

A historical overview of the study of family business as an evolving field¹

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Samevatting

Ten einde 'n begrip van die unieke aard van familieondernemings te bevorder, het daar met verloop van tyd talryke konseptuele modelle en benaderings tot die studie van familieondernemings ontstaan. In 'n poging om te beskryf hóé hierdie studieveld sedert sy ontstaan ontwikkel het, poog hierdie artikel om 'n historiese uiteensetting en beskrywing te gee van dié tersaaklike modelle and benaderings.

Vroeëre benaderings het op die tipiese probleme van familieondernemings gefokus, en is later opgevolg deur 'n nadere beskouing van die karaktereienskappe van die stigters van sulke ondernemings. Hierna volg die toepassing van die stelselsteorie, wat die familie en die besigheid as oorvleuelend, interaktief en interafhanklik beskryf. 'n Verdere uitbreiding van hierdie model voeg ook die dimensie van eienaarskap tot dié van die besigheid en die familie by. 'n Tekortkoming van baie van hierdie vroeër modelle is dat tyd en veranderinge buite rekening gelaat word. Die drie-dimensionele ontwikkelingsmodel oorkom dié probleem deur te toon dat elk van die drie subsysteme (eienaarskap, bestuur en familie) met verloop van tyd deur verskillende stadia beweeg. Die uitgebreide ontwikkelingsmodel van familieondernemings (DMFB) bou voort op vorige modelle deur die inkorporering van die bykomstige eienaar, besigheid en familie eienskappe, sowel as een addisionele eienaarskaps-veranderlike. Die "Bulleye", 'n ope sisteembenadering, wat vlakke van ontleding behels, hanteer sommige van die basiese tekortkominge van vorige modelle.

Dit blyk ook duidelik dat 'n bydrae tot die groei van die studieveld van familieondernemings te danke is aan die multi-dissiplinêre benadering wat deur navorsers in die veld gevolg word. Konsepte en teorieë vanuit ander dissiplines soos, onder andere, Psigologie, Sosiologie, Bestuur, Ekonomie, Regte en familiesisteme teorieë, word byvoorbeeld geïntegreer en toegepas

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om 'n beter begrip te verkry van hoe hierdie unieke tipe ondernemings funksioneer. In aansluiting hierby blyk dit dat as gevolg van die groot aantal familieondernemings wat wêreldwyd bestaan, hul belangrikheid tot nasionale ekonomieë en hul unieke aard, sowel as hul hoë mislukkingskoers, alles faktore is wat bygedra het tot die belangstelling van navorsers van 'n verskeidenheid vakdisiplines, en wat hul inspireer om hierdie tipe ondernemings te bestudeer. As gevolg hiervan was die groei in die studieveld van familieondernemings werklik beduidend.

'n Historiese beskouing van die studieveld van familieondernemings toon dat navorsing steeds gemoeid is met dieselfde kwessies, naamlik dié van opvolging, prestasie-meting en vergoeding, en ook die bestuur van familieondernemings, wat tot dusver die redevowering van die afgelope 20 jaar oorheers het. Die meeste navorsing is steeds gegrond op gevestigde teorieë afkomstig vanuit ander dissiplines. Gevolglik bly 'n soliede teoretiese begroning in gebreke, en is die studieveld ietwat gefragmenteerd ten opsigte van sy fokus en bevindinge. Ondanks die toename in die aantal empiriese studies, wat gekenmerk word deur nougesetheid en groter steekproewe, word die veld nog steeds oorheers deur geykte navorsingsmetodes en ontledingsinstrumente. Dit dra nie by tot 'n diepgaande begrip van die dryfveer van empiriese waarneming nie. Met die ondersoek van die studieveld kan die gevolgtrekking gemaak word dat alhoewel navorsing oor familieondernemings reeds gevorderd is, lei dit nog steeds as 'n bestuursveld aan relatiewe isolasie. Dit sal nog lank neem voordat familieondernemings as 'n onafhanklike studieveld 'n noemenswaardige invloed op die openbare beleide, besluite en verbeterde bestuurspraktyke sal hê, óf selfs vakliteratuur oor familieondernemings verder sou uitbrei.

Keywords:

Family business; Succession; Systems theories.

Introduction

It is undisputed that family businesses are among the most important contributors to wealth and employment in virtually every country of the world.³ According to Van der Merwe,⁴ family businesses have also, for the

3 JH Astrachan & MC Shanker, "Family businesses' contribution to the U.S. economy: a closer look", *Family Business Review*, 16(3), 2003, p. 212; A Basu, "Entrepreneurial aspirations among family business owners: an analysis of ethnic business owners in the UK", *International Journal of Entrepreneurial Behaviour and Research*, 10(1/2), 2004, p. 13; SM Farrington, "Sibling Partnerships in South African small and medium-sized family businesses", (Unpublished doctoral thesis, Nelson Mandela Metropolitan University, 2009), p. 64; E Venter & C Boshoff, "The influence of successor-related factors on the succession process in small and medium-sized family business," *Family Business Review*, 18(4), 2005, p. 283.

4 SP van der Merwe, "Formal planning in family businesses in the Vaal Triangle", (Ph.D. thesis, North-West University, Potchefstroom, 1998), p. 3.

last 300 years, been making a positive contribution to the South African economy. Various scholars⁵ point out that family businesses are fast becoming the dominant form of business enterprise in both developed and developing economies, and play an important role, both economically and socially, in these economies. According to Venter, Boshoff and Maas⁶, the influence and the number of family businesses can be expected to increase substantially in the near future.

A family business is fundamentally different from other forms of business. The key difference is that the business affairs of a family business are closely and intricately intertwined with the personal financial affairs of the family, and also with power relationships, blood ties, emotional bonds and inheritance issues within that family.⁷ The intertwining and reciprocal relationships between the family and business systems are recognised as the key feature distinguishing this field of study from others, and which make them complex to study.⁸

Relatively little attention in management research has been devoted to the family business's unique and complex issues.⁹ These issues include family conflicts spilling over into the business environment, sibling rivalry, emotional rather than rational decision-making, autocratic paternalistic cultures, nepotism, confusing organisation, rigidity in innovation, succession, and resistance to change. As a distinct field of study, it has existed for only about 30 years in the United States and for a decade or so in Europe.¹⁰ Family business as a field of study has, however, grown from its modest beginnings to a substantial conceptual and theoretical body of knowledge at the start of the 21st century.¹¹ Contributing towards this growth is the multidisciplinary

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- 5 SM Farrington, "Sibling Partnerships..." (Unpublished doctoral thesis, Nelson Mandela Metropolitan University, 2009), p. 65; S Piliso, "Blood money", *Sunday Times, Business Times*, 23, (April), 2006; E Venter, "The succession process of small and medium-sized family businesses in South Africa", (Unpublished doctoral thesis, University of Port Elizabeth, 2003), p. 33.
 - 6 E Venter, C Boshoff & G Maas, "The influence of relational factors on successful succession in family business: a comparative study of owner-managers and successors", *South African Journal of Business Management*, 34(4), 2003, p. 1.
 - 7 JH Astrachan & BM Astrachan, "Family business: The challenges and opportunities of interprofessional collaboration", E Venter, "The succession..." (Unpublished doctoral thesis, University of Port Elizabeth, 2003); MH Morris, RW Williams, JA Allen & RA Avila, "Correlates of success in family business transitions", *Journal of Business Venturing*, 12, 1997, p. 387.
 - 8 P Sharma, "An overview of the field of family business studies: Current status and directions for the future", *Family Business Review*, XVII(1), 2004, p. 9, 335.
 - 9 AB Ibrahim, K Soufani & J Lam, "A study of succession in a family firm", *Family Business Review*, XIV(3), p. 245.
 - 10 F Neubauer & AG Lank, *The family business – its governance for sustainability* (New York, Routledge, 1998), p. 3.
 - 11 MC Sonfield & RN Lussier, "First-second and third-generation family firms: A comparison", *Family Business Review*, XVII(3), 2004, p. 189.

approach that has been, and still is, adopted by researchers in the field. Concepts and theories from other disciplines such as Psychology, Sociology, Management, Economics, Law and family systems theories are, for example, integrated and applied to advance the understanding of these unique forms of business. In addition, the large numbers of family businesses that exist worldwide, their importance to national economies, their unique nature, and their high failure rate have intrigued researchers from all disciplines, inspiring them to investigate these unique business forms in greater numbers. Consequently the growth in this field of family business research has been significant.

In order to create a better understanding of this complex form of business organisation, numerous conceptual models and approaches to the study of family businesses have emerged over time. Endeavouring to describe how the field of family business research has evolved since its inception, the aim of this article is to historically outline the field and to review these models and approaches developed to date.

Family businesses: An evolving field of study

Pioneers in the field of family business studies were scholars who initially consulted family business managers on the challenges they faced.¹² Until the mid 1980's, the field remained dominated by a few authors who focused mainly on succession issues, and research remained shallow in terms of systematic analysis and theoretical rigour. Building on these earlier efforts, the late 1980's and mid 1990's saw a rapid increase in the number of scholars from various disciplines being attracted to the field of family business research. Overall, the period was characterised by an increase in the number of topics, scholars, and methods used. Rigorous empirical studies also began to emerge, but topics on succession still continued to dominate the field. The period after 1996 has been characterised by a rise in the number of scholars interested in the field of family businesses, and although succession has remained a dominant

¹² WC Handler, "Methodological issues and considerations in studying family businesses", *Family Business Review*, II(3), 1989; MS Wortman, "Theoretical foundations for family-owned business: A conceptual and research-based paradigm", *Family Business Review*, 7(1), 1994.

theme, a multitude of other topics have received and are receiving scholarly attention.¹³

Brockhaus¹⁴ points out that relatively little research has been carried out in South Africa on family-owned businesses. During the past decade, however, research on family businesses in South Africa has gained increasing momentum.¹⁵

Conceptual models and approaches to the study of family businesses

To develop an understanding of the complex nature of family businesses, many authors have integrated concepts from family systems theories to theories on organisations used by social psychologists and organisational development consultants.¹⁶ At the same time, family therapists have begun to apply concepts such as enmeshment/disengagement, differentiation, and triangles, to the subgroup of families who have businesses. The contributions from this broad spectrum of scholars and practitioners, such as psychologists, sociologists, economists, lawyers, accountants and historians, have begun to converge into conceptual models of family business.¹⁷ The evolution of these conceptual models and the models themselves will be briefly described in the

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- 13 SA Zahra & P Sharma, "Family business research: A strategic reflection", *Family Business Review*, XVII(4), 2004, p. 334; J Casillas & F Aceda, "Evolution of the intellectual structure of family business literature: A bibliometric study of FBR", *Family Business Review*, XX(2), 2007, p. 151.
- 14 RH Brockhaus, Sr, "Family business in Southern-Africa: An old new frontier" (Paper presented at the 9th Annual Conference of the International Council for Small Business in Southern Africa, Nelspruit, South Africa, May 1996) p. 3.
- 15 See for example: CM Adendorff, "The development of a cultural family business model of good governance for Greek family businesses in South Africa" (Ph.D, Rhodes University, 2004); C Adendorff, C Boshoff & P Court, "The impact of planning on good governance practices in South African Greek family businesses", *Management Dynamics*, 14(4), 2005; M Cullen, "The development of a model to promote sustainable strategic entrepreneurial behaviour of family estate wine businesses in the South African wine industry", (Ph.D, Nelson Mandela Metropolitan University, 2007); SM Farrington, "Sibling partnerships...", (Ph.D, Nelson Mandela Metropolitan University, 2009); SP van der Merwe, "Formal planning...", (Ph.D. thesis, North-West University, Potchefstroom, 1998); SP van der Merwe, "Evaluation of the factors that ensure long-term sustainability of family farms", *South African Journal of Agricultural Extension*, 36, 2007; SP Van der Merwe & S Ellis, "An exploratory study of some of the determinants of harmonious family relationships in small and medium-sized family businesses", *Management Dynamics*, 16 (4), 2007; E Venter, "The succession..." (Ph.D, University of Port Elizabeth, 2003); E Venter & C Boshoff, "The influence of family-related factors in the succession process in small and medium-sized family businesses", *South African Journal of Management and Economic Sciences*, 9(1), 2006; WP Venter, "The role of familiness in the success and failure of family-business groups" (Ph.D, University of Johannesburg, 2007).
- 16 MF Whiteside & FH Brown, "Drawbacks for a dual systems approach to family firms: Can we expand our thinking?", *Family Business Review*, IV(4), 1991, p. 383.
- 17 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation – life cycles of the family business* (Boston, Harvard Business School Press, 1997), p. 4.

paragraphs that follow.

Earlier approaches to the study of family businesses

Scholarly work in the field of family business research began with consultants' case descriptions of family firms.¹⁸ These pioneers in the field were close to the challenges faced by family business managers, as they devoted their energies to consulting to these firms.¹⁹ The study of family business systems was launched with the publication of various articles in the 1960's and 1970's,²⁰ focusing mainly on general problems that appeared to hamper the success of family businesses, such as nepotism, generational and successor rivalry, and unprofessional management. Early theorists approached the enigmas of family businesses in the belief that the problems observed resulted from the infringement of emotional family factors that had the potential to corrupt the business. These initial assumptions were largely responsible for the negative connotations associated with family businesses, which have persisted to this day.²¹ The attention then shifted to the founders of family businesses. Much of the available literature relates directly or indirectly to these individuals. Many studies focused on the personality of the founders, and more generally, on the personality of entrepreneurs, which most founders are considered to be.²²

Life-cycle approach to the study of family businesses

One of the first approaches adopted to enhance the understanding of the nature of a family business is the *life cycle* or *phase* approach. Theoretically, businesses are thought to evolve through some type of life cycle. In terms of the life-cycle approach, family businesses can prepare themselves for the personal and organisational developmental tasks they will face in the future

18 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, p. 4.

19 SA Zahra & P Sharma, "Family business research ...", *Family Business Review*, XVII(4), 2004, p. 333;

20 LB Barnes & SA Hershon, "Transferring power in the family business", KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, 1997; RG Donnelley, "The family business", KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, 1997; H Levinson, "Conflicts that plague family businesses", *Harvard Business Review*, (March-April), 1971.

21 TM Dickinson, "Critical success factors for succession planning in family businesses", (MA, University of the Witwatersrand, 2000); KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, p. 4; SA Hume, "An assessment of the risk of family business failure" (Ph.D, Antioch University, 1999), p. 16.

22 SA Hume, "An assessment..." (Ph.D, Antioch University, 1999), p.16; E Venter, "The succession..." (Ph.D, University of Port Elizabeth, 2003), p. 41.

by considering people, families and businesses as dynamic entities undergoing cyclical processes of birth, growth, and decline.²³

Various typologies have been used to describe the different stages of an organisation or business's life cycle.²⁴ Amongst others, Goldberg, Handelsman, Leach, and Neubauer and Lank have discussed various business developmental models in the context of understanding the family business.²⁵ These models include those proposed by Hershon, McGivern, Ward, and Benson, Crego and Drucker.²⁶ Neubauer and Lank²⁷ maintain that the challenge is to find ways of clearly describing the complex evolutionary patterns of human organisations in general and family businesses in particular, because the governance of a family business should be guided by its position in the evolutionary life cycle. The life-cycle models were developed in literature from individual physiology, organisational theory and family business theory.

Family businesses as dual systems

The next approach to understanding the nature of family businesses is the application of the systems theory and theories of organisation to the field of family businesses. This approach has resulted in a useful framework for studying the relationship between the family and the business, by presenting the family and the business as overlapping, interacting and interdependent

23 B Dunn, "The family factor: The impact of family relationship dynamics on business-owning families during transitions", *Family Business Review*, XII(1), 1999, p. 41.

24 I Adizes, "Organizational passages – diagnosing and treating lifecycle problems of organizations", *Organizational Dynamics*, (Summer), 1979, p. 8; NC Churchill & VL Lewis, "The five stages of small business growth", *Harvard Business Review*, (May/June), 1983; LE Greiner, "Evolution and revolution as organisations grow", *Harvard Business Review*, (July/August), 1972, p. 39.

25 SD Goldberg, "Factors which impact effective succession in small family-owned businesses: An empirical investigation" (Ph.D, University of Massachusetts, 1991), p. 39. KG Handelsman, "An exploratory study: The management of family-owned businesses" (MA report, University of Cape Town, 1986), p. 16; P Leach, *The Stoy Hayward guide to the family business*, 2nd Edition, (London, Kogan Page, 1994), p. 86; F Neubauer & AG Lank, *The family business ...*, p. 26.

26 SA Hershon, "The problem of management succession in family businesses", in F Neubauer & AG Lank, *The family business ...*, 1998; C McGivern, "The dynamics of management succession", *Management Decision*, 16(1), 1978; C McGivern, "The dynamics of management succession: A model of chief executive succession in the small family firm", *Family Business Review*, II(4), 1989; B Benson, ET Crego & RH Drucker, *Your family business – a success guide for growth and survival*, (Homewood, Dow Jones-Irwin, 1990); JL Ward, *Keeping the family business healthy: How to plan for continuing growth, profitability and family leadership*, (San Francisco, 1987).

27 F Neubauer & AG Lank, *The family business ...*, p. 26.

systems, and also for analysing both the family and the business as systems.²⁸ This framework which is referred to as the *dual systems approach* or the *two-system concept*,²⁹ was developed by Tagiuri and Davis at Harvard University in the early 1980's.³⁰ This approach is shaped by the general systems theory and is sometimes also referred to as the "family business systems theory". The underlying belief is that the interconnectedness of related subsystems is critical to an understanding of how the overall system functions.³¹

In terms of the dual systems approach, the business and the family systems are separate entities, each with its own norms, goals, membership rules, value structures, and organisational structures.³² The family system, for example, is emotion-based; its members are bound together by deep emotional ties that can be both positive and negative. The family system also tends to be inward-looking, placing high values on long-term loyalty, care, and the nurturing of family members. It is a conservative system, operating to minimise change and to keep the equilibrium of the family intact.³³ The business system, on the other hand, is more task-orientated and outward-looking, and places a high premium on the reward of performance, as well as embracing change.

In the non-family business, these two basically incompatible systems operate independently, but in the family business they not only overlap, but are actually interdependent.³⁴ Although the institutional overlap between the family and business systems does have the potential to contribute positively to organisational success, this key interface often damages both entities.³⁵

28 PS Davis & D Stern, "Adaptation, survival, and growth of the family business: An integrated systems perspective", *Family Business Review*, I(1), 1988, p.71; JA Davis & R Tagiuri, "Bivalent attributes...", CE Aronoff & JL Ward, *Family business sourcebook*, (Detroit, Omnigraphics, 1991); SD Friedman, "Sibling relationships and intergenerational succession in family firms", *Family Business Review*, IV(1), 1991, p. 11.

29 MF Whiteside & FH Brown, "Drawbacks for ...", p. 383; KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, p. 5.

30 TM Dickinson, "Critical success factors...", (MA dissertation, University of the Witwatersrand, 2000);

31 WC Handler, "Managing the family firm succession process: The next-generation family member's experience" (Ph.D, Boston University, 1989), p. 4; WC Handler & KE Kram, "Succession in family firms: The problem of resistance", *Family Business Review*, I(4), 1988, p. 367.

32 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, p. 5.

33 P Leach & T Bogod, *BDO Stoy Hayward guide to the family business*, 3rd Edition, (London, Kogan Page, 1999).

34 P Leach, *The Stoy Hayward guide to the family business*, 2nd Edition, (London, Kogan Page, 1994), p. 25.

35 JH Astrachan & TA Kolenko, "A neglected factor explaining family business success: Human resource practices", *Family Business Review*, VII(3), 1994, p. 252; MFR Kets de Vries, "The dynamics of family controlled firms: The good news and the bad news", *Organisational Dynamics*, 21(Winter), 1993, p. 63.

The Three-circle model of family business

In the early 1980's, Tagiuri and Davis elaborated on the two-systems approach. They made a critical distinction between the ownership and management subsystems within the business circle: some individuals are owners, but are not involved in the operation of the business, while others are managers, but do not control shares. From this, the *three-circle model* emerged. This model describes the family business system as three independent but overlapping subsystems: *business*, *ownership* and *family*. For the past decade and a half, the three-circle model (see Figure 1) of family business has been the primary conceptual model of family business.³⁶

The three-circle model views family business as a complex system comprising three overlapping subsystems, namely business, ownership and family. The health of a family business relies on parallel developmental processes occurring in all three subsystems. When a legal arrangement, for example a trust, freezes development in the ownership system, the family business as a whole may suffer.³⁷

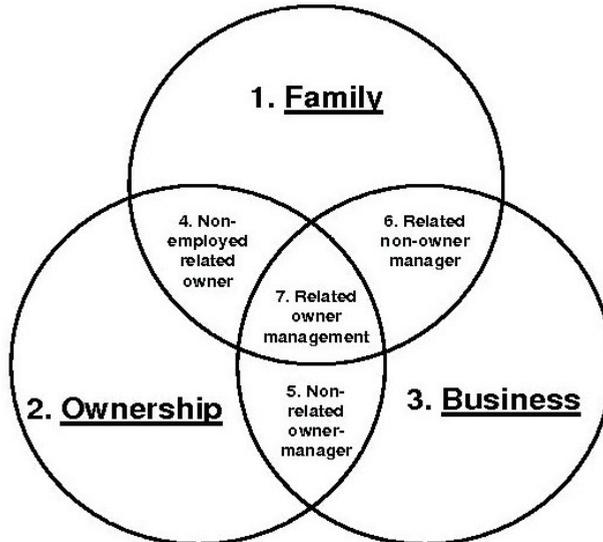


Figure 1: Three-circle model of family business

³⁶ KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, pp. 5, 6, 287; R Tagiuri & JA Davis, "On the goals of successful family companies", *Family Business Review*, V(1), 1992, p. 49; P Westhead, M Cowling & C Howorth, "The development of family companies: Management and ownership imperatives", *Family Business Review*, XIV(4), 2001, p. 380.

³⁷ M McCollom, "The ownership trust and succession paralysis in the family business", *Family Business Review*, V(2), 1992, p. 146.

The three-circle model illustrates the various positions that could be taken up by different family and non-family members in the family business. The complexity of managing the differing norms, values and expectations from the various positions in the three circles typifies the challenges facing the family business.

Another useful and complementary way to examine the family business system is to define it as an ideological triangle. As Johannisson and, Johannisson and Huse report,³⁸ very often a family business is ideologically a combination of entrepreneurialism, managerialism and paternalism. Koiranen offers a cultural approach in describing how a family business system works as an ideological arena, by developing a C³-model to complement the well-known three-circle model of Tagiuri and Davis.³⁹ According to Koiranen, the family business seems to be an arena of contesting and contrasting ideologies. By adopting the structure of a three-circle model to this ideological dimensionality, it is possible to illustrate the interactive battleground of the key cultural forces. The joint field in the middle is often the arena for clashing ideologies, but when understood and managed properly, can lead to a C³-type situation where a family business system can have the right balance between the cultures of *Caring* (paternalism); *Controlling* (managerialism); and *Creating* (entrepreneurialism).⁴⁰

The three-circle and C³ models discussed above are important frameworks for understanding complex behaviour in family businesses, as they clarify the motivations and perceptions of individuals at various locations in the overall system. According to Gersick et al.,⁴¹ however, the dimension of time is needed to make these frameworks more relevant to the reality of family and business organisation.

The three-dimensional development model of family businesses

According to Gersick et al., the business, ownership and family circles can

38 B Johannisson, "Ideological tensions in the medium-sized family business: Obstacles or leverage for growth", in M Koiranen, "Understanding the contesting...", *Family Business Review*, XVI(4), 2003; B Johannisson & M Huse, "Recruiting outside board members in the small family business: An ideological challenge", M Koiranen, "Understanding the contesting...", *Family Business Review*, XVI(4), 2003.

39 M Koiranen, "Understanding the contesting ideologies of family business: Challenge for leadership and professional services", *Family Business Review*, XVI(4), 2003, p. 241.

40 M Koiranen, "Understanding the contesting...", *Family Business Review*, XVI(4), 2003, pp. 246-247.

41 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, p. 14.

be used to create a snapshot of any family business system at a particular point in time. However, many of the most important dilemmas that family businesses encounter are caused by the passage of time, involving changes in the business, in the family, and in the distribution of ownership. A family consisting of a young couple and an infant child is not the same as a family with teenagers, or a family with elderly grandparents, adult offspring, and a new generation starting school. Similarly, entrepreneurial start-ups are not the same as businesses that have already secured a place in the market. Because of the critical roles key individuals often play over long periods, family businesses are especially affected by the inevitable aging of people in each of the sectors. Gersick et al. argue that any model describing family businesses should therefore take time and change into consideration, in order to reflect the real world accurately.⁴²

Implementing their own suggestion, Gersick et al.⁴³ have transformed the three-circle concept into a developmental model in which each of the three subsystems moves through a sequence of stages over time (see Figure 2). Basically, the authors have taken a variation of the three-circle model and chosen to focus on family, ownership and business, breaking each into individual life cycles. The result is a three-dimensional model referred to as the “developmental model”. The family axis of the developmental model has been greatly influenced by Levinson and other individual and family life-cycle theorists; the ownership axis is derived directly from Ward, while the business axis is a telescoped version of the numerous business life-cycle models.⁴⁴ Although each of the conceptual models describing the family business and its life cycles has its own strengths and weaknesses, the three-dimensional model developed by Gersick et al.⁴⁵ offers the most advanced insight into the stages of development in a family business’s ownership, family and management structures.

42 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, pp. 15, 17.

43 See KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*.

44 DJ Levinson, “Seasons of a man’s life”, in F Neubauer & AG Lank, *The family business ...*; F Neubauer & AG Lank, *The family business ...*, 1998.

45 See KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*.

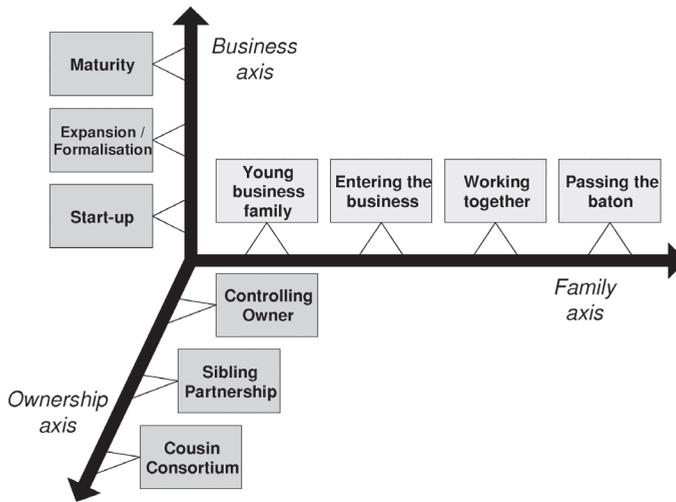


Figure 2: Three-dimensional development model

As previously mentioned, each of the three subsystems, *ownership*, *family* and *business*, has a separate developmental dimension. Each of these three developmental dimensions will now be considered separately.

Ownership developmental dimension

Gersick et al. contend that it is the aspect of family ownership that defines a family business, even more than the family name on the door or the number of relatives in top management.⁴⁶ The three-circle model explicitly identifies the ownership group in the family business system, replacing the two-circle concept that originally did not differentiate between ownership and management in the family business system.⁴⁷

Ownership may take many forms in a family business. Ward⁴⁸ first drew attention to different categories of ownership for family businesses when he proposed a typical progression of ownership from *Controlling-Owner* to *Sibling Partnership*, and finally to the *Cousin Consortium* or family dynasty. Gersick et al. suggest that the progression of ownership from one form to another

46 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*

47 JA Davis & R Tagiuri, "Bivalent attributes of the family firm", CE Aronoff & JL Ward, *Family business sourcebook*, (Detroit, Omnigraphics, 1991).

48 JL Ward, "Creating effective boards for private enterprises: Meeting the challenges of continuity and competition", Neubauer & AG Lank, *The family business ...*, 1998.

should be considered as developmental, because it follows a predictable sequence, and is at least partly driven by the aging and expansion of the owning family. The core issues of ownership development are well captured in three stages: Controlling-Owner businesses; Sibling Partnerships; and Cousin Consortiums.⁴⁹

The form of ownership influences the business strategy, as different ownership plans require different strategies. Each stage also has key issues and challenges that are common to that stage in most family-owned businesses. While the stages of a family business are distinct, the lines between the stages are not clear or distinct. There are periods, for example, where one generation has not quite let go, and the one to follow has not quite taken charge.⁵⁰

Family developmental dimension

The family developmental axis in Gersick et al.'s model shows the development of the family over time. The family developmental dimension captures the structural and interpersonal development of the family through such issues as marriage, parenthood, adult sibling relationships, in-laws, communication patterns, and family roles. The family axis is different from the ownership and business axes, because it is driven by the biological aging of family members, and is therefore more of a one-way street than the others. This dimension is also different from depictions of other family life cycle theories, because it is specifically about business families.⁵¹

Gersick et al. and Lansberg adapted and integrated the concepts of individual adult development and family life cycles to apply to business families, using the broadest generational definition of the term *family*.⁵² According to them, business families can be divided into four stages: *Young business family*; *Entering the business*; *Working together*; and *Passing the baton*. It is important to mention that, although the family developmental axis traces the developmental cycle of one nuclear family, more than one family life cycle will be evolving at the

49 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, pp. 30, 31; I Lansberg, *Succeeding generations: Realizing the dreams of families in business* (Boston, Harvard Business School Press, 1999), p. 3; F Neubauer & AG Lank, *The family business ...*, p. 41.

50 JL Ward, *Perpetuating the family business. 50 lessons learned from long-lasting successful families in business*, (New York, Palgrave Macmillan, 2004), pp. 34-42.

51 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, p. 61.

52 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, p. 60; I Lansberg, *Succeeding generations...*, p. 153.

same time, as business families become more complex. Among businesses that have reached the *Sibling Partnership* and *Cousin Consortium* stages on the ownership axis, there may be family groups that are in two, three, or even all four of the family stages.

Business developmental dimension

The developmental model of Gersick et al. once again suggests that a simple three-stage progression captures the essential useful differentiation of business stages. The first stage, *Start-up*, covers the founding of the business and the early years, when survival is at stake. The second stage, *Expansion/Formalisation*, covers a broad spectrum of businesses, and includes all family businesses from the point where they have established themselves in the market and stabilised operations into an initially predictable routine, through expansion and increasing organisational complexity, to the period when growth and organisational change slow down dramatically. The final stage on the business developmental axis is *Maturity*. This stage is characterised by an organisational structure that supports stability, a stable customer base with a modest growth or decline, a divisional structure run by a senior management team, and well-established organisational routines.⁵³

It is important to emphasise at this stage that although it is useful to use the typology presented by the model of Gersick et al., an overemphasis on categorising may lead to oversimplification. There are many hybrid conditions, for instance, when ownership is shared across generations, or when a complex business that, although comfortable in maturity with its original product, opts to start some new ventures and to develop others. A given family business can be at more than one stage on any given axis, placing the focus periodically on archetypes such as *Controlling-Owner*, *Young business family*, or *Start-up business*.⁵⁴ Gersick's model ideally provides a predictable framework for the development of family businesses over time in each dimension, and suggests how a recognition of the current stage, and the combination of stages across ownership, family and businesses, could help to analyse the dynamics of the family business.⁵⁵

53 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, pp. 23-24, 105, 129.

54 F Neubauer & AG Lank, *The family business ...*, p. 41.

55 KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, p. 24.

Augmented development model of family businesses

According to Rutherford, Muse and Oswald, the underlying logic of Gersick et al.'s development model of family businesses (DMFB) has gone without challenge in the family business literature. Models developed since then are highly correlated with the DMFB, and make it clear that any study of the family business must take into account both family and business dynamics. What is less clear is which variables in the respective sets are actually important when classifying family businesses. In an effort to understand more clearly the classification of family businesses, Rutherford et al.'s research has attempted to add value to the widely utilised and respected DMFB.⁵⁶

The augmented DMFB proposed by Rutherford et al. begins with Gersick et al.'s classification by utilising the family, business, and ownership dimensions. However, after a review of the existing literature, Rutherford et al. added a number of owner, family, business, and ownership characteristics. Specifically included are constructs found in the literature since the publication of the DMFB (1997-2005). The augmented DMFB further builds on Gersick et al.'s model by incorporating owner characteristics (gender, growth orientation, and education level); business characteristics (capital structure and strategic planning); family characteristics (divorce rate, family turnover, and family net worth invested in business); and one additional ownership variable (co-preneurship).⁵⁷

Rutherford et al.⁵⁸ postulate that their analysis indicates that the original DMFB provides a solid foundation for studying family business development. Their analysis, however, provides an extended model that may be superimposed on the original DMFB to gather additional forms of information regarding family business development.

The Bulleye systems approach to modelling family businesses

According to Pieper and Klein, the models developed to explain family businesses to date, are incomplete in that they exclude essential family

56 MW Rutherford, LA Muse, SL Oswald, "A new perspective on the developmental model for family business", *Family Business Review*, XIX(4), 2006, pp. 318, 327.

57 MW Rutherford, LA Muse, SL Oswald, "A new perspective ...", *Family Business Review*, XIX(4), 2006, pp. 319, 327-329; KE Gersick, JA Davis, MM McCollom Hampton & I Lansberg, *Generation to generation...*, 1997.

58 MW Rutherford, LA Muse, SL Oswald, "A new perspective ...", *Family Business Review*, XIX(4), 2006, pp. 327-329.

business dimensions and ignore important relationships among subsystems that may influence family business behaviour. In addition, most of the models developed are illustrated on rather basic levels of abstraction, which do not allow for feedback loops and reciprocal influences.

To address these shortcomings Pieper and Klein developed the “Bulleye”, an open systems approach that accounts for four levels of analysis, namely the individual, the subsystems, the family business, and the environment.⁵⁹ Despite the challenges posed in graphically depicting the “Bulleye” (Figure 3) in an appropriate and comprehensive way, Zahra, Klein and Astrachan⁶⁰ contend that the model contributes to a more unified and holistic view of the family business field.

Pieper and Klein,⁶¹ however, suggest that the Bulleye open systems approach need only be applied where complex interactions across various levels of analysis influence each other, and where theories concerning different levels of analysis are needed to explain a phenomenon.

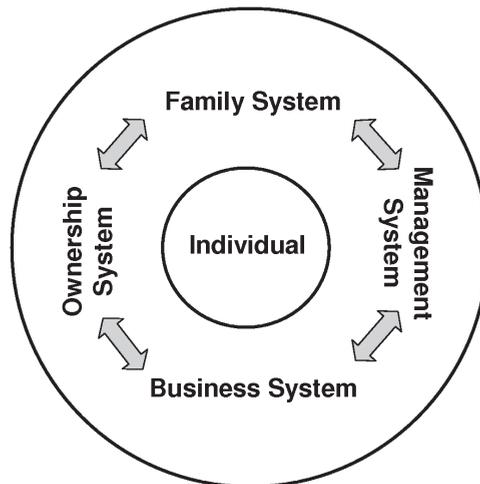


Figure 3: The Bulleye: Two-dimensional onlook onto the three-dimensional open-system

59 TM Pieper & SB Klein, “The Bulleye: A systems approach to modeling family firms”, *Family Business Review*, XX(4), 2007, pp. 301, 307.

60 SA Zahra, SB Klein & JH Astrachan, “Theory building and the survival of family firms: Four promising research directions”, in TM Pieper & SB Klein, “The Bulleye: A systems...”, *Family Business Review*, XX(4), 2007.

61 TM Pieper & SB Klein, “The Bulleye: A systems...”, *Family Business Review*, XX(4), 2007, p. 309.

Conclusion

Reviewing the evolution of the field of family business research, it can be observed that it remains preoccupied with the same issues that have dominated its discourse over the last 20 years, namely succession, performance, and governance of family firms. Paradoxically, key issues relating to the effective management of family businesses, such as goal and strategy formulation, innovation, professionalisation, resource management, internationalisation and culture, are routinely ignored or remain understudied⁶² by researchers in the field. Family business research continues to remain fragmented in its focus and findings, and lacks a solid theoretical grounding.⁶³ Similarly Casillas and Aceda⁶⁴ suggest that the literature on family business shows a high degree of fragmentation, which points to a lack of consensus as to what the prevailing conceptual foundations of the field are.

Since its inception, the field of family business studies has borrowed heavily from other disciplines, including Psychology, Sociology, Economics, Law and Family systems theories.⁶⁵ This trend has continued, and much research is still grounded in well-established theories drawn from other disciplines. However, as the number of scholars investigating each topic remained small, the depth of understanding of each topic has remained shallow, lacking comprehensive theory-based frameworks.⁶⁶

A prevalence of descriptive studies based on small sample sizes has also been observed. Both Handler and Wortman have proposed that the range of research methods be broadened.⁶⁷ However, a rise in empirical studies characterised by more rigour and larger samples has recently been observed. Despite this positive trend, the field remains dominated by familiar research methods and analytical tools that render a mechanical quality to published research and does not contribute to a deeper understanding of the forces that drive empirical observation.⁶⁸ Because family businesses resist easy definition, many studies on family businesses are conceptual in nature. As a result,

62 SA Zahra & P Sharma, "Family business research...", *Family Business Review*, XVII(4), 2004, p. 335.

63 TM Pieper & SB Klein, "The Bulleye: A systems...", *Family Business Review*, XX(4), 2007, p. 302; SA Zahra & P Sharma, "Family business research...", *Family Business Review*, XVII(4), 2004, p. 333.

64 J Casillas & F Aceda, "Evolution of...", *Family Business Review*, XX(2), 2007, p. 151.

65 MS Wortman, "Theoretical foundations...", *Family Business Review*, 7(1), 1994, p. 4.

66 J Casillas & F Aceda, "Evolution of...", *Family Business Review*, XX(2), 2007, p. 142; SA Zahra & P Sharma, "Family business research...", *Family Business Review*, XVII(4), 2004, pp. 335-336.

67 WC Handler, "Methodological issues and considerations ...", *Family Business Review*, II(3), 1989; MS Wortman, "Theoretical foundations...", *Family Business Review*, 7(1), 1994.

68 SA Zahra & P Sharma, "Family business research...", *Family Business Review*, XVII(4), 2004, p. 336.

empirical evidence on family business is sparse, and relies mostly on anecdotal observations.⁶⁹

On examining the field of study, one would have to conclude that while family business research has made great strides, it still has a long way to go before it will influence public policy decisions, improve managerial practices, or even enrich scholarly literature on family business.⁷⁰ Casillas and Aceda⁷¹ conclude that the field of study of family business is still an emerging discipline when compared to other neighbouring areas of study. Family business may be considered as just one particular area of business within the management field, but research rooted in its concepts offers a different view, showing how it is developing into a formal paradigm within the organisation of the science. Similarly, Nicholson⁷² advocates that the field of family business still, to a degree, suffers from relative isolation as a field of management.

Researchers in the field of family business do, however, continue to gain new insights and understanding into the fundamental processes that underlie these businesses. In doing so, their findings inform, direct, enrich and guide managerial practice as well as future research.

69 J Lee, "Family firm performance: Further evidence", *Family Business Review*, XIX(2), 2006, p. 105.

70 SA Zahra & P Sharma, "Family business research...", *Family Business Review*, XVII(4), 2004, p. 337.

71 J Casillas & F Aceda, "Evolution of...", *Family Business Review*, XX(2), 2007, p. 141.

72 N Nicholson, "Evolutionary psychology and family business: A new synthesis for theory, research and practice", *Family Business Review*, XXI(1), 2008, p. 103.