

UNIVERSITY OF VAASA  
FACULTY OF BUSINESS STUDIES  
DEPARTMENT OF MANAGEMENT

Venla Vainio-Puhju

STRATEGY WORK IN FINNISH FAMILY OWNED SME'S  
KNOWLEDGE TRANSFER PERSPECTIVE

Master`s Thesis in Management  
Strategic Business Development

VAASA 2017

## Table of contents

<b>1 INTRODUCTION</b>	<b>7</b>
1.1 <i>Background</i>	8
1.2 <i>Research objectives</i>	8
<b>2 LITERATURE REVIEW</b>	<b>9</b>
2.1 <i>Family companies</i>	9
2.1.1 <i>Definition of family company</i>	9
2.1.2 <i>Family business research</i>	10
2.2 <i>Strategy</i>	12
2.2.1 <i>Family company strategy work</i>	13
2.2.2 <i>Drivers of strategy work in family businesses</i>	16
2.2.3 <i>How strategy work is done in family businesses</i>	19
2.2.4 <i>Trusted Advisors and nonfamily members at management positions</i>	22
2.3 <i>Theoretical strategy frameworks</i>	25
2.3.1 <i>Resource based view</i>	25
2.3.2 <i>Agency Theory</i>	28
2.3.3 <i>Stewardship theory</i>	28
2.4 <i>Generational and owner-manager issues</i>	28
2.4.1 <i>First or current generation</i>	29
2.4.2 <i>Later generations</i>	30
2.4.3 <i>Owner-managers</i>	31
2.5 <i>Knowledge sharing in family businesses</i>	32
2.5.1 <i>Knowledge sharing theories</i>	32
2.5.2 <i>Knowledge sharing in strategy work</i>	35
<b>3 RESEARCH METHODOLOGY</b>	<b>40</b>
3.1 <i>Research design</i>	41
3.1.1 <i>Research question</i>	41
3.1.2 <i>Qualitative research</i>	42
3.1.3 <i>Multiple case study, extensive cases</i>	42
3.2 <i>Sample and data collection</i>	45
3.3 <i>Data analysis</i>	47
3.4 <i>Reliability and validity of the research</i>	48
<b>4 FINDINGS</b>	<b>49</b>
4.1 <i>Background info</i>	49
4.2 <i>How strategy, and strategy work is perceived in family businesses</i>	50
4.3 <i>Drivers of strategy work in family businesses</i>	51
4.4 <i>How strategy work is done in family businesses</i>	52
4.4.1 <i>Trusted Advisors and nonfamily members at management positions</i>	53
4.5 <i>Generational and owner-manager issues</i>	54
4.6 <i>Knowledge transfer in family businesses and, in their strategy work</i>	56
<b>5 DISCUSSION</b>	<b>58</b>
5.1 <i>Summary of findings</i>	58
5.2 <i>Practical implications</i>	59
5.3 <i>Limitations and suggestions for further research</i>	61
<b>References</b>	<b>62</b>

---

UNIVERSITY OF VAASA

Faculty of Business Studies

**Author:**

Venla Vainio-Puhju

**Topic of the Thesis:**

Strategy work in Finnish Family owned SME's  
- Knowledge transfer perspective

**Name of the Supervisor:**

Jukka Partanen

**Degree:**

Master of Science in Economics and Business  
Administration

**Department:**

Department of Management

**Bachelor's/Master's Programme:**

Strategic Business Development

**Year of Entering the University:**

2013

**Year of Completing the Thesis:**

2017

**Pages: 68**

---

## ABSTRACT

Family business strategy scholars have mostly focused on the differentiation of family businesses and non-family businesses, and strategic management research is largely focused on nonfamily businesses. Here the current state of strategy work in a family owned small and medium sized enterprises (SME's) in Finland is examined, and how that process could be improved by using knowledge transfer theories. It is evident that in family businesses, which tend to be altruistic and succession oriented, have an advantage for using knowledge transfer theories in their strategy work without the problematics of the contradicting interests between a company and an individual.

Literature is seen to have a positive outlook on family businesses due to the succession goal, and management and values, which support competitiveness, and long-term orientation. Familiness is "the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business" (Habbershon & Williams, 1999, p. 11). Knowledge creation has two dimensions, epistemological and ontological, and it is divided to tacit and explicit knowledge. In this thesis, qualitative research was used because of its reflexivity. It is multiple-case study, with deliberate sampling, more specifically the critical and sensitive case sampling. All the data for this thesis is primary data, and the interviews were direct personal interviews, conducted with a semi-structured method.

Based on this study, family and business goals are not in conflict within those companies and families. Family values were mentioned as the drivers for strategy work by all the interviewees. All the interviewees had a long-term strategy, and in this study risk taking was not seen that negative but it was clear that risk taking should be calculated. In the interviews knowledge sharing were mostly approached via the strategy work process, and how it affects the process. Knowledge transfer seems not to be an issue, nor a tool within the strategy work in family businesses, however, the knowledge transfer aspect was unfortunately underrepresented in the findings. Never the less, based on previous research, it is evident that knowledge transfer theories have a potential of being a strategy formation tool also for the family owned SME's in Finland.

---

**KEYWORDS:** STRATEGY, FAMILY-BUSINESS, KNOWLEDGE-TRANSFER



---

**VAASAN YLIOPISTO****Kauppätieteellinen tiedekunta****Tekijä:**

Venla Vainio-Puhju

**Tutkielman nimi:**Strategy work in Finnish Family  
owned SME's - Knowledge  
transfer perspective**Ohjaaja:**

Jukka Partanen

**Tutkinto:**

Kauppätieteiden maisteri

**Oppiaine:**

Johtaminen

**Koulutusohjelma:**Strateginen liiketoiminnan  
kehittäminen**Aloitusvuosi:**

2013

**Valmistumisvuosi:**

2017

**Sivumäärä:** 68

---

**TIIVISTELMÄ**

Perheyriyksen strategian tutkijat ovat lähinnä keskittyneet perheyriyksen ja ei-perheyriyksen välisiin eroihin ja strategisen johtamisen tutkimus keskittyy suurelta osin ei-perheyriyksiin. Tämä tutkimus selvittää strategiayön nykytilaa suomalaisissa perheyriyksissä, ja miten strategiayöprosessia voitaisiin parantaa käyttämällä tiedonsiirron teorioita. Perheyriyksille, jotka ovat altruistisia ja sukupolvenvaihdokseen suuntautuneita, on hyötyä tiedonsiirtoteorioiden käyttämisessä strategiayössä, sillä yriyksen ja yksilön edut eivät ole ristiriidassa keskenään.

Kirjallisuudessa perheyriykset nähdään positiivisessa valossa, koska niillä on johtajuutta ja arvoja, jotka tukevat kilpailukykyä ja pitkän aikavälin suuntautumista. Perheyriyresurssina (familiness) on ainutlaatuinen tietyn yriyksen resurssien yhdistelmä, joka yriyksellä on perheen, perheenjäsenten ja yriyksen yhteisvaikutuksesta. Tiedonsiirrolla on kaksi ulottuvuutta; epistemologinen ja ontologinen, ja se on jaettu implisiittiseen ja eksplisiittiseen tietoon. Tässä tutkimuksessa on käytetty laadullista tutkimusta sen refleksivisyyden vuoksi. Se on monitapaustutkimus, harkitulla otantana. Kaikki käytetty tutkimusmateriaali on ensisijaista tietoa, ja haastattelut ovat suorita henkilöhaastatteluja, jotka suoritettiin puolistrukturoituina haastatteluina.

Tämän tutkimuksen perusteella perhe- ja liike-elämän tavoitteet eivät ole ristiriidassa näiden yriysten ja perheiden välillä. Perhearvot mainittiin kaikkien haastateltavien strategiayön ohjaajina. Kaikilla haastatelluilla oli pitkän aikavälin strategia, eikä tässä tutkimuksessa riskinottoa nähty negatiiviseksi, mutta riskinotto oli harkittua. Haastatteluissa tiedonsiirto nähtiin lähinnä strategiayöprosessin kautta ja sen vaikutuksesta prosessiin. Tiedonsiirto ei näytä olevan mielenkiinnon kohteena, eikä strategian työväline perheyriyksissä. Huomioitavaa on kuitenkin, ettei tiedonsiirto esiintynyt huomattavasti tuloksissa. Aikaisemmat tutkimukset kuitenkin tukevat ajatusta, että tiedonsiirron teorioilla on mahdollisuus olla toimia työkaluna strategiayössä perheyrittäjille.

---

**AVAINSANAT:** STRATEGY, FAMILY-BUSINESS, KNOWLEDGE-TRANSFER



## 1 INTRODUCTION

Family business research is an emerging field of study, and it is a relatively new field. Family business strategy scholars have been focused on the differentiation of family businesses and non-family businesses (Madison, et al., 2014, p. 239). Whereas strategic management research is largely focused on nonfamily businesses, and more specifically the focus is on strategy as a route to performance and the competitive strategies (Astrachan, 2010, p. 7). Another point of view on strategy formulation starts with the people (Sveiby, 2001, p. 345). Sveiby is one of the most noted knowledge management scholars (Sveiby, 2017) and his article “A knowledge-based theory of the firm to guide in strategy formulation” acted as a great inspiration for this thesis. As a family business, in general, is still an up and coming research field, all the nuances that have been studied in non-family business context have not been studied in family businesses.

The goal of this thesis is to examine the current state of strategy work in family owned small and medium sized enterprises (SME's) in Finland, and how to improve that process by using knowledge transfer theories. First, the thesis examines the existing literature on strategy work, family businesses, and their strategy work and in knowledge transfer theories. After that, based on the data collected for this thesis it is examined how the existing research correlates with the new findings. Lastly, the thesis will find linkages and suggestions for leaders of Finnish family owned businesses regarding their strategy work, especially from knowledge transfer point of view.

When reflecting the family business research to knowledge transfer theories in strategy formulation point of view, it is evident that in family businesses, which tend to be altruistic and succession oriented, they have an advantage for using knowledge transfer theories in their strategy work without the problematics of the contradicting interests between a company and an individual. It has been said that family learning mechanisms in collaboration with the intention for succession, guide family business strategies (Barrosa;Hernangómezb;& Martin-Cruz, 2016, s. 155). Also, it has been found that family businesses with high-level of familiness have greater absorptive capacity as a company (Andersén, 2015, ss. 83-84), combined with the fact that organizations with

greater ability to transfer knowledge, are more productive, and are more likely survive (Argote;Ingram;Levine;& Moreland, 2000, s. 1), suggests that family businesses that are long-term orientated, and aim to succession, should take knowledge transfer seriously.

## **1.1 Background**

Strategy work on family businesses especially from the point of view of people, family more specifically, has interested the writer from the beginning of her studies. Strategy formulation is seen to be different in family businesses and non-family businesses, and especially interesting from the point of view of this thesis is the drivers behind the strategy work. It is said that “trust, commitment, and closely-knit relationships are critical for family business success and longevity” (Eddleston & Morgan, 2014, p. 213).

Due to the writer's background in the family business field, the need for a study, which addresses the main complications and offers some tools to improve the strategy process was needed. Also, the existing literature showed a gap in research in the family business context in this field. The goal of this study is to link existing research from family business research, strategic management research and knowledge management field, and to study if they hold truths in Finnish family owned businesses.

## **1.2 Research objectives**

Resource-based view (RBV) is meant as a tool to study the competitive advantage of a company; it is the bundle of resources that creates the competitive advantage of a business (Habbershon & Williams, 1999, p. 11) (Cabrera-Suárez, et al., 2001, p. 37). RBV is also seen as a useful method to study family businesses, therefore RBV was chosen as the focal point of the study.

From the very beginning of this thesis, the research problem, and the goal of the thesis was clear; offer some suggestions on how to improve the future planning of Finnish

family owned SME's. The research question was modified along the process, and it ended up being: 'How does family companies do their strategy work, how it could be improved by leveraging knowledge transfer theories?'

For this thesis, qualitative research was the only option just because of the reflexivity, and the type of process qualitative research has. A multiple-case study was also chosen for this thesis for the suitability of it, especially considering the family business aspect of it. Observation of the companies in question was used only to gain the full picture of the company.

## **2 LITERATURE REVIEW**

### **2.1 Family companies**

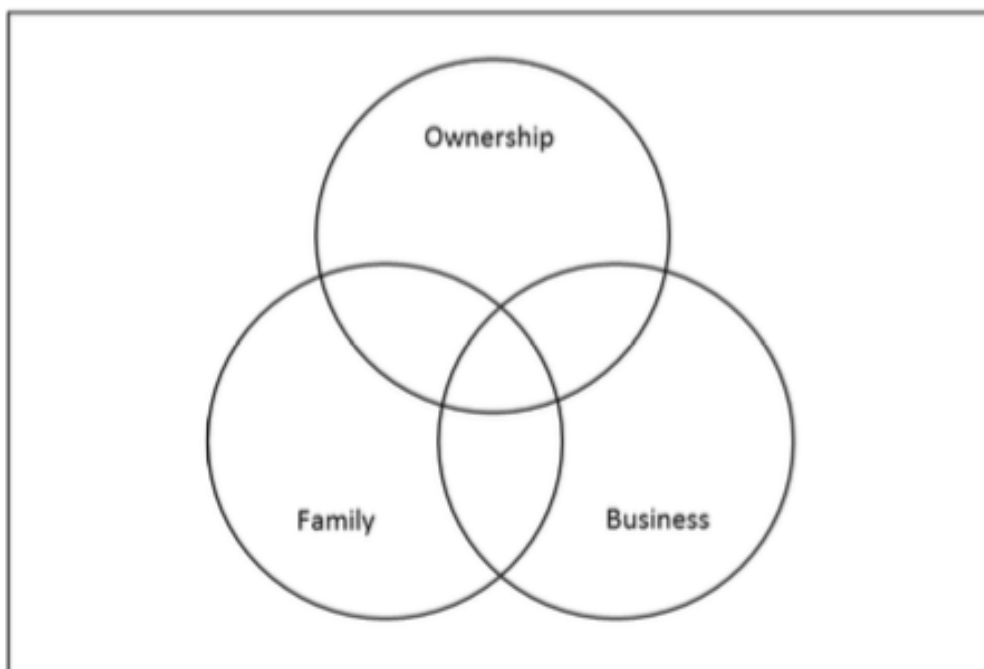
#### 2.1.1 Definition of family company

The definition of a family company is not simple, many scholars define it differently, and there is an ongoing debate on the definition (Litz, 1995) (Mazzi, 2011). There are also differences between the researchers and family-business owners about the definition, even when talking about the same company (Ikäheimonen, 2014, p. 39). In research, at least 44 different definitions have been found (Habbershon & Williams, 1999, p. 5).

In the literature review done for this thesis, all the definitions had some similarities. It includes family involvement in the ownership and/or decision making (Pounder, 2015, p. 117) (Sharma, et al., 1997, p. 2) (Kjellman, 2014, p. 196) (López-Delgado & Diéguez-Soto, 2015, p. 74) (Brockhaus, 2004, p. 172) (Upton, et al., 2001, p. 61) (James, 1999, p. 74) (Basco & Rodríguez, 2011, p. 161).

In this thesis, a family company is defined as the Finnish Family Business Federation defines it. This definition includes four factors. Firstly, a family business is a company where the voting majority is held by a natural person, his/her spouse or another member

of his/her family; secondly, this voting majority can be direct or indirect. Thirdly, at least one member of the same family or their representative is included in the management of the company, or in the board. The fourth-factor concerns only listed companies, in their case the voting majority needs to be only 25 per cent, and indirect voting majority needs to be within the family's authority (Perheyritysten liitto, 2017). This definition is also supported by the vastly accepted Three-circle model by Taguri & Davis (1996) of family businesses that is shown below in picture 1. Some scholars argue that the model should also include entrepreneurial dimension (Koiranen, 2003, pp. 241-242).



Picture 1 (Tagiuri & Davis, 1996, p. 200)

### 2.1.2 Family business research

Family business research is an emerging field of study, and it is a relatively new field. The first journal dedicated to the family business was the *Family Business Review*, which first publication was in 1988 (SAGE Publishing, 2017). *Journal of Family Business Strategy* was published for the first time in 2010 (Elsevier Ltd, 2010).

It has been stated that family business strategy scholars are focused on the differentiation of family businesses and nonfamily businesses, and the performance differences of them (Madison, et al., 2014, p. 239). Literature is seen to have a positive outlook on family businesses having performance advantages over nonfamily businesses due to the succession goal, management and values that support competitiveness, and long-term orientation (Habbershon & Williams, 1999, pp. 3-4). Governance has been most studied topic within family business research (Debicki, et al., 2009, p. 157).

Family business research often focuses the same issues that are specific to family businesses. Rogoff & Heck categorizes these issues to five categories; 1) a systems approach 2) succession issues 3) use of professional managers 4) strategy and growth, and 5) research modeling (Rogoff & Heck, 2003, p. 561). In this thesis, the focus is on the fourth category with some overlapping with others. The systems approach is seen via Rantanen & Jussila's and Koironen's approach where family business is seen to have overlapping sub-systems including family, business, ownership, and management (Rantanen & Jussila, 2011, p. 139) (Koironen, 2003, p. 241), or as Ikäheimonen specifies, the subsystems as different entities of family, business, ownership and management where individuals often belong to more than one of these entities (Ikäheimonen, 2014, p. 41).

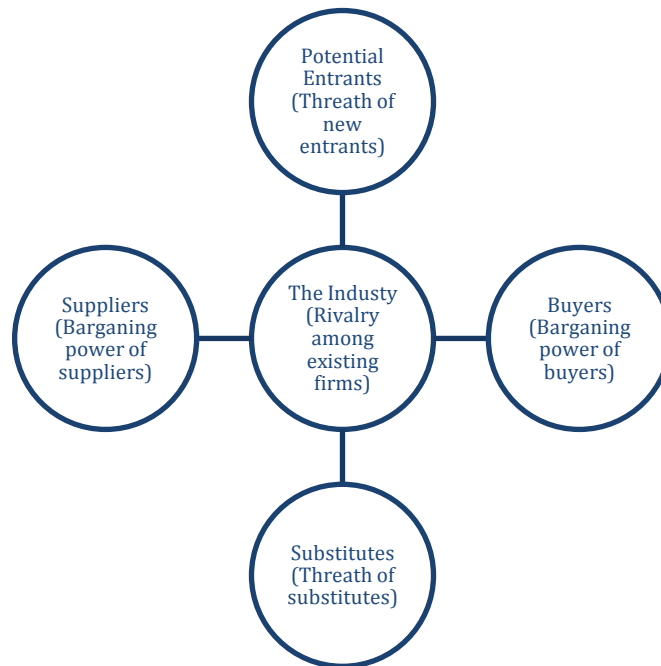
The differentiation of family businesses from nonfamily businesses from a research point of view is mostly in the family relationships, values, vision, goals, succession, and evaluation, which leads to the close ties of family and business within the entity (Pounder, 2015, p. 118). Rautiainen's illustration of the characteristics of a family business adds some factors. She describes family business as an open system that is constantly changing, where ownership is used as a tool, and the owners have different roles, which may vary. She adds that business develops through a portfolio structure, and the research requires a longitudinal point of view (Rautiainen, 2012, p. 187).

Lastly, in family business studies it needs to be reminded that there is no universal success formula for family businesses, what works on one, may not work on another (Basco & Rodríguez, 2011, p. 161).

## **2.2 Strategy**

In strategic management process is dynamic and interactive. First, the goals need to be set, what it is that is to be achieved. Secondly the strategy of how to achieve the set goals, and thirdly how to implement the strategy. It is also necessary to assess all the possibilities in order to choose the right strategy, and also have space to make modifications when necessary. Factors that influence this process are the environment where the company is working, the opportunities and threats of the company and the resources available. Also the values of the managers influence the process (Sharma, et al., 1997, p. 4).

One of the most valued theories is Porters five forces theory (Porter, 1980), which is described in the picture below. From that theory, Porter found three strategy options; overall cost leadership, differentiation, and focus.



Picture 2 (Porter, 1980, p. 31)

Strategic management research is largely focused on nonfamily businesses, and more specifically the focus is on strategy as a route to performance and the competitive strategies. Whereas, the strategy research in entrepreneurship is more focused on the opportunistic strategy formulation. (Astrachan, 2010, p. 7)

Another point of view on strategy formulation starts with the people (Sveiby, 2001, p. 345). It is also said that families and family dynamics affect the strategy work, and vice versa (Astrachan, 2010, p. 7). In family businesses, the owner-family will probably affect the whole strategy process (Sharma, et al., 1997, pp. 2-3).

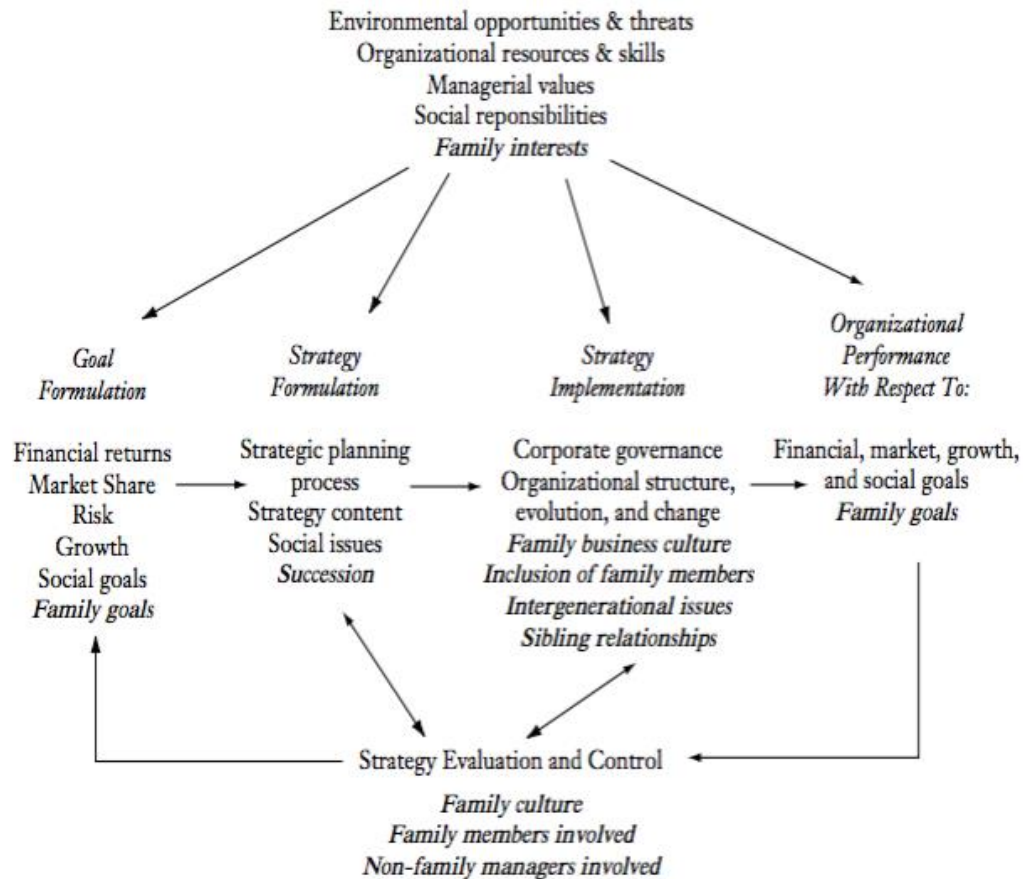
### 2.2.1 Family company strategy work

Strategy formulation is a bit different in family businesses from nonfamily businesses. The most obvious to a layman would probably be the involvement of family. It is said that the strength and the weakness of family businesses is exactly that –family (PwC, 2014, p. 21). Also, from the strategic management point of view, the family in family businesses is “a resource and a constraint” (Sharma, et al., 1997, p. 8). It is shown that

family businesses that combine family and business orientations in their decision making can accomplish prosperous business results (Basco & Rodríguez, 2011, p. 151).

The family dynamics is also seen in research to have an effect on the strategy work and the implementation of it (Astrachan, 2010, p. 10). Also, research shows that there are differences between the strategy work in family businesses and nonfamily businesses, an example in consistency-to-performance –even though family businesses also differ from one another (Moss, et al., 2014, pp. 65-66). It should also be noted that owner-family may be involved in the strategy work in many roles, they can act as CEO's, board members, managers or employees (Nordqvist, 2011, p. 30). Also, it has been found that family businesses tend to have strong incentives to see family resources in efficient use due to the bidirectional relationships that exist in families (James, 1999, p. 53).

The long-term view is noted in many studies related to family business strategy work (Brigham, et al., 2014, p. 72). When considering long-term view, the timeframe is defined and is the past, present and the future incorporated in it. Also, the timeframe and time concept have an effect on the decisions and outcomes (Brigham, et al., 2014, p. 73). The ability to focus on long-term strategies needs shareholders who are steady and content with their investment, and some family companies do have this ability due to family shareholders (Ward, 1997, p. 328). Family businesses tend to have a customer-focused strategy in marketing and business operations according to the literature (Intihar & Pollack, 2012, p. 83), and they tend to avoid low-cost or time-based strategies (Upton, et al., 2001, p. 60).



*\*Family influences appear in boldface italic*

Picture 3 above summarizes Sharma; Chrisman & Chua's point of view on the Strategic Management process in family businesses (Sharma, et al., 1997, p. 3).

Ward proposes a 4 P's –model for family business planning; Policy, Purpose, Process, and Parenting. Policies need to be set before they are needs, a sense of purpose for the business, a process for the family to deal with issues and good and educational parenting (Ward, 2004, pp. 23-28).

Having introduced these studies, and models, which illustrates the mechanisms of strategic decision making in family businesses, it should be pointed out that there is no strategic management theory for family businesses (Barrosa, et al., 2016, p. 149).

### 2.2.2 Drivers of strategy work in family businesses

As stated before, strategy work in family businesses differs from nonfamily businesses, and especially interesting from the point of view of this thesis is the drivers behind the strategy work. It is said that “trust, commitment, and closely-knit relationships are critical for family business success and longevity” (Eddleston & Morgan, 2014, p. 213). Business and family goals might contradict, but family involvement does not always hinder performance (Basco & Rodríguez, 2011, p. 160). Also, family businesses tend to have many changing and complex goals (Sharma, et al., 1997, p. 7). All in all, the balance between the family and the business is a challenge among family business managers (Caspersz & Thomas, 2015, pp. 60-61) (Pounder, 2015, p. 122). Often strategic decisions are based on economic, social and emotional parameters, and in a family business context, they are a bit different from nonfamily business (Stough, et al., 2015, p. 209).

#### Values

Values are a factor that many studies highlight as a driver for strategy work in family businesses. Values are defined as the “principles or standards of behavior; one's judgment of what is important in life” (Oxford University Press, 2017). Koiranen (modifying Arnoff & Ward, 2000) defines family business values as: “Explicit or implicit conceptions of the desirable in both family and business life. Given that there are often conflicts of interest between the two realms (business and family goals), family business values should be defined and shared so that they create a common ground for a durable value system that benefits both realms” (Koiranen, 2002, p. 177).

Especially core values are even more important to family businesses hence the conflicting interests of family and business (Koiranen, 2002, p. 178). The most visible values in research are altruism and collectivism (Marques, et al., 2014, p. 216), altruism is also seen in Steier's research (Steier, 2003, p. 614). Nordqvist finds that the generational issues might also effect on the values emphasis on the strategy work in family businesses (Nordqvist, 2011, p. 30). Also, the actual participation of the family

has an impact on transfer of the values (Marques, et al., 2014, p. 220). Keeping the ownership within the family over time is shown to be also linked to the family values (Astrachan, 2010, p. 7). When considering values, it needs to be taken into consideration that values have different areas that they concern. Marques; Presas & Simon found that most values are defined at the firm level, and they concern mostly to employees (Marques, et al., 2014, p. 219). Koironen's study shows that values such as trust, respect, consideration, communication, continuity, commitment, quality, discretion and proper behavior can affect strategic boundaries, financial criteria, governance, the succession of management and shareholding (Koironen, 2002, p. 178).

In Finnish family businesses, Koironen found that work-related values seem to be higher regarded than family-related, although this does not mean concisely that Finnish family business owners would be more business-first over family-first (Koironen, 2002, p. 183).

#### Long-term orientation

“Someone said that a quartile in family business is 25 years, and I'll sign that statement” (D, 2014)

Long-term orientation is one factor that is said to differentiate family businesses from nonfamily businesses, and it may create a competitive advantage for them (Moss, et al., 2014, p. 52), also preferring stable outcomes over risk taking (Upton, et al., 2001, p. 62). On the other hand, there is a debate between long-term and short-term orientation in strategic management research (Priema & Alfano, 2016, p. 59). Long-term orientation also affects to the need to rejuvenate and reinvent the business (Brines, et al., 2013, p. 125).

#### Relationships

Relationships also play a significant role in family business strategy work. The research has been mostly around the nature of the relationships, and the management of the relationships (Sharma, et al., 1997, p. 11), and very little attention has been paid to the

effects these relationships have to entrepreneurial process in family businesses (Aldrich & Cliff, 2003, pp. 573-574). It needs to be noted that these relationships reach beyond family and the interaction of these actors affect strategy work (Nordqvist, 2011, p. 25). Successful family businesses rely on how the family manages the family and the business, more than on the resources and processes (Olson, et al., 2003, p. 662). Family members can be an asset or a weakness to a family business, and if these relationships are not considered alongside with the business system, it may harm the business (Carlock & Ward, 2001, p. 5). Caspersz & Thomas study shows that positivity can lead to good results in strategy development (Caspersz & Thomas, 2015, pp. 70-71) but on the other hand Sharma, Chrisman & Chua state that there is not an ideal relationship type for all situations regarding the business (Sharma, et al., 1997, p. 12).

#### Other factors

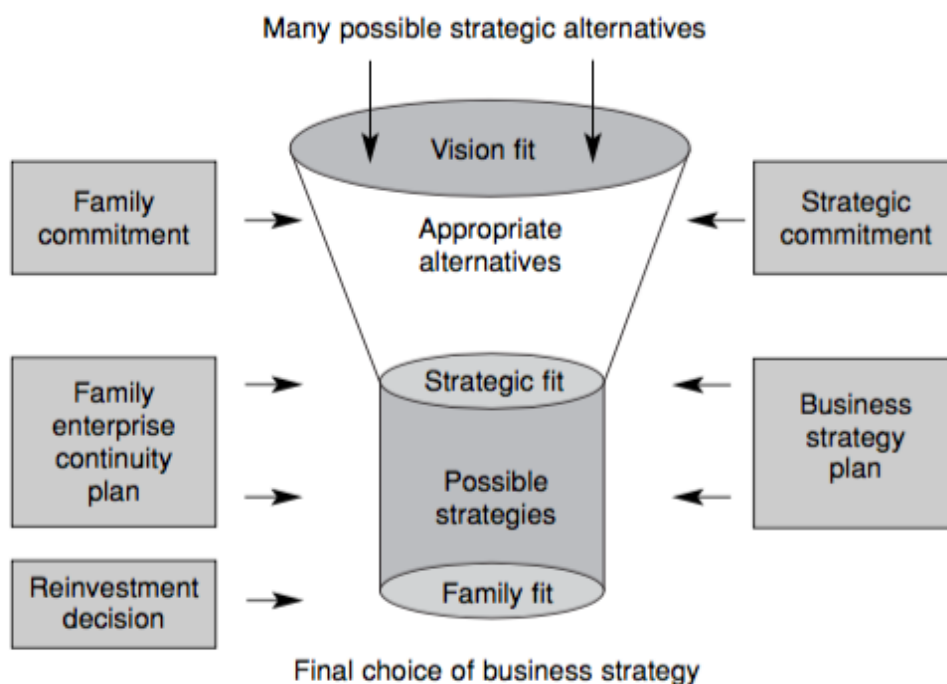
When considering family businesses, the focus is usually the family's effect on the business, whereas it should also include more businesses impact on the family, and the changes of the owner family's systems (Aldrich & Cliff, 2003, p. 590). Another conflict is that families tend to be emotional, inward focused and reluctant for change, whereas business should be the opposite of that (Carlock & Ward, 2001, p. 5).

The ideological triangle is also relevant when considering the drivers for strategy work in family businesses. It consists of entrepreneurialism, paternalism, and managerialism (Koiranen, 2003; ref. Johannisson 1999; Huse 2000, s. 242). It is said that the entrepreneurialism of family businesses is different from nonfamily businesses due to the family involvement and the long-term orientation (Madison, et al., 2014, p. 239). It is also said that family businesses tend to take fewer entrepreneurial risks than nonfamily businesses (Huybrechts, et al., 2012, p. 173), which may be due to the low level of understanding of possible outcomes (Naldi, et al., 2007, p. 41).

### 2.2.3 How strategy work is done in family businesses

It has been said that stereotypically family businesses are conservative in their strategy work, and growth is tied to organic growth (Astrachan, 2010, p. 8). This conservatism might hinder growth –or the other outlook on conservatism is passing the business to the next generation, and supporting entrepreneurial renewal (Breton-Miller, et al., 2015, pp. 58-59). Adding the point from Welsh et al. study, which indicates that families must stimulate and encourage entrepreneurial behavior in order to sustain the business (Welsh, et al., 2013, p. 222), supports the renewal aspect of the conservatism.

Carlock & Ward outlook on family business strategy formulation as seen in the picture below.



Picture 4 (Carlock & Ward, 2001, p. 14)

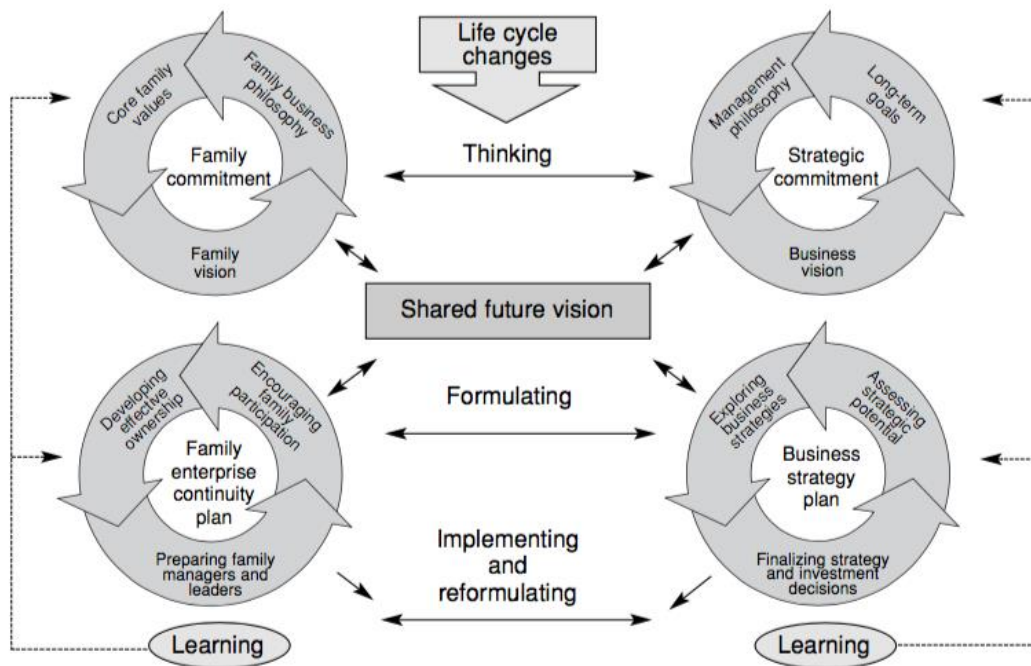
## Stages of family businesses and their strategic behavior

Ward (Ward, 2004, p. 6) (Sharma, et al., 1997, p. 6) illustrated a three-stage development of family business, that reflects on the strategy work that they do. In the first stage, the owner-manager has all the decision-making power and the family, and business goals are in line. In the second stage the family goals shift as the children grow, and still, the control of the business lies with the owner-manager. This also has an effect on the business strategy as the future of the second generation comes to play. In the third stage, the owner-manager might want to step aside from the business. Another categorization by Basco & Rodríguez; First stage is immature family business, where neither the business nor the family is important. Second stage; family first ideal type, where the family is prioritized over the business. In the third stage, family-enterprise first ideal type, where the business and family needs are balanced. The fourth stage, business first ideal type, where the business needs are prioritized (Basco & Rodríguez, 2011, p. 160). Consultants tend to emphasize the business needs over individual family members needs (Brockhaus, 2004, p. 166). Rantanen & Jussila combines their approach from several researchers (ref. Chua et al. 1999, Astrachan et al. 2002, Klein Astrachan & Smyrinos 2005) where the first stage differentiates family businesses from nonfamily businesses via ownership, governance, management, and succession. The second stage is where the focus is on the family influence in general on the firm. The third stage assesses the level of family involvement in the business (Rantanen & Jussila, 2011, pp. 139-140). There are also other definitions which follow a similar path, such as Churchill & Hatten's life cycle approach (Brockhaus, 2004, p. 169). All these categorizations illustrate from different points and time frames the level of family involvement in the management.

## Tools and factors

Carlock & Ward (Carlock & Ward, 2001) introduces a Parallel Planning Process (PPP), which is an instrument for the planning of family businesses. The goal is to create a business strategy that is viable but molded by the family's concerns. The main points of PPP are illustrated in picture 4 above, and the main point of the PPP is to take into

consideration all aspects of family and business needs and limitations. It is highly structured from both family and business sides, as picture 5 illustrates. From this thesis' point of view, the highly-structured family planning is too much, and in this case, it neglects the size of the families and the personal goals and capabilities of individual members of a family in question.



Picture 5 (Carlock & Ward, 2001, p. 46)

Values are also a tool for strategy process. Often values are embedded into the goals and objectives of the company (Sharma, et al., 1997, p. 4). Values can guide the strategic choices made, especially regarding goals and decision-making in hard situations. Also, values can increase the commitment to achieve the goals (Koiranen, 2002, pp. 185-186). Norms; “a standard or pattern, especially of social behavior, that is typical or expected” (Oxford University Press, 2017). Is closely tied to values in research of family businesses but seen more tangible, they are the expected behaviors, and they are embedded to family members cross-generationally (Koropp, et al., 2014, pp. 309-310).

Family meetings where the incoming generation is included in the decision-making process are seen advantageous (Mussolino & Calabro, 2014, p. 207) (Ward, 2004, p. 16). Also, the more informal communication, which happens at home in the presence of many family members, leads to feelings of co-ownership (James, 1999, p. 48).

Upton; Teal & Felan study indicates that fast-growing family businesses have a written vision and strategy contradictory to previous research (Upton, et al., 2001, p. 67), whereas most American family businesses do not (Carlock & Ward, 2001, p. 8). Fast-growing family businesses tend to have a three-year or longer strategy cycle (Upton, et al., 2001, p. 67).

Decision making tends to be concentrated to just some family members, which adds flexibility and lowers costs (Habbershon & Williams, 1999, p. 4), all and all, governance issues in family business context may be more complexed than in nonfamily businesses (Westhead, et al., 2001, p. 369). Also, passing a business from generation to generation seems to correlate the company's strategic planning, the board of directors and frequent family meetings (Aronoff, 1998, p. 181).

An interesting point is also how family businesses perceive risk. Naldi et al. state that family businesses confront risk differently from nonfamily business due to the ownership and management tie, and the nature of it (Naldi, et al., 2007, p. 34).

Family businesses can be more flexible on their strategy work due to the closeness to the business and ease of communication, practically and also due to the shared value base and clear goals (Craig, et al., 2014, p. 231). It has also been said that strategic simplicity might be reflected to the businesses efforts to adapt to changes (Miller, 1993, p. 128).

#### 2.2.4 Trusted Advisors and nonfamily members at management positions

In this thesis trusted advisor is defined following the definition used in Michel & Kammerlander's study as; most relied external source of business advice, with whom

the family business has had a long relationship, and who can provide expert knowledge and high quality feedback (Michel & Kammerlander, 2015, p. 45), adding that it is not enough that the trusted advisor has expertise only in one area (Strike, 2013, p. 311), and that there is a strong trust to the advisor (Strike, 2013, p. 302) (Su & Dou, 2013, p. 257). The relationships between the trusted advisors and the owner-family are long-term, often over generational (Strike, 2013, pp. 294-295). Some researchers, such as Koironen (2003), compares trusted advisors to parents, where the main factors are upbringing, nurtured development and care (Koironen, 2003, p. 249).

Strike (2012) categorizes trusted advisors to formal advisors, informal advisors, and family firm boards. Formal advisors tend to be consultants, or others that are hired for a particular task and, informal advisors tend to be close friends or such (Michel & Kammerlander, 2015, p. 48). Formal advisors, such as accountants, lawyers, bankers and insurance professionals have according to Arnoff (1998), stated that majority of their clients are family businesses (Aronoff, 1998, p. 184). Strike also lists the most valued catachrestic of a trusted advisor; 1) expertise in more than one area, 2) experience with other family businesses, 3) being aware of the family dynamics, and 4) having a long-term view, and facilitating the environment, which nurtures it (Strike, 2013, p. 311).

Ward recommends that family businesses should have an independent board of directors (Ward, 2004, p. 16). Also, family businesses are often advised to have nonfamily members in boards (Sharma, et al., 1997, p. 11). However, external advisors are the first choice for external help among family businesses, as they do not threaten the family's control over the business (Su & Dou, 2013, p. 256). On the other hand, increasing number of family businesses are realizing the value of adding nonfamily members to their boards as they see only family boards being more problematic than nonfamily business boards (PwC, 2014, p. 16).

Advising family businesses requires a particular kind of an approach from the advisor, which includes the overlapping business and family systems (Strike, 2013, p. 294), most often these advisors are strategy or management consultants (Koironen, 2003, p. 247). It

is also important to the family businesses that the trusted advisors care about the end result (Strike, 2013, p. 304), and that they are willing to support a decision that they were originally against (Strike, 2013, p. 306). Sometimes family businesses have troubles in finding the right advisors, or their services may be too expensive (Reddrop & Mapunda, 2015, p. 93). Also, a correlation between the level of information sharing between an advisor and the family business and the quality of services they can provide (Su & Dou, 2013, p. 261). Alongside with the formal advice, subtle advice, which is an emerging research trend (Strike, 2013, p. 293), should be considered. It is more informal and done via relationships, yet the subtle advice may be one tool of how the trusted advisors navigate in the complexed context (Strike, 2013, p. 308).

Researchers do not agree whether or not concentrated family ownership and professional management combined will increase or decrease company performance (López-Delgado & Diéguez-Soto, 2015, p. 83). Especially when regarding nonfamily member CEO and risk-taking activities. Nonfamily member CEO might increase the entrepreneurial risk taking, and if the willingness of the owner-family is not discussed beforehand, it may become an issue (Huybrechts, et al., 2012, p. 174). The main reason why family businesses tend to hire nonfamily member managers, is the lack of management skills within the family (Dyer, 1989, p. 222).

Trusted advisors can also play a role in the succession by acting as a balancing force between the generations (Michel & Kammerlander, 2015, p. 55). Facilitating communication, and creating an environment where family members act as a group (Strike, 2013, p. 307) is one tool that trusted advisor can also use while helping with succession situations.

The concept of a Simmelian stranger (Simmel, 1950) where a stranger is a person that comes today and stays tomorrow, he is considered as part of the group but not as an original member. Nordqvist (2011) introduces the concept of a Simmelian stranger to family business research. He states that Simmelian stranger is “neither too close, nor too far, from the other actors with whom he or she interacts” (Nordqvist, 2011, p. 31). Due to this distance, the Simmelian stranger can form relationships in which information is

shared in confidence (Nordqvist, 2011, s. 31; ref. Simmel, 1950). This factor eases the facilitation of communication among family members (Nordqvist, 2011, p. 37).

## **2.3 Theoretical strategy frameworks**

Family business scholars use mostly three different types of theories to clarify family business strategies; agency theory, behavioral agency theory (in this context stewardship theory is used) and the resource-based view (Breton-Miller, et al., 2015, p. 59) (Ikäheimonen, 2014, p. 34). Resource-based view (RBV) is seen as an appropriate method to study family businesses (Cabrera-Suárez, et al., 2001, p. 38) (Habbershon & Williams, 1999, pp. 3, 9).

### **2.3.1 Resource based view**

Resource-based view (RBV) is meant as a tool to study the competitive advantage of a company; it is the bundle of resources that creates the competitive advantage of a business (Habbershon & Williams, 1999, p. 11) (Cabrera-Suárez, et al., 2001, p. 37). The bundle of resources is seen as the distinctive for the particular company in a specific environment (Ikäheimonen, 2014, p. 35), and they can be tangible or intangible (Barney, et al., 2011, p. 1300). This bundle is described as the complex, intangible and dynamic (Habbershon & Williams, 1999, p. 1) (Mazzi, 2011, p. 167). Resources can be divided to physical, human, organizational and process resources (Habbershon & Williams, 1999, p. 11).

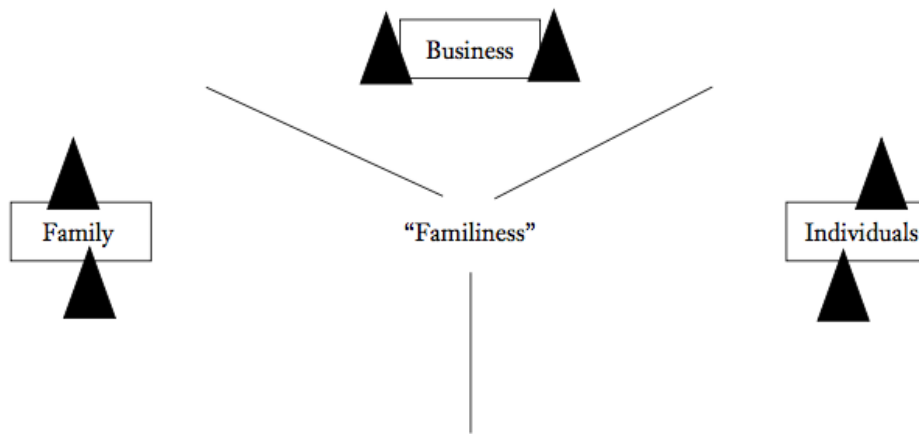
In RBV context resources could be categorized to physical, human and organizational resources, and their capability to create opportunities or diminish threats (Ikäheimonen, 2014, pp. 34-35). In family business context, there are some distinct characteristics of defining the strategic resources and capabilities, which may lead to competitive advantage. One example of them is the commitment to the business, another the unique ways of a company conducts their business in a distinguished manner and the personal customer relationships. These capabilities could lead to the long-term success of the business (Cabrera-Suárez, et al., 2001, p. 38). On another point of view, family

influence on the business resources, adds to the competitive advantage, as it is hard to imitate (Craig, et al., 2014, p. 230). Family involvement is also described as “static resource” (Galluccia, et al., 2015, p. 155).

Although there are many positive sides to RBV, it lacks the capability to create the means and manners on how to leverage these resources (Tokarczyk, et al., 2007, p. 18).

### *2.3.1.1 Familiness*

Habbershon & Williams (1999) first introduced the familiness concept to family business research, and since then it has become one of the central concepts of family business research (Frank, et al., 2010, p. 119). Familiness can be described as the resource-based view approach to family businesses (Ikäheimonen, 2014, p. 35). Habbershon & Williams define familiness “as the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business” (Habbershon & Williams, 1999, p. 11). To further clarify the concept, picture 6 below is the “Family Business System and “Familiness”” by Habbershon & Williams. After the introduction of familiness, several scholars have introduced their perceptions to the familiness, which all varies a bit from the original concept (Frank, et al., 2010, p. 129). Frank et al. who studied the previous literature related to familiness describes it as “the result of the specific regulation of the interplay of different systems in an overall context (with familiness and enterprises as the two different reference points of the analysis)” (Frank, et al., 2010, p. 129). Some scholars still use Habbershon & Williams’s definition (Brines, et al., 2013, p. 118), and it is particularly suitable for the resource-based view (Andersén, 2015, p. 74); therefore it is also used in this thesis.



Picture 6 (Habbershon & Williams, 1999, p. 11)

According to Habbershon & Williams (1999) familiness can be used in strategy formulation as follows; Firstly, defining the family inputs, such as values, policies, etc. Secondly, these should be categorized to physical, human, organizational and process, and assessed accordingly. This will illustrate the familiness. Thirdly, capabilities and familiness resources should be evaluated. It will serve as a good starting point for creating the competitive advantage. After that the possible competitive advantage should be reflected on the environment, to see if it truly is a competitive advantage to the competitors. Fifthly, creating strategies that implement the competitive advantage that was determined. Lastly, the familiness should be nurtured by meetings and facilitation to keep this process ongoing (Habbershon & Williams, 1999, p. 14).

Many family businesses do not comprehend that they possess familiness, it is just something that they pass on (Frank, et al., 2010, p. 128), yet, familiness can create competitive advantage for family businesses (Barrosa, et al., 2016, p. 152) though it should be a formal process (Habbershon & Williams, 1999, p. 13). From a strategic management point of view, familiness is the most relevant resource in family businesses (Barrosa, et al., 2016, p. 152), and higher familiness is seen as an advantage (Andersén, 2015, pp. 82-83).

### 2.3.2 Agency Theory

As mentioned before, family business scholars use mostly three different types of theories to clarify family business strategies; agency theory, behavioral agency theory and the resource-based view (Breton-Miller, et al., 2015, p. 59) (Ikäheimonen, 2014, p. 34).

Agency theory illustrates the conflict between owner and an agent. The assumption behind the theory is that the agent primarily serves its own agenda, and it does not have inside knowledge of the drivers and goals of the owner (Michel & Kammerlander, 2015, pp. 48-49).

In family business context, it was believed that this agent conflict did not exist in family businesses due to the alignment of ownership and management (Breton-Miller, et al., 2015, p. 59) but more recent studies have shown that in fact there are these agent conflicts too (Michel & Kammerlander, 2015, pp. 48-49) (Ikäheimonen, 2014, p. 30).

### 2.3.3 Stewardship theory

Stewardship theory is the opposite of agency theory. The main difference is the motivation of the manager. While agency theory focuses more on the financial motivations, stewardship theory also induces nonfinancial motivations, (Ikäheimonen, 2014, p. 33) and stewardship is seen to be altruistic. Collectivism in stewardship theory in family business context is another dominant factor (Marques, et al., 2014, p. 208). Executives in family businesses are supposed to act as stewards (Henssen, et al., 2014, p. 312). It has been found that family business managers with high levels of autonomy tend to act more as a steward (Henssen, et al., 2014, p. 320).

## 2.4 Generational and owner-manager issues

“The first generation makes it, the second generation spends it, and the third generation blows it.”

The concept of the three-generation cycle is known in most cultures (Ward, 2004, p. 4).

Following Sharma;Chrisman & Chua in this thesis generational issues are seen as part of strategy implementation because they may have an impact on the everyday business (Sharma, et al., 1997, p. 14). James (1999) emphasizes the need to align the family governance structures cross generationally in order to maximize company value (James, 1999, p. 44).

Many scholars also address the issue of gender while addressing generational issues, example Sharma;Chrisman & Chua (1997) but in this thesis, the gender issue is overlooked due to the irrelevance of it in this case.

#### 2.4.1 First or current generation

“They’ll carry me out feet first” (Aronoff, 1998, p. 184)

First generation, which refuses to let go of the power after they have formally given it up, or do not allow the incoming generation to participate beforehand (Mussolino & Calabro, 2014, p. 207), can have a negative impact on the success of the succession (Mussolino & Calabro, 2014, s. 197, ref. Davis & Harveston, 1998; Sharma, Chrisman, Pablo & Chua, 2001; Sharma et al. 2003; Sharma, Chrisman & Chua, 2003). The reluctance to give up, because the lack of faith on others capabilities of running the business (Carlock & Ward, 2001, p. 18), may become a self-fulfilling prophesy (Aronoff, 1998, p. 183).

Sometimes the current generation sees planning as a threat (Carlock & Ward, 2001, p. 17) (Mussolino & Calabro, 2014, p. 207), and may be reluctant to change it (Carlock & Ward, 2001, p. 18). Founders power concentration might lead to conservatism, and suppressed entrepreneurialism (Zahra, 2005, p. 36). Sometimes the control of the business is also seen as control over the family, which explains to a limit the unwillingness to let go (Ward, 2004, p. 43) (Brockhaus, 2004, p. 170), or it may just

illustrate the need for control in the founder, maybe even at the cost of family and business success (Aronoff, 1998, p. 182).

Sometimes older generations actions are seen as paternalistic, which means that the patriarch leads the family in a fatherly way where other members of the family are given what they need but they do not get responsibilities or freedom of choice (Koiranen, 2003, pp. 243-244) (Kotthoff, 2008, p. 127), or it can also be seen as combination of reward and punishment (Mussolino & Calabro, 2014, p. 201). In this thesis, paternalism is seen as the fatherly way Koiranen described it. Paternalism tends to amplify the success or failure of succession and/or relationships (Mussolino & Calabro, 2014, p. 206).

Even though the literature sees many downsides to the first or current generation, there are some family business leaders who see the family business meritocratically and therefore welcomes the next generation to take over (PwC, 2014, p. 28).

It has also been found that founder-led family businesses perform better than professionally managed, or successor-led family companies, or even nonfamily companies in general (Mazzi, 2011, p. 176).

#### 2.4.2 Later generations

New generations need to “re-conquer” the business (Craig, et al., 2014, p. 236), and sometimes the over powering character of the successor may lead to unwillingness to continue the family business (Ward, 2004, p. 45). All and all, the process of deciding whether or not continue in the family business is not a straightforward or linear process (Kjellman, 2014, p. 208).

The next generation should be prepared for their turn, and some scholars suggest formal steps for it. Carlock & Ward’s suggestion goes as follows; firstly the life cycle should be recognized as a force for transitions. Secondly, the challenges should be embraced, and lastly, systems that create career paths should be developed (Carlock & Ward, 2001,

p. 16). Scholars and consultants suggest that successors should gain experience outside the family business, the recommended time spent elsewhere varies (Brockhaus, 2004, p. 168) (PwC NextGen, 2016). Also, the family leaders are expected to meet the highest standards, which requires education and outside family business career success (Aronoff, 1998, p. 183). These expectations may be similar to both generations, but after the successor has completed their education, conflicts may arise (Dyer, 1989, pp. 228-229).

Successors may not appreciate the advice given to them by the predecessors (Cabrera-Suárez, et al., 2001, p. 44). On the other hand, when the becoming successors are seen as a resource already before, the transition between generations will be smoother (Aronoff, 1998, p. 183). Also, when family members grow up in the family business setting their training is often individual, informal and tied to the particular work they perform, this is important for the family values, and the relationship between family and business (Dyer, 1989, p. 224).

In second generation family businesses it is more common that the leadership is within a team rather than one individual (Aronoff, 1998, p. 182). It is also shown that when family members are involved in the decision-making team, their commitment increases (Habbershon & Williams, 1999, p. 17). This involvement in decision-making is seen as the current way of management (Carlock & Ward, 2001, p. 72).

Risk taking in the later generations is avoided due to the family factors, such as perceiving family name, maintaining common wealth and the inheritance of other family members, or maintaining the ownership within the family (Ward, 1997, p. 326) (Welsh, et al., 2013, p. 221).

#### 2.4.3 Owner-managers

There are ups and downs on the owner-manager factor. Some studies have to sound that owner-managers would have a direct impact on the performance (López-Delgado & Diéguez-Soto, 2015, p. 83). For example, the speed of decision making is one factor that can be both. Sometimes it can be a good thing that decisions can be made quickly,

for example in innovation processes (Zahra, 2005, p. 28), but on the other hand sometimes not all necessary factors are included in the decision-making process and it may lead to problems (Strike, 2013, p. 308). In these situations, the different roles that owner-manager has may cause challenges (Pounder, 2015, p. 118).

More than the owner-manager setting, the family processes, and responsiveness correlates with the company performance (Olson, et al., 2003, p. 640). In a case where the owner-manager acts as a CEO as well, the informal and formal power lies within the same person and allows them time efficient resource allocation and implementation of ideas (Zahra, 2005, p. 27).

The balance between the business and family has become more and more challenging for owner-managers in recent times (Pounder, 2015, p. 119). Often founders are driven by their vision of their offering (Dyer, 1989, p. 223), they may make critical decisions based on personal priorities (Ward, 2004, p. 45), and if there are tensions within the family it has a negative effect on the productivity (Olson, et al., 2003, p. 659).

According to Ward (2004), there are three types of owner-manager companies in family business context. 1) Proprietorship, where the business is supposed to fulfill the owner's and the owner's family's goals, 2) Capitalist, where the goal is to maximize shareholder profits, and 3) Steward, where the goal is successful succession (Ward, 2004, p. 33).

## **2.5 Knowledge sharing in family businesses**

### **2.5.1 Knowledge sharing theories**

Most noted knowledge transfer theories is Nonaka & Takeuchi's knowledge transfer theory introduced in their book *Knowledge-Creating Company* (1995), based on Nonaka's (1991) article of the same name.

According to Nonaka & Takeuchi knowledge creation has two dimensions, epistemological and ontological (Nonaka & Takeuchi, 1995, p. 59). Epistemology is

“the theory of knowledge, especially with regard to its methods, validity, and scope, and the distinction between justified belief and opinion.” Epistemological in the knowledge transfer context is the “validity, and scope, and the distinction between justified belief and opinion.” Ontology stands for “a set of concepts and categories in a subject area or domain that shows their properties and the relations between them.” Ontological approach is “showing the relations between the concepts and categories in a subject area or domain” (Oxford University Press, 2017). Epistemological dimension illustrates the knowledge conversion between tacit and explicit knowledge, whereas the ontological dimension illustrates the knowledge transfer from individual to the organization (Nonaka & Takeuchi, 1995, p. 89). The epistemological dimension includes four dimensions; tacit to tacit knowledge –socialization, tacit to explicit knowledge – externalization, explicit to explicit knowledge –combination, explicit to tacit knowledge –internalization (Nonaka & Takeuchi, 1995, p. 89).

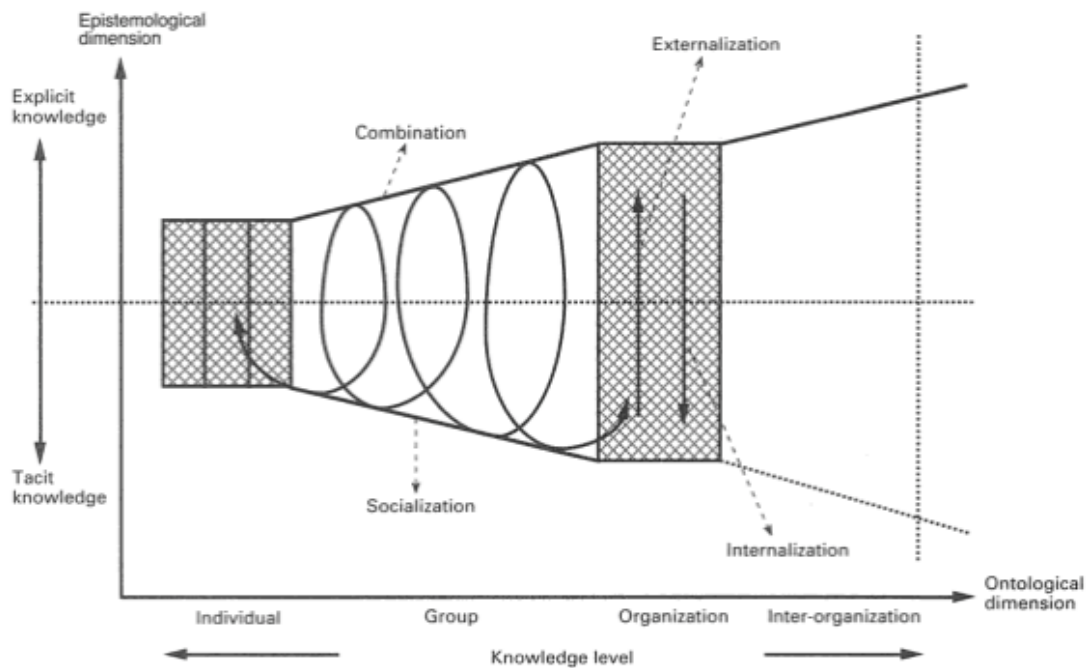
Knowledge transfer in organizational context occurs when information is transferred between units of an organization (Argote & Ingram, 2000, pp. 154-155). Sveiby illustrates knowledge being “dynamic, personal and distinctly different from data” (Sveiby, 2001, p. 345). Some researchers add to the definition that knowledge transfer is only complete when the knowledge is used (Darr & Kurtzberg, 2000, p. 29). When knowledge is transferred, it will not leave the giver; therefore value is added by transferring knowledge (Sveiby, 2001, p. 347).

Knowledge can be divided to tacit and explicit knowledge. It is explicit when it is “stated clearly and in detail, leaving no room for confusion or doubt” (Oxford University Press, 2017), and implicit when it is “suggested though not directly expressed” (Oxford University Press, 2017).



Picture 7 (Nonaka & Takeuchi, 1995, p. 72)

When time is added to ontological and epistemological dimensions, it creates a knowledge transfer spiral (Nonaka & Takeuchi, 1995, pp. 89-90). This spiral is illustrated in picture 8 below.



Picture 8 (Nonaka & Takeuchi, 1995, p. 73)

Issues affecting the quality of knowledge transfer can be divided into issues relating the recipient, and the giver. The trustworthiness of the giver influences the initiation stage of knowledge transfer, whereas the recipient's ability to absorb information affects the execution of knowledge transfer (Argote & Ingram, 2000, p. 161). Also, it has been found that knowledge transfer is more efficient when the giver and the recipient are similar to one another in some context (Darr & Kurtzberg, 2000, p. 30).

Redundancy is a fundamental element in knowledge transfer for both explicit and implicit knowledge (Nonaka, 1991, p. 102). Redundancy is therefore also linked to the absorptive capacity of a company. Andersén (2015) states that the definition of absorptive capacity is not without criticism, but it can be defined as company's ability to "identify, assimilate, and exploit knowledge from the environment", adding dynamic factor to the capability (Andersén, 2015, pp. 75-76, ref. Cohen & Levinthal, 1989 p. 589). The dynamic capability includes; acquisition, assimilation, transformation and exploitation (Andersén, 2015, p. 76).

### 2.5.2 Knowledge sharing in strategy work

"We make doors and windows for a room. But it is the spaces that make the room livable. While the tangible has advantages, it is the intangible that makes it useful." (Sveiby K.-E., ref. Lao Tzu ~600 B.C )

Sveiby is one of the most noted knowledge management scholars (Sveiby, 2017), and his article "A knowledge-based theory of the firm to guide in strategy formulation" acted as an inspiration for this thesis. The knowledge-based theory developed from the resource-based view (Cabrera-Suárez, et al., 2001, p. 39), and therefore is seen as a good fit for family business studies as well.

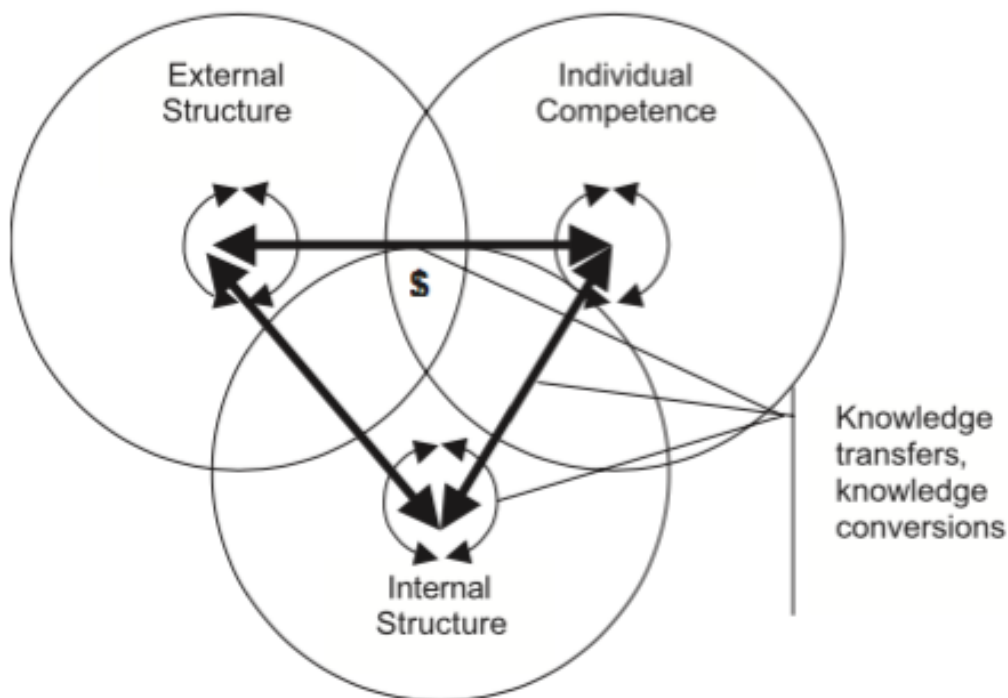
According to Sveiby, cognitivist perspective sees organizations as "open systems, which develop knowledge by formulating increasingly accurate 'representations' of the world" (Sveiby, 2001, pp. 344-345). Based on that notion knowledge and knowledge transfer is closely linked to strategy work. Also, Nonaka (1991, p.96) states that managers often misunderstand the concept of knowledge, and they do not know how to

utilize it. On the other hand, in the absorptive capacity process, and in its final stage of transforming the knowledge to tangible outcomes, companies with high levels of social capital (familiness) have a competitive advantage (Andersén, 2015, p. 81). This makes family business strategy work especially interesting.

Value is created in knowledge transfer when knowledge is transferred and converted externally and internally to the company, and the value grows every time this happens (Sveiby, 2001, p. 344). Sveiby categorizes knowledge transfer to nine categories; 1) between individuals, 2) from individuals to external structure, 3) from external structure to individuals, 4) from individual competence into internal structure, 5) from internal structure to individual competence, 6) within the external structure, 7) from external structure to internal structure, 8) from internal structure to external structure and 9) within internal structure (Sveiby, 2001, p. 248). Even though most of these categories exist in companies, they tend not to be in line with the strategy, nor they are efficiently used in strategy work. According to Sveiby individuals may be reluctant of sharing knowledge, as it may harm their personal goals (Sveiby, 2001, p. 348). When reflecting the family business research to this point of view, it is obvious that in family businesses, which tend to be altruistic and succession oriented, they have an advantage for using knowledge transfer theories in their strategy work without the problematics of the contradicting interests between a company and an individual. It has been said that family learning mechanisms in collaboration with the intention for succession, guide family business strategies (Barrosa, et al., 2016, p. 155). Also, it has been found that family businesses with a high-level of familiness have greater absorptive capacity (Andersén, 2015, pp. 83-84). All and all it has been said that organizations with greater ability to transfer knowledge, are more productive, and are more likely survive (Argote, et al., 2000, p. 1). For family businesses that have a long-term orientation, and succession as a goal, it is important for them to take knowledge transfer seriously.

Knowledge-based strategy process should start with the competencies of individuals within the company (Sveiby, 2001, pp. 355-356), and new knowledge always begins with an individual (Nonaka, 1991, pp. 97-98). As stated above the knowledge transfer may occur within the internal structure or with the external structure. According to

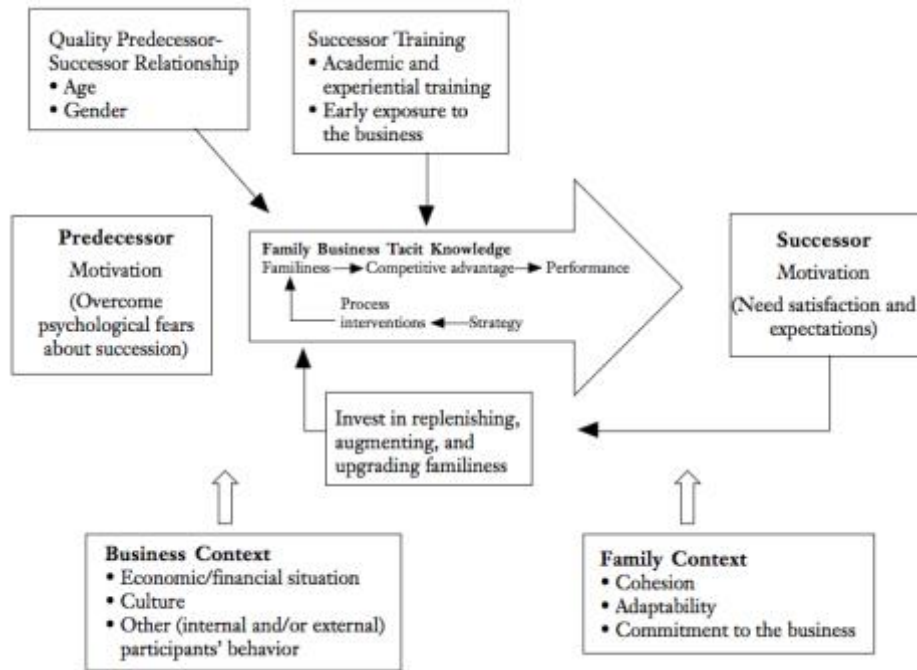
Sveiby (2001), an important factor for strategy formulation is transferring internal and external knowledge to useful knowledge as a base for strategy. The knowledge transfer to external structures may occur with customers or suppliers (Sveiby, 2001, pp. 355-356). Especially in strategy work, it is important to include not only the company's capabilities but also the external environment where the company is acting. Also, when considering the long-term relationships, founder's relationships with external actors and the customer oriented strategies family businesses tend to have, again it can be seen as a competitive advantage for family businesses from knowledge-based strategy process point of view. Although, it has been found that family businesses with a high level of familiness may have decreased capacity to absorb external knowledge on the other hand when the knowledge is absorbed these companies may be able to utilize and combine the knowledge (Andersén, 2015, pp. 82-83). Also, the innovativeness, of the lack of which, family companies are sometimes criticized, can increase when several generations of a family participate in the business (Zahra, 2005, p. 37) due to the fact stated above that new knowledge always comes from individuals.



Picture 9 (Sveiby, 2001, p. 347)

From strategy formulation point of view, it is important to the company to avoid blockages within the knowledge transfer (Sveiby, 2001, p. 344). Especially converting tacit knowledge to explicit knowledge can prove to be difficult. Nonaka suggests using figurative language and symbolism to overcome this blockage (Nonaka, 1991, pp. 99-100). Family businesses with a high level of familiness have a competitive advantage as the absorption process develops (Andersén, 2015, pp. 82-83). Family businesses have been said to have “unique and difficult to replicate” learning mechanisms, and these mechanisms lead to effectiveness in strategic management (Barrosa, et al., 2016, p. 153). Also, tacit knowledge transferred to a potential successor may affect their decision on deciding whether or not they are willing to become the successor (Kjellman, 2014, p. 196).

Cabrera-Suárez, Saá-Pérez & García-Almeda (2001) introduces a model of knowledge transfer and successor’s development in family firms, which is shown in picture 10 below. In the context of this thesis, this model could also prove to be a tool for strategy work in situations where the communication and knowledge transfer between owner-manager & other family members might need to be enhanced. Successful owner-families recognizes the multifaceted nature of communication (Ward, 2004, p. 15). From the resource-based view, the family learning mechanisms “allows the bundle of resources and capabilities provided by the family to be linked, and dynamic capabilities to be developed that can allow continuous development of closer relationships with stakeholders” (Barrosa, et al., 2016, p. 154). From nonfamily business research it has been found that managing competencies and knowledge are strategically important (Livieratos, 2012, p. 247).



Picture 10 (Cabrera-Suárez, et al., 2001, p. 41)

Knowledge transfer also from the point of view of maintaining familiness is important. As some knowledge, vital for familiness is embedded to certain family members, it is important to transfer that knowledge to other members in order to maintain the competitive advantage gained from the familiness (Cabrera-Suárez, et al., 2001, p. 39). Also, the knowledge accumulation gained over generations need to be transferred to next generations (Barrosa, et al., 2016, p. 155) (Boyd, et al., 2015, p. 17). At this note, the informal knowledge transfer that may also happen at home among family members, needs to be mentioned (Cabrera-Suárez, et al., 2001, p. 43) as mentioned before the family business research emphasizes the need for family meetings, which could be linked as a more formal venue for knowledge transfer in family business context. Also, as discussed earlier the importance of values for family businesses, they can also be considered as knowledge that needs to be transferred (Cabrera-Suárez, et al., 2001, pp. 149-150).

When considering the special role that trusted advisors have for family businesses, the knowledge transfer from external structures to internal structures or individuals needs to be kept in mind. Also, it has been found that successful knowledge transfer enhances the quality of service trusted advisors could provide (Su & Dou, 2013, p. 256).

### 3 RESEARCH METHODOLOGY

According to Satyaprasad & Krishnaswami research simply means a search for facts. They describe it as a purposive investigation that “seeks to find explanations to an unexplained phenomenon, to clarify the doubtful propositions and to correct the misconceived facts” (Satyaprasad & Krishnaswami, 2010, p. 2). Research methodology, on the other hand, is a way to systematically answer to the identified research problem (Kothari, 2004, p. 8). Eriksson & Kovalainen describes methodology as a focused way that one can use in research when comprehending an issue. This focused way is called a method, which is often divided into methods of data collection and methods of data analysis (Eriksson & Kovalainen, 2008, p. 16).

The research process is rarely a linear process but rather a circular process, where the project may be modified along the way. This possibility for reformulating the research design is a special strength of qualitative research. (Eriksson & Kovalainen, 2008, p. 31). One characteristic of the circularity of the research process is the process of reflexivity according to Eriksson & Kovalainen. They state that the researcher doing a qualitative research must reflect the research process where one compares the stages of the research to one another (Eriksson & Kovalainen, 2008, p. 32).

According to Eriksson & Kovalainen ontology explains the ideas about the existence of and relationship between people, society and the world in general. They state that ontology covers all theories and methodological positions. (Eriksson & Kovalainen, 2008, p. 13). In this thesis, the ontological assumption is that the issue is subjective. Epistemology, on the other hand, is defined as the scientific knowledge that is available, and what are the limitations of that knowledge. Also, it explains the scientific practice and process (Eriksson & Kovalainen, 2008, p. 14). In this thesis, the epistemological approach is subjectivism, in which reality as being socially molded. As Eriksson & Kovalainen illustrates it means that knowledge can be gained only through social actors. They also state that this epistemological view is often related to the position called interpretivism. (Eriksson & Kovalainen, 2008, p. 15)

Satyaprasad & Krishnaswami defines applied research as research that aims to find a solution to an actual problem, which requires an action preferably an immediate practical outcome (Satyaprasad & Krishnaswami, 2010, p. 11). Applied research according to Satyaprasad & Krishnaswami is “directed towards discovering what is happening, why is it happening and what can be done about. It aims at identifying the causes of a problem and the possible solutions for it.” (Satyaprasad & Krishnaswami, 2010, pp. 12-13). According to Kothari fundamental research deals with generalizations and theory formulation, and he highlights researchers that generalizes of human behavior as an example of fundamental research, but also states that research that aims to provide a solution to social or business problem is an example of an applied research (Kothari, 2004, p. 3). This thesis adopts an applied research approach, as it aims to provide action suggestions. Though it also has elements of a fundamental research as significant part of the findings relates to human behavior and generalization of it.

### **3.1 Research design**

When a research design is being formed, according to Kothari, there are five factors that should be taken into consideration; firstly, the means of obtaining information, secondly the availability and the skills of the researcher, then the objective of the problem and the nature of the problem, and lastly the resources for the research (Kothari, 2004, p. 33). In this thesis, the access to the information was the cornerstone of the research design. Backyard research with semi-structured interviews allowed access to information that was crucial for the objective and the nature of the issue.

#### **3.1.1 Research question**

Swanson et al. state that researcher should first identify the research problem and only after that specify it to the research question, paradigm, methodology and the context (Swanson, et al., 2009, p. 22). According to Kothari, there are two research problem types, one which describes the state of nature, and the other that describes the relationships between variables (Kothari, 2004, p. 12). He categorizes the research problem definition into five steps. Firstly, stating the problem in a general way, then

understanding the nature of that problem. Then, the researcher should move to going through the available literature on the topic, and develop the idea further via discussions. Lastly, the researcher should mold the research problem to a working proposition (Kothari, 2004, p. 27). Eriksson & Kovalainen categorize research questions to what, how and why questions (Eriksson & Kovalainen, 2008, p. 40). From the very beginning of this thesis the research problem and the goal of the thesis was clear; offer some suggestions on how to improve the future planning of Finnish family owned SME's. The research question was modified along the process, but it has been a how-question from the start. The data collection and the discussion of the topic was overlapping as the knowledge of the subject increased during the interviews. The final questions ended up being; how does family companies do their strategy work, how it could be improved by leveraging knowledge transfer theories?

### 3.1.2 Qualitative research

Eriksson & Kovalainen states that one of the most distinctive features of qualitative research is its reflexivity (Eriksson & Kovalainen, 2008, p. 30). Clarifying further the concept of reflexivity; the dictionary definition states that reflexive is: "taking account of itself or of the effect of the personality or presence of the researcher on what is being investigated" (Oxford University Press, 2017). In qualitative research, it is not always clear in the beginning how to use theory in the research, and it usually comes via induction while collecting the data and analyzing it. This often means that the study gets the final form after the data analysis and methods are clear (Eriksson & Kovalainen, 2008, p. 42). For this thesis, qualitative research was the only option just because of the reflexivity, and the type of process qualitative research has.

### 3.1.3 Multiple case study, extensive cases

Eriksson & Kovalainen (2008, s. 118, ref. Yin (2002), Eisenhardt (1989, 1991), Leonard-Barton (1990), Dyer and Wilkins (1991), and Creswell (1998)) quotes several researchers while defining a case study. The combination of this definition is; a case study is an empirical inquiry of a bounded system, which is defined to a time and place

in its real-life context where the context boundaries are not evident, and the evidence comes from multiple sources. A case study can also be described as an “in-depth comprehensive study of a person, a social group, an episode, a process, a situation, a programme, a community, an institution or any other social unit” (Satyaprasad & Krishnaswami, 2010, p. 15). Many researchers favor multiple case studies over single case studies (Eriksson & Kovalainen, 2008, p. 118). One characteristic of a case study is its holistic approach, and ability to make room for diversity and complicity rather than simplified approach (Eriksson & Kovalainen, 2008, p. 117). Case studies are phenomenological and ethnographical qualitative researchers; they can rely on only little to theory and focus more on the explanation, being instrumental, exploratory or descriptive (Eriksson & Kovalainen, 2008, p. 42). Another main feature of a case study research is the construction of a case or cases; hence the research questions needs to aim at understanding and to solve the case. The case needs to be examined in its context (Eriksson & Kovalainen, 2008, p. 115). Kothari states that the case needs to be studied thoroughly, and the analysis needs to emphasize the conditions and processes, and their interrelations. The goal is to find the behavior patterns within the whole (Kothari, 2004, p. 113). In a case study, one should be able to state how to be successful in a project, or how to avoid issues at least in some context (Eriksson & Kovalainen, 2008, p. 116).

According to Massis & Kotlar case studies are particularly relevant to organization and management studies because of the specific nature of the study that uses different points of views to understand the issue (Massis & Kotlar, 2014, p. 16). They emphasize the nature of case studies being suitable for studying family businesses because researchers need to comprehend the multifaceted issue and adopt information from different perspectives (Massis & Kotlar, 2014, p. 16). They also highlight that case studies can be used in several ways to develop family business research (Massis & Kotlar, 2014, pp. 15-16). Building even stronger ground to the findings Massis & Kotlar suggest using multiple-case studies in family business studies (Massis & Kotlar, 2014, p. 18). A multiple-case study was also chosen for this thesis for the suitability of it, especially taking into account the family business aspect of it.

## Intensive and extensive case studies

Intensive case study, sometimes also referred as classic case study “draws on the qualitative and ethnographic research traditions, emphasizing interpretation and understanding of the case as well as elaboration of cultural meanings and sense-making processes in specific contexts” (Eriksson & Kovalainen, 2008, p. 119). The point in the intensive case study is to gain holistic insights from the people involved in the case, and the interest is in the case, not the theoretical propositions (Eriksson & Kovalainen, 2008, p. 119). On the other hand, there is an extensive case study, where the focus is on finding patterns that may be used in developing a theory, and the case itself is not the main interest (Eriksson & Kovalainen, 2008, p. 119).

Eriksson & Kovalainen gives an example of an extensive case study where the focus of the study would be on a topic where there is no theory to a particular issue, and the researcher could study several individuals as instruments to examine the issue. There the selection of cases would be based on the similarity of the cases, in order to have theoretically interesting comparisons (Eriksson & Kovalainen, 2008, p. 122). The point is to gain cumulative cases on the issue or to have material for comparisons, and the goal would be to have a cumulative narrative to illustrate the situation more generally (Eriksson & Kovalainen, 2008, p. 122). In this approach, the researcher can use mini-cases or sub-cases, which are not studied in every detail due to the limited research interest (Eriksson & Kovalainen, 2008, p. 123). This example suites quite well to this thesis as well, the specifics of the issue are rare. In literature, there are studies of family businesses, but in Finland, there are not that many and in foreign studies often the company size and structure due to the size is different, and for the knowledge transfer part, it is very little researched view. Therefore extensive case study with mini-cases was considered the best method.

### 3.2 Sample and data collection

In case-studies, there is no particular rule of how many cases should be presented in the multiple-case study according to Eriksson & Kovalainen. The amount varies based on the goals of the study, and the research question (Eriksson & Kovalainen, 2008, p. 124). The sampling can be done in many ways, and for this thesis, deliberate sampling was used, more specifically the critical case sampling, and sensitive case sampling was used. Critical case sampling refers to the most relevant cases reflecting other cases, and sensitive case sampling refers to the cases that share particular viewpoints (Eriksson & Kovalainen, 2008, p. 125). Deliberate sampling means that the researcher deliberately chooses a representation from the universe, and one specific type of deliberate sampling is convenience sampling (Kothari, 2004, p. 15). It has been stated by Eriksson & Kovalainen, that in qualitative business research, researchers often use existing contacts or another type of convenience sampling. It eases the accessibility and suitability of the participants. These kinds of studies are not meant to be used as a statistical generalization, so convenience sampling is tolerated (Eriksson & Kovalainen, 2008, p. 51). According to Massis & Kotlar, often in family business studies, the cases are chosen because they illustrate the issue, relationships and logic behind it (Massis & Kotlar, 2014, p. 17). The sampling for this study was a convenience sample, as well as, being able to illustrate the vast spectrum of possible strategy work methods within Finnish family owned SME's. A backyard study is a study where the convenience sample is completed with participants that the researcher is already familiar with. This type of a study usually allows easier access to information, and then the researcher already has the contextual knowledge (Eriksson & Kovalainen, 2008, p. 52). In this thesis, there is also aspects of a backyard study.

#### Data collection technique

All the data for thesis have been primary data, which means that it has been collected for this purpose alone (Satyaprasad & Krishnaswami, 2010, p. 86) (Eriksson & Kovalainen, 2008, p. 77).

### Semi-structured interviews

Silverman introduces three interview approaches, positivist, emotionalist, and constructionist. The positivist approach is when the researcher asks specific questions from the participant. Emotionalist approach is when the researcher maps the experiences of the participant. The constructionist approach builds to the interaction of the researcher and the participant (Silverman, 2001, pp. 86-98) (Eriksson & Kovalainen, 2008, pp. 79-80). In this thesis, the constructionist approach was used, alongside with the emotionalist approach.

A personal interview is a method of data collecting where the interviewer asks questions from the interviewee, generally in person. A sub category to interviews is a direct personal investigation where the interviewer collects the data from the source directly. The direct personal investigation is mostly suitable for intensive investigations (Kothari, 2004, p. 97). When the interview method is decided, the researcher needs to choose the most relevant interview structure method. According to Eriksson & Kovalainen, there are three types of interviews; structured, guided and semi-structured and unstructured interviews. In a semi-structured interview, there is an outline of the interview and the topics covered, but the flow of the interview can vary (Eriksson & Kovalainen, 2008, p. 80). In family business studies interviews often give empirical data that is highly efficient and insightful, which is particularly helpful if the issue at hand is special and occasional (Massis & Kotlar, 2014, p. 19). In this thesis, the interviews were direct personal interviews, conducted with semi-structured interview method.

### Observation

Observation is an empirical data collecting method, and it has four dimensions; participant or non-participant observation, obtrusive and non-obtrusive observation, observation in natural settings, and structured and non-structured observation (Eriksson & Kovalainen, 2008, p. 88). Observation only becomes scientific when it serves a research purpose, is planned beforehand and is systematically recorded (Satyaprasad & Krishnaswami, 2010, p. 93). Observation is seen as a good way to study organizational

culture especially in a family business setting because its capability to unveil values and philosophies within organization members but on the other hand, it may create too much data (Massis & Kotlar, 2014, p. 20). One advantage of observation is that it records action at that moment, which can be different of what one would describe the situation being afterward. The down side though is that observation does not reveal what one is thinking at that moment (Eriksson & Kovalainen, 2008, p. 87). In family business studies observation is often combined with interviews, as via observation the researcher can gain information how business and family goals differ (Massis & Kotlar, 2014, pp. 19-20). In this thesis, observation was used only limitedly, and only to gain information on the family relationships and ways of communicating.

### **3.3 Data analysis**

Both in a single-case study and in a multiple-case study, the researcher starts the data analysis process by analyzing one case at the time, and it is called within-case analysis. If the study is a multiple-case study, then this will follow with cross-case analysis, where the goal is to find similarities or differences (Eriksson & Kovalainen, 2008, p. 130). The case is usually analyzed by describing a case in chronological or in thematic order. This description helps the researcher to find patterns, explain the issue, chronological logic and later cross analyze cases (Eriksson & Kovalainen, 2008, p. 130). Eriksson & Kovalainen (2008, ss. 131-132, ref. Yin 2002) outlines five ways to report a case study; linear-analytic, comparative, chronological, theory building and suspense structure. In this thesis, the comparative method is used. In comparative structure, the researcher presents the cases and compares them.

Triangulation can be used in several different phases of a study. In this thesis triangulation of data and theories are used. Data triangulation means that the data is collected from multiple sources, and triangulation of theories means that several theories support the study (Eriksson & Kovalainen, 2008, p. 293). Triangulation is used by for as it increases the validity of the study (Massis & Kotlar, 2014, p. 26). Currently, there is no formal benchmark on the quality of the triangulation (Yin, 2013, p. 324).

Many times, the data collection and data analysis are intertwined in qualitative research. The researcher often starts to categorize issues already while collecting data (Eriksson & Kovalainen, 2008, pp. 299-300). Data categorization means that the data is grouped into relevant categories, which allows comparisons to be made later. Data contextualization, on the other hand, means identifying the links and connections between the data (Massis & Kotlar, 2014, p. 22). Data categorization and contextualization are used in this thesis, and the data is constantly compared to existing literature.

### **3.4 Reliability and validity of the research**

"There are three kinds of lies -lies, damned lies and statistics." –Mark Twain

Reliability refers to the repeatability; would another research support the findings of this study, and is the study consistent (Eriksson & Kovalainen, 2008, s. 292; Massis & Kotlar, 2014, s. 27). This thesis is reliable due to the repeatability of the data collection and analysis.

Research validity refers to the extent to which the recorded observations accurately reflect the construct they are intended to measure (Satyaprasad & Krishnaswami, 2010, p. 93). Also, it refers to the conclusions, are they accurate, do they give an explanation of the issue and is it correct. Validity can be divided to internal and external validity. Internal validity refers to the data analysis and is the researcher able to find convincing results (Massis & Kotlar, 2014, p. 26). External validity, on the other hand, refers to the generalization of the findings (Massis & Kotlar, 2014, p. 27). Validity in whole can be proven via induction, reflexivity, and using triangulation (Eriksson & Kovalainen, 2008, p. 292).

Reflexivity by Eriksson & Kovalainen happens when "researchers reflect their own biases, prejudices, and position in relation to the researched object" (Eriksson & Kovalainen, 2008, p. 32). They also relate this circularity to hermeneutic circle which was originally introduced by Schleiermacher and has been developed further by Heidegger and Husserl. Hermeneutic circle illustrates the methodological process where

the researcher builds to existing knowledge by interpreting gained knowledge from their context. According to Eriksson & Kovalainen hermeneutic process illustrates the fact that researchers are not in a vacuum but “a way of conceptualizing understanding and the process of interpretation to which we as researchers participate and where we are situated” (Eriksson & Kovalainen, 2008, pp. 32-33). In this thesis, the hermeneutic circle is especially relevant due to the personal relationship the researcher has to the subject, and also to the interviewees. In the data analysis, extreme caution has been used, in order to avoid confusing collected data to researchers own biases.

## **4 FINDINGS**

### **4.1 Background info**

For this thesis, four leaders of Finnish family businesses were interviewed. Three of the companies are currently managed by the second generation, and one is managed by the first generation. Some of the family businesses represented have more than one company in their control. All the companies that are represented are stable and can be categorized as successful family companies. Due to the sensitive information, the managers provided, company names, nor the interviewee names are not published.

The family businesses that were interviewed for this research are family businesses according to the Finnish Family Business Federation definition. As stated before, this definition includes four factors; firstly, a family business is a company where the voting majority is held by a natural person, his/her spouse or another member of his/her family; secondly, this voting majority can be direct or indirect. Thirdly, at least one member of the same family or their representative is included in the management of the company, or in the board. The fourth-factor concerns only listed companies, in their case the voting majority needs to be only 25 per cent, and indirect voting majority needs to be within the family’s authority (Perheyritysten liitto, 2017).

The companies selected for this study are chosen because strategy work is done differently in each one of them, and also the management and backgrounds for the

management are different. One of the companies is managed only via board, and they have nonfamily members running the daily tasks. One family has companies where one is managed by the owner manager himself, and for another, they have a nonfamily member running the daily tasks. One company is managed only by the owner-manager, and one is managed by two generations together. These backgrounds of the companies give a holistic view of the possibilities how a family business can be managed.

The study is based on resource-based view, as of it is meant as a tool to study the competitive advantage of a company, it is the bundle of resources that creates the competitive advantage of a business (Habbershon & Williams, 1999, p. 11) (Cabrera-Suárez, et al., 2001, p. 37). As mentioned before the bundle of resources is seen as the distinctive for the particular company in a specific environment (Ikäheimonen, 2014, p. 35), and they can be tangible or intangible (Barney, et al., 2011, p. 1300). Resources can be divided to physical, human, organizational and process resources (Habbershon & Williams, 1999, p. 11). The point is to illustrate the different competitive advantages family companies get from various management, and strategy work styles, and also, consider the points of how the competitive advantage could be improved via knowledge transfer theories.

#### **4.2 How strategy, and strategy work is perceived in family businesses**

“Strategy is a compass, showing us where we are heading to” (A, 2014)

One point that was illustrated before was that strategy formulation starts with the people (Sveiby, 2001, p. 345). It was also said that families and family dynamics affect the strategy work (Astrachan, 2010, p. 7). From the strategic management point of view, the family is seen as “a resource and a constraint” (Sharma, et al., 1997, p. 8). Basco & Rodríguez found that family businesses that combine family and business orientations in their decision making, can accomplish prosperous business results (Basco & Rodríguez, 2011, p. 151), based on the success of the companies represented within these interviews conducted, their founding is supported by this study.

Astrachan found that the family dynamics have an effect on the strategy work and the implementation of it (Astrachan, 2010, p. 10). Several of our interviewees highlighted the intensity of working with family members, especially interviewees B and C.

There were a bit differences between how the interviewees perceived vision, strategy and strategy implementation. Most of the interviewees saw strategy as the tool of how vision is implemented. All the companies in question had planning cycles; short-term was most commonly a period of a year but not a quartile. Mid-term was 1-3 years, and long-term was over three years. One of the interviewees made a joke about a quartile in family businesses being 25 years, which illustrated the long-term orientation that all the companies represented.

#### **4.3 Drivers of strategy work in family businesses**

As the literature review illustrated, values are highlighted in many studies as a driver for strategy work in family businesses. Koironen stated that there are often conflicts of interest between the business and family goals (Koironen, 2002, p. 177), however, based on the interviews conducted for this study, family and business goals are not in conflict within those companies and families.

It is said that the most visible values in research are altruism (Steier, 2003, p. 614) and collectivism (Marques, et al., 2014, p. 216). These values were not the most visible on these interviews conducted, but they can be seen to some extent. Nordqvist found in his research that the generational issues might also effect on the values emphasis on the strategy work in family businesses (Nordqvist, 2011, p. 30). In these interviews, only interviewee D highlighted the generational differences on strategy work, mostly in the realm of weighing options.

Koironen found that work-related values seem to be higher regarded than family-related in Finnish family businesses (Koironen, 2002, p. 183), and based on these interviews it was apparent that all interviewees were emphasizing business related factors in all decision making. However, family values were mentioned as the drivers for strategy

work by all of the interviewees. Interestingly enough, they did not state family values as such, being a driver for them –it was mostly illustrated via family business continuity and the livelihood of the family, or for example, interviewee D stated strongly that one of their core value is taking care of the employees (D, 2014).

Long-term orientation is one factor that is said to differentiate family businesses from nonfamily businesses, and it may create a competitive advantage for them (Moss, et al., 2014, p. 52). Also, the timeframe and time concept have an effect on the decisions and outcomes (Brigham, et al., 2014, p. 73). Long-term orientation was also seen in the drivers of the strategy work, linking to the continuity of the business, and in avoiding unnecessary risks, and preferring stable outcomes over risk taking (Upton, et al., 2001, p. 62). All the interviewees had a long-term strategy, and words such as the horizon, were used to illustrate the length of the long-term.

Interviewee A stated that their main customer requires a standard in which quality system requires a written strategy but he also stated that the simplicity of the strategy work and management is important. This illustrating that the drivers may not necessarily be family based.

#### **4.4 How strategy work is done in family businesses**

It has been said that stereotypically family businesses are conservative in their strategy work (Astrachan, 2010, p. 8). This conservatism might hinder growth (Breton-Miller, et al., 2015, pp. 58-59). Based on these interviews, companies varied quite a bit regarding the how –part of strategy work, however, all the companies in question did grow, and it was planned growth.

The primary factor contributing to how strategy work is organized, is the management of the company itself. In companies where the owner acts as a manager as well, the strategy work is mainly done by the owner-manager himself. In these cases, the strategy as such was only discussed with the owner's spouse and later informed the employees. However, in the case of interviewee A, and their customer requiring a formal strategy,

then the process forced the owner-manager including also nonfamily members to the process. In companies where there was a nonfamily member as the manager, the strategy work is a bit more formal, and especially the strategy process was formal in the company where the family influence came mainly via the board. In the company where two generations were acting together, the strategy work included more analysis and preparation –however, it is inconclusive whether or not the company’s industry effects to that factor more than the generational issues.

Ward (Ward, 2004, p. 6) introduced a three-stage development of family business, which was explained in more detail before. The companies represented in the interviews being in different stages of their lifecycle, they were also still representing the first stage of Ward’s model. From Basco & Rodríguez’s model (2011), also explained before in more detail, all the represented companies in this study represent the business first ideal type, where the business needs are prioritized over family needs.

#### 4.4.1 Trusted Advisors and nonfamily members at management positions

As mentioned above, in this thesis trusted advisor is defined following the definition used in Michel & Kammerlander’s study as; most relied external source of business advice, with whom the family business has had a long relationship, and who can provide expert knowledge and high quality feedback (Michel & Kammerlander, 2015, p. 45), adding that it is not enough that the trusted advisor has expertise only in one area (Strike, 2013, p. 311), and that there is a strong trust to the advisor (Strike, 2013, p. 302) (Su & Dou, 2013, p. 257). This study found that Interviewee A had an almost textbook example of a trusted advisor. In their case, the advisor is an auditor who also advises on other financial issues and others. It was highlighted by interviewee A and B that they feel that they mostly need outside help regarding financial matters as the family members do not have that exact know-how.

As the literature states the relationships between the trusted advisors and the owner-family are long-term, often over generational (Strike, 2013, pp. 294-295). Also, in this case, the interviewee A’s textbook example holds true, they are facing the retirement of

the advisor soon, and now the discussion goes around how to find a new one, and should that new trusted advisor be the counterpart of the next generation. Interviewee D stated that they chose a CEO for one of their companies based on the cross generational trust that one of their nonfamily member employee gained.

Interviewees B and C stated that they used consulting services based on need but neither stated of having a specific or long-lasting relationship with any of the consultants. This might be due to the different strategy work processes they have from the more formal one's interviewees A & D stated of having.

#### **4.5 Generational and owner-manager issues**

Mussolino & Calabro (2014) stated that first generation, which refuses to let go of the power after they have formally given it up, or does not allow the incoming generation to participate beforehand could have a negative impact on the success of the succession. It was also said that sometimes the current generation sees planning as a threat (Carlock & Ward, 2001, p. 17) (Mussolino & Calabro, 2014, p. 207). Sometimes the control of the business is also seen as control over the family, which explains to a limit the unwillingness to let go (Ward, 2004, p. 43) (Brockhaus, 2004, p. 170). In the cases of the companies represented in this study, the first generations were more than willing to let go of the power, or they had a clear division of work with the second generation in order to avoid conflicts.

As said before, in this thesis paternalism is seen as the fatherly way Koiranen (2003) described it, however, paternalism was not found based on the interviews, but it needs to be taken in to account that all of the interviewees are executing formal power within the companies. Only in one company, the upcoming generation was represented, and that does not give a full outlook on how paternalistic the next generation evaluates the current generation.

It has been found that the new generation needs to “re-conquer” the business (Craig, et al., 2014, p. 236), this combined with the founder personification of the company that

was addressed in the literature review, was visible in three of the four interviews conducted. Depending on the situation of the company, it may have been a problem, or it has been recognized as a problem.

In second generation family businesses it is more common than the leadership is within a team rather than one individual (Aronoff, 1998, p. 182), also according to this study, it seems to be accurate. In three of the four cases the leadership, and especially the leadership involved in strategy formulation is in fact with a team. Only one, interviewee B, who is a second-generation family business leader, stated of conducting the strategy work mostly alone.

In the literature it was found that risk taking in the later generations is avoided due to the family factors, such as perceiving family name, maintaining common wealth and the inheritance of other family members, or maintaining the ownership within the family (Ward, 1997, p. 326) (Welsh, et al., 2013, p. 221). In this study risk taking was not seen that negative but it was clear that risk taking should be calculated, and the family's livelihood –also in the future, is a factor that needs to be taken most seriously.

Based on Ward's theory of owner-managers (2004), the companies represented in this study are all mostly following the steward path. As stated before, some studies have said that owner-managers have a direct impact on the performance (López-Delgado & Diéguez-Soto, 2015, p. 83). As an example, the speed of decision making was highlighted, as sometimes it can be a good thing that decisions can be made quickly (Zahra, 2005, p. 28), but on the other hand sometimes not all necessary factors are included in the decision-making process and it may lead to problems (Strike, 2013, p. 308). Interviewees A and B highlighted the speed of decision-making as a benefit of the owner-manager scenario, whereas interviewee C stated that he would sometimes prefer even faster decision-making over considering all the possible scenarios.

#### **4.6 Knowledge transfer in family businesses and, in their strategy work**

In the interviews knowledge sharing were mostly approached via the strategy work process, and how it affects the process. Yet, none of the interviewees highlighted anything special, nor they stated of having used any systematic approaches to it. One explanation might be that knowledge transfer is not seen as an issue, nor a tool within the strategy work in family businesses –in this sampling at least. However, based on the literature review above, this thesis sees knowledge transfer and the theories related to it as a great tool for improving strategy work and familiness in family owned companies.

In this thesis knowledge is defined according to Sveiby as a “dynamic, personal and distinctly different from data” (Sveiby, 2001, p. 345), and the beauty of knowledge is that when it is transferred, it will not leave the giver, therefore according to Sveiby value is added by transferring knowledge (Sveiby, 2001, p. 347).

As a reminder familiness is defined by Habbershon & Williams “as the unique bundle of resources, a particular firm has because of the systems interaction between the family, its individual members, and the business” (Habbershon & Williams, 1999, p. 11). From knowledge transfer point of view, familiness is at the core, as some knowledge, which may be fundamental for familiness can be embedded to certain family members –in a basic example it could be the older generation. It is important to transfer that knowledge to other members to maintain the competitive advantage gained from the familiness (Cabrera-Suárez, et al., 2001, p. 39). This is also closely linked to the knowledge accumulation (Barrosa, et al., 2016, p. 155) (Boyd, et al., 2015, p. 17), and to family values, they can be considered as knowledge that should be transferred (Cabrera-Suárez, et al., 2001, pp. 149-150). It was mentioned previously that family business strategy work is especially interesting due to the absorptive capacity process, and its final stage of transforming the knowledge to tangible outcomes, companies with high levels of social capital (familiness) have a competitive advantage (Andersén, 2015, p. 81).

As the literature review pointed out, issues affecting the quality of knowledge transfer can be divided into matters relating the recipient, and the giver. At that point, the trustworthiness of the giver was highlighted, and its effects on the success of the knowledge transfer (Argote & Ingram, 2000, p. 161). Also, it has been found that knowledge transfer is more efficient when the giver and the recipient are alike in some context (Darr & Kurtzberg, 2000, p. 30). When considering family businesses, trustworthiness and similarity within the family may be regarded as given. Yet, family relationships may affect the trustworthiness of certain family members, and regarding similarity, it may be that the differences are seen greater than similarities.

As Sveiby states, the value is created in knowledge transfer when knowledge is transferred and converted externally and internally to the company, and the value grows every time this happens (Sveiby, 2001, p. 344). Keeping in mind that knowledge transfer is only seen complete when the transferred knowledge is used (Darr & Kurtzberg, 2000, p. 29). Sveiby categorized knowledge transfer to nine categories (Sveiby, 2001, p. 248), from SME family business context especially knowledge transfer to and from individuals is important. This is also linked to generational issues and maintaining the familiness. Knowledge transfer from and to the internal structure could be more efficient if the process is refined to top but from family business context usually, knowledge needs to be transferred to one or few individuals, for example from founder to successor. Also, Sveiby's point of individuals may be reluctant of sharing knowledge, as it may harm their personal goals (Sveiby, 2001, p. 348), is an interesting point from the family business point of view. The assumption based on family business research is that the altruism over runs individualism in family businesses. Based on that notion they have an advantage for using knowledge transfer tools in their strategy work. It has been said that family learning mechanisms in collaboration with the intention for succession guide family business strategies (Barrosa, et al., 2016, p. 155), succession as a driver was also found in the interviews conducted for this thesis, yet the family learning mechanisms were not obvious. What was said about the learning and knowledge accumulation within the companies the interviewees represent, is that they value nonfamily business expertise and knowledge gained from outside the family business.

As already stated below, according to Sveiby knowledge-based strategy process should start with the competencies of individuals within the company (Sveiby, 2001, pp. 355-356), and new knowledge always begins with an individual (Nonaka, 1991, pp. 97-98). When this fact is linked with the finding that companies that were interviewed for this study, appreciate experiences outside the family business, it can be assumed that it can bring new knowledge to the family business and enhance its strategy work. But in order for it being successful, the knowledge transfer must happen, and the knowledge needs to be used. It has been said that the company needs to avoid blockages within the knowledge transfer (Sveiby, 2001, p. 344). Cross generational issues and management issues may prove to act as these blockages, and therefore they need to be also addressed when considering knowledge transfer within the family business context. It has been said that family businesses with high level of familiness have a competitive advantage as the absorption process develops (Andersén, 2015, pp. 82-83) and that they have “unique and difficult to replicate” learning mechanisms, and these mechanisms lead to effectiveness in strategic management (Barrosa, et al., 2016, p. 153). So, based on previous research family businesses can overcome these blockages, and they have some advantages overcoming them.

## **5 DISCUSSION**

### **5.1 Summary of findings**

The existing research was supported by the findings of this thesis; however, the knowledge transfer aspect was unfortunately underrepresented in the findings. Never the less, based on previous research, it is evident that knowledge transfer theories have a potential of being a tool also for the family owned SME's in Finland.

Also, it was evident that family businesses do have some similarities even though they have different ownership structures and management styles. This gives confidence that with more research on the topic, and also bringing these studies to the attention of the family business leaders, family business strategy work can be improved via knowledge

transfer theories. Interestingly enough, the concept of familiness and the competitive advantage it offers to family businesses can be enhanced with knowledge transfer theories.

## **5.2 Practical implications**

As said before that strategy formulation starts with the people (Sveiby, 2001, p. 345), and as was found in this study –strategy is perceived differently depending on the family business leader. Also, the intensity of working with family members was highlighted by the interviewees and that in owner-manager situations the strategy work may be done by the leader of the family business himself alone. This illustrates the need for knowledge transfer to the leaders. As said, new knowledge always begins with an individual (Nonaka, 1991, pp. 97-98). Therefore, this study suggests few points where knowledge transfer is already implemented to some extent, for being the starting point for more formal knowledge transfer. These situations are when next generation gets more involved with the family business, when interacting with trusted advisors or when hiring a new nonfamily member to a leadership position.

Generational issues were mostly represented in a positive light, and there was apparent interest from the current family business leaders to involve more of their next generation to the family business. As interviewees A & D highlighted, it is important that the next generation would get nonfamily business experience before joining their family business. As knowledge management increases in nonfamily businesses, with the following generations, it will follow to also family businesses.

The drivers that were mentioned before can also be influenced by the knowledge transfer. As interviewee C stated that they have differences in decision making with the previous generation and that business values were already regarded highly. As mentioned before the previous research had found that leaders of family businesses tend to be more conservative in their strategy work (Astrachan, 2010, p. 8), and that conservatism might hinder growth (Breton-Miller, et al., 2015, pp. 58-59). It was also said that they tend to be more careful as the family name and livelihood of others depended on them (Ward, 1997, p. 326) (Welsh, et al., 2013, p. 221), and that it might

hinder entrepreneurial actions. If knowledge regarding values would be more formally discussed, and also the long-term orientation and risk taking willingness, it could ease the process of the family business leaders, as they would not have to rely on assumptions of what others expect.

One of the mentioned situations is with the trusted advisors. As it was said, it is not enough that the trusted advisor has expertise only in one area (Strike, 2013, p. 311), and that there is a strong trust to the advisor (Strike, 2013, p. 302) (Su & Dou, 2013, p. 257). This study suggests that this trust creates a great base for knowledge transfer, and also, the fact that they need to have expertise in several areas and that they tend to be in positions, which requires higher education. As knowledge management gains more attention in the academic world, the value of it follows to the family businesses also from the trusted advisors. It was also mentioned that the trusted advisors could act as a mediator between generations in succession situations. This study suggests that knowledge transfer theories would be a great addition to the tool box of trusted advisors. These same points could also hold true when a nonfamily member is appointed to a management position.

Familiness have been at the core of this thesis, and so it is also important for the practical implications. Only based on this study, it is hard to suggest any points of how to improve the process but based on the existing literature it is evident that family companies can gain a competitive advantage by implementing knowledge transfer theories to their family business context –in order to enhance the familiness. It has been said that it is important to transfer that knowledge to other members to maintain the competitive advantage gained from the familiness (Cabrera-Suárez, et al., 2001, p. 39). As stated before Sveiby categorized knowledge transfer to nine categories (Sveiby, 2001, p. 248), and it was pointed out that from SME family business context especially knowledge transfer to and from individuals is important. It was also pointed out that knowledge transfer from and to the internal structure could be more efficient if the process would be polished. This process, however, would need more research before any suggestions could be made.

### **5.3 Limitations and suggestions for further research**

The main limitation of this study is the relatively small sample size of the interviewees, and therefore it would not be possible to generalize the study; also the findings related to knowledge transfer were inconclusive.

There are several possibilities for further research. As mentioned before family business research usually follows after the research field is more matured in nonfamily business context. However, knowledge transfer to and from internal structure is especially interesting in family business context, and also SME's in general. Another interesting topic for future research could be an in-depth case study where the knowledge transfer processes would be put to the test. Currently there are some multiple case studies that illustrate knowledge transfer processes, however, in Finnish context, those studies are lacking. In this thesis, the cultural issues of knowledge transfer were not taken into consideration, yet they are an important factor when considering the practical implications of knowledge transfer theories, especially from family business context.

## References

- A, I., 2014. *Interview A 1* [Interview] (29 8 2014).
- Aldricha, H. E. & Cliff, J. E., 2003. The pervasive effects of family on entrepreneurship: Toward a family embeddedness perspective. *Journal of Business Venturing*, 9, 18(5), pp. 537-596.
- Andersén, J., 2015. The absorptive capacity of family firms. *Journal of Family Business Management*, 5(1), pp. 73-89.
- Argote, L. & Ingram, P., 2000. Knowledge Transfer: A Basis for Competitive Advantage in Firms. *Organizational Behavior and Human Decision Processes*, 5, 82(1), pp. 150-169.
- Argote, L., Ingram, P., Levine, J. M. & Moreland, R. L., 2000. Knowledge Transfer in Organizations: Learning from the Experience of Others. *Organizational Behavior and Human Decision Processes*, 5, 82(1), pp. 1-8.
- Aronoff, C. E., 1998. Megatrends in Family Business. *Family Business Review*, 9, 11(3), pp. 181-186.
- Astrachan, J. H., 2010. Strategy in family business: Toward a multidimensional research agenda. *Journal of Family Business Strategy*, Volume 1, pp. 6-14.
- Barney, J. B., Ketchen, D. J. J. & Wright, M., 2011. The Future of Resource-Based Theory: Revitalization or Decline?. *Journal of Management*, 9, 37(5), pp. 1299-1315.
- Barrosa, I., Hernangómezb, J. & Martin-Cruz, N., 2016. A theoretical model of strategic management of family firms. A dynamic capabilities approach. *Journal of family business strateg*, Volume 7, pp. 149-159.
- Basco, R. & Rodríguez, M. J. P., 2011. Ideal types of family business management: Horizontal fit between family and business decisions and the relationship with family business performance. *Journal of Family Business Strategy*, Volume 2, pp. 151-165.
- B, I., 2014. *Interview B* [Interview] (28 7 2014).
- Boyd, B., Royer, S., Pei, R. & Zhang, X., 2015. Knowledge transfer in family business successions. *Journal of Family Business Management*, 5(1), pp. 17-37.
- Breton-Miller, I. L., Miller, D. & Bares, F., 2015. Governance and entrepreneurship in family firms: Agency, behavioral agency and resource-based comparisons. *Journal of Family Business Strategy*, Volume 6, pp. 58-62.

- Brigham, K. H., Lumpkin, G. T., Payne, G. T. & Zachary, M. A., 2014. Researching Long-Term Orientation: A Validation Study and Recommendations for Future Research. *Family Business Review*, 27(1), pp. 72-88.
- Brines, S., Shepherd, D. & Woods, C., 2013. SME family business innovation: exploring new combinations. *Journal of Family Business Management*, 3(2), pp. 117-135.
- Brockhaus, R. H., 2004. Family Business Succession: Suggestions for Future Research. *Family Business Review*, XVII(2), pp. 165-177.
- Cabrera-Suárez, K., Saá-Pérez, P. D. & García-Almeida, D., 2001. The Succession Process from a Resource- and Knowledge-Based View of the Family Firm. *FAMILY BUSINESS REVIEW*, 3, XIV(1), pp. 37-48.
- Carlock, R. S. & Ward, J. L., 2001. *Strategic Planning for the Family Business Parallel Planning to Unify the Family and Business*. 10010(NY): PALGRAVE.
- Caspersz, D. & Thomas, J., 2015. Developing Positivity in Family Business Leaders. *Family Business Review*, 28(1), pp. 60-75.
- C, I., 2014. *Interview C* [Interview] (29 8 2014).
- Craig, J. B., Dibrell, C. & Garrett, R., 2014. Examining relationships among family influence, family culture, flexible planning systems, innovativeness and firm performance. *Journal of Family Business Strategy*, Volume 5, pp. 229-238.
- Darr, E. D. & Kurtzberg, T. R., 2000. An Investigation of Partner Similarity Dimensions on Knowledge Transfer. *Organizational Behavior and Human Decision Processes*, 5, 82(1), pp. 28-44.
- Debicki, B. J., Matherne III, C. F., Kellermanns, F. W. & Chrisman, J. J., 2009. Family Business Research in the New Millennium: An Overview of the Who, the Where, the What, and the Why. *Family Business Review*, 22(2), pp. 151-166.
- D, I., 2014. *Interview D* [Interview] (13 8 2014).
- Dyer, W. G., 1989. Integrating Professional Management into a Family Owned Business. *Family Business Review*, Issue 2, pp. 221-235.
- Eddleston, K. A. & Morgan, R. M., 2014. Trust, commitment and relationships in family business: Challenging conventional wisdom. *Journal of Family Business Strategy*, Volume 5, pp. 213-216.

- Elsevier Ltd, 2010. Introduction to Volume 1. *Journal of Family Business Strategy*, 3, 1(1), pp. 1-5.
- Eriksson, P. & Kovalainen, A., 2008. *Qualitative Methods in Business Research*. s.l.:SAGE Publications Ltd.
- Frank, H., Lueger, M., Nosé, L. & Suchy, D., 2010. The concept of “Familianness” Literature review and systems theory-based reflections. *Journal of Family Business Strategy*, Volume 1, pp. 119-130.
- Galluccia, C., Santullia, R. & Calabròb, A., 2015. Does family involvement foster or hinder firm performance? The missing role of family-based branding strategies. *Journal of Family Business Strategy*, 7, Volume 6, pp. 155-165.
- Habbershon, T. G. & Williams, M. L., 1999. A Resource-Based Framework for Assessing the Strategic Advantages of Family Firms. *Family Business Review*, 3, 12(1), pp. 1-25.
- Henssen, B., Voordeckers, W., Lambrechts, F. & Koiranen, M., 2014. The CEO autonomy–stewardship behavior relationship in family firms: The mediating role of psychological ownership. *Journal of Family Business Strategy*, Volume 5, pp. 312-322.
- Huybrechts, J., Voordeckers, W. & Lybaert, N., 2012. Entrepreneurial Risk Taking of Private Family Firms: The Influence of a Nonfamily CEO and the Moderating Effect of CEO Tenure. *Family Business Review*, 26(2), pp. 161-179.
- Ikäheimonen, T., 2014. *THE BOARD OF DIRECTORS AS A PART OF FAMILY BUSINESS GOVERNANCE – MULTILEVEL PARTICIPATION AND BOARD DEVELOPMENT*, s.l.: Lappeenranta University of Technology.
- Intihar, A. & Pollack, J. M., 2012. Exploring small family-owned firms’ competitive ability Differentiation through trust, value-orientation, and market specialization. *Family Business Management*, 2(1), pp. 76-86.
- James, H. S. J., 1999. Owner as Manager, Extended Horizons and the Family Firm. *International Journal of the Economics of Business*, 6(1), pp. 41-55.
- Kjellman, A. J., 2014. Family business explained by field theory. *Journal of Family Business Management*, 4(2), pp. 194-212.
- Koiranen, M., 2002. Over 100 years of age but still entrepreneurially active in business: Exploring the values and family characteristics of old Finnish family firms. *Family Business Review*, 15(3), pp. 175-187.

- Koiranen, M., 2003. Understanding the Contesting Ideologies of Family Business: Challenge for Leadership and Professional Services. *FAMILY BUSINESS REVIEW*, XVI(4), pp. 241-250.
- Koropp, C., Kellermanns, F. W., Grichnik, D. & Stanley, L., 2014. Financial Decision Making in Family Firms: An Adaptation of the Theory of Planned Behavior. *Family Business Review*, 27(4), pp. 307-327.
- Kothari, C., 2004. *Research Methodology - Methods and techniques*. s.l.:NEW AGE INTERNATIONAL LIMITED, PUBLISHERS.
- Kotthoff, H., 2008. Family business and Family Change: The End of Patriarchalism. In: *Change in SME's - Towards a New European Capitalism?*. s.l.:Palgrave, pp. 118-133.
- Litz, R. A., 1995. The Family Business: Toward Definitional Clarity. *Family Business Review*, 6(2), pp. 71-81.
- Livieratos, A., 2012. Designing a Strategy Formulation Process for New, Technology-Based Firms: a Knowledge-based Approach. *Electronic Journal of Knowledge Management*, 7(2), pp. 245-254.
- López-Delgado, P. & Diéguez-Soto, J., 2015. Lone founders, types of private family businesses and firm performance. *Journal of Family Business Strategy*, Volume 6, pp. 73-85.
- Madison, K., Runyan, R. C. & Swinney, J. L., 2014. Strategic posture and performance: Revealing differences between family and nonfamily firms. *Journal of Family Business Strategy*, Volume 5, pp. 239-251.
- Marques, P., Presas, P. & Simon, A., 2014. The Heterogeneity of Family Firms in CSR Engagement: The Role of Values. *Family Business Review*, 27(3), pp. 206-227.
- Massis, A. D. & Kotlar, J., 2014. The case study method in family business research: Guidelines for qualitative scholarship. *Journal of Family Business Strategy*, Volume 5, pp. 15-29.
- Mazzi, C., 2011. Family business and financial performance: Current state of knowledge and future research challenges. *Journal of Family Business Strategy*, 7, Volume 2, pp. 166-181.
- Michel, A. & Kammerlander, N., 2015. Trusted advisors in a family business's succession-planning process—An agency perspective. *Journal of Family Business Strategy*, Volume 6, pp. 45-57.

- Miller, D., 1993. The architecture of simplicity. *The Academy of Management review*, 1, 18(1), pp. 116-138.
- Moss, T. W., Payne, G. T. & Moore, C. B., 2014. Strategic Consistency of Exploration and Exploitation in Family Businesses. *Family Business Review*, 27(1), pp. 51-71.
- Mussolino, D. & Calabro, A., 2014. Paternalistic leadership in family firms: Types and implications for intergenerational succession. *Journal of Family Business Strategy*, Volume 5, p. 197–210.
- Naldi, L., Nordqvist, M., Sjöberg, K. & Wiklund, J., 2007. Entrepreneurial Orientation, Risk Taking, and Performance in Family Firms. *Family Business Review*, 20(1), pp. 33-47.
- Nonaka, I., 1991. The Knowledge-Creating Company. *Harvard Business Review*, 69(6), pp. 96-104.
- Nonaka, I. & Takeuchi, H., 1995. *The Knowledge-creating Company: How Japanese Companies Create the Dynamics of Innovation*. s.l.:Oxford University Press.
- Nordqvist, M., 2011. Understanding strategy processes in family firms: Exploring the roles of actors and arenas. *International Small Business Journal*, 30(1), pp. 24-40.
- Olson, P. D. et al., 2003. The impact of the family and the business on family business sustainability. *Journal of Business Venturing* , Volume 18, pp. 639-666.
- Oxford University Press, 2017. *Oxford dictionary*. [Online] Available at: <https://en.oxforddictionaries.com/definition/reflexive>
- Perheyritysten liitto, 2017. *Perheyritysten liitto, UKK*. [Online] Available at: <http://www.perheyritys.fi/liitto/ukk/> [Accessed 8 6 2017].
- Porter, M. E., 1980. Industry Structure and Competitive Strategy: Keys to Profitability.. *Financial Analysts Journal*, 8, 36(4), pp. 30-41.
- Pounder, P., 2015. Family business insights: an overview of the literature. *Journal of Family Business Management*, 5(1), pp. 116-127.
- Priema, R. L. & Alfano, F., 2016. Setting new directions for the management discipline through family business research. *Journal of Family Business Strategy*, Volume 7, pp. 58-62.
- PwC NextGen, 2016. *Next Generation Survey of Family Business Leaders*, s.l.: PwC.

- PwC, 2014. Up close and professional: the family factor Global Family Business Survey. pp. 1-40.
- Rantanen, N. & Jussila, I., 2011. F-CPO: A collective psychological ownership approach to capturing realized family influence on business. *Journal of Family Business Strategy*, Volume 2, pp. 139-150.
- Rautiainen, M., 2012. *DYNAMIC OWNERSHIP IN FAMILY BUSINESS SYSTEMS – A PORTFOLIO BUSINESS APPROACH*, s.l.: Lappeenranta University of Technology.
- Reddrop, A. & Mapunda, G., 2015. Family businesses: seekers of advice. *Journal of Family Business Management*, 5(1), pp. 90-115.
- Rogoff, E. G. & Heck, R. K. Z., 2003. Evolving research in entrepreneurship and family business: recognizing family as the oxygen that feeds the fire of entrepreneurship. *Journal of Business Venturing*, 9, 18(5), pp. 559-566.
- SAGE Publishing, 2017. *Family Business Review*. [Online] Available at: <https://uk.sagepub.com/en-gb/eur/family-business-review/journal201921> [Accessed 8 6 2017].
- Satyaprasad, B. & Krishnaswami, O., 2010. *Business Research Methods*. s.l.:Himalaya Publishing House.
- Sharma, P., Chrisman, J. J. & Chua, J. H., 1997. Strategic Management of the Family Business: Past Research and Future Challenges. *Family Business Review*, 10(1), pp. 1-35.
- Silverman, D., 2001. *Interpreting qualitative data : methods for analysing talk, text and interaction*. s.l.:Sage.
- Simmel, G., 1950. *The Sociology of Georg Simmel, capter; The Stranger*. s.l.:New York: Free Press.
- Steier, L., 2003. Variants of agency contracts in family-financed ventures as a continuum of familial altruistic and market rationalities. *Journal of Business Venturing* , Volume 18, pp. 597-618.
- Stough, R. et al., 2015. Family business and regional science: “Bridging the gap”. *Journal of Family Business Strategy*, Volume 6, pp. 208-218.
- Strike, V. M., 2013. The Most Trusted Advisor and the Subtle Advice Process in Family Firms. *Family Business Review*, 26(3), pp. 293-313.

- Su, E. & Dou, J., 2013. How Does Knowledge Sharing Among Advisors From Different Disciplines Affect the Quality of the Services Provided to the Family Business Client? An Investigation From the Family Business Advisor's Perspective. *Family Business Review*, 26(3), pp. 256-270.
- Swanson, R. A., Holton, E. F. & et al, 2009. *Research in Organizations: Foundations and Methods of Inquiry*. s.l.:Berrett-Koehler Publishers.
- Sveiby, K., 2001. A knowledge-based theory of the firm to guide in strategy formulation. *Journal of Intellectual Capital*, 2(4), pp. 344-358.
- Sveiby, K.-E., 2017. *An interview with Karl-Erik Sveiby* [Interview] 2017.
- Tagiuri, R. & Davis, J., 1996. Bivalent Attributes of the Family Firm. *Family Business Review*, 6, 9(2), pp. 199-208.
- Tokarczyk, J., Hansen, E., Green, M. & Down, J., 2007. A Resource-Based View and Market Orientation Theory Examination of the Role of "Familiness" in Family Business Success. *Family business review*, 3, XX(1), pp. 17-31.
- Upton, N., Teal, E. J. & Felan, J. T., 2001. Strategic and Business Planning Practices of Fast Growth Family Firms. *Journal of Small Business Management*, 39(1), pp. 60-72.
- Ward, J. L., 1997. Growing the Family Business: Special Challenges and Best Practices. *Family Business Review*, 12, Volume 10, pp. 322-338.
- Ward, J. L., 2004. *Perpetuating the Family Business 50 Lessons Learned from Long-Lasting, Successful Families in Business*. s.l.:Palgrave.
- Welsh, D. H. et al., 2013. Perceptions of entrepreneurship across generations in family offices: A stewardship theory perspective. *Journal of Family Business Strategy*, Volume 4, pp. 213-226.
- Westhead, P., Cowling, M. & Howorth, C., 2001. The Development of Family Companies: Management and Ownership Imperatives. *FAMILY BUSINESS REVIEW*, XIV(4), pp. 369-385.
- Yin, R., 2013. Validity and generalization in future case study evaluations. *Research Article*, 10 6, 19(3), pp. 321-332.
- Zahra, S. A., 2005. Entrepreneurial Risk Taking in Family Firms. *Family Business Review*, Volume 18, pp. 23-40.