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Managerial behaviour of small and medium-sized family businesses: an empirical study

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Abstract

Purpose – The aim of the present study is to test the main differences between private small/medium-sized family businesses and non-family businesses with regard to management variables such as: strategy, strategic planning, manager's training and professionalism and financial techniques implementation.

Design/methodology/approach – In this empirical research, we use a sample of 639 small and medium-sized industrial firms, distributed in 456 family and 183 non-family firms, with the intention of determining whether family SMEs possess specific structural characteristics distinct from non-family ones. The data collection technique used was a questionnaire obtained from a postal survey, and addressed to the manager of the company.

Findings – Results show that managers of family firms use some management tools such as management accounting systems and cash budgets for the decision making process and also give less importance to strategic planning and personnel training programmes as a competitiveness factor.

Research limitations/implications – There is a need for additional research because the findings indicate that there are different managerial behaviours between family and non-family firms, but we need to corroborate and look for the basis of such differences, in order to address what the advantages and disadvantages of family firms are.

Practical implications – The results lead us to support the need for family firms to focus on "management development", which should be understood as the general enhancement and growth of management skills through a learning process.

Originality/value – The paper contributes with new empirical evidence about the management function in family businesses. It is also expected that the results of the study help policy makers to make further efforts facilitating the progress of family firms, knowing they are the real engine driving and contributing to welfare of developed economies.

Keywords Family firms, Managers, Organizational behaviuor, Management strategy, Small to medium-sized enterprises

Paper type Research paper

Introduction

Family firms have been the focus of numerous studies during the last few years due to their capacity to generate employment as well as their essential role in the wealth creation process. Technological evolution and market globalization are factors that critically affect the framework of family businesses. For this reason, the survival of family enterprises depends on their striving for management competitiveness since this implies their anticipation and reaction capacity to environmental challenges (Camisón, 1997). In order to improve management competitiveness, family businesses must adapt their strategies and organizational structures to a dynamic environment in

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open-market economies. Many authors (Westhead and Cowling, 1997, 1998; Morris *et al.*, 1996; Gallo *et al.*, 2004; Chrisman *et al.*, 2003) highlight the need to increase empirical studies that compare strategic and competitive differences between family and non-family businesses. In this sense, the question asked in the study was: Are there management behaviour differences between family non-family businesses? We tend to agree with Basu (2004) that in entrepreneurship theory there is no consensus on the exact definition of a family business. Nevertheless, the main schools of thought focus on either ownership criteria or on management variables. According to Romano *et al.* (2000) family firms are those fulfilling any of the following requirements:

- at least 50 per cent of ownership is in the hands of the family;
- the family maintains control of the business;
- an important part of management positions are occupied by familiars.

While in a more restrictive sense, Sharma *et al.* (1997) believe that family firms should meet with these conditions:

- ownership and control of the business in the hands of the family;
- influence of family in management decisions;
- intention of transmitting the business to next generation of family members.

The special characteristics of family enterprises could be the reason they have different strategic management behaviours to those of non-family firms. Family businesses often have "intangible assets" such as family dedication and commitment towards the company (Dorta and Pérez, 2001; Peteraf, 1993) and these aspects imply a more diligent protection of company traditions and values (Monreal *et al.*, 2002). Habbershon *et al.* (2003) point out that the interaction of different subsystems (the family, the company and the family members) give rise to a synergy effect that improves performance. Family firms suffer less from agency costs because ownership and management are in the hands of the family, and agent and shareholder have the same goals (Fama, 1980; Howorth *et al.*, 2004; Maury 2006). There are also differences related to profitability (Harvey, 1999; Carney and Gedajlovic, 2002; Anderson and Reeb, 2003), financial structure (Upton and Petty, 2000; Romano *et al.*, 2000; McConaughy *et al.*, 2001; Randøy and Goel, 2003), management training (Monreal *et al.*, 2002; Matlay, 2002), product diversification (Monreal *et al.*, 2002) and size (Anderson and Reeb, 2003; Westhead and Cowling, 1998; Daily and Dollinger, 1993) which influence the strategic development of family companies.

The empirical evidence about whether there are strategic management differences between family and non-family firms is not conclusive. The aim of this study is to search for the main differences between small and medium-sized family and non-family enterprises. Bearing this in mind, we have taken into account management variables and competitive variables including strategy, strategic planning, human resource policies and management tools. We carried out a cross-sectional survey with a sample of 639 small and medium-sized industrial enterprises composed of 456 family and 183 non-family firms. In accordance with this aim, we have organized the study in the following way. First, we present the previous research literature regarding the relationship between the ownership structure and the company's management orientation. In the next section we describe the sample chosen and the methodology used. Next, we provide our analysis and a discussion of the results, and finally we present the main conclusions.

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Managerial factors in family firms

Strategy

Strategy is a key factor for the competitiveness and profitability of a company (Chandler, 1962; Ansoff, 1965). Success in strategy implementation will depend on internal factors (such as the way managers make decisions in the current environment, the manager him- or herself and the human resource capacities). Also on external factors such as the stage of the economic cycle, competition, and demand fluctuations (Thompson and Strickland, 1993). In order to compete, companies deliberately choose the appropriate strategy for their specific environment. After some time, successful firms develop an identifiable and systematic environmental adaptation system (Miles and Snow, 1978). In this sense, the important question is: are there strategic orientation differences between family and non-family businesses? The empirical evidence is not conclusive. The number of strategy concepts and the diversity of samples used in empirical studies hinder the possibility of generalization.

In family businesses, the process of formulating and implementing business strategy is influenced by family considerations (Harris *et al.*, 1994). In that sense, Gallo and Sveen (1991) point out that family enterprises are less inclined towards a global strategy or globalization due to their reluctance to make structural changes and their strong local orientation. Cohen and Lindberg (1974) find that family companies are introvert rather than extrovert; they stress efficiency instead of searching for new markets. Leenders and Waarts (2003) classify family firms, on the basis of their strategies; either family-oriented or business-oriented. In relation to strategy in family firms, it is necessary to consider that the personal network of the owner manager is often a decisive resource for formulating and implementing strategy. Entrepreneurs differ in their networking activities according to the competitive strategy pursued by the firm. Furthermore, most family firms appear to follow multiple patterns of strategic behaviour (Ostgaard and Birley, 1994).

The relationship between strategy and ownership structure has been researched by diverse authors. Donckels and Fröhlich (1991), in their study of 1,132 European SMEs, suggest that family companies are risk adverse, less growth oriented and generally more conservative in their strategic behaviour than non-family companies. Reasons for not following a growth-oriented strategy are associated with a lack of resources since family owners maintain a clear preference for avoiding external financing due to the risk of losing control of their company. In fact, the process of financing the growth of family firms is based on the accumulation of retained profits. Therefore, family firms often reject external funds, in preference for maintaining control and ownership and postpone growth to the future (Upton and Petty, 2000; Gallo *et al.*, 2004; Romano *et al.*, 2000). However, when a family company reaches a critical size there is really no other alternative to obtaining funds from external investors. In support of this argument Zahra (2005) points out that conservatism can undermine the family firm's long-term financial performance and erode its competitive position.

Daily and Dollinger (1993) examined 104 industrial companies in Indiana (USA) using Miles and Snow's (1978) strategic typology. Their results showed that family firms were more highly concentrated in the "defender group", while non-family businesses belonged to the "reactor group". However, they did not find significant differences between companies following "analyzer" or "prospector" strategies. Daily and Thompson (1994) researched the relationship between ownership structure and strategy using Dsouza's (1990) strategic postures. They started with 25 variables designed to measure strategy and later reduced these variables to four through a factor analysis. They did not find statistically significant strategic differences between

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family and non-family companies. Gudmundson *et al.* (1999) suggested that the managerial strategy of family enterprises is different to non-family firms. They reached the conclusion that family firms are very conservative in consumer markets especially those that require an aggressive and innovative strategy with shorter product life cycles to adapt rapidly to changing product preferences. This implies a disadvantage in consumer markets for family companies.

Upton *et al.* (2001) found that the majority of fast-growth family firms adopted a strategy based on the implementation of high-quality products or services in order to differentiate from their competitors. Van Gils *et al.* (2004) in a study of Belgian family firms concluded that most chose a combination of cost leadership and differentiation strategies (in 39.3 per cent of the cases) in comparison to either a cost leadership (in 14.3 per cent of the firms) or a differentiation strategy (18.9 per cent). Similarly, Moores and Mula (2000) found that family firms use a mixture of strategies to cope with business uncertainties. They concluded that family business goals emanate from product differentiation strategies more than from cost leadership. According to Ibrahim *et al.* (2004), the strategic decision making process in family firms is different from non-family companies as a result of the dual identity of these firms and of the alignment of both ownership and management. In the light of all the literature considered the preceding discussion suggests the following hypothesis:

H1. Strategic behaviour of family companies differs from that of non-family firms.

Strategic planning

Once the manager has defined the goals of the firm, these become the basis for planning future development. In that sense, management planning and monitoring are crucial factors in not only guaranteeing the correct development of the company but in also generating profit. Thompson (1999) indicated that once a certain point in the evolution of the firm has been reached, in order to maintain control in a complex environment, managers must become more professional in their business planning. The relationship between formal strategic planning and performance has been examined by several authors. Some studies present a positive relationship between performance and strategic planning (Robinson, 1982; Bracker *et al.*, 1988; Hahn and Powers, 1999). In contrast, other authors have concluded that a significant relationship does not exist (Kallman and Shapiro, 1978; Orpen, 1985; Shrader *et al.*, 1989; Watts and Ornsby, 1990). These latter studies suggest that the value of strategic planning is diluted by factors such as an uncertain environment, management expertise and the company's development cycle.

In the case of the family firms, research on strategic planning practices is sparse (Upton *et al.*, 2001). Therefore, it is necessary to research how family firms scan their environment, assess their capabilities, search for and evaluate alternative strategies, and how the strategy formulation process is influenced by family considerations and interests (Sharma *et al.*, 1997). Previous research provides a basis for asserting that the use of strategic planning in family firms is uncommon (Rue and Ibrahim, 1996; Silverzweig and D'Agostino, 1995). According to Mintzberg (1994), family companies prefer confidentiality and privacy and therefore strategic planning may be rejected because it implies sharing confidential information. Meanwhile, Fiegener *et al.* (1996) found that CEOs of family firms rate strategic planning less important in successor preparation than non-family business CEOs. Poza *et al.* (2004) maintain that family firms avoid strategic planning because of the potential for conflict that it presents between the CEO and the rest of the family.

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Ward (1988) argues that family owner-managers tend to view strategic planning as laborious and time-consuming rather than contributing to the running of the business or generating other benefits. Owner-managers may avoid strategic planning if it requires dealing with emotional issues like disciplining family agents. In fact, Schulze *et al.* (2001) found a positive relationship between the use of strategic planning and the performance of privately owned, family-managed firms. These authors attribute the scarce use of strategic planning to agency problems associated with self-control and the potential conflict among owner-managers. Moores and Mula (2000) concluded from their study that relatively few family business CEOs use formal strategic-planning processes. Their results show that less than 50 per cent of CEOs in the study reported heavy to extensive use of long-term planning while 16 per cent indicated no use of long-term planning at all. Murphy (2005) suggested that family firms are aware of the need for family-management planning and development but struggle with more fundamental issues such as profitability and growth. Nevertheless, they perform strategic planning decisions on issues such as succession, involving outside managers, and attracting outside money, and stress that family values are crucial factors to gaining competitiveness (Leenders and Waarts, 2003). Therefore, we can conclude that the strategic management process in family firms needs to be carefully explored and then compared to the processes used in non-family firms.

H2. Family companies make less use of strategic planning than non-family companies.

Management training and professionalism

Management professionalism and training based on human resource policies are one of the keys for development and long-term success of the family enterprise (Gallo *et al.*, 2004; Amat, 2002; Winter *et al.*, 2004). According to O'Dwyer and Ryan (2000), the development and education of the owners-managers can help the business to survive the formative years. Moreover, professionalism provides owner-managers with resources, ideas, labels and visions with which to build and develop the business (Fletcher, 2002). Cabrera Suárez and Santana-Martín (2004) indicated that growing family firms need more professionalized and complex systems of governance to manage divergent family and business interests. This in fact happens when external investors gain access to the capital of the family business, so it becomes necessary to find a professional manager whose competences guarantee the future development of the company (Fernández and Nieto, 2005).

Family companies face management problems due to the fact that founders often trust relatives to occupy executive positions even if they lack the necessary training. Family companies grant permanent jobs to family members just because they have a common surname which may give rise to inefficient employees with a reward system that does not recognize goals achieved (Alvarado Riquelme and Molina Sánchez, 2001; Cromie *et al.*, 2001). Altruism alters the incentive structure of family-managed firms but at the same time it is offset by self-control and moral hazard problems (Schulze *et al.*, 2001, 2002). Altruism poses a threat, especially in the case of family firms, in relation with the lack of professionalism in management, since the decision making process does not depend on rationally motivated arguments but in the aim of owner-managers to transmit welfare to their descendents. According to Schulze *et al.* (2001), altruism is an agency threat that is especially pronounced in family firms because control over the firm's resources lets owner-managers be unusually generous to their children and

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relatives. The tendency to support and retain family members, even thought outsiders may be better suited for the job, has associated opportunity costs (Steier, 2003). In this sense, professionalism in top management with external agents independent from family ties could ameliorate the inefficient decisions made because of altruism.

Goffee (1996) points out the importance of the manager's training and indicates that a lack of education could frequently be the cause of bankruptcy. Jorissen *et al.* (2001) find that managers in family firms possess lower educational levels than managers from non-family ones. Matlay (2002) demonstrates that family managers do not consider training as a crucial element within their corporate strategy. In other studies, such as Cromie *et al.* (1995) and Reid *et al.* (2000), it is possible to find reference to the idea that management teams in family companies carry out fewer training programmes than in non-family firms. In a similar vein, Ibrahim *et al.* (2003) confirmed that family firms tend to understand training more as an expense than as an asset that enhances business growth and development. Some owner-managers believe that professionalization is an unnecessary expensive overhead (Sharma *et al.*, 1997). In this sense, Brunninge and Nordqvist (2004) indicated that family owners are less likely to link competent independent directors to the company, at least in a formal way, because they are reluctant to share control.

In the case of Spanish family enterprises, several studies verify that family companies have a smaller proportion of personnel with university degrees than non-family firms. Moreover, family firms are reluctant to incorporate external managers. A family-manager will occupy his or her position for a long time especially in those cases where the manager is also the founder of the company (Amat, 2002). Bhattacharya and Ravikumar (2004) point out that professional managers offer better productivity than family managers. Nevertheless, a family company only contracts external professionals after reaching a critical size. In that respect, Westhead *et al.* (2002) confirm that first generation family companies do not improve the managerial pool by selective use of "outside" managerial expertise. Barth *et al.* (2005) explain that family-owned firms managed by an owner's relative are less productive than family firms managed by a person hired outside the family. All preceding reflections suggest that that in order to grow and develop, family businesses need to professionalize their management (Craig and Moores, 2005). In accordance with previous studies that confirm a higher efficiency and productivity when family firms are managed by professionals, Morck *et al.* (1988), Stewart *et al.* (1998), Cromie *et al.* (2001) and Barth *et al.* (2005), we suggest the following hypothesis:

> *H3.* Managers of family firms attach less importance to training as a competitiveness factor than non-family firms.

Managerial financial tools

We also researched the management tools that can be used in the decision making process. These include the term "management control", which embraces a variety of activities undertaken by middle management including planning, coordinating, communicating, evaluating, acting and influencing (Anthony *et al.*, 1992). According to Drucker (1973), managing is specific work, and as such, it requires specific skills, among them:

- making effective decisions;
- communications within and without the organization;
- the proper use of controls and measurements;
- the proper use of analytical tools, that is, of the management sciences.

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The analytical tools that managers should use in order to plan, control and improve the efficiency of the firm include some accounting techniques such as management accounting systems, cash budgets and financial analysis. All, when appropriately implemented, provide a database for the full cost of resources used for decision support and for financial planning and control systems. In line with Drucker (1995), managers need information to control costs but also to create results. That is, it is essential to have financial information, productivity, resource allocation and customer information. In the case of family companies, Tabone and Baldacchino (2003) argue that they lack deep knowledge of accounting principles which makes it more difficult to control management decisions. Jorissen *et al.* (2001) verify that family companies have fewer financial controls than non-family ones. In addition, Willingham and Wright (1985) pointed out that all firms of moderate size have some minimal level of accounting controls. According to Holland and Boulton (1984) family businesses falter due to business-related problems such as bad financial management.

Perren *et al.* (1999) confirm that owner-managers in small firms move from informal methods of financial management and decision-making to more formal methods, depending on the development of the businesses. Furthermore, financial management decisions are based upon evolutionary change and dynamic processes, which rely on relationships established between owners and external advisers whether accountants, bank managers or other professionals (Deakins *et al.*, 2002). Ho and Wong (2001) indicate that family owned-managed companies are less transparent when providing financial information and that they are more reluctant to facilitate voluntary accounting and financial information. Financial information in family businesses can be more partial than in non-family businesses (Gallo, 1998). From another point of view, according to Trostel and Nichols (1982), financial controls are used in family firms with the main purpose of tax minimization instead of for strategic and performance decisions. In general, management practices tend to be informal in small family firms, with a relatively low percentages of small firms undertaking management processes. The majority of small family firms prepare regular income and expenditure reports. However they use budget forecasting less than non-family firms (Kotey, 2005). This reasoning is reflected in the following hypothesis:

H4. Managers of family companies make less use of financial tools than managers from non-family companies.

Research methods

Sample selection and data collection

We performed a cross sectional analysis carried out with a sample of 639 private small and medium sized Spanish industrial companies, with at least ten employees. Table I shows the sample selection. The SME concept is established by the European Commission (1996) Euro-Info 88/ES[1]. The sample was obtained from the database of the research project: "Factores determinantes de la eficiencia y rentabilidad de las Pyme

	Total	Small	%	Medium	%
Family	456	347	76	109	24
Non family	183	104	56	79	44
Total	639	451	70	188	30

Table I. Sample selection

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en España" (AECA, 2002). The data collection technique was a questionnaire (see Appendix, Figure A1) obtained from a postal survey, and addressed to the manager of the company. The fieldwork was carried out during the months of May to September of 2000. We obtained an overall response rate of 8.3 per cent. To test for non-response bias we used late respondents as surrogates for non-respondents (Nwachukwv *et al.*, 1997). Responses of firms responding to the initial mailing (85 per cent of the sample) were contrasted with those responding to the follow-up (15 per cent of the sample). No responses were significantly different between the two groups based on *t*-tests and chi-squares tests.

In the sample design we used two variables in order to classify companies: sector and size. The population size (number of companies in each stratum) was obtained from "Directorio Central de Empresas (DIRCE)" generated by "Instituto Nacional de Estadística (INE)". In each of the stratum, the selection was made through a random process. According to these characteristics, the sample design has an estimated accuracy of $p = 0.5$ in the most unfavourable case, with a maximum error of 3.68 for a significance level of 95 per cent.

Variables

Dependent variable

As Dyer (2003) indicates, the family variable should be included in family business research, given that the family dynamic is a definite factor in many organizations. Many definitions[2] have been developed in order to identify the concept of "family company". What characterizes a family company is a confrontation between two different cultures; business and family that cohabit under a common umbrella: the "family company" (Schwass, 2000). Following previous studies (Sharma *et al.*, 1997; Romano *et al.*, 2000; Monreal *et al.*, 2002) we believe that the family company has the following characteristics: the same family owns and controls the company, the decision making process is in the hands of the family and there is a definite intention of passing on the company to the following generation. However, unfortunately, in our research we have only been able to identify family ownership in the capital structure; we have considered a business to be a family company when the family held more than 50 per cent of the capital resources. In this way, we have constructed a binary variable that takes value 0 when the company is a family business and value 1 in the case of non-family business. The criteria adopted in order to test the hypotheses, is based on the results obtained with both univariate or multivariate tests. The multivariate test allows us to decide whether to accept a hypothesis or not and the univariate test is used to confirm previous results.

Independent variables

The independent variables employed to differentiate management characteristics in family companies from non-family ones are as follows:

Strategy. We measured the strategy construction using Miles and Snow's (1978) strategic typology which classifies companies depending on their degree of innovation in product, service or market. They distinguish four company types: prospector, analyzer, defender, reactor, or without any clear strategy. The validity of the typology defined by Miles and Snow (1978) in empirical studies is confirmed as being the tool most regularly employed for measuring strategic orientation (Conant *et al.*, 1990; Daily and Dollinger, 1993; McDaniel and Kolari, 1987; Parnell and Wright, 1993; Thomas and

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Ramaswamy, 1996). In our study, we apply the "paragraph approach", previously used in studies as developed by Snow and Hrebiniak (1980), Conant *et al.* (1990), Veliyath and Shortell (1993), James and Hatten (1995), Delere and Doty (1996), Lado (1997), Slater and Olson (2000) and Jennings *et al.* (2003). This method consists in asking the interviewee to select among different proposals the one that best fits with his or her company. In addition, we have also considered technological levels and quality certification as factors that could affect the strategic behaviour of the firm:

(1) *Technological level*. We took into account technological innovation capability since it is an important source of competitive advantage (Freeman, 1994; Sen and Egelhoff, 2000; Guan *et al.*, 2005). Technological orientation has been measured through the "paragraph approach", to discover the company's perception of its own technological level, following the same methodology of AECA (2002). The scale is divided into two categories:

- Strong or good technological position: the company uses internally developed technology, or acquired technology, striving to achieve better results than its competitors.
- Sustainable or weak competitive position: the technology used by the company is similar or inferior to that used by its competitors. The firm only invests in new technology after successful results have been achieved with its implementation.

With the intention of including this variable in the regression, we have established a dummy variable. This variable takes value 1 when the company has a strong or good technological position and value 0 when it has a sustainable or weak competitive position.

(2) *Quality*. There is a general consensus in relation to the role quality plays, since it is essential for company competitiveness and success (Viedma, 1990; Luck, 1996). Small family companies usually cannot compete on the basis of scale economies, instead they focus on customer loyalty by emphasizing reliability and quality (Tagiuri and Davis, 1992). In the present study, we have measured whether the company does or does not have quality certification. In order to take into account this variable in the regression we defined a dummy variable. This variable takes value 1 when the company possesses quality certification and value 0 in the otherwise.

Training. Bearing in mind the importance of training and professionalism in human resources, we measured the manager's educational level through a binary variable: value 1 when the manager has a university degree, and value 0 when the manager does not have a university degree. We have also evaluated training activities that the company offers as a competitive factor. This variable was collected using a Likert-type scale: from 1 (not a very important factor) to 5 (a very important factor). Finally, we requested the training expenses that the firm had declared for 1999.

Planning and control. We also requested information to evaluate management planning and control. In order to measure managers' strategic planning as a competitive factor we employed a five-point Likert scale: from 1 (not very important factor) to 5 (very important factor). Moreover, we asked about the use of accounting techniques such as: management accounting systems, cash budgets and financial analysis. These variables were measured using the same scale: 1 (minimum application) to 5 (maximum application).

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Size. We controlled for the size of the firms since we focus on small and medium family firms (Daily and Dollinger, 1991, 1992, 1993; Reynolds, 1995; Westhead and Cowling, 1997, 1998; Cromie *et al.*, 1995; Donckels and Fröhlich, 1991; Anderson and Reeb, 2003). Following European Commission criteria, we classify a company as a small firm when the company has less than 50 employees, less than 7 million euros turnover and less than 5 million euros of total assets. A medium-sized company is that one with more than 50 but less than 250 employees, with total assets between 5-27 million euros and 7-40 million euros of turnover.

Sector. We focused our analysis on industrial companies using the sector (technological intensity) as a control variable. The need to consider technological level has been addressed in numerous studies (Acs and Audretsch, 1990; Oakey, 1991; Poutziouris *et al.*, 2000). Thus, when the company belongs to a low/medium-low technological sector the variable takes value 0; when the company belongs to a high/medium-high technological sector it takes value 1.

Results

Univariate analysis

For the purpose of testing differences among variables through univariate analysis we the ANOVA test. We have also employed contingency analysis based on the value of χ^2 in a Pearson test with the aim of judging whether two variables are related. In addition, we used Yates's test to obtain better statistical results in contingency analysis. Moreover, we segmented the sample into small companies (up to 50 employees) and medium firms (from 51 to 250 employees) in order to control for the size of the firms.

In relation with the first hypothesis, strategic orientation, the results in Table II show that this is not a factor that differentiates family from non-family companies. First, there are no significant differences among companies following an "analyser", a "prospector" or a "defender" strategic orientation. This result implies that the attitude toward innovation (in product, service or market), as a competitive factor, is similar between family and non-family companies corroborating previous studies (Daily and Thompson, 1994). Nevertheless, the results differ from other studies, including those of Donckels and Fröhlich (1991) and Daily and Dollinger (1991, 1992, 1993), where it was found that family companies have a more conservative or more defensive orientation than non-family business.

For a further examination in strategic behaviour, we included two competitiveness factors: quality assurance and technological position. On the one hand, we have

	Firm characteristics					
	Small			Medium		
Percentage of firms	Family	Non-family	Sig	Family	Non-family	Sig
Percentage prospector (P)	26.8	31.7	NS	28.4	21.5	NS
Percentage analyzer (A)	40.6	37.5	NS	46.8	46.8	NS
Percentage cefender (D)	32.6	30.8	NS	24.8	31.6	NS
Percentage quality assurance (Q)	18.0	28.4	*	49.5	55.7	NS
Percentage high technological position (T)	54.1	59.2	NS	75.2	75.6	NS

Notes: * $p < 0.05$; (NS): Not statistically significant; χ^2 Test of Pearson, with Yates continuity adjustment

Table II.
Strategy, quality and technology

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concluded that family companies place less emphasis on obtaining quality assurance recognition than non-family firms, although we only found statistically significant differences in the case of small companies (see Table II – small family firms show a value of 18 while non-family firms reach 28.4). On the other hand, according to Table II, we observe that the technological position of the company is not a factor that differentiates the competitive behaviour of family companies from non-family firms.

Regarding the third hypothesis, the results (Table III) are more conclusive. Consequently, we can state that family companies accord less importance to personnel training than non-family companies which could prove a weakness for their future development. It is confirmed that small and medium sized family companies devote fewer resources to educational policies than non-family companies (see the values in Table III: 13.43 in the case of family firms and a higher value of 13.80 for non-family firms). Moreover, when they were asked about the importance of personnel training policies as a competitiveness factor, family companies valued this factor to a lesser extent than non-family companies (mean values of 2.96 and 3.18 respectively). This difference is statistically significant for both medium and small-sized companies. These results support the findings of Reid *et al.* (2002), Reid and Adams (2001) and Astrachan and Kolenko (1994), which demonstrated that family business practices regarding human resources management are different from their non-family counterparts. In this sense, Reid *et al.* (2002) and Loan-Clarke *et al.* (1999) found that family businesses spent less on training and provided fewer training activities during the preceding year. Our results verify the third hypothesis. It is also confirmed that medium-sized family companies are managed by a lower percentage of individuals with university degrees than non-family firms (see Table III); 46.7 per cent for family firms and 52.9 per cent for non-family firms. So, we can affirm that managers of family companies are less qualified than those in non-family firms (Cromie *et al.*, 1995; Goffee, 1996; Reid *et al.*, 2000; Jorissen *et al.*, 2001).

The second and fourth hypotheses are also accepted (Table IV). Family companies accord less importance to activities related to planning and business monitoring than non-family companies. This, once more, is a competitiveness shortcoming. In addition, family companies employ fewer management accounting systems and cash budgets as tools for monitoring management. We observe, in Table IV, that family firms reach values of 2.74 and 3.37 while non-family firms show higher values of 3.16 and 3.74 respectively. When asked about the importance of planning the decision-making process in a detailed and rigorous way, we found that family companies value this factor to a lesser extent than non-family companies.

	Firm characteristics					
	Small			Medium		
	Family	Non-family	Sig.	Family	Non-family	Sig.
Training activities[a]	2.96	3.18	*	3.08	3.59	***
Training expenses[b]	13.43	13.80	*	14.35	14.97	**
Percentage of managers with university degree[c]	46.7	52.9	NS	66.0	83.5	***

Notes: [a] Test: ANOVA (Likert's five-point scale, mean value: 1 – not important; 5 – very important) [b] We use the natural logarithm of training expenses; [c] χ^2 Test of Pearson, with Yates continuity adjustment; (NS): Not statistically significant; *: $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

Table III. Personnel training activities and expenses

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	Firm characteristics					
	Small			Medium		
	Family	Non-family	Sig.	Family	Non-family	Sig.
Management accounting system[a]	2.74	3.16	*	3.33	3.81	**
Cash budgets [a]	3.37	3.74	*	3.84	3.93	NS
Financial analysis techniques [a]	3.66	3.75	NS	4.18	4.10	NS
Strategic planning [b]	2.92	3.30	*	2.98	3.33	**

Notes: [a] (Likert's five-point scale, mean value: 1 – minimum use; 5 – maximum use); [b] (Likert's five-point scale, mean value: 1 – not important; 5 – very important) – in order to test the reliability of the questionnaire we apply the Cronbach's method; we obtain a value of α=0.6956; ANOVA, Significance of F; (NS): Not statistically significant; * $p < 0.01$; ** $p < 0.05$

Table IV. Management and strategic planning

Multivariate analysis

As well as identifying differences regarding management behaviour between the companies, we went on to quantify the extent to which these variables affect the probability that family companies adopt specific strategic behaviours. The methodology we have chosen for this is the estimation of a logistic regression model, using Wald's method, which allowed us to evaluate the possible interrelations among the different analyzed variables (see Tables V and VI). This test choice, as opposed to other alternatives such as "discriminant analysis", conforms to the fact that explanatory variables are not normally distributed and to the usefulness of the logit test in these types of studies (Daily and Dollinger, 1992; Westhead and Cowling, 1998). The likelihood ratio, the measure of Hosmer and Lemeshow, and the percentage of cases correctly classified were employed to determine whether the model fitted correctly. Moreover, we offer the statistical alternative R^2 of Cox and Snell and the R^2 of Nagelkerke to evaluate global fitness. We segment the logistic regression analysis by outlining two regressions according to the size of the firms, small and medium companies.

In the regression test based on small companies (Table V), we observed a negative relationship between the management accounting system, reaching a value of −0.220, and the quality assurance variables, with a value of −0.584, according to the sign of

Independent variables	B	S.E.	Wald	Sig.	Exp (B)
Management accounting system	−0.220	0.095	5.304	0.021	0.803
Quality assurance	−0.584	0.263	4.883	0.032	0.558
Constant	1.928	0.294	43.157	0.000	7.531

Notes: First step enter: Management accounting system; Second step enter: Quality assurance; Dependent variable (Dummy): Family Business=0, Non-family business=1
B: logistic coefficients are employed to measure the changes in the ratio of probabilities, denominated odds ratio. A positive coefficient increases the predicted probability, while a negative value diminishes the probability. S.E.: standard error. Wald: statistic of Wald. Sig.: significance level. Exp(B): exponential coefficient. The statistical significance of the model has been determined using the global fit measure of Hosmer and Lemeshow, where the obtained statistic indicates that statistical significant differences between the observed and predicted classifications does not exist, since the value of the Chi-square is not significant (Chi-square: 4.721, sig.: 0.451). We obtain a percentage of 77.3 per cent cases correctly classified. −2 log likelihood: 422.745. R^2 of Cox and Snell: 0.029. R^2 of Nagelkerke: 0.044

Table V. Logistic regression in small companies

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Independent variables	B	S.E.	Wald	Sig.	Exp (B)
Management accounting system	−0.312	0.130	4.697	0.030	0.754
Manager with university degree	−0.796	0.386	4.248	0.039	0.451
Constant	1.949	0.564	11.927	0.001	7.025

Notes: First step enter: Management accounting system; Second step enter: Manager with university degree; Dependent variable (Dummy): Family business=0, Non-family business=1
B: logistic coefficients are employed to measure the changes in the ratio of probabilities, denominated odds ratio. A positive coefficient increases the predicted probability, while a negative value diminishes the probability. S.E.: standard error. Wald: statistic of Wald. Sig.: significance level. Exp(B): exponential coefficient. The statistical significance of the model has been determined using the global fit measure of Hosmer and Lemeshow, where the obtained statistic indicates that statistical significant differences between the observed and predicted classifications does not exist, since the value of the Chi-square is not significant (Chi-square: 5.941, sig.: 0.204). We obtain a percentage of 60.2 per cent cases correctly classified. −2 log likelihood: 229.794. R^2 of Cox and Snell: 0.059. R^2 of Nagelkerke: 0.080

Table VI. Logistic regression in medium companies

the beta coefficient. This negative relationship indicates that small family companies do not tend to use management accounting systems and quality assurance as a competitive business strategy. In the regression model based on medium companies (Table VI), we observed a negative relationship between the fact of being a family company and the following variables: management accounting systems ($\beta = -0.312$) and manager's educational level ($\beta = -0.796$). This implies that companies that use fewer management accounting systems, and/or whose managers have less university education have a higher probability of being family companies.

Discussion

Private ownership, owner-management and altruism combine to make the governance of family firms theoretically different from other ownership forms (Lubatkin *et al.*, 2005). This study explored the special characteristics of management in family businesses. We tried to outline the main differences between family and non-family firms with respect to strategy, management techniques and human resources practices. The research examines the advantages and disadvantages of family firms in such strategic fields. We conclude that family businesses give less importance to activities related to planning and monitoring business management. This is a disadvantage that they should try to overcome. On the other hand, there are several "cultural" advantages associated with family firms of which they should take advantage (Denison *et al.*, 2004).

Employee capabilities and skills and corporate climate are needed to support the company strategy (Craig and Moores, 2005). However, family businesses do not give enough importance to personnel training and management qualifications in relation to non-family businesses. So, it is important that family businesses should be aware that their future development depends on personnel and management skills. The results shown by Bhattacharya and Ravikumar (2004) and Barth *et al.* (2005) confirm that family firms are less productive when they are managed by family members than when they are managed by external professionals; since professionalism avoids agency costs derived from altruism and self-control. Thus the strong commitment towards family well-being may cause inefficiency in the decision making process. We agree with Boussouara and Deakins (2000) in concluding that external directors do bring value-added benefits to family firms, since professional managers perform more

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than monitoring roles. They bring competence in acting as councillors, guiding and advising the entrepreneur, particularly in strategic planning.

Commitment to training in terms of activities, expenditure and in term of managers with university education was significantly higher in non-family firms. The study also examined topics related to strategic planning such us quality assurance and technological position. Both are essential for the development and success of the company in globalized environment. Our findings show statistically significant differences in relation to the quality assurance variable, in the sense that small family firms attach less importance to obtaining quality standards than non-family firms. Nevertheless, we did not find differences between family and non-family businesses with respect to technological position. We believe family businesses should compete by investing resources that create a value added to theirs organizations, in order to differentiate themselves from theirs competitors. That is, increasing the quality of products and processes as well as innovating by technological improvements.

We are aware that family firms should take into account their advantages in management such as the family dedication and commitment towards the company. As well as the synergy effect associated to the interaction between ownership and management. Nevertheless, family businesses should realize that the dynamic and uncertain environment in a globalized context calls for continuous and permanent anticipation. This responsibility rests on the owner-manager. In fact, the best way to ensure the survival of the family firm would be to improve management competitiveness. In addition, management decisions regarding the adoption of competitive advantages should refer to improving innovation through technology and quality product and processes developments. In the present study we took a family business to be one where the family held more that 50 per cent of the equity. We should state this fact as a limitation of the study, since we think that it is necessary for a family member to participate in the management functions, as well as having the intention to transmitting the firm to the next generation.

Conclusions

In this study we have used a sample of 456 family companies and 183 non-family companies. The results show that the strategic orientation adopted by family companies to compete in markets is similar to that followed by non-family firms. We have used Miles and Snow's (1978) typology, which classifies companies according to their innovation attitude (in products, service or market). However, when we analyzed the way family firms make use of different competitiveness factors, such as personnel training and strategic planning, we have found some weaknesses that family firms should correct. Family enterprises devote fewer resources to training, they attach less importance to education as a competitiveness factor, and they have a smaller proportion of managers with a university degree. We have also found that family companies give less importance to the improvement of detailed and rigorous management planning, and are prone to underemploy management accounting techniques, in particular management accounting systems and cash budgets.

These results lead us to support the call for family firms to focus on "management development", which should be understood as the general enhancement and growth of management skills through a learning process. Finally, we conclude that there is a need for additional research because our findings indicate that there are different managerial behaviours between family and non-family firms. However, we need to

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corroborate these results and look for the basis of such differences in order to address the competitive advantages and disadvantages of family firms.

Notes

1. 96/280/EC: Commission Recommendation of 3 April 1996, concerning the definition of small and medium-sized enterprises. The term micro-company is understood as a company with less than ten employees; small company as a company with less than 50 employees, with less than 7 million euros of turnover and less than 5 million euros of total assets; medium company as a company with less than 250 and more than 50 employees, with 7-40 million euros of turnover and less than 27 million euros of total assets; and large company as a company with more than 250 employees.
2. For a wider analysis on the concept and definition of family company see: Westhead and Cowling (1998); Wortman (1994).

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Appendix

- Next four types of companies are presented. Please, identify your company within the followings:

Type A. – Usually carries out changes and improvements in products and markets with relative frequency, trying to be the first one in developing new products, in spite of the risk that these innovations are not successful.	☐
Type B. – Maintains a relatively stable base of products and markets, while at the same time it develops selective new products and markets, trying to imitate the companies that already developed them successfully.	☐
Type C. – Offers a relatively stable group of products for a relatively stable market. The firm is not interested in changes, but rather concentrates on the continuous improvement of the work in its market niche.	☐
Type D. – Does not have a durable and stable product-market area. The firm usually acts forced under the pressures of the environment and competition.	☐

- Please consider the technological position of the company:

STRONG	• We develop our own technology with the purpose of obtaining better results than competitors.
GOOD	• The technology acquired by the company positions us in a better place than competitors.
SUSTAINABLE	• The technology we use is the same one that is used in most of companies in the sector. We only carry out new investments when we check that successful results have been achieved with its implementation.
WEAK	• Our main competitors have a more efficient or more modern technology that ours.

- Have your company some quality control, ISO 9000 or equivalent?

YES	☐	Indicate the norm and the company..
NO	☐	But we are in the previous process in order to obtain the quality assurance
NO	☐	And we are not interested in quality assurance

- Please, indicate the level of use of the following economic and financial tools:

	Minimum			Maximum	
* management and cost accounting systems	1	2	3	4	5
* Cash Budgets	1	2	3	4	5
* Financial Analysis Techniques	1	2	3	4	5

- Please, indicate the level of importance, within the last two years, you give the following factors for the development and success of your company:

	Not Important				Very Important
* Training of human resources	1	2	3	4	5
* Detailed and rigorous planning	1	2	3	4	5

Figure A1.

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