

# **FAMILY VALUES IN FAMILY BUSINESSES**

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## **ABSTRACT**

During periods of challenge or change, families and their businesses are supported by their belief in a set of shared values. These are sometimes described as 'lived' values, in contrast to 'espoused' values, which may not always survive the challenge. This study of three small/medium second and third generation family businesses seeks to propose a framework of values as the basis for further, empirical study. Explanation building was used to analyse data collected through in-depth interviews and questionnaires.

Respondents included at least two generations of family and a sample of employees.

Four main sets of values are described. These have been referred to as 'respect for the founder'; 'honesty and integrity'; 'loyalty and commitment'; 'risk avoidance, smoothing and resistance to change'. The role of the founder is described as pivotal in determining and sustaining core business values, even after death.

## **INTRODUCTION**

When a family business goes through change such as generational transition, old habits and vested privileges are frequently challenged. Embedded, or lived, family values that remain intact can, arguably, help to sustain the business during periods of difficult change (Cadbury, 2000). The challenge can also expose the distinction between espoused values and lived values (Schein, 1992; Brown, 1998). These revelations may create conflict. It is within conflict that values are tested and exposed to critical appraisal. Carlock and Ward (2001) have emphasised the importance of accommodating family values in the strategic development of family business. This research seeks to uncover and define values embedded in families associated with businesses, to explore their place in the family and compare them with those identified as prevalent in three family-run businesses.

The research is limited in scope and depth. Nevertheless, important questions regarding the place of family values, and what has been described as “familiness” are raised. Following an outline of the research approach employed, there is brief description of each of the three businesses used in the study. The interview data are used to identify common themes relating to espoused values. These are compared with the questionnaire responses, and further questions are identified around the loose framework of values consistently featuring in the interviewees’ responses.

## **METHODOLOGY**

This research builds on work previously carried out following a major survey of family businesses in Central Southern England. Three case studies based on three contrasting family businesses in or beyond second-generation leadership are used to illustrate relationships between values espoused in families and to compare them with the shared espoused values in the organisations which they own or run. The three companies were chosen for their comparable size (small or medium enterprises), the fact that they were at least second generation and had experienced more than one generation working in the firm at the same time. Academic and practitioner literature provided examples of value sets linked to families and organisations.

The three businesses were studied sequentially. Analysis and review of data were undertaken at each stage in order to develop an explanation of an emergent framework of values. Case studies are used here to match patterns of responses through systematic explanation building based on the data collected, in preference to testing a predicted explanation (Yin, 1994). In-depth interviews with relevant family members and key non-family employees were used to identify and explore key events and critical incidents, particularly those surrounding generational transition. All interviews were tape-recorded with the consent of the interviewees. A particular area of interest for the interviewers was the enduring impact of the founding family member, or the most recently retired senior member of the family. Multi-generational genograms (Lieberman, 1979) were also used to map key events that might indicate espoused values. A questionnaire survey of a small stratified sample of non-family employees in two of the companies, based on an established model of organisational culture (Cameron and Quinn, 1999), was used to identify core cultural values perceived by employees as defining their organisation. This model also permitted employees to indicate their perception of a more suitable culture. The questionnaire responses were broadly consistent with the outcomes of the interviews. The resulting profiles (below, Figures 1 and 2) demonstrate consistency between the two companies.

## **ORGANISATIONAL VALUES AND FAMILY BUSINESS**

Based on past experience and earlier related research (Gatrell & Kiely, 2000), the researchers anticipated values such as integrity in the work or product, the desire to be successful, the importance of education, religion or public service, and commitment to current and future generations to be important to family businesses. Value themes identified by Kabanoff (1991) included authority, leadership, performance, reward, commitment and affiliation. Values are defined elsewhere as “generalised, enduring beliefs about the personal and social desirability of certain specific modes of conduct or end-states of existence.” (Rokeach, 1979). Namenwirth and Weber (1987) have suggested that assessing organisational values from equally weighted individual respondents fails to recognise the disproportionate impact that certain individuals (such as founders) have on corporate values. Organisation values are likely to be transmitted and maintained from and by individual powerful members such as organisational founders, leaders and heroes (Trice and Beyer, 1993). These are likely to include family members. Goffee and Scase (1995) suggest that management styles can develop from family cultures. They further propose, “paternalistic, hierarchical and disciplined (family cultures)...predominate amongst consumer service organisations”. This study gives careful consideration to the family members who were respondents, and also seeks through the interviews to gain qualitative data on the impact the central family figures have had on their organisations. Data collection methods employed here centred on espoused values. The researchers, however, have been able to draw on insight gained into the enterprises studied through their long-term consulting relationships with them. Some recognition of enacted values is also employed in the analysis of qualitative data.

### **COMPANY BACKGROUNDS**

Company A has 40 employees and imports and distributes food. It was founded in 1919 by the grandfather of the current chief executive. The father retired 11 years ago. Father, son and five senior members of staff were interviewed. The non-family members completed the questionnaire.

Company B has 20 employees and manufactures metal castings. It was founded in 1972 by the father of the two sons who currently run the business as managing director and finance director. The father is still involved in the business in a non-executive capacity. Father, mother, the two sons and three non-family employees were interviewed. The two sons and the three non-family employees completed the questionnaire.

Company C has 15 employees and is involved mainly in property investment. It was founded in 1965 and provides employment for four family members. The founding father is also still peripherally involved in the business.

### **ESPOUSED VALUES**

The cases provided a rich source of data. These were analysed to identify broad areas, or sets, of principles or standards that reflect the perceptions of espoused values shared by respondents. In some cases the researchers noted that they were not necessarily reflected in the actual behaviour of respondents or other members of the companies. Four broad themes presented themselves. These are developed below.

#### **Respect for the founder**

In all three cases the founding entrepreneur remained in the perception of the respondents as a key influence on the current culture and values of the business. Myths and legends have been described as vehicles for the transfer from generation to generation of the character of “founding fathers” (Brown, 1998). There was evidence of what might be described as fear in the minds of some respondents as they described situations which involved the most senior family member. “R (Retired second generation CEO of Company A) went into a spasm because I was at my desk but not working (before starting time)”. This contrasts with R’s view of himself as CEO - “Nobody ever left us, everybody was happy, there was a great bond between us.....possibly I was too familiar.” “I was very soft – I mostly left people to do their own jobs.” Another example of R’s approach was described by one employee – “He found and hid a petty cash box which had been left out overnight in order to frighten the offender into thinking it had been stolen”. R described his relationship with his father (who founded the company) - “If I made mistake he came down on me like a ton of bricks!”

Further evidence of this ‘fear factor’ can be found in the reaction of the two sons running Company B when the interviewer suggested a meeting with the father, (the founder). ‘D’, the eldest son, suggested “You call him as he’s more likely to agree if you ask him”. The younger son, ‘R’, added “Good luck - that’s all I can say!” Both sons commented that their father was “Very focused, single minded, and he’s always right”.

These comments did not accord with the reception given to the interviewer, who found the father to be approachable, open, friendly and fairly liberal. ‘D’ also suggested that it was often a waste of time arguing with his father as “My father’s way was the way” and “Sometimes it feels like running a school, but that’s the way my father ran it”. ‘R’ commented on the role of his mother, saying, “Mother will bow to his way” and “Even if he is wrong, he will carry on without guilt”. ‘R’, who is Managing Director, saw himself more in his father’s image. He said, “I am more like my father, but he is the old school businessman” and quoted his father as having said on more than one occasion, “If you don’t like it this way, go somewhere else”. The father was also aware that he ran the business with the strict discipline of an army unit. “I was the boss, it worked like an army, seven in a unit, one in charge and I kept an eye on them all”.

Fear was also defined in ways that did not necessarily create terror. Company C provided examples. It included fear of “Interrupting when dad is working”, or disturbing dad when he is having a snatched sleep because he is “always working hard” or being in awe of dad, because he works so hard to maintain the business, because “Without the business, how would we survive?” ‘S’, the daughter of the founder, commented, “It was Mum that entertained us. Dad would get up for work at three in the morning” (this referred to the first business in the food sector). ‘S’ also said “I just knew my mum more or less. My relationship with my father wasn’t very close”. ‘S’ commented on the role her father played in the family hierarchy and said “He was very much the figurehead of the family - the one I feared, even though he wasn’t there”. In line with comments made by ‘R’ and ‘D’ (above), ‘S’ said that her father was “Always right” and “if he thought he was right, he would find ways of dispelling our alternative decision.”

When asked how the decision to invite him to join the family business was made, ‘S’ husband, ‘M’, replied, “I’m sure it was my father-in-law who made it and had decided that the time was right. ‘D’, (the founder’s son) made the approach, but it was obvious it was my father-in law who was speaking. And to a certain extent that is how it always

has been. Often my brother-in-law will say something, and I will think, ‘no hang on a minute, this is Dad speaking’”. ‘M’ also had an interesting perspective on the way the father treated his son. He was asked, “Does the son get a tougher deal with the old man than you do?” ‘M’ replied “I’m sure he does. I’m sure that by virtue of the fact that he is the son that more is expected of him”.

The research suggests a persistent image of the founder as a figure of fear, of strict discipline and a necessary authoritarian in the fabric of the family and business. The self-image of the founder was generally different from that described by employees and other family members.

### **Honesty and Integrity**

“The founder’s beliefs, business acumen, decision-making rules of thumb, and values are part of the basic structure of the enterprise, and they are perpetuated ..... In that way founders can remain a presence for generations beyond their own lifetime” (Gersick, Davis, Hampton and Lansberg, 1997). There was evidence for this in all three case studies, in one case the founder was deceased and in the other two the founder was either taking a non-executive role or was retired altogether from the business. There was a consistent desire to be seen as representing honesty and integrity in dealings within the organisation and with customers and suppliers. Founders were consistently seen, and saw themselves, as exemplifying high standards of behaviour. One family CEO said, “I think I was almost too honest. All done on a handshake....before I retired I didn’t like the people we were dealing with any more. They reneged on contracts, etc. That wasn’t our way”. His son (successor) said, “If you look back, the values have been constant. High ethical standards. Customer service has been high.” “The heritage does provide credibility”. Non-family employees shared this view of the company as having high ideals in dealing with its customers.

The son of another founder said, “We try to run things ethically. Our religious beliefs are very important to us and in the way we run the business”. The same son suggested, “Being ethical when times are hard is very difficult, but you have to in order to maintain your integrity”. In this particular family and business the religious beliefs represented core values. “As a family we pray a lot. We do pray for the business and when times are hard we seek God’s help.” The father was also very clear about the core values of honesty and integrity, stating, “There is absolute trust in the family.....we need each other and our faith will see us through”.

### **Loyalty and commitment**

There was a sense of “familiness” within each organisation, with concomitant benefits to long-standing and loyal non-family employees. Fair treatment was seen as all-important, particularly by family members who were responsible for taking decisions that affected long-term employees. In one company, faced with the need to make a number of redundancies, the decision was taken to dismiss two from each of four divisions. This decision bore no relevance to the organisation’s needs and was described by an external adviser as “Completely at odds with the business need.” A non-family employee with two years’ service said “We have people retiring now, there is room for new blood and there is a real opportunity going. But (there is) this family thing where people are appointed because of the loyalty thing and not appointed for the right reason.....”.

Family members frequently referred to the importance they attached to looking after other family members, both within and outside the business. “Father (founder) was

getting on a bit.....he was worried about the other children in the family (two sisters and a brother, none of whom were fit to be employed in the company)” – “He wondered how the other three children would feel” – “All the shares were divided between us. He looked after everybody”. It appeared that this value was translated into caring for employees of long-standing as if they were members of the family. Loyalty was valued highly by family owners. It could also be observed that employees became involved in the family beyond the role of employee. A third-generation CEO described the reactions of some redundant employees, “.....we had to go through a serious restructuring process which involved saying thank you to some long-standing employees. That is the difference. Those guys had been around a long time and recognised the need for change. They had been looked after and that’s fine – as opposed to the other people who had only been here a reasonably short space of time and came back with ‘You can’t do this to me’.”

One employee, who had been with the company for two years, commented that “You become part of the family. If you don’t fit it’s better for you and the company if you go”. This employee perceived great strength in the family working together and perceived a real sense of stability and longevity. He said, “Family working together is a good thing. They all get on well, know each other and can trust each other.” The family and long-standing non-family employees supported each other in times of real hardship. One son said “All the family have done a stint at some point.” He also commented, “In times of crisis, the family pulls together, because you feel like you are cared for.” In one case there was an expressed feeling of “Getting it right for people” and “Getting the right people”. This implied values that employees and family members have or need to commit to in order to belong. These values were often unexpressed and difficult to articulate. One eldest son suggested that “The business is all encompassing and people need to commit to the business, even when they are on holiday”. He added “All three: life, business and religion are combined, all meshed, you can’t separate them”.

### **Risk avoidance, smoothing and resistance to change.**

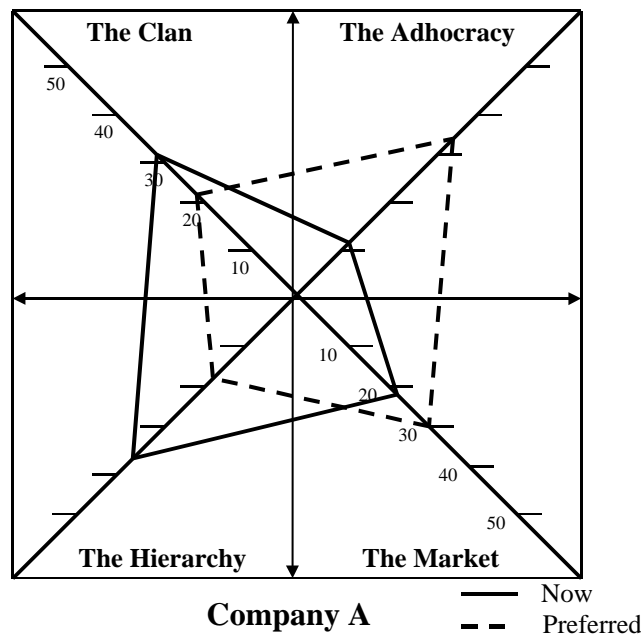
This final set of values is complex, and needs further research to refine its definition. In second and third generation companies there tended to be a shared view among family and longer-term employees expressed as – “We are who we are and we accept and relate to the status quo”. This was described by one senior non-family employee with two years service as “There’s a lot of inertia round here.” Another said, “Employees have been here many years – since they left school – they don’t want to change.....They don’t look outside the organisation.” And “New ideas meet a fair amount of resistance”. The tendency to favour long-standing employee relationships combined with the influence of these typical family values can lead to resistance to change and risk-avoidance. This also leads to a tendency to avoid conflict and confronting difficult issues. One non-family employee commented, “We need a flexible, multi-skilled workforce to compete, but it is very difficult to get any change around here. It is the family. They really don’t want things to change.” One founder said “I could keep an eye on everything, which is what I wanted to do”. Risk avoidance is not restricted to business issues. There was a reluctance to deal with difficult family issues. One retired founder said of his relationship with his son, now running the family business, “We don’t talk about some things.....I am not sure he is up to running the business.....he can’t switch off, but I dare not talk to him about this”. He also added “I have terrible guilt feelings when I think he might be doing this (running the business) just to please me.” Concerns were expressed about the level of stress in participating in a family business. One founder said, “Sometimes I think that nothing is worth all the stress, but we don’t talk about it” and “I certainly wouldn’t do it again.”

Pressure to maintain the status quo comes in part from loyalty to the founder’s original commitment to the business itself. Gersick et al (1997) refer to the challenges of achieving shared vision, or dreams. “It was my dream, my baby, if they wanted to sell the business then that is OK by me, but I wouldn’t find it easy” (Founder). One daughter of the founder said, “My father is your actual rags to riches story.....he had to succeed, to see the family comfortable, to not let us suffer.....it was also his personality, he is a workaholic”.

Members of all three families spoke of avoiding the difficulty of discussing the sale of the business. “.....even if it means living out an existence that I no longer want, just so I can support my father long enough for his dream to die with him”.

### FAMILY BUSINESS CULTURE

Questionnaires based on the competing values framework devised by Cameron and Quinn (1999) were used to elicit perceptions of non-family members regarding the current status and relevance of the culture within two of the organisations.

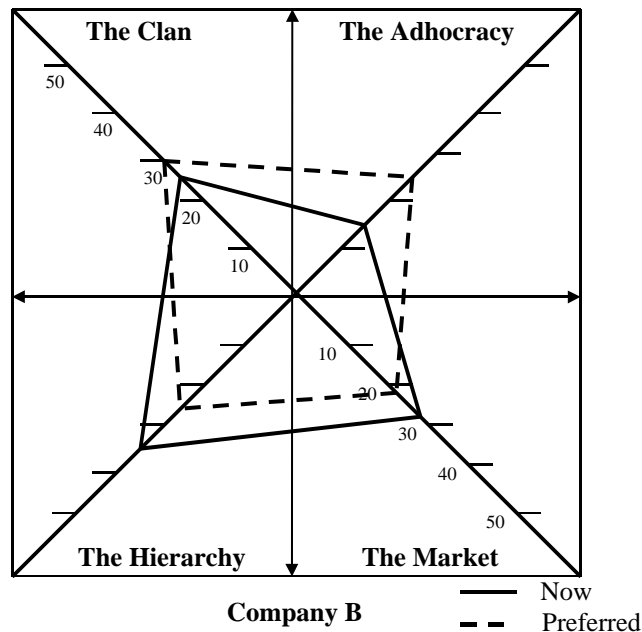


**Figure 1. Cultural Profile of Company A.** (based on Cameron & Quinn (1999))

The sample size was too small to draw firm conclusions, but a degree of consistency was evident in the resulting profiles. In each case, organisations were seen as tending towards a formalised, rules-driven hierarchical culture. Employees’ preference was for a results-oriented market culture, with less formality and a more creative and dynamic environment. This is described by Cameron and Quinn as a culture of ‘adhocracy’.

The family business cultures studied had evolved into a relatively constant state. Non-family employees interviewed referred to “joining the family business” and “being part of the family”. These results confirm the interviewers’ assessment of the organisations as being oriented towards rules and concerned with long-term stability, which is

reflected in Cameron and Quinn’s hierarchical version of culture. Staff in both organisations believed that a more dynamic and innovative environment was desirable. Although culture is malleable, it is also difficult to deal with in a planned way. “When a seemingly rational strategy conflicts with an existing set of implicit governing rules, little change occurs”. (Quinn, 1996). Sets of implicit governing rules that dictate the family business culture were apparent in all three case studies.



**Figure 2. Cultural Profile of Company B.** (based on Cameron & Quinn (1999))

These rules reflected the values of the business members and were often paralleled in the rules that govern the way in which the family operated. Non-family employees expressed views about being part of the family, but they found it difficult to articulate just what it meant to be part of the family business culture - it was “just different”.

The ‘clan’ culture, which has more emphasis in the Company B profile, is expressed as a family-oriented culture, with concern evident for both colleagues and customers. This is the youngest of the three companies, with the closest continuing involvement of the founder.

The companies studied had been in existence for between 30 and 80 years. Their size and structures had remained relatively constant throughout that period. The growth and changes that occur during the development of businesses has been described by Greiner (1978) as including revolutionary phases, triggered by a series of predestined crises. None of our companies appeared to have reached this stage of development, perhaps as a result of the abiding influence of the founder in each case. None, it seemed, had proceeded through the first (leadership) crisis (although one appeared to be about to enter it).

## CONCLUSION

One of the founders said, “What else can you do? You live your life as you do, and take the same values into your business”. Values are embodied in the way we live and are the drivers for rules and codes of behaviour. In organisations, they contribute to culture, which has been described as “The way we do things around here.” In all three case

studies both non-family and family members found difficulty in articulating the embedded family values. Espoused values such as honesty and integrity seemed to dominate.

“We are who we are” and “This is just the way it is around here” seemed to express acceptance of the family value system and a more explicit set of operational rules.

Rokeach (1979) and Schwartz (1992) have observed that value differences between individuals and organisations stem not from whether one person or group is seen to have or not have a particular value, since the same relatively small number of values are found in most settings. Rather, people and groups differ in terms of the importance that is attached to different values and these differences can thus be described in terms of value hierarchies or value structures. A relatively small number of shared values did emerge from the three case studies.

“One of the potentially great strengths of a family owned business is that they are influenced by the family’s values in ways that are good for the business, the family and society at large” (Neubauer and Lank, 1998). In all three cases there was strong sense of the founders’ values and the importance attached to being seen to live those values through the way in which each company carried out its business. This was not always apparent to the non-family employees, but was both explicit and implicit in many of the answers offered by family members.

However, all three founders still had a significant influence on the prevailing values, as expressed by the family members. One researcher observed that a picture of the deceased founder was displayed on the wall directly opposite the entrance to the business. In another case the founder is still the major shareholder and has a strong influence when important business decisions have to be made. The daughter of one of the founders expressed the view that “my father has retired, but he still has the last say”. It seems that the founder puts a ‘stake in the ground’ and although succeeding generations may dance around the stake and even attempt to pull the stake out of the ground, once the stake is in place it is extremely difficult to dislodge.

“As I look back on my life’s work. I’m probably most proud of having helped to create a company that by virtue of its values, practices and success has had a tremendous impact on the way companies are managed around the world. And I’m particularly proud that I am leaving behind an ongoing organisation that can live on as a role model after I am gone” William R. Hewlett, Co-founder, Hewlett Packard Company (1990) Collins and Porras 1994).

William Hewlett could have been expressing the views of all three founding fathers in the case studies. The lasting influence of the founder on the shaping of values inherent in the family and in the business was apparent throughout this research.

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