

Strategic Management in Family Businesses

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Authors Note

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Strategic Management of Family Business: Formulation Issues Relating to Decision-making, Diversification, Growth, and Succession

Problem Statement

Family business research is undergoing massive progression, and new trends are becoming evident. Recent research investigates how knowledge integration in family firms is utilized (Daspit et al., 2017). Marler et al. (2017) built on this conceptual framework as their research offered further insight into transgenerational succession. Daspit et al. (2016) studied the strategic transference of power within family businesses. Other scholars continue to pursue research topics such as succession, practice-oriented research methods. Still, many of these research efforts tend to borrow from other disciplines without giving back to these fields. This research project proposes the development of strategies to expedite the growth of the family firm toward a better understanding of the perplexities faced by family business leaders as they navigate toward the possibility of succession in their companies. Critical issues related to effective management of family firms regarding goal and strategy formulation, innovation, resource management, and firms' professionalization are routinely ignored (Daspit et al., 2017). This project can provide a pathway to accomplish this goal, and we need to ensure clarity regarding succession, performance, and governance of family firms. The specific problem to be addressed is determining the impact of a successor's readiness regarding the preferred goals and strategies between the incumbent and the successor. Furthermore, determining the successor's enthusiasm and willingness are influenced by the skills and attitudes of those in the family firm and how a strategic management formulation can play a crucial role in a smoother organizational operation.

Bridging these specific problems together, Bozer et al. (2017) researched succession in the family business from a multi-source perspective. They argue that despite the extensive research into the critical challenge of success in the family business, generational succession in the family business has been investigated from a predominately one-dimensional perspective (Bozer et al., 2017). The purpose of their paper was to respond to a call for a multi-perspective examination regarding leadership succession to examine the complex nature of succession in the family firm while also looking at crucial personal and professional factors associated with effective family-business succession. This research is a foundation for the proposed research project.

Purpose Statement

This applied research project aims to examine strategy formulation related to developing a specific strategy designed to carry out the firms' goals. Transgenerational transfer of control is typically a core goal in most family-run businesses that are contemplating succession. But data shows that most family firms do not survive beyond the second or third generations of family control, mainly because a strategic succession plan was not in place. The researcher will focus this research project directed toward enterprising families that focus on multiple goals to achieve the ultimate objective of survival and longevity (Colli, 2012; as cited in Daspit et al., 2017). New theoretical frameworks are being developed based on the differences in goals, governance systems, and strategic resources (Chrisman et al., 2013; as cited in Daspit et al., 2017). This research can be examined to provide a nuanced view of the strategic management of family-run firms and the objectives regarding the organization's future. The use of personal interviews will be used to collect the data. Results determined may be beneficial for family-run firms that are contemplating succession to other family-member stakeholders. Additionally, the conclusions

may benefit those studying organizational behavior in the context of the family business, and more to how individual and group-led factors, such as trust, conflict, power, and motivation, all manifest to influence the strategic management process is needed.

Importance of the Research

Zahra and Sharma (2004) postulate that family firm research has come far but has a long way to go. Further, building on the prior efforts of strategic management insights concerning family firms, it is essential to investigate strategic issues facing family firms and to assess recent strategic management developments within the field (Daspit et al., 2017). This is a fragmented study area lacking theory, and prior findings have been incremental. It is the desire that the discussion will promote a greater excitement about researching the intersection of cross-disciplines, thereby paying more attention to the context of significant decisions that family business owners make (Daspit et al., 2017). There is potential for developing a greater theoretical grounding. The goal is that the project will provide future scholars with some ideas on negotiating research in this complex and exciting field. The study of the family business is growing exponentially, whether viewed through the metrics of journal space devoted to research on this organization or researchers and advisors joining in this field (Daspit et al., 2017).

Objectives for Conducting Research

The project will follow a four-part plan to ensure complete and accurate reporting of the project plan, data collection regarding conformation and clarity, final data analysis, and discussion. Part one will include the introduction, literature review, and a project plan in an outline format. Part two will consist of data collection from various family-run companies achieved through personal interviews. Based on an initial review of the collected data, interview questions requiring further clarification or confirmation will be conducted through a follow-up

informal interview process via phone or in-person. To ensure acceptance by the researcher's oversight committee, interview questions will be reviewed before the achievement of permission from participating family businesses.

Forthwith, a final review of the data analysis will be submitted with complete, verified, and documented results. In the last step of the project, a written report will be presented. This paper will include the methodology, results, limitations, benefits of the research, limitations, and suggestions for further study regarding strategic leadership in family-run firms.

Research Questions

The following questions will be scrutinized to provide an overarching research focus.

1. How do the goals, objectives, and resource management of family-run firms offer insight into the strategic direction that leads to distinguishing behaviors leading to the competitive advantage or disadvantage of the organization?
2. Does transgenerational control significantly affect the extent to which knowledge integration affects family harmony and satisfaction?
3. Does knowledge integration positively influence the non-economic outcomes of family harmony and family satisfaction?
4. What impact does a successor's readiness have on the successful transition in the succession of a family firm?
5. What effects does socioemotional wealth play on family firm performance?
6. What impact do strategic implementation variables have regarding the management of the family firm?

Hypothesis

H1: There is an impact on the successor's readiness and the unity of the preferred goals and strategies between the incumbent and the successor.

H2: An incumbent or successor's willingness and readiness are influenced by the skills and attitudes of the other.

Key Terms Defined

Family firms are businesses “governed and/or managed to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (Chua et al., 1999). Yu, Lumpkin, Sorenson, and Brigham (2012) postulate that the family's involvement within the business and the family's specific goals are what make the family enterprise unique. Family firms comprise a family structure that is subject to the economic reasoning of the market (Daspit et al., 2017).

The researcher will rely on the definitions of agency and stewardship, as Madison et al. (2016) termed, social identity as termed by Canella et al. (2015). Planned behavior, characterized by Koropp et al. (2014), will be used to develop the theoretical catalog and including the disciplines of family science as defined by Jennings et al. (2014; as cited in Daspit et al., 2017) and sociology defined by Martinez and Aldrich (2015; as cited in Daspit et al., 2017). Topics relating to intergenerational succession found in Daspit et al. (2016) and governance as discovered in Gerisch and Feliu (2014; as cited in Daspit et al., 2017) will be explored. Strategic management, as defined by Durand et al. (2017), is the process of unifying beliefs concerning what is observed, what questions to study, how those questions are to be structured, and how the

results of the inquiry are to be interpreted regarding a focus on the organization will be examined.

Discussion

Nordqvist et al. (2009) posit that family research has grown, and there are increasing requests for deeper insights into the nature and workings of these organizations. Currently, family business research is subjugated by quantitative research methods (Nordqvist et al., 2009). Nordqvist et al. (2009) argue that these quantitative studies showed to be complemented by a research approach that is more apt to capture the specific complexities and dynamics that are unique to the family business. An interpretive approach within the broader umbrella of qualitative methods has this potential. This interpretative approach will allow for self-reflection, which is necessary for transparency and includes a wide range of issues, from underlying values, interest, and philosophical assumptions to the choice of which research methods to choose from, such as which cases to pick, who to interview or observe, and how to construct empirical material (Nordqvist et al., 2009).

This author would use this interpretive approach built on a solid ethical platform to assess families and their businesses for this research project. This assessment will allow for the building of trust and relationships to develop. Once established, the faith might reveal experiences, thoughts, and emotions that individuals may not have voiced (Nordqvist et al., 2009). Lastly, in practical terms, this method will allow the researcher to think more creatively about the complex shifting world that they operate and learn about the effectiveness and endurance of the family firm by having a greater understanding of family dynamics that contribute to the management of business operations.

Biblical Approach

For this project, it is essential to ascertain a biblical perspective. A thesis will develop to show that God demands that everything done in his name is done virtuously. As Christians, God commands that we exemplify honesty, trust, integrity, and righteousness in everything we do. Being authentic in our covenant with Christ leads us to never act in a manner that is not following the word of God. As scripture tells us, our delight is the value of knowing that we will receive instruction from the Lord. The key to integrity is knowing what God expects of us and how we can use that to transform our character to that of Christ (*New International Version*, 1978, Psalm 119:1). The bible is also the source of wisdom, and as we live according to scripture, the more blessings God will grant us along the way. (*New International Version*, 1978, Proverbs 2:6-8).

The Merida text, 1 Kings, 1 Chronicles, and 2 Samuel all lay the foundation for the study of family succession and strategic management regarding the transfer of power from King David to his son Solomon. Merida (2015) posits that David's final words are a testament from God as he espouses Solomon to obey God's word and keep the covenant. David urges Solomon to be strong and courageous (*New International Version*, 1978, 2 Timothy 2:1). These passages lay the groundwork for how effective or ineffective a family succession can be and are a segue from the biblical scripture and onward to the scholarly literature as it applies to this project.

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