



Intergenerational Succession in SMEs Transition
INSIST

Module 1

Strategy for Family Businesses

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Faculty of Business and Law (FBL)
School – Strategy, Marketing and Communication

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What this Module is About

Introduction from the Module Leader

The module seeks to develop knowledge and understanding of the principles and theoretical underpinnings, which govern the strategies for family businesses. The programme will consist of a mixture of formal lectures and activity based seminars.

The lectures have been designed to give a solid introduction to key strategy concepts and theories as well as identifying key strategic skills you need to develop. The seminar and workshop sessions will then help you develop your knowledge, understanding and application skills. Case study material, group work and other techniques will be used to ensure you develop a sound understanding of strategy and the skills required to apply them to the practice of a family business.

Where appropriate, use will be made of video and audio material.

Outside of formal class time students are expected to read and make notes on:

1. The recommended case studies.
2. A relevant chapter from one of the recommended text books
3. At least one of the journals or books from the suggested further reading section of the seminar booklet.
4. At least one website from the internet exercises section of the seminar booklet.

Engaging in the activities given above will aid teaching, learning and should make completion of assessed work easier.

Seminar, lecture and other material will be made available via MyBeckett which you are advised to check on a regular basis.

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Module Aims

This module helps to develop a family small business strategic perspective and provide the basis for advancement and application of strategic level skills, competencies, and decision-making capability. It will focus on family small business practitioners and how they do strategy, the practices they adopt and the activities they take part in to create effective strategies.

Module Learning Outcomes

On successful completion of this module, students will be able to:

1. Learning Outcome 1: Critically evaluate and apply concepts, tools and techniques of strategic management to a family small business environment;
2. Learning Outcome 2: Critically analyse and evaluate the relationship between strategic objectives/intent and operational/resource planning in terms of successful strategic implementation within a family small business context;
3. Learning Outcome 3: Evaluate the impact of family small business culture, politics, stake-holder influence, social responsibility and ethical issues on strategy formulation, futures thinking and the strategic decision making process.

Module Learning Activities

The teaching and learning strategy will reflect that of the LBS Postgraduate Scheme. It will be supported by a variety of methods such as:

- Classroom based lectures and seminars
- Student led seminars and discussions based on their own research

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Module Timetable

Week	Lecture A	Lecture B	Seminar C	Seminar D	Reading etc	Directed study and additional resources
1	An Introduction to Strategy for Family Businesses		What is Strategy?		O’Gorman, C. (2012) “Strategy and the small firm” in Carter, S. and Jones-Evans, D. (2012) Enterprise and Small Business, 3 rd edition, Pearson, pages 386-403	Institute for Family Business (IFB) (2014) “The UK Family Business Sector” An IFB Research Foundation Report, December 2014 http://www.ifb.org.uk/media/1334/ifb-sector-report-2014-final-web-version.pdf
2	The Strategic Environment		The Strategic Environment		Burns, P. (2011) Entrepreneurship and small business, 3 rd edition Palgrave Macmillan, pp. 291-293, 308-312	Institute for Family Business (IFB) (2008) “Family Business Management Perspectives: Succession” An IFB Research Foundation Report http://www.ifb.org.uk/media/1593/ifb-succession-guide.pdf

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3	Strategic Research and Information Analysis		Strategic Research and Information Analysis		Volberda, H.W., Morgan, R.E., Reinmoeller, P., Hitt, M.A., Ireland, R.D., and Hoskisson, R.E. (2011) Strategic Management Competitiveness and Globalization, pp.53-57; 96-118	Institute for Family Business (IFB) (2012) “Sustainable Value Creation” An IFB Research Foundation Report, October 2012 http://www.ifb.org.uk/media/1354/sustainable_value_creation_-_october_2012.pdf
4	Strategy, strategizing and strategy in action		Strategy, strategizing and strategy in action		Volberda, H.W., Morgan, R.E., Reinmoeller, P., Hitt, M.A., Ireland, R.D., and Hoskisson, R.E. (2011) Strategic Management Competitiveness and Globalization, pp. 164-188; 276-302; 314-381	Bjornberg, A. and Nicholson, N. (2008) “Emotional Ownership: The Critical Pathway Between the Next Generation and the Family Firm”, An IFB Research Foundation Report http://www.ifb.org.uk/media/1357/emotional_ownership_final.pdf
5	Strategy teams, tools and practices		Strategy teams, tools and practices		Nicholson, N. and Bjornberg, A. (2005) “Family Business Leadership Inquiry” An IFB Research Foundation Report, September 2005 http://www.ifb.org.uk/media/1360/fbli_final.pdf	Leach, P. (2012) “Family Councils: A Practical Guide” An IFB Research Foundation Report http://www.ifb.org.uk/media/1594/ifb_family_council_guide_web_290615.pdf

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6	Strategy and competitive performance – small business and external analysis		Strategy and competitive performance – small business and external analysis		Family Business Network (FBN) (2007) “Family Businesses: Perspectives on Responsible Ownership”, A Family Business Network/ IFB Research Foundation Report http://www.ifb.org.uk/media/1350/perspectivesonresponsibleownership.pdf	Institute of Export www.export.org.uk Institute of Purchasing and Supply www.cips.org
7	Resources and knowledge		Resources and knowledge		Volberda, H.W., Morgan, R.E., Reinmoeller, P., Hitt, M.A., Ireland, R.D., and Hoskisson, R.E. (2011) Strategic Management Competitiveness and Globalization, pp. 202-226; 397-419	Bacon, N., Hoque, K. and Siebert, S. (2013) “Family Business People Capital” An IFB Research Foundation Report, June 2013 http://www.ifb.org.uk/media/1353/people_capital_report_june_2013.pdf



8	Strategy process and practice		Strategy process and practice		<p>Institute for Family Business (IFB) (2011) “Family Business Stewardship” An IFB Research Foundation Report, June 2011 http://www.ifb.org.uk/media/1355/ifbstewardshipreport_final_version.pdf</p>	<p>UK Competition Commission www.mmc.gov.uk UK Office of Fair Trading www.offt.gov.uk</p>
9	Strategic decision making		Strategic decision making		<p>Nicholson, N. and Bjornberg, A. (2007) “Ready, Willing and Able? The Next Generation in Family Business” An IFB Research Foundation Report http://www.ifb.org.uk/media/1358/ready-willing-and-able.pdf</p>	<p>Direct Marketing Association www.the-dma.org Chartered Institute of Public Relations http://www.cipr.co.uk/ Advertising Standards Authority www.asa.org.uk</p>



10	International and collaborative strategies for small businesses in the context of globalisation		International and collaborative strategies for small businesses in the context of globalisation		Volberda, H.W., Morgan, R.E., Reinmoeller, P., Hitt, M.A., Ireland, R.D., and Hoskisson, R.E. (2011) Strategic Management Competitiveness and Globalization, pp. 314-345; 360-381; 545-585	Breeze, B. (2009) “Natural Philanthropists: Findings of the Family Business Philanthropy and Social Responsibility Inquiry” An IFB Research Foundation Report, June 2009 http://www.ifb.org.uk/media/1356/natphilanthropists_final.pdf
11	Futures (foresight) thinking and practice		Futures (foresight) thinking and practice		Drake, A. (2009) “Understanding Family Business: A Practical Guide for the Next Generation” An IFB Research Foundation Report http://www.ifb.org.uk/media/1351/nxg_ufb_final.pdf	UK government’s technology Foresight programme www.foresight.gov.uk
12	Tutor Consultations		Tutor Consultations			
13	Revision and Assessment					
14	Revision and Assessment					



Key Resources to Support Learning

Books

Burns, P. (2011) *Entrepreneurship and small business*, 3rd edition Palgrave Macmillan

Mintzberg, H., Lampel, J., Quinn, J.B. and Ghoshal, S. (2013) *The Strategy Process*, 5th edition, Pearson

O’Gorman, C. (2012) “Strategy and the small firm” in Carter, S. and Jones-Evans, D. (2012) *Enterprise and Small Business*, 3rd edition, Pearson, pages 386-403

Paroutis, S., Heracleous, L., and Angwin, D. (2013) *Practising Strategy*, Sage

Volberda, H.W., Morgan, R.E., Reinmoeller, P., Hitt, M.A., Ireland, R.D., and Hoskisson, R.E. (2011) *Strategic Management Competitiveness and Globalization*, South Western Cengage Learning

Journals

British Journal of Management, Wiley

[http://onlinelibrary.wiley.com/journal/10.1111/\(ISSN\)1467-8551](http://onlinelibrary.wiley.com/journal/10.1111/(ISSN)1467-8551)

Journal of Management Studies, Wiley

[http://onlinelibrary.wiley.com/journal/10.1111/\(ISSN\)1467-6486](http://onlinelibrary.wiley.com/journal/10.1111/(ISSN)1467-6486)

Articles

Barach, J.A., & Gantisky, J.B. (1995). Successful succession in family business. *Family Business Review*, 8(2): 131-155.

Barnett, T., Long, R.G., and Marler, L.E. (2012) Vision and exchange in intr-family succession. Effects on procedural justice climate among non-family managers. *Entrepreneurship Theory and Practice*. 36 (6) 1207-1225

Basco, R. and Perez Rodriguez (2009) ‘Studying the family enterprise holistically: evidence for the integrated family and business systems’ in *Family Business Review* 22:1 pp.82-95

Bennedsen, M., Iversen, M., and Wolfenzon, D. (2010) The governance of family firms. In K.H. Baker and R. Anderson (Eds) *Corporate governance: A synthesis of theory, research and practice* (pp371-389) Hoboken, NJ. Wiley

Berrone, P., Criz, C. and Gomez-Mejia, L.R. (2012) Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches and agenda for future research. *Family Business Review*, 25, 258-279

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BIS (2013) Small Business Survey 2012. SME Employers: Focus of family businesses. Department for Business Innovation and Skills. May 2013

Bjornberg, A. and Nicholson, N. (2012) Emotional Ownership: The Next Generation's Relationship with the Family Firm. *Family Business Review*, 25 (4), 374-390.

Braun, M. R., and Latham, S. F. (2009). When the big "R" hits home: governance in family firms during economic recession. *Journal of Strategy and Management*, 2(2), pp120-44.

Braidford et al (2014) Research into Family Business https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/313957/bis-14-699-research-into-family-businesses-bis-research-paper-172.pdf

Carney, M. (2005) Corporate governance and competitive advantage in family controlled firms. *Entrepreneurship Theory and Practice*, 29(3), 249-265

Chrisman, J.J., Steier, L.P. and Chua, J.H. (2008) 'Towards a theoretical basis for understanding the dynamics of strategic performance in family firms', *Entrepreneurship Theory and Practice*, Vol. 32, No. 6, pp. 935-947

Chrisman, J. J., Chua, J. H., & Sharma, P. (2005). Trends and directions in the development of a strategic management theory of the family firm. *Entrepreneurship: Theory and Practice*, 29, 555–575.

Coutts (2010) Governance in the Family Business. Sharing Family business insights. London. Coutts.

DeTienne DR and Chirico F (2013) Exit Strategies in Family Firms: How Socioemotional Wealth Drives the Threshold of Performance. *Entrepreneurship Theory and Practice* 37(6), pp1297-1318

Donckels, R., & Frohlich, E. (1991). Are family businesses really different? European experiences from STRATOS. *Family Business Review*, 4, 149–160.

Drake, A. (2009) Understanding the Family Business. A Practical Guide for the Next Generation. London. Institute for Family Business.

Fletcher, D. (2008) Overview of Family Business Relevant Issues. United Kingdom. Report for KMU Forschung Austria.

Gagné, M., Wrosch, C., & Brun de Pontet, S. (2011). Retiring from the family business: The role of goal readjustment capacities. *Family Business Review*, 24, 292–304.

Gagne, M., Sharma, P. and Massis, A.D. (2014) The study of organizational behaviour in family business, *European Journal of Work and Organizational Psychology*, 23:5, 643-656.

Habbershon, T. G., & Williams, M. L. (1999). A resource based framework for assessing the strategic advantages of family firms. *Family Business Review*, 12, 1–25.

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- Handler, W.C. (1991) Key interpersonal relationships of next-generation family members in family firms. *Journal of Small Business Management* 29(3): 21–32.
- Kellermanns, F. W., Eddleston, K. A., Barnett, T., and Pearson, A. (2008). An exploratory study of family member characteristics and involvement: Effects on entrepreneurial behavior in the family firm. *Family Business Review*, 21(1), pp1- 14.
- Lansberg, I.S. (1988) 'The succession conspiracy' in *Family Business Review*, 1:2, pp.119-143.
- Lansberg, I. (1999) *Succeeding generations*. Boston, MA: Harvard Business School Press.
- Longenecker, J.G. and Schoen, J.E. (1978) Management succession in family business. *Journal of Small Business Management*, 16 (3): 1-6.
- Lumpkin, G.T., Steier, L. and Wright, M. (2011) 'Strategic entrepreneurship in family business', *Strategic Entrepreneurship Journal*, Vol. 5, No. 4, pp. 285-306
- Miller, D., and Le Breton-Miller, I. (2005). *Managing for the long run: Lessons in competitive advantage from great family businesses*. Harvard Business Press.
- Miller, D. Steier, L. and Le Breton-Miller, I. (2003) Lost in time: Intergenerational succession, change, and failure in family business. *Journal of Business Venturing* 18 (4): 513-531.
- Mitchell, J.R., Hart, T.A., Valcea, S. and Townsend, D.M. (2009) *Becoming the Boss: Discretion and Post-Succession Success in Family Firms*. *Entrepreneurship: Theory and Practice*, 33 (6): 1201-1218.
- Murray, B. (2003) The succession transition process: A longitudinal perspective. *Family Business Review*, 16 (1): 17-33.
- PWC (2007) *Making a difference. The Pricewaterhouse-Coopers Family Business Survey. 2007/8*
- Salvato, C., Chirico, F. and Sharma, P. (2010) A farewell to the business: Championing exit and continuity in entrepreneurial family firms. *Entrepreneurship & Regional Development* 22(3-4), pp321-48
- Scholes, L., Westhead, P., and Burrows, A. (2008), Family firm succession: the management buy-out and buy-in routes", *Journal of Small Business and Enterprise Development*, Vol. 15 Iss 1 pp. 8 – 30 <http://dx.doi.org/10.1108/14626000810850829>
- Wilson, N., Wright, M., and Scholes, L. (2013). Family business survival and the role of boards. *Entrepreneurship Theory and Practice*, 37(6), pp1369-89.

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Institute for Family Business (IFB) Reports (in year/date order)

Astrachan, C.L., and Astrachan, J.H. (2015) “Family Business Branding: Leveraging Stakeholder Trust” An IFB Research Foundation Report, March 2015

<http://www.ifb.org.uk/media/1352/ifbrf-branding-report-final-web-version-1.pdf>

Bacon, N., Hoque, K. and Siebert, S. (2013) “Family Business People Capital” An IFB Research Foundation Report, June 2013

http://www.ifb.org.uk/media/1353/people_capital_report_june_2013.pdf

Institute for Family Business (IFB) (2014) “The UK Family Business Sector” An IFB Research Foundation Report, December 2014

<http://www.ifb.org.uk/media/1334/ifb-sector-report-2014-final-web-version.pdf>

Institute for Family Business (IFB) (2012) “Sustainable Value Creation” An IFB Research Foundation Report, October 2012

http://www.ifb.org.uk/media/1354/sustainable_value_creation_-_ifb_-_october_2012.pdf

Leach, P. (2012) “Family Councils: A Practical Guide” An IFB Research Foundation Report

http://www.ifb.org.uk/media/1594/ifb_family_council_guide_web_290615.pdf

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http://www.ifb.org.uk/media/1355/ifbstewardshipreport_final_version.pdf

Drake, A. (2009) “Understanding Family Business: A Practical Guide for the Next Generation” An IFB Research Foundation Report

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<http://www.ifb.org.uk/media/1350/perspectivesonresponsibleownership.pdf>

Nicholson, N. and Bjornberg, A. (2007) “Ready, Willing and Able? The Next Generation in Family Business” An IFB Research Foundation Report

<http://www.ifb.org.uk/media/1358/ready-willing-and-able.pdf>

Nicholson, N. and Bjornberg, A. (2005) “Family Business Leadership Inquiry” An IFB Research Foundation Report, September 2005

http://www.ifb.org.uk/media/1360/fbli_final.pdf

Web Sites

Institute for Family Business: <http://www.ifb.org.uk/>

Skills for Learning: <http://skillsforlearning.leedsmet.ac.uk/>

All disabled students requiring additional support or alternative arrangements must declare and provide evidence of their disability to the Disability and Advice Team as early as possible: <https://www.leedsmet.ac.uk/studenthub/disability-services.htm>.

Assessment

Assessment summary

Assessment Method:	Weighting:	Assessment date:	Feedback Method:	Feedback date:
1. Coursework individual	30%		Individual feedback mark sheet	
2. Coursework - individual	70%		Individual feedback mark sheet	
Reassessment Method:	Weighting:	Assessment date:	Feedback Method:	Feedback date:
1. Individual	30%		Individual feedback mark sheet	
2. Individual	70%		Individual feedback mark sheet	

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Assessment Details

Coursework

Module Title	Strategy for Family Businesses
Assessment Title	
Individual/Group	Individual
Weighting	30%
Latest Hand in Date	Please see the assessment brief
Learning Outcomes Assessed	Learning outcomes 1, 2 and 3

Module Title	Strategy for Family Businesses
Assessment Title	
Individual/Group	Individual
Weighting	70%
Latest Hand in Date	Please see the assessment brief
Learning Outcomes Assessed	Learning outcomes 1, 2 and 3

Student Instructions for Submission of Coursework

1) This module requires you to submit paper copy/copies of your work i.e. only work such as scrap books, portfolios, progress files, dissertations and posters which are not suitable for submission on-line.

You MUST complete an Assignment Submission Form and submit the work with the form securely attached in the relevant assessment post box (unless instructed otherwise).

Please note: Tutors will follow up any suspected cheating, plagiarism, self-plagiarism, collusion and other forms unfair practice found after the submission date as per University policy. Late penalties will apply as per University regulations.

Particular Instructions to Students:

Assessment Details

Details of the assessment and associated marking details will be issued in due course.

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Feedback

What is feedback?

There are numerous definitions but from an academic perspective feedback is any information, comment [verbal or written], mark or grade that you receive for any piece of work intended to help you understand how you are doing.

The work may be an assignment, presentation [written or in-class], draft, input to a discussion [in class or elsewhere], proposal, case study, poster etc. It may be an assessed piece of work [ie 'summative'] the mark for which contributes to your module grade or mark. Or it may be 'formative' ie designed to help you in the learning process, by allowing you to demonstrate your level of understanding or to practice and gain experience. In this latter case the comments [and if there is one] the mark or grade is to guide you regarding the level you have reached – but it does not contribute to the module grade.

The purpose of feedback is to help you understand the standard which you have reached and areas where you show strength and areas where you can improve.

The way in which 'feedback' is given by academic staff varies. It may be formal for example written comments on a piece of work – that may be actually be on the work or on a separate sheet; verbal comments during a discussion with you individually or in a group, 'audio' or 'video' – recorded in some way so that you can listen to it later. It may be verbal – face to face, by phone, or in class.

It may be detailed – such as comments at various points on a written submission, - or as a summary to include an overall view. It may be a passing verbal comment during a tutorial. It is rare that you will get a headline "This is feedback" – you need to listen and look for any information that comes to you from academics related to anything that you have done. It may just be a grade or mark. It may be 'generic' feedback – usually for formal module assessments. This generally covers aspects that relate to most submissions and you should read it and select those comments that may apply to you. You can ask your tutor for additional feedback but if you do that make sure that you have obtained and read all that which they provided originally. Generally tutors will provide this, but there may be reasons they cannot do so. Please also remember that feedback is not a case of tutors 'justifying' the mark awarded.

You can also get feedback from your peers – in a class discussion, in group work, by getting someone to read through something you have written and asking them to comment. Do remember that you are not [generally] competing with other students, but being judged against [more or less] objective standards. So learning to work with other students and helping one another makes sense. [You just need to ensure that you do not plagiarise – i.e. pass of someone else's work as your own]. Therefore if you and a friend read each other's essay, discuss or comment on them together – so that you learn from each other,

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and then rewrite, that is fine – just make sure that you rewrite separately so that you don't use the same expressions, sentences etc. You may, for example, reach the same set of conclusions, but writing them yourself in your own words can avoid any suspicion of plagiarism.

In every case the purpose of feedback is to help you reflect on what you have done, where you have done well, and identify where you could do better. By using all forms of feedback wisely, we can all improve our understanding and performance – and, hopefully, achieve better outcomes. Therefore welcome feedback [even if it seem negative] from every source. Think about what is valid and what is not [be realistic in assessing this, not all feedback is valid or of the same quality] and look for what you can learn to improve next time. Treat feedback as a whole, not in isolation – if you receive a comment about, say, writing style or referencing for one module, apply the lesson to others too!

A mid module review will be timetabled into your module. This is an opportunity to iron out modular issues rapidly early on in the module. In addition, you will have the opportunity to feedback formally at the end of your module. These comments will be reviewed by your course leader and course team and some may be considered at your annual course enhancement meeting. Your Student Representative will attend this and take your views to this meeting for discussion.

Understanding Your Assessment Responsibilities

Please refer to Course Handbook

Mitigation and Extenuating Circumstances

If you are experiencing problems which are adversely affecting your ability to study (called 'extenuating circumstances'), then you can apply for mitigation. You can find full details of how to apply for mitigation at: <http://www.leedsbeckett.ac.uk/studenthub/mitigation.htm>.

The University operates a fit to sit / fit to submit approach to extenuating circumstances which means students who take their assessment are declaring themselves fit to do so.

Late Submission

Without any form of extenuating circumstances, standard penalties apply for late submission of assessed work. These range from 5% to 100% of the possible total mark, depending on the number of days late. Full details (section C1.5.7) of the penalties for late submission of course work are available at <http://www.leedsbeckett.ac.uk/about/academic-regulations.htm> (see C1).

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Cheating, Plagiarism and Other Forms of Unfair Practice

Academic misconduct occurs when you yourself have not done the work that you submit. It may include cheating, plagiarism, self-plagiarism, collusion and other forms of unfair practice. What is and what is not permitted is clearly explained in *The Little Book of Cheating, Plagiarism and Unfair Practice* which is available to view at: <http://www.leedsbeckett.ac.uk/studenthub/plagiarism.htm>.

The serious consequences of plagiarism and other types of unfair practice are detailed in section C9 of the Academic Regulations at <http://www.leedsbeckett.ac.uk/about/academic-regulations.htm>.

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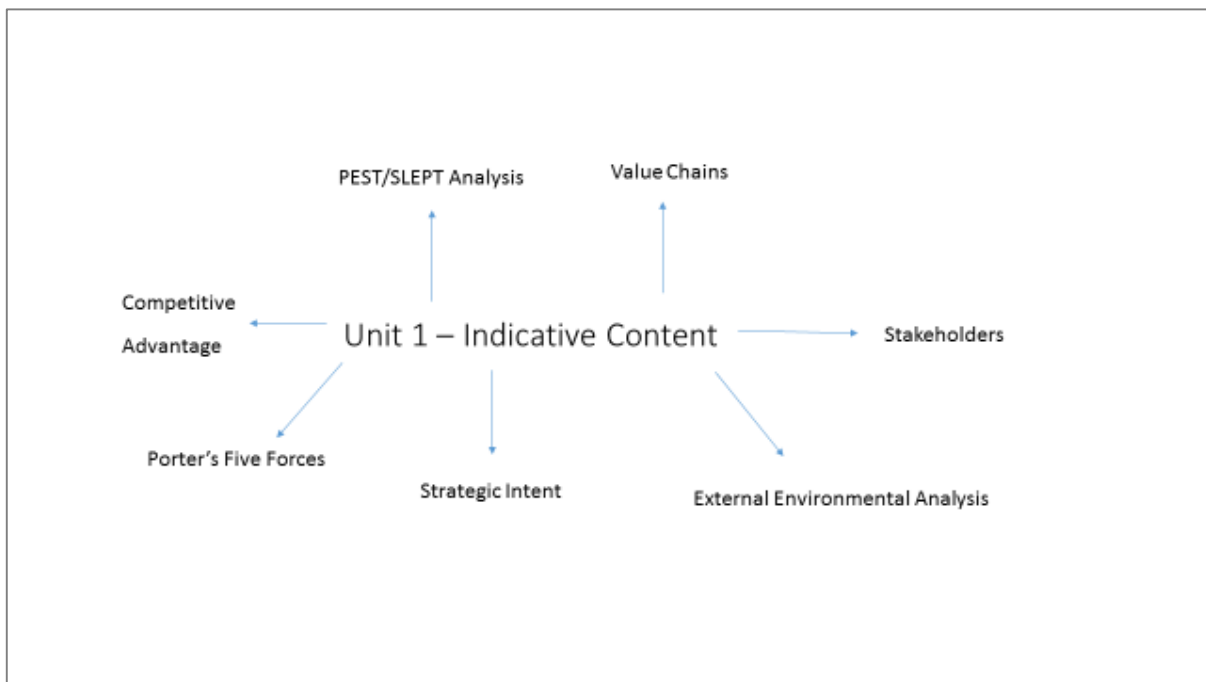
UNIT 1

Module Content

- The context and emergence of strategic thinking
- Small Business (macro and micro) environment and strategy
- Strategy, strategizing and strategy in action

PowerPoint Presentation

The Power Point presentation will focus on core strategy concepts, tools, models and frameworks that can be applied to family businesses, especially small family businesses. The indicative content for strategy concepts, tools, models and frameworks as applied to family businesses might include:



Background Reading on Family Businesses – a UK Perspective

(Sourced and adapted from Review of Family Business Research on Succession Planning in the UK, David Devins and Brian Jones, April 2015, ERASMUS+ Intergenerational Succession in SME's Transition - INSIST)

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Definition of a Family Business

There is no single universally accepted definition of a family business in the UK. In an influential review of the UK Family Business Sector for the Institute for Family Business (IFB, 2011) by Oxford Economics they suggest that a business can be classed as a family business if it meets the following criteria:

- The majority of votes are held by the person who established or acquired the firm, or their spouse, parents, child or child's direct heirs, and
- At least one representative of the family is involved in the management or administration of the firm
- In the case of a listed company, the person who acquired the firm or their family, possesses 25% of the right to vote through their share capital and that there is at least one family member on the board of the company
- For micro (typically sole traders) businesses, subjective criteria are also needed. In particular the Government Department for Business Innovation and Skills (BIS) define it as a business, majority owned by members of the same family (BIS, 2013, p6).

Roles and importance

There are a range of data sources that can be used to identify the role and importance of family business in the UK economy including statistics produced by BIS and research produced by a variety of others including business representative organisations, lobbying agencies, private sector business service providers (such as consultancy agencies and accountants) and academic Departments. The different definitions, research methodologies and analysis techniques provide a rich and sometimes inconsistent picture of family businesses in the UK. For example based on the Survey of SME employers in the UK (a stratified survey of over 4,000 employers employing between 1 and 250 employees) estimates that there are about 1.2 million family businesses in the UK (BIS, 2013) whereas estimates often quoted by IFB based on the combination of several sources suggests that there are almost 3 million family businesses in the UK (IFB, 2011). Most of the discrepancy between the two estimates appears to be accounted for by the inclusion of Sole Traders that employ no employees (over 2 million firms) in the IFB estimates of the size of the business population. The IFB (2011) suggest that two thirds of all the private sector firms in the UK are family businesses and that they contribute to £1.1 trillion in revenue. In an earlier report the IFB (2008) estimated that family businesses pay around £47bn per annum to the Exchequer in taxes, equivalent to almost 10% of the Government's total tax receipts.

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The IFB (2011) provide an indication of the relative importance of the family business sector to the UK economy:

- UK family businesses provided 9.2 million jobs, 40% of total private sector employment, or two in five private sector jobs. To place this in context, this is around 50% more than the entire UK public sector and makes family firms the largest source of employment in the private sector
- Family firms generated revenues of £1.1 trillion in 2010, or 35% of private sector turnover. On these revenues, family firms made a £346 billion value-added contribution to UK GDP, or nearly a quarter of the total
- Family businesses are estimated to have contributed £81.7 billion in tax receipts to the UK Exchequer, or 14% of total government revenues in 2010.

Age and sustainability

The evidence suggests that family businesses tend to be older than non-family businesses and tend to survive for longer and therefore promote a more stable business sector and job security (IFB, 2008). The BIS (2013) survey continues to show that a higher proportion of family businesses (47%) compared with 31% of non-family businesses are more than 20 years old. 31% of family owned businesses had been in control of the family for at least two generations.

Institutional setting

The brief review of the contribution of family businesses above highlights the important contribution that they make to the UK economy. Awareness of their role and contribution has increased over recent years however there is no legal distinction between family and non-family businesses. Family businesses remain a subset of the different sizes of firms (micro, small, medium) and legal categories (Sole trader, Partnership and public/private limited companies). It is difficult to discern recognition of family businesses as a discrete entity amongst business representative organisations such as the Chamber of Commerce or the Federation of Small Business. At the Government level there is no Minister for Family Business. Family business succession matters tend to fall mostly under the remit of the Department for Business Innovation and Skills (BIS) and Her Majesty's Revenue and Customs (HMRC).

BIS is the Government Department for economic growth that seeks to invest in skills and education to promote trade, boost innovation and help people start and grow a business, protect customers and reduce the impact of regulation. It funds support for a wide range of businesses in the UK economy in a number of areas associated with its Departmental

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remit. These include the National Loan Guarantee Scheme, Enterprise Finance Guarantee, Growth Improvement Service and Business Link. The Department's recent work specifically related to family businesses includes bespoke research reports based on its bi-annual survey of SMEs and qualitative research with a small number of family based businesses to inform policy development.

Her Majesty's Revenue and Customs (HMRC) is the UK's tax authority, a non-ministerial department responsible for making sure that the money is available to fund the UK's public services and for helping families and individuals with targeted financial support. It has five policy areas at the current time (i) making the labour market more flexible, efficient and fair (ii) Reducing tax evasion and avoidance (iii) making it easier for HMRC customers to deal with their taxes (iv) creating a simpler, fairer tax system (v) making the administration of the tax system more efficient. The business and tax environment has generally been seen as being supportive of family businesses (IFB, 2008).

In the UK there are a number of specialist agencies providing support for family businesses. In England, the London-based Institute for Family Business (IFB) has been at the forefront of raising public and policy awareness of family business issues through a combination of advocacy, educational and networking activities. They have focused on several policy areas including the development of a favourable tax regime permitting firms to grow under family ownership; more investment in succession planning and the need to cut red tape. Similarly Families in Business (FIB), launched in 2013, are a membership organisation that provides consultancy and support for family businesses that has established a presence in several English regions.

In Scotland, the Scottish Family Business Association (SFBA) has supported the IFB agenda largely through promotion and marketing activity. The SFBA has also focused its efforts on raising the profile, productivity and performance of family firms in Scotland by emphasising (amongst other things) the importance of business support for best practice and succession planning.

The IFB and SFBA have been supported in their research activities by Research Centres in Higher Education. The London Family Business Research Institute has supported IFB in England and the Caledonian Family Business Centre has supported the SFBA in Scotland. Other Higher Education Institutions in the UK have developed centres for family business teaching, research and/or consultancy including Lancaster University Centre for Family Business, University of Strathclyde Forum for Family Business, Regents University London (Global Management - pathway in Family Business – MA) and the London School of Business and Finance (Professional Certificate in entrepreneurial and family business).

Sections of the private sector also provide considerable support for family businesses most noticeably amongst the providers of business consultancy and accountancy services.

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Examples include the BDO Centre for Family Business, Coutts and Co, PriceWaterhouseCoopers and Armstrong Watson.

The IFB (Drake 2009), in a report emphasising the corporate dimension of family businesses identify key professional advisors and their roles that include

Lawyers providing professional advice in relation to for example:

- Drafting the rules under which the limited liability company operates (articles of association)
- Drafting shareholder agreements (which give minority shareholders more protection than they would otherwise have under company law) and family charters (increasingly being used by more established family businesses particularly where some of the owners do not work in the business and where there are non-family members involved in the management of the business)
- Contracts of employment for family members
- The purchase of another business or the sale of the whole or part of the family business

In the case of larger family businesses there may be one firm of lawyers acting on behalf of the business and another firm acting on behalf of the family.

The accountants/auditors will deal with such matters as

- The preparation and audit (where required) of the financial accounts
- Tax advice (although this might equally be provided by lawyers)
- Share evaluation, whether in the context of share transfers (e.g. to other family members), share buy-back or an employee share scheme and
- The purchase of another business or the sale of the whole or part fo the family business

Bankers will assist in matters such as

- The operation of the company's bank accounts
- Specific funding for projects such as capital expenditure

Larger family businesses may also have a number of additional advisors such as

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- Specialist family business consultants who advise on matters like succession planning and family governance and who assist in resolving disputes within the family
- Chartered surveyors or planning consultants who advise on the company's property interests
- Actuaries who advise in relation to pension schemes
- Strategic business consultants who advise on business strategy and processes and
- Corporate finance advisors who advise on mergers and acquisitions as well as the sale of all or part of the family business

Succession planning

Succession planning and intergenerational transfer is an ongoing challenge in the UK. It is an issue that is often raised in reports exploring various aspects of family business development and growth. A distinction can be drawn between ownership transition (i.e. the next generation receives – or buys – equity in the business) and management transition (i.e. the next generation takes over running the business), which often occur together, although research tends to focus more on management rather than ownership transition (Nordqvist et al., 2013). Survey evidence consistently suggests that many family firms are ill prepared for succession and transition. A survey of managers in 1,454 small and mid-sized family businesses operating in a wide range of sectors in 28 countries revealed that 48% of family firms had yet to identify their successor (PWC, 2007). Succession is set to become a larger issue as the 'baby boomer' generation reaches retirement age over the next few years.

Class or Group Questions and Report Back

1. What is strategy?
2. Define strategy.
3. What are the benefits of strategy?
4. What strategies are associated with success in family businesses?
5. What are the consequences of not having a strategy in today's dynamic business world?
6. What theory and business models inform and underpin a small family business approach to strategy?

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7. Discuss the factors you believe have given rise to the need for small family businesses to be strategically oriented. Give two examples of small family businesses you believe are strategically oriented and justify why.
8. What is the macro environment?
9. What are the components that “make up” the micro environment?
10. The macro environment is controllable. True or false?
11. Give examples of how economic decisions can affect strategic decisions.
12. Give examples of how technological innovation can affect strategic decisions.
13. Give examples of how cultural issues can affect strategic decisions.
14. Identify ways to monitor the external environment.
15. How can you monitor the micro environment?
16. Using a family business of your choice, produce and justify an environmental analysis.

Family Business PESTEL

Individually, in pairs or small groups please outline and discuss the macro environmental (PESTEL) factors that confront or might impact on your own family business, a family business that you know of, or family businesses in general. Be prepared to outline and discuss the issues and put forward suggestions as to how they might be addressed.

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Macro Environmental Analysis - PESTEL	What are the issues?	What can be done? What action can be taken?
Political		
Economic		
Social		
Technological		
Environmental		
Legal		

Macro Environment

Now in groups of 4 or 5 compile a list of 1] Social; 2] Technological; 3] Environmental; 4] Economic; 5] Political; and 6] Legal changes that are current, recent or that might happen in the future. How might the macro environment and the changes you have identified impact on family businesses? What are the threats? What are the opportunities? What is the competitive environment?

Discuss these issues in your group.

One person from each group should feedback results to the whole class.

Case study

In your own time please read and be prepared to discuss in the next class the Insist case study BI-KA Logistics Ltd. (2015) a key part of which is included below:

INSIST case study - BI-KA Logistics Ltd. (2015)

Ágnes Kiss (Budapest Business School)

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1. Introduction – Presentation of the Case

Very brief history of the firm

After graduation, György Karmazin started his carrier at an agricultural trading company as a freight forwarder in 1991. The very straight and painstaking György couldn't follow, respect or learn from his gambler owner-manager, but at least he had freedom in his work. In the industry, he found that most of his business partners are his former classmates. He realized that he has both the connections and the knowledge, and he could try to start a business in logistics on his own. Established under the Christmas tree in 1991, BI-KA Logistics was found by György with the help of the parents-in-law. The small, family-owned company became one of the regional leaders in freight services and logistics in the last 23 years.

Main activities

BI-KA Logistics provides domestic and international freight services and transportation, rail transportation, as well as transport of oversized, air, container, marine or dangerous goods, warehouse logistics services, full customs clearance, cargo insurance and consultancy in logistics. Most common transportation routes are between Hungary and England, Austria, Belgium, Luxembourg, the Netherlands, Bulgaria, Czech Republic, Denmark, Estonia, Belarus, France, Greece, Croatia, Poland, Latvia, Lithuania, Germany, Italy, Russia, Portugal, Romania, Spain, Sweden, Switzerland, Serbia, Slovakia, Slovenia, Turkey.

Ownership structure

BI-KA Logistics was founded in 1991 by Hungarian private entities, **Bíró** and **Karmazin** families (György Karmazin, and his wife's parents) in Szolnok, a small city in the rural area of Hungary. The legal form of the family business changed from unlimited to limited liability in 2008. Currently 100% of the private company is owned by Dr. György Karmazin, co-founder and previous Managing Director of the business. Although he kept ownership, the management of the company was fully transferred to a successor in 2012. The successor is neither a member of the family, nor an external manager. Gabriella Szécsi spent 10 years in different positions at BI-KA, before György asked her to take over the management of the company.

Main characteristics of its market position

The business is exclusively business-to-business in nature and serves its' customers in 30 countries, mainly in the European markets. The company is continuously growing, closing the 2013's business year with a turnover of 16 million EUR, which means a 20,7% growth

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compared to the previous business year. In 2014, they could increase the turnover by 12%, even if their main partner remarkably cut orders. For the upcoming year, they have ambitious goals to improve profitability. BI-KA Logistics plans to double its' vehicle fleet in 2015 and concentrate more on freight services.

Number and structure of employees

Number of employees: 103 people

Rate based upon gender:

Female: 48 %

Male : 52%

○ physical worker: 4%

○ physical worker: 26,6%

○ white-collar worker: 69%

○ white-collar worker: 31%

Age groups:

○ 20-30 years: 34 people

○ 31-40 years: 42 people

○ 41-50 years: 17 people

○ 51+ years: 10 people

Main characteristics of the interviewees in a table

Name	born in	sex	family relations	entering the FB	education	skills / responsibilities
Dr. György Karmazin	1966	male	husband	1991	Economist, univ. degree + PhD in Economic Studies	co-founder, owner, former managing director, now strategic counsellor
Anita Bíró, Dr. Karmazinné	1969	female	wife	1998	Maths teacher univ. degree	group leader + deputy managing director
Gabriella Szécsi	1979	female	no relation	2002	Logistics univ.degree + MBA in Management	managing director

Table 2. Main characteristics of the interviewees

2. Succession process

Rules of Entry and Exit

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A milestone in the FB's life was when György realized around 2000, after 10 years of operation and hiring the 20. employee, that managing a micro-size company basically differs from managing a small- or medium sized one. It needs organizational structure, and personal communication among members is not efficient any more. He learnt about strategy and organizational structures. He started to cooperate with external OD partners, and developed a 3-years strategy with the support of a strategic advisory team. After the strategy was ready, BPR partners developed an ERP system that was based on the created strategy. These developments turned out to be great investments, and BIKA was a pioneer among competitors – small businesses at that time had no idea why does he need this.

György believes in lifelong learning and continuous self-development, which is the also one of the basic values of the company. In 2010, after 20 years of intensive work, the always energetic man found that he had become exhausted from the long working hours and started to think about other life goals he wanted to reach. At the age of 44, he wanted to live a life along values more than ever before, and both personal and organizational growth obtained higher priority for him.

The company was dynamically growing, and soon it reached medium-size. Business success was not enough anymore for György, he was motivated to give something to the community. As a sportsman, he was happy to spend more time with helping others to become successful in sports and/or in business life. He led the national karate association for 8 years, but in these years he found more delight in educating children three times a week. He also started his running coaching sessions for local entrepreneurs, to help them stay physically fit and they also discussed business issues via running every morning. There were other role models around him, how to continue. He studied successful entrepreneurs in Hungary who stepped back from business and built academies for the next generation. He also wanted to work on his PhD and to build an academic carrier, or even to set up a logistic academy in his hometown, Szolnok. After starting his PhD in 2010, and he soon realized that he cannot study and lead the company at the same time. During his PhD studies, he met a professor, who examined family business successions in U.S., and based on the best practices, they found out the steps of succeeding BI-KA Logistics for the next generation. He was ready to retire, but he needed the right successor in order to retire without risking the business, that provides a living for his family and at that time for 70 employees and their family also.

First, he examined the family. His wife also worked at the company in administration and facility management, but she was never really deeply into the business. The parents of the wife had no ownership in the company any more (they owned a partner company, BI-KA Trans.) The children of the couple are too young and have no experience to take over a mid-size company. He didn't want to wait for ages to find out whether the children want or if

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they are capable to take over the company. He realized that either he invites an external manager to take over the company, or he find someone from his own managers, and help him/her to grow. Consulting with his wife, they agreed to choose the latter one, and they had a clear idea who is the potential successor.

Gabriella Szécsi was an ideal choice. She joined the company in 2002, where she made a carrier step-by-step, starting as a freight forwarder. She was talented and eager to learn, and she also had leadership competences. György and his wife fully trusted her. From 2005, she worked as an operational manager at the company besides György, who was the strategic leader at that time. During a 2-years' maternity leave between 2010 and 2012, she spent considerable time on self-education, doing a language exam and an executive MBA training. During the two years' leave, György talked to Gabriella about the potential succession. First György had other mid-term succession plans, such as offering the 33-year-old Gabriella a Division Manager position for some years, but there was no need for the delay. By the time she returned to the company in 2012 May, they already agreed on 8 steps of the takeover. From 2013 January, Gabriella is the Managing Director and representative of the firm, and György stepped back to the owner's position, acting as a strategic counsellor.

György has a motto, that '**If it is not growing, it is decreasing**'. He defined **5 KPIs** that Gabriella has to reach quarterly. In the last two years, she exceeded even these ambitious requirements. Income improved by 20%, business results improved by 56% in the 2013 business year.

Web Sites

UK Open Government home page: www.open.gov.uk

EU home page: www.europa.eu.int

Office for National Statistics: www.ons.gov.uk

Video Clips

Armstrong Watson You Tube: <https://www.youtube.com/user/ArmstrongWatson>.

Reading

Barach, J.A., & Gantisky, J.B. (1995). Successful succession in family business. *Family Business Review*, 8(2): 131-155.

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UNIT 2

Module Content

1. Strategy teams, tools and practices
2. Strategy and competitive performance – small businesses and external analysis
3. Resources and knowledge – the role of

PowerPoint Presentation

The Power Point presentation will focus on core strategy concepts, tools, models and frameworks that can be applied to family businesses, especially small family businesses. The indicative content for strategy concepts, tools, models and frameworks might include:



Background Reading on Strategy Formation and Decision

(Sourced and adapted from Review of Family Business Research on Succession Planning in the UK, David Devins and Brian Jones, April 2015, ERASMUS+ Intergenerational Succession in SME's Transition - INSIST)

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Strategy formation and decision

Strategy formation and decision (participation of family and non-family members, etc.)

Managing the competing demands of family and business can be problematic, especially so in the context of succession and strategic planning where a family must balance the sometimes conflicting interests of both the owner's family and the business itself. Exploring, interpreting and better understanding strategies and processes at the micro level of analysis can shed light in areas that might be missed by more macro strategic levels of analysis. Nordqvist (2011) argues that the key to understand why family firms may be 'special cases of strategic management is likely to be found at the micro level of social interaction. At this level, everyday interplay and mutual influence of the family and the business are expressed through family and non-family actors who impact the strategy process, as well as where and how these actors interact Nordqvist goes on to pose two research questions; "RQ1: Which actors are involved in strategic work in family firms: that is, who is the strategist? RQ2 Where and when do these actors meet and interact in strategic work: that is, where and when does the strategic arena appear?" Micro level analysis of strategy in practice can help inform issues of succession planning in family businesses.

Family considerations often overwhelm the strategic realities of the business and hinder the ability to successfully pass the business on to subsequent generations (Jaffe, 2005). As illustrated earlier in this review the socio-economic dimension of family businesses and the juxtaposition of family and business interests present unique contexts for strategy. The heterogeneity and dynamism of family businesses means that generalisation of the various roles that family and non-family members can take in running the business should be undertaken with caution. However, a number of themes and issues are brought to the fore under the heading strategy formation and decision and they include ethnicity, family bonding; family matriarchs and women's role in decision making; communication and governance.

One area that has gained some attention in the literature is the role that strategic planning plays in the sustainability of family firms over the generations. Researchers have identified a lack of strategic planning as a key mechanism to counteract the underinvestment in family firms that leads to the decline in survival rates across the generations (Eddleston et al. 2013). Both strategic planning (Chrisman, Chua and Sharma, 2003; Sirmon and Hitt, 2003; Upton, Teal and Felton, 2001) and succession planning (Handler, 1989; Sharma, Chisman and Chua, 2003a; Ward, 1987) are identified as mechanisms likely to counteract this underinvestment, encourage appropriate investments, and lead to the sustainability and growth of family firms.

Lumpkin et al. (2011) illustrate that identity theory suggests that family firms have the option of 'interwining' family and firm when seeking strategic advantage. In a comparison

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of strategic planning, Craig and Moores (2005) note that in some studies (e.g. Feigener et al., 1996), family business Chief Executive Officers (CEOs) have been found to rate strategic planning less significant in successor preparation than do non-family business CEOs. Harris et al. (1994) reviewed the strategy literature pertaining to family business and came up with a list of characteristics that may influence strategy, including 'inward' orientation, slower growth and less participation in global markets, long-term commitment, less capital intensive, importance of family harmony, employee care and loyalty, lower costs, generations of leadership, and board influence on implementation.

Bhalla et al. (2007) explore the role of ethnicity in relation to strategic management paradigms. They draw attention to the role of family bonding in strategy making. Reporting on primary data findings they show that the ethnic origin of the controlling family has a significant influence in determining the dominance of a particular strategy paradigm. However, successful high-growth family firms are not associated with any particular school of strategy. The influence of family bonding on strategy-making was greater in ethnic family firms than non-ethnic family firms. By focusing this research on the formation of strategy within family businesses that are ethnically owned the context of culture and the role of aspirations comes further to the fore.

Women's role in decision making and family matriarchs are also considered by Bhalla et al. (2007). One particularly noteworthy finding is that, family members who do not hold an official position in ethnic family firms (for example, family matriarchs) nevertheless played an important role in decision-making. Bhalla et al (2007) go on to note that in many family firms, women exercise strong political influence as mediators and enablers, maintaining channels of communication and ensuring that conflicts are amicably resolved. The role of women family members in the formulation of strategy and succession planning is clear. Women family members even when not officially working in the business do nevertheless help to give shape, meaning, influence and direction to family business strategy.

Eddleston et al (2013) point out that succession is rarely a single, isolated event or decision. Succession and planning for succession is a more complex issue than might first appear and throughout and as part of the strategy for succession, communication is a key success factor.

Eddleston et al (2013) draw attention to the fact that different generations of family businesses will have a need for different strategic and succession plans. They argue that firms in different generational management stages will have different needs with respect to both strategic planning and succession planning. Furthermore, founders who are most interested in perpetuating their legacy and maintaining their family's control of the business are most likely to develop a succession plan. Since a business is seen as a reflection of its founder (Davis and Harveston, 1998), with succession planning considered an indicator of the future growth potential of the business (Cabrera-Suarez, 2005), first-

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generation firms with succession plans should achieve greater firm growth than those that lack such plans. Eddleston et al's (2013) paper usefully explores the links between growth, strategic planning and succession planning and does so from a generational perspective. In so doing the paper recognises that different types of planning are needed for family businesses at different generational stages of ownership.

The strategic needs of the business and what the family wants are not easily reconciled in the process of succession and succession planning. Jaffe (2005:50) suggests that proper financial planning for the future of a family business must include consideration of two dimensions – the family's desires and intentions for the business, and strategic planning processes for the business future. In addressing these two dimensions Jaffe (2005) puts forward the idea of a planning process based on a board of directors and a family council to reconcile different interests and to set strategy. Jaffe (2005) presents a model of how the planner can help the family business survive into subsequent generations by using a two-dimensional planning process: the family council and the business board of directors. The model helps the family negotiate the boundary between the world of the family and the world of the business. However, the two worlds are not always easy to navigate or negotiate as they are so often interwoven and the idea of a family council and board of directors may not suit all family businesses.

Case Study

Having read the case study BI-KA Logistics Ltd. issued in unit 1 please outline what you think are the key points. What did you learn from reading this case study? Discuss

Class or Group Questions and Report Back

1. What do you need to take into account in designing, evaluating and reviewing strategy for a small family business?
2. How could you develop a differentiation strategy?
3. How would you describe the role of a strategist in a small family business?
4. How might a small family business develop a strategic approach?
5. What is the role of a strategy manager in a small family business?
6. What skills should a strategist of a small family business have?
7. Your family business is seeking to develop a strategy which will enable the business to expand rapidly, growing turnover fourfold in four years. Prepare a statement for

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the Board of Directors that indicates the most appropriate methods in order to identify those most likely to enable the business to reach the growth goals outlined above.

8. How might packaging, products, people, and technology be used as strategic tools?
9. Do the concepts of “strategy” and “competitive advantage” have any relevance to family businesses?
10. In different family business contexts strengths can be weaknesses and opportunities and can all too easily turn into threats. Do you agree?
11. How would you go about undertaking a SWOT on an established family business?

Family Business SWOT

Outline the strengths, weaknesses, opportunities and threats that are facing either your own family business, a family business that you know of, or family businesses in general.

<u>Strengths:</u>	<u>Weaknesses:</u>
<u>Opportunities:</u>	<u>Threats:</u>

Think through and in pairs or small groups discuss:

1. How can you build on the strengths of the family business? What can be done?
2. How might the weaknesses of the family business be addressed? Can the weaknesses be converted into strengths?
3. What opportunities are there for the family business now and in the future? How and in what ways might the family business act on the opportunities?
4. What can the family business do to minimise and address real and potential threats?
5. In summary -what are the strengths, weaknesses, opportunities and threats that pertain to family businesses and the environments in which they operate?

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Case study

In your own time please read and be prepared to discuss in the next unit's class the INSIST case study Heimann (2015) a key part of which is included below

INSIST Case Study – Heimann Winery (2015)

GOOD PRACTICE IN SUCCESSION PROCESS – GENERATION TRANSFER AT HEIMANN FAMILY WINERY

Mónika Gubányi, Stefánia Vág and Ede Borbély (Budapest Business School)

Succession process

The rules of exit and entry

The Heimann Couple has such a rearing practices which can stimulate Zoltán Jr.'s entrepreneurial behavior with personal, direct, relationship- centered approach, close interaction. The parents devoted attention to reduce conflicts among siblings and it can make succession process easy. The younger son is more autonomous while the successor son is a good mold, which means that there are creativity, conformity, willingness to accept advice, hard work in the successor. Both parents have role in selecting values to the successor son. This process is called socialization. It implies the primary and secondary socialization. In the primary socialization the child internalizes the world of his/her parents and makes values his/her own in deep, interactive, emotional process (Berger&Luckmann, 1966). The values transmission leads to developing attitudes and behavior. The Heimanns have value system controled by respect for family tradition and the idea of business was also laid by family values. They have positive perception of human relations, ethical orientation, and feeling of family. If we look at Zoltán Sr. who would like to support alongside his son and exhibits sense of achievement, internal control, long-term orientation, he is also strategist founder type (based on García-López, 2002). As the Heimann successor has strong relation with his parents, he has consistent family values and as he has attachment to his father he has accessed business socialization¹. The relevance of business sphere was conditioned by family-orientation value. It could contribute that Zoltán Jr. joined the family business (Santiago, 2000). Thus the quality of the relationship between leader and successor plays key role in succession (Ward, 1987). Beside strong emotional aspects, cognitive learning is also basic for identification with the family and getting prior knowledge of the family firm. The secondary socialization comprises

¹ During business socialization positive attitude is formed about the business. It is related to the possibility of satisfying successor's needs for professional achievement and personal needs (identity, responsibility) (Handler,1989)

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the role-specific knowledge, for instance leadership, social problem solving skills which can be interpreted as the part of entry strategy. Zoltán Sr. has also initiatives to introduce the successor into the social organisational environment. In this case it is significant to detail the founder's dependence paradox, namely, Zoltán Sr. encourages the successor to set up his own international businesses (future value) while he wants the successor to see the family firm as a means for the family and to require advice from his parents. In fact the presence of the successor keeps the founder in the business. The intergenerational cooperation and opposite expectations are the source of competitive advantage and creativity (García-Álvarez et al., 2002). Applying theory of Cabrera-Suárez (2005) describing the successor's way to become a leader, the successor's commitment² to the family firm is multi-stage process. The first is the socialization process, the second is the biological reality of parents, third is mutual role adjustment process where takes place the simultaneous evolution of both generations (Handler, 1989).

Identification of exit strategies

With the strong Heimann name Zoltán Sr.'s father, Ferenc found the estate and considered as hobby, tradition, secondary source of income. Ferenc identified himself ambivalently as flying officer in his young years, but with ambition he worked his way up as TSZ- president. After TSZ- presidency he 'felt security', did not want to launch a business or buy fields. He suppressed the first son, Ferenc, who was apathetic. Then Zoltán Sr. did not require the paternal closeness despite maternal glee. Zoltán Sr. struggled for independence and wanted the honour for his own efforts. Zoltán Sr. wanted to step on his own way, for instance he studied English, playing piano. As a high school student he was collegian between doctors, lawyers' sons in Pécs. It was inspiring to him. He was always central person, joker. He liked math and history thus based on his ability he chose economic university. He had ambivalent feeling towards his father. He worked in TSZ in every summer and wanted to be the following TSZ president. At the same time he had fights with his father, he could not identify with his father's social insensitivity. While he worked in Budapest, he continuously worked in vineyards at weekend, later he supported the family estate with money. After his work at Bábolna his career path was halted, but the family was supportive. Then he moved to Szekszárd and he had been working as region director for five years. Zoltán Sr. love the family estate, has positive worldview followed the maternal pattern. Zoltán Sr. referred to his social and public activities as space for creation and chance for reorganizing this wine region. He takes account of involving Zoltán Jr. in his social activities (for instance public speaking in TedX.). Due to the youth Zoltán Jr. have been forming his own relations which is orientated toward building international net. The

² Commitment is the successor's willingness to hand over the business and crucial in the success succession process (Goldber and Wooldridge, 1993).

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family estate means to him attitude to rebuilding the past, modernity, family pattern, creation of value, commitment to high quality. Zoltán Sr. did not mention disadvantages of working in family firm, they have not existence crisis or position/power battle. The main issue is how to select Zoltán's wife.

The criteria of selection of the successor

Ágnes and Zoltán devote attention not to be too many for Zoltán Jr. Their younger son, Gábor is more independent person, he always flied in the face of his parents. According to Ágnes Zoltán Jr. was not under pressure to join and take over the family estate. Zoltán Jr. studied in Solymár and Budapest, as child he had not to make physical works in the vineyards but at weekend they visited the estate. Before career choice Ágnes expressed to Zoltán Jr. benefits of working in the family estate. After the transfer Ágnes would like to supervise the financial matters but she will find other building activities.

Family

Woman's role in succession

Zoltán Sr.'s main supporter is Ágnes. In Ágnes's opinion Zoltán Sr. is dominant and optimistic person, full of ideas, initiative, guider, motivates people. In the family estate he gently set the battle line for family members. Ágnes feels the family business not pressure. Ágnes recognised it that it is worth to do this work. Zoltán always introduces Ágnes as winemaker, let her feel success. Before the transition there were not firms thus Ágnes's mother-in-law could not make administration. The first step was to get the family estate into framework for business in which Ágnes helped, then the second step was to be winemaker, for which she obtained qualification. She also deals with tasks of wine tourism. Ágnes want Zoltán Jr. to take over administration in gradual pace. It is not easy to distribute the roles in the family in Ágnes's view. Ágnes talked about her son, Zoltán's skills. Now, the successor, Zoltán Jr. is responsible for marketing (image design), processing, and negotiation with foreign partners. He can mediate the firm's message in fresh professional terminus with elegance. Zoltán will participate in social life of Szekszárd region and will learn business leadership, economics beside the mother, Ágnes. Zoltán has already learnt management on professional trip, by conversation with his parents.

Based on Ágnes's view the most important advantage of the family business is economical issue in long term, because the backer can get out the capital and by bank credit the investment will show slow return. Beside difficulties they can trust each other. They feel less threats toward dismissal, they do not become lax, they can use time effectively and decide, communicate rapid. Ágnes noted some disadvantages of the family estate: present world progresses towards sovereignty (Ágnes mentioned that her father- and mother-in-law

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thought that this estate is dissipated or sold. At the beginning this business was expensive and it gradually became profitable, stable. It was learning process to the family) and the young family members had to work together with their parents.

The perspective retirement of the family members

He plans to work beside Zoltán Jr. and he would like Zoltán Jr. to tackle for partnership. He do not want patriarchal relation and the firm is characterised by matriarchal leadership and the nature of creativity, creation and work implicates it. For Zoltán Jr. there is not exit from this family estate and he would like to do it as long as he can.

The commitment of next generation

Motivation for independence

“It oddly happened with us”. At the start time the family estate was not the primary income when Zoltán Jr. was a child. „I lived it as our family yearly turned to the family business ... since 2009 we have been getting along from the family estate”. From Zoltan's part the decision of joining the family business was his own. At his career choice he decided beside winemaker profession but at this moment the Heimann family did not live from the income of family vineyards. He did not prepare for this role since childhood. He always felt the protective, supportive, loving family atmosphere.

The father shifted him to this direction with small delicacies. His aim was to show Zoltán Jr. the nature and beauty of this profession, winemaker. Zoltán Jr.'s first explicit expression as regards to choose winemaker profession happened in his blog at the age of 16. In his life at the age of 17 it was a significant experience for him when the Heimann Family had a trip in Tokaj. It was relevant in his childhood when Gál Tibor - family's friend and winemaker in Eger- regularly gave advise in connection with estate construction.

Before joining the family winery Zoltán Jr. had an idea of the alternative career possibility for example designer in California at Apple. The family winery also means motivation because he has perspectives and he could satisfy his own interest. He can be designer in the firm which leads to the development of identity, responsibility, achievement (Handler, 1989).

The role of the next generation in succession: motivation, attitude, identity

Beauty of this profession according to Zoltán Jr.

“We prepare our own products with the name of Heimann on them” which is the main domain. They want to make and represent it authentically. They can identify themselves with

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their own products, they live in the whole and for Zoltán it is a good feeling. Secondly, it is a diverse, multicolour profession with physical part (processing, agricultural), aesthetic part (grape processing), sortiment (marketing, customer service relation). He would like to play a greater role and develop in the grape production and winemaking. In Zoltán Jr.'s view his father's role is the most dominant- a strategist role- in founding the family estate with the first act that the father took the mother into position. Zoltán Jr. thinks that he thanks to his father to involve in the family firm. To Zoltán it is major how he is reflected for others. Opposite to his brother he would like to meet the requirements and he primarily attributes it to basic trait and talent. On the basis of Zoltán Jr.'s narration the parents consciously reared the brothers in such a way that they did not become competitor. The brothers are on different paths. There was a hard period when he did not feel sovereignty because he kept contact with his parents and they talked about professional issues. At present he have been developing his own independence. He bought a flat in Szekszárd and he have started to build up his connections abroad. He have obtained cosmopolitan worldview. Zoltán Jr.'s main aim is to work at the family estate three years later but it does not mean to exclude himself from the world. He has many friends from other countries and he got acquainted with other Hungarian winemaker abroad. Zoltán Jr. can integrate international experiences in the family estate in accordance with market requirements. He would like to form more natural wine style, organic husbanding, and deep wines. In the family estate there are reconstructions and he plays a role in the change. He worked for changing the image, improving local sales, decision-making. The decision-making usually happens at family dinners because they live in it and for it. Ágnes decides on winery issues, Zoltán Sr. decides on viticulture, strategy topics. Zoltán Jr. has a say in decisions, especially in winery and strategy themes. Zoltán Jr. can validate his standpoint and do it what he has thought. Firstly, he think through the amount of energy, money investment, the substance and the process of goal achievement. There was a specific case: he chose an excellence gift cardboard then he did deal with the designer and they carried out. During developing the new image, Zoltán Jr. put off plans and the family listened the others' opinion. The old image had more traditional characteristic and reference to the disappearing golden age. It meant the Father's fidelity to family tradition. Into the logo of the new image Zoltán Jr. could get modernity, freshness, tension however the father selected the citation for its image. They can explicitly handle the differences. Both generations could identify with new image. They complement each other. The new citation „Real cornerstone is put down by rare” (Széchenyi, 1828-1829) on the main decanter represents the aim of the firm, the thinking of Hungarian wine culture and implicates the creation of national value. The father works for getting the Hungarian winemakers into the forefront and Zoltán Jr. has ambition towards international acknowledgment. Zoltán Jr. learnt social skills, sense of community, assertiveness, communication from his Father and sacrifice, will, control, efficiency from his Mother. Considering the future plans Zoltán Jr. would like his potential children to continue the family business.

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He plans to take over the leadership after ten years. He plans to buy his brother's ownership. During studies in Germany he had a lecture about generational transfer and he could discuss it with his parents. He has been living the generational change as organic process which develops dynamically matched to the strategy. As his parents gets older, Zoltán Jr. will have more active role but he do not have experiences as manager yet. Zoltán Sr. can manage the whole process, he involved Zoltán Jr. into organisational project of wine region but Zoltán Jr. would not like to dissipate because a project has indefinite accountability and less sense of achievement. Zoltán Jr. do not want to deviate from the main tasks. Later Zoltán Jr. would like to employ reliable secretary, leadership and ownership would remain in family hand and would like to discover new products and to establish attachment to the gastronomy of different nations.

Continuity with knowledge transfer between generations

The succession in the family firm is considered a process of knowledge transfer and the transfer of social capital (Cabrera-Suárez et al., 2001; Steier, 2001).

The successor, Zoltán Jr. have been continuously learning from his parents and academic training abroad. He obtains up-to-date knowledge. He had MBA degree and professional relationships which will influence the leadership style and he plans in the future he will look for opportunity of HR trainings.

It is important that all family members can access to it and live it as challenge and joy of creation. Zoltán Sr. plans to contribute actively to business but he do not want to stay in the lead at all costs. Zoltán Jr. has been continuously developing. Based on Zoltán Sr.'s story, two years ago Zoltán Jr. wanted to take over the family firm, then he realised he needs his parents' advise and activity. Zoltán Jr. has to struggle to consider him as equal partner. It means time and experiences. According to Zoltán Sr. his son, Zoltán has compliance needs and excellent relation with his parents. Zoltán Sr. has strived to establish partnership and friendship with his elder son and he encouraged toward winery. His son is aware of it that Zoltán Sr., the father would be glad if the family firm would survive and if his son would join the family firm. Zoltán Sr. compared himself to old spider who weaves his web.

The current strategy of the winery can be clearly seen in the 2013 growth ratio which, according to their own admission, was 4% in volume and 18% in value. The latter was achieved by the emphasis on quality and brand building strategy with a strong focus on the promotion of Szekszárd wine region and its unique wines like Barbár. The focus on the quality dimension can be justified by several factors.

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Conclusions

The case study introduced the development of a family business and preparation of potential transition from first to second generation is. We discussed organisational, family and individual behavior (leadership, communication, motivation, interpersonal and group behavior, power and policy, conflict, culture, continuity).

The leader Zoltán has key role in this succession, preparation of the successor and the self-reorganisation in the succession process. We can realize the founder Zoltán's implicit nepotism then he considers the succession process mutual cooperation and at the same time he is leader individual and the purpose of the firm reflects a special need by him. As the successor, the member of the second generation has not experienced challenges that faced his parents, he may not have the perspective required to make good decisions.

If we assumpt that the legal and practical succession operates by adequate preparation, communication called psychological contract, we have to differentiate explicit/opened/conscious and implicit/unconscioius/hidden expectations in the family relationship. The family dynamics explained by developmental perspective play a powerful role in shaping organisational and individual behaviour.

This succession process is considered successful. The successor and the predecessors expressed feeling of satisfaction, there are good family relationships and positive development in subjective assesment. It is the question of the future how the relationship between predecessor and successor develops as regards the experiences, professional and personal feelings.

Web Sites

Institute for Family Business - <http://www.ifb.org.uk/>

British Franchise Association - www.british-franchise.org.uk

Institute of Export - www.export.org.uk

Institute of Purchasing and Supply - www.cips.org

Video Clips

I'll Show Them Who's Boss – Arsenic and Old Lace -
<http://tv.leedsmet.ac.uk/View.aspx?ID=3900~4m~m2G0pdbk>

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Reading

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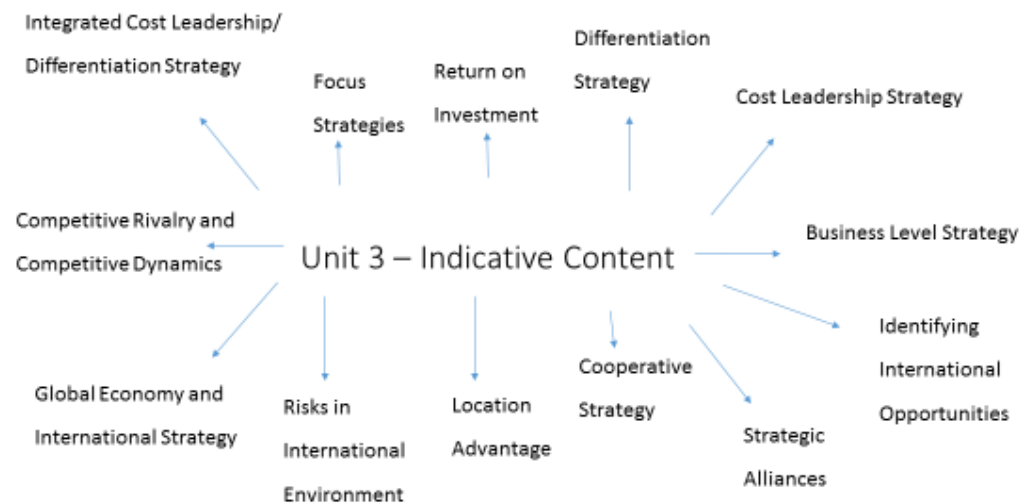
UNIT 3

Module Content

1. Strategy as process and practice
2. Strategic decision making
3. International and collaborative strategies for small businesses in the context of globalisation

PowerPoint Presentation

The Power Point presentation will focus on core strategy concepts, tools, models and frameworks that can be applied to family businesses, especially small family businesses. The indicative content for strategy concepts, tools, models and frameworks might include:



Background Reading on Separation of Ownership and Management

(Sourced and adapted from Review of Family Business Research on Succession Planning in the UK, David Devins and Brian Jones, April 2015, ERASMUS+ Intergenerational Succession in SME's Transition - INSIST)

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Separation of ownership and management

Looking at the division of labour between owners and managers (employees), a range of themes and issues emerge from the literature and include: identity management in family firms; micro level strategic processes; family and business; role models and inculcation of bias; the founder and preparation for succession several of which have been explored to varying degrees in other parts of this review.

Management of identity has an undoubted bearing on the division of labour and role allocation within family businesses. Navigating identity management requires tact and skill because of the many roles one has to play and fulfil; roles are many and varied both within the business and the family and inevitably tensions and conflicts emerge over expectations. Exploring the role of identity and how it might confer or confirm strategic advantages to family businesses Chrisman et al. (2008), note that when families are involved personal, organizational, and family identities come into play. Because of the multifaceted nature of identity confirmation among family members involved in the top management team, effective relationships can unleash powerful advantages for a family business. Conversely, if handled improperly or neglected, serious problems can occur. The complexities involved in identity confirmation are illustrated by Milton's application of the concept to the succession process, one of the most substantive challenges facing family firms (Le Breton-Miller et al, 2004). The succession process requires changes in the business identities of successors and incumbents, a shift with which they, as well as other family and organizational members, must learn to cope. The role of identity and shifts in identity as a result of succession within family businesses makes for an interesting approach to the study of strategy and family businesses.

Trying to reconcile the competing needs and demands of family and business and of different family members is not something that is always easy to achieve. It is important to take account of expectations of the business and of family life and this is especially important with regards to strategies for succession planning. Jaffe (2005:52) writes, "So before deciding the fate of the business, the family has to define its own goals for each individual and as a whole. Where does the business fit in? For what does the business stand? These questions are broader than just the business direction. The family must look at its own values – about generating wealth, spending or saving it, and how it wants to be remembered in the community. The family council can explore the values and intentions of their older generation and the talents and desires of the younger ones. This may lead to conversations about values, money, and desires for the future." Jaffe (2005) notes that it is important to develop a new generation of family members, regulate their involvement in the business and align the business with the family's plans.

Founders of family businesses should consider what the next (successor) generation can do to improve business performance. Role modelling and learning as being part of a family

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business does indeed bring a number of positives. However, there can be downsides in that established business habits may simply be passed on without much thought given as to how they might be changed and improved. What works for one generation of a family business may not work in the next as things (environment, market etc.) change. Lumpkin et al. (2011) refer to the inculcation of biases and addressing this in strategies for succession planning is of undoubted importance. They also note the importance of the extent to which founders of family businesses can or are able to do things that will enable their children to perform better when they take over the family business. Key issues for consideration include to what extent do parents act as role models, imbue value systems, and employ offspring in the family business? To what extent is this process limiting because it involves the inculcation of biases that are detrimental to future performance?

Case Study

Having read the case study Heimann Family Winery issued in unit 2 please outline what you think are the key points. What did you learn from reading this case study? Discuss

Class or Group Questions and Report Back

1. What roles does a strategist in a small family business have to consider?
2. What stakeholder interests does a strategist in a small family business have to consider?
3. How might strategy in a small family business deliver competitive advantage?
4. What are the steps involved in developing a successful strategy for a small family business?

Web Sites

Trading Standards Central - www.tradingstandards.gov.uk/business/award.htm

UK Competition Commission - www.mmc.gov.uk

UK Office of Fair Trading - www.oft.gov.uk

Video Clips

Alex Polizzi – The Fixer - <http://tv.leedsmet.ac.uk/View.aspx?ID=6414~4p~QgzyunJs>

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Characteristics, Knowledge and Skills for Family Businesses

Instructions:

Take 5 minutes to write down in no more than 8 words or phrases the characteristics, knowledge and skills that are needed by either owners of family businesses, employees of family businesses, or those about to take on succession of a family business. The tutor might begin by giving some simple definitions and a few examples of each term.

Characteristics	Knowledge	Skills

Now share your thoughts and have a class discussion around the characteristics, knowledge and skills needed in different family business contexts (i.e. family business ownership, employee, or to achieve success in succession).

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Why Do Family Businesses Fail Or Fail To Grow?

An awareness of why family businesses are successful and unsuccessful in many ways is a prerequisite to successful business transfer as well as strategic thinking and is key to succession planning. If family businesses are suitably and appropriately forewarned then it is possible for them to be forearmed. That is to say, if family businesses are made aware of potential problems, which they or others have encountered, they might be able to avoid making the same mistakes.

Consider why family businesses fail. In small groups of 3-5 draw up a list of factors that contribute to family business failure especially with regards to succession. Once complete, try to prioritise them with the most significant at the top. What might a typical list include? Present to the class and be prepared to explain and justify your reasoning.

Factors contributing to family business failure:	Reasoning and justification:

Ranking Motivation For Family Business Ownership

A key component in family business succession planning is motivation. What factors are driving and motivating family business succession planning? Brainstorm your ideas. What might a typical list include? Present to the class and be prepared to explain and justify your reasoning.

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Factors driving and motivating family business succession planning:	Reasoning and justification:

Case Study

In your own time please read and be prepared to discuss in the next unit's class the Insist case study Parodan Engineering (2015) a key part of which is included below.

INSIST Case Study – Parodan Engineering (2015)

Introduction – Presentation of the Case

The case is based on the history of a family business operating in the Engineering sector of the economy. The name of the company, staff members and the names of contributors to the case study were changed at their request.

Brief History of the Firm

Harry Wood, the owner and founder of Parodan Engineering Ltd, started his career as a maintenance fitter. After his apprenticeship he spent several years working for various

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manufacturing and engineering companies but, having fallen foul of redundancy on a number of occasions, he decided to set up his own business to try to establish a secure income for his family. He has owned a number of businesses and in 1984 he set up HLW Engineering with a partner. The partnership however was not successful, and in 1989 Harry left with two or three customers and set up Parodan. Harry has three sons Rob, Paul and Danny and it is an amalgam of the boys' names that forms the company's name.

Starting out on a very small scale with borrowed equipment, Harry began to build up a small but regular order book for their bespoke machinery for production lines. The customer base grew as did the orders and with the help of his wife Elizabeth, part time staff and sub-contractors they were able to supply clients with high quality machinery on time and to budget. As the company steadily grew it allowed them to purchase their own machinery, employ more staff and move to larger premises. By 1999, the company was employing 13 staff, had a full order book and again required more space. At this time the founders looked for external funds to finance the growth of the family business. As their bank was unable to offer them the full mortgage value of the property they wished to purchase, they approached Yorkshire Forward for the remaining funds to support this expansion of the business. However, in order for them to secure this funding, they needed to become a limited company, so on 27th May 1999 the company became incorporated, with Harry and his wife each holding a 50% directorship.

Since its incorporation the company has had its ups and downs, most notably through the recent economic downturn in the late 2000s. However the company survived intact and in 2012 the founders decided to retire from the business and to hand control over to the next generation.

Main Activities

Parodan is a design and manufacturing company that produces special purpose production line machinery primarily for the Food and Drink, Automotive and Medical sectors of the economy. They have a diverse product range including robotics, ultrasonic welding, ultrasonic cutting, conveying and advance handling and control systems. Their main market is domestic business to business, with the food and beverage industry currently accounting for ~60% of their turnover. Since 2012, the new MD (Harry's son Paul) has restructured the company, appointed a board of directors, modernised production and stabilised the finances. The company vision is to be:

'The first port of call, and preferred supplier to our present and future customers, while constantly meeting or exceeding our customers' needs and expectations of quality, service and price whilst maintaining profitability'.

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In the last three years annual turnover has doubled to £4.6 million. In addition, the workforce has grown from 11 to 27 and is now organised into distinct departments rather than a general workforce as had been the case previously. The company has also won a number of new contracts with new clients and products. Parodan has a plan for substantial growth with further expansion of capacity and a move to a new site planned in the short term.

Ownership Structure

Whilst no longer involved with managing the company, Harry and his wife are still the majority shareholders. All three sons have worked for the company at some point and two remain fully engaged and now hold directorships in the company. During the economic downturn, both of the sons still at the company were gifted 5% of the shares by their parents as a reward for staying with the business.

In 2012 when Harry and his wife retired, their middle son Paul became the Managing Director with their elder son Rob becoming the Production Director (although they did not actually use these titles until 2014). Harry and his wife have made provision to gradually transfer the ownership of the business by passing a further 3.5% of shares to each son in the business until a time when each son holds 40% with the parents retaining a 20% share (10% each).

The Succession Process

Entry

Like many family businesses, Parodan and its staff were an integral part of daily life for the Wood sons as they were growing up. The elder son joined the business straight from school, with the middle son going in on weekends and after school to help out and, at some point or other, all three brothers have held full time posts at the company. All of the sons started at entry-level shop floor jobs that Paul describes as ‘the best apprenticeship you can have’. Whilst two of the brothers (Paul and Rob) have remained with the company throughout most of their working lives, both have worked their way up from the shop floor to director level over a number of years. Whilst they were always recognised as the owner’s sons, they do not feel as if they were automatically accorded additional status (although there were times when family members were allowed some preferential treatment.)

Like their father, both sons have an engineering background, with Rob starting in general fabrication and working his way up to the current Production Director position. Paul started as a machinist, moved sideways into electrical design and was involved with sales and general management before going on to become General Manager, then Sales Manager,

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then Operations Manager and finally Managing Director in 2014. Both sons gained hands on experience from working across the business and benefitted from coaching and mentoring by both their father and other key workers in the business. As new technology influenced the business, both sons have taught themselves new skills to apply to ensure that the business remains competitive.

Transition

While Paul believes it was ‘my father’s dream to have all three of us in the business’, whether this was the intention or not, a clear plan for integration and succession never emerged. To some extent Harry operated a wait-and-see policy as the next generation grew up and matured; his sons being only 17, 10 and 8 when the company was founded. Both Rob and Paul have had periods of working for other companies – for their own personal development and to escape the pressures of the family business setting – but ultimately both returned, settled into their careers and committed to a future with the family firm. Danny, the youngest son has had two distinct spells of employment at the family firm, both for relatively short periods of time and he has decided to develop his career elsewhere.

As the two older sons settled into the business, Harry started to delegate more responsibility to them. The company had a very informal organisational structure for many years with Harry taking a very visible role as leader of both the operations and strategic direction of the firm. As the business grew and the span of control widened, Harry was advised by a business consultant to develop a more formal structure and to provide opportunities for his sons to progress in the business. Over a period of time both sons moved from hourly-paid entry-level jobs to salaried management positions. A succession plan was implied but never discussed in any detail by Harry. As he reached statutory retirement age, Harry hinted at stepping back from the business but it was never openly discussed with his sons. Sometimes Rob and Paul would hear about various scenarios from third party advisors and clients but a clear plan was never formulated and communicated. Paul surmises that this reluctance by his father was due to the financial pressures of the business and the lack of clarity for its future.

Exit

Harry’s exit from the day to day management of the company was initiated by his wife, Elizabeth. For many years Elizabeth had worked with her friend (and godmother to at least one of the boys) in the administration office of Parodan. So when in February 2012 her friend announced that after 16 years service she would be retiring that October, Elizabeth also decided this would be a good time to leave the business. Given his wife’s imminent retirement from the business, Harry decided that, from October, he would reduce his

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workload to just three days a week. However, when October came, much to the surprise of his sons and employees, Harry just stopped coming in to work after his and his wife's retirement holiday. From that point on Harry effectively handed over the responsibility for the management of the business to his two sons and has not returned to visit the company without a prior invitation.

By this time, both sons had been part of the business for approaching 20 years, so the sudden transition was not as impactful as it may have been. Rob, the eldest son had been in charge of production for many years and he became the Production Director. Paul, the middle son had been effectively managing the business for approximately five years and he assumed the Managing Director role (but not the title until it was created in 2014) after the departure of his father. It was reported that the staff viewed Paul as the leader of the company long before the parents actually retired and this made acceptance of the transition amongst the workforce much easier. Further, Paul had for a number of years taken responsibility in selecting and recruiting key appointments and this helped to cement his position as a figurehead and key leader in the business.

Harry and his wife have had minimal input into the running of the business since they departed. They rarely come into the business unless invited, for example, to attend quarterly accounts reviews, as required by the company's bank. Whilst day to day management of the business has successfully passed to the next generation, with the parents taking a 'hands off' approach, the issue of ownership transfer had been somewhat uncertain until very recently. There had been plans in place for a staged transfer of share ownership until the two sons held 80% between them, with Harry and Elizabeth retaining the remaining 20% but with no clear indication of who would receive final ownership of these shares. However, recently Harry and Elizabeth have taken legal advice and now plan that Paul and Rob will receive a staged transfer of 90% of the shares and will also inherit the remaining shares upon their parents' deaths.

Reading

Basco, R. and Perez Rodriguez (2009) 'Studying the family enterprise holistically: evidence for the integrated family and business systems' in *Family Business Review* 22:1 pp.82-95

Bjornberg, A. and Nicholson, N. (2012) Emotional Ownership: The Next Generation's Relationship with the Family Firm. *Family Business Review*, 25 (4), 374-390.

Chrisman, J.J., Steier, L.P. and Chua, J.H. (2008) 'Towards a theoretical basis for understanding the dynamics of strategic performance in family firms', *Entrepreneurship Theory and Practice*, Vol. 32, No. 6, pp. 935-947

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Donckels, R., & Frohlich, E. (1991). Are family businesses really different? European experiences from STRATOS. *Family Business Review*, 4, 149–160.

Gagne, M., Sharma, P. and Massis, A.D. (2014) The study of organizational behaviour in family business, *European Journal of Work and Organizational Psychology*, 23:5, 643-656.

Lansberg, I.S. (1988) 'The succession conspiracy' in *Family Business Review*, 1:2, pp.119-143.

Miller, D., and Le Breton-Miller, I. (2005). *Managing for the long run: Lessons in competitive advantage from great family businesses*. Harvard Business Press.

PWC (2007) *Making a difference. The Pricewaterhouse-Coopers Family Business Survey. 2007/8*

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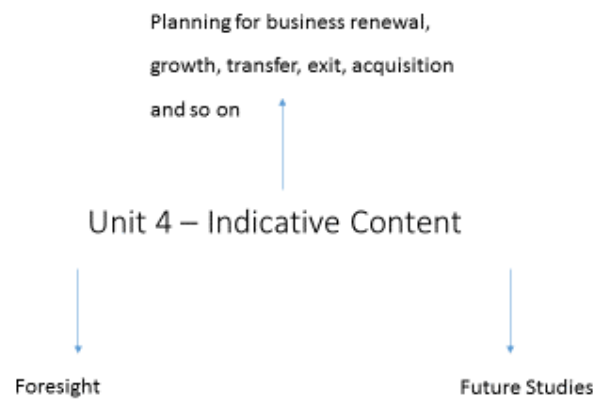
UNIT 4

Module Content

1. Futures (foresight) thinking and practice

PowerPoint Presentation

The Power Point presentation will focus on core strategy concepts, tools, models and frameworks that can be applied to family businesses, especially small family businesses. The indicative content for strategy concepts, tools, models and frameworks might include:



Background Reading on Learning and Knowledge Transfer

(Sourced and adapted from Review of Family Business Research on Succession Planning in the UK, David Devins and Brian Jones, April 2015, ERASMUS+ Intergenerational Succession in SME's Transition - INSIST)

Learning and knowledge transfer

Learning and Knowledge development/ transfer in the firm

The comprehensive literature search revealed few articles relating specifically to learning and knowledge development or transfer in family firms in the UK published in the last ten years. Research more generally draws attention to the informality of learning and

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knowledge transfer in smaller family firms that is a recognised feature of many SME's in the UK (BIS 2012).

A persuasive discourse in the UK is influenced by the informal dimensions of learning and knowledge development 'on the job' through problem solving and networks. Some researchers emphasize the psychological or cognitive perspectives of understanding entrepreneurship such as confidence, self-belief and self-efficacy; personal values and motivation to achieve; setting and driving ambitious goals. Others identify the social dimension of learning through action and relationships. The concept of entrepreneurial learning offers theoretical insights which can be usefully examined in the context of family business and succession. Studies have most commonly adopted a qualitative, interpretive approach where they often draw upon narrative accounts of individuals reflecting on their experiences in setting up and developing a business (Shaw, 2006). These studies typically highlight the complex learning processes that occur as individuals engage in different forms of participation in overlapping communities of familial and business practice, resulting in cycles of 'everyday learning' and occasionally transformational learning that occur over time.

Within this context coaching and mentoring play a key role in learning and knowledge transfer as family firms generally favour personal, relationship-centred approaches to successor development (e.g. Kaslow, 2005) and in order to ensure the long-term prosperity of succession to family members, 'mentoring' is a necessary if not sufficient condition (e.g. Sharma, 2007; Banco and Perez Rodriguez, 2009; Distelberg and Schwarz, 2013). Whilst the terms coaching and mentoring are sometimes used interchangeably it is important to differentiate them.

Coaching can take several forms but 'business coaching' is often referred to as a planned and often informal ongoing process for interacting with individual or groups of employees or business owners and/or managers. It is a skilled activity but differs from, for example, 'executive coaching' due to its focus is on performance and skill enhancement, rather than career goals. The coaching process typically involves a third party contracted from outside the organization and is intended to be non-directional – focusing instead on providing a process through which clients can solve their own problems rather than providing or developing solutions for them (e.g. Grey et al., 2011; Audet and Couteret, 2012; Fillery-Travis, 2015). Mentoring is a broad, complex and sometimes contested concept. One way to view it is as a complex human interaction that reflects a unique relationship between individuals (e.g. founder/owner and familial/kin successor; parent and child; father and son; father and daughter; mother and daughter). Mentoring is a dynamic learning process and involves the acquisition of knowledge defined by the types of support provided by the mentor to the protégé. A mentoring relationship may be reciprocal, positive or dysfunctional but is always asymmetrical – the primary goal is protégé growth and development (e.g. Kram, 1985; Clutterbuck, 2008). The general purpose of workplace/organizational

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mentoring is the personal and professional growth of the protégé. Organizational mentors tend to provide two primary types of support: i) career-related support prepares protégés for career advancement and helps them learn to navigate within the organization. This can include sponsorship, exposure and visibility, and coaching; ii) psychosocial support helps protégés develop a sense of competence and identity as a professional and occurs through the provision of acceptance and confirmation, counseling, role modeling and friendship to protégés (Kram, 1985; Noe, 1988; Eby, 1997; Allen et al., 2004; Allen and Eby, 2007).

It is also useful to distinguish between formal and informal mentoring. This distinction is highlighted in many mentoring relationships (see e.g. Du Bois et al., 2006; Allen and Eby, 2007) but in this case: formal mentoring takes place in an organized and planned manner as part of organizational policy and includes such elements as mentor assignments; informal mentoring includes all mentoring that is not established and complied with as part of a formal organizational policy (Boyd et al., 1999).

On the issue of succession and leadership Jaffe (2005) suggests that the strategic future of the business involves determining the next generation leadership team and not just the top person, but also several capable people who are young enough and dedicated enough to lead the company to the next level of development. The development of the necessary talent to ensure the sustainability and success of the family firm is often identified as a critical success factor. However, where the talent should reside - amongst one or many family or non-family members and how the talent is most effectively developed appears to be under developed in the literature. Jaffe (2005) points out that succession takes place over a period of time and should not be seen as fleeting moment of transition: “Succession of generation is not an event. It often takes place over many years, with a long period of cross-generational partnership. As life spans and careers lengthen, so do the number of years the two generations, even three, work together” (p56). The research also recognises that succession is more than just about one leader but rather about the team and developing that team for future success: “The task of succession governance is not simply selecting the next leader. The business is not a prize or a trophy. Rather, it is developing the talent, focus and resources for the business to continue to be successful. Often the talent is dispersed in the family, or between several managers, and some form of shared leadership emerges” (p56). Lumpkin et al. (2011) suggest that family firms represent unique repositories of personal and organizational social capital (Steier, 2001) that are hard to duplicate in non-family firms. Furthermore, family firms demonstrate unusual capabilities of transferring this resource, for example, from incumbent leaders to successors (Steier, 2001) and/or from family social capital to organizational social capital (Arregle et al., 2007). In other words, family represents a unique social grouping wherein strategic advantages residing in a relationship can be passed from one member to another and/or between groups. Family firm owners that aspire to maintain sufficient control of a business to pass it on to the next generation weigh long term consequences differently.

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Craig and Moores (2005) suggest that for family businesses to remain successful they must generate a new strategy for every generation that joins the business. Strategies recommended include starting a new venture or division of the business, internationalizing the business, and helping successors acquire skills that other family members do not possess. As a firm evolves, learning and knowledge development strategies must be put in place and these strategies need to be communicated to an increasingly diverse group. As the firm evolves, the strategy and the priorities change and a framework is needed to deal with this ongoing evolution.

Case Study

Having read the case study Parodan Engineering issued in unit 3 please outline what you think are the key points. What did you learn from reading this case study? Discuss

Class or Group Questions and Report Back

1. What does the future look like for small family businesses?
2. If you had to draw the future of your own family business what would it look like?
3. Can future/foresight studies help small family businesses?
4. How appropriate is it for policymakers to require family businesses to prepare formal business plans prior to receiving any financial assistance?
5. How much luck is involved in successfully growing a family business?
6. What vision do you have for your family business? How can you develop your vision? How can you most effectively internally and externally communicate the vision you have for your family business?
7. Planning frameworks are good in theory but in the real world few family businesses find time to plan. Is this the case and why do you think this is so?
8. What constrains family businesses in their attempts to effect growth through broadening their customer base?

Workshop

Workshop session(s) on developing individual strategic business plans including peer review, presentation and discussion activities. Use the following templates to help guide thinking about your plan.

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Family Business Marketing Mix – 7 Ps

To help you plan please complete the following table and this can be done individually, in pairs or in small groups. Outline and discuss the elements of the Marketing Mix that affect, shape, influence and impact on your own family business, a family business that you know of, or family businesses in general. Outline and discuss each of the elements of the Marketing Mix as it is at this point in time and think through and put forward suggestions as to what it might look like in the future.

Marketing Mix – 7 Ps	Present Marketing Mix	Future Marketing Mix
Product		
Price		
Place		
Promotion		
People		
Processes		
Physical Evidence		

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Market Segments

Think about the market segments your family business presently serves with its present range of products and services. Please complete the following table as it is likely to help you with your family business succession plan.

Question	Answer
What market segments are presently served?	
How might you expand your product and service offering to existing market segments?	
What additional market segments might be served in the future?	
With what products and services might new market segments be served in the future?	

The Family Business as a Way of Life

Whole class discussion:

How do you think family businesses are different from non-family businesses? Why do you think this? Explain and justify your answer.

What Makes For Success in Family Business Succession?

Whole Class Discussion:

A friend comes to ask your advice about planning for succession in a family business. What general questions would you ask him/her in order to get a clear idea of his/her plans for succession?

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Discuss in groups and list the questions and then give your reasoning as to why you asked these particular questions.

Family Business the Cost of Succession

Instructions to students

What costs are associated with family business succession? Make a list of the kinds of financial needs your family business succession might incur and state how you might budget and account for them.

Thinking About Risks

What are the risks associated with family business succession? How can they be best addressed? How might they be minimised? Compile a list of the risks your family business, or a family business you know of, or family businesses in general face in succession. Find potential solutions to address these risks. Discuss and if it helps then please use the table below to set out your thoughts.

Risks associated with family business succession:	What might be done to address the risks?

Market Information for Family Business Succession Planning

Market information can inform family business succession planning. Family businesses that are planning for the future should know the nature of the markets in which they operate. They should have insight and knowledge of both their customers and their competitors. A number of questions should be asked to inform and guide your family business succession plan. Use the table below to help you think through

1] the size and nature of the market in which your family business presently operates and might do so in the future;

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- 2] your customers in terms of who and where they are as well as the amount they have to spend and frequency of purchase;
- 3] substitutes and what alternative products and services are currently available; and
- 4] your competitors in terms of who and where they are along with the threats and opportunities they present.

The size of the market in which the family business operates:	Customers of the family business:
Family business substitute products and services:	Family business competitors:

Charges, Costs and Benefits

In the table below outline the costs as well as the benefits associated with your plan for the future of your family business and the changes to be made. What are the costs of making the changes? What are the costs of not making the changes? What are the benefits associated with the present operation and workings of the family business? Why stay the same? What are the benefits associated with the future operation and workings of the family business? Why change?

Charges, Costs and Benefits (question):	Charges, Costs and Benefits (answer):
What are the costs of making the changes?	
What are the costs of not making the changes?	

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What are the benefits associated with the present operation and workings of the family business? Why stay the same?	
What are the benefits associated with the future operation and workings of the family business? Why change?	

Please use the answers you have provided to inform your family business plan.

Web Sites

UK government's technology Foresight programme - www.foresight.gov.uk

Direct Marketing Association - www.the-dma.org

Chartered Institute of Public Relations - <http://www.cipr.co.uk/>

Advertising Standards Authority - www.asa.org.uk

Reading

Astrachan, C.L., and Astrachan, J.H. (2015) "Family Business Branding: Leveraging Stakeholder Trust" An IFB Research Foundation Report, March 2015

<http://www.ifb.org.uk/media/1352/ifbrf-branding-report-final-web-version-1.pdf>

Bennedsen, M., erex-Gonzalez, F. and Wolfenzon, D. (2010) The governance of family firms. In K.H . Baker and R. Anderson (Eds) Corporate governance: A synthesis of theory, research and practice (pp371-389) Hoboken. NJ. Wiley

Braun, M. R., and Latham, S. F. (2009). When the big "R" hits home: governance in family firms during economic recession. *Journal of Strategy and Management*, 2(2), pp120-44.

Burns, P. (2011) *Entrepreneurship and small business*, 3rd edition Palgrave Macmillan, pp. 365-369

Chrisman, J. J., Chua, J. H., & Sharma, P. (2005). Trends and directions in the development of a strategic management theory of the family firm. *Entrepreneurship: Theory and Practice*, 29, 555–575.

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Lansberg, I. (1999) *Succeeding generations*. Boston, MA: Harvard Business School Press.

Miller, D. Steier, L. and Le Breton-Miller, I. (2003) Lost in time: Intergenerational succession, change, and failure in family business. *Journal of Business Venturing* 18 (4): 513-531.

Salvato, C., Chirico, F. and Sharma, P. (2010) A farewell to the business: Championing exit and continuity in entrepreneurial family firms. *Entrepreneurship & Regional Development* 22(3-4), pp321-48

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