THE DEGREE OF FAMILY PARTICIPATION IN A FAMILY BUSINESS: WHAT PROMPTS FAMILY MEMBERS TO GET INVOLVED?

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ABSTRACT

This paper identifies the relationship among factors that may increase or reduce the degree of the intent and willingness of family members to participate in a family business. We argue that family members are motivated and willing to participate in family business activities by factors that are related to the external environment, the family culture and the individual's socialization process within the family system. Furthermore a conceptual framework is developed by depicting how these factors affect a family member's participation in the family firm and by laying the foundation for further empirical research.

INTRODUCTION

Family-owned firms are the foundation of the world's business community and their creation, growth and longevity are critical to the success of the global economy. Although they face many of the same day-to-day management issues as publicly-owned companies, they must also manage many issues specific to their special nature. In the United States, 92 percent of all firms are family firms and 18 million among them are family-dominated according to Duman (1992).

A family business is a company owned, controlled, and operated by members of one or several families. Family businesses can be defined as "businesses in which ownership and/or policymaking are dominated by members of an emotional kinship group" (Carsrud, 1994). They differ from other businesses in that ownership and/or control overlap with family membership (Lank, 1997), as in most cases, all major operating decisions as well as plans for leadership succession are influenced by family members who either hold ownership and/or management positions or are on the board of directors (Handler, 1989).

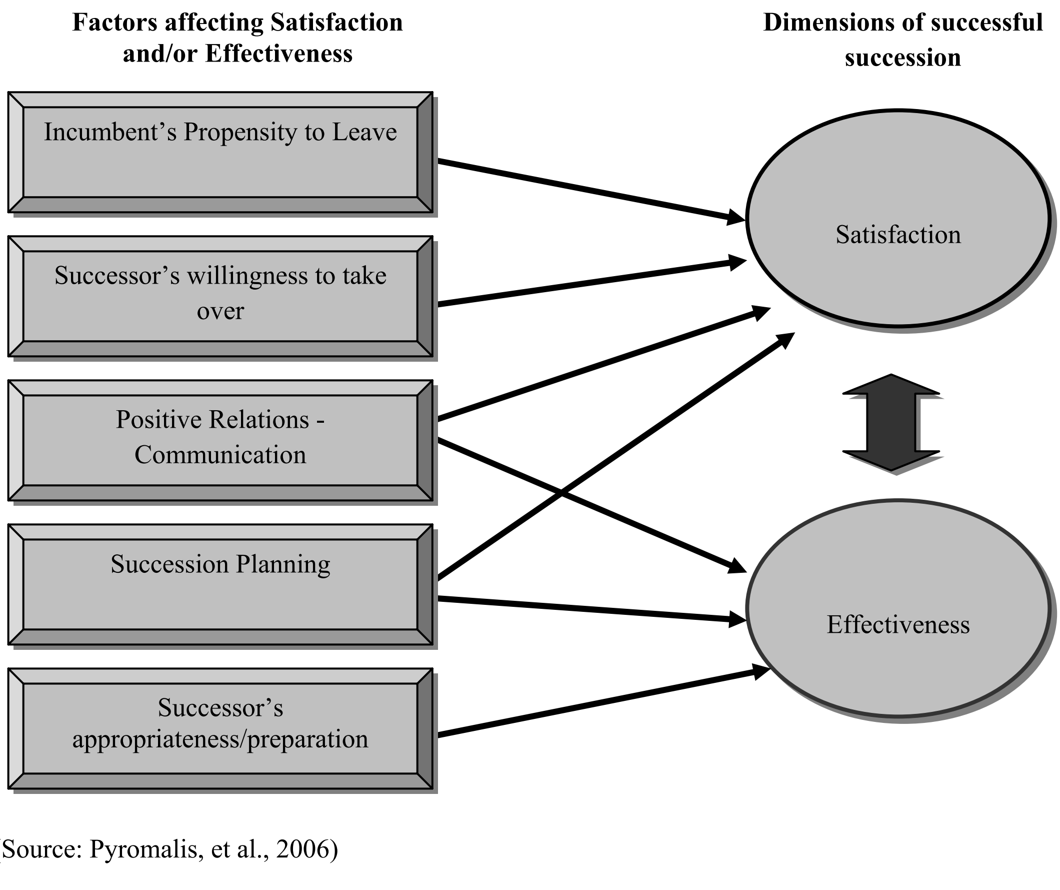
Although, the family business field has received extensive attention from scholars lately (Zahra & Sharma, 2004), the research still remains fragmented in its focus and findings (Bird et al., 2002; Chrisman et al., 2003). Of all the issues facing a family firm however, the most critical is definitely the succession process issue which is literally "the transfer of leadership, ownership, or control from one family member to (preferably) another" (American Family Business Survey, 2007). The basic stakeholders in the succession and transition process are similarly identified as: the incumbent, the successor, and the other family members (Handler, 1989). It is estimated that in the next few years 47 percent of family firms will change their top leadership but among those, an amazing 45 percent have not chosen a successor and/or lack a succession plan, while 65 percent do not have any kind of strategic plan for the future (American Family Business Survey, 2007). As far as ownership transition is concerned, it is interesting to note that 35 percent of the family business owners are considering a co-CEO perspective, 34 percent are proclaiming that a woman will be the next CEO, and 20 percent do not have an estate plan (DiMatteo, 2004).

The succession process greatly affects the fate of the family firm's entrepreneurial continued positive outcomes, as the effective succession rate among family firms is wrought with many difficulties. According to the literature, only about 30 percent of family firms survive to the second generation and only around 15 percent make it through to the third generation (Sonnefeld, 1998; Morris et al., 1997; Beckhard & Dyer, 1983a; Beckhard & Dyer, 1983b). In order to most appropriately map an ongoing succession process, and identify its critical elements, Handler (1989) identified two interactive succession dimensions, namely, the satisfaction with the succession process and the effectiveness of the succession per se.

Within this two dimensional framework researchers have provided significant efforts to classify the factors that potentially influence one or both of these two dimensions of a successful succession process (e.g. Sharma et al., 2003; Morris et al., 1997). In a recent attempt, Pyromalis et al. (2006) based on the existing family business succession literature, proposed an integrated framework that incorporates the critical success factors of both dimensions – satisfaction with and effectiveness of the process - into a holistic approach toward family business succession depicting the direct influence of critical success factors on the satisfaction with and the effectiveness of the succession process (Exhibit 1). Related to these two dimensions of the succession process, namely, succession effectiveness and satisfaction with succession, their model focused on five critical success factors that can influence to a great extent the outcome of the process: 1) The incumbent's propensity to step aside, 2) the successor's willingness to take over, 3) positive family relations and communication, 4) succession planning, and 5) the successor's appropriateness and preparation.

It is obvious that it is quite important for the family firm owner to create conditions within the company that would encourage the involvement of family members in the business as early as possible in order for them to gain experience and commitment to the business through on-the-job training. The successor could be selected from those family members that are willing to get involved because there is a strong need for valuing what connects the business to its entrepreneurial origins and traditions, but by the same token, too much preoccupation with the past should be avoided. It is therefore safe to assume that there is a positive relationship between the succession effectiveness and the satisfaction of the family with the succession process and choice and the incumbent's propensity to step aside, a successor's willingness to take over, positive family relations and communication, succession planning, and a successor's appropriateness and preparation.

Exhibit 1: Conceptual framework of the influences on the succession process



(Source: Pyromalis, et al., 2006)

FAMILY PARTICIPATION IN THE FAMILY FIRM

Family firm succession is a critical issue, but its antecedent, namely family member involvement in the business, has not been examined as thoroughly by research in family business. The literature suggests a definite behavioral difference between family and non-family firms especially regarding leadership succession, but it does not fully explain why family members do or do not decide to get involved in their family's firm. In order for a succession process to be effective the family firm must ensure that there is an adequate pool of succession candidates that will be appropriately prepared and willing to take over from the incumbent.

The degree of family involvement in the family firm also affects the succession planning of the family business, because as mentioned earlier, a successful succession is critical for both the survival and growth of the business as well as the continued prosperity of the family members. Research considers family employment to have under certain conditions an overall positive impact on firm performance. Family members working in the business create family ties and cohesion that are very important for the sustainability and the longevity of the firm. When family members are working for the firm they exhibit shared norms and values with a positive impact on the firm's performance as it brings consistency and unity of purpose (Kets de Vries 1993; Westhead, et al., 2001). Therefore, the recruitment and career management of both family and non-family members with shared norms and values is a major issue in acquiring the talent needed to ensure a firm's long-term success.

Astrachan, et al. (2002) argue that "beyond financial considerations, the family business exists for perpetuating the family values and unity… these values are so important that anything, or anyone that interrupts this fragility could send the family business into chaos." Anderson & Reeb (2003) mention in their study of the performance advantage of family firms: "Founding families view their firms as an asset to pass on to their descendants rather than wealth to consume during their lifetimes". The literature on family business is replete with anecdotes that attest to the importance of the non-economic utilities derived from the binding contract that involves family ties. These include for instance the satisfaction of deep social/emotional needs for belonging (Kepner, 1983), the satisfaction to contribute to the family business perpetuation (Handler, 1990) and the fulfillment of identification needs (Gomez-Mejia et al., 2007). In addition, family members employed in the firm might also face higher exit barriers because their human capital is likely to be more firm-specific (Gomez-Mejia, et al., 2001; Haynes et al., 2004). Lastly, exiting the firm implies not only losing a secure job, but also a reduced status (Casson, 1999). This latter consequence although present in all type of firms, is likely to become more salient in micro and small firms such as family businesses, because the existence of alternative employment opportunities is lowered as a result of a reduced dimension and lack of competitiveness.

Family participation in a family firm therefore can strengthen the business because it is a robust indicator that family members are loyal and dedicated to the family enterprise which in turn is a precursor of family satisfaction with future succession because the interests of the family coincide with the interests of the family firm. In contrast, when family interests are in conflict with the business interests, as for example when hiring a family member who is less competent than a non-family member or keeping underperforming family members in a position when their performance is hurting the company, the future looks gloom for succession effectiveness and family satisfaction with the succession process and choice. In this conceptual paper we advocate that family member participation in the family firm's activities is motivated by stakeholder interests and identities and by the relationship among factors that may increase or reduce family members' participation in the family business.

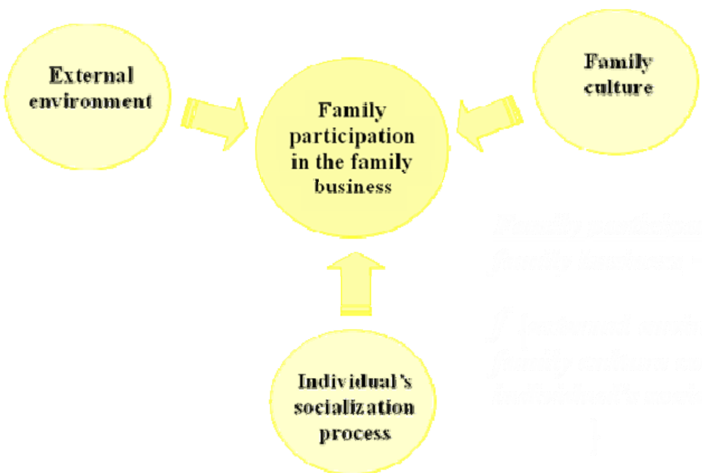
In a recent article Ding (2008) identified the antecedents and moderators of family involvement in a family firm by advocating that an increased labor/managerial participation from by family members drives the economic integration of the family and business systems. An increased participation of labor or managerial services from the family to the business and the increasing integration of the family and the business systems will also affect the contribution of resources by and to those members that are not directly involved in the business. When the family is small during the first or second generation, as a group of stakeholders, family members are likely to expect and usually receive a desirable economic return from their participation. However, as a family grows with subsequent generations, not only the structural complexity of the owner family increases but the family stakeholder interests in the family business also grow more diverse. Therefore, the number of family participants should increase to adequately represent stakeholder interests as the number of owner families increases.

Ding (2008) argues further that if individuals identify themselves with their family this mere fact motivates them to exert more effort and energy to preserve or enhance family pride and the emotional attachment between family and business increases because the family members' identification with the business also grows. Furthermore, family members are more prone to be willing to identify with the business when the family firm has a perceived positive image, and consequently family members are more likely to get involved with their family enterprise if they believe their participation will be improving or maintaining the social status and the positive image of their family and themselves. The resulting cohesion between the family and the family firm creates an emotional bonding among family members and allows both family and business subsystems to systemically respond and adapt to strategic changes, conflict, and stress, enhancing the overall family firm system's functioning and especially its ability to undertake difficult collective decision making. Family functioning strengthens the relationships within the business functioning and vice versa.

This reciprocal need for corresponding functionality within and between the family and the business subsystems implies if family members share the same values and show mutual respect to each other, satisfaction will be higher, and conflict, stress and important strategic decisions and the family firm's transition from the incumbent to a successor will be handled more effectively (Dyer, 1986; Morris, et al., 1997). This working interdependent overall and systemic functionality builds trust among family members and helps everyone clearly identify, acknowledge and accept their role in the business through positive communication because they all unmistakably know "*what's in there for them*" in terms of personal gains in exchange for their support, so conflicts and rivalries that may negatively affect the overall functionality of the family firm's system's are avoided and instead there is prevailing climate of positive relationships, good interpersonal relations, communication and satisfaction with the overall effectiveness of the family firm's functioning.

This paper contributes to the family business literature in two ways. First, it offers a theoretical explanation for the variance of family influence on the family firm, since many studies on family and non-family corresponding and comparative influence have produced mixed results because they did not define exactly what family influence on the firm really is or control for it. Secondly it posits that the degree of family participation in the family firm and how much family members are motivated to participate or decide not to participate in family business activities is a function and is determined by factors that are related to: the external environment, the family culture and the individual's socialization process within the family system. Our conceptual framework is presented in Exhibit 2.

Exhibit 2: Family participation in the family business



CONCEPTUAL FRAMEWORK

Our research is trying to identify the positive or negative and strong or weak relationships between and among factors that may enhance or reduce family members' willingness to participate in the family business.

The External Environment Factor

The external environment's variables that influence the degree of willingness of individual family members to get involved with their family firm include the economic and social framework, the individual's alternative employment options and the specific economic context and timing of his/her decision. By this term we mean the conditions, entities, events, and factors surrounding an organization which influence its activities and choices, and determine opportunities and risks. The economic context within which a family firm operates plays a significant role in helping predicting family participation in the family business. Uncertainty in capital and labor markets limits the employment options outside the family business. In that case family members will be more likely to opt for participating and developing a career in the family business. Moreover, the more the employment options outside the family business the higher the possibilities that family members may decide to be employed outside the family firm. Therefore, the importance of the economic context especially as it relates to the uncertainty of capital and labor markets greatly influences the willingness of family members and the degree thereof to participate in the family firm's activities.

Social and cultural dimensions and pressures such as social values, norms and meanings impact the family firm and the owner's behavior and tend to be quite strong (Dyer, 1986; Habbershon & Williams, 1999; Briar-Lawson et al., 2001; Kets de Vries, 1993; Zahra et al., 2004). According to the family life-cycle theory, human families evolve along a well defined path set by their social environments (White & Klein, 2002; McLanahan & Casper, 1995). Therefore, society somehow determines which individuals from the extended overall family tree belong to a specific family unit through a set of institutionalized rules. The social environment into which the family-business system operates also directly influences the behavior of the family members. More specifically, the social and cultural values, the habits and the commonly accepted behavior in that particular society are going to determine behaviors that would not have been exhibited in different environmental settings. For example in a society where women are not expected to work outside their home it is less likely that the female family members are going to be employed or merely involved in the family firm. Furthermore, the degree of compliance to a parent's wish and will is varies among different cultures. A demand made by the offspring concerning his/her participation in the family business can be considered as a sign of maturity or a sign of disrespect toward the parents.

Therefore, our first research proposition regarding the importance of the socioeconomic context on a family member's willingness to participate in the family firm and the degree of that participation is stated as follows:

P1: *The more uncertain and dynamic the family firm's external environment, the more likely for an individual family member to be willing to participate in the family firm's activities.*

P1a: *The higher the uncertainty in the capital markets, the more likely for an individual family member to be willing to participate in the family firm's activities.*

P1b: *The higher the uncertainty in the labor markets, the more likely for an individual family member to be willing to participate in the family firm's activities.*

P1c: *The fewer alternative employment options outside the family firm, the more likely for an individual family member to be willing to participate in the family firm's activities.*

P1d: *The stronger the external social environment's cultural pressures, the more likely for an individual family member to be willing to participate in the family firm's activities.*

The Family Culture Characteristics Factor

The second factor deals with family characteristics in terms of demographics and psychographics. A family is typically defined as a group of highly interdependent individuals who are connected by birth, marriage, or adoption. Additionally, a family is a nexus of emotional identity around which members develop psychological attachments to each other (White & Klein, 2002). How does the family culture influence the family members' decision to participate or not in the family business? Some variables that seem to be important and influential are the supporting mechanisms that the family members who opted to stay home provide to the working members, the family values, the relationships between members (cohesion), the demographic characteristics (age, order born, gender, etc.), the conformity of children to a parent's wishes and personality characteristics.

The supporting mechanisms can have a dual influence; they create the ideal condition for the member that participates to the family business to be dedicated to it or they act in the opposite direction for the family member that stays at home in order to take care of the children and deal with the family matters (outside the family business). Additionally, the family values and the collective family perceptions towards employment, education, the family business, the role of the male and female in the family can influence the behavior of the family members concerning their participation to the family business. Furthermore, research has proven that the demographic characteristics can influence the intentions to join the family firm (Stavrou, 1999). Finally we must not neglect the personality characteristics and the idiosyncrasy of each member and its willingness to compromise to the parents' wishes that are projected to him/her from a young age.

A very important variable that should be considered in determining the decision to participate in family firm activities or not, is the family's supporting mechanism. The needs of a family business tend sometimes to draw an exorbitant amount of labor and leisure time from the family household. Some families tend to minimize the impact of this drain by outsourcing services to perform the domestic activities or make the children more involved in those activities, in order to be helpful and be able to undertake part of them. Others, due to many and different reasons (e.g. lack of trust as far as babysitting is concerned), choose to have minimum participation in the family enterprise's activities in order to make sure that the household's necessary activities are done. In that case, the members "staying at home" are usually female family members.

It has also been shown that family businesses are very interested in perpetuating their own family values (Astrachan, et al., 2002) and that their owners perceive them as assets to be passed to the next generation (Anderson & Reeb, 2003), while family ownership per se promotes a long-term planning perspective that is necessary for the firm to continue successfully across multiple generations (Zahra, et al., 2004). An empirical study on the goals of family business (Tagiuri & Davis, 1992) found the following to be the six most important family firm goals: to have a company where employees can be happy, productive and proud; to provide financial security and benefits for the owner; to develop new quality products; to serve as a vehicle for personal growth, social advancement, and autonomy; to promote good corporate citizenship; and to provide job security. It is interesting to note that none of these goals, and only one of the 74 goals included in that study, directly concerns the next generation. Succession could therefore be viewed in some circumstances, as a strategy for achieving one or more goals rather than a goal itself. However, since 86 percent of Tagiuri and Davis's sample consisted of CEOs and 60 percent of them consisted of founders, a different sample composed of potential successors, spouses, other family members, or non-family managers could yield quite different results.

In another study, Rowe, et al. (1993), with a sample of 620 family-owned home businesses came up with some very interesting results. More specifically, they tried to identify the profitability of home-based businesses in relation to two factors: the characteristics of the owner expressed in terms of education, need for achievement, family situation, and gender, as well as, the characteristics of the firm's organizational context expressed in terms of structure, age and size of the firm, location, and marketing efforts. The researchers concluded that personal and family characteristics are more powerful variables in the determination of whether the firm will be profitable or not, rather than the characteristics of the business.

Astrachan, et al. (2002) argue that beyond financial considerations, the family business exists for perpetuating the family values and family unity, and that the family cohesiveness stemming from these values is so important that anything, or anyone that interrupts this fragile cohesiveness could send the family business into chaos. Anderson & Reeb (2003) characteristically quote in their study of the performance advantage of family firms that founding families view their firms as an asset to pass on to their descendants rather than wealth to consume during their lifetime.

The cohesiveness of the parent-offspring relationship is very important. However, although parents and children have powerful bonds of shared interest, they are not symmetrical and conflict is seen to be an expected feature of such relations. Parents wish to protect and direct their genetic investment. Offspring wish increasingly to assert their autonomy. Their goals also diverge around the extraction of material and psychological resources. In particular, parent and offspring are expected to disagree over how long the period of parental investment should last, over the amount of parental investment that should be given, and over the altruistic and egoistic tendencies of the offspring especially if these tendencies affect other relatives. Offspring are motivated to demand unconditional benefits in greater amounts and for longer than parents are willing to give them, while parents are motivated to exert more control and to do so for longer than their offspring are likely to tolerate. In general, parent-offspring conflict is expected to increase during the period of parental care, and offspring are expected to employ psychological weapons in order to compete with their parents. Conflict is expected to extend to the adult reproductive role of the offspring and under certain conditions parents are expected to attempt to mold an offspring against its better interests (Trivers, 1974).

Conformity to parental wishes is governed by two human bicultural universes, namely, patriarchy and matriarchy (Brown, et al. 2007; Murdock 1949). In patriarchical societies status passes through the male line, while in matriarchical societies status passes through the female line. Patriarchical societies are more or less the norm, but there are exceptions within this norm, especially where the survival of males is especially precarious and matriarchy prevails with status passing through to the senior female's brothers or male cousins. Males also usually dominate the decision councils in matriarchical societies while female exogamy, where women exit the natal family to bond with males of other kinship groups is quite prevalent (Keesing, 1975). The consequences of these norms are quite visible in family businesses. Recent research has confirmed that male primogeniture constitutes a sizeable liability to firm continuity and succession (Bennedsen, et al., 2007). In many family firms the influence of women is informal and unseen (Curimbaba, 2002; Booth, et al., 2000; Davis & Daly, 1997). Evidence is not as firm at this point, but anecdotal observations seem to suggest that the glass ceiling, which seems to stubbornly persist in the corporate world, is more permeable in family firms where quite often young women rise to leadership positions (Nelton, 2004).

It is the "kith-and-kin involvement" in family firms that distinguishes them out from other types of business organizations and it is clearly a potential source of strength. It is the family commitment to building up a profitable enterprise that gives the family firm its competitive edge. When the family enterprise begins its existence, the family has a single goal to which all its members can subscribe. Since the family both owns and manages the firm, decision-making is straightforward because the interests of the owners and the family do not have to be necessarily considered separately. For the same reason, the firm can be run with minimum overhead, drawing on the family's own resources. It is natural therefore, for the authority of the founder to be accepted from the outset provided the founder remains effective and competent.

Therefore, our second research proposition regarding the importance of the family culture on a family member's willingness to participate in the family firm and the degree of that participation is stated as follows:

> P2: *The stronger the family's culture, the more likely for an individual family member to be willing to participate in the family firm's activities.*
>
> P2a: *The stronger the family's supporting mechanisms, the more likely for an individual family member to be willing to participate in the family firm's activities.*
>
> P2b: *The stronger the family values, the more likely for an individual family member to be willing to participate in the family firm's activities.*
>
> P2c: *The stronger the cohesiveness of the family, the more likely for an individual family member to be willing to participate in the family firm's activities.*
>
> P2d: *The firmer the conformity to parental wishes, the more likely for an individual family member to be willing to participate in the family firm's activities.*

The Individual Socialization Process Factor

Factors that are related to the individual's socialization process, such as the involvement from young age to the family business, the work ethic, the acceptance by the family system and the perceived benefits of family involvement also determine to what extent the family members may be involved in the family business. The need to belong and the need to acquire status are both fundamental to human nature (Baumeister & Leary, 1995; Waldron, 1998). A family business has unique attractions for being able to satisfy these drives simultaneously, since the family enterprise constitutes the organizational integration and the congruence of the family and business systems (Aldrich & Cliff, 2003). Because of the unique family owned governance structure controlling families and their family firms are highly interconnected especially in first generation family firms where owners often develop a strong psychological attachment to the organization they found (Pierce, et al., 2001). Even in a later generation family firm family members may also become emotionally attached to the family business after working there for a long period of time, or even periodically during a young age (e.g. during the summer break or during the Holiday season), and hence they become closely involved in its business activities for the longer term (Sharma & Irving, 2005). Beach (1993) with a sample of 31 firms of which 6 were family care providers, 10 shoe stitchers, and 15 families of home workers, tried to delve into child development in the framework of a family business. He argues that the family acts as a filter affecting the operation of home-based businesses. Furthermore, children may be involved in the business at four different levels. The first level is through play, watch, and help, the second is through assistance with simple tasks, the third is through regular unpaid assistance, and the last one is through regular paid assistance, before they move to a straight salary as full blown family employees.

Work ethic, reciprocal altruism and stewardship behavior are also present in family firms (Davis, et al., 1997; Eddleston & Kellermanns, 2007), and have a positive impact on entrepreneurial behavior and growth, and success can be expected because of the presence of these admirable qualities in the family firm. It is interesting to note however, that no significant relationship of CEO age with either entrepreneurial behavior or employment growth has been observed in the literature (Eddleston, & Kellermanns, 2007). It is possible that this may be a unique finding for family firms, because although entrepreneurial behavior in general may be strongly associated with age, it is possible that pressures in family firms may mitigate such an effect. So even if a family firm member becomes a CEO at a young age, he or she may not have the power to enact entrepreneurial behavior.

Furthermore, the need to belong and the need to acquire status are fundamental to human beings (Baumeister & Leary, 1995; Waldron, 1998). In many corporations, these needs are often stifled or regulated by prohibiting norms of emotional expression and the requirement that individuals subordinate personal goals to organizational rationality otherwise they will not be accepted by the organizational system and culture (Fineman, 2000). Family firms, in contrast, are notorious for the degree to which family members express their emotions freely. They do so confident in the durability of their bonds with the family firm and by their being accepted by the family system and consequently personal goals are more strongly aligned via ownership. Family firms also have a clear identity in an increasingly faceless world because they are built on a human scale and the people who work in them know directly for whom they are working in a personal and personable sense. It is not, therefore, surprising that family firms generally win the loyalty of entire families of employees and that there is often a continuing family tradition of working in them.

Finally, the literature on family business is replete with evidence suggesting a great deal of benefits from participating and being involved with a family firm. In addition to many important economic utilities, there also are many non-economic utilities derived from the *"contract"* that involves family ties, such as the satisfaction of deep social/emotional needs for belonging (Kepner, 1983); the satisfaction to contribute to the family business perpetuation (Handler, 1990); and the fulfillment of identification needs (Gomez-Mejia, et al. 2007). It should be noted however, that in family owned businesses there is a tendency to display a bias and nepotism in favor of one's relatives over non-relatives (Krueger, 2003; Neyer & Lang, 2003). That may form an important advantage perceived by any family member deciding whether to work for the family business or not. In addition, family members employed in the family firm might also face higher exit barriers because their human capital is likely to be more firm-specific (Gomez-Mejia, et al., 2001; Haynes, et al., 2004) and therefore family members may decide to stay for the long haul, because exiting the firm implies not only losing a secure job, but also a reduced status (Casson, 1999). This effect, although present in all type of firms, is likely to become more salient in micro and small family firms, because the existence of alternative employment opportunities is lowered as a result of a reduced job dimension and lack of competitiveness.

Therefore, our third research proposition regarding the importance of the individual's socialization process within the family firm on a family member's willingness to participate in the family firm and the degree of that participation is stated as follows:

P3: *The more extensive a family member's socialization process, the more likely for an individual family member to be willing to participate in the family firm's activities.*

P3a: *The earlier and deeper a family member's involvement in the family firm, the more likely for that individual family member to be willing to participate in the family firm's activities.*

P3b: *The stronger a family member's work ethic, the more likely for an individual family member to be willing to participate in the family firm's activities.*

P3c: *The broader a family member's acceptance of the family system, the more likely for an individual family member to be willing to participate in the family firm's activities.*

P3d: *The more valuable the perceived benefits of the participation in the family business, the more likely for an individual family member to be willing to participate in the family firm's activities.*

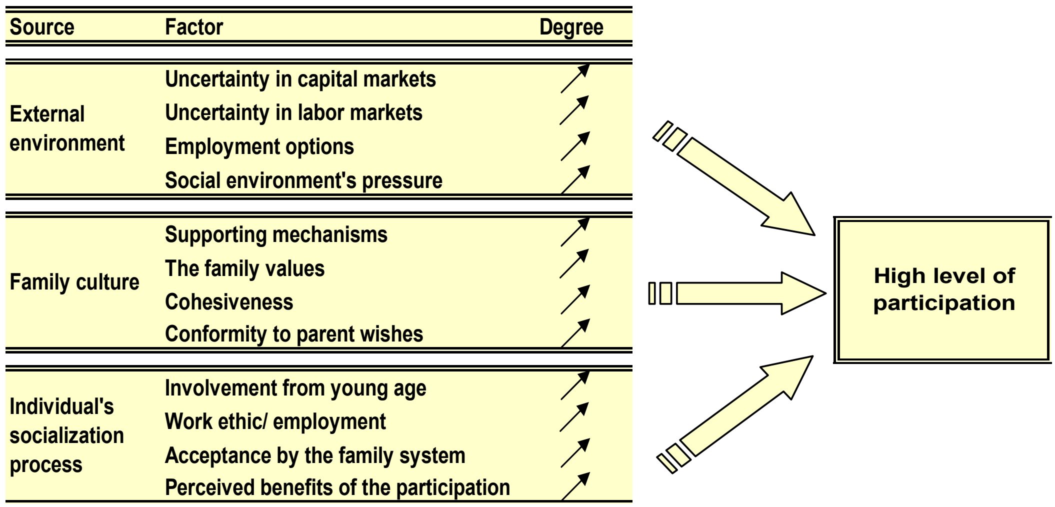
The research propositions are presented below in a schematic presentation in Exhibit 3.

CONCLUDING REMARKS

In this paper we have attempted to explain the reasons behind an individual family member's decision to participate or not participate in a family-owned business, which, as mentioned earlier, is totally different "animal" from other firms due to the unique interplay among the individual family members, the family "system," and the business "system" (Gersick, et al., 1997; Tagiuri & Davis, 1996). We argued that family members are motivated to participate in family business activities by three main categories of factors, namely, the external environment, the family culture and the family member's socialization process within the family system.

It seems that family participation in a business can strengthen the family's loyalty and dedication to the long term well-being of the enterprise. Family firms create valuable social capital in the form of lasting relationships with critical organizational stakeholders through the stability of key decision makers in the family (De Carolis & Saparito, 2006). At the same time, the family-business is strongly related with the family's and the individual family member's status, providing thus an additional incentive for superior performance. On the other hand, managing a family business may present some unique problems. Conflicts of interest may arise especially during the recruitment process, resulting in nepotism by hiring a family member who is less competent than a non-family member, or even later on by keeping an underperforming family member in a responsible position within the firm in spite of a dire individual performance that is hurting the company. The recruitment and career management of both family and non-family managers continues to be a major and ever present critical issue for all family firms.

Exhibit 3: Research propositions to be tested

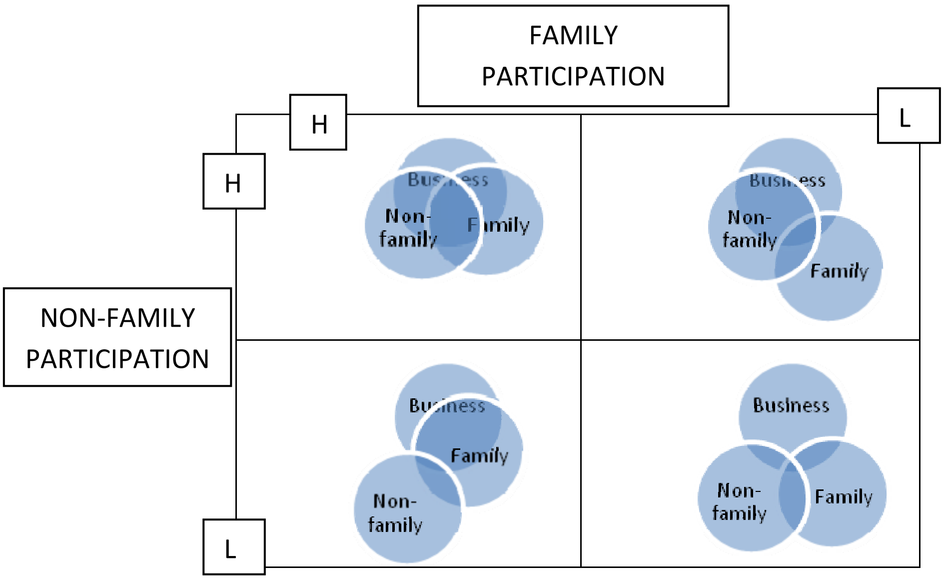


This paper also provides new insights regarding the impacts and effects of these critical factors on the degree of family member participation in the family firm's activities that may lead later on to both the satisfaction and the effectiveness dimensions of the succession process (Handler, 1989). Family involvement in the family firm directly affects the succession planning which is critical not only for the survival and growth of the business, but also for the prosperity and status of the family members themselves. Research considers expansive family employment to have a positive impact on firm performance and also creating strong family ties that play a crucial role in the firm's long term sustainability.

Our paper contributes to the current literature by offering an alternative direction for family-business research as it relates to a family member's decision to participate in the family business. Our three-dimensional methodology may further be enriched by including additional variables under the aforementioned factor clusters of external environment, family culture, and the individual's socialization process, which may later be examined for their relationship (positive or negative) to larger family participation levels. The positive or negative effects of these critical success factors as individual variables on the high level of family member participation have already been identified by other scholars (Morris, et al., 1997; Sharma, et al., 2003). What has been missing from the relevant research in our opinion is the investigation of the combined effect of all these factors upon the dimensions and degrees of participation in the family firm. Whether or not the effects are direct or indirect is not as important as is the fact that they seem as a whole rather than as on a piecemeal basis, to be of greater consequence. This issue begs potentially for an alternative conceptual and research approach in the form of a conceptual framework that maps the consequences of various degrees of family and non-family participation within an integrative holistic perspective with high or low family member participation vs. high or low non-family member participation as suggested in Exhibit 4 below.

We argue that the different cells will exhibit different areas of intersection of the three components of the family firm, namely, the family members, the non-family members, and the business itself, with different consequences for the family firm as a whole. For example, since many of the same critical success factors seem to determine both dimensions of the success of the succession process, namely, succession effectiveness and satisfaction with the succession process and outcome, we can extend Sharma, et al.'s (2001) work so as to include the approach proposed here. In addition to a research direction route from initial satisfaction to effectiveness and from effectiveness to retrospective satisfaction, there could be an identical investigative path from initial succession effectiveness to the triggering of satisfaction with succession and retrospective effectiveness accordingly, depending on the level and degree of participation of family members and non-family members in the firm's activities. The question that arises is which of the two categories of participants is more critical.

Exhibit 4: A holistic perspective of family and non-family participation in the firm



However, the fundamental conjectures made in this conceptual proposal should be viewed in the light of the research limitations prevalent in the field of family business management. Family business research and its external validity has suffered a great deal from a shortage of longitudinal studies (Brockhaus, 1994), the high discontinuance rate of family firms, the reluctance of family business owners to participate in research studies because of privacy concerns, lack of time, the oversimplification of the requirement of a single response describing their state of affairs, and finally, the lack of consistency among definitions and industry sector boundaries that imply that any generalization across studies, cultures, and organizational size can be difficult to achieve. Future research should concentrate around the examination of the interaction of the family participation critical success factors with one another, as well as a more advanced statistical analysis in order to be able to assign weights and relative values to each category, in order to classify the critical success factors according to their specific impact on the participation outcome. In addition, research could well expand to the exact opposite direction in an effort to identify, in addition to the positive family participation critical success factors, the critical *negative* family participation factors that may endanger the transition outcome and ultimately lead to business failure. Finally, given the positive relationship between these family participation critical succession factors, we seem to disregard the possibility of the *negative* effects that heavy family participation may have on the effectiveness of the family business processes. Indeed, dire consequences may lie ahead for the family firm if a financially counterproductive action is taken in order to ensure and enhance heavier overall family participation in the firm, or if the firm is distracted from real financial issues and instead extensive consideration is given only to positive family relations and communication in order to ensure a high level of family member participation in the firm.

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