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Ownership and the Desire for Continuity Over Time, the Principal “Drivers” of the Family Business Culture

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Although the concept of family business has become an increasingly used term in any reference to the economic analysis of productive activity, there is no internationally accepted definition of it. As a consequence, there is no agreement as to what the main pillars are that define the family business. In this study we aim to carry out a thorough literature review in order to determine the main pillars that might bring about academic consensus on this subject and to determine how both the evolution of the family business culture and the evolution of the family influence it. To start with, we should point out that the family business has a particular feature: A family owns or runs it. Specific values and principles from a non-family company will differentiate family companies. Its peculiarity is not its organisational structure or legal form, but the fact that it belongs to a family that runs or controls its decision-making processes. In an initial approach, different authors put forward a three-dimensional definition of the family business: (a) In a broad sense, the family exercises effective control of the strategic direction of the company to prevent the family losing its dominant position as the owner, even though it barely participates in the direct management of the business; (b) In a middle sense, the family business is an enterprise run by the founder or his/her descendants, who exercise legal control of the voting stock, and in which the family has some involvement in management; (c) In a narrow sense, multiple generations of the family participate to a great degree in the business and are involved in the running and owning of it; various family members have important management responsibilities. We analyze different definitions proposed for *family business* in order to establish whether effectively ownership (as a percentage) by the family and the desire for continuity in passing the company to the next generations are present, or not, in all definitions. Finally, we aim to determine how this affects both the evolution of the family business culture and the concept of the family. With this we can determine whether these two characteristics form the basis of the defining concept of family business, and are the “drivers” of the family business culture.

Keywords: family business, corporate culture, family, drivers, ownership, continuity

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Key Concepts in the Definition of Family Business

The first point to note when considering a definition of family business is that there is no single definition that is unanimously accepted by both the academic community and the business sector when referring to it. Although the family business is one of the pillars of current developed economies and its contribution to macroeconomic variables is recognised, there is no consensus definition. Many books and academic articles have been written on this subject that highlight this circumstance and venture a definition of family business that aims to capture the differential character of the culture and values of this type of company, which is certainly different from the non-family company. Following an exhaustive literature review, we aim in this article to identify in each of the definitions of family business the main significant features in these definitions in order to finally determine whether the fundamental pillars of the family business are ownership by the family and the desire for continuity over time, as we propose in our working hypothesis, or other relevant characteristics in a definition of the concept of "family business". With this we intend to determine how these variables affect the evolution of the culture of the family business as well as the evolution of the family itself.

For Casillas, Díaz, Rus, and Vázquez (2014), ownership of the family business by the family is fundamental. This means that the running of the company follows a set of principles and values that are established by the family itself and are different from those of a non-family company. Therefore, a family business is one that belongs to or is directed or run by, or both at the same time, a family. Its peculiarity is not its organisational structure or legal form, but the fact that it belongs to a family that exercises control in decision-making or owns it (or both). In an earlier approach, Shanker and Astrachan (1996) proposed three basic characteristics in the definition of the family business:

- In a broad sense, the family business exercises effective control of strategic direction to prevent the family losing its dominant position as the owner, even though it is involved very little or not at all in its direct management.
- In a middle sense, the family business is run by the founder or his/her heirs, who exercise legal control of the voting stock, and in which the family participates to some degree in its management.
- In a narrow sense, multiple generations of the family participate to a great degree in the business and are involved in the running and owning of it and in decision-making. Moreover, various family members have important management responsibilities.

From the London Business School, Uhlaner (2005) states that for a company to be considered a family business, it has to satisfy the following requirements:

(1) The ownership of the company is mainly independently concentrated in a family group that, through generational transfer, can be divided into different branches or groups;

(2) Family members are able to substantially control the business;

(3) A significant family nucleus participates actively in the running and/or management of the entity.

One further characteristic should be added to this, namely the desire for continuity, for the passing on of the family's business values; in other words, the generational transfer.

At present, following numerous debates between academics and professionals, the generally accepted official definition of family business is the one agreed in 2008 in Brussels by the European Group of Family Businesses (GEEF) and in Milan by the board of the Family Business Network (FBN), the two main international institutions representing family businesses. This definition is:

"A company, regardless of size, is considered a family business if it meets the following conditions:

(1) The majority of votes are owned by the person or persons of the family that founded the business or are owned by the person who owns or has acquired the company's capital stock or are the property of their spouses, parents, child(ren), or direct heirs of the child(ren).

(2) The majority of votes can be exercised directly or indirectly.

(3) At least one family representative participates in the management or running of the business.

(4) The definition of family business is applied to listed companies if the person who founded or acquired it, or their relatives or descendants own 25% of the voting rights to which the share capital entitles them".

From this review of definitions, we can conclude that there are three key aspects (Gallo, 1995) that serve to define, for practical purposes, family businesses:

- Ownership of or control over the business;
- The power that the family exercises over the company, usually through the work carried out in the company by some of the family members and their role in decision-making processes;
- The desire for continuity. The intention to pass the company on to future generations, which is reflected in the incorporation of members of successive generations into the company.

Strengths and Weaknesses of the Family Business

Although the global business network consists to a great degree of family businesses and despite their important contribution—both to the sector in which they operate and to the international, national, and local economy—the magnitude, the importance, and the achievements of this type of company are often underestimated.

In order to place a value on this contribution, it is important to pay attention to the strengths or advantages, and to the weaknesses, or disadvantages that family businesses present compared to non-family companies. Thus, we consider that family businesses have certain strengths that are unique to them and that allow them to achieve business success through sustainable competitive advantages. However, at the same time, family businesses face serious weaknesses and threats (occasionally endemic) that can undermine their strengths and even threaten their survival. Many of these negative elements arise from the conflict, sometimes inevitable, that arises between the business-family overlap. Among the strengths of family businesses is the fact that the predominant characteristic that distinguishes most of them is the sense of affiliation and belonging that they generate. This factor, although intangible, manifests itself in a series of very specific positive attitudes: dedication, knowledge of the business, work flexibility, the use of a long-term perspective in decision-making, a stable corporate culture, trust and a sense of belonging to the company and pride in belonging to it.

Together with these strengths, family businesses also have a series of serious weaknesses, such as: rigidity, the difficulty of addressing succession, the difficulty in managing emotions within the company, the difficulty of facing business challenges, leadership, confusion between the role of owner and the role of manager of the company and confusion in the economic flows between the personal and business area.

All this affects the family business, especially when we consider that its basic characteristic features are ownership by the family and the will to pass the company from one generation to another, because, in this case, the emotional dimension of the family merges with the professional dimension of the management of the family business. With this, in the decision-making process, informed decisions are irremediably intermixed with decisions made intuitively on an emotional basis created by the family. Therefore, identifying well the foundations of the family business culture and determining its evolution becomes an important issue for this type of company in order for it to become aware of its differential element such that this differential element can be used to gain a competitive advantage if the family business relies on its strengths in decision-making processes and family models.

The Culture of the Family Business and Models of the Family

Foremost in the study of the family business culture are the contributions of Gallo (1995) and Dyer (1988).

Gallo (1993; 1995) highlights four specific aspects in which the culture of family businesses differs from non-family ones:

(1) The family business has a greater number of interested parties and there are a greater number of interrelations between them due to the concurrence of business, family, and ownership subsystems. In non-family companies, these relationships are based on economic rights conferred by law on shareholders and the rules of the game on the economic returns of capital set by the market.

(2) Different generations hold power differently. In the first generation, the exercise of power is characterised by its intensity and duration; the founder makes use of power without making many concessions and extends his/her mandate at the head of the business until well-advanced in age, giving rise to a strong culture based on his/her values. In the second generation, the values tend to change and conflicts may even arise between family members who are decision-makers in the company.

(3) In the family business, shareholders usually have a different commitment to the company. The commitment of the shareholders of non-family companies is usually quite passive in the sense of not having obligations towards the company and enjoying rights of protection and increase of their equity. In the family business, shareholders are not only committed to the equity but also to the values of the company. The aim is for the culture of the company and the family to have points in common.

(4) The evolution and development cycles of the family business are linked to the changing needs of family members. The difficult moments of each of these cycles are circumstances in which the culture of the family business is put to the test and evolves. These cycles are especially manifested in the incorporation of the second and third generations. Foremost among these features, in addition to the succession and assignment of power, is the resolution of problems related to the transfer of ownership, which often means breaking with traditions or links that were considered permanent.

According to Dyer (1988), the patterns of corporate culture that can be adopted in the family business are especially diverse, with the following ideal types being foremost:

A Paternalistic Culture

Family businesses with this type of culture are characterised as such because, among other things, the relationships among its members are hierarchical. The heads of the business, who are usually members of the family, retain all the power and authority and are the ones who make the most important decisions for the company. The family distrusts anyone from outside the company and carefully supervises everything that happens in the company. Family members usually receive preferential treatment with respect to other employees. In general, it is assumed that employees have an attitude that tends to accept and carry out the orders they receive. The attitude towards the environment is quite active, always trying to develop new products and markets. The majority of these companies look to the past, which implies a great respect for the traditions and values implemented at the time by the company's founder, although some are oriented towards the present.

This paternalistic cultural model works well when the head of the family business has the experience and information necessary to properly handle all the intricacies of the family business. Moreover, as the heads of this type of culture are often very charismatic, there is usually a high degree of commitment by employees towards the company head's vision.

However, the paternalistic culture also presents a number of problems, one of which is that too much trust can be placed in the head of the company. Secondly, the preparation and professional development of the next generation is often neglected. Thirdly, the company head may not always be able to deal adequately with the greater complexity and ambiguity that the growth of the company entails in a changing and complex environment. Finally, and taking into account that most of the key decisions are taken by the leaders, the rest of the family members may feel that they are not involved in decision-making. This type of culture is more likely to be successful when the company is small and the environment in which it operates is relatively stable.

A Laissez-Faire Culture

In this type of culture, relationships are hierarchical. Family members are given preferential treatment and employees are expected to achieve the strategic objectives set by the family. Family businesses of this type trust their employees, upon whom they delegate a certain amount of decision-making responsibility. Both the mission and the strategic objectives of the company remain in the hands of the family, but employees are given great discretion when determining the means to achieve these objectives. It is a culture more compatible with the growth of the company and with the creativity of the workers, since the family delegates a lot of responsibility to the employees. It is a type of culture suitable for those companies in which the family owner does not have the capacity to control day-to-day operations and in which the business needs its employees to use their initiative and capacity for change in order to take advantage of new opportunities that emerge.

The most serious threat that this type of culture can face is the difference that may exist between the actions of employees and the values and basic assumptions of the family. This is why, if there is no adequate supervision, the employees of a laissez-faire culture can lose the obligatory reference represented by the company's strategic objectives, which can lead to the loss of direction set out by these objectives.

Participatory Culture

This type of culture is not very common in family businesses. In this culture, relationships tend to be egalitarian. The power and position of the family are weakened. In general, the family believes in trusting its employees and gives them the chance to apply their talent. Employees are trusted and must carry out their work in a way that involves other people, making personal evolution and development a reality. This culture promotes an active attitude towards the environment. Decisions are made taking into account the contributions of employees and it is assumed that nobody has all the answers. Through participation in the decision-making process, employees increase their capacity to understand and make the values, vision, and mission of the company their own in a type of corporate culture oriented towards the future.

The biggest advantages of this type of culture are the high degree of commitment it generates among employees, the ability to respond quickly to changes, and the capacity for innovation. Regarding weaknesses, it should be noted that the participatory system is slow to take decisions, which causes important decisions to be delayed as employees are consulted. Therefore, in order for these companies to remain operational, it is advisable to discern among the decisions that can be adopted in a slow, consultative manner from those that require promptness in the adoption process.

Professional Culture

Family businesses that exhibit this type of culture are characterised by the fact that the family that owns it leaves the management of the business in the hands of professionals who are not related to the family. It is common for these professionals to bring their own values with them. Each employee is strongly oriented to achieving individual and professional achievements. The environment that is generated is competitive. The professional managers often have a fairly impersonal and neutral attitude towards employees, who are assessed for their ability to contribute to the company's profits and achieve its strategic objectives. The owning family trusts the experience and good work of the professional managers, which is acquired during their years of work in other companies. Often, the result is usually the implementation of policies aimed at increasing efficiency and cutting costs. These managers are expected to introduce a new way of understanding the business and the most advanced management techniques. This fact is often highlighted as the main advantage of the professional culture, since these professional managers lack any connection with the company's past and are able to see new possibilities that make the company more competitive. The main disadvantages of this type of culture usually take the form of mismanagement: absenteeism, turnover, unfair competition between people and departments, and low commitment.

These types of family business cultures correspond to different family models. For this approach, Dyer (1986) establishes three different family types: patriarchal/matriarchal, collaborative, and conflictive. This completes the contributions of Rosenblatt, Mik, Anderson, and Johnson (1985), and Levinson (1971) regarding the characteristics of business families.

Patriarchal/matriarchal family. In this type of family, the father/mother (or other family leader) is the dominant figure. Family life revolves around him/her and his/her wishes. All important decisions concerning the family are taken by the family leader and all the family members are expected to comply obediently. The heads of this type of family formulate goals for the whole family. Frequently, they go about their activities quite secretly; rarely do they confide with their children or, on occasion, with their spouse. They have little confidence in the family's ability to handle more information and responsibility and tend not to involve them in decision-making.

Collaborative family. The leaders of this type of family tend to have more confidence in the other members of the family, allowing them to participate in certain ideas and relying on them to make certain decisions. The other family members have the chance to exercise some influence and together create and share goals and values. They place great emphasis on maintaining family solidarity and try to carry out their work cooperatively.

Conflictive family. This type of family is characterised by the absence of shared goals. Individual motives and desires guide the actions of each individual. Family members tend to distrust each other and appear to be constantly protecting themselves against the decisions of others. Relationships, despite being dependent by nature, are always conflictive. These families are often unable to develop mechanisms to solve problems that help minimise the differences between them. In short, they are characterised by distrust, conflict, and alienation among family members.

Evolution of the Family Business Culture

The culture of the family business, like that of any other business formula, evolves in parallel with the business. The culture has to respond to and be the result of new needs and changes imposed by the development of the company (Gallo, 1995). The organisational culture in general, and that of the family business in particular, evolve in parallel with the companies themselves. Therefore, understanding of the evolutionary process of the family business culture involves knowing the peculiarities of the development of this type of company, since the two processes are difficult to separate.

Before proceeding to the analysis of the different evolutionary models of existing family businesses, we believe it is appropriate to comment on the generic model of organisational growth and development proposed by Greiner (1972). This model is based on five phases in which the dimensions that are determinant within organisational development are considered: (i) the age of the organisation; (ii) the size of the organisation; (iii) the stages of evolution; (iv) stages of revolution; (v) the growth rate of the sector.

As the company evolves and develops, its growth is due to different reasons. Thus, in the first stage, growth is due to the creativity arising from the search for both new products and new markets that ensure the company's continuity. The second stage of growth starts after overcoming any leadership crisis that implies the need to renew the management style of the company. The complexity of this stage is greater and the little formalised style of running the company no longer works. Here, growth is based on efficient management that knows how to create an organisational structure and communication system that is much more formal and adapted to the new needs of the company. In the third stage, growth occurs after the successful development of a delegation process, which implies a solution to the problem of lack of prior autonomy. In the fourth stage, the company's growth is based on much more efficient coordination between the various systems and structures created as a result of the important delegation process generated in the previous stage. Finally, during the fifth stage the company maintains growth through a significant turn business direction, orienting it towards collaboration between the management teams of the various sections, lines, or divisions created. The aim here is to simplify the macrostructure created in the previous stage in order to give the company greater flexibility, which allows its growth to continue.

Scientific analysis of family businesses is very recent, since it did not exist until the study of family businesses started with the methodology of general systems theory. In fact, the first studies of family businesses date from the 1960s and 1070s and are based on a very simple conceptual model that considers family businesses as the interaction of two overlapping subsystems: the family and the company. As each has its own principles, values, organisation, and functioning, the presence of people that have a role in both subsystems makes the appearance of potential conflicts possible, with the risks and opportunities that are characteristic of these. A good summary of these issues appears in the definition of institutional overlap developed by Lansberg (1983) and leads to a more precise academic analysis based on more complex models that include more variables and that consequently multiply the number of possible interactions between them.

To analyse the scientific analysis of family businesses, we will review the most widely used models, which have the additional advantage of allowing us to establish the type of family business, whose differential characteristics are fundamental to guide their analysis and to determine the basic pillars of their definition and the characterisation of their corporate culture.

The Three Circles Model

There is unanimous agreement in considering that the modern analysis of family businesses is derived from the pioneering study of Davis and Tagiuri (1982). These authors claimed that the wide variety of existing family businesses could be adequately represented if the company's system was disaggregated into two subsystems, differentiating between the management and ownership of the company.

This gives rise to the three circles model, which describes the family business system as three independent but overlapping subsystems: management (company), ownership, and family. This model allows the study of one of the main problems of the family business that of conflicts caused by different interest groups in which family emotions are intermingled with business challenges and difficulties. It is worth bearing in mind that each area has its own objectives, activities, and managing bodies. Thus, in the circle representing the family, the aim is to maintain family harmony and the personal development of its members. Its activities should focus on the definition of the family mission, on the relationships between its members, and on the management of family conflicts and family council is its main governing body.

In the circle representing ownership, the objective is to properly manage equity by improving the company's profitability. Its fundamental activity is the strategic planning of the company, properly managing the conflicts between shareholders, selecting the members of the board of directors, and developing a succession plan. The board of shareholders and the board of directors are the most relevant governing bodies in this circle. Finally, in the circle representing the company, the aim is to maximise productive efficiency, optimising its organisation and favouring its growth. The company's fundamental activities include designing the organisational structure, managing change, and establishing human resources policies, all under the governance of the company's executive and functional management.

From here, it is possible to identify eight different interest groups related to the family business:

(1) The first group represents all those individual who, being members of the family, currently do not work for the company or hold a stake in the ownership of the capital.

(2) The second group consists of people who own part of the capital but who are not part of the family or work for the company. Normally they are external capitalist partners who contribute to the growth of the company.

(3) The third group is made up of all those who work for the company but are not family members or owners of the company. It is essential, in this case, to clearly distinguish between those professionals who are external to the family who carry out management activities and other professionals who are not members of the family.

(4) The fourth group consists of individuals who, being members of the family and owners of part of the capital, do not work for the company. They are usually referred to as "passive shareholders".

(5) The profile that defines this group is that of company workers who, despite not being members of the family, have a stake in the company's capital. Normally it is usually made up of trusted directors who have become creditors to an equity stake, and by in-laws who, due to various circumstances (for example, divorce), have ceased to hold an equity stake but continue to work for and be shareholders of the company.

(6) In the sixth group are those individuals who are family members and who are carrying out some work for the company, but are not shareholders of it. This group could be subdivided according to two criteria depending on whether the type of work corresponds to a managerial position or not and whether the family structure determines that in the future the individual can become an owner or not.

(7) The seventh group consists of all those family members who own part of the company's capital and who also work for it. To a certain extent they represent what is considered the traditional image of the family entrepreneur.

(8) The eighth "group" is a very special case that occurs in first-generation family businesses founded by a single person. For a certain period of time, this person accumulates all the share capital and decision capacity, both in terms of management and the governance of the family business and its strategic planning.

Together with these, we can describe a last group formed by stakeholders that reflects a very heterogeneous group of people who have specific interests in the company but who lack family, ownership, or work connections. In generic terms, we can talk about clients, suppliers, and the social collective in a broad sense.

The different interests of each of these groups and the interrelationships established between them generate the conflicts and alliances on which the strengthening or weakening of the family business depends. This shows the extent to which the aspects related to relationships between people are the crucial element that defines the success or failure of a family business. Authors such as Danco (1982), McGivern (1989), Hershon (1975), and Gersick, Davis, McCollom, and Lansnberg (1997) have formulated their own models in an attempt to explain and understand in depth the development of family businesses. Although all of these models have some characteristics in common, not all take into account the evolution of these companies over the same time period. Thus, we find monogenerational and multigenerational evolutionary proposals.

The monogenerational models are characterised thus because they do not take into account the evolution of the family business beyond the time when the founding generation is at the head of it. However, models of this type are valid for future generations as long as the structure of the ownership and management of the family business is equal or very similar to that of the founding generation. Models of this type are those formulated by Danco (1982), McGivern (1989), and Ward (1988).

The Danco Model

Danco (1982) proposed an evolutionary model for the family business structured on four stages or periods and highly focused on the evolution of the founder of the business. These stages are:

The questions stage. In this first stage, the company founder devotes all his/her efforts into making his/her ambitious dream a reality. There is no time or resources for anything else. The vision of the founder is the main thing, even surviving the difficulties that may arise in these first moments. Often, his/her spouse is not a part of this dream. When s/he has to face day-to-day business matters, instead of giving explanations, s/he shows the stress and anxiety vis-à-vis the uncertainty of whether s/he will be able to take the business forward. A spouse who has not been part of the dream from the beginning can have a very different view of this. Normally s/he is terrified to see how all his/her money and his/her equity is being invested into the family business, as opposed to the image of the freedom, prosperity, and power of the entrepreneur. The growth curve in this stage is relatively slow and all efforts are made to ensure that the business is sustained over time and achieves continuity.

Intermediate stage. This stage is characterised by the rapid growth by the business and the incorporation of employees and family members. They begin to establish commercial or financial relationships with new clients and creditors. On the family side of things, the spouse begins to trust in the family business. The founder continues to work many hours a day, making many decisions on his/her own. It is likely that s/he will begin to discuss the business but at no time will s/he share all aspects of it. Employees only have access to information that is strictly necessary for the optimal execution of their work. What has been learned by the founder has been based on trial and error. S/he has had to make many decisions quickly and with little time to reflect, which has led to poor decisions being taken on certain occasions. Despite this, the business continues and the founder begins to become aware of his/her new role as boss. Moreover, the rapid growth experienced by the business during this period creates in the founder, for the first time, the feeling of needing external help or support. The size that problems of a labour, fiscal, legal, commercial, financial nature etc., take on leading him/her to seek advice.

Stage of splendour. During this period the business continues to grow, although at a slower pace than in the previous period. The CEO reflects on what s/he has done. The business has achieved high levels of safety and comfort. Having reached this degree of development, it is common for the owner to begin to show their achievements. His/her external image, that of a consolidated businessman/woman, who is considered and respected as a client, supplier, sponsor, etc., by public and private organisations, allows this.

The family and the business experience their stage of financial splendour. The founder has become a powerful and influential person; the family enjoys a good and respectable social position that aims to compensate for the difficulties and for the limited time that the founder dedicated to it in previous stages. The founder continues to be the main shareholder of the business, maintaining full control over the decision-making in the company. S/he may hand over some of the shares in the business to his/her spouse, children, or other family members. In this way, some members of the next generation begin to become linked with the business. The business structure continues to be characterised by a high degree of secrecy and by a lack of people with greater judgment than that of the owner despite the growing number of people from outside the family; the business is forced to incorporate due to expansion.

Stage of rupture and new questions. During this stage, the founder is between 50 and 60 years old. This last stage can be the most dangerous for the company’s survival, since the founder is a little disenchanted with the stage of splendour. At this point, the founder wants a change of direction in his/her life in search of a much healthier, more relaxed and satisfying one, becoming much more conservative and avoiding projects or decisions that involve high levels of risk. Despite this change of attitude, the feeling of continuing the company over time still persists. The founder may feel the need to undo everything s/he has done, freeing him/herself from the worries of the day-to-day business. Depending on the final decision in this regard, it may become a phase of rupture and liquidation or new questions. Also during this stage one of the most specific and transcendent problems of family businesses, namely the succession of the head of the business, may arise. On the one hand, the attitude of the founder becomes much more conservative, which is transmitted both to the company policies and to the family. In addition, s/he fears totally or partially relinquishing the reins of the business to the hands of the next generation, since this would imply accepting his/her own professional obsolescence. On the other hand, the next generation, which has been trained and has been learning the ins and outs of the business under the watchful eye of the founder, is eager to be in charge of the business and believes that the founder has already done enough and that it is time for him/her to retire. Thus, a confrontation arises between the ambition and desire of one generation and the conservatism and resistance of the other. For many family businesses the impossibility of resolving this conflict heralds the disappearance of the business.

The McGivern Model

McGivern (1989) uses Kroeger's (1974) life-cycle model as a means of understanding the process of succession in small family businesses adopted to coordinate the handover of the family business with an organisational life-cycle model.

Before determining the variables that influence the succession process, it is necessary to determine at what stage of development it is. The author distinguishes three different stages or phases in the succession process.

- The first stage comprises the period of time taken for the founder to realise and accept the need to find a successor to continue with the business or, if not, sell it.
- The second stage begins once the founder has decided to look for a successor to take over of the running of the business, and corresponds to the time taken to choose and train the successor.
- Finally, the third stage begins when the generational handover takes place, which then faces challenges such as effectively controlling the company in order to be able to introduce changes in a non-traumatic way, to create an appropriate leadership style, to create a network of effective relationships, and to manage the influence the founder exercises from retirement properly.

As contingency variables with the greatest influence in the succession process, McGivern considers the same ones identified by Greiner (1972) in his model of organisational growth and development: (i) the company's degree of development, (ii) the motivations of the owner-manager, (iii) the magnitude of family power, (iv) the organisational environment, and (v) the company environment. These variables can influence the process, either directly or indirectly, through their relationships with other variables.

The Ward Model

This model, which is monogenerational in nature, was devised by Carlock and Ward (2011), although he proposed a more multigenerational model in 1991 that we will analyse further on. Contrary to what the author himself believes, which is that it is applicable to both first-generation family businesses and to mature family businesses, we believe that this model is only valid for first-generation family businesses, since it does not envisage the specificities that managing a family business in the second generation run by, for example, siblings, implies, letting alone in the case of a third generation when company management is in the hands of a group of cousins. We believe this despite what Neubauer and Lank (2003) highlighted vis-à-vis the fact that it is probable that the model will be repeated in all those family dynasties that successfully overcome the difficult challenge of the first succession.

The author distinguishes three different types of life cycle: (i) the life cycle of the business, (ii) the organisational life cycle, and (iii) the life cycle of the owner.

Ward maintains the existence of a set of contingencies that influence the handing over of the family business through predictable patterns of growth and change. Between these contingencies he highlights:

- The nature of the business (type or types of products, the stage of life cycle, degree of market competition, etc.).
- The characteristics of the organisation (size, complexity, and dynamism of change).
- Motivations of the owner-manager (what his/her main objectives are).
- The financial expectations of the family (the evolution of their needs).
- The family's aims (what their priorities are).

The model structures the development of a family business into three different stages, which it refers to as initial (stage I), medium (stage II), and advanced (stage III), and is the result of the combination of three different life cycles:

- The product life cycle, considered in the same terms as Salter (1970), Greiner (1972), and Peiser and Wooten (1983), goes through an initial sales monopoly stage followed by another characterised by a strong increase in competition and finally reaches another characterised by stagnation in product sales.
- The life cycle of the organisation, which should be understood in terms of the different forms of business organisation towards which the company evolves as a result of the greater number of employees and the greater variety of managerial capacities necessary to sustain its growth and its growing complexity.
- The owner-founder cycle, the definition of which is based on the changes that the owner experiences throughout his/her life and his/her influence on the company. As owners mature, several aspects of their character are reflected in their companies, specifically: their skill in management, their leadership style, and their motivations.

Starting a business requires managerial qualities that are different from those necessary for running an already established one (see Table 1). Moreover, over time, the owner learns two important things about his/her leadership style: the advantages of both the ambiguity and delay in deciding, and the disadvantage of giving the impression that the owner is in doubt regarding the direction the company should take. Additionally, the owner's motivations change over time, progressing from being totally immersed in the business in order to implement their vision of the business, to wanting to contribute to society, to ensure the welfare of the family and to exercise corporate social responsibility.

Table 1

Management Skills According to the Life Cycle of the Company

Start-up/growth stage	Greater size and maturation stage
Innovative decisions	Reactive decisions
Original strategies	Improvement of existing strategies
Personal dedication	Analysis of abstract, intangible information
Use of specific results	Use of ideas
Takes on personal risks	Risk through third parties
Emphasis on real values	Emphasis on perceptions
Development of new relationships	Renegotiation of older relationships
Personal identification with the company's activities	Evaluation of activities through reports

Source: Author based on Ward (1987).

The model shows the correspondence between business requirements and the needs of the family in the first stage. However, upon reaching the third stage, the two systems come into conflict. The inevitable emotional antagonisms and the contradictions between the needs of the business and those of the family are, in family businesses, an obstacle to their good performance in the long term. Planning in family businesses should aim to solve this conflict in order for the requirements of both the family and the company to be satisfied.

The Multigenerational Models

This set of models is distinguished by the fact that they consider the evolution of the family business beyond the period of time in which the founding generation is at the head of it. Thus, the evolution of the family business goes beyond the first generation, considering the various vicissitudes that have to be overcome by each generation to guarantee survival. Of these types of evolutionary models, we highlight those proposed by Hershon (1975), Ward (1991), Dyer (1986), and Gersick et al. (1997).

The Hershon Model

This model was one of the first ones and represents a clear advance with respect to the others proposed up to now insofar as it does not limit itself to establishing a parallel between the life cycle of the company and the life cycle of the founder. The model proposes an evolutionary set of different styles of management or administration of family businesses towards what would be its best management model, as members of different generations of the family are involved. Logically, family changes or developments, like those of management style, cannot be carried out instantaneously, but require more or less long periods of time, giving rise to what the author calls "periods of transition". More precisely, the model includes up to three different management styles: (i) close supervision; (ii) collaborative management; and (iii) collective management. These styles are ideal when the generations in charge of the business are the first, the second, and the third respectively.

The Ward Model

The multigenerational model proposed by the author in 1991 is an advance over the monogenerational model previously proposed in 1987. In this proposal, Ward addresses the evolution of the family business from two different perspectives. On the one hand, it analyses the evolution of ownership and, on the other hand, analyses the evolution of management. As can be seen in Table 2, foremost in each stage considered in the evolution of ownership are those issues of greater relevance to the company owners. Ward stresses once again how difficult transitions from one generation to another are for family businesses.

Table 2

Evolution of Family Business Ownership

Evolutionary stages of ownership	Most important aspects
Stage 1: The founder(s)	• Leadership transition • Succession • Spouse's security • Management of equity
Stage 2: Partnership of siblings	• Maintenance of the work team • Maintenance of the work environment • Maintenance of family ownership • Succession
Stage 3: Family dynasty	• Organisation of the corporate capital (dividends and profits) • Liquidity of the owners • Family culture • Resolution of family conflicts • Role of the family. Link with the company • Family vision and mission

Source: Author based on Ward (1991).

However, regardless of whether the family business may be sold or fold at any time, it can remain at the same stage for generations. The company may also regress towards previous stages. The evolutionary model proposed for the management and administration of the company is a hybrid of the evolution of the management system and that of the organisational structure. In this case the transitions between each of the proposed stages are also problematic for the company.

The Dyer model

Dyer (1986) proposes a multigenerational evolutionary model for the family business structured into four clearly differentiated stages. The first, referred to as "the business start-up", extends throughout the period during which the founder's fundamental occupation is to solve the problems related to obtaining the financial resources necessary for the development of a product and the use of a distribution channel to bring these products closer to the end consumer. Recruiting competent staff is not easy either and as such there is hardly time left to think about the convenience of involving family members in the business. The survival of the company is the most important concern.

The second stage, "growth and development", is characterised by the need felt by the family to introduce important strategic changes to maintain its competitive advantage in a changing global environment. During this stage, the founder begins to understand that s/he cannot deal with all the facets of the business alone and that it is convenient to delegate and share part of the power with other people. In parallel with the growth of the workforce, the founder's interest in teaching and transmitting his/her values and business philosophy to the next generation of the family also increases. For the first time, the founder becomes aware of the need to train the future leaders of the company, to find an adequate formula for the distribution of ownership and to plan their succession in the company.

In the third stage, referred to as "succession by the second generation", both the family and the business reach a certain degree of maturity and the founder is no longer the dominant force. Conflicting positions are more likely to occur among the members of the family now regarding investment policy and the distribution of profits, etc. In this stage, joining positions, aligning interests and avoiding, as far as possible, confrontations and family conflicts that could reduce the company's competitive capacity are the main challenges facing the family business.

The fourth and last stage, "external ownership and professionalized management", is given by the fact that the company has to offer participation in its equity to people not related to the family as an alternative means of attracting the finance the company needs. In addition, either because of a quantitative imbalance—in other words, there are not enough family members to fill the positions of responsibility—or because of a qualitative imbalance—or, which is the same, that there are enough family members to fill the posts of management but do not have the qualifications or skills these positions require—the family company begins to professionalize its management by hiring non-family directors or directors not forged in the company itself. Finally, it should be noted that not many family businesses continue to retain their family nature after reaching this stage.

The Gersick, Davis, McCollom, and Lansberg Model

These authors propose a very advanced and complete three-dimensional family business development model. Starting from the model of the three circles, they distinguish a multi-stage evolutionary process for each of the three systems that make up the model: business, family, and ownership. This model also considers valid possibility that some of the systems may not evolve to later stages or that, being at a more advanced stage, regress to previous stages. Gersick et al. (1997) propose a new approach based on the development of the family business understood as an organisation in which the time variable constitutes the reference element of the model.

Starting from the static situation of the family business, as represented by the three circles model, it is evident that the passage of time introduces changes in the structure of the family, in the distribution of ownership, and in the organisation of the company. In other words, new “maps” of three circles corresponding to different phases of time are generated. This dynamic approach is characterised by the fact that each subsystem presents an individual evolutionary dimension, i.e., it goes through a series of independent stages that in turn interact with and force the other subsystems to change. The model is represented by the development over time of each of the circles based on three axes—ownership, family, and company—that generate a three-dimensional space. However, it must be recognised that, in spite of the model’s advantages, in some cases the speed of the changes and the disappearance of boundaries between the stages leads to hybrid situations that do not fit with any of the typologies established in the model.

Evolution of the Family and Evolution of the Business

Next, we can establish a description of the different evolutionary axes of the family that will allow us to understand the bases that support it as the basis of the family business.

The development of the family over time in the three-dimensional evolutionary model is based on studies conducted by Daniel Levinson and his team at Yale University on family life cycles. The analysis is carried out in four stages that are defined by the age of the members of each active generation in the company, each of which has its own characteristics and challenges to overcome.

Table 3 summarises the characteristics of each type of family, as well as the main challenges, depending on the evolutionary stage in which it is found. The “enterprising young family” is defined when the parents are under forty and the children, if they exist, are minors. It is a stage of intense activity based on the role of an owner-manager whose main challenges include the creation of the company, the decision-making process, and establishing a relationship between the company and the family.

In the “entry into the company phase”, the first generation is between 35 and 50 years old and is therefore in a personal transition to maturity, adjusting their business strategy and lifestyle to the new requirements. At the same time, the children can be between 20 and 30 years old and in many cases will have completed their university studies and consider their future professional relationship with the company. The most important challenges to be solved are the transition of the parents to a mature age, the processes of the young adults leaving the family home, and the processes of recruiting or selecting relatives to work for the family business.

The “joint work stage” is characterised by the simultaneous work of two or more generations that actively participate in the family business. The parents are between 50 and 65 years old, while the children are between 20 and 45 years old. It is usual for the older generation to place emphasis on the business activity, while the children are already developing their activities inside or outside the family business. In this stage the family assumes a greater complexity, tending to become a network or a tree as the young generation marries and has children. In these circumstances, achieving a good understanding between both generations must be fundamentally addressed, strengthening family communication, emotional intelligence, and internal information transparency. The family must prepare to manage in a constructive way the personal conflicts that will undoubtedly appear from one time to another.

In the “family that hands over management” stage, the business passes through a period of time that begins when the first generation is over 60 years old and ends when s/he dies out. At least two generations will be working together, and there may even be four generations working together. The main challenges are the progressive disengagement of the business by the first generation and the transfer of family leadership to the next. The process of succession is complex due to two opposing pressures: the resistance of the older generation to hand over power and eagerness of the young generation to take control of it. This scheme, summarised in Table 3, can be complicated when there are groups of people who are going through two, three, or even four stages in the family business, which introduces enormous complexity in the family-company structure.

Table 3

The Family System

Stages	Characteristics	Challenges
Young entrepreneur/business family	• Adult generation < 40 years old • Children < 18 years old or no children	• Setting up a family business • Deciding on work/family relations • Creating relations with the extended family • Raising children
Family entering the business	• Adult generation 35-55 years old • Teenage children or children between 20 and 30 years old	• Separating the 1st generation from the 2nd (children) • Facilitating good decision-making processes regarding their career • Bringing up children during their transition to adulthood
Family that works together	• Adult generation 50-70 years old • Teenage children or children between 20 and 45 years old	• Fostering intergenerational communication and cooperation • Mediating conflicts • Managing the 3rd generation
Family that hands over power	• Adult generation 60 or older	• Disengagement of the 1st generation from the business. • Handing over leadership to the 2nd or 3rd generation

Source: Author based on Gersick et al. (1997).

As for the evolution of the company, it can also be understood as a successive multi-stage process. In this case, the life cycle of the company is analysed over time based on specific studies of family businesses carried out by Churchill, Kimberly, and other authors. This cycle is organised into three stages: (i) the founding of the company; (ii) the expansion of the company; (iii) the formalisation of the company; and (iv) maturity. Table 4 summarises the characteristics and the most significant challenges of each stage.

Table 4

The Business System

Stages	Characteristics	Challenges
Set-up	• Informal structure • The owner is the core • Only one product/line of business	• Survival • Rational analysis versus the founder’s vision
Expansion	• Increasingly functional structure • Multiple products/lines of business	• Change of function of the owner/manager • Professionalization of the business • Strategic planning • Organisational policies
Maturity	• Organisational structure that supports stability • Moderate growth in clientele • Divisional structure led by a team of high-level managers • Well-established organisational procedures	• Strategic refocusing • Compromise between directors and owners • Reinvestment

Source: Author based on Gersick et al. (1997).

The first stage includes the founding of the company to the moment in which survival is no longer its main aim priority. Its structure tends to be minimal, informal, and highly concentrated. The entrepreneur devotes all his/her time, effort, and money to the business. The founder is the one who defines the business's "vision" and "mission". At the same time s/he is the strategist, the planner, the leader, and the manager of his/her company. The company usually specialises in a unique good or service, which forms the basis of all its activity. The fundamental objective in this phase must be to provide sufficient strength to the company in order to allow its evolution to subsequent stages.

The next stage, that of expansion, which may vary considerably in length, begins when the company has overcome the problems of survival and has established itself in the market. This stage ends after a period of growth, when a degree of stagnation in its activity is detected. At the organisational and operational structure level, formality gains weight, introducing functional areas, production controls, strategic planning etc. at the same time that the number of products offered increases and the number of jobs and the volume of sales grow. This all depends on the growth variable, from whose evolution two types of clearly identifiable family businesses can develop: on the one hand, those characterised by considerable growth based on the search for new markets and the expansion of the family business and on the other, those companies with more moderate growth that make considerable structural changes, sacrificing part of the economic growth in strict terms. In both cases, the main difficulties faced in this stage are the changes of the owner-manager's function, the professionalization of the company, strategic planning, the necessary changes in the organic structure and the assets management.

The life cycle ends with the maturity stage. It is a much less dynamic phase than the previous one and is characterised by the existence of a divisional structure directed by professionals external to the family, by the clear separation between management and ownership, and by the primacy of the principle of stability. A situation of these characteristics poses two possible choices: renew or die. In the event that the family and the company opt for its continuity, the founding and expansion phase is repeated through the reorganisation of the different groups of owners and the creation of new products or services clearly oriented towards the diversification of activities. In this regard, the main challenges of the family business are the transfer and administration of its ownership, and reinvestment and financing of growth to consolidate the fundamental changes in the company's strategic focus.

Conclusions

The analysis of all these models allows us to acquire longitudinal knowledge of the family business through the exploration of the phases or stages towards which, in the opinion of various authors, the family business is evolving. All the authors of the multigenerational models studied coincide in highlighting the great difficulty that the transition from one stage to another involves for these companies, due in part to the need for the evolution of each of the systems to occur at the same time and towards complementary and never antagonistic final states.

Returning to the evolutionary model of Dyer's (1985) organisational culture, we observe that each generational transition indicated by the multigenerational models represents a change in a family business's organisational culture. In this regard, cultural change would respond to the occurrence of two leaders, that of the founder and that of the successor, who, in principle, do not have to share the same set of principles and values. Logically, the magnitude of the cultural change will depend on the greater or lesser similarity of the cultural elements that both leaders represent. There is, therefore, a need to create structures and plans to guide the development of the family business and to successfully achieve the cultural change implicit in the transitions, thus preventing them from becoming periods of high risk of disappearance for family businesses.

Each cycle expounded in the different models presents, by itself, well-known, differentiated characteristics and challenges. However, what is really important is the simultaneous consideration of all of them. There are many authors who say that the probability of a family business disappearing increases when a company has to face in a very short period of time the three types of renovations discussed: the transfer of ownership between generations, the change of leadership in the family and strategic renovation in the company.

This is the main reason for the need to anticipate all these change processes through an appropriate planning process. In this regard, Carlock and Ward (2003) defend the advantages of establishing a complete process of strategic planning in family businesses that allows a common understanding of business and family goals among key stakeholders. This planning process will allow adequate measures to be adopted in order to avoid these processes occurring at the same time.

Therefore, following a review of the literature, we can state that in all the models analysed, the variables that appear in all the models are:

(1) The fact that the family is, in one way or another, the owner of the company. This variable links the company to both the concept of family itself and the concept of family business culture. The analysis of the evolution of both concepts has reaffirmed the importance that the family owns (at least in the majority) the family business.

(2) The desire for continuity over time so that the family business lasts and is passed from one generation of the family to another.

Both characteristics are present in all the models reviewed in this study, given the particularity that they not only influence the concept of the "family business" but also the evolution of the concepts of "family business culture" and "family business". With this we can confirm that these two variables form the basis of the defining concept of family business.

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