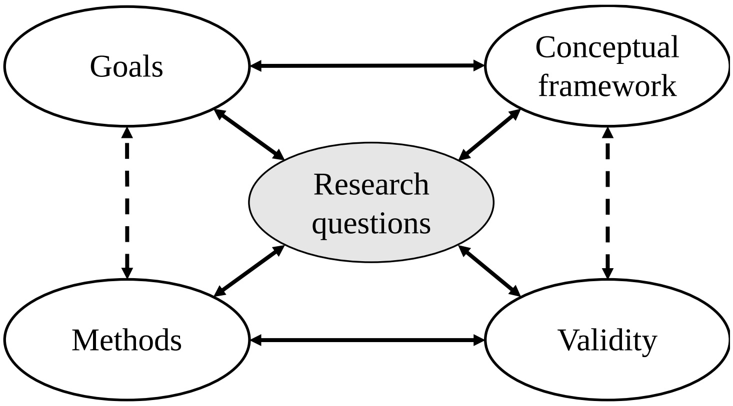
The first article presents the main findings regarding family business professionalization between 2000 and 2020. In these 20 years, a significant development of the phenomenon emerged, and the study introduces a new, four-dimensional model to grasp professionalization. In the second paper, the mentioned model was applied in a longitudinal study between 2017 and 2021 from a resource-based point of view to understand what changes a medium-sized family firm undergoes while professionalizing its business. Finally, the third study responds to the often-observed question from a resources and capability configuration aspect: which type of organizations are more competitive, family or non-family? Findings show that non-family businesses reach a higher level of competitiveness regarding managerial and business capabilities. However, family firms are just as professional as their non-family-owned counterparts regarding relationships, knowledge management, and network equity.

As my doctoral dissertation is cumulative, each article should be interpreted in itself; thus, all three articles contain the main parts of published scientific articles, such as introduction, theoretical background, methodology, and discussion. It is also essential to mention that the first paper is a single, while the other two are co-authored; hence, in some cases, the wording may vary between singular and plural first person. This structure has been retained to preserve the originality of the articles and the form in which they were submitted and accepted. In a few cases, some of the wording may be different from the original without loss of meaning so that the form of the doctoral dissertation presents a more coherent image. Also, for that reason, all references used in this chapter and in the presented papers have been listed at the end of the dissertation.

Before presenting the findings of the three research papers, I introduce my research design, goals, paradigmatic stance, research questions and methods.

According to Maxwell (2009), there is no one and only suitable model for applied research design. Figure 1 presents the logic of my research framework following Maxwell's (2009) interactive model, consisting of the five most important components, each addressing a different set of crucial issues to the coherence of a study. Although the author developed this model specifically for qualitative research, I think this model is applicable in the case of a mixed methodology, both qualitative and quantitative analysis.

Figure 1. An interactive model of research design.



Source: Maxwell, 2009, p. 217.

In the next chapters, following Figure 1's logic, the paper presents the most essential concepts used in this dissertation, the research goals and the motivation for conducting the doctoral study, the conceptual framework, the explored research gaps, the applied research methods, and the validity aspects. At the end of the chapter, the dissertation's structure is delineated.

I.1.1 Definition of the main concepts used in the dissertation

The doctoral dissertation is built around four main concepts: family firms or family businesses, the professionalization of these organizations, the resource-based view and competitiveness. Hence, it is worthwhile to address each concept individually to present a clear and transparent overview of the meanings.

Family firm or family business[1]

The problem of defining family firms goes back a long time. However, this study is not focusing on resolving and developing a coherent ultimate definition; it is salient to delineate my understanding and research approach to the issue. The lacunae of having a clear, ultimate rationale for family businesses are rooted in the effort of determining ownership (Chua, Chrisman & Sharma, 1999; Henssen, Voordeckers, Lambrechts, & Koiranen, 2011), kinship (Stewart, 2003) and family involvement (Chrisman, Chua & Sharma, 2005). Chua et al. (1999) argued that the field needs a theoretical definition before moving on to empirical analysis; meanwhile, Kása et al. (2017) identified more than 56 modes to determine what makes a firm family.

[1] In my dissertation, family firm and family business are used as synonyms.

Family businesses are often characterized by having at least three attributes: (1) the majority of the ownership of the firm must be concentrated in one family's hands, (2) at least one family member needs to be active in the company's life and (3) the family itself to convey transgenerational intent (see Zellweger, 2017). In an analysis, De Massis, Sharma, Chua, Chrisman & Kotlar (2012) analyzed 238 articles aiming to classify the different categories of family firms. They found that in 164 papers (64% of the sample), the authors used ownership and management as the two most crucial prerequisites of identifying the type. Later, one additional prerequisite was defined: the firm should perceive itself as a family business, and other elements of the definition appeared that what distinguishes family from non-family organizations is the strong bond and emotional relationship between people involved in the business (Ratten, 2023).

As a researcher, I often encounter difficulties in identifying family firms; thus, I follow the basic principles of ownership, active family involvement in the management, and transgenerational aspects. This leads to using, in some cases, slightly different identifications of family firms, which fit the research in the available database or collected data the best. In all cases, it requires methodological rigor to define these companies to ensure we look at precisely what we intended. My two empirical papers show a slight difference in identification as data was only available on the first two prerequisites; meanwhile, in many cases, information on transgenerational aspects or self-identification is unavailable. Large-scale quantitative studies usually apply the first two criteria of recognizing family firms; thus, the ownership and the active involvement in the firm's leadership are common elements in the empirical study: (1) the family must own the company at least 50+1%, and at least one family member needs to be active in the management. The longitudinal research was based on an arbitrary sampling, and the company also met the two other conditions of transgenerational and self-identification. However, in the case of the third quantitative paper, data was only available about ownership and family involvement.

Chua, Chrisman & Sharma (1999, p. 25) identify family firms as: *"a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across* *generations of the family or families".* This is a widely accepted definition of the phenomenon and complies with my approach. Although it is worth pointing out that the part *held by a dominant coalition* does not necessarily declare that it should be ownership, permitting that the firm may have a lower ownership than 50%, the family must develop and shape the strategic direction. In several cases, authors use different terminology like "family-owned," "family-controlled," or "family-managed" companies. These also could be aligned with the definition when the family prevails the dominant coalition, which is not necessary but could be through ownership; family members are active in the organization's governance and management by providing (strategy) vision and having potential transgenerational intentions. In an Eastern-Middle European and Hungarian context, I think the dominant coalition is usually ensured by ownership and governance; one family holds the majority condition, and family members are active in the firm's management and leadership.

I would like to digress to an exciting aspect of defining family firms and discussing the use of the word "family" discourse within organizations. There have been critics of using the terminology family as we classify corporations, companies, organizations, firms, and businesses with the term. This discourse is used to construct a sense of emotional connection and closeness within the organization, even though it lacks the fundamental characteristics of a biological family, such as kinship and intimate relationships (Alakavuklar, 2009). This discourse has a paradoxical function within organizations as, on the one hand, it aims to create a sense of emotional connection and solidarity among employees. On the other hand, according to Alakavuklar (2009), it hides the contradictions and power dynamics inherent in any organization. Using the family language, organizations can create the illusion of a harmonious and cooperative environment while masking the tensions and conflicts arising from differences in power, status, and interests. The author argues from a critical discourse analysis point of view next to democratic and not manipulated workplaces.

The conclusion, I believe, is that with the power of language and the usage of words, the structural aspect of domination and control is built up. In this sense, how and in which context we define and use the word *family* is also essential.

Resource-based view

Meanwhile, Porter (1980) argues that industry forces strategically shape the market and the competition; the resource-based view (RBV) looks for specific resources and capabilities within the company, and combining the two can result in core competencies, reaching a (sustained) competitive advantage. The theory originated in the works of Penrose (1959). It was developed by authors of great repute such as Barney (1991), Wernerfelt (1984), Grant (1991), Rumelt, Schendel & Teece (1991), Hamel & Prahalad (1990) and was critiqued by Priem & Butler (2001) which contributed to the significant evolvement of the theory. The further development of the approach, which emphasized the role of capabilities from a dynamic and ordinary point of view, was introduced by Teece et al. (1997) and Eisenhardt & Martin (2000). The resource-based view was also studied (Kapás, 1999; Balaton, 2019; Tari, 2019) and applied by several Hungarian research (see Vilmányi & Hetesi, 2016; Chikán, Czakó, Kiss-Dobronyi & Losonci, 2022; Felsmann, Ferincz & Kárpáti, 2022).

Several strategic management theories provided a thorough understanding and analysis of the performance and competitiveness differences between family and non-family firms. One of the most applied lenses is the agency theory (Jensen & Meckling, 1976), which aims to understand the occurring agency costs between the owners and the management of the company. Other approaches have also been popular, such as the stewardship theory (Zahra et al., 2008), which assumes that family members follow the organization more remarkable than their own, or the dynamic capabilities (Weimann, Gerken & Hülsbeck, 2020) view, responding to technological and environment changes in general, which is particularly important for family firms due to their transgenerational desire. In my doctoral dissertation, although many of the mentioned strategic management aspects aim to explain the performance differences between family and non-family businesses, and professionalization can also be interpreted from an agency, stewardship, or institutional theory aspect, I choose to observe family business professionalization through the lens of the resource-based theory with a particular focus on capabilities. The RBV is an accepted and applied framework in the family business literature (Sirmon & Hitt, 2003; Razzak, Jassem, Akter & Al Amun, 2021). Family firms have a unique combination of resources and capabilities derived from the relationship between the family and the firm (Habbershon & Williams, 1999), distinguishing them from non-family businesses and being a potential foundation for reaching competitive advantage. Through the RBV, the research is expected to yield an exceptionally detailed and measurable comprehension and justification of changes within the framework of professionalization. Furthermore, this viewpoint provides a solid framework for conducting an organized analysis of the interactions between changes at the family and firm levels.

Professionalization

The professionalization of family firms is defined and interpreted in various ways. This was the primary reason I started my doctoral studies and dissertation with a systematic literature review, to grasp and get a holistic overview of the phenomenon, understanding it on different levels. Chapter II. of this dissertation elaborates on the main - and subdimensions of professionalization; my definition is that professionalization is a multidimensional value-creating transformation that encompasses four primary elements (Kárpáti, 2021): the professionalization of (1) members, boards, and employees, (2) organizational structure, processes, and operations, (3) work environment and organizational culture, (4) and the business family.

The definition developed in Chapter II. is applied in the longitudinal case study in Chapter III. with deductive logic. The reader may perceive slight differences in the level of detail of professionalization between the studies, as the company observed during the four years did not develop in every dimension identified by the model; thus, these are not necessarily presented in Table 4. at the end of the publication.

Competitiveness

Defining competitiveness is a challenging task. Although it can be interpreted on the level of products and sectors as well (Czakó, 2005), economists usually distinguish between two primary levels of analysis, a national (Porter, 1990) and a firm level (Chikán, 2006; Falciola et al., 2020). Chapter IV. of this doctoral dissertation aims to find answers to the competitiveness differences between family and non-family firms, measured by the Firm Competitiveness Index (FCI), which "*entails both market and financial, competitive advantage (CA), which ensues from both the technical and evolutionary fitness of the firm"* (Chikán et al., 2022, p. 3. The third, quantitative paper connects the FCI with the various compositions from a resource and capability aspect family and non-family businesses rely on.

I.2 Research goals

According to Maxwell (2009), three different research goals can be distinguished: (1) *practical, (2) personal,* and (3) *intellectual* goals. I will use this typology to present my research goals.

Practical goals are focused on achieving something or meeting some need. In my case, practical and personal purposes overlap. Completing doctoral studies comes with participating in different research groups, thus acquiring a broad overview of others' topics, learning from senior researchers, and contributing to personal development, coping with time pressure methodological and scientific challenges. My main practical goals are two folded: (1) to advance the Hungarian family firms in their managerial and governance aspects, to become more effective and competitive, (2) to provide tangible recommendations and advice on transformational activities for the family firm, meanwhile paying particular attention to the values, dynamics found within these type of organizations and unravel a path where both professionalization and preserving family identity can be achieved.

My *personal* goals with this research are rooted in my early years at the university. At that time, I realized that I would not like to become an economist in the traditional sense, predicting outcomes with models or dealing mainly with macroeconomics or microeconomics. I would rather be someone who can help others and companies aim higher and thrive. That is why I started as a management consultant at the end of my bachelor studies. After participating in various projects and industries such as IT, agriculture, and manufacturing and conducting in-depth interviews, I observed that Hungarian small and medium-sized companies lack management skills and knowledge. I decided that I would like to be someone who can change this situation and help these firms survive and become more efficient and competitive. With Hungarian firms coming to the age where the founders must pass the business to the next generation (Wieszt & Drótos, 2018), it becomes more important to use complex management systems.

In my family, we also experienced the opportunity of having our own business. However, the company carried out liquidation and bankruptcy proceedings and not information technologies or traditional industries such as agriculture, retail, or manufacturing; I had also observed the challenges my parents faced when it came to professionalizing the firm, introducing formal mechanisms instead of relying solely on instincts or informal discussions over the dinner table. Although our firm is not operating anymore, the experiences still live with me after all these years.

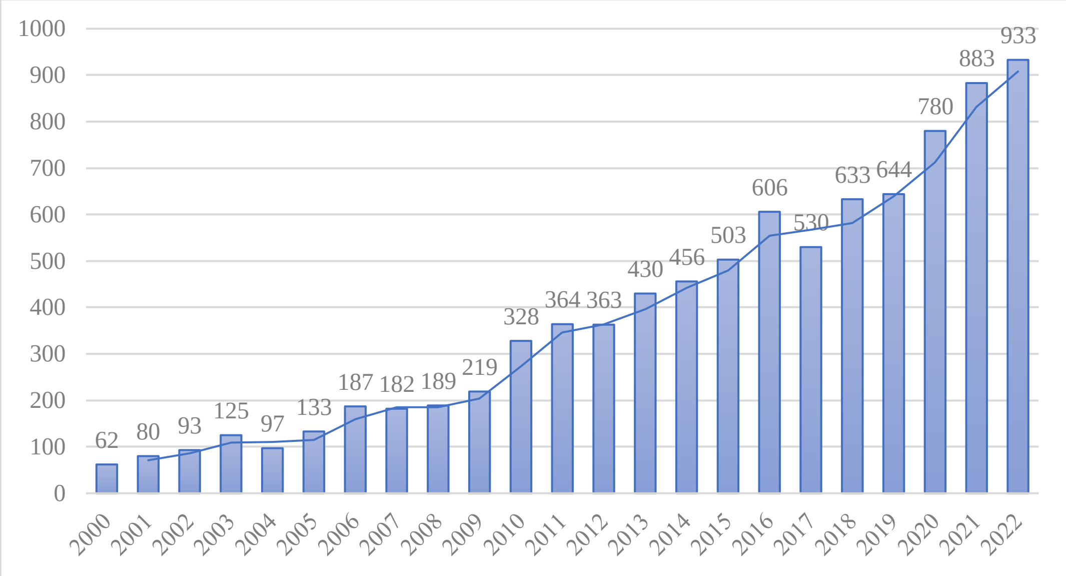
Finally, *intellectual* research goals include understanding something and gaining insight into a specific topic or issue. My main intellectual goals are (1) understanding the meaning and having a holistic view of how and why specific actions are taken in family firms and (2) by exploring these mechanisms, contributing to the international and domestic literature. Family firms are unique in their operation, and they parallelly deal with the combination of the business (family business) and the family (business family). The particular context in every firm is different; employees, managers, and family members act toward specific goals for other reasons and motivations. I aim to understand how events, actions, and meaning are formed in the observed family firms and how they occur the way they do.

Overall, the final intellectual goal is to get a better understanding of the world and the organizations that exist around us. People like to personalize companies and organizations as it is easier to talk and comprehend complex actions they do. A researcher intends to look over, delve deeper into the personalization and understand what is in the background; after all, behind the companies, the people always manage those firms based on distinct interests, goals, and motivations. This is especially interesting in the context of family firms as many companies bear the name of the founders, which is a great responsibility, no doubt their research has taken a significant development in the past decades.

I.2.1 Research problem and relevance of the research

Regarding the development of family business research, the number of published articles is a great indicator. Figure 2 shows that except for only a few years since 2000, the number of published papers has grown yearly in business, management, economics, and social sciences adding up to more than 8,800 papers published in the field, over the last two decades.

Figure 2. The number of articles published in family business research between 2000-2022 using the keywords "family business" or "family firm".

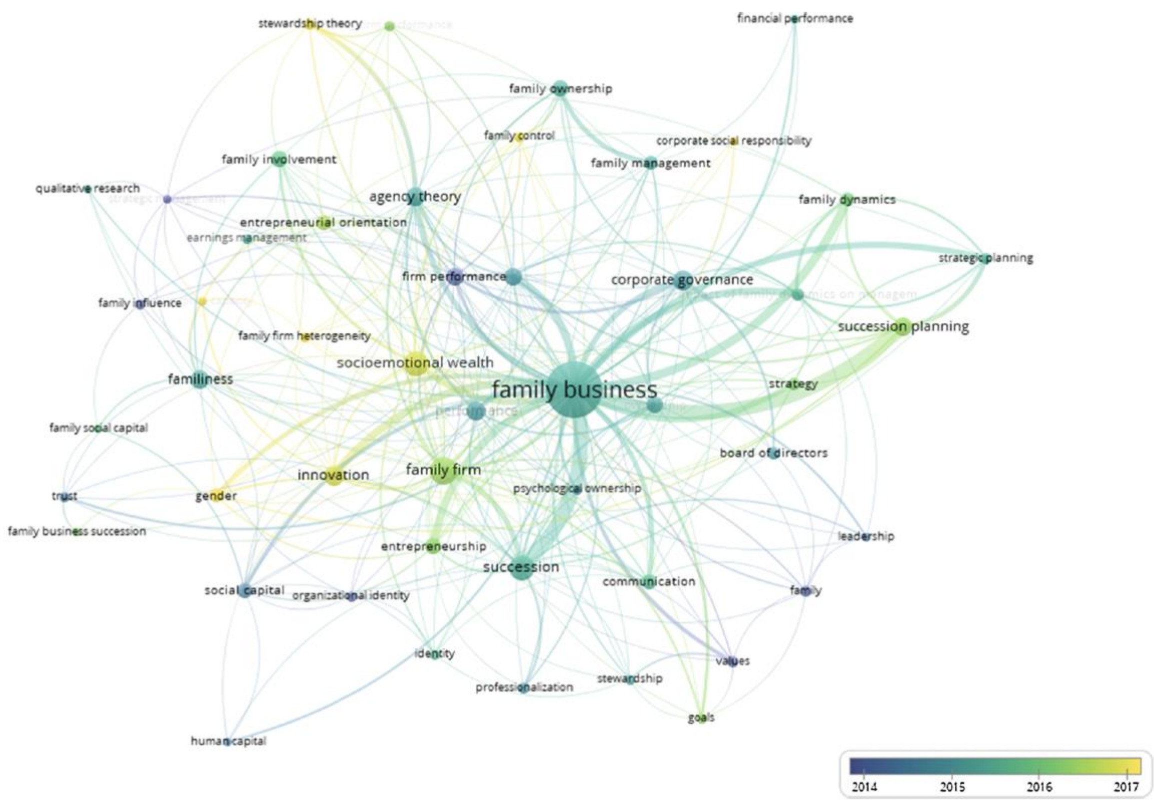


Source: own compilation based on Scopus database.

The growth rate of the published papers also shows a significant development as family business research became more popular. In 10 years, the number of papers quintupled, and by 2022, fifteen times more research was published than at the start of the century.

Family business research evolved into a scientific discipline over the past thirty years (Moores, 2009). Due to the considerable relevance of this type of organization has led to the born of three dedicated journals dealing with the focus of family firms, namely Family Business Review (FBR), Journal of Family Business Strategy (JFBS), and the Journal of Family Business Management (JFBM) (Rovelli, Ferasso, De Massis & Kraus, 2022). The authors conducted a bibliometric analysis between 1988 and 2020 and listed the top fifty most cited articles in one of the mentioned journals. Of those, several deals with the issue of family business professionalization, which shows the significant relevance of the topic. Moreover, the occurrence of authors' popular keywords also shows a strong relationship and interest in the phenomenon (Rovelli et al., 2022).

Figure 3. The co-occurrence of author's keywords in Family Business Review, Journal of Family Business Strategy, and Journal of Family Business Management and their evolution based on the Scopus database.



Source: Rovelli, Ferasso, De Massis & Kraus, 2022, p. 12.

Although the first publications about family business professionalization appeared around the 1990s, throughout the years it became more popular and reached its heyday in these three journals between 2015 and 2016. Of course, many other academic journals publish studies on the professionalization of family businesses, but Figure 3 is a good starting point to visualize the evolution and popularity of related papers. In a domestic environment, almost perfectly along with the international discussion, the first studies also started to appear in this area (see Németh, 2017; Németh & Németh, 2018).

The importance of the topic emerges from a strategic management approach. To better understand how to improve the performance of family businesses, empirical research on how family firms differ from non-family businesses and comparing them are fundamental (Sharma, Chrisman & Chua, 1997). Research areas of strategic management such as corporate governance, family business culture, the inclusion of family members and its problems (nepotism, altruism), succession issues, organizational structure, evolution, and change are also essential parts of professionalization; hence research focusing on these themes leads to a broader comprehension of what kind of systems and processes are likely to be the most effective for family businesses.

Family firms' research has been based on various strategic management theories such as agency theory (Jensen & Meckling, 1976), stewardship theory (Zahra, Hayton, Neubaum, Dibrell & Craig, 2008), resource-based view (Zellweger, Eddleston & Kellermanns, 2010), institutional view (Fang, Memili, Chrisman, & Welsh, 2012), or dynamic capabilities (Barros, Hernangómez & Martin-Cruz, 2016). Each has different "lenses" through which they perceive and analyze the relevant research context. As family firms are often seen as not-so-professional types of organizations, it is essential to address the research gap for several reasons: (1) to understand and examine how domestic family firms evolve and professionalize, what tools they use, and how these changes take place, (2) what impact family ownership has on corporate performance, would it be more beneficial for them to be more like - often referred to as professionally managed - non-family firms, (3) from a broader perspective, the more we assess their operations, the more targeted research and programs can be drawn up to improve their survival rate and competitiveness.

According to the organizational life cycle approach, professionalization is essential, not just in family businesses. As companies go through different phases over time (Greiner, 1972) and potentially grow in size, their operation becomes more complex regarding resources, capabilities, operation management, and strategy. As more people work in the company and new management levels are introduced, firms require different mechanisms to function efficiently and effectively. The evolution of professionalization in family business research started with underlining the usefulness of adapting non-family external managers, who are considered professional, into the management (Hall & Nordqvist, 2008). This belief originated from the approach that professionalization may not be initiated by family members but by externals with specific knowledge and expertise (Cattaneo & Bassani, 2020). Family firms are often reluctant to professionalize even when they have reached a more significant size due to reasons usually embedded in the family, such as nepotism or altruism (Dekker et al., 2013) or the lack of knowledge within the company (Dyer, 1989). As family businesses perceive different resources and capabilities vital like knowledge management, innovation orientation, or longitudinal investments (Sirmon & Hitt, 2003) and parallel, they are reluctant to professionalize their business, they lose the potential to gain a sustainable competitive advantage from being family-owned, and non-family firms that rely on operational efficiency, strategic design, and management can better advance.

Integrating non-family managers into a family business also has its limitations (Waldkirch, Melin & Nordqvist, 2017; Cattaneo & Bassani, 2020). Meanwhile family firm managers may have problem with intuitive decision-making and emotional influence within the company, non-family managers must adapt to the idiosyncratic characteristics of the business, along with the family values, behavior and culture.

I.2.2 The unique characteristics of family business research

As mentioned before, the number of research on family businesses has developed significantly in the past decades, and it is worthwhile to list a few of the many distinct family firm characteristics:

1) **The relevance of economic contribution:** family businesses make up more than 60% of all European companies (Botero, Cruz, De Massis & Nordqvist, 2015; Vágány, Fenyvesi & Kárpátiné-Daróczi, 2016) and data show that one or multiple families own most European small and medium-sized enterprises. In the United States, an estimated 80% of the 15 million businesses and 35% of the Fortune 500 companies are considered family (Lussier & Sonfield, 2004). In Hungary, they also play a significant role as they make up approximately 50% of all businesses (Wieszt & Drótos, 2018).

2) **Corporate performance comparison of family and non-family businesses:** family firms have distinctive capabilities and resources which non-family firms don't (Habbershon & Williams, 1999) thus comparing the effect of ownership on corporate performance (Anderson & Reeb, 2003) innovation (De Massis, Frattini, Petruzzelli & Wright, 2016; Matzler, Veider, Hautz, & Stadler, 2015) growth (Moreno-Menéndez & Casillas, 2021) and governance (Wieszt, 2019; Csákné Filep & Radácsi, 2020) can answer important, counterintuitive research questions and hypothesis.

3) **Heterogeneity of family firms:** research carried out by Salvato & Aldrich (2012) revealed that family business expert scholars are particularly interested in focusing on dominantly on family-specific issues, such as altruism

(Schulze, Lubatkin & Dino, 2003), socioemotional wealth (SEW) (Gomez-Mejia et al., 2007), nepotism (Dekker et al., 2013) and succession (Suess, 2014). These unique problems only arise in the family business context, and they stand out, making them particularly interesting.

4) **Challenging existing organizational theories:** as Kuhn (1996) mentioned, paradigms are open-ended so scholars can highlight specific topics from different perspectives. Family business research focuses not only on "borrowing" from existing theoretical frameworks but aims to extant, challenge, or contrast organizational theories (Salvato & Aldrich, 2012).

To sum up, family firms play a vital role in every country's economy with outstanding attributes of employment (Botero et al., 2015), long-term investments (Le Breton-Miller & Miller, 2006), financial position (Anderson, Reeb & Mansi, 2003) and flexibility (Gubitta & Gianecchini, 2002). Although comparing corporate performance and competitiveness between family and non-family members has led to some essential articles, many authors argue that the heterogeneity of family firms is a distinct research area. Research should focus on carving out these distinctive individualities among family firms rather than just comparing them with non-family businesses in terms of financial or other measurements.

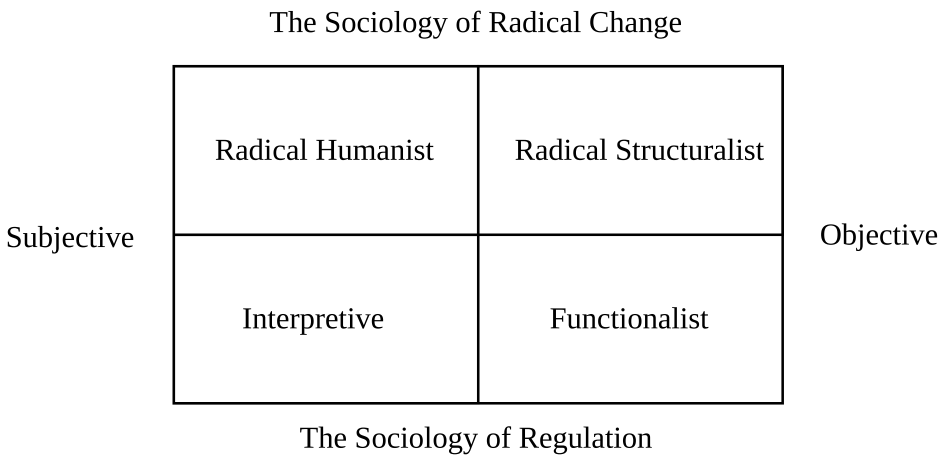
I.3 Paradigmatic stance

Definition and history of the field

Kuhn (1996) interpreted paradigms as what the members of a scientific community share (Moores, 2009), where scientific means making sense out of reality. They can also be understood as specific accepted patterns of scientific practice, models from which distinct, coherent traditions of scientific research emerge (Drótos, 2001). They are a shared set of assumptions, concepts, values, and practices that guide scientific research within a particular discipline. Burrell & Morgan (1979) later stated that by a paradigm, an established common approach and an accepted collective and often an implicit pattern of action is meant. A paradigm can also be understood as a sum of the basic assumptions researchers apply to the nature of reality, acquisition of knowledge, and methodology (Scherer, 1995; Baksa, 2023).

Family business researchers rarely talk about which route they follow, and they often combine and mix the paradigmatic stance with the study's methodology. Leppäaho, Plakoyiannaki, & Dimitratos (2015) examined 75 articles about qualitative case studies and found that most of them (67) followed positivism, and just a few of them (7) interpretivism and only one critical realism. They highlight the importance of positioning any research paper in terms of its epistemological and ontological orientation; meanwhile, the discussion about these topics was very limited in the analyzed qualitative case studies. The authors differentiate three types of case study methods in qualitative research: positivistic, interpretivist, and critical realist. As the positivistic can be related to the taxonomy of Burrell & Morgan (1979) in functionalism, the interpretivist in the interpretative and the critical along the middle of radical humanism and structuralism quarter (see Figure 4). Although, it is only a relatively narrow piece of understanding the paradigmatic stance of family business researchers. Nordqvist, Hall & Melin (2009) also found only eleven papers that adopted an interpretivist approach to the study of family firms.

Figure 4. Taxonomy of the Burrell & Morgan matrix.



Source: Burrell & Morgan (1979, p.22).

The lack of elaborated discussion on paradigmatic approaches is not necessarily a lack of awareness. There could be several reasons why the papers do not state in detail their epistemological or ontological point of view: the authors position themselves in the "mainstream" positivistic approach; thus, they feel it should not be discussed thoroughly, or they think that elaborating on epistemological and ontological parts could draw the attention from the focus of the studies. The idea of devoting more focus to the "methodology" rather than just the "methods" is assured by Micelotta, Dorian & Glaser (2020). The authors argue that these are critical as different methodologies provide different ways of generating theory.

In Burrell and Morgan's (1979) matrix, family business research can be in any quadrant based on the approach of the authors and the applied methodology. Objectivist assumptions belonging to the functionalist quadrant linked to the positivistic approach take reality as a concrete given, something that could be understood with empirical observation and can be viewed as generating knowledge in the form of measurable regularities or laws and patterns. In contrast, subjectivist assumptions associated with the interpretative approach support that knowledge is socially constructed and a product of the human mind; thus, objective observation of reality is impossible (Leppäaho et al., 2015; Micelotta et al., 2020).

Family business research and the issue of professionalization could be observed from various paradigmatic stances, positivist, interpretative, or critical. Sometimes one paradigm may be "closer" to a topic, and when researchers clarify their viewpoints, it helps to give a holistic view and gain a better percetion of their applied approach. Professionalization aims to understand a family firm's development from several points of view, such as strategy, governance, organization structure and processes, cultural and human resources, and the relationship between the family and the firm-related issues. Focusing on various parts of evolvement, professionalization always (should) result in some concrete, graspable actions and events, which can be observed. This leads to a positivistic approach; hence, my research occurs in the functionalist right bottom corner of Burrell & Morgan's matrix.

While the research area of professionalization is still going through significant development, the functionalist approach helps both from an inductive, theory-building and deductive, theory-testing point of view. As professionalization is rather a process than a one-night event process, studies from a positivist approach are also beneficial (Langley, 1999; Cloutier & Langley, 2020). This phenomenon would occur in the sociology of regulation, which does not question the current social order.

To understand why this is characterized by an objectivist rather than a subjectivist approach, it is worth considering the assumptions of the nature of social science:

a) **Ontology (nature of existence):** the „mainstream" in family business research is the realism approach; knowledge or relativity can be understood with empirical observations and precedes an individual's constructed image of reality. For example, professionalization, like developing formal performance evaluation systems, can happen without some members acknowledging its existence.

b) **Epistemology (nature of knowledge):** professionalization could be understood by observing firms and described in a positivistic approach. The researcher would not change their “reality” by examining professionalization in family firms.

c) **Methodology:** the predominant approach by family business scholars is the positivistic approach and the case study method (Micelotta et al., 2020), which could be single or multiple case studies. These authors often refer to the qualitative positivist stance.

d) **Human nature:** from socially constructed or behavioral aspects, the process of professionalization can be interpreted differently and from various interests. At the same time, actors act distinctly to reach their independent goals; these individual decisions are primarily determined by the environment (the firm) in which they are embedded.

Strategic management lenses

As the field of strategic management has continuously evolved, new approaches have been introduced in family business research, and it’s worth looking at these often-called paradigms[2]. It is essential to mention that the epistemological and ontological approaches are not mutually exclusive with strategic management point of views, they co-exist and contemplate each other.

- **Agency theory:** building on the work of Jensen & Meckling (1976) and Fama & Jensen (1983), this perspective emphasizes the conflicts between family members and the firm's interests. It suggests that agency problems can arise in family firms when family members who are also managers or owners prioritize their interests over those of the firm.

[2] Strategic management approaches are defined rather lenses than paradigms. In my understanding, paradigms represent a different level, but for completeness, it is essential to mention that researchers often conflate these terms.

- **Stewardship theory:** as opposed to the agency theory, this perspective emphasizes the importance of stewardship and the responsibility of family members to preserve and grow the family business over time. It suggests that the steward follows the organization's interests more than his claims. This allows the principal to reduce his transaction costs with the agent significantly. However, this requires fiduciary risk-taking that not all owners are willing to take (Zahra et al., 2008; Málovics & Farkas, 2021).
- **Resource-based view:** focusing on resources and capabilities which can lead to competitive advantage has a long history (Wernerfelt, 1984; Barney, 1991; Grant, 1991) and applied in a family research business context, is also widely used with particular focus on the idiosyncratic combination of capabilities and the family can develop (Habbershon & Williams, 1999, Zellweger, Eddleston & Kellermanns, 2010; Frank et al., 2017; Kárpáti & Drótos, 2023). It suggests that family firms can leverage their unique resources, such as their family culture, reputation, and social capital, to create sustained competitive advantages.
- **Dynamic capabilities:** building on the foundation of the resource-based view, the dynamic capabilities perspective argues that organizations' core competencies change and evolve over time. Competitive advantage can only be built based on existing or new knowledge (Eisenhardt & Martin, 2000; Sirmon & Hitt, 2003) or developing new resource combinations based on these capabilities (Farkas, 2022).
- **Organizational ambidexterity:** focusing simultaneously on the present (exploitation) and the future (exploration) is not only a challenge for non-family organizations (Taródy, Ferincz, & Kárpáti, 2021) but also a vital objection for family firms to achieve long-term competitiveness and success where the top-management-team (TMT) has an essential role (Kammerlander, Patzelt, Behrens & Röhm, 2020).
- **Social constructivist perspective:** one common approach which emphasizes the role of social and cultural factors in shaping family business practices and outcomes. This perspective recognizes the complex interactions between family dynamics, business goals, and societal context in shaping the behavior

and performance of family firms (Gomez-Mejia, Cruz, Berrone & De Castro, 2011).

- **Behavioral perspective:** drawing insights from psychology and organizational behavior to understand family business phenomena. This perspective often focuses on decision-making, leadership, and succession planning within family firms (Schulze, Lubatkin & Dino, 2003).
- **Institutional theory:** the importance of social norms, cultural values, and institutional pressures in shaping family business behavior and outcomes. It suggests that family firms operate within a broader institutional context that shapes their behavior and performance (Fang et al., 2012).

I.4. Research gaps and research questions

My dissertation aims to address the research gaps by (1) conceptualizing the phenomenon of professionalization and developing an integrated model that can be applied within the family business research with its peculiarity (Chapter II.), to go beyond the simplification of defining professionalization as simply involving non-family, external managers in the management, (2) exploring the relationship between the dimensions of professionalization and understanding the most critical resources and capabilities family firms focus on while professionalizing their business (Chapter III.), (3) compare family and non-family businesses based on their approach to resources and capabilities and understand which specific configurations lead to better operation, hence a higher level of professionalization and competitiveness (Chapter IV.).

According to Kammerlander & De Massis (2020), everything starts with a good research question. The following two chapters aim to present a clear overview of the papers regarding the identified research gaps and findings with the applied methodology, summarized in a table at the end of this section. They are introduced here because although the detailed questions, methodology, and findings are presented in each separate paper, there is a strong connection between the three articles from a theoretical and an empirical point of view. Both in methodology and from a theoretical positioning, the papers rely on each other; the systematic literature review created the baseline to carve out the dimensions of family business professionalization and explore potential research gaps that have partly emerged before with the development of good research questions. The analysis of the medium-sized family business from an RBV aspect shed light on the different aspects of resources and capabilities family firms perceive as vital or essential while professionalizing the business and operating the company, and this led to the question of which configuration of capability and resource family and non-family firms rely on a bigger scale and which leads to a higher level of competitiveness. Analyzing the compositions of resources, the article provides an in-depth understanding of which specific resources are of utmost importance and leveraged for family firms.

Chapter II. - Professionalization of family firms – A systematic literature review

One of the significant research gaps in the systematic literature review is that the field lacked a shared understanding of what professionalization meant. Several studies have been published over the past twenty years, and every research applied a slightly different method, partly building on previous research but simultaneously developing and creating new dimensions and findings.

Starting doctoral studies with the relevant literature review is beneficial for several reasons: (1) we can understand the ongoing international and domestic discussion related to our research topic, (2) identify the most important studies and papers on the field that can serve as a guideline and be built upon, (3) and help us delineate the research gaps currently which should be assessed. When I started my doctoral journey and family business professionalization became my topic, I found no systematic literature review from the past 20 years; thus, conducting one seemed reasonable. In my first article, I seek answers to the questions below:

RQ1: What results and models can be found concerning the professionalization of family firms?

RQ2: What is the definition, and how does the international and domestic literature interpret professionalization in family business research?

RQ3: What are the impetuses and impediments for family firms to professionalize their business?

The first two research questions are explicitly mentioned in the paper and were initially integrated into the research design. The third research question is formulated from an implicit research goal to grasp a more profound understanding of why or why not family firms want to professionalize their business and what are the theories that support family business professionalization or, on the contrary, against it. The findings concerning the three questions were significant in developing the proposed research gaps and questions in the subsequent paper.

Chapter III. – How should we professionalize our family business? – Experiences from a longitudinal case study

The second article answers the call of the theorization and conceptualization of the first paper, building on the findings and applying them in empirical research. The study aimed to understand the interrelations between the dimensions and their effects on each other by analyzing the resources and capabilities that changed throughout professionalization.

From the literature review findings, where several assumptions emerged regarding the connection and interdependency of the dimensions of professionalization, a qualitative longitudinal case study was conducted to find answers about the professionalization of a typical Hungarian medium-sized business. Data was gathered from a previous study in 2017 and 2021, where we interviewed the same managers. In the second article, we wished to find answers to the following questions:

RQ1: What changes do – or must – a family business undergo regarding resources and capabilities during professionalization?

RQ2: Which dimensions of professionalization are favored, and which are lagged?

RQ3: What is the relationship between the different dimensions of professionalization?

RQ4: What is the effect of higher levels of professionalization in specific dimensions on the dimension(s) left behind?

The article also revealed the connection between the dimensions of professionalization and presented a detailed observation of how the changes occurred, with the family owner and the non-family business managers as crucial actors in the process. The paper also elaborates on the identified changes from an RBV aspect, underlining the critical elements of the professionalization process.

Chapter IV. - Relationship between different resource and capability configurations and competitiveness – comparative study of Hungarian family and non-family firms

The third quantitative study presents and seeks an answer to the frequently asked question, which type of ownership can be considered more competitive, family, or non-family? The study applies a resource-based approach to grasp the ownership structures' differences and collate them with a competitive index.

The findings of the second paper were a significant facilitator in conducting the quantitative study based on the survey of the Corvinus Competitiveness Research Center. The longitudinal research found that the firm does not invest in the relationship between the family and the business (succession plan, family council); however, the founder is above retirement age. Instead, the middle managers were the main actors who pursued the company's changes and professionalization to reach a higher level of practical operation and a more professional image to suppliers, partners, and customers. After these results, we were particularly interested in a more significant sample: what resources and capabilities do Hungarian small and medium-sized family firms acquire and perceive as essential as opposed to non-family businesses, and which strategy is more competitive? In the third article, we were looking for answers to the following research questions:

RQ1: What different configurations of resources and capabilities do Hungarian family and non-family firms show?

RQ2: How do different configurations of resources and capabilities among Hungarian family and non-family firms affect competitiveness?

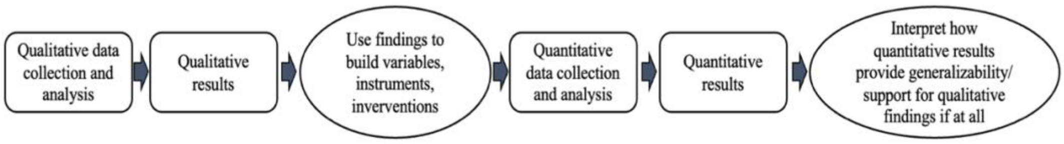
The results were exciting, and the propositions were assured that family and non-family firms differ in competitiveness and choose distinct resources and capabilities. Non-family businesses tend to focus on more managerial aspects such as effective governance mechanisms, operational capabilities, and management knowledge; meanwhile, family firms invest more in their network capital, innovativeness, and adaptability. This complements the findings of the longitudinal study where the non-family managers pursued the managerial professionalization of the company, and the managing director (MD) turned to higher priority tasks such as contract and client management.

I.5 Research methods

In this chapter, I present the foundations of my empirical research. Even though relevant research methodology is outlined in each compiled paper (in the central parts of my doctoral dissertation), I believe it helps the readers better understand the article's connection and structure.

Reilly & Jones (2017) define three basic types of mixed methods: convergent, explanatory, and exploratory sequential designs. The variable in all three models is time; they distinguish the models based on when each part of the research happens. In the exploratory sequential design, qualitative and quantitative analysis occur subsequently, and then after a merge result for comparison, an interpretation develops. I applied this mixed methodology (Reilly & Jones, 2017), which included qualitative and quantitative research supplemented with a literature review. Figure 5. presents the structure of the design used.

Figure 5. Exploratory sequential design of applying qualitative and quantitative research.



Source: Reilly & Jones, 2017, p. 188.

In the exploratory sequential design, qualitative and quantitative research are interpreted together to understand the similarities or differences the studies may find. The research on family business competitiveness showed that Hungarian small and medium-sized family businesses are less likely to invest in their management know-how than their relationship capital and knowledge management. In a Hungarian context, it can be interpreted that these firms are not big enough to look for international opportunities; they tend to turn inwards and look for a business opening in their immediate environment (national and EU tendering opportunities, legislative changes, cooperation with suppliers and partners). Also, they do not necessarily have sufficient management knowledge to govern their companies more professionally as their opposed rival's non-family businesses do. They rely on different capabilities and resources to reach competitiveness. Qualitative and quantitative studies contemplate each other and help us understand how family businesses could and should professionalize their business.

Literature review

The second and the third article are positioned in the resource-based theory of the firm. Hence my systematic literature review of family business professionalization is a precursor to these papers, underlining and understanding the multidimensional aspects of the phenomenon. Critical components of a systematic literature review are being structured, comprehensive, and transparent (Hiebl, 2021). Being structured means that the research should be conducted in an ordered or organized way rather than randomly. Comprehensive means the analysis should cover all relevant literature, not leaving out influential or essential field studies. In this sense, transparency is related to the research process; reporting and describing the sample selection is vital for other researchers to trace the review ultimately. In my systematic literature review, I followed a database-driven approach and the snowball method based on the most cited papers in the field.

During the screening and identifying phase (Xiao & Watson, 2019), 400 papers were found in EBSCO, JSTOR, and ScienceDirect databases. After applying several filters to the research and excluding duplications, approximately 70 papers related to family business professionalization were identified. The research was also extended with a snowball method, relying on the papers of Stewart & Hitt (2012) and Dekker et al. (2013), the two most influential papers in the field. Cross-checking was carried out to avoid missing essential studies in the field using other databases such as Google Scholar and Scopus.

In the second and third papers, a relevant review of the literature was carried out based on the (1) identification of relevant research items, (2) screening of applying exclusion criteria, (3) eligibility, finding the full texts on the topic with relevant methodology, (4) inclusion of the final studies (Xiao & Watson, 2019; Hiebl, 2021). Identifying and building on the relevant papers was essential to find relevant literature by conducting research based on keywords and the snowball method in databases such as Scopus, Google Scholar, JSTOR, ScienceDirect, and ResearchGate.

The methodology of finding the relevant literature has significantly developed over the years, and researchers should follow a vigorously strict method when conducting such research. Researchers must know that refining and continuing to identify the relevant literature is an iterative process, as new studies and papers are continuously published.

Qualitative research – Longitudinal case study

The longitudinal case study presented in this paper was solidly designed on the work of Miles & Huberman (1994), Yin (2003), Eisenhardt & Graebner (2007), Gibbert, Ruigrok & Wicki (2008), Bansal & Corley (2012), De Massis & Kotlar (2014), and Leppaäho et al. (2016).

Case studies play an essential role and represent one of the most adopted research methods in organizational studies (De Massis & Kotlar, 2014). They also have been the most used qualitative methodology in family business research (De Massis et al., 2012). Research to fully understand organizational phenomena in a family business context must combine multiple perspectives and navigate various levels of analysis (triangulation). The case study design is a well-suited methodology that relies on numerous sources of evidence (Yin, 2003). Case study research is particularly appropriate for answering questions about how and why or describing a phenomenon and the real-life context in which it occurred (Pettigrew, 1990; Miles & Huberman, 1994; De Massis & Kotlar, 2014).

The case study is a powerful method for conducting research. Still, it has some essential criteria ensuring the highest quality available: (1) choosing the case study design, (2) defining the unit of analysis, (3) sampling the cases, (4) collecting the relevant information, (5) analyzing the data, (6) visualizing and presenting the results, (7) ensuring validity and reliability (Yin, 2003; De Massis & Kotlar, 2014). Each step has its individualities, and researchers must pay special attention to them.

In this paper, we intentionally applied the longitudinal case study method instead of a cross-sectional one, which would only allow us to build the case from a single point of contact with the firm. Instead, the company's evolution was observed over four years, as well as its development regarding the dimension of professionalization. The research applied a comparative case study method (Pettigrew, 1990), comparing the firm's development between the first phase until 2017 and the second between 2017 and 2021. While longitudinal studies are iterative field studies, with data collection concerns such as verification and observation, we acquired the most possible information from various sources (Pettigrew, 1990; Yin, 2003), such as in-depth interviews, documentary and archive data, and observational material. In-depth interviews with key stakeholders were conducted in 2017 and 2021, while the management remained unchanged. This was an elemental part of the research. Because the same interviewees participated in the study during both phases of data collection, they had a thorough understanding and a holistic overview of the four-year-long changes; they could elaborate on what, why, and how aspects. More than 30 hours of audio material and more than 200 pages of transcripts were recorded to develop a comprehensive understanding of the firm's situation. Data was analyzed with qualitative data analysis software (NVIVO 11), and open coding and thematic analysis were applied to the text. The transcripts were shared with the participants upon request to ensure internal validity. We also analyzed documents created by the company's leadership, which aimed to enhance the operations, and attended several internal management meetings and discussions during the field work.

Quantitative research - Factor, cluster, and cross-tabulation analysis

The results of the longitudinal case study led to the development of the research questions of the different configurations regarding resources and capabilities among family and non-family firms and their effect on their competitiveness.

The research methodology consisted of three main steps: (1) As the survey of the Corvinus Competitiveness Research Center's in the sixth wave consisted of more than 1200 variables, we chose 32 as representation to identify the essential resources and capabilities of the firms. However, this number of variables is still considered high; thus, a principal component analysis was conducted to limit the dimensions, which resulted in five main components. Exploratory factor analyses are an excellent method to reduce the number of variables; thus, researchers can work with fewer dimensions with explanatory power for the whole (Hair, Black, Babin, Anderson & Tatham, 2006). (2) Based on the factor analysis, a k-means cluster analysis was carried out to explore family and non-family firms relying on what types of resource and capability configurations. Cluster analysis aims to create homogeneous groups based on the factors or variables to make them comparable (Kovács, 2014). (3) Finally, a cross-tabulation analysis was applied between the cluster IDs and the Firm Competitiveness Index to evaluate family or non-family firms to reach better competitiveness. All three quantitative methods are widely used and accepted techniques in management research (Szüle, 2016).

Table 1. Summarization of the research gaps, questions, and applied methods of the dissertation.

Research method	**1. Literature review**	**2. Qualitative study**	**3. Quantitative analysis**
Research gap	Conceptualization of family business professionalization, model-building	Exploring the relationship between the different dimensions of professionalization Identifying the resource and capability changes a family firm undergo while professionalizing	Based on a resource and capability aspect, exploring the level of professionalization and competitiveness in terms of ownership structure
Theoretical background	Family business professionalization-related papers, both theoretical and empirical	Resource-based view	Resource-based view
Research questions	**RQ1**: What results and models can be found concerning the professionalization of family firms? **RQ2**: What is the definition, and how does the international and domestic literature interpret professionalization in family business research?	**RQ1:** What changes do - or must - a family business undergoes regarding resources and capabilities during professionalization? **RQ2:** Which dimensions of professionalization are favored, and which are lagged? **RQ3**: What is the relationship between the different dimensions of professionalization? **RQ4:** What is the effect of higher levels of professionalization in specific dimensions on the dimension(s) left behind?	**RQ1:** What different configurations of resources and capabilities do Hungarian family and non-family firms show? **RQ2:** How do different configurations of resources and capabilities among Hungarian family and non-family firms affect competitiveness?
Research methodology	Systematic literature review	Qualitative, comparative longitudinal case study	Quantitative, large-scale analysis
Sample size	70+ articles	Arbitrary sampling, n=1	n=111, 53 family and 58 non-family firms
Research period	October-November, 2020	September-November 2017 August-October, 2021	March-May, 2023
Data collection	EBSCO, JSTOR, Science Direct, and Google Scholar databases	Qualitative in-depth interviews Analyzing internal company documents and financial data available from public database	Database of the Competitiveness Research Center of Corvinus University of Budapest based on a sample of 234 questionnaire
Data analysis	Content analysis	Content and text analysis, open coding	Factor, cluster, and cross-table analysis

Source: own compilation.

I.6 Validity aspects

At the end of each paper, I stated some limitations regarding the carried-out research, but I believe the validity questions should be mentioned here.

The literature distinguishes four types of validity (Yin, 2003; De Massis & Kotlar, 2014): construct, internal, external validity, and reliability:

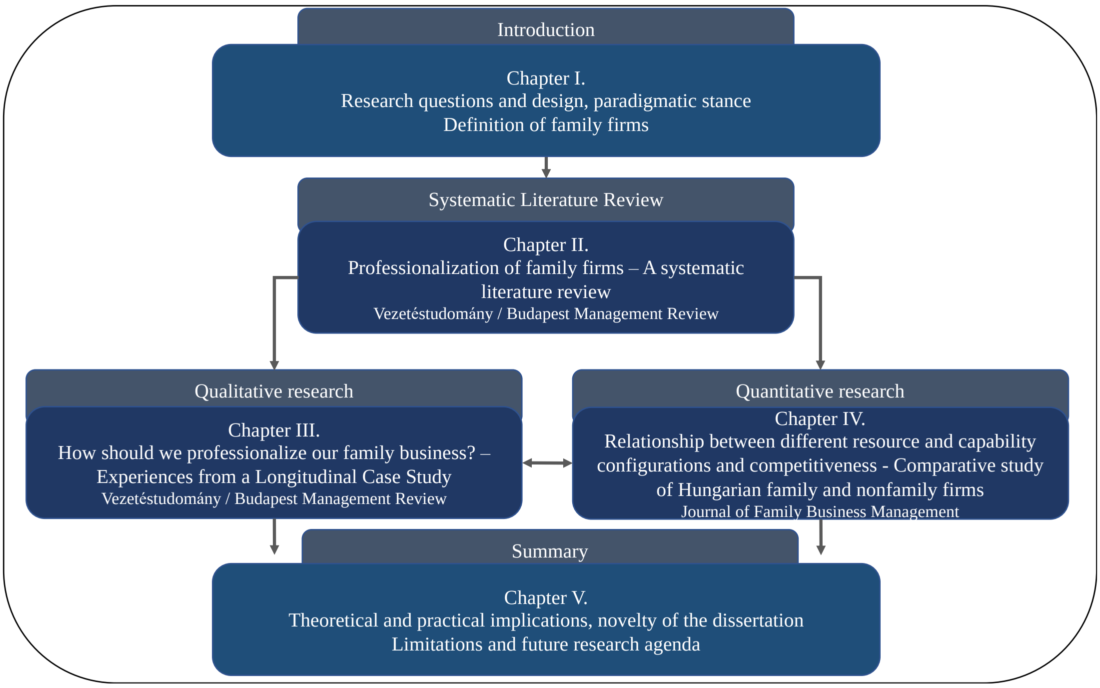
- **Construct validity** refers to the extent to which a study investigates what it claims to examine, that is, the quality of conceptualization or operationalization of the relevant concept. One of the main issues for researchers who apply the case study method is they tend to use subjective judgments rather than a fact-based set of measures. To enhance construction validity, gathering information from various sources and assuring the data analysis from multiple perspectives is crucial. In the case of the qualitative case study, information was gathered from various sources such as the company's website, financial database, internal company documents, and in-depth interviews. Another suggestion is to share the transcripts and drafts with the participants (as I mentioned in the qualitative session) to ensure transparency and consistency.
- **Internal validity** refers to the data analysis phase and establishing causal relationships between variables and results. In the quantitative study, all analyses fell at the 5% significant level.
- **External validity** refers to the definition of the domain to which the findings can be generalized. Regarding the qualitative case study, we could talk about transferability (Maxwell, 2009) rather than generalizability. In the quantitative survey, the analyzed sample in terms of industries represented the Hungarian economy from a gross-value-added point of view in a significant way and the database is also considered representative among the Hungarian medium-sized firms.
- **Reliability** refers to the extent to which subsequent researchers arrive at the same results if they conduct the study again with the same steps. A thorough description of the data analysis in the quantitative survey allows researchers to replicate the study in Hungarian in a different context. However, one of the

limitations of the qualitative case study is that conducting the same research is not possible, which is precisely why it is even more important for researchers to be careful in defining and carrying out the steps of a case study.

I.7 Structure of the dissertation

In the first part of the paper, I introduced my research goals, delineated the research field and the research design, and my paradigmatic stance. I emphasized the unique characteristics of family business research, presented my research questions, and addressed the applied methodology and validity questions. In the following chapters of my doctoral dissertation, I demonstrate my findings in three related sub-topics of family business professionalization from two already published papers, and one is currently under revision. Chapter II. defines the definition of professionalization in the family business research context, presents its main benefits and impediments, and draws up a new multidimensional construct of the phenomenon. Chapter III. applies the found dimensions of professionalization in a longitudinal case study and analyzes the process from a resource-based point of view. Chapter IV. presents the results of an extensive quantitative survey on family ownership and firm competitiveness. Finally, Chapter V. describes the findings' theoretical contributions and managerial implications with potential further research outlines.

Figure 6. The structure of the dissertation.



Source: own compilation.

II. Professionalization of family firms – A systematic literature review

Abstract

The number of literature on the analysis of family businesses has increased significantly in recent years, thus showing the high importance of the topic. In the life of a national economy, family businesses occupy a prominent place regarding their contribution to the economy and the added value they produce. However, less attention has been paid to the professionalization of family businesses and the exploration and presentation of the related literature. In the context of family businesses, professionalization initially meant nothing more than hiring an outside, non-family manager. Today, the content of professionalization has expanded, and a multidimensional model has evolved. This study aims to present the most crucial international literature on professionalization and provide a comprehensive overview of published studies. The literature review mainly summarizes the results of the last twenty years and closely related articles.

Keywords: family businesses, professionalization, impetuses, impediments, multidimensional model

II.1 Introduction

Family businesses play an essential role in the life of an economy. Based on the research of recent years, we now know that the contribution of family firms to the economy is significant; they account for 40-70% of the world's GDP (Zellweger, 2017) and also play an important role in Hungary, as half of the domestic companies are family businesses (Csákné Filep, 2012; Wieszt & Drótos, 2018). Due to their importance, we must pay close attention to how these companies evolve and what changes they undergo to grow and become more efficient and competitive. Several Hungarian publications dealt with small and medium-sized enterprises (Salamonné Huszthy, 2006) and family firms (Málovics & Vajda, 2012; Kása, Radácsi & Csákné Filep, 2017; Wieszt & Drótos, 2018), and some of them appeared in Budapest Management Review (Noszkay, 2017; Szépfalvi & Bogdány, 2019) and contributed to the qualitative expansion and improvement of the literature on family businesses. In recent years, the professionalization of family businesses has received prominent attention in the international literature (Stewart & Hitt, 2012; Dekker, Lybaert, Steijvers, Depaire, & Mercken, 2013; Dekker, Lybaert, Steijvers, & Depaire, 2015; Camfield & Franco, 2019) but a domestic publication has also been published in this field (Németh & Németh, 2018).

Calls for professionalizing family firms have a long history since they were usually depicted as an unprofessional or outdated type of organization (Chandler, 1977). Within the family business literature, professionalization is an increasingly interesting phenomenon for scientific research (Stewart & Hitt, 2012; Madison, Daspit, Turner, & Kellermans, 2018).). As an organization grows, more employees and managers are needed to manage the company. For family companies, this often means hiring and integrating an external manager (Dyer, 1989; Klein & Bell, 2007; Zhang & Ma, 2009; Stewart & Hitt, 2012). In terms of family businesses, early publications identified professionalization as nothing more than the recruitment of a non-family external CEO (see Klein & Bell, 2007; Zhang & Ma, 2009), but recent studies and articles (Stewart & Hitt, 2012; Dekker et al., 2013; Dekker et al., 2015) claimed that professionalization is, in fact, a multidimensional paradigm. It involves recruiting external managers and appears in creating formalized systems, be it financial control, management, or human resource systems (Gimeno & Parada, 2014). This idea is also confirmed by Polat's (2021) study, which is based on theoretical analysis. It considers the professionalization of family firms to be a broader concept that includes management structures and hiring external managers, such as boards and councils, formal financial and human resource control mechanisms, or formal strategic planning.

Nonetheless, in most research, professionalization is still identified with recruiting one or more external managers, thus representing a narrow view. Hall & Nordqvist (2008) also address this paradox by stating that family managers are often seen as non-professional managers who have inherited their roles, regardless of their professional and educational background and relationship with the business. Furthermore, non-family managers, apart from their experience and relationship with the company, seem professional by nature.

My study aims to present the definitions, analyses, and results of the professionalization of family firms by reviewing and summarizing the relevant international literature and placing the topic among the focus areas of Hungarian scientific research, thus facilitating and substantiating the preparation of future research. Furthermore, research suggests that family businesses differ in professionalization (Madison et al., 2018). In this way, the presentation of the topic in Hungary can contribute to a deeper understanding of the operation and heterogeneity of family companies and provide practice-oriented advice and experience for practicing company managers on what professionalization means for a family business.

In my literature review, I present the conceptual definition of professionalization, its advantages and disadvantages in the case of family businesses, and how they exist, both in terms of theoretical literature and empirical research. Following the review, I summarize the main findings in a table of my study from the publications reviewed, paying particular attention to the dimensions of professionalization.

My study follows the methodology of a literature review. A thorough literature review provides insight into current "issues" in the research topic (Hart, 2018), pointing out what is new at the international level in academic circles. By searching for and reviewing the literature on the case, it is possible to summarize the issue and form research questions (Rowley & Slack, 2004). Besides, literature analysis also provides a solid basis for subsequent empirical research, revealing unknown areas to be explored (Webster & Watson, 2002). The literature review is a step after collecting literature, including the analysis, critical appraisal, and synthesis of journal articles and other scholarly works filtered and selected according to specific criteria and a given research question (Hart, 2018).

I used a mixed methodology (Grant & Booth, 2009) to search and process the literature. First, I used a keyword search and then a targeted search based on reference lists and the snowball method. Based on my prior knowledge of the keyword search, I filtered for journal articles in the EBSCO, JSTOR, and Science Direct databases that included, in their titles, keywords or abstracts: (1) *"family business*" or "*family firm,"* (2), and *"professionalization" or "professional management*," (3) and "*performance*." I included the keyword "*performance*" among the keywords as several authors have examined the impact of professionalization on performance (see Dekker et al., 2015).

During the exploration, I searched the business and management databases, i.e., I excluded publications published in other disciplines (e.g., medicine). Subsequently, I selected based on additional professional and content aspects: I set up only scientific and "peer-reviewed" journals, and I limited the search to English, full text, and publications published between 2000 and 2020. The search returned the following results per database: 44 for EBSCO, 212 for JSTOR, and 144 for Science Direct. The discrepancies can be observed since a more accurate search could be performed in the EBSCO databases. There were overlaps between the publications during the search. After reviewing them, I filtered out duplications and studies irrelevant to the topic based on their title and abstract. The two major studies that determine the basis of the case based on their citation are the article by Stewart & Hitt from 2012 and a 2013 study by Dekker et al. So, I reviewed their work separately. Finally, I processed seventy related journal articles or handbook studies in their entirety due to the screenings. The publications were processed along with the following research questions:

RQ1: *Based on recent research, what results and models can be found concerning the professionalization of family firms?*

RQ2: *How does the literature interpret the professionalization of family businesses?*

The identified relevant literature was read in each case. The main results related to the research questions were processed in tabular form. The table contains the year of publication, title, names of authors, the journal where the study was published, what theory (if applicable), methodological approach (qualitative, quantitative, or theoretical), and the main results of the paper. The processing of the relevant literature found lasted until I reached the topic's saturation limit, i.e., when I no longer found new information about the concept of professional laxity. Due to the size limitations of my study, it is not my intention to include the entire table; however, the summary table at the end of the study is intended to synthesize the dimensions and main results related to the definition of the concept.

In the course of my research, I have studied a total of more than seventy related journals or articles published in manuals. Publications outside the period under study will also appear in my study. I have included them in the literature review due to their significance, more profound presentation and description of the topic, and citation.

II.2. Theoretical background

II.2.1 Defining the phenomena of professionalization

Before presenting the professionalization of family businesses, it is worth briefly reviewing what we mean by professionalization as a concept. In the classical management literature, a company's professionalization refers to development throughout its organizational lifecycle. It involves applying complex management systems such as formal planning, regularly scheduled management meetings, defined responsibilities and competencies, performance measurement systems, proper training, management development, and official governance and control systems (Flamholtz & Randle, 2007). A further addition to the authors was that professionalization should include the transfer of decision-making authority to middle managers, the implementation of formal control systems, changes in decision-making mechanisms, and possible restructuring of the organizational structure. Through the principal-agent theory approach, family companies can also be expected to professionalize in cases where they face typical agency problems such as parental selflessness, self-control, or nepotism. To solve these problems, family firms can adapt cost control mechanisms such as formal corporate governance systems, and management control systems (El Masri, Tekathen, Magnan, & Boulianne, 2017) and encourage the involvement of non-family members in company management., thereby also facilitating the professionalization process (Dekker et al., 2013).

According to Stewart & Hitt (2012), there is no clear, one-time meaning of *professionalization* in scientific or public discourse. The most straightforward approach means nothing more than the full-time employment of workers. With a simple addition for family businesses, professionalization means full-time jobs and the recruitment of 'external,' i.e., non-family, workers, typically with some managerial competence. In many publications related to family business research, professionalization does not mean more than this (see Gedajlovic, Lubatkin, & Schulze, 2004; Chittoor & Das, 2007; Klein & Bell, 2007; Zhang & Ma, 2009). According to Chandler (1990, quoting Stewart & Hitt, 2012), a type of professionalization is the definition of the organizational structure in which managers work to coordinate their work so that professionalization as a concept implicitly or explicitly entails other dimensions such as formal training, meritocratic values, formalized structures, or independent directors.

In their research report, Astrachan, Waldkirch, Michiels, Pieper & Bernhard (2020) similarly distinguish between family business professionalization as the researchers mentioned above do (Stewart & Hitt, 2012; Dekker et al., 2013) and business family professionalization. While the former argues for the multiparadigmatic phenomenon of professionalization, a process of institutionalizing and structuring a family business that can be driven by hiring external experts, developing formal management systems, and implementing formal control systems to guarantee objectivity and transparency, the latter focuses on its operations, where members aim to sustain the business over the long term, consciously and intentionally managing the intersection of family and business, and the roles, responsibilities, and relationships within the family.

Based on Dekker et al. (2013, p. 84), it can be synthesized that professionalization as a phenomenon cannot be limited to the recruitment of external managers but is accompanied by:

(1) the development of effective corporate governance systems, such as the establishment of boards and councils (Songini, 2006; Flamholtz & Randle, 2007; Chrisman, Chua, De Massis, Minola, & Vismara, 2016; Howorth, Wright, Westhead, & Allcock, 2016),

(2) management development as hiring external and non-family members (Songini, 2006; Lin & Hu, 2007; Yildirim-Öktem & Üsdiken, 2010; Stewart & Hitt, 2012)

(3) delegating control as a management function and *decentralizing authorities* (Chua, Chrisman, & Bergiel, 2009),

(4) developing *formal financial control mechanisms* (Songini, 2006; Flamholtz & Randle, 2007; Chua et al., 2009; Hiebl & Mayrleitner, 2019) and

(5) the design of formal human resource systems (De Kok, Thurik & Uhlaner, 2006; Tsui-Auch, 2004; Dyer, 2006; Madison et al., 2018).

The authors emphasize that these features cannot be considered independent dimensions, as different components may be related or form a collective dimension. Among the publications of recent years, we find one that acknowledged Dekker et al.'s (2013) definition of professionalization and its multidimensional nature but made further additions. In his study, Basco (2013) proposed to include two new elements related to the concept, (1) *the orientation of decision-making* and (2) *the consequences of professionalization*. In his argument, he points out that the orientation of decision-making needs to be included because the management dimension of professionalization must also consider the relationship between family and business as it relates to decision-making. The consequences of professionalization must be considered in light of how the family successfully achieves its goals and tasks. This view is reinforced by Gimeno & Parada (2014) that professionalization is closely linked to decision-making, where senior executives face poorly structured problems and an uncertain dynamic environment in which they have to make decisions competing with time under tremendous pressure.

II.2.2 Benefits of professionalization

"*The issue of professionalizing a family business is one that most, if not all, leaders of growing family firms must grapple with at some point*" (Dyer, 1989, p. 233). Many authors argue that family businesses must professionalize to weaken traditional impediments like opportunism, altruism, or nepotism (Dyer, 1989; Basco, 2013). Others claim that professionalization is the lack of formal governance mechanisms and professional managers (Martínez, Stöhr & Quiroga, 2007; Sciascia & Mazzola, 2008; Randøy et al., 2009; Dekker et al., 2013).

Research by Schulze, Lubatkin, Dino, & Buchholtz (2001) on a sample of 1,376-element U.S. family companies found that family companies that developed formal corporate governance mechanisms performed better financially than where these mechanisms were lacking. Martínez et al. (2007) examined why family-controlled firms that are listed perform better than non-family firms in ROE, ROA, and value-added production (Tobin Q[3]). Their research compared 75 non-family firms with 100 family-run firms and found that when a family-run firm professionalizes its management and corporate governing bodies, they feel market pressure and are accountable to minority owners. In that case, they can overcome their traditional weaknesses and harness their strengths to succeed (Martínez et al., 2007, p. 93). This has been traced back to family businesses planning longer and thinking in longer

[3] Tobin's Q is the ratio between a physical asset's market value and its replacement value.

investment perspectives than non-family investors. Family companies, in general, are considered to think long-term about their strategic investments to develop sustainable capabilities (Le Breton-Miller & Miller, 2006).

According to Dyer (1989), there are three main reasons why a family firm could professionalize:

a) *The family's lack of management* knowledge may be marketing, finance, or accounting knowledge. As the business grows, it is unlikely that they will be able to delegate family members with the right skills for each key position to need outside help.

b) *Changing the family business's norms and values:* unconditional love and worry within the family are often at odds with profitability and efficiency.

c) *Preparation for the transfer of leadership and succession:* if the founding family member wants to retire soon and is not sure that the family members working for the company have the necessary knowledge to run the company, they may need prior training. The other case may be when the founder feels that no family member has the skills to run the company so they may hire an external manager. Hiring external managers can bring objectivity to a company's decision-making mechanisms, such as strategic or succession planning and management (Ibrahim, Soufani, & Lam, 2001).

Other factors motivate a family to choose professionalization. A family business's professionalization does not necessarily go through the founding owners; professional managers can also manage the change. As environmental and organizational complexity increases, it becomes essential for a company to formalize responsibilities, especially the transfer of roles and duties for various activities to the managers responsible for each organizational department (Gnan & Songini, 2003). In some cases, professionalization can be seen by family businesses as a strategic opportunity to gain a lasting competitive advantage (Chua, Chrisman & Bergiel, 2009; Fang, Memili, Chrisman, & Welsh, 2012) and to access resources more efficiently, improve their productivity and to embark on a growth path (Craig & Moores, 2005; Chua et al., 2009). As a result of the professionalization process, diverse perspectives brought in by external or internal professional managers can help family businesses seize opportunities while managing the risks of the dynamic environment around them, paving the way for better strategy-making (Polat, 2021).

Zhang & Ma (2009) examined Chinese family businesses from an institutional perspective. They identified three main factors that may lead them to professionalization: (*1) the "commanding" power of the market* forces companies to keep pace with growing market size and economy; *(2) institutional forces such as regulations*, legislation, or the necessary education (Gedajlovic, Lubatkin, & Schulze, 2004) and (*3) cultural traditions,* Chinese family companies have less trust in external professional managers, so they cannot even develop and become a modern company. In developed economies, the professionalization of the family business may be an expectation of society. In contrast, as part of the process, the family develops new norms and abandons traditions that do not correspond to the latest professional direction (Parada, Nordqvist, & Gimeno, 2010). In developing economies, however, professionalization can form the basis of lasting competitive advantage for family businesses (Fang et al., 2012).

II.2.3 Difficulties of professionalization

Much of the literature argues why family businesses should become more professional and what the benefits are. Nevertheless, we also find research and cases where it is not always advisable for family businesses to choose this path.

Schein (1983 quotes Dyer, 1989, p. 223) traces back to fundamental differences between professional management and family companies' management, such as training and values, why professionalization is not so easy for family companies. While the founders of family businesses are typically charismatic leaders who run their company in the spirit of a specific goal and vision, they tend to be intuitive in their decision-making. Their source of power can be traced back to ownership, the head of administration for professional managers is not ownership but position, and their decision-making mechanisms are different, less intuitive, preceded by more logical and rational analysis, and, unlike family leaders, are pretty impersonal in their interpersonal relationships.

Family businesses are often reluctant to hire an external - non-family - manager, given that many family business owners focus on maintaining control over their own business (Vandekerkhof, Steijvers, Voordeckers, & Hendriks, 2011; Dekker et al., 2013; De Massis, Di Minin, & Frattini, 2015). Preserving the family's *socio-emotional wealth* (SEW) and reducing agency costs may also play an essential role in a family's reluctance to involve an external manager (De Massis et al., 2015; Fang, Memili, Chrisman, & Penney, 2017). Involving an outside leader independent of the family will likely reduce the family's control over strategic decisions (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). Even if family businesses are ready for the challenges of professionalization and choose to do so by hiring an external manager, there may be a lack of adequate financial resources to attract and retain skilled professionals (Songini, 2006; Tsao, Chen, Lin, & Hyde, 2009) and recognize the need to implement necessary structural changes within the company (Songini, 2006).

There are also cases where the founders are the barrier to professionalization, not recognized in time (Németh & Németh, 2018). The founder's and the successor's goals and ideas may be shared, but many conflicts may arise during implementation. On one occasion, the son of the founder of a family business was sent to one of the most famous universities in the United States to earn a Master of Business Administration (MBA) degree there and then join the family business. The potential successor also joined their family business after completing the training. Still, it soon became clear that the ideas he had acquired during his studies would not be heard, thus leaving the company within a short time. (Dyer, 1989, pp. 229-230)

Lien and Li (2013) pointed out that in the case of mature family firms, the import of professional management can lead to serious principal-agent problems and pose a severe threat to the firm's management. This is also supported by Waldkirch, Melin, & Nordqvist's (2017) concept of *parallel professionalization*. In the idea of parallel professionalization, the professionalization of the family and the company is inseparable but a closely and intricately intertwined, complex phenomenon. Their study examined a Swedish family business using a longitudinal case study methodology for more than ten years. During this time, the company tried to integrate several external managers at the head of the company, who wanted to shape the organization into their own - professional - image, causing serious conflicts both within the company and within the family. Non-family leaders introduced new corporate governance systems in a short time. Hence, the norm of informal interactions and quick decision-making by the founder and a culture of formality and control brought in by new leaders were present within the company simultaneously.

This eventually led to a new outside leader at the head of the company rebelling against the family. Although the family and the company were able to overcome the crisis, the case indicates that when new managers do not know and cannot - or do not want to - fit into the norms set by the family, conflicts can be caused by hasty professionalization.

Another boundary to professionalization is that family firms prefer to use informal control systems and processes (Daily & Dollinger, 1992; Jorissen, Laveren, Martens, & Reheul, 2002; Songini, Morelli, Gnan, & Vola, 2015; Diéguez-Soto, Duréndez, García-Pérez-de-Lema, & Ruiz-Palomo, 2016) because strong interpersonal relationships serve as a control mechanism and family members are reluctant to control, evaluate, and sanction each other (Dyer, 2006).

II.2.4 The modes of professionalization

In many cases, we have seen that the professionalization of family firms is identified simply by hiring an external manager (Klein & Bell, 2007; Randøy, Dibrell, & Craig, 2009; Zhang & Ma, 2009). Recruiting a non-family member into management is just one way of professionalizing family businesses. Dyer (1989) identified three possible directions through which a family business can become professional:

a) *training of family members:* the first condition is to have family members willing and capable of acquiring the necessary management knowledge and skill set and continuing to work within the company. The second is to preserve and keep the artistic medium of the firm. The family must remain the main shareholder and keep control of the business. As a last condition, he stipulated that, in this case, the company's strategic direction would not change shortly.
b) *training of non-family members:* this should be addressed if a few family members want to work in the family business. A prerequisite for this direction is that non-family members are sufficiently motivated to acquire the necessary skills. The level of trust between family and non-family workers is high enough. The family wants to preserve family values while maintaining the strategic direction's focus.
c) *hiring an external manager:* it is worth choosing this direction if there is no family member or non-family member with the necessary skills and motivation to take the business forward. It is a condition that the company's

values and strategic direction must be changed in that case. Klein & Bell (2007) make further arguments in favor of hiring an external manager:

a. in case of a change of generation, the external manager can form a bridge between the transferring and the receiving generation as a kind of interim manager,
b. the company needs to be helped through a crisis,
c. helps to avoid interpersonal conflicts and problems within the owner's family,
d. in some family businesses, only external managers can take over the management function.

While options a) and b) are incremental changes that go through over a long period, the last option is a radical, significant change in operations and organizational culture.

Based on their research in the UK, Cromie, Stephenson, & Monteith (1995) found that even small family firms employ some elements of professionalization, such as a formalized organizational structure or external expertise, in cases where they form a strategy, or they have to make crucial decisions. Their research confirms Dyer's (1989) findings that one way to professionalize a family business is to train family members before joining it. Cromie and co-authors found that only family members employed in their research are operated competent, i.e., willing to run the company and agree on its strategic direction.

Research by Westhead, Cowling, & Howorth (2001), which compared 73 British family and non-family businesses, concluded that family business owners work hard to secure ownership over the company and pass it on to the next generation. Their research also made additional findings contradicting the paradigm that hiring an external manager can only professionalize a family business. In their study, they pointed out that family business owners are fundamentally "introverted," even though they do not trust that an outside manager can help protect the family property of the business if they are skilled. Fang and co-authors (2012, p. 14) also refuted the view that a family business can only be professionalized by hiring a non-family CEO. While acknowledging that hiring an outside non-family leader may be sufficient, they see this as an extreme condition, as family companies can professionalize on their own by having the founder, heir, and other family members "*leaving family norms and starting to follow professional standards*." Some research hypothesizes that family business leaders are less educated than non-family business leaders, agreeing with Fang et al. (2012) that family businesses may require family members to train themselves and acquire skills that exceed the potentially available abilities of managers outside the family (Chrisman, Chua, Le Breton - Miller, Miller, & Steier, 2018).

We can state that professionalization can be achieved for family businesses not only by hiring an external manager. However, external managers play a vital role in a family business's life and are also essential executors of organizational actions and tasks. They also represent the insights of the family exercising control (Chua et al., 2009). The objectivity of non-family leaders may have benefits for professionalization (Brumana, Cassia, De Massis, Cruz, & Minola, 2015) because they have better access to financial and labor markets (Zhang & Ma, 2009) and may suggest the establishment of formal corporate governance elements such as the family council (Suess, 2014).

Stewart & Hitt (2012) distinguished six ways of professionalization in the case of family businesses. Their study emphasizes that *this is an ideal typology derived from the literature* rather than results based on empirical research. I will explain these modes in more detail, from the least professional to the most advanced.

1. *minimally professional family firms:* firms that lack professionalization capacity are limited in several dimensions of professionalization. Lack of ability to professionalize may result from cognitive, cultural, emotional, or managerial constraints.

2. *wealth-dispensing private family firms:* some family businesses may be able to attract external management or capital and go public, possibly both, to take advantage of the growth opportunities that lie ahead. However, the founders and managers of these family businesses may be less enthusiastic about independent boards of directors and other professional corporate governance mechanisms. This may be because these external responsibilities may threaten their benefits, such as privacy, values attributed to non-economic services, and privileged access to unique resources.

3. *entrepreneurially operated family firms:* companies that take advantage of informal activities use only a limited formality and standardization elements. The authors make four arguments why a family business can perform better

with an entrepreneur at the forefront than with professional management: (1) first, that informal social relationships facilitate coordination and knowledge sharing within the company, (2) second, that informal and specific methods of family companies may surpass formalization and standardization due to the practical nature of these methods, (3) informal methods of entrepreneurial employees may surpass more accepted, more formal professional methods, (4) and fourth, that family companies provide unique opportunities for entrepreneurial behavior.

4. *entrepreneurial family business groups:* companies that take advantage of the opportunities offered by their affiliates. In the case of weak market regulation (trade, securities), many market agreements are replaced by networks of jointly owned and affiliated companies.
5. *pseudo-professional, public family businesses:* pseudo-professional organizations disguise themselves as family businesses but do not reflect the values of family businesses behind their real interests. Family members do not exercise decisions and strategic control.
6. *hybrid professional family businesses:* professionally managed family businesses that seek the benefits of professionalization while retaining family influence over the company. In the authors' typology, this is most appropriate for a professional family business.

II.3 Results

II.3.1 The multidimensional model of professionalization

There are various articles whose authors define what professionalization is and deal with its content, what professionalization means, and what the elements of it (e.g., Stewart & Hitt, 2012; Dekker et al., 2013; Dekker et al., 2015), and those who deal with its drivers, and have a process point of view (e.g., Zhang & Ma, 2009; Howorth et al., 2016). In this chapter, I focus on the content aspect and present the main results from that perspective.

Dekker and her colleagues (2013) wanted to examine the degree of professionalization in the case of family businesses. However, the theories did not define how professionalization could be measured. They concluded an exploratory factor analysis and identified five important elements as dimensions of professionalization: (1) the first is *financial control systems*, the extent to which family companies use elements such as budgeting, financial planning, and built performance measurement systems; 2) second is the *participation of non-family members in corporate governance systems* (Gedajlovic, Lubatkin, & Schulze, 2004; Öktem & Üsdiken, 2010), the ratio of family or non-family members, (3) *human resource control systems* as recruitment, selection, and remuneration systems, (4) *decentralization of responsibilities as the delegation of decision making*, and (5) *top-level activeness*, how actively the company's top management communicates its goals and values. To validate the identified dimensions, quantitative research was conducted on a 532-item Belgian family sample of small and medium-sized enterprises and using cluster analysis; the firms were classified into four clusters (Dekker et al., 2013):

1. *autocracy*: a cluster of classic, typically owner-managed family companies. It includes family businesses that use a few formal financial control systems, and non-family members' participation in corporate governance is low. Furthermore, they do not have formal human resource systems. The role of management bodies in corporate governance is realized only for legal compliance rather than because of its role in actual corporate governance. Overall, these family companies scored low in all dimensions of professionalization. Due to the high centralization of control, management is concentrated in the hands of the family. Control of company performance is also done through informal channels rather than established formal systems. According to Dyer (1989), in these companies, where a paternalistic culture is dominant, relationships are arranged hierarchically, and the leader retains all essential information and decision-making authority. This cluster is comparable to the typification of minimally professionalized family businesses by the Stewart & Hitt authors (2012). 42.67% of the family companies in the sample belong to this cluster.

2. *domestic configuration:* The name "domestic" suggests that the appearance of external managers in the company's management is still minimal. The members of the management are still typically members of the family. This includes family businesses that use many formal financial control systems, such as performance appraisal systems or formal financial and framework

planning. Like the first cluster, family management and control remain dominant, but performance appraisal is no longer carried out through informal channels. The cluster with the second largest number of items, 41.35% of the family companies in the sample, belongs here.

3. *administrative hybrid:* the role of family control in corporate governance in family businesses is lower than in previous clusters, as are delegation and decentralization at higher levels. In addition, they have, on average, many formal financial and human resource control systems. Family and non-family members appear in corporate governance, jointly managing these companies, as indicated by the "hybrid" indicator, through formalized control and performance appraisal systems. By developing financial control systems, these companies can rely on their financial planning and performance appraisal systems, similar to companies in the "domestic" configuration. Overall, the type of family businesses included here represents the highest level of professionalization compared to family businesses in other clusters. The second smallest cluster, 11.2% of the family businesses in the sample, belongs here. The cluster can be compared to the typing of Stewart & Hitt's (2012) hybrid professional family businesses.
4. *clench hybrid:* the cluster with the smallest number of elements is where the family's participation in corporate governance is significantly lower, and the number of external non-family members is represented. The study identifies that although these companies employ external managers and family members in corporate governance, the company's control systems have not yet adapted to this new situation. There are no clearly defined control mechanisms; control as a leadership function is performed through informal channels. Professionalization in interpreting these family companies reduces the family's role in corporate governance and increases the part of external non-family members. The cluster with the smallest number of items, only 4.70% of the companies, belonged here.

In addition to contributing to the literature on professionalization related to family businesses, Dekker and her colleagues make findings applicable in practice. The professionalization of family businesses is necessary by hiring an external manager, but it is not sufficient and is not the only viable path. While retaining family leadership, a family business can achieve a higher level of professionalization through other dimensions, such as the design of formal corporate governance systems and the implementation of formal control systems, thus ensuring the objectivity and transparency of the company's operations.

Two years later, their research on 523 Belgian family businesses confirmed the dimensions identified. Their study concluded that if a family business wants to positively influence its performance through professionalization, it should reduce family participation in corporate governance systems and increase the use of formal human resource control systems to help the family overcome nepotism or family altruism (Dekker et al., 2015).

II.3.2 Complementing the multidimensional model of professionalization

Among the publications of recent years, we find more than one acknowledged Dekker et al.'s (2013) definition of professionalization and its multidimensional nature but made further additions. In his study, Basco (2013) proposed to include two new elements related to the concept, (1) *the orientation of decision-making* and (2) *the consequences of professionalization*. In his argument, he points out that the orientation of decision-making needs to be included because the management dimension of professionalization must also consider the relationship between family and business as it relates to decision-making. The consequences of professionalization must be considered in light of how the family successfully achieves its goals and tasks. This view is reinforced by Gimeno & Parada (2014) that professionalization is closely linked to decision-making, where senior executives face poorly structured problems and an uncertain dynamic environment in which they have to make decisions competing with time under tremendous pressure.

In their research on 249 Portuguese family businesses, Camfield & Franco (2019) confirmed the dimensions of professionalization defined by Dekker et al. and suggested adding three new dimensions: (6) *family involvement in management systems* in parallel with previous research (Dyer, 1989; Gnan & Songini, 2003; Hall & Nordqvist, 2008; Chrisman, Chua, Le Breton - Miller, Miller, & Steier, 2018) the professionalization of a business does not begin with the recruitment of an external, professional manager, but with the training of family members who can also acquire the necessary skills, (7) *the cultural aspects* that are at least as important as financial aspects (Gnan & Songini, 2009; Waldkirch et al., 2017; Polat, 2021) and (8) *organizational development* thus complementing the professionalization of family businesses into an eight-dimensional multidimensional model.

The following table summarizes the theoretical and practical dimensions of professionalization with the additions mentioned earlier (Dyer, 1989; Songini, 2006; Dekker et al., 2013; Basco, 2013; Gimeno & Parada, 2014; Camfield & Franco, 2019) and new explorations (Suess, 2014; Madison et al., 2018; Polat, 2021). The supplemented model incorporates the content dimensions of professionalization explored so far based on theoretical and empirical analyses. The previous multidimensional models deal with too many factors and mix content and process topics. Besides, they show a bias towards either personal or material elements. The innovation in this model is:

a) Clearly defined, only includes content factors,
b) Simplified because it classifies the dimensions into four types,
c) Balanced, as soft and hard factors have the same emphasis.

The table consists of the personal, management, and organizational conditions in one place, the cultural aspects that are a mixture of the previous two, and the business (borderline) family factors separately.

Table 2. The types and dimensions of professionalization in family firms.

Type of professionalization	Dimensions	Authors
Professionalization of members, boards, and employees	Professionalization of board Professionalization of managers Non-family involvement in management Delegation and decentralization of authority Training of non-family managers Professionalizing non-family employees	Dekker et al., 2013 Dekker et al., 2013 Dekker et al., 2013 Dyer 1989; Polat, 2021 Dyer, 1989; Polat, 2021 Dyer, 1989
Professionalization of organizational structure, processes, and operations	Strategic planning Formal organizational and operational structure Formal control mechanisms Organizational development The orientation of decision making Formal human-resource systems like compensation incentive systems and performance appraisal systems	Songini, 2006; Polat, 2021 Polat, 2021; Songini, 2006; Dekker et al., 2013 Camfield & Franco, 2019 Basco, 2013; Gimeno & Parada, 2014 Madison et al., 2018
Professionalization of work environment and organizational culture	Cultural aspects: Organizational culture Business culture Technology culture	based on Camfield & Franco, 2019; Polat, 2021
Business Family professionalization	Effective governance mechanisms like a family council and a family constitution Succession plan	Dekker et al., 2013; Suess, 2014 Polat, 2021

Source: own editing based on the work of Polat (2021).

II.4 Discussion and recommendations

We have seen that the professionalization of family businesses is a complex, multidimensional phenomenon that cannot be identified solely by the family, reducing its participation in corporate governance by hiring external non-family leaders. In the literature, professionalization as a concept has gone through a *dynamic development*, with the initial identification of only one external manager recruitment (Klein & Bell, 2007; Zhang & Ma, 2009) being replaced by a multidimensional extension of the phenomenon (Dekker et al., 2013; Gimeno & Parada, 2014; Dekker et al., 2015; Camfield & Franco, 2019; Polat, 2021). In my study, based on the most important works of the last twenty years of international literature, the professionalization of family firms, the initial meaning of the concept, its expansion, and its impediments and impetuses was presented. Based on the relevant literature, an integrated model was summarized in a table at the end of the paper.

There has not been a comprehensive literature review on the professionalization of family businesses before. Although my paper is not intended to detail the publications cited in total, I trust that by presenting and reviewing the phenomenon and providing a new, clearly defined presentation of the dimensions and types of a family firm's professionalization, I can provide a comprehensive picture for practicing leaders and professionals and all readers interested in family businesses.

The types and dimensions identified for professionalization are closely interlinked within an organization, thus, there are several issues related to the recruitment of external leaders that affect multiple types of professionalization. Such is the impact of external managers on the family's long-term goals and how these companies evaluate the performance of non-family members (Daspit, Chrisman, Sharma, Pearson, & Long, 2017). This research line simultaneously affects the professionalization of management and the type of professionalization of organizational structure, processes, and operations. Further research can be based on the hypothesis that, based on my approach, only professionalization through each dimension is conceivable, but the main types cannot be "lagged" very apart. In the case of the second level, it is conceivable that a company pays more attention to the development of human resource systems than, for example, the development of management control systems and professionalizes through them, but they have to follow each other at the level of the main types; despite the presence of the individual components, the organization will not achieve the desired performance.

With the growth of the company (Miller, Minichilli & Corbetta, 2013), the change of the external environment, or the retirement of the founding family members - which is already due in Hungary in the case of family businesses founded in the 90s (Wieszt & Drótos, 2018) - professionalization becomes inevitable. The better we understand this phenomenon in the Hungarian sample, in the case of domestic family companies, which elements of professionalization are applied, how and why they decide for or against professionalization, the more we can provide helpful advice to practicing managers and professionals and contribute to the development, efficiency, and maintenance of Hungarian family firms.

III. How should we professionalize our family business? - Experiences from a longitudinal case study

Abstract

An emerging number of publications emphasize the importance of family business professionalization. In our paper, we conducted a qualitative longitudinal case study with a resource-based perspective, concentrating on changes in resources and capabilities a family firm undergoes while professionalizing the business. In the first part of the paper, we present approaches to professionalization from the perspective of different strategic paradigms. The second part outlines the findings of the potential relations between the dimensions of family business professionalization. The results reveal that the dimensions are interrelated, and a lack of progress in one or more dimensions can lead to uncertainty. The extensive discussion section points out that family businesses should consider all aspects of the firm's professionalization.

Keywords: family firms, family business professionalization, multidimensional approach, longitudinal case study

III.1 Introduction

Today, the professionalization of family businesses is an increasingly prominent international and domestic theme. Several law firms, multinational consultancies, researchers, and universities are dealing with specific issues of professionalization, in particular succession, governance, and legal aspects (Németh, 2017; Drótos & Hajdu, 2020). More and more, we read in the press about becoming a professionally managed firm, offering advice and tips to family business leaders on managing and developing their companies. Nothing better illustrates the recent development of the discipline than the Journal of Family Business Strategy, one of the most influential journals in the family business field, dedicated a special issue to the topic in 2022 (Astrachan, Waldkirch, Eddleston, Hitt & Zahra, 2021).

This paper presents the multidimensional aspect of the phenomenon based on the theoretical model of the professionalization of family businesses (Kárpáti, 2021), using the example of a medium-sized Hungarian enterprise. An essential question among researchers is whether family firms' professionalization differs significantly from non-family firms. Family firms are motivated by fundamentally different goals and factors than owners of non-family firms; they are more forward-looking (Le

Breton-Miller, 2006), not purely profit-oriented (Chrisman, Kellermanns, Chan & Liano, 2010), and the source of power is not derived from the position but from ownership (Sirmon, Arrégle, Hitt & Webb, 2008). Our study shows that developing the family-business relationship is as vital as having external professional managers, clear lines of responsibility and authority, modern IT systems, attractive working conditions, and transparent performance measurement systems. The introduction of external non-family managers has been identified by several previous publications (Klein & Bell, 2007; Zhang & Ma, 2009) as a significant change that does not occur in non-family-owned firms.

We qualitatively investigated a medium-sized family business in the present study using a longitudinal case study method (Yin, 2003). The paper explores how the organization undergoes changes in resources and capabilities during professionalization and how each dimension of professionalization is interrelated. The findings confirm previous research that, based on resource-based theory, the phenomenon can positively and negatively affect a firm's life (Songini, 2006; Lien & Li, 2013; Waldkirch, Melin & Nordqvist, 2017).

III.2 Theoretical background

Among the theories that deal with family business research, the *resource-based view (RBV)* is a less applied strategic paradigm (Razzak, Jassem, Akter & Al Amun, 2021). The main aim of the RBV is to capture why a firm is different and performs better than its competitors from the perspective of resources and capabilities, which come from within the company, not from the industry (Hamel & Prahalad, 1990; Barney, 1991; Tari, 2019). The few studies that have linked resource-based theory to family business research have done so with the concept of '*familiness*' (Habbershon, Williams & MacMillan, 2003; Zellweger, Eddleston & Kellermanns, 2010; Németh, Ilyés & Németh, 2017; Wieszt, 2020). Familiness means the family's involvement in the company's management, where the interaction between the two can create resources that can result in competitive advantage (Habbershon et al., 2003). Grant (1991) saw a competitive advantage and the achievement of profit levels above competitors in terms of cost (economies of scale, process efficiency) and differential advantage (brand, product know-how, marketing). Hatak et al. (2016) examined the impact of innovation on performance, and Zahra et al. (2008) examined the strategic flexibility of firms along a similar theory from the stewardship theory approach. Razzak et al.

(2021) defined professionalization as a firm-specific resource, where they investigated how the phenomenon, as a moderator variable, affects familiness and firm performance.

Songini (2006) divides the theories of professionalization into two groups; some are for (1) agency theory, (2) organizational growth theory, while others are against (1) stewardship theory, (2) resource-based view, and (3) organizational control theory. There are other approaches to professionalization (e.g., institutional approach, dynamic capabilities, ambidexterity), but due to space constraints, we will focus on the theories we consider most relevant.

III.2.1 Theories in favor of the professionalization of family businesses

The agency theory

According to the classical principal-agent theory, the ownership structure and management of a firm are separated so that the top management of the firm has significantly more information about the state of the firm than the owners, which they can use to their advantage (e.g., by not sharing specific information). In order to reduce information asymmetry, owners use technocratic coordination tools, typically rules and administrative control mechanisms (Jensen & Meckling, 1976; Fama & Jensen, 1983). The theory provides one of the most influential approaches to family firm heterogeneity and is often applied by researchers (Chrisman, Chua & Sharma, 2005). Although one might think that in the case of a family firm, where management and ownership are not necessarily separated, the agency theory is not relevant, research shows that the agency costs incurred are even more challenging to manage than in non-family firms (Chua, Chrisman & Bergiel, 2009). Typical problems of family firms are opportunism, nepotism, altruism, entrenchment (Farkas, 2018), and the reluctance of family members to evaluate each other. In turn, ambiguous allocation of interests and tasks among family members can increase agency costs (Songini, 2006; Chua et al., 2009; Dekker, Lybaert, Steijvers, Depaire & Mercken, 2013). Bringing external managers into management can only increase these costs, putting the firm in the position of having to professionalize to address these difficulties (Gomez-Mejia, Nuñez-Nickel, & Gutierrez, 2001; Gnan & Songini, 2009). Budgeting, reporting, and building incentive systems can help address the opportunistic behavior of 'agents'; meanwhile, introducing formal governance systems can reduce the disadvantages of family altruism and nepotism (Gnan & Songini, 2003).

The theory of corporate growth

The theory of corporate growth states, that firms go through different stages in their life cycle as they grow in size and over time (Greiner, 1972; Normann, 1977). In this case, professionalization can occur for several reasons: (1) the firm reaches a critical size where the previous corporate governance mechanisms are no longer optimal, so owners and managers must bring in a more professional approach to replace the previous entrepreneurial one (Deakins, Morrison & Galloway, 2002); (2) the firm not only reaches a critical size, but the internal environment must also change as the complexity of the external environment increases. It also becomes necessary for the company to define formalized and clear lines of responsibility at both top and middle management levels. This can be done by introducing performance evaluation and cost accounting systems. Through strategic planning and control, it can complexly manage and link the internal and external environment of the company to achieve a higher level of professionalism (Songini, 2006). In the case of family businesses, it is worth noting that the company and the family go through different stages in its development, which substantially impacts the business (Gersick, Davis, Hampton & Lansberg, 1997).

III.2.2 Theories against the professionalization of family businesses

The stewardship theory

Stewardship theory has emerged as an alternative to agency theory, emphasizing good management and care for corporate assets (Davis, Schoorman & Donaldson, 1997; Farkas & Málovics, 2021). When applied to family businesses, stewardship theory suggests that because of the congruence of family and corporate values and goals, at least among the first generations, individuals engage in cooperative and altruistic behaviors directed toward achieving corporate goals (Davis et al., 1997). The non-self-interested behavior of individuals makes control and the establishment of formal control systems (professionalization) unnecessary, as individuals seek to build good relationships within the firm and thus do not act self-interestedly. However, these mechanisms can harm agent behavior. Other authors argue that the prevalence of the caring or the principal-agent theory depends on specific psychological and situational factors (Songini, 2006).

Resource-based theory

Songini (2006) counts resource-based theory among the theories that argue against professionalization, even though she also states in her study that, from the RBV approach, professionalization can have both positive and negative effects on the family business. In the present study, within the framework of resource-based theory, we focus on the resources and capabilities that a domestic family-owned medium-sized enterprise acquires through professionalization to make its operations more modern and professional. The model on the professionalization of family firms (Kárpáti, 2021) lists several resources and capabilities necessary for a firm to become professional. The resource-based theory focuses on distinctive or core capabilities that can provide a firm with a competitive advantage (Barney, 1991). The resource-based theoretical approach to family firms has given rise to the phenomenon of familiness, as mentioned earlier, which argues that the combination of the family and the business can generate capabilities that can produce both business and non-business value and that this contributes significantly to a firm's ability to survive and thrive (Habbershon & Williams, 1999; Chrisman, Chua & Sharma, 2003). From this approach, we can give an example that argues for and against professionalization based on resource-based theory (e.g., an external professional manager may bring knowledge and skills into the organization that the company did not have before but may reduce ownership control). Another critical question is whether, as well as wanting to professionalize, the company can do so. Our empirical research shows that professionalization does not occur through the founder-MD but through non-family middle managers. This confirms previous research results (Chua, Chrisman & Bergiel, 2009; Fang, Memili, Chrisman, & Welsh, 2012; Polat, 2021).

III.3 Methodology

III.3.1 Research design

In order to understand the complex phenomenon of the professionalization of family businesses, a qualitative research methodology was applied using a longitudinal approach through a case study. Longitudinal research is not standard in domestic research, although it is an excellent tool for understanding the phenomena related to changes in family businesses (Csákné Filep & Radácsi, 2021).

The case study method is widely used and accepted as a form of research in psychology, sociology, political science, and business studies (Yin, 2003). The dominant approach of family business researchers is the positivist approach and the case study method (Micelotta, Glaser & Dorian, 2020), which could be single or multiple case studies. Qualitative case studies help to understand changes within an organization and can reveal phenomena that have not been previously known in the literature and can answer complex research questions. De Massis & Kotlar (2014) claimed that an *exploratory* case study method should be used when the aim is to understand how a particular phenomenon takes place, and an *explanatory* should be used to understand why a phenomenon takes place. In our study, we used deductive logic (Yin, 2003; Eisenhardt & Graebner, 2007), where the theoretical professionalization model of family firms (Kárpáti, 2021) was used as the basis for the research. The family firm chosen as the subject of the research underwent a significant evolution between 2017 and 2021, so the aim of our research is twofold: (1) to explore the changes that took place in the organization, to understand how they were achieved and (2) to outline the relationship between the theoretical model and the practical implementation, whether the dimensions of professionalization of a family firm that is captured by the theory can indeed be explored. To date, little research has addressed the longitudinal study of family firms from the perspective of professionalization (Howorth, Wright & Westhead, 2007; Howorth, Wright, Westhead & Allcock, 2016), and we aim to contribute to the development of this discipline. Based on the theoretical model, our assumptions, and the open questions in the domestic and international literature, we formulated two primary and two sub-research questions:

RQ1: *What changes do - or must - a family business undergo regarding resources and capabilities during professionalization?*

RQ1.1: *Which dimensions of professionalization are favored, and which are lagged?*

RQ2: *What is the relationship between the different dimensions of professionalization?*

RQ2.1: *What is the effect of higher levels of professionalization in specific dimensions on the dimension(s) left behind?*

The research area and the unit of analysis

In our research, we investigated the professionalization process of a construction company. The units of analysis are the main and sub-dimensions of the company's professionalization through its processes, structure, and functions.

Case selection

There are several rationales for using a single-case study method. Yin (2003) enumerates five of them, namely when the case is (1) critical, (2) extreme or unique, (3) representative or typical, (4) revelatory, (5) and longitudinal. We chose a typical family firm, imprinting Hungarian medium-sized family businesses. Family firms can be defined in many ways, which we will not attempt to illustrate here. However, it is essential to record which of the following interpretations served as the basis for our sample selection in our case: (1) the firm is at least 51% owned by a family, (2) at least one family member is actively involved in the management of the firm and not only exercising ownership rights, (3) it has potential for transgenerational intentions. This categorization is consistent with the definition used and accepted in the family business literature by Zellweger (2017).

Many family firms face the difficulties of professionalization as the founder nears retirement. Our case study relies on an arbitrary sample of a typical Hungarian family firm, which is first-generation, founded in the early 1990s, and the Managing Director is active beyond retirement age.

Introduction of the company

Professionalization is an essential part of the development of companies and does not happen overnight but is an ongoing challenge (Howorth et al., 2016). In Hungary, there are approximately 31,000 family businesses in the small and medium-sized enterprise sector, making them a significant part of the economy in terms of GDP and employment contribution (Mosolygó-Kiss, Csákné Filep & Heidrich, 2018). To preserve the company's anonymity, we will refer to it as a *Construction Company* whose main activity is general construction. The company was founded by a pair of brothers in 1982-1988, when only so-called "*economic work communities*" were allowed (Wieszt & Drótos, 2019), and is still equally owned by them. *Construction*

Company carries out investment projects and facility management tasks. The firm has three main business units: (1) electrical engineering, (2) mechanical engineering (3) general construction. The electrical engineering business deals with the low and high-voltage supply of buildings and building security control and camera systems. The Mechanical Engineering division replaces and renovates mechanical equipment, ventilation, water, and fire protection. The general construction activity aims to complete investment projects from demolition to reconstruction.

The founder-MD has been active since the beginning, and although he is now over 70 years old, he is still the most critical person in the day-to-day running of the company. His brother only exercises ownership rights and is not actively involved in the company's life. His son also performs various tasks related to the company (e.g., web development) but is not as actively involved in the organization's life as his father.

Data collection

Data collection was carried out both primarily and secondarily. We collected data from the internet (the firm's website) and corporate brochures and analyzed internal documents, annual financial reports, and other company documents, such as recommendations for better organizational functioning. The primary data collection technique was face-to-face, semi-structured in-depth interviews with family and non-family members. In the second phase, from August to October 2021, interviews were conducted at the new premises where the company had moved a few years after the first data collection.

An essential part of the process was the invariability of the interviewees throughout the research. In the second phase, we interviewed the same managers as in the first phase (except for one who was not a key person). In total, we conducted 15 interviews, lasting over 30 hours. During the interviews, all conversations were recorded, which were later listened back to and converted into verbatim extracts to supplement the notes taken on the spot.

Table 3. Data collection in 2017 and 2021.

	Length of the interviews		**Length of the interview transcripts**	
Interviewee/Year	**2017**	**2021**	**2017**	**2021**
Founder – Managing Director (MD)	2 hours	1,5 hours	10 pages	10 pages
Chief Operations Officer (COO)	5 hours	2 hours	30 pages	20 pages
Chief Financial Officer (CFO)	2 hours	1,5 hours	10 pages	15 pages
Main accountant	1 hour	-	5 pages	-
Electrical Area Project Manager	2 hours	2 hours	10 pages	14 pages
Mechanical Project Manager	2,5 hours	2 hours	15 pages	13 pages
General Project Manager (I)	3 hours	2 hours	20 pages	18 pages
General Project Manager (II)	2 hours	1 hour	10 pages	5 pages
Total	31,5 hours		205 pages	

Source: own editing.

During the interviews, in line with the methodology of semi-structured interviews, we did not come up with a pre-written list of questions, but with topics, we wanted to find out more about. If the interviewees were open during the interviews, we could delve deeper into different issues. In the first data collection phase, we went through the company's development, covering strategy formulation and functional topics such as operations, corporate infrastructure, finance, project management, inbound and outbound logistics, and procurement. The respondent's job responsibilities and positions in the organizational structure were then discussed. A direct approach was applied, where the purpose of the research was disclosed to the respondents (Malhotra & Birks, 2017), and several meetings were held during the research, both in the first and second phases. Observing and experiencing organizational life in a company is very time-consuming and costly; however, it allows researchers to gain rich insights into the organization's day-to-day life (De Massis & Kotlar, 2014).

In the second interview period, we focused on changes in professionalization along the dimensions identified and changes in the company's life, in which dimensions or sub-dimensions have evolved or have been lost. As the interviews progressed and the conversations became more welcoming and secure, we asked questions about why certain events or decisions had occurred and what respondents thought about the firm's current situation.

Data analysis

Iterative qualitative data analysis was used to identify patterns, casual relationships, and key concepts. Our research allowed us to collect words, organize them into subgroups, segment and arrange them, analyze them, and create patterns among them, as recommended by Miles and Huberman (1994). The interviewing and data analysis followed a six-step methodology in both 2017 and 2021: (1) all interviews were recorded, (2) notes were taken during the interview, (3) after the interview, the recording was listened to and combined with the recorded notes to produce a transcript, (4) and then the NVIVO (QSR International Version 11) qualitative analysis software to "dig deep" into the interviews and obtain a holistic perspective (5) then in NVIVO we applied open coding techniques to the transcripts to categorize the most critical parts of what was said. Finally (6), we performed *a text analysis* using the codes applied.

The dimensions of professionalization of family firms were used as category codes based on Kárpáti (2021): (1) Professionalization of members, boards, and employees, (2) professionalization of organizational structure, processes, and operations, (3) professionalization of work environment, and organizational culture, and (4) business family professionalization. For the text analysis, we classified what the interviewees said in each dimension in 2017 and 2021. This was also used to conduct a *gap analysis* where we identified the main changes in the firm's life.

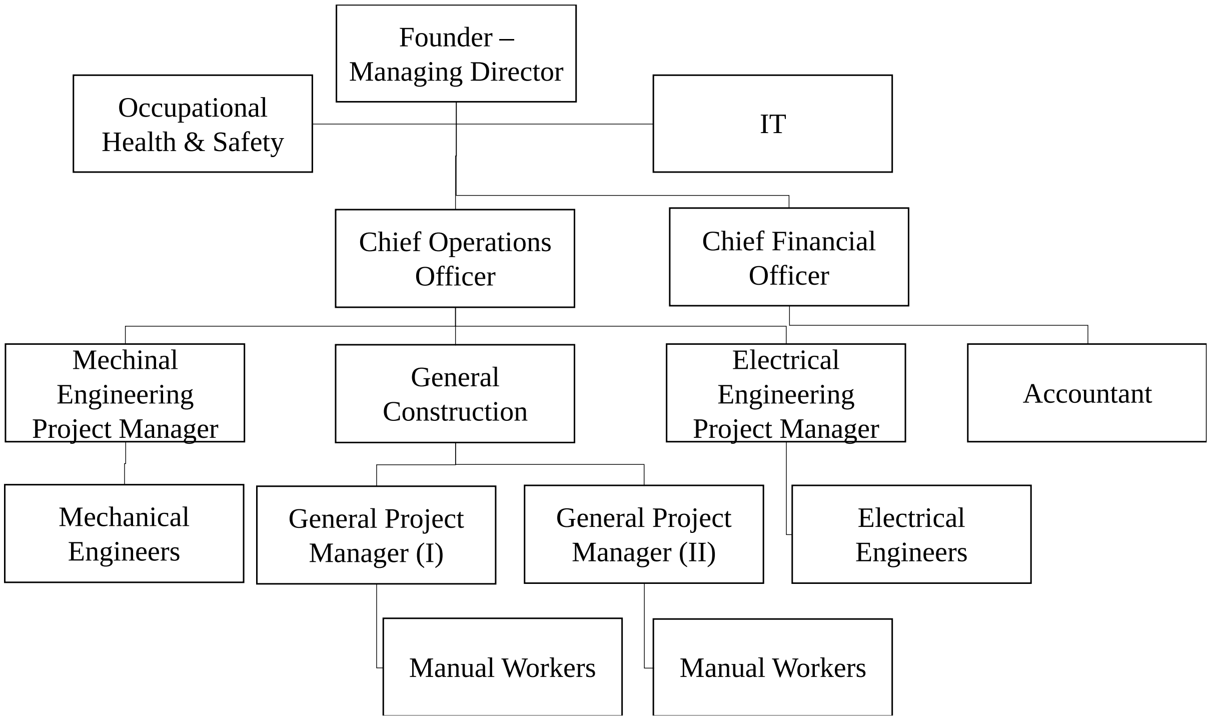
Where an interviewee requested a verbatim extract of the interview, this was shared to ensure the internal validity of the research. In order to preserve the anonymity of the interviewees, they are referred to by serial numbers without a specific position.

III.4 Results

III.4.1 The firm's development until 2017

The next chapter looks at the early stages of the company's development up to 2017.

Figure 7. The firm's organizational structure in 2017.



Source: own editing.

Professionalization of members, boards, and employees

Involvement of non-family members in management, delegation, and centralization of responsibilities

The literature suggests that the more a company develops through the classical life cycle model, the more professional management is needed to professionalize a family business. The founder adopted this professionalization approach from the outset, and the company constantly sought and recruited externally qualified and experienced people for project management positions. Four of the six key managers joined the company between 2014 and 2017, and the company thus achieved a higher level of professionalization in this dimension than in the others.

The decentralization of powers and the delegation of tasks are essential elements in the professionalization of management. Although the founder-MD is the decisive figure in important decisions, the size of the company makes it necessary to decentralize some vital tasks but achieving full delegation at the level of individual tasks is challenging because of the attitude of the Managing Director.

Professionalization of organizational structure, processes, and operations

Quoting procedure

We considered it important to present the quoting procedure because it is an excellent way to illustrate the behavior of the founder-MD at the beginning and how it has changed over the years.

The classic project cycle starts with a request for a quotation. A typical corporate process is the COO or CFO receiving an inquiry via the company's central email address. This is the point where they decide which project manager will oversee the project and who should prepare the offer for the partner:

"The Managing Director calls it a "site manager", but it is not. A site manager does not create budgets as we do, does not get the work, and does not negotiate with clients at the level we do. We are indeed managers, project managers. We sort of draw lots for enquiries and requests for proposals, between each other, based on specialism or connections, who is good with which partner, or just who is available" (Interviewee VI, 2017).

Practically everything related to the quotation is the responsibility of the project manager: (1) assessing the size of the project, (2) estimating the amount of work to be done, (3) specifying and providing a technical solution, (4) determining how long the project will take, (5) how many specialists will be needed, (6) and how much it will cost. This ensures that project managers are the most competent staff to deal with the offers and calculate how profitable a project will be. Notwithstanding this division of labor, the founder-MD will review the process in terms of price:

"*It is not right that I create proposals and show them to the Managing Director, and then he writes them in.*" (Interviewee VII, 2017).

A senior manager who has been with the company for more than 30 years said:

"*I would call it disastrous when the Managing Director oversees the quotes*" (Interviewee II, 2017).

Another major problem is the lack of transparency of expectations for middle management. The founder has an idea of the approximate profit expectations and how the projects will be implemented. Nevertheless, there is no clear communication about this at the corporate or strategic business unit level. It is, therefore, up to the project managers to set profit expectations:

"There is no standard profit expectation. Let's put twenty or thirty percent on it. The founder-MD or the COO, decides. It's the Managing Director, most of the time. There have been disputes between them too. There is no established pattern, and that is not good." (Interviewee VII, 2017)

This influences both individual and firm-level performance. Because the Managing Director only examines the offers in terms of price - the COO or the project manager in terms of content - and they are filled with new items that the market will not accept, many offers are rejected. Interviewees provided several stories where a budget was prepared, the founder-MD filled it with other price-increasing items, and the work was not ordered.

Operations and logistics

This part includes purchasing, outbound logistics, and warehousing functions. The organizational structure has no centralized purchasing and logistics; project managers are responsible for ordering and delivering the necessary materials to the work site.

"*The most important part of project management. Finding and using the right material, that is where it starts, where can I get it, for how much, asking for a project price, and negotiating with the dealer*" (Interviewee VIII, 2017).

They also play a crucial role in transporting materials and moving people, machinery, and tools. In the absence of centralized procurement and logistics, mistakes are most often made at the project management level:

"It is often the project manager's fault if he leaves something out. And then they realize that something is missing, and they try not to propagate things too much, like, sorry, I forgot to put boards on the scaffolding, and I should do it today because the employees are waiting there. However, meanwhile, the truck is somewhere else getting paint. These are daily problems, constantly. Moreover, nothing is worse at the end of the day than having to pay wages with no performance behind it" (Interviewer II, 2017).

The next problem identified by the interviewees was storage, which goes back many years in the organization. The company has several small warehouses in the Budapest area, but due to their size and location, they no longer support the company in its core business:

"This is a huge problem. We have a couple of twenty-square-meter spaces where we store, but we don't know what's there." (Interviewee III, 2017)

The lack of accurate material records leads to redundancy in procurement. Without an accurate knowledge of the materials left over from previous projects, new materials must be procured each time a new project is started. It is better to buy materials from the supplier than to go through four or five different warehouses looking for materials that are still usable. In addition to the fragmentation of warehouse management, stock and asset management is also perceived by organization members as a more severe problem. Currently, no record of equipment is held in the various warehouses or the company's assets.

Performance management

Performance management is vital in a project-oriented organization. Since the company's overall financial performance is based on the profitability of projects, it is essential to closely monitor the progress of projects and intervene in case of any problems. As mentioned in the quoted section, there are no standard profit expectations; it is, therefore, difficult to talk about a consistent performance management system. Post-calculation is a method of monitoring the profitability of a project the company uses on an ad-hoc *basis.* At the end of each project, the responsible project manager calculates all costs incurred, such as material costs, procurement, logistics, wages, and other contingencies, and compares them with the quoted price and the work performed. Project managers consider the system workable, but it is being implemented randomly due to a lack of senior management control. As there is no incentive linked to the profitability of the project, there is a lack of willingness at the middle management level:

"There is no post-calculation. We did try, but practically no one was interested. I knew approximately how much the profitability was, but I did not do it for myself, but for the Managing Director to see if the project was okay. But I just do not have the time either." (Interviewee V, 2017)

Project managers currently apply self-control, and there is no system to hold them accountable for the profitability of projects. This makes it challenging to evaluate their work. Customer satisfaction is the only metric that provides feedback to the Managing Director and the COO on whether physical delivery has been optimal. The Managing

Director is aware that project management is the foundation of the company's performance:

" It is all up to the management; if it is not right, they will not call you for the next job, other than the one that comes from the intermediary " (Managing Director, 2017).

Human resource management

The company was in a good position in 2017, and they could recruit qualified employees at both middle management and manual worker level. Recruitment and selection are the responsibility of the Managing Director, but he often consults the CFO and the COO. The company does not currently use digital payroll; time sheets for physical workers are paper-based. At the end of each month, project managers certify the working time of physical workers, which the Finance Director then aggregates.

No formal or informal incentive schemes exist within the company or at the level of physical workers or project managers. Although project managers mentioned during the interviews that they had suggested to the Managing Director the introduction of different incentive schemes, none had been introduced.

Professionalization of work environment and organizational culture

The infrastructure of the business

The company is located in a prestigious district of Budapest. The setting is picturesque, but at first glance, it does not seem the most suitable location for a construction company. When you enter the site, you find a workshop serving as a warming and changing room and a warehouse for the company and its employees. Moving on, we enter the organization's office, an old family house (owned by the founder-MD) that has been converted into an open office. In response to our questions, the company members confirmed that the current space is no longer suitable for the core business they carry out:

"*It's a garage down here where they dress, a substandard working atmosphere. It's an old shop converted into showers and changing rooms, it is okay to have physical staff and skilled workers, but it still…It's time travel when you enter that workshop. Workshop, warehouse, changing room, warming room, all in one. This is because the Managing Director insists on this building*" (Interviewee VI, 2017).

Meetings are essential to the functioning of any company. Construction Co. has a family atmosphere where the Managing Director always has a moment to address problems and questions; the open office nature facilitates this. However, formal management meetings are essential as all stakeholders need the same information level. Officially, the Managing Director, the COO, the CFO, and the Project Managers meet every two weeks to review the project portfolio and the progress of individual projects and to discuss issues. However, these meetings are ad hoc and focus on problems rather than maintaining and implementing management control.

Marketing and sales are primary activities in the value chain model of the firm (Porter, 1985). Firms must present a professional image to attract potential partners and retain current customers. In Construction Co., one of the problems mentioned by the interviewees was the lack of a professional corporate image, (1) the company did not have a proper website, (2) there was no uniform work uniform for physical workers, (3) there were no company brochures, and (4) company cars did not reflect the corporate image in terms of design.

Business Family Professionalization

One less developed dimension of professionalization in the Construction Company is the professionalization of the business family. Researchers have argued for effective governance mechanisms to achieve transgenerational intent in family businesses, such as a family council, family constitution, and succession plan (Dekker et al., 2013; Suess, 2014; Polat, 2021).

The founding Managing Director of the Construction Company is legally retired but still active as the company's top executive. No family council has been established, nor has a written succession plan been drawn up. At present, neither middle nor senior management are considering what will happen when the Managing Director retires:

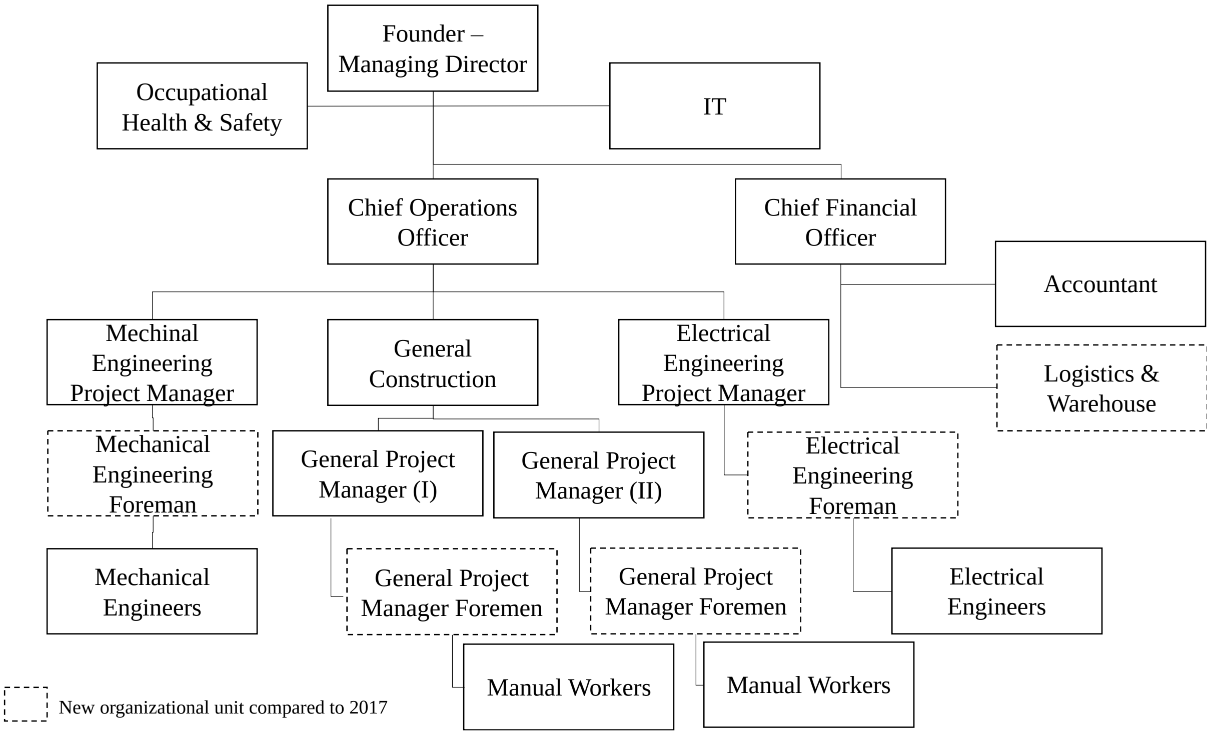
" If I stopped being Managing Director, I would bore myself to death. It does not fill the time I do, or I would have to find other hobbies. There is no limit because it is not so much of a hassle to do them" (Managing Director, 2017).

Construction Co. has a family atmosphere. The founder-MD likes to keep the non-family members close; regular team-building events and joint trips are available. He also helps non-family members outside the company framework, whether about a new car leasing or providing a house loan.

III.4.2 The firm's development between 2017 and 2021

Construction Co. doubled its annual turnover between 2017 and 2019, and a new structural level and formal governance mechanism were introduced. This chapter describes the company's evolution between 2017 and 2021, which dimensions of professionalization have changed and evolved, and which have been left behind.

Figure 8. The company's organizational structure in 2021.



Source: own editing.

Professionalization of members, boards, and employees

Involvement of non-family members in management, delegation, and centralization of responsibilities

The company's senior and middle management remained unchanged between 2017 and 2021. The company has retained its key executives despite the COVID-19 pandemic and the economic recession. COVID-19 hit Hungary's GDP significantly; it suffered a severe year-on-year decline of 13.6% in the second quarter of 2020 and an overall decline of 6.4% (NBH, 2020). Like many other countries, Hungary responded to the pandemic with cuts in the trade and tourism sectors and recommended working from home in non-essential industries. Construction Co. introduced home office at the senior management level, but ongoing projects had to be kept on-site due to core competencies.

This new situation and the past four years greatly impacted the firm's life. The *delegation and decentralization of authority* have taken a new form; the founder-MD has stepped back from micromanaging individual tasks, empowered project managers to be entirely individual, and permitted decision-making rights with overseeding. His core role in the company has also changed from operational issues to strategy development, contract, and client management.

Professionalization of organizational structure, processes, and operations

Quoting procedure

In 2017 the Managing Director’s activeness was significant in the quoting process. Greiner (1972) identified the possible growth of delegation through a crisis of autonomy. The founder-MD has always been a dominant figure in the quoting function over the past 40 years, and it was natural for him to modify offers to his liking. However, the internal and external environment has changed as the company has evolved. He realized that it was not profitable to continue with the exact behavior of the past decades. Although it was not easy to shed the old, entrenched habits, it was possible to clarify roles, responsibilities, and competencies:

I think he has changed his perspective in that respect. He has realized that you cannot do what you did twenty years ago, and there is now a market law or unwritten rules that you can't raise budgets sky-high, and he trusts his colleagues' professionalism" (Interviewee III, 2021).

All interviewees confirmed that the founder-MD had stepped back from modifying proposals and moved to higher-level tasks such as strategic planning, risk management, and contract management. Senior management had established standard profit expectations to maintain control over projects.

Operations and logistics

One of the most significant changes between 2017 and 2021 is the company's move to a new site. The search for a new location started in 2019, as the previous one was unsuitable for the organization. By moving, the company was paying off old debt, as the previous site no longer supported the core business, and by 2019 the old family home was completely outgrown. After purchasing and renovating the buildings and other facilities for a year, they moved to the new headquarters in winter of 2020.

The move has brought significant development and professionalization to the company. The firm sold all the old places used as repositories and established a *central warehouse.* All recyclable construction materials, such as machinery, tools, and equipment, were sorted and divided into specialized areas. This way, each strategic business area has its section in the warehouse, and the storage of materials has become more transparent, uniform, and predictable:

"We now have warehousemen, separate departments, it is much more organized and transparent than before" (Interviewee V, 2021).

A new management control system has been introduced to record existing and individual assets in the warehouse. Machinery of higher value has been registered for skilled workers to be held accountable for absence, damage, or other accidents. These changes will result in better warehouse, inventory, and accounting management, supporting project planning, implementation, and outbound logistics.

Developing a functional organizational structure has started, but *procurement is* still decentralized to project managers, who remain responsible for planning inbound and outbound logistics. Nevertheless, the company has invested in several new trucks and hired new staff to move materials between the new site and the project areas. Moving to an industrial site also brought other positive externalities, such as meeting new partners and suppliers. Better warehouse management has simplified project planning and reduced material wastage.

New information technologies have been introduced at the operational level. The company has purchased new security systems, such as cameras and access control systems, to ensure the safety of goods and equipment at the project sites. New servers have also been installed in the head office, giving all middle and senior managers access to data stored on the company's computers via VPN.

Performance management

In 2017, there was no performance management system at either the corporate or strategic business unit level. During the four years, the foundations for the *ex-post evaluation* were laid. To maintain control over the profitability of projects (and by stepping back from the quoting process), it became vital for the Managing Director and COO to see how successful the delivery of a project was:

" The suppliers are labeled with the project name, number, or whatever you use. Furthermore, you can count from the worksheets at the end how many hours the workers worked and count from there. I can see the profit on certain materials, and you can put that in relatively quickly based on the suppliers, but the time spent is only at the end" (Interviewee VII, 2017).

Project profitability plays a vital role in the incentive and performance evaluation system. The foundations for performance evaluation have been laid. However, project profitability has not yet been linked to incentives, so higher returns do not translate into higher performance bonuses for project managers. The incentive scheme has been introduced with a rudimentary solution that provides additional benefits but does not motivate project managers to achieve the highest possible level of profitability.

Human resource management

By 2021, senior management has established performance appraisals at the middle and lower levels of the organization. Project managers are rewarded as a percentage of the gross value of each project:

"There is an end-of-year bonus, let us call it the thirteenth or fourteenth monthly salary. It depends on how much work we got " (Interviewee V, 2021).

However, the incentive is based on the gross value of the project, and this is how top management wants to motivate project managers to take on higher-value projects. At the level of manual workers, a rating system has been introduced where project managers rate each employee on a scale and give a fixed bonus of 0, 50, or 100% depending on the quality of the work done.

In 2017, project managers had several tasks besides on-site work, such as directly supervising field workers, preparing budgets and offers, assessing the time and human resources needed for the project, procurement, and incoming logistics. The company has created a *new organizational level to reduce the overload on project managers*: foremen have been hired.

Professionalization of work environment and organizational culture

The infrastructure of the business

The previous site was unsuitable for the company's core business and did not provide adequate working conditions. With the move, much has changed; working conditions have improved significantly for manual workers. Senior and middle management also moved to the new office at the top of the new building. An open office structure has been set up to make communication faster and easier.

The structure of ad hoc, irregular management meetings has changed, leading to cultural development. In 2017 these meetings were perceived as required unnecessary events. Weekly meetings were scheduled where project managers and top management review the project portfolio, discuss progress, and resolve any issues that may arise. They scheduled two-hour meetings every Tuesday with an agenda and a focus on problem-solving.

There have been changes and improvements in the marketing and sales areas of the company. The firm has designed an official corporate image that is more professional compared to 2017; (1) a new, modern website; (2) new uniform workwear for physical workers; and (3) a new corporate logo and design:

"Now we have a website, I don't know if we had one then, but now we're going to have a new one, which will be more modern, with a logo, and everything will be about this company, this site. We have a uniform business card, I don't know if we had it then, and now I have made T-shirts for the guys' (Interviewee III, 2021).

Business Family Professionalization

The least developed dimension in *Construction Co.* is the business family professionalization. There have been no significant changes between 2017 and 2021 in the family constitution, family council, and succession.

"He never talks about changing anything or whether he wants to stop it, and he never talks about it with a single sentence. He always talks about plans, always about longer-term plans, so it is never that he has had enough. But I do not know" (Interviewee III, 2021).

The Managing Director is turning 73 in 2022 but is not thinking about retirement:

"I feel this thing my own. I also do this by sometimes confusing what I do with company things. Elsewhere, for example, this is certainly not the case. But since no one here tells me you have worked badly now, I am fired; I must act differently. However, I am trying to set up a system for myself that's pretty much appropriate. I do not work too much; I can safely say that. I significantly reduced those activities. I

do not feel how old I am. However, if we look at it from a work standpoint, I have been above retirement age for ten years. But it does not occur to me here that I should not come in; I should not do this because that is completely natural (Managing Director, 2021).

There are several forms of succession (Suess, 2014). There can be inheritance within a family, in a direct line, or within a family, but not in a direct line, passed on by a cousin. The possibility of buying out management may also arise from within the family, by non-family members, or by a third party. Other possibilities exist, such as a merger with a key partner or a new joint venture. There are no options that the manager considers relevant for succession, leading to uncertainty within the company. Since the Managing Director does not communicate about the afterlife of his activities, non-family members and managers do not know what will happen in the future.

Summary

Table 4 summarizes the changes *Construction Co.* has undergone over the past four years, with significant improvements in the first three dimensions. They have put in place resources essential to this development, such as a new headquarters, new performance evaluation and incentive systems, and a new corporate website and image.

Table 4. Comparison of professionalization in 2017 and 2021 in Construction Co.

Main dimension	Subdimension	*Construction Co.*	2017	2021
Professionalization of members boards and employees	Non-family involvement in management	Number of non-family managers	A relatively high number of non-family managers, both in the top and middle management	Despite the COVID-19 pandemic, the firm was able to keep its key managers

	Delegation and decentralization of authority	Micromanagement of the Managing Director in specific tasks	Low development of delegation and authority, the Managing Director mainly deals with operational tasks instead of strategic	Significant development, the company stepped into the next growth stage in Greiner's (1972) model, where the MD stepped back from micromanaging and establishing autonomy through control
Professionalization of organizational structure, processes, and operations	Strategic planning	Quoting procedure	The founder- MD deals with operational tasks, modifies the quotes from a financial point of view	Step back from micromanaging, the founder - MD deals with strategic planning, risk, and contract management
	Formal organizational and operational structure	Centralized warehouse function	Decentralized inbound and outbound logistics, fragmented warehousing	Inbound and outbound logistics are still decentralized, but formalization has begun, and the main warehouse function has been established
		Operations and logistics	Lack of proper warehouse and stock accounting	Developed stock and accounting, the traceability of materials and machinery has improved
		Functional organizational structure	Missing organizational level between project	A new corporate level

			managers and manual workers	developed between the project managers and manual workers to closely monitor the progression of the project on site
	Formal human resource systems	Performance evaluation and management systems	No post-calculation and exact profitability calculation (ROI) on carried-out projects	The foundation of post-calculation has been laid
		Incentive systems	No incentive system on corporate, strategic business unit, or operational level	New incentive systems developed: (1) bonus after the gross value of each project at the project management level, (2) qualified rating at the operational level of manual workers
Professionalization of work environment and organizational culture	Business culture	Irregular and ad-hoc meetings	No fixed, regular meetings at the level of project management	Fixed, regular meetings with a problem-solving focus between the top management and the project management
		Corporate image	Lack of: Company website Corporate image	New company website New corporate image Company

				brochures and uniform workwear
	Work environment	Lack of proper headquarter, inadequate for the company's core business	Not a suitable site for the company's core business, with low-quality working conditions for manual laborers	A new headquarter has been bought and renovated. Improved working conditions for both manual and intellectual workers
Business Family Professionalization	Effective governance mechanisms	Family council, family constitution	No formal or informal family council or constitution	No formal or informal family council or constitution
	Succession plan	Succession plan	No formal or informal succession plans	No formal or informal succession plans

Source: own editing.

III.5 Conclusions

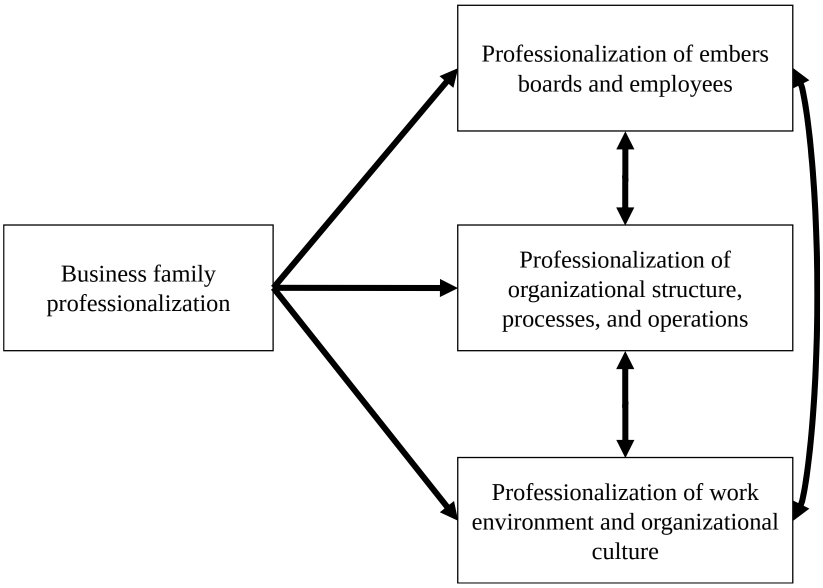
We have shown how the professionalization of a family business takes place along dimensions identified in the literature. Several previous studies have called for a more thorough and in-depth exploration of this phenomenon (Dekker et al., 2013; Polat, 2021) to describe the process (Howorth et al., 2016) and to explore the relationship and interrelationships between the dimensions (Kárpáti, 2021). To our knowledge, no similar longitudinal qualitative research has been conducted domestically where all aspects of a family business have been examined from a professionalization approach.

Construction Co. has excelled in some dimensions, such as the professionalization of organizational structure, processes, and operations, and lagged in others, such as the professionalization of the family. One potential explanation for this may be that the process of professionalization itself does not necessarily occur through the founders (Gnan & Songini, 2003) but that non-family managers may induce changes associated with the firm's development. Until 2017, the founder was a barrier to development, confirming previous research (Németh & Németh, 2018). However, he changed his behavior when the company reached a size not served by the governance and management structure. A further reason for the change and the higher development of specific dimensions may be what the manager feels "at home" in, which dimensions are "easier" to develop. For example, some of the improvements, as we have seen, did not necessarily come from the founder himself; both other senior managers and middle management formulated policies that were essential for the professionalization of the company so that in this role, the founder was only involved as an implementer or as an enabler (e.g., development of a performance measurement systems, introduction of incentive schemes and management control systems). However, dimensions directly linked to him alone and for which he alone can provide solutions, such as the development of the relationship between the family and the business, the designation of a successor, and the outlining of a succession plan, are significantly underdeveloped. This has implications for both the corporate culture and the further development of the other dimensions.

Middle managers and other stakeholders are currently faced with an imbalance, and, in the absence of a succession plan, their future and role in the company are uncertain. There are several possible outcomes: (1) some key players may leave the company. This would mean a severe loss of resources for the company. There was one interviewee who made it clear that if the situation after the founder's retirement is not favorable for him, he would instead change jobs, even though he is currently still in a key position in the company; (2) in the absence of a defined succession plan, as the people involved see their future position as pointless, they will not make further efforts to develop the company. They do not propose or even adopt new systems, resist change passively or actively, and do not seek out new partners and projects. This has a direct impact on the other dimensions. At the same time, in the first case, the professionalization of management is damaged, and in the second case, the professionalization of the corporate culture and operations is.

The results of the research indicate that the business family professionalization has a substantial impact on the other three dimensions. At the same time, a direct, interacting relationship can be found between the latter, which is indicated in Figure 9. It can be concluded that the clarification of the relationship between family and business, the introduction of new corporate governance mechanisms (e.g., family council, family constitution, succession plan) or the lack thereof, has an impact on the other dimensions, such as the development of professional management and formal systems.

Figure 9. Relationship between the dimensions of professionalization.



Source: own editing.

III.5.1 Practical implications

Based on the relationships identified between the dimensions, recommendations can be made for practicing family business managers:

(1) *The professionalization process must pay attention to all four dimensions.* It is not always the same which way and which method of professionalization is used. The dimensions must be balanced so that progress in one dimension does not significantly exceed progress in another. The primary conclusion from the model outlined is that the first and most important task of family businesses in the process of professionalization is to define the values along which they wish to do so, i.e., to define the family's objectives and how the business and the relationship between them are to be conducted. Non-professionalization can also be conscious if the family wishes to preserve the values that the professionalization process may overshadow. In other words, the resources and skills that come from being a family can only emerge if the relationship between the business and the family is clear and the company (and the family) has a clear organizational vision of the company's life after the founder. (1) The first step of professionalization is for the family to lay down the core values it wishes to operate, which may later lead to professional corporate governance mechanisms such as a family council or a family constitution (Suess, 2014; Kárpáti, 2021). (2) Professionalization through each dimension is conceivable. However, in principle, the main types cannot

diverge significantly from each other, developing separately at the expense of the other, which may lead to conflicts within the company.

(2) *Professionalization can have both positive and negative effects.* The present research confirms previous studies that, based on the resource-based approach, professionalization can have both advantages and disadvantages for the firm (Songini, 2006; Németh et al., 2017). In order for companies to leverage their strengths, it is worthwhile to define the objectives of what the family wants to achieve through professionalization, what they see as the competitive advantage (more efficient and thus lower operating costs, more professional image and marketing, etc.) and to align the process and expectations accordingly.

(3) *Develop a succession plan*. It may seem cliché, but planning for the company's life before the founder-top manager retires is essential. *Construction Company* has not yet developed a succession plan and will soon face the challenge of what happens to the company after the founder. Advisors can help the family in this situation, but the family should decide on the succession based on the values they envision for the company's succession.

III.5.2 Limitations and research directions

Although qualitative longitudinal case study research is an accepted methodology among researchers (Yin, 2003), confirming this research with further studies of medium-sized domestic enterprises may be worthwhile. Longitudinal research is time-consuming, but it can yield results that provide helpful experience for practicing managers and theoretical colleagues. The organization we have observed has undergone several professionalization stages over four years, and we believe that the challenges it has faced may be a typical case, especially for family businesses in Hungary and the region (Central and Eastern Europe). A possible way to proceed with our research is large-scale survey-based quantitative research, where empirical generalization can be achieved by combining qualitative research tools (Reilly & Jones, 2017). Exploring the relationship between dimensions and showing their interdependencies could be another potential research direction. We encourage fellow researchers to empirically test the model presented and share their results and experiences.

IV. Relationship between different resource and capability configurations and competitiveness - Comparative study of Hungarian family and non-family firms

Abstract

The purpose of this paper is to identify different types of resource and capability configurations among Hungarian family and non-family firms and explore which compositions can be considered competitive. In a rivalrous, dynamic world, understanding which sets of resources and capabilities lead to a higher level of competitiveness is vital. This paper is based on a quantitative competitiveness survey carried out between November 2018 and July 2019 in Hungary. The authors used the Firm Competitiveness Index (FCI) to measure competitiveness and the resource-based view (RBV) approach to understand which configurations of resources and capabilities are responsible for a higher level of competitiveness based on 32 variables. An exploratory factor and cluster analysis were conducted to analyze the ownership's effect on firm competitiveness. The final sample size contained 111 companies, of which 53 were identified as family and 58 as non-family firms. Factor analysis reveals five factors determining resources and capabilities: “operational”, “leadership”, “knowledge management”, “transformation” and “networking”. Based on these factors, the cluster analysis identified five groups in terms of types of family and non-family firms: “Lagging capabilities”, “Knowledge-based leadership, “Innovativeness and transformation-oriented management”, “Relationship-oriented management” and “Business-operation-oriented management”. Results show that non-family businesses focus on operational and leadership capabilities, reaching a higher FCI than family businesses, which are likely to invest more in their networking, transformation, and knowledge management capabilities. By defining the different configurations family and non-family firms rely on to reach competitiveness, the paper applies an essential element to the Hungarian and Middle Eastern European contexts of family business research. The findings contribute to developing family business literature and point out specific resources and capabilities family firms should focus on to shift toward reaching a higher level of professionalization and competitiveness. The characterization of different types of competitiveness comparing family and non-family firms enables the firms to assess customized implications.

Keywords: Family Firms, Non-family Businesses, Competitiveness, Resource-based view, Hungary

IV.1 Introduction

In one of the most influential studies of family business professionalization, the authors questioned why a family firm cannot be like a non-family business (Stewart & Hitt, 2012). They claimed if family firms were more similar to non-family firms and professionalized, they could reach a higher level of performance and be more competitive. Comparing family and non-family businesses along different corporate measurements has a long history from various research contexts, such as the US (Anderson & Reeb, 2003), Italy (Culasso et al., 2015), Finland (Kirmanen & Kansikas, 2010; Larimo, 2013) Chile (Martínez et al., 2007) and recently Hungary (Wimmer & Matolay, 2020; Csákné Filep et al., 2023) with mixed results, either family firms outperform non-family businesses, or they indeed have some kind of a disadvantage of family ownership.

Family firms rely on different resources and capabilities than non-family firms (Habbershon & Williams, 1999; Le Breton-Miller & Miller, 2006; Gomez-Mejia et al., 2007; Ljungkvist et al., 2023) which results in a different level of competitiveness (Sirmon & Hitt, 2003). As family firms tend to invest more longitudinally and have a unique combination of socio-emotional wealth (Gomez-Mejia *et al.*, 2007) between the family and the business, they possess resources that may be fundamental to reaching a competitive advantage (CA) non-family businesses don't. However, non-family firms have a higher sense of financial and operational aspects, which makes them more operation-focused and efficiency-conscious.

Although many excellent articles appeared about the competitiveness of small and medium-sized enterprises in Hungary (Szerb et al., 2014; Tálas & Rózsa, 2015) only a few recent articles paid specific attention to family and non-family businesses comparison (Csákné Filep et al., 2023) from a resource and capability-based point of view. Family firms play a dominant role in Hungary, as the possibility for legal entrepreneurship emerged after the regime change in 1990. In the last 30 years, family firms have become the backbone of the Hungarian economy, being responsible for 50% of the total employment in the country (Wieszt & Drótos, 2018). A significant number of family firms will need to deal with the difficulty of succession in the upcoming years because the majority of founders who started their enterprises after the fall of the centrally managed governmental structure are now approaching retirement. Although there are approximately 31,000 family firms in the small and medium-sized enterprise sector (Mosolygó-Kiss et al., 2018) a relatively small number of research paid special attention to the resource and capability configurations these companies possess and their effect on competitiveness.

Meanwhile, it is vital to investigate how managing various resources leads to CA (Sirmon & Hitt, 2003), especially with the growing literature on small and medium-sized family firms that possess distinctive characteristics that make them significantly different from larger companies (Valenza et al., 2023). Against this background, our paper analyzes competitiveness and aims to identify different types of family and non-family firms regarding their resources and capabilities. Hence by focusing on the competitiveness of the firms by the Firm Competitiveness Index (FCI) (Chikán et al., 2022) in our exploratory study from a capability and resource-based view (RBV), we found that the results showing a significant difference in family and non-family business competitiveness. We worked with a sample of 111 firms obtained from a competitiveness survey of Hungarian firms conducted between November 2018 and July 2019. Combining a principal component factor and cluster analysis reveals that family firms fall mainly into the lagging category, while non-family businesses are enlisted into the more professional business-operations-oriented group. In addition to capturing the different types of family and non-family firms, this study provides practical implications on how and which strategy family firms should follow if they want to shift to a more professional way of operation. However, it is noteworthy that in some cases, the current strategy and resource-capability configurations family firms have can also be beneficial.

This paper contributes to research and practice in several ways. Firstly, by drawing on the resource-based theory, we enhance the understanding of family and non-family businesses' competitiveness by showing that Hungarian family and non-family businesses find different paths to reach competitiveness, which results in different compositions of resources and capabilities. The results indicate that family firms tend to invest longitudinally (Le Breton-Miller & Miller, 2006; Németh & Dőry, 2019) and develop unique capabilities that non-family firms do not have (Habbershon & Williams, 1999; Sirmon & Hitt, 2003) and experience *knowledge management, networking*, *innovativeness,* and *transformation resources and capabilities* are more vital than *business operation* related. In our analysis *leadership* and *operational capabilities* appeared more essential for non-family businesses, making them more professional in this sample and reaching a higher level of competitiveness. Secondly, we highlight that interestingly not all family firms follow this strategy, and by relying not necessarily on operational excellence, family firms can also reach a higher level of competitiveness by focusing on their knowledge management and networking capabilities. Last but not least, based on the cluster analysis, our typology can help practitioners to self-assess their businesses and develop individually customized implications on how to transform their company to a more professional way of working by focusing on their most essential resources and capabilities.

The remainder of the article is divided into five main parts: the following chapter provides a definition of competitiveness and overviews the studies about the comparison of family and non-family businesses. Next, the detailed methodology is outlined and described, and then the analysis and the results are presented. Finally, the study's primary conclusions are highlighted in the discussion, with the paper's main limitations and future research lines.

IV.2 Literature Review

IV.2.1 Ownership effects of family and non-family firms

Over the years, several studies from various regions examined how family and non-family firms perform (Daily & Dollinger, 1992; Cromie et al., 1995; Westhead et al., 2001; Anderson & Reeb, 2003; Sultan et al., 2017), but the results are diverse and varied. But what is the reason behind it? Authors often argue (Anderson and Reeb, 2003; Le Breton-Miller & Miller, 2006) that family firms outperform non-family companies.

Comparing family and non-family businesses has a long history (Gallo et al., 2004). Among the recent studies from the past twenty years, authors found that family firms outperform non-family businesses in terms of Tobin Q (Anderson and Reeb, 2003; Villalonga & Amit, 2006; Martínez et al., 2007) sales and operations (Anderson et al., 2003; McConaughy et al., 2001), longevity and corporate governance (Le Breton-Miller & Miller, 2006).

Although the literature is inconsistent, which type of organization performs better or what resources and capabilities explain the difference in performance, we can differentiate three main groups of scholars: (1) those who found significant differences in family and non-family ownership and argue that family firms outcompete non-family businesses, (2) authors who also found differences but in favor of non-family firms, and (3) studies where the ownership had a neutral effect on corporate performance.

For example, Daily & Dollinger (1992), working with a sample of 186 manufacturing businesses in Indiana (USA) between 1986 and 1988 with fewer than 500 employees and sales levels of less than $30 million per year, found that family businesses surpassed non-family firms in the rate of sales, profit margin increases and, in an elaborated measure using four comparison points, in each business with its main competitor.

Anderson et al. (2003), similarly to Gallo et al. (2004), found that family firms enjoy a lower cost of debt financing than non-family businesses. They derive from the long-term presence of the family in ownership as opposed to their rivals, where ownership and management could change on a relatively frequent basis. Le Breton-Miller & Miller's (2006) findings are in harmony with these results that family firms outperform non-family businesses mainly because of their long-term thinking and investing approach.

In one of the most influential studies on family ownership and firm performance, Anderson & Reeb (2003), examining S&P 500 firms between 1992 and 1999, report that family firms significantly outperform non-family businesses in terms of Tobin Q, return on equity (ROE) and return on assets (ROA) measurements. Contrary to the belief that family ownership harms firm performance, the authors raise evidence that family firms are indeed a competitive form of organization.

Martínez et al. (2007) also found in a sample of 175 firms comparing 100 family and 75 non-family firms over ten years that family firms perform significantly better than non-family businesses' ROA, ROE, and Tobin Q. However, the Tobin Q value of family firms was slightly lower than non-family businesses. The authors claim that the reason might be that family firms are undervalued in market capitalization. In a subsample with higher market presence and liquidity, they found that family firms performed better in the Tobin Q value. The authors also claimed that when family firms tend to professionalize their management and governance bodies, they can achieve better than their rival non-family firms. Kirmanen & Kansikas (2010), on a Finnish sample of 1805 firms with less than 50 employees, found that regardless of the family firm's generation, whether it is first, second, or later generation managed, they outperform non-family businesses in profits and ROA. However, another study on a Finnish sample comparing 182 family and 161 non-family firms by Larimo (2013) found that non-family businesses perform better in two dimensions of four related to export firm performance, which can be perceived as an essential variable of competitiveness.

Culasso et al. (2015), using a sample between 2006 and 2011 of the Italian Stock Exchange of 55 family and 25 non-family businesses, found mixed results in terms of firm financial performance; non-family firms outperformed family firms in terms of ROE but underperformed in three other measurements, namely, return on invest (ROI), return on sales (ROS) and ROA. They also found that when a company is not large, the family's presence is relevant to reaching better financial performance. Still, when the firm becomes a large-sized company, it becomes irrelevant.

However, other evidence suggests that non-family firms are as competitive as family firms. Cromie et al. (1995) found that family firms have less turnover than non-family businesses in a sample of 286 families and 96 non-family firms. Gallo et al. (2004), working with a model of 204 non-family and 101 family businesses from Spain from 1993-1997 with more than €21M per year in revenue, found that non-family companies outperform family firms in terms of sales and sales per employees. They also pointed out that family businesses have lower rates of debt, which is a form of risk aversion and a possible way of professionalizing the business to leap forward more considerable risks and let go of owning all the (business) capital.

According to Gomez-Mejia et al. (2001), family firms are more likely to favor family members in filling management positions, which can lead to competitive disadvantages compared to non-family businesses. Furthermore, other groups of scholars stated that family ownership only creates value when the founder serves as the CEO of the firm. Still, firm value is harmed when one of its successors comes into power (Villalonga & Amit, 2006).

Barbera & Moores (2013) examined the productivity of family and non-family firms in Australian small and medium-sized companies with less than 200 employees. They found that family firms are significantly less productive from a total factor productivity point of view than non-family firms. Family firm capital contributes less to the total output than the benchmark non-family firm capital. Kota & Singh (2016), in an Indian study, found that non-family businesses were better performers in every financial and non-financial aspect, e.g., market capitalization, profitability, size, debt position, and number of employees than family firms. Morck et al. (2000) state that family ownership and control tend to result in poor firm performance comparing similar family firms from the USA and Canada through financial measurements in six years.

Jaskiewicz & Klein (2005 in Martínez et al., 2007) present that out of the 66 studies that deal with the distinction in corporate performance between family and non-family firms, only about half (42%) of those studies did family-owned businesses significantly outperform non-family firms. Sultan et al. (2017) comparing 150 Palestinian high-performing family and 50 non-family organizations also found that non-family firms perform significantly better than family firms in all scores.

Last but not least, it is essential to mention that some studies found no significant difference between family and non-family firms, as governance or ownership has a neutral effect on economic performance (Sciascia and Mazzola, 2008) or revealed mixed results (Saidat et al., 2019) where ownership concentration has an insignificant correlation with corporate performance, but the size of the board in terms of Tobin's Q and ROA have a negative relationship within family firms regarding performance. We also find conflicting results from Hungary, where Németh & Dőry (2019) compared the performance of family- and non-family-owned enterprises in terms of innovation performance and professionalization. However, they discovered that family firms have a substantially stronger longer-term orientation than their non-family counterparts, they found no significant differences based on ownership to innovation orientation and proactive attitude.

IV.2.2 The resource-based view and firm competitiveness

Over the past three decades, the resource-based approach to strategic management has arguably become one of the most effective approaches in the discipline. Differences arising from the heterogeneity of firms result in different strategies, which can be traced back to differences in the resources and capabilities available and the way they are used. Followers of the resource-based school see the primary explanation for differences in firm performance in unequal resource endowments and in the differential ability to combine available resources, in contrast to the approach of Porter (1980), who sees industry forces acting on the firm as the determinant of its successful strategic positioning. The resource-based view proponents argue that performance differences are mainly caused by differences in the use of available resources and not by differences in the attractiveness of different industries. The school emphasizes the importance of unique, hard-to-replicate resources for sustaining performance (Rumelt et al., 1991). Meanwhile, there are several strategic management approaches to assess the differences in competitiveness (and potentially performance) between family and non-family firms, such as the agency theory (Jensen & Meckling, 1976, Chua et al., 2009), the stewardship theory (Miller & Le Breton-Miller, 2006; Zahra et al., 2008) or the institutional view (Fang et al., 2012) we believe that the resource-based view of the firm is an adequate framework to assess the different types of competitiveness relying on different configurations of resources and capabilities.

The RBV aims to explain why some firms can outperform their rivals who may be similar to them, operating in the same industry and market (Barney, 1991). More competitive companies can develop resources and capabilities that their competitors can not imitate or substitute (Barney, 1991; Teece et al., 1997). The resource-based approach is a valuable framework for determining what makes a company successful. Still, it does not precisely answer why some companies differ. Resources that are scarce, helpful, difficult to replicate, and irreplaceable are insufficient for a company to gain a CA in dynamic markets (Teece et al., 1997; Sirmon & Hitt, 2003).

Barney (1991) first defined a framework for identifying the internal corporate resources that can be used to achieve sustainable CA. Initially, the VRIN model, where the last letter of the acronym referred to non-substitutability, was replaced by organizational embeddedness, giving rise to the now well-known VRIO model to explore the specific capabilities to maximize the resources the firm needs (Eisenhardt & Martin, 2000)

We know that family businesses reach competitiveness in another way than non-family firms do (Le Breton-Miller & Miller, 2006). Competitiveness has various definitions and is a complex, multidimensional construct (Moreno-Gómez & Lafuente, 2020). To develop a successful competitive strategy, understanding the relationship between resources and capabilities is key (Sirmon et al., 2007). Habbershon & Williams (1999) apply the RBV in the research of family firm context and claim that they have an idiosyncratic way of operating, as the combination of the family and the business can result in a so-called *familiness*, which can lead to a set of different combinations of various resources and capabilities which grant CA to family firms. They named this *distinctive familiness; however*, the authors point out that typical family firms' issues such as nepotism and altruism could lead to competitive disadvantage, which they called *constrictive familiness* (Habbershon et al., 2003).

The RBV focuses on results in firm performance and is perceived as an adequate framework to assess the competitiveness of companies on the development of idiosyncratic capabilities and can best explain why family businesses have a CA (Mashavira et al., 2019; Zhang et al., 2022). However, recent research has discovered that versatile resources are associated with a higher level of growth than valuable, rare, inimitable, and non-substitutable attributes (Nason & Wiklund, 2018). We know that family and non-family firms differ in terms of which resources and capabilities they invest in (Habbershon & Williams, 1999; Le Breton-Miller & Miller, 2006; Gomez-Mejia et al., 2007), which may result in different competitiveness. The research applies Chikán's (2008, pp. 24-25) definition where "*firm competitiveness is a capability of a firm to sustainably fulfil its dual purpose: meeting customer demand at profit. This capability is realized through offering on the market goods and services which customers value higher than those offered by competitors. Achieving competitiveness requires the firm's continuing adaptation to changing social and economic norms and conditions*." Competitiveness can be defined in several ways, but the definition adopted in this research is similar to previous studies (Falciola et al., 2020). While composing a competitiveness index Falciola et al. (2020) classified variables at three layers of the economy, such as firm capabilities, the business ecosystem and the national environment.

We showed that the current literature regarding family and non-family business competitiveness is diverse, and gathering evidence from a Middle Eastern European context seems relevant. While family and non-family firms draw on different resources and capabilities regarding their competitiveness, our study addresses the research gap from a resource-based theory and extends the debate on a firm level, we can form our research questions:

RQ1: *What different configurations of resources and capabilities do Hungarian family and non-family firms show?*

RQ2: *How do different configurations of resources and capabilities among Hungarian family and non-family firms affect competitiveness?*

IV.3 Research Method

IV.3.1 Definition of family firms

There is no ultimate way to define family firms, as there are so many interpretations addressing the issue (Ratten, 2023). Authors can define family firms differently depending on the research environment based on the size of ownership, transgenerational aim, and active involvement of the family in management (Martins & Pires, 2023). Due to an Eastern-Middle European context, we identify family firms as having at least 50+1% ownership in the company, and one family member is active in the firm's management. This approach is widely accepted and similar to previous research (Sharma et al., 1997; Zellweger, 2017).

IV.3.2 Sampling and data collection

The Competitiveness Research Center of Corvinus University of Budapest has conducted a regular competitiveness survey of Hungarian firms every four years since 1996. In the sixth most recent wave of the programme, in-person surveys were conducted between November 2018 and July 2019 (Chikán et al., 2022). The survey focused on businesses with at least 50 employees. The fundamental goal of the survey was to explore the competitiveness of Hungarian enterprises (Wimmer & Matolay, 2020).

The original database consisted of 4,295 firms which were provided by the Hungarian Central Statistical Office, where more than 2000 companies were approached to fill out the perception-based surveys. The questionnaires are relatively long, each of them adding up to more than fifty pages, consisting of five different parts, which cover the main functional areas of the company. The questionnaires were conducted by a professional market research company and financed by university funds. The first module of the questionnaire was completed by the executive level with the help of professional interviewers, meanwhile, the other four parts were self-administrated by the management via an electronic questionnaire.

The final database consists of 234 companies which is approximately an 11,7% response rate. After a thorough data cleaning to exclude those companies that did not fill out the survey properly, could not be identified transparently or had missing financial data, the final sample size in the database was 209 enterprises. If we compare the distributions based on the companies with more than 50 employees, which are the focus of the research, the sample can be considered representative of medium and large companies (Wimmer & Csesznák, 2021, pp. 43-44). The share of medium-sized companies in the database is 83,2% and the selected sample for this study is representative in terms of the size of the company as the share of medium-sized firms in our sample is 83,2%.

As family firms in Hungary are mainly found among small and medium-sized enterprises, we excluded nonprofit and large organizations and foreign ownership to make family and non-family businesses comparable. Thus, our final sample included 111 firms only with domestic ownership, of which 53 were family and 58 were non-family businesses.

Table 5. demonstrates that the composition of the database reflects the structure of the Hungarian economy. The six sectors in the study represent more than 50% of the total Hungarian gross value added (in 2019 their share was 52.6%). The sample composition is a good approximate representation of the weight of each sector in the national economy.

Table 5. Composition of the sample and the Hungarian economy in terms of gross-added value.

		Frequency	Distribution in the sample (%)	Sectors' GVA contribution in 2019 (%)
	Industry	64	57.7	44.7
	Construction	11	9.9	10.9
	Wholesale and retail trade and vehicle repairing	17	15.3	19.7
	Transport and logistics	8	7.2	11.6
	Tourism, food service activities	8	7.2	3.7
	Information, communication	3	2.7	9.4
	Total	**111**	**100,0**	**52.6**

Source: Own compilation of the data of the Hungarian Central Statistical Office (2023).

IV.3.3 Measures

Independent variables. The perception-based survey module comprised five parts on key functional areas such as production and operation management, marketing and logistics, strategy and finance. The questions were mainly asked to be answered on a five-point Likert scale by the managers interviewed. We used the variables from the executive questionnaire that were concerned with the perception of capabilities and resources and were filled out with the help of professional interviewers, thus reducing the bias of self-administration. In total, 32 variables were included in the presented analysis, supplemented by family ownership control variables in further research. Table 6. presents the variables and the factors that emerged from the analysis. These variables were carefully chosen from the questionnaire from a resource and capability point of view, to determine the different configurations of competitiveness of family and non-family firms.

Table 6. Exploratory factor analysis results.

Factor #	Label	Item	Factor loading	Cronbach's alpha
1	Operational capabilities	1. Administrative processes and procedural standards	0.824	0.918
		2. Distribution capabilities	0.800	
		3. Capabilities related to company infrastructure	0.747	
		4. Corporate and brand image	0.744	
		5. Logistical capabilities such as scheduling, delivering	0.729	
		6. Developing various products and services	0.697	
		7. Managing debts to suppliers, customers	0.695	
		8. Technological capabilities	0.694	
		9. The ability to manage customer orders effectively	0.680	
		10. The ability to foreplan and manage the company effectively	0.662	
		11. The ability to meet customer demands and customer service excellence	0.616	
2	Leadership capabilities	12. The capability to work as a team	0.788	0.908
		13. Network management and building relationships with partners, suppliers	0.767	
		14. Expertise in technology and operation management	0.758	
		15. Problem-solving capability	0.754	
		16. The ability to carry out organizational developments	0.695	
		17. Communication capability	0.670	
		18. The ability to carry out personal trainings and developments	0.645	
		19. Goal and strategy orientation	0.645	
		20. Inspirational, motivational skills	0.589	
		21. Strategic approach and vision	0.550	
		22. Innovation capability regarding products, services, organizational development	0.539	
3	Knowledge management capabilities	23. Consciously using different channels to acquire corporate knowledge	0.863	0.827
		24. Having the right tools to identify corporate knowledge	0.815	
		25. Developing employees is an important element of a company's HR strategy	0.734	
		26. Retaining knowledge as a resource is an important corporate goal	0.652	
4	Transformation capabilities	27. Committed leaders with outstanding skills	0.790	0.760
		28. The organization's ability to adapt and change	0.767	
		29. Engaged employees with outstanding skills	0.659	
5	Networking capabilities	30. Supplier relationships of the company	0.726	0.701

31. The relationship capital of our managers and the image of the company	0.697
32. Customer relations of the company	0.694

Extraction Method: principal component analysis, rotation method: varimax with Kaiser Normalization. Rotation converged in 6 iterations. Source: Own editing.

Dependent variable. The FCI was first introduced by Chikán (2006, 2008), laying the foundation for RBV theories to measure firm-level competitiveness and its key components. The FCI "*entails both market and financial, competitive advantage (CA), which ensues from both the technical and evolutionary fitness of the firm*" (Chikán et al., 2022, p. 3). In our database, FCI was included as a calculated column; hence we can use and match this measure in our analysis.

Control variables. Two control variables from the survey were used to identify family firms: at least 51% of ownership is in one family's hands and one family member is actively working in the firm's management. Those that did not meet these criteria were considered non-family businesses. We also applied size and firm types as control variables, because we were interested in the small and medium-sized segment, so large and multinational companies, along with banks, non-profit and civil organizations were excluded.

IV.4 Analysis and results

The statistical analysis of the data was carried out with SPSS 25. Data analysis consisted of three main steps: (1) carrying out an exploratory factor analysis to reduce the number of variables and develop homogenous factors; (2) a k-means cluster analysis of the five factors that emerged from the model based on the variables of resources and capabilities; and (3) a cross-tab analysis of the cluster identification and the FCI to explore which cluster can be perceived as the most competitive.

IV.4.1 Principal Component Analysis

Factor analysis was used to reduce the dimensions of the 32 variables selected. Two methodologies are distinguished in the literature within exploratory factor analysis: 1) principal component analysis (PCA) and 2) common factor analysis. In PCA, factors can be assigned names (based on the component matrix). Constructing a rotated component matrix is recommended to create a more straightforward structure (Field, 2009).

The most common use of correlation coefficients arises in the KMO test, which examines the "fit" of the model. This indicates that the "*goodness of fit"* of the sample is close to excellent, with a value of *0.85.* The low significance level of the *Bartlett test* indicates that we can reject the hypothesis that the variables are independent. In addition, we calculated Cronbach's alpha for each principal component. These fell between *0.701 and 0.918,* all higher than the recommended value of 0.7, indicating that our model is suitable for PCA (Hair et al., 2006). The total variance shows the explanatory power of the model for variances. In our case, five components were obtained, which explained 61.2% of the total variance of the 32 variables included in the model. Since the KMO value was high and the total explanatory level was above the 60% threshold level, we considered our model suitable for this research.

To reduce the number of variables included in the model, the PCA method resulted in five main factors with which to work. The first component – Operational capabilities – contains 11 variables. This component groups inner business process capabilities that result in the satisfaction of customer needs and efficiency. The second component is Leadership capabilities which groups also 11 variables. This component compresses variables about different management capabilities; motivational, inspirational, strategic, innovative, and problem-solving skills of the top management. The third component – Knowledge Management capabilities – compresses 4 variables. It contains capabilities for identifying, using, retaining and developing corporate knowledge. The fourth component is Transformation capabilities. which groups 3 variables. This component represents the organization's ability to change and the commitment of leaders and employees to organizational change. The fifth component – Networking capabilities contains 3 variables. This component groups information about supplier and customer relationships, managerial relationship capital and the image of the company.

IV.4.2 Cluster Analysis - Types of Family and Non-family Firms

After the PCA, we performed a cluster analysis to obtain a holistic overview of which factors (resources and capabilities) firms were divided. The main goal of cluster analysis is to identify the group of members within a set that is most similar to each other, even in the case of an unknown classification (Bashfield & Aldenderfer, 1978). Two groups of clustering methods are distinguished: hierarchical and non-hierarchical classification. Hierarchical cluster analysis is usually used for smaller datasets, while for larger datasets, it is recommended to choose the k-means cluster analysis methodology (Szüle, 2016). In this research nonhierarchical cluster analysis of k-means was performed. The main objective of k-means cluster analysis is to identify relatively homogeneous clusters of cases along a fixed number of groups where the value k indicates the number of sets (Lund & Ma, 2021), and the Euclidean distance shows the distance between clusters. Several methods were used to determine the ideal number of groups. We attempted to determine the ideal cluster number by calculating the cluster elbows and observing that the distribution was relatively uniform with respect to the number of elements in each cluster. We also ran a hierarchical cluster analysis to validate the ideal number of clusters. Both methods produced the same results, five groups were identified, and their centers are shown in Table 7.

Table 7. The identified clusters and components.

Components/ Clusters	Lagging capabilities	Knowledge-based leadership	Innovativeness and transformation-oriented management	Relationship-oriented management	Business operation-oriented management
Operational capabilities	-0.267	0.573	-0.527	-0.338	0.796
Leadership capabilities	-0.898	0.951	-0.587	0.338	0.493
Knowledge management capabilities	-0.294	0.737	0.692	0.165	-1.054
Transformation capabilities	-0.785	-0.922	0.902	0.418	0.868
Networking capabilities	0.163	-0.296	-0.936	1.031	-0.770

Source: own editing

By saving the cluster identifiers, it is possible to examine how different each cluster is from the others in terms of other variables. To this end, relationship analyses were performed between the cluster identifier and family ownership control variable. Cross-tabulation analysis can examine the existence and strength of association between variables for two nominal, two ordinal, or one ordinal and one nominal measurement-level variable (Field, 2009). In a cross-tabulation analysis, we test the independence hypothesis between two variables and measure the strength of the association relationship when the null hypothesis (independence) is rejected. We used the *Cramer V* index to assess the association between variables, assuming a weak relationship below 0.3, a medium relationship between 0.3 and 0.7 and a strong one above 0.7. For the family ownership variable (between the control variable and the cluster identifier), the *χ2 (Chi-square*) test was performed. The test shows that $p < 0.05$, there is a significant relationship between the control variable and the cluster identifier (Table 8). Thus, the *Cramer V* indicator that measures the closeness of the relationship can be interpreted. A *Cramer V value of 0.368* indicates a *weak positive relationship* between the two variables, and the significance level also falls within the significant range of *0.05*.

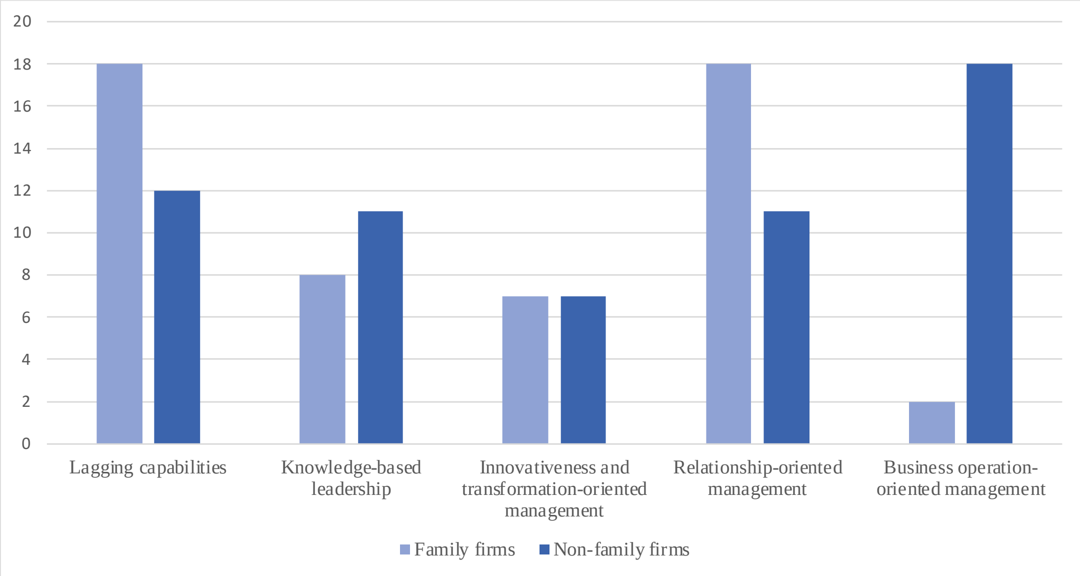
Table 8. Examination of the relationship between the Cluster Identifier and Family Ownership.

Symmetry indicators		**Value**	**Estimated significance level**
Nominal, nominal	Phi	0.368	0.005
	Cramer's V	0.368	0.005
Number of valid cases		111	

Source: own editing

Figure 10 shows a higher proportion of non-family firms professionally managed in the sample. However, the difference varies by cluster: (1) In the *Lagging capabilities* and the *Relationship-oriented* group, the proportion of *family firms is higher than non-family firms*, (2) in the fifth *Business operation-oriented* cluster, only two family firms can be found, (3) in the *Knowledge-based leadership cluster*, the *share of non-family firms is slightly higher than family firms* meanwhile in the *innovativeness and transformation-oriented* category the *share of non-family firms is equal to family firms*.

Figure 10. Distribution of family and non-family firms by clusters.



Source: own editing.

The cluster analysis singled out five types of organizations that show similar characteristics regarding the resources and capabilities they possess or acquire in terms of firm competitiveness (Figure 11.)

Cluster 1: Lagging capabilities. This cluster is the largest, accounting for 27.02% of the survey population. In this group, 18 family and 12 non-family firms are classified. Next to the fourth cluster, is the largest group where family firms are mainly represented. Compared with the other clusters, this group has a neutral or negative value along all variables. These firms likely do not apply any formal organizational structures or managerial systems and likely include companies that lag the others and are less consciously, most instinctively managed firms.

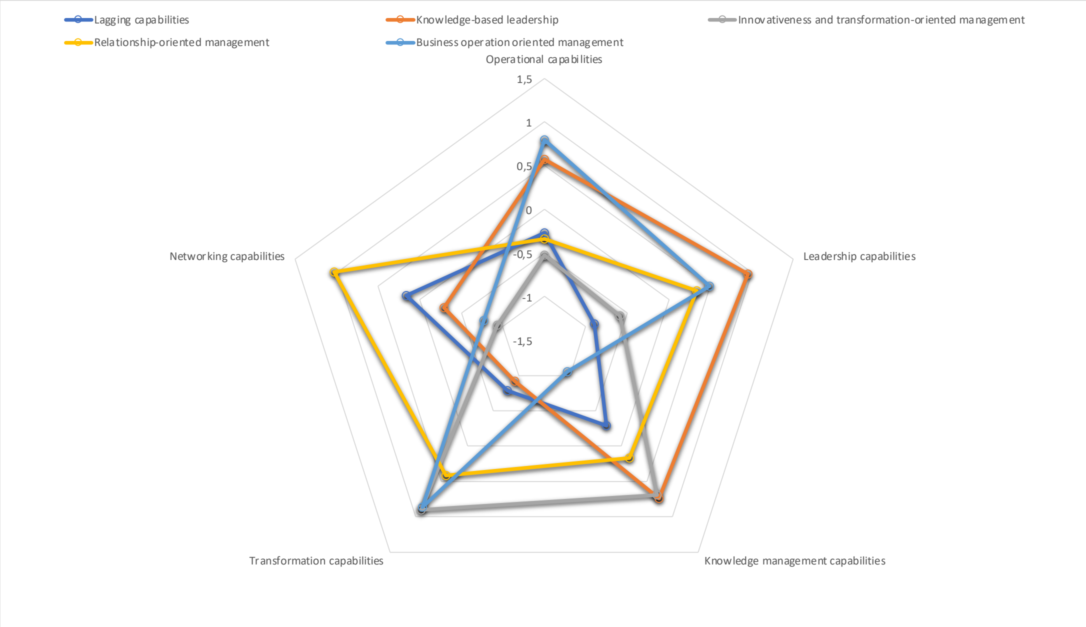
Cluster 2: Knowledge-based leadership. Taking up to 17.11% of the sample this cluster is the same size as the fifth group. With a distribution of 8 family and 11 non-family firms, this cluster shows that knowledge management within the firm, developing employees, and identifying and retaining corporate knowledge is key. These companies have little ambition to change and be innovative, meanwhile, they pay special attention to their leadership skills. This confirms that it is more characterized by a top-down strategy and the actions of the top management team and leadership and less by incremental development and bottom-up change.

Cluster 3: Innovativeness and transformation-oriented management. This cluster reached the smallest in size, with an equal distribution of 7 family and non-family firms. However, this cluster only includes 12.61% of the population these firms show a strong willingness to change and transform their businesses meanwhile building on their knowledge management capabilities. Although they reached a firmly adverse negative value on the other three components, meaning that these companies are less likely to be managed consciously and they look for opportunities that come along the way.

Cluster 4: Relationship-oriented management. The second largest cluster, also with 18 family firms counting for 26.12% of the sample population, this cluster shows companies that mainly rely on their networking can relationship resources and capabilities. This is no surprise since family firms are great at establishing excellent connections with suppliers, customers and partners, these companies are not characterized by resource accumulation in core processes, or business operations, rather they perceive a CA in building outstanding networks.

Cluster 5: Business operation-oriented management. With the same size as the second cluster, this group contains around 17.11% of the firms surveyed. We only found 2 family and 17 non-family firms in this group, making this cluster the smallest representation of family and the biggest for non-family firms. This cluster is considered professional, where the firms are investing significantly in their business operation skills, formalization, strategy planning, and managing customer and supplier demands. This suggests that the firms in this group are less concerned with leveraging their networking and relationship-building capabilities and more with investing in their operational excellence and exploitation. This is especially true for the core processes as the value of knowledge management capabilities is strongly negative.

Figure 11. Dendrogram of the identified clusters.



Source: own editing.

IV.4.3 Clusters and Competitiveness

We also believe evaluating the clusters from which is the most competitive in terms of resources and capabilities is worthwhile. We investigated the relationship between the FCI index value and the five final groups by comparing the means of each cluster and tested whether they were significantly different using ANOVA tables. First, we tested the concordance of variances. Based on *Levene's test (Sig. = 0.421),* we do not reject the hypothesis of equality of variances. As a function of the T-test values (*Sig. = 0.001),* we reject the equality of means and therefore accept the hypothesis that the mean of the FCI index differs between clusters. Table 9. shows the value of FCI averages for the clusters:

Table 9. The average value of the FCI index regarding Family and Non-Family Businesses in Final Clusters

		Firm Competitive Index (FCI)		
Clusters	**Ownership**	**Mean**	**Standard Deviation**	**Number of Firms**
Lagging capabilities	Family Business	24.061	6.232	18
	Non-Family Business	22.403	6.855	12
Knowledge-based leadership	Family Business	33.602	7.676	8
	Non-Family Business	26.931	4.765	11
Innovativeness and transformation-oriented management	Family Business	23.181	8.288	7
	Non-Family Business	29.185	8.813	7
Relationship-oriented management	Family Business	27.250	6.415	18
	Non-Family Business	32.934	5.534	11
Business operation-oriented management	Family Business	21.369	3.846	2
	Non-Family Business	33.036	3.518	17

Source: own editing.

The relationship between the Firm Competitive Index and the cluster identifier was also measured by the *Eta squared indicator*, with a value of *0.151* which indicates a strong relationship. These results suggest that the cluster with the weakest performance is *Lagging capabilities*, and the best average performance is the *Business-operation oriented management* cluster.

IV.5 Discussion

This paper has identified five types of family and non-family firms regarding different configurations of resources and capabilities: (1) “Lagging capabilities”, (2) “Knowledge-based leadership”, (3) “Innovativeness and transformation-oriented management,” (4) “Relationship-oriented management” and (5) “Business-operation oriented management”.

The findings confirm that family and non-family firms acquire and rely on different configurations of resources and capabilities with adverse competitiveness outcomes.

It is apparent that Hungarian small and medium-sized family firms tend to rely more on their knowledge management, networking and relationship-building capabilities, than non-family firms who focus more on operational and business excellence leading to different strategies to reach competitiveness. In our sample, the fifth cluster was found as the most competitive, with the least number of family, and the most non-family businesses.

Regarding competitiveness, it cannot be said that family firms are inherently more or less advantaged than their competitors. Of the three with the highest FCI average, the *Knowledge-based leadership* cluster has roughly the same number of family and non-family firms. However, while non-family firms are significantly over-represented in the *Business-operation-oriented* cluster, the *Relationship-oriented* cluster has a much higher share of family firms. The fact that family firms are more numerous in the *Lagging capabilities* cluster with the lowest competitiveness index than non-family firms and least numerous in the fifth cluster with the highest average FCI, suggests that family control has not been a definitive CA. The fact that the largest number of family businesses were represented in the “lagging” category, shows that they were less successful in focusing on either business capabilities or any other aspects of managing the company, such as building excellent relationships with their customer and partners or building strong leadership and knowledge management capabilities.

The firms in the “*Business operation-oriented”* cluster have the highest average FCI score, which supports RBV’s view on the potential sources of sustainable CA. Focusing on internal professional skills and capabilities, such as distribution; branding and image; administrative processes and procedures; and product and service development, is necessary to achieve high performance. This relationship is reflected in the above-average competitive index score. It is worth noting that this cluster has the lowest standard deviation, and the high average competitiveness value is accompanied by reliable performance and stability. Since hardly any family firms are in this cluster, one might wonder whether more attention to operational activities could improve their performance.

Of particular interest is the "Relationship-oriented clusters” composition, which includes many family firms as the “Lagging capabilities”. Family companies focus more on networking (relationship capital, supplier, and customer relations) and see this as the key to competitiveness. This cluster's competitive firms manage the value of networks well by focusing more on external opportunities and positioning. However, the higher standard deviation of the FCI also points out the risk of this approach. Our paper reassures previous studies about family firms investing more longitudinally (Le Breton-Miller & Miller, 2006; Németh & Dőry, 2019) and innovatively than non-family firms; meanwhile, they focus more on business operational capabilities.

Another possible interpretation is based on the study by Razzak et al. (2021), which found that professionalization moderates and strengthens the association between family commitment and firm performance. The more family firms focus on business operational skills such as strategic planning and organizational and process development, hence the hard elements, the better corporate performance they achieve. Although from a resource-based perspective, family firms are expected to be risk-averse in professionalization as they do not want to lose control over the firm; certain elements, such as the delegation of authority, could lead to.

A further interesting explanation of the results is the dual nature of innovation in family firms. In the related cluster, family and non-family firms are equally represented and only reach the fourth-best value in terms of competitiveness in this sample. Many studies stated that innovation in family firms is a vital source of CA and an essential determinant of superior performance (De Massis et al., 2015). However, in our sample, family firms could not rely on their innovation capabilities to reach higher performance, thus leading to the conclusion that they seem only as innovative as non-family businesses, no better or less. This is similar to the findings of Paunović et al. (2023) who also found that family and non-family businesses are equally committed to introducing innovations in their business processes and to Csákné Filep et al. (2023) who found no difference between family and non-family firms regarding their innovation performance in their 2017 and 2022 samples.

IV.5.1 Theoretical Contribution

This paper has several theoretical contributions. Firstly, the study contributes to the family literature by analyzing and identifying different types of competitiveness among family and non-family firms from a Middle Eastern European context.

Drawing on the resource-based theory of the firm, we showed that Hungarian family and non-family firms rely on different configurations of resources and capabilities which in our case led to a higher level of competitiveness for non-family businesses. A possible explanation of this could be the *familiness* aspect (Zellweger et al., 2010) which offers family-controlled firms a unique strategic development mindset. It requires the permanent participation of family members and a clear long-term identification. The family is central to shaping identity, and entrepreneurship is crucial to family identity. The long-term perspective, image, and stable relationships are in the middle of strategic focus, as the aim is to provide a secure background for the family, even for generations. The results of our research sample suggest that this path can also be successful and offer an alternative competitive route for family-owned firms. Although the average FCI value of the "*Relationship-oriented”* cluster is lower than that of the "Business-operation oriented” cluster, the standard deviation is higher. Some firms in this cluster have achieved markedly high FCI values, while others are more similar to laggards. A higher degree of familiness may seem desirable for the business family’s identity, but in terms of financial performance, it is much less critical, similar to previous studies (see Minichilli et al., 2010; Frank et al., 2017).

Secondly, managing resources is critical to acquiring and maintaining a CA (Sirmon & Hitt, 2003). As family firms were outstanding in building networking capabilities with their suppliers and customers, along with their most important resources, human capital can be the foundation of their CA. Our analysis shed light on the heterogeneity of family firms; those who were enlisted in the lagging group can also manage their resources efficiently if they pay special attention to alliances (Sirmon & Hitt, 2003). Building strategic relationships through alliances with partners, customers, suppliers, and even competitors in some cases can help family firms build resource bundles and achieve CA in the long run. Due to their personal relationships, family members can discover and ensure access to regional resources and business opportunities (Amato et al., 2023).

IV.5.2 Practical implications

This study has confirmed that medium-sized family and non-family firms strive to achieve high competitiveness differently. However, this diversity does not imply that we can clearly state whether a company's family characteristics are an advantage or a disadvantage in its performance.

In our analysis, non-family firms reached a higher level of competitiveness as they paid more attention to business and operation management capabilities. Being more professional in that sense means a more formalized way of working. As family firms rely on distinctive resources and capabilities (Frank et al., 2017; Habbershon & Williams, 1999; Zellweger et al., 2010), they should focus on building excellent relationships with suppliers, partners and markets as other studies also found (Vlasic, 2023), invest in networking capital and developing a moderately high knowledge management base within the company. Although in our sample non-family firms reached a higher level of FCI, that does not mean that family firms are not competitive.

Our results also delineate the path to family business on which resources and capabilities to focus if they want to achieve a more formalized operation. They can also choose to apply different strategies and invest more in their alliance and relationship building which could also be beneficial in the long run.

IV.6 Conclusion

This study aimed to provide a complex understanding from a resource-based aspect of how different configurations of resources and capabilities among medium-sized Hungarian family firms lead to competitiveness. By demonstrating that family and non-family firms rely on different sets of alignments of resources and capabilities and that family businesses consider some resources more significant than others, this research adds to the context of the family business literature based on the RBV. More precisely, this paper contributes to a contextualized understanding of different types of family and non-family firms, by showing that non-family firms could reach a higher FCI by focusing on operational excellence, delineating potential development paths for family firms. Drawing on the RBV our study showed that in terms of competitiveness, it is not enough for family firms to acquire strategically important resources and capabilities such as networking and knowledge management, but pioneering, mobilizing and deploying them are also essential for value creation (Sirmon et al., 2007).

The results of this paper have important ramifications for both theory and professional practice. This study adds to the body of research on the RBV in the context of family businesses by arguing that family firms similarly to their non-family rivals should also invest in their operational excellence in tandem with their innovation and knowledge management capabilities, which may result in CA and a higher FCI. Our study showed that preserving the family identity is vital for family reasons, but applying professional managerial configurations is also important in terms of growth and competitiveness. Managerial skills play a critical role and have a major effect on the value creation to customers (Sirmon et al., 2007), and one of the biggest challenges for Hungarian family firms is to integrate external, professional managers into the management (Vajdovich et al., 2022) who could bring in new expertise they currently do not possess (Fabel et al., 2022).

IV.6.1 Limitations and further research

This paper is not without limitations. The research was based on a national sample, and while we believe that the data set is a good representation of the business environment in Hungary during the study period, we do not argue that our findings are generalizable. Other countries of Middle Eastern Europe and further international expansions are potential next steps to enhance our understanding of what resources and capabilities family and non-family firms rely on to reach competitiveness.

The sample only contained companies with at least 50 employees, excluding small family and non-family forms from our analysis. It would be worthwhile to conduct a similar study among them and compare the results.

Although the Firm Competitive Index is a well-founded component that we used from a pre-defined proved dataset the composition of the index regarding resources and capabilities could be further enhanced based on previous studies (e.g., Falciola et al., 2020). The authors highlight the impact of several factors that are worth exploring in a future comparative analysis of the two research programs.

The competitiveness survey is only conducted every four years due to its size and volume. We used the dataset of the previous, most up-to-date database, which means that the data collection started in 2018 and was finished in 2019, just before the COVID-19 pandemic. As we looked for different configurations of family and non-family firms' resources and capabilities and their effect on competitiveness, we believe that the database was suitable for our research, but firms can acquire and manage resources and capabilities relatively differently in four years. As evidence suggests that family and non-family firms handle crises differently (Santos et al., 2022), it would be worthwhile to conduct a comparison study when the next dataset of the research program is available.

V. Summary, theoretical contributions and managerial implications

Family firms possess idiosyncratic characteristics that make them particularly interesting for research. They are recognized on more and more levels to be worthy of analysis, on a national level because of their economic contributions, on an industry level comparing the performance and profitability based on ownership and on a firm level, as the corporate culture and dynamics can significantly be different in a family than in a non-family company. In a Middle Eastern European context, especially in Hungary, where family firms were mainly founded after the fall of the socialism in the early 1990s, and decades of potential development was not possible due to political reasons, not like in Austria, the UK or Germany, domestic family firms started from a significant disadvantage. Due to the reason communism only fell in 1989-1990, Hungarian family firms have missed out and lagged behind in a market-oriented competition in areas such as innovation, technology, know-how, knowledge-management, management knowledge and strategic alliances. But recognizing the unique attributes of family businesses is crucial not only for their individual success but for unlocking their potential as drivers of economic growth and social pillars.

The individual characteristics make family firms different than their non-family counterparts. One hallmark of family firms is their long-term orientation (Miller & Le Breton-Miller, 2006), and evidence shows that shifting toward a professional operation has tangible benefits for family firms (Chang & Shim, 2015) even when family involvement in governance is reduced. However, Hungarian family firms currently do not see the involvement of external managers as a feasible way of professionalizing their business (Vajdovich et al., 2022). This is undoubtedly a barrier to organizational and business growth. Still, family firms can be professional by having the courage to change the current way of doing things, with the adoption of more formal human resource and management control systems to reward and promote their managers regardless of their family or non-family stance (Piyasinchai, Thananusak & Hughes, 2023). A further argument for bringing external managers into the firm is that they possess such expertise family managers may not (Waldkirch, 2020; Fabet et al., 2022). The formal decision-making mechanisms and data-driven approach of non-family leaders can mitigate and reduce issues from intertwining the family and the firm, such as nepotism or altruism. However, it is vital to mention that this kind of structure can only work when there is a cultural fit between the parties. The real challenge for family-owned and managed firms is overcoming their weaknesses and exploring potential development paths that have not been on the surface. Implementing a new governance mechanism and integrating external managers is the first step, as professionalization is a multidimensional phenomenon.

In my doctoral dissertation, I presented three papers in the research area of family business professionalization and competitiveness that are considered international and domestic popular research topics. My systematic literature review shed light on the multidimensional aspect of professionalization and presented an integrated model with a clear focus on hard and soft elements. As the model summarizes and complements the family business literature on professionalization, it provides the theoretical framework for the longitudinal case study, applying the four dimensions and identifying the critical resource and capability changes a medium-sized family firm undergoes while professionalizing its business with its challenges and benefits. Last but not least, by exploring the different resource and capability configurations among family and non-family firms, the research presented vital self-assessment possibilities for family firms and specific resources, which lead to a higher level of professionalization and competitiveness. In the following sections, I summarize each publication's theoretical contributions and practical implications.

Contributions of Chapter II, a systematic literature review on conceptualizing family business professionalization

Family business professionalization research looks back on more than 30 years of history, as the first article appeared at the end of the 1980s (Dyer, 1989). Although it has only received particular attention in the last 15 years, the first intensive discussion and operationalization appeared at the beginning of the 2010s (Stewart & Hitt, 2012; Dekker et al., 2013). In my systematic literature review, I summarized the results of the last 20 years and presented the evolution of professionalization with its motivation of why family firms would or would not professionalize their business, the advantages, and impediments. The past two decades were crucial in theoretical and empirical studies of analyzing professionalization. Still, the field lacked a shared understanding and conceptualization of the phenomenon, so a review seemed relevant. I ought to answer the following research questions: (1) what results and models can be found concerning the professionalization of family firms? (2) What is the definition, and how does the international and domestic literature interpret professionalization in family business research? (3) What are the impetuses and impediments for family firms to professionalize their business?

The research revealed the multidimensionality of family business professionalization. Although the field started with a simplified interpretation, as hiring non-family managers are a sufficient way of professionalizing the business (Klein & Bell, 2007; Zhang & Ma, 2009) recent studies showed that it is only a particular element of the development of family firms, and it consist many more elements, such as governance (Suess, 2014), strategic planning (Songini, 2006) formal human resource systems (Madison et al., 2018), cultural (Camfield & Franco, 2019), financial systems (Hiebl & Mayrleitner, 2019), decision-making (Basco, 2013) socio-emotional wealth (Gomez-Mejia et al., 2011) performance (Chang & Shim, 2015; Songini, Armenia, Morelli & Pompei, 2023) and business family (Polat, 2021) aspects.

Professionalization has tangible benefits for family firms, such as an increase in financial performance (Chang & Shim, 2015; Polat & Benligiray, 2022), access to specific resources (Chua et al., 2009) or the reduction of opportunistic behavior (Basco, 2013). It can be rooted in the lack of capability within the family or the firm (Dyer, 1989) or due to succession reasons when no appointed person can take over the company. However, family firms may be redundant to professionalize their organizations due to fear of losing control (Gomez-Mejia et al., 2011) or the reluctancy to evaluate the performance of family members (Daily & Dollinger, 1992; Songini et al., 2015) because strong interpersonal relationships serve as a control mechanism and family members are reluctant to monitor, and sanction each other (Dyer, 2006).

One of the main theoretical contributions of the paper is the integrated model, which presents four main dimensions, namely the professionalization of (1) members, boards, and employees, (2) organizational structure, processes, and operations, (3) work environment and organizational culture, (4) and the business family. Studies from the 2010s subsequently found new dimensions of professionalization. Still, they failed to create a holistic overview of the phenomenon, unlike Polat (2021), who developed a five-dimensional model to grasp the elements of professionalization with fewer dimensions presented by other authors. The model of Kárpáti (2021) aimed to summarize every aspect of professionalization that has been demonstrated between 2000-2020 systematically and create a clear structure where each dimension is balanced: (1) the first dimensions deals with the professionalization of individuals such as family members and non-family employees as Dyer (1989) suggested, the second handles the often considered complex elements of an organization such as strategy, structure, processes and IT capabilities, the third one enhances and elaborates on the unique organizational cultural aspects family firms have (Camfield & Franco, 2019) and treats the business family professionalization separately embedded with governance mechanisms (Astrachan et al., 2020; Suess, 2014). The model grasps professionalization content-wise while focusing on the transformational value-creation aspect and acknowledges that professionalization can be a continuous process that does not happen overnight (Howorth et al., 2016). The third and fourth dimensions can be considered soft elements of the model, as they focus on the organization's work environment, interpersonal relationships, cultural dynamics, and kinship aspects defining the relationship and values between the family and the firm.

The paper also provided a comparative understanding of theoretical and empirical levels of professionalization based on the study of Dekker et al. (2013) and Stewart & Hitt (2012). Meanwhile, the latter presented an ideal typology of professionalization based on the maturity of family firms. Dekker et al. (2013) operationalized the phenomenon and provided empirical evidence presented in a matrix structure. The comparison showed differences and similarities and is an excellent base for further - potentially domestic – studies that aim to analyze the level of professionalization among family firms.

The study also identified research gaps for future research. One of the further potential research areas is what Chapter III. of this doctoral dissertation aims to analyze: the study made use of the assumption that the relationship between the four dimensions should be balanced; there should not be too much variation in the development of a firm, as this harms the firm's performance. Based on the family business professionalization model, further research can be conducted testing the model both theoretically and empirically.

This study contributes to a deeper understanding of family business professionalization from a systematic literature review approach. The study's limitations are worth mentioning, which relies upon the model's static nature. As new articles and papers are published daily, the model can be supplemented by continuous analysis and interpretation of international and domestic literature. Further studies could enhance and introduce new elements and dimensions into the model, for instance, from a legal perspective, such as the issue of trusts (Drótos & Hajdu, 2020), which is not currently addressed by the model but could be a potential element of professionalization.

Contributions of Chapter III, a paper applying a qualitative longitudinal case study method

Building on the literature review results, this study aims to address the research gap in analyzing the relationship between each professionalization dimension from a resource-based theory approach. Family businesses rely on different resources and capabilities and choose different strategies for operations and organizational growth (Sirmon & Hitt, 2003; Sirmon et al., 2007). The firm selected as the research subject underwent a remarkable evolution over four years; thus, the research aimed to answer the following questions: (1) What changes do – or must – a family business undergo regarding resources and capabilities during professionalization? (2) Which dimensions of professionalization are favored, and which are lagged? (3) What is the relationship between the different dimensions of professionalization?

(4) What is the effect of higher levels of professionalization in specific dimensions on the dimension(s) left behind? The relevance of the research was not only the exploration of the relationship between the dimensions of professionalization but also the fact that longitudinal surveys of family businesses are not yet widely spread (Csákné Filep & Radácsi, 2021), especially from a professionalization approach (Howorth et al., 2007).

The study revealed as the novel result of the research that the dimensions of professionalization are interrelated. This means a direct relationship between the main dimensions and that if a medium-sized family firm wants to professionalize, a balancing constraint is needed; otherwise, when the company lags in one or more compounds, it has a negative impact on individual and firm performance. The firm analyzed in this research primarily focused on the first three dimensions of professionalization: governance, delegation, strategy and structural development, and cultural aspects. However, the company has failed to develop the relationship between the family and business, and the lack of clarity on primary corporate objectives and family values has led to a belated succession. Despite his retirement age, the founder is still active in the company and is considered the first person of the firm. He does not seek to deal with the company's future once he stops being managing director, thus there is no clear visioned outlined for the organization.

The paper also disclosed that professionalization could go through non-family members and external managers, as previous studies found (Songini, 2006). Although there are some aspects and solutions that only family members can provide, such as succession plan, family council, or constitution (Suess, 2014), the absence of which may be a potential barrier to professionalization and internal growth (Németh & Németh, 2018), external managers can also be motivators and initiators of such changes. The essential role of non-family managers is emphasized in the paper as the main actors of the professionalization process. It can allay the fears of family business leaders that their employment will lead to a loss of control. Although professional managers are not the only way to develop the organization, they can bring new expertise and knowledge the company may not possess (Fabel et al., 2022). The integration of external managers can result in tangible benefits such as reducing the opportunistic behavior of family members (Songini et al., 2023) and an increase in financial performance.

The research also contributes to the resource-based theory, showing the firm's most crucial resource and capability changes between 2017 and 2021. The company focused on a relatively balanced level of the soft and the hard elements, such as introducing new performance evaluation and incentive systems, developing the working environment for the physical workers, creating a new brand image, and enhancing the company's strategic planning process and organizational structure elements. The changes were primarily initiated by the non-family members of the company, which also shows the importance of finding and involving the right managers who fit the internal culture and can be key personnel during the transformation of the firm. This aligns with the paper's theoretical part, which presents professionalization from various strategic management lenses. The resource-based point of view has a dual nature regarding professionalization, and it can result in positive and negative effects. To avoid conflicts arising from the relationship between the firm and the business during the professionalization process, the family must be clear about the values and goals wants to guide the company towards.

The study provided practical implications for family business owners and managers. Firstly, it gives a self-assessment opportunity to family firms to explore the essential resources and capabilities they rely on in terms of professionalization and in which dimensions they are deficient. Paying attention to all respected dimensions through the professionalization process is essential; family businesses should not neglect or solely focus on one or two dimensions, but keeping a balanced development leads to optimal organizational growth and advancement. Secondly, as challenging as it may be, family business founders need to assess the issue of succession in time. External consultants can help mitigate the problem if the owner fails to find an appropriate successor or declines to find other solutions for the company's inheritance (e.g., selling the firm, or a potential merger with a competitor or strategic partner).

There are both external and internal causes behind the reasons for change. Intense changes in the market and the dynamic evolution of the external environment are forcing companies to become more professional, as the old ways of doing things that worked two decades ago do not effectively serve the organization's interests. Similarly, expectations emerge from within over time, which leads to professionalization and organizational growth. However, this requires management systems to support development and a shift from manual to a higher management level. For the organization's members, the firm's vision can be attractive if they can achieve their individual goals, such as financial well-being, learning development, prestige, or self-realization. Thus, there is also constant internal pressure from the organization to grow and develop regarding economic indicators and human resources.

To sum up, this paper contributes to the family business literature by presenting insights into the role of external managers in the professionalization process and emphasizing the importance of a balanced approach while professionalizing a family business related to the dimensions' interrelation. Yet, the paper is not without limitations. Although the longitudinal case study approach is an accepted methodology, we only observed one firm based on a single case; therefore, the findings may not be generalizable but transferable. Further research is needed to replicate these findings and explore other family firms that may have undergone similar significant progress over a relatively short period. Applying the conceptualized model in Chapter II. was an appropriate framework to assess the changes in the analyzed company, as the firm did not present a level of complexity that the model could not handle. It is worth mentioning that in certain cases, some activities within the company (for instance, the quoting process) were hardly identifiable in which dimension they should be included. Authors need a clear understanding of the firm's operation and a great collaboration in interpreting the findings to evade situations presenting the results without explicit agreement between the parties.

Contributions of Chapter IV., a quantitative study on family and non-family firm competitiveness

As the exploratory sequential design (Reilly & Jones, 2017) suggests, qualitative and quantitative research build on one another, and the results should be merged and interpreted at the end. There is a strong connection between the longitudinal case study and the large-scale quantitative survey on competitiveness. From an RBV aspect, we found the elements affected through the professionalization process particularly interesting; this study aims to understand the differences between resource and capability configurations among Hungarian medium-sized family and non-family firms. Several studies have compared competitiveness and performance based on an ownership point of view (Gallo et al., 2004), but a relatively small number of papers dealing with the Hungarian context (Lukovszki, Rideg, Sipos & Varga, 2022). The paper seeks to answer the following questions of: (1) What different configurations of resources and capabilities do Hungarian and non-family firms show? (2) How do different configurations of resources and capabilities among Hungarian families and non-family firms affect competitiveness? The paper applied an exploratory factor analysis on chosen variables on a competitiveness quantitative survey's database, then clustered the results to classify the different configurations of family and non-family firms in terms of their resources and capabilities; lastly, a cross-tabulation analysis was conducted with the Firm Competitiveness Index (Chikán et al., 2022) to get a clear understanding which composition leads to higher level of competitiveness.

The study revealed that family firms fall mainly into the “lagging capabilities” category, with 34% of the companies having a family ownership sample. As the database is considered representative and the results can be extrapolated to the level of the basic population, it shows that Hungarian medium-sized family firms are less successful in focusing on either business capabilities or any other aspects such as knowledge management or relationship building, which could result in competitive advantage. On the contrary, their non-family counterparts, where approximately 30% of the sample are classified as “business-operation oriented” with the highest Firm Competitiveness Index, present that these companies operate better and reach higher professionalization and competitiveness.

The study also reassured previous studies (Felsmann, Ferincz & Kárpáti, 2022; Lukovszki et al., 2022) that Hungarian medium-sized family firms are mainly characterized by informal procedures and decision-making, not by operational excellence or efficiency. Results show that family firms primarily focus on their knowledge management, innovation, transformation orientation, and relationship building, which could also lead to a high FCI and competitive advantage. This may be because family firms perceive family identity and values (familiness) as more important than business operations (Zellweger et al., 2010). However, in this sample, the only family businesses that could leverage their uniqueness from being family were those classified into the “knowledge-based leadership” and “relationship-oriented management” cluster. Comparably, only a few family firms were clustered into the “knowledge-based leadership”, but “relationship-oriented management” has as many firms as the lagging capabilities group. This means that long-term planning and thinking (Le Breton-Miller & Miller, 2006) and building excellent relationships with the surrounding network can be a competitive advantage for family firms.

The paper also interprets the dual nature of innovation in family businesses. In the related cluster, family and non-family firms are equally represented and only score fourth best in terms of competitiveness in this sample. Several studies have found that innovation is a vital source of competitive advantage and an essential determinant of superior performance in family firms (De Massis, Di Minin & Frattini, 2015). However, in our sample, family firms could not rely on their innovation capabilities to achieve higher competitiveness, and we conclude that domestic medium-sized family firms do not outperform their non-family competitors in terms of innovation performance. Our results are similar to the findings of Paunović, Ružičić & Moravčević (2023), who also found that family and non-family firms are equally committed to introducing innovations in their business processes and to the research on a domestic sample (Németh & Dőry, 2019), where they also found no evidence of significant differences between family and non-family firms in terms of innovation orientation. The research also confirms our claim that family firms have failed to take advantage of their innovation capabilities, as there is a demonstrable link between the use of professional management tools and systems and innovation performance.

As for managerial implications, this study suggests that family firms must focus more on their organizational capabilities and the professional aspects of managing the company to reach a higher level of competitiveness. The development of operational and leadership skills is inevitable to attain competitive advantage while maintaining the familiness of the firm. Family businesses should take advantage of the unique combination of the family and the firm, use their knowledge management and relationship-building capabilities, and combine them with operational excellence. Bringing in external managers can enhance operations, and professionalized family leaders can ensure access to specific markets, which may increase profitability (Amato et al., 2023).

The study points out from an RBV and competitiveness approach that managing resources is critical in gaining and maintaining competitive advantage (Sirmon & Hitt, 2003). Because family firms have excelled at building relationships with their suppliers and customers, they could leverage their strengths in this field and combine them with introducing professional operation mechanisms. Our analysis has highlighted the heterogeneity of family firms; even those in the lagging group can manage their resources effectively if they start paying attention to the identified components of resources such as operational, leadership, networking, and transformation, and they start to invest in building strategy alliances (Sirmon & Hitt, 2003). Building strategic relationships through alliances with partners, customers, suppliers, and, in some cases, competitors can help family firms develop resource bundles and achieve a sustainable competitive advantage. It is worth mentioning the limitations of the paper, which resides in the data collection period carried out in 2018 and 2019 before the COVID-19 pandemic. Since then, these firms could have undergone significant changes in their resources and capabilities; thus, a comparative study should be conducted when the subsequent data on Hungarian firms' competitiveness is available. Another possible limitation is that the database mainly consisted of medium-sized family firms (more than 80%), so the observation of small and large-sized family firms would have been limited; hence, future research should underline these types of organizations.

Table 10. Summarization of findings and limitations of the presented studies in the doctoral dissertation.

Research method	**1. Systematic literature review**	**2. Longitudinal case study**	**3. Quantitative analysis**
Research gap	Conceptualization of family business professionalization, model-building	Exploring the relationship between the different dimensions of professionalization Identifying the resource and capability changes a family firm undergoes while professionalizing	Based on a resource and capability aspect, exploring the level of professionalization and competitiveness in terms of ownership structure
Theoretical background	Family business professionalization-related papers, both theoretical and empirical	Resource-based view, familiness	Resource-based view, familiness
Research questions	**RQ1**: What results and models can be found concerning the professionalization of family firms? **RQ2**: What is the definition, and how does the international and domestic literature interpret professionalization in family business research?	**RQ1:** What changes do – or must – a family business undergo regarding resources and capabilities during professionalization? **RQ2:** Which dimensions of professionalization are favored, and which are lagged? **RQ3:** What is the relationship between the different dimensions of professionalization? **RQ4:** What is the effect of higher levels of professionalization in specific dimensions on the dimension(s) left behind?	**RQ1:** What different configurations of resources and capabilities do Hungarian family and non-family firms show? **RQ2:** How do different configurations of resources and capabilities among Hungarian family and non-family firms affect competitiveness?

Findings	• Synthesis of the international and domestic literature with a clear definition of professionalization, its advantages, and impediments. • Family business professionalization is a multifaceted transformation and can be classified into four primary dimensions: (1) employees, members, and boards; (2) organizational structure, processes, and operations; (3) work environment and culture; (4) business family. • The developed model is integrated from a content-wise aspect and treats individual and organizational elements separately, along with the cultural and relationship aspects between the family and the firm.	• Non-family managers are crucial in family business professionalization but there are elements tied to the family such as defining the core values between the family and the business and pioneering new governance mechanisms (family constitution, family council) • There should be a constrained balance between the dimensions of professionalization during advancement. • The lack of development in one dimension, especially in the business family, significantly impacts the overall professionalization process. • Family firms professionalize in those specific resources and capabilities the owner-founder feels "comfortable" related to their previous experience and studies.	• Family firms mainly fall into the "lagging capabilities" and "relationship-oriented" category. • Non-family firms focus on operational excellence and leadership skills. • Focusing on the operational aspects of the firm led to a higher level of Firm Competitiveness Index in non-family firms. • Family firms should leverage their uniqueness of being family, combining their excellent relationship-building capabilities and focusing more on operational efficiency to reach competitive advantage.
Limitations	• The model is static and must be constantly updated with newly explored dimensions. • The model does not address the legal aspects of organizational development.	• The findings are based on a single case. • Researchers need a clear understanding of the observed company's operations and agree on the classification of specific resources and capabilities regarding the	• Data collection was conducted before the COVID-19 pandemic. • The database mainly consisted of medium-sized firms; thus, small,

		dimension of professionalization, which can be time-consuming.	and large family businesses could not be examined.

Source: own compilation.

V.1 Directions for further research

Family business research is in its heyday. The authors are starting to be very cautious and aware of family firms' impact and conduct research along rigorously strict methods and methodology. It is an international and domestic topic as family firms' undeniable merits and contribution to shaping an economy and society. When a company is proud or proudly proclaims that it is family-owned or even bears the founders' name, it carries a responsibility. However, this does not mean these companies cannot operate professionally despite family ownership or control. On the contrary, family and non-family firms co-exist, so they need to learn from each other what they are alike and different in and find ways of operating and best practices for each to work around.

Most family owners in Hungary founded their company in the 1990s and are reaching retirement age. The next challenge these firms must deal with is the question of succession and parallel professionalization. Sooner or later, with organizational growth professionalizing, the business becomes inevitable for domestic small and medium-sized family firms; otherwise, they may get stuck on a less developed level, which does not constitute organizational growth, higher competitiveness, profitability, and competition on international markets. In cases where succession will not happen within the family (acquisitions, sales, mergers, dissolutions), these questions do not necessarily exist as they stop being a family firm. But for family businesses who want to preserve their trans-generational will, new issues and problems arise as the new generation enters. Will the up-and-coming generation of successors be able to bring change into the business's life and consciously manage the legacy they have left, even in a more professional way? These questions are unanswered but lead to new potential research areas and directions. Table 11. summarizes the potential directors for further research in family business professionalization. Four delineated research areas should be addressed by further research.

The first is the question of the business family professionalization. The longitudinal study revealed that specific elements of the transformation are strictly related to the family and business owner, like establishing a family council or constitution. Further research could explore the utilization of these kinds of mechanisms among Hungarian family businesses and get a holistic understanding of generational differences. Is the firm's second or third generation more open to new governance structures, and if yes, how do they introduce them? Another interesting question that also originated from the longitudinal study is the effect of the founder’s personal life on the business. A basic assumption is when the founder’s life is balanced and supported by their close private environment with good interpersonal relationships; it positively affects business family professionalization.

The second area is the competitiveness of family firms, which could be explored. The quantitative study showed that most family firms fall into two categories: “lagging capabilities” and “relationship-oriented management”. A triangulation with a qualitative multiple-case study could identify the lagging family firms' potential weaknesses and the reason behind their low performance. Is it industry-specific or, on the contrary, agnostic? How are these companies managed in terms of leadership and business skills? The relationship-oriented cluster reassured previous research that family businesses invest in their network and build excellent relationships with suppliers and customers. Some studies focused on exploring networks within a Hungarian context (Hetesi & Vilmányi, 2013) but not from an ownership approach. Studies could reveal the underlying motivations behind building these types of firms and provide beneficial findings for theoretical and practical implications. Another topic that is often neglected is the digital capabilities within family firms. Previous studies examined the competitiveness database (Móricz, 2022) but paid less attention to digitalization challenges (Drótos, 2019), especially on an individual level. The question arises: what is the role of organizational and individual digital capabilities within the professionalization process, and how could the specific knowledge of non-family or family employees enhance the development of the firm?

This leads to the third potential research area, which focuses on professionalization solely on an individual level. This relates to the previous research topic but with a particular emphasis on family and non-family employees, external consultants, or interim managers and their role within the firm and the transformation. Several studies suggested that family firms should employ external professionals (Kárpáti & Drótos, 2023), but less is known about the dynamics between non-internal contractors and the result of their activity.

Finally, further research could explore the unique role of non-family managers in Hungarian family firms, regardless of their size. Research emphasizes that external leaders are crucial in professionalizing a family business, and family members are perceived as non-professional managers (Hall & Nordqvist, 2008). Due to the heterogeneity of family firms, a future comparison between firms that integrated external managers into their management and ones managed by family managers could reveal which configuration prevails better and results in a higher level of professionalization, competitiveness, and firm performance. Further research could also combine these areas, such as the business family professionalization and the role of external managers and explore the effect of governance structures related to the family on the company's non-family members (Waldkirch, 2020).

Table 11. Potential directions for future research.

Subfield	Directions for future research
Business family professionalization	• Prevalence of family constitutions, family councils, and succession plans among Hungary's small and medium-sized family businesses. • Comparing first, second, third, and subsequent generations of family businesses regarding professionalization and performance. • Analyzing the moderating effect of the founder's personal life on the company's relationship.
Competitiveness of family businesses	• Extending the competitiveness study with triangulation and qualitative case studies. Contacting companies who fell into the lagging cluster, understand and analyze their position. • Conducting family research business studies from newer strategic management approaches, such as dynamic capabilities and organizational ambidexterity (Csedő, Zavarkó & Sára, 2019). • Examining network and inter-organizational relationships in family businesses (Hetesi & Vilmányi 2013). • Exploring the digitalization challenges (Drótos, 2019) and the role of digital capabilities in family businesses (Móricz, 2022).
Professionalization at an individual level	• The role of professionalization on a personal level, how individuals are affected, and what are their interests in the process.

	• How individual capabilities become organizational when professionalization goes through non-family managers (Kárpáti & Drótos, 2023). • What are the individual capabilities needed for initiating professionalization, and how are these implemented primarily for family members?
The role of non-family CEOs in family businesses	• Exploring the effect of family governance mechanisms on non-family CEOs (Waldkirch, 2020). • Identifying the number of family firms that have successfully integrated non-family CEOs into their management and comparing their performance with businesses managed by family owners. • Compare the level of professionalization of family-managed firms with companies led by external CEOs. • How do non-family managers initiate changes regarding organizational structures, strategy, and processes once hired? This type of research calls for a longitudinal approach but could provide an in-depth understanding of individual and organizational capabilities dynamics.

Source: own editing.

Overall, several uncovered elements of family business professionalization should be addressed within an Eastern European and Hungarian context. A vital question for subsequent research is the strategic management aspects, especially the lenses authors choose to apply when studying and observing family businesses. The resource-based view of the firm is still an adequate framework for understanding professionalization. Still, there are new approaches, such as the dynamic capabilities or ambidexterity (exploration and exploitation of specific resources and capabilities), which could provide understanding from different aspects; thus, I encourage fellow researchers and colleagues to use these kinds of theoretical positionings to get a better picture of how Hungarian family firms could be examined to provide them tangible recommendations on improving their operations, performance, and competitiveness.

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