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# Values of Family Enterprises and Their Continuity

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## TIIVISTELMÄ

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Arvojen merkitys ja vaikutus yritysten imagoon, tuottavuuteen ja kestävyYTEEN on kasvanut. Perheyritykset ovat tärkeitä suomalaiselle taloudelle ja siksi tämä tutkimus on kohdennettu tämän tyyppisiin yrityksiin. Arvojen jatkuvuus perheyrityksissä analysoidaan myös koska sukupolvenvaihdos on kriittinen vaihe yrityksen elämänkaareissa.

Tutkimus pyrkii vastaamaan kolmeen tutkimus kysymykseen: 1) kuinka paljon arvot perheyrityksissä vaikuttavat niiden imagoon, tuottavuuteen ja kestävyYTEEN, 2) mitä työkaluja ja menetelmiä voidaan käyttää turvaamaan arvojen jatkuvuus, ja 3) mitkä tekijät tulee ottaa huomioon, kun päätetään, että vaihdetaanko vai pidetäänkö arvot ennallaan.

Käytetty tutkimusmenetelmä on kvalitatiivinen, koska se palvelee tutkimuksen tarkoitusta parhaiten. Arvot ovat paremmin selitettävissä sanoilla, kuin numeroilla. Kvalitatiivinen tutkimus toteutetaan haastattelemalla kahdeksaa perheyritystä, jotka eroavat ikänsä, kokonsa ja teollisuutensa puolesta.

Tutkimuksen tulokset on analysoitu teemoittain. Johtopäätöksissä ilmeni, että perheyrityksen arvoilla on merkittävä merkitys imagoon, tuottavuuteen ja kestävyYTEEN. Ilmeni, että perheyrityksillä on paljon yhteistä riippumatta vaihtelevuuksista niiden iän, alan ja koon suhteen.

## ABSTRACT

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The importance of values meaning and their effect on the image of an enterprise, its profitability and sustainability has increased. Family enterprises are important to the Finnish economy and that is why this research was aimed at that type of enterprises. Continuity of values in family enterprises was also analyzed because generation change is a crucial stage in an enterprise's life cycle.

The research aimed to answer to three main research questions: 1) How much do values in family enterprises affect their image, profitability and sustainability, 2) What are the tools and methods to secure the continuity of values, and 3) What factors should be considered when deciding if values should be changed or held the same?

The implemented research method was qualitative because it served the purpose of this research the best. Values are best to explain in words rather than in solid numbers. Qualitative research was conducted by interviewing eight family enterprises which differ in the age, size and industry.

The research results were analyzed by using themes. In conclusion it appeared that the values of family companies have a significant impact on image, profitability and sustainability. It appeared that family companies have a lot in common despite variation in age, industry and size.

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# 1 INTRODUCTION

This thesis studies values in family companies; what should they be, how they are chosen, and what they mean. The number of family companies is constantly increasing, which at the same pace increases the amounts of rivals. Values are an asset which can cause either negative, neutral or positive impact. Value continuity is also examined in this thesis because in a generation change a lot of changes occur. In the process of a generation change in a family business also values are passed on – in some extend or full extend.

## 1.1 Aim of Thesis

This thesis aims to show that how important values are for family enterprises in modern economy, and how values should be perceived and used in order to make a family business more efficient and successful. The research aims to answer to three main research questions: 1) How much do values in family enterprises affect their image, profitability and sustainability, 2) What are the tools and methods to secure the continuity of values, and 3) What factors should be considered when deciding if values should be changed or held the same?

As the author I want to be come more familiar with family enterprises in general, learn more about my own family enterprise, understand the meaning of values and know how to use them successfully. The implemented research method in this study is qualitative because it serves thesis topic the best. Values are not a concept which could be put into numbers (quantitative) and would still give a comprehensive and reliable research result. Qualitative research is conducted by interviewing eight family enterprises which differ in age, size and industry. The interviews are in-depth and semi-structured.

## 1.2 Background

There is no direct existing research of the importance of values and their meaning for family companies. There are research studies of economical and leadership values in family companies, which data cant be linked or used in this research. This

gives a challenge to produce this research but separate researches of values and family companies exist which can be used to support one another.

As i am a fourth generation member in 83-year-old family business which was established in 1936, this gave the motivation for the thesis topic. The topic of family business was focused on to values because of the increased effect and meaning of values in the success of enterprises.



## 2 THEORETICAL FRAMEWORK

### 2.1 Family Enterprises in Finland

Overall 80 per cent of companies in Finland are classified as family companies (Salo 2015). Well known family enterprises are Fazer, KONE and Paulig. They withhold long traditions in the everyday life of the Finnish people - they have provided them sweet chocolate and candy, safe and sustainable escalators and elevators, as well as coffee. Family enterprises support the Finnish society by providing good quality products and services, which Finns value high. The companies have a positive attitude towards growth and hiring more personnel.

There are family enterprises in every industry in Finland and they are well spread between provinces in Finland. The majority of family enterprises operate in accommodation and nutrition services and also in the field of trade. Three out of four family companies are small while every fifth of large companies are family businesses. Family businesses do not want to force growth and they develop in small steps. Most of them do not even want to grow considerably since generation change is rather expensive in Finland. (Pietarila 2017.)

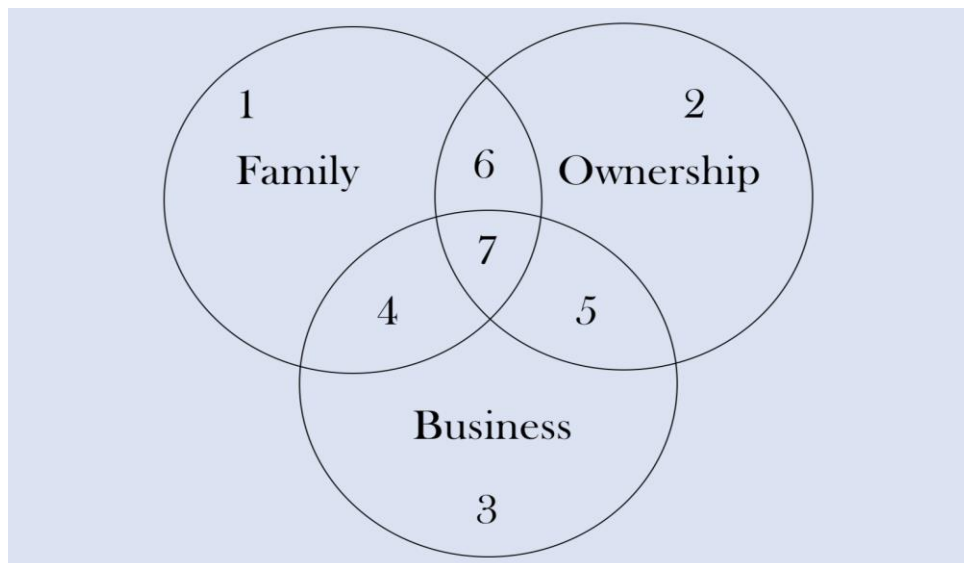


Figure 1: Tagiur's and Davis's (1992, 1996): Family entrepreneurship's so called three circles model (Niemelä 2006).

- 1) Family: Family member who does not work in family business neither owns the company.
- 2) Ownership: Owner/stakeholder who isn't a member of the family, doesn't work in the company, maybe an investor who is entitled to vote.
- 3) Business: Works in the company but doesn't have stakes in it and doesn't have emotional bond neither relation to the family.
- 4) Family & Business: Family member who works in the company but doesn't own it.
- 5) Business & Ownership: Owner who participates to business but doesn't belong to the family.
- 6) Family & Ownership: Owner who belongs to the family but doesn't work in it.
- 7) Family, Ownership & Business: Family member who owns stakes and works in the company.

Member of family enterprise can be involved in it in many ways and *Figure 1* illustrates seven different means to act as a part of family company.

### **2.1.1 Definition**

A company can be classified as a family company when it fulfills the following standards: family members have to hold over 50 percentage of shares of the company and there must be at least one representative from the family in the company's operation. (Salo 2015.)

Defining values is considered rather impossible and difficult. They are perceived as motivations, needs, goals and interests which makes them abstract and defining them difficult. They can be categorized into objective and subjective. Objective values consider objects features which are values for example vacuums efficiency is it's value. Subjective values can be understood as persons special characteristic that act's as motivation, goal and meaning (Elo-Pärssinen 2007).

### **2.1.2 Meaning in Economy**

Family companies are the backbone of Finnish economy and they have a strong stand in it. Those companies employ 50 per cent of all work force in the private sector, and cover 40 per cent of total turnover of all companies in Finland (Salo 2015). Foreign trade is also good for the domestic economy. Approximately over 90 per cent of family enterprises in Finland have operations abroad (Mörttinen 2016).

That backbone of Finnish economy is mostly small family businesses. Family enterprise is rated small when it employs less than 50 personnel and either has a maximum turnover of 10 million euros or a balance sheet maximum of 10 million euros (Tilastokeskus). Small family companies cover the highest percentage in the total number of companies, employees, turnovers, value added and net investments (Tilastokeskus). Family companies of all sizes have had a strong stand even if there has been hard financial times. Even during difficult financial times they have managed to hold on to their employees and company's profitability (Pietarila 2017). Family companies also believe in steady growth, rather than aggressive which is common abroad, which has resulted as strong ground for them.

Family company barometer 2002 stated that economic downturn does not have a grip on family companies; personnel and equity ratio increased. Families do not make hasty decisions and they trust the future. (Saarelainen & Kankare 2002.)

## **2.2 Values in Family Companies**

Values of family enterprises reflect the values of their owners. Often values which companies set stay only as a website and advertisement decoration and nothing more with a deeper meaning. Real and authentic values are seen as small things in every day life and as great acts. Authentic values are shared by owners, superiors and employees (Jabe 2011).

Values used to be an ideal which were taken for granted but today they have develop to become acts. Media and non-governmental organizations can bring acts against company values into publicity which leads companies to take responsibility for

what they promised through their values. In the hectic social media a company can fail and recover in a short time. Company can respond fast to its mistake by giving a statement and correcting the mistake. (Moilanen 2012.)

Good values form strong cornerstones for business, operations and employees to lean on, follow and trust. Good values have to contain two characteristics: information/fact and emotion. The chosen values can be identified from some option from Shalom Schwartzi's value map (*Figure 2*). Owners can use the map as a tool to identify their values and what they represent.

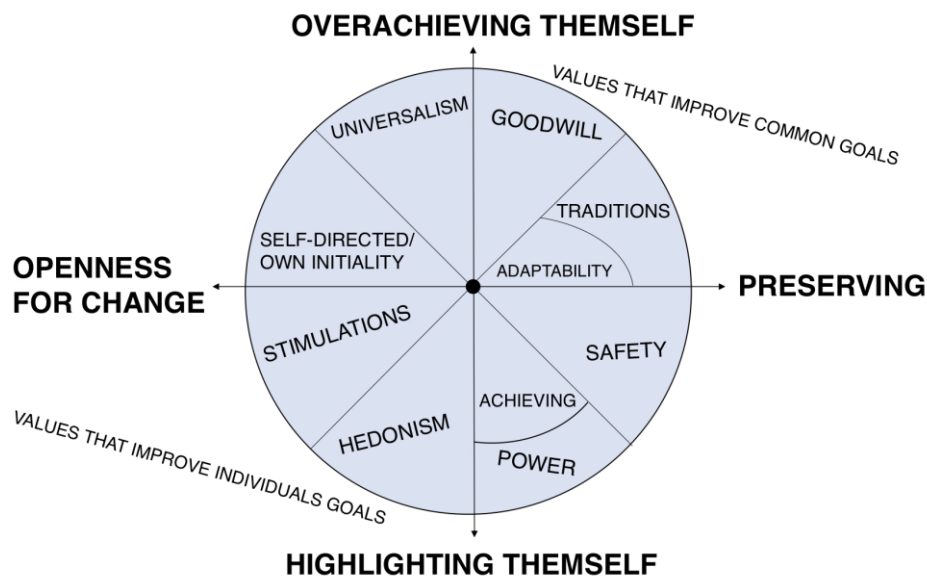


Figure 2. Shalom Schwartzi's value map.

The values of a family company affect organizational culture which then affects also its employees. Especially long-time employees internalize the company's values and they act and think in the way that corresponds to those values. The downside is that these employees root really heavily into those values and are unwilling to changes which the next generation of the family might plan and implement. The upcoming generation should take into notice the strength of company's culture and

advance it. Since strong culture inside a family company can be very helpful when sustainable and efficient change is desired (Wathén 2019).

Value communication has changed rapidly in the last decades. Increasing consciousness of ecological effects and the internationalizing of companies has made value communication more versatile. Long lists of company values are worthless. Simple and concrete promises for clients and personnel are an advantage in the market of values. Karoliina Malmelin from Teknologian tutkimuskeskus VTT Oy states that personnel and customers experiences and stories are not used enough in value communication even when they should be. The base of good value communication is self-knowledge and knowledge of the customer base. (Moilanen 2012.)

Johanna Jouhki from Trominvest family company states that according to studies family companies are labeled by sustainability, strong values and desire to invest profit back to the family company. (Lipponen 2017.)

### **2.2.1 Company's and Owners point of view**

It is the responsibility of family businesses owners to set values which are reliable and easy to identify with. Owners have to be genuine and honest of the values which they set for the family enterprise. Every supervisor and employee has his/her own values but still they should share the values that the company has. In difficult situations they have to feel safe and confident in using the company's values as an inflator for their decisions in business matter. Values should be in balance with one another - old and new, tradition and changes. Focusing too much on to only one aspect causes conflict. Values are ment to guide and inspire (Jabe 2011).

Most often owner think more about communal values rather than personal. Priorities vary depending on the size of family company. In large companies interest of the company comes before owner family's interests. In smaller companies earning money is highlighted more (Elo-Pärssinen 2007).

Family, company and ownership should be in balance with each other. A company where the three characteristics are in balance would be the ideal situation for family, ownership and business. Perhaps a company like that would be even a greater place

to work at for employees, supervisors and employers. A family's value ring can be divided into four parts based on Bronfenbrenner ecological theory: nuclear family, family, place of domicile and the whole world. (Niemelä 2006.)

### **2.2.2 Customer's point of view**

Without customers there would not be a company running. A customer can be an individual consumer, a company, an organization, a city or a country - depending on the sold product or service. Companies should choose three values because three is an number which is still easy to remember (Moilanen 2012) and therefore customers find them more relatable.

Beside employees also customers need to be respected by family companies, this comes out as trust towards the company. Long-time customers are important for the profitability and sustainability of family companies and therefore they need to be taken into consideration. Especially profitability is affected by the customers' trust towards the company which is the outcome of respect for them (Elo-Pärssinen 2007). Company's functions according to values is crucial for family companies functioning (Jabe & Korkalainen 2018) especially for customer trust.

### **2.2.3 Value Lifecycle for Family Companies**

When a family company has been operating for a long time, changes of industry or changes altogether are unavoidably ahead. For example my family's 83-year-old family company started with food industry and is currently operating in equity investments. *Jouhki* (2017) dresses the matter well into words: "history includes radical changes but also persistent entrepreneurship."

Traditions are a strong base for values in family companies (Elo-Pärssinen 2007), especially in old family companies because their roots go back into history. Family company is considered old when it has been operating for over 30 years (Niemelä 2006).

Ward has introduced a three step development model (Elo-Pärssinen 2007):

- 1) *The company's and family's goals are identical and owner-leader makes all decisions*
- 2) *The owner is still in lead but the development of family's children is important which changes the goals and family company has to secure their future in family company*
- 3) *The family's and the company's goals are in contradictory. Keeping family together is the main goal which perhaps can't be connected to company's operation.*

A family's lifecycle reflects directly on to family company's lifecycle (Niemelä 2006).

Viitala and Jylhä (2001) states that it is crucial that the company remains in a size frame that where the family has control and through this the company's ability to transform remains possible. (Niemelä 2006.)

### **2.3 Values Impact on Family Enterprises**

Family companies and other companies as well have to have enough turnover and dynamics to succeed. To balance that combination also traditions are needed to succeed. Those same things can be reflected in values which need to develop and change along trends and generations but still hold on to traditions and being loyal to the initial idea of the family business (Järvenpää 2004).

Values determine the actions of family companies in everything they do. Values create the base for a family company's culture, define strategic direction and execution manner as well as build leading- and rewarding system. They act as a compass to show the right way and the right decision. In order for values to become competitive advantage it requires commitment to common values from the family members along with the personnel. (Elo-Pärssinen 2018.)

#### **2.3.1 Image**

Today the image of family companies is strongly affected by their ecological decisions and responsible production. Customers are more aware of the consequents of

company actions. *What values guide the consumption trends in the near future?* asks author Riikka Merisalo in her book *Visio 2025* (2010). The modern youth consider collective helping as normal weekday action and as everyone's responsibility. This states that the future consumers have more interest in them than consumers before. The modern youth is aware and interested in products lifecycle, ecology, recycling and developing new materials so family companies should also be interested in those issues. (Ihamuotila 2011.)

However, before adapting values into modern well thought consideration is needed. A family company's field of operations can cause restrictions to some values being set. A compromise between production and green values fails frequently (Moilanen 2012).

Values tend to be conservative in older family companies. Conservative values have stayed in older family companies more or less to this date. Values have to adapt and develop along time and development which forces values to adapt into the modern world and usually secede from strong conservative values. Young family companies embrace current and equality values well.

### **2.3.2 Profitability**

Founders of family enterprises rarely establish the company for money solely. Beside profitability they think also about the family, community and environment. In the beginning of establishment owner-leaders' own motives are highlighted but they will develop and change over time. A family company's values can change due to family's and company's changing necessities as a consequence of interaction. (Elo-Pärssinen 2007.)

Vatikiotiss (1998) and also Small and Dickie (1999) highlight the meaning of a family's values and owner-leaders' personal value world for the company's success. Family members are resources but they are not always enough and that is when a family company needs outsourced professionals. (Niemelä 2006.)



### 2.3.3 Sustainability

Values can affect the sustainability of a family company significantly if values are lead and used properly. *Malmelin* (Moilanen 2012) has listed five pointers on how to lead values:

- 1) *Forget ceremonial speeches, be effective and innovative*
- 2) *Don't try to please everyone, even the customer doesn't expect perfection*
- 3) *Ask customers and personnel how values actualize in practice*
- 4) *Tell stories – good story concretes and touches*
- 5) *Give personnel something to feel pride of: doing good unites*

### 2.3.4 Employees

The values of a family companies should suit its employees as well. Since employees speak positive or negative things about their employer (Moilanen 2012), they are huge influencers on what type of a reputation the family company gains, especially in small towns and villages.

Employees' own personal values are a base for them in their work life which they can use to push themselves towards in their work. Values work as a support in decision making and increases work performance. If the personnel does not share the same values as the family company then most likely the work won't bear fruit. Values do not have to be precisely the same between the company and its personnel but links can be created between them. When an employee relates to the company values beside profit also well-being at work develops. (Jabe et al. 2018.)

The values which a family company follows should be as simple as possible to avoid conflicts. If the set values are unclear they can be interpreted in many ways which then can lead into conflicts. An individuals values can be so powerful that they can even be ready to fight for them and defend them very strongly.

Psychologist *Jari Ranne* has a three phase value process for the work community:

- 1) *Naming of values*
- 2) *Developing common interpretation inside work community*
- 3) *Values into practice*

Ranne states that work community's rarely proceed until phase three.

To raise changes to get to phase three sensitive subjects should be discussed even though it could cause conflicts. Development often occurs through conflicts. During conflicts leadership is highlighted which then highlights the fact that administration has to adopt to the company values. Administration should use either soft or hard ways to reach solutions according to situation-specific consideration. Soft ways are education, guidance and consultation. Hard ways are layoffs and transfers to other tasks. (Jabe 2005.)

In family companies the company's and employees relationship is both according to academic researches and evaluations from practical life different than in other companies. (Saarelainen & Kankare 2002.)

Policies such as respecting, creating an open and talkative atmosphere, offering possibilities to influence and cooperation have the outcome of trustworthy and long-term group relationships. In this situation it is easy to discuss difficult subjects which leads to comfort in the workplace and good spirit among employees and supervisors. These qualities deliver a good image of the employer and lead to profitability and owners having a possibility to expand operations and raising greater dividends. (Elo-Pärssinen 2007.)

Changes should be done quickly and deliberately because change causes fear for employees. (Niemelä 2006.)

#### **2.4 Generation Changes Effect on Values Continuity**

Generation change is a critical phase in a company's lifecycle and it should be well planned and prepared. Still, only 4 per cent of Finnish family companies have a generation change plan which is well planned, documented and communicated

(Mörttinen 2016) and 12 per cent of family companies are passed on to the third generation (Lipponen 2017).

Continuity of values is affected by the factor who continues to take over the family enterprise - someone inside or outside the family. A family member would perceive and value the family company's values in a much deeper way than someone outside the family. A person outside the family focuses more on making profit than respecting the values the company should follow. In Finland generation change is probable or sure for 34 per cent of family companies from different industries and company sizes (Perheyritysbarometri 2012). Rate of generation change grows along the size of the family company. It is most unlikely for micro companies (28,8%) and most likely for SME (38,2%). The difference between these company sizes is 9,6 percentage points which is a clear difference.

The owner family's children usually grow into entrepreneurship and learn the norms and operations of the family company while growing up. They grow into the values that their family represents and therefore the company as well. This does make the transition to the company easier and more comfortable. Working in family company does also make the transition easier – I started by taking care of the office environment. The children of the owner families feel responsibility for continuing the business but heritage and gift taxation makes it undesirable. Taxation is the biggest obstacle for generation change among family companies as around 69 per cent who are planning generation change rate it as a significant obstacle (Perheyritysbarometri 2012).

Blood-relatives cherish the values that the family company represents and are therefore more understanding and committed to the company as well as its operations and employees. The situation might be that inside the family no one is qualified and trustworthy to continue, or they are just unwilling, which then leaves two options for current owners: to sell the company or recruit someone to continue (Terviö 2015). The owners have to consider also the effect on profitability and success when planning on generation change. They must also consider which option would be

more beneficial for the company and how much they put value on that the company would stay inside family.

Initially values improve personal interest as owner-leader but after children arrive into the family values turn into the children's best interest so that they will have a job and a family company to continue at. While generations change and move to next one over time also the number of people inside the family company usually increases. There will be siblings, cousins, aunts and uncles. As a consequence also a risk of conflicts arises and therefore the importance of good communication grows. On the other hand conflicts can also help in develop the business. Wathén (2019) had a good description of the situation: "complexity grows as the family company gets older and family tree grows bushier. Complexity must be lead with good gardening."

In the stage of renunciation family company is in a different stage than in the beginning and new generation has embraced modern values which can cause the family company's values to change to some extent. Niemelä states three factors as challenges for a family company's continuity: entrepreneurs, company and the children's ages. Successful transfer of quiet information can be considered important for family company's continuity as well. To secure values continuity it is important to make a good plan and identify problem areas. (Niemelä 2006.)

### **3 RESEARCH METHODOLOGY**

This chapter explains what research methodology is used in the research and gives the reasoning, why. The chosen research methodology was chosen by considering suitability and functionality for subject of the thesis, main research questions and data collection method.

Using a valid research methodology does give reliability to thesis study. When a research method is chosen using thorough considering and matching a correct method to the type of subject of thesis – it does give increasing reliability to a study.

#### **3.1 Qualitative Research**

A qualitative research method was chosen because of its structure and data collection type is more suitable to the thesis subject of values than a quantitative research method would be. Quantitative research method does seek generalization of findings and qualitative research method seeks understanding (Golafshani, 2003). A quantitative research method analyzes results into numbers, which does make the method more suitable for researching customer satisfaction. Chosen method does try to explain current situation and describe that situation to that group only (Lowhorn, 2007), in this case the group is family companies.

The topic of the thesis deals with values, which are read more efficiently from words rather than solid numbers which quantitative research would produce. The research result is more comprehensive and reliable when values are explained and analyzed in words.

#### **3.2 Process of Research**

The original purpose was to interview ten family companies which differ from each others in the terms of age, size and industry. Initially a semi-structured interview draft was produced and sent to one family company as a practical test to view the functionality of the interview form. While waiting for the interview draft to be answered, other family companies were searched and contact information was written down to be ready for sending inquiries after the final interview form would be

ready. Semi-structure interview does give more understanding to qualitative research rather than questionnaire (Golafshani, 2003).

After receiving the interview draft with answers it was stated based on the practical test that the interview draft required no modifications. Small adjustments were made and interview form was finished. An inquiry for participating in a interview was sent to a total of twenty three family companies at three different times in order to collect enough willing respondents for the research. This was conducted mainly in July. The last inquiries were sent in September. At the end the eight family companies that were compliant to participate in the research were sent interview form. All family enterprises answers were collected by the end of September.

Analyzing was executed in October and November. Family companies were divided into three categories according to size, which was defined by number of employees and turnover. The interview forms were read carefully and relevant information was collected and written down into notes. The answers of the family companies were analyzed individually and compared between each other inside categories. Finally a summary of all the interview results was drafted.

### **3.3 Data Collection Method**

The data for the research was collected from the interview forms which were answered by family companies from all over Finland via email. Inquiries were sent out in three rounds in order to gain ten family companies willing to participate in the research. Depending on what round the inquiry and interview was sent, the participating family companies had three to seven weeks of time to write their answers.

## 4 ANALYSIS OF RESULTS

### 4.1 Interviewee's Background Information

Eight family companies answered to the interview form. All vary from each other in the founding year, turnover, employee number and industry.

Company	Founded	Turnover	Employees	Industry
<b>A</b>	1953	650 million	1600	Construction
<b>B</b>	1969	320 million	1500	Retail trade
<b>C</b>	1994	8 million	50	Furniture production
<b>D</b>	1979	2,8 million	10	Grocery store
<b>E</b>	1985	5 million	15	Construction products production
<b>F</b>	1946	1,1 million	14	Beauty salon & cosmetics whole- and retail trade
<b>G</b>	1995	230 thousand	15	Coffee shop
<b>H</b>	2016	207 thousand	3	Tourism- and catering

Figure 3. Background information on family companies.

Family companies were divided into three categories: micro, small and large. Family companies A and B are large companies because they have over 250 in personnel and over 50 million in turnover. Family companies C, D, E and F are small because they have a staff of 50 or less and a turnover of maximum 10 million. Family companies G and H are micro because they have less than 10 employees and their turnover is under 2 million.

### 4.2 Interview Answers

A section of the interviews were answered by a CEO or someone in a high position at the company and with a long history in the family company, because in some cases it was not possible to have answers directly from a member of the owner family.

Which generation is involved in family business?		
1st	12,50 %	1
2nd	12,50 %	1
3rd	62,50 %	5
4th	12,50 %	1
5th	0 %	-
Total		8

Figure 4. Which generation is involved in family business?

As *Figure 4* shows the majority of interviewed family companies have third generation members involved in the family business. This was not expected because according to Lipponen (2017) only 12 per cent of family companies move on to the third generation. On the other hand, families do not make hasty decisions (Saarelainen et al. 2002), which assists them to continue their operations longer to next generations.

The answers from family enterprises were partly supported by already existing researches and theories but also there were data which was not expected. These are explained and detailed in the following three chapters, which are categorized according to family companies size: micro, small and large.

#### 4.2.1 Micro Enterprises

Both family enterprises G and H had the same characteristics. Their customers value kind customer service and a cosy atmosphere. Customers seek warm experiences from these enterprises which provide them in their own ways. Company G has continuously developed their operations to more ecological direction. They act as pioneers in it in their industry. Their products are their own as far as they can be. They have adapted to modern times by being environmental friendly and their customer feedback is excellent.



Company H relies on winter and summer seasons while counting on seasonal characteristics which are fishing, hiking, nature, snowy winter, northern lights and good air traffic connections. They aim to create experiences for their guests and enjoy nature on the side themselves also.

Financial structure of company H is sustainable, however, tourism is sensitive to changes and global phenomena. Company H pays attention to their customers with warmth and being cosy. Nonetheless, they work professionally and their premises are clean and modern. A mother, daughter and son bought the company in 2016 and profitability is increasing moderately. Family companies endure because they do not rush to decisions (Saarelainen et al. 2002).

Valuing customers as they are makes them feel more welcome. Company H has thought through their values and set them as a golden string to guide their operation. It assists business when values are set clearly for the owners, employees and customers.

#### **4.2.2 Small Enterprises**

Four out of the eight interviewed family companies were rated small. It was expected because small family companies cover the highest percentage of the total number of companies, employees, turnovers, value added and net investments (Tilastokeskus).

Currently small enterprises are focusing on increasing profitability, rationalization, expanding services and quality control. Company C is currently executing a rationalization process, company D continues reforms and sales promotion, company E has adapted to having an external owner. Company F's main weight is in having quality in operations, which includes long familiarization periods, comprehensive training for employees and quality in work relationships. Those actions are important for healthy organization culture, which employees stay loyal to rather than strategy, and at its best, it can act as an extra oxygen for a change process as well as suffocate it (Wathén, 2019).

Environmental values are on display and customer seek more environmental acts from companies – and the companies know it too. Company F states that noticing environment for instance recycling, in everyday life is an obvious act. Company D's value world is developing all the time because they are considering the surrounding factors; different diets, health products and, of course, environmental impacts. Company F and D are interested in recycling and products lifecycle as they should be because modern youth is as well (Ihamuotila, 2011). Sustainable values for company F are Finnish work and long work relationships which are respectful. Overall times are different today, which affects the way how values are articulated according to company C.

There are as many variations of families as there is family companies. They have their own habits, rules and history. Company C manufactures furniture and the family is not afraid to work. They are passionate and intuitive as well. Their order backlog is better than ever, their goal is clear and the product range is strong. Company D runs a grocery store with a motto of *what we don't have we will order it*. The owner wants to secure that customers can purchase what they need. She requires the same from the employees. Company E, which manufactures construction products, makes decisions persistently. Company F, a beauty salon, runs the company with excitement which comes from professional pride and lifetime learning.

Company C made a good remark in noticing gender's effect on family company's values. The current CEO stated: "In my father's time values were seen more masculine and engineering related, and now when I as a woman am in charge values are seen as more feminine: visuality, lifestyle and situation sensitivity." Values have also effects internally and not only externally. The matter would be an interesting research topic.

In small family companies work atmosphere and premises are often also small, which makes employees work closer together. Company C's CEO believes and hopes that everyone would be proud to be working in a domestic family company. The ownership model influences employees on how they perceive working in a family company. Company E has an external owner, which consequence has been

decreasing commitment among employees and harder values which could be harder to internalize. Organization culture does change also which is important for employees loyalty for the company (Wathén, 2019). Succeeding in a small and compact work environment requires internalization of values from everyone. Training employees regularly is important, which company D does and they also value work satisfaction. It is important and it requires a good atmosphere, equal treatment and reporting. Especially young generation employees seek to find a delightful work place and they are ready to try several positions in order to find it. Company F's value world has develop its relationship with the employees into a more committed one. Employees are hoped to feel like a part of the family.

Two out of four respondents changed their mind on continuing in family business after they did either work for other organization for a while trying a new industry or in their own company. Company D's current owner did see her family company's operations closely for a long time which didn't make it interesting for her. In company C's case during parents aging their daughter's responsibility grew constantly little and eventually she gave up her own company after 15 years. It was obvious for company F's respondent to continue in the family business since she was a teenager but still at first she worked elsewhere for 12 years and transferred into the business after her mother passed away. Company E's respondent's brother was involved in the family business from a young age but continuing for herself became current when her father suddenly past away. The decision was then clear to continue in the family business after it. However, afterwards she returned to work elsewhere and decreased her stakes when the opportunity came. Continuing in family business was never a rest of her life decision.

Company D is located in a small village. They have a comprehensive selection of products and services comparing to the size of the village. Nowadays the problem of increasing number of elderly inhabitants has been respond to by offering delivery services to their homes. They also deliver to companies. Still, the future is challenging due to grocery stores location. However, they state that the biggest challenge is to get employees in the future. Company F's values are stability, sustainability and strong roots, which supports its good looking future. In the past years the family

business has been focusing onto their core competence. Also, they are ensuring that the company's direction and values are clear to everyone and that the company has a common mindset with its employees. Company E's has currently an external owner who has brought changes into business values. New factors have gone ahead of the original family business values such as honesty, thinking of others best interest and people's wellbeing. After the external owner joining the family business they have had to think more about investors while before only the customers mattered. Nonetheless it was reasonable to sell a share of family business to an external person. Still, it loses some label of being a family business. It could be compared to when a child flies out of the nest – a company by force develops to a new direction, which is not necessary bad but not familiar anymore.

CEO of company C's stated in her interview form that she believes in the words of Goeth: "parents have to give their children two things, roots and wings." The same expression applies to leaders/owners and employees: roots to give good base and wings to grow and succeed. A family company and new generations should not fear of change, but to accept it and adapt to it.

#### **4.2.3 Large Enterprises**

Family companies rarely grow to become a large company. When they do their position and customer base is sustainable. Company A has industry's best reputation according to researches and also the best reputation of being an employer. This is the result of their annual personnel research because then they can respond to negativity promptly. It is worth it because functional staff who are committed to company values can successfully fulfill company's strategy (Elo-Pärssinen, 2018). Employees in company A state that they feel the family company's values as an part of everyday work. Company B is a traditional family business which has been able to keep its position and develop its operations despite competition in the market. It has a strong atmosphere of development and it has successfully adapted to changes as long-term development and a sight to future guides their sustainability.

The basic values of company A are efficiency and viability which they have been for 66 years. During 66 years only small adjustments have been made to correspond

to the modern world. The enterprise trusts the principles of sustainable business. It requires long-term perspective in decision making and planning. The company is an alive picture of the founder family's values: avoiding excessively big risks, renewal and development.

Customers' values usually correlate with the family company's values which are effected by the family and industry. Company A is in construction and their customers value responsibility, promises which are kept and quality in work. Company B is in retail and their customers value safety, honest working and being humane. Their basic values have stayed the same since foundation. Nonetheless, in the changing world company listens to the surrounding factors; customers and phenomena.

For current generations in both company A and B it has been obvious for them to continue in the family business. Company A's fourth generation are currently teenagers so their desire to continue is still uncertain. In company B it was obvious for both siblings that they would be involved in the family business. The future looks very promising for company A. Hard times have been beaten by following company's strong values.

### **4.3 Validity and Reliability of the Research**

Reliability is considered misleading in qualitative research, and dependability term is considered more suitable for qualitative research, but reliability can be ensured in qualitative research by examining the trustworthiness. "Trustworthiness of a research report lies at the heart of issues conventionally discussed as validity and reliability" (Golafshani, 2003). Interviewed family company representatives are valid and existing which does make their answers trustworthy. There is also a lot of similarity between all the eight respondents.

Validity indicates the accuracy of measure in research. Researches have realized the need for some kind of qualifying check or measure for their qualitative research (Golafshani, 2003). Internal validity is automatically established in qualitative research because the group acts as its own point of reference (Lowhorn, 2007).

In this research only primary data was used. The answers used in the analysis were collected directly from the respondents. Direct collection from the respondents increases the research's reliability and validity. The respondents are valid family enterprises who are registered companies and currently active.

## 5 CONCLUSION

Three main research questions were set for this research. This final chapter summarizes answers to those questions and arguments them. Relevant perceptions are also included in this chapter.

The values of family enterprises have a significant impact on their image, profitability and sustainability. Customers and consumers are more aware of the promises of companies and the actions which affect image of the family business – whether they keep their promises, follow their own values and whether values are adapted into the modern world. In research values between a family and a company correlated either well or very well. This would be an ideal situation for family companies because it would assist companies to keep their promises, follow values and adapt.

The tools and methods to secure the continuity of values within a family business varies. The size and industry of family company matters when identifying the correct tools and methods. It is crucial that company remains in the size frame so that the family holds control and as a result it has ability to change. Passing quiet information on in the family company is crucial for the continuity of values. However, shockingly many of respondents had to take over family business due to sudden death of previous generation. 25 per cent of in this research the respondents have been in the mentioned situation.

Deciding whether the values of family companies should or should not be changed depends on the environment and company's own heritage. Old family enterprises have conservatively toned values which are a part of heritage and the origin of company. However, values need to be updated into a more suitable form to suite the current world and expectations. Previously the physical nature was not noticed at all and now respect towards nature is increasing.

Values which appeared repeatedly in the answers of the family companies were being trustworthy, flexible, quality and authenticity. Customers value family companies with a face and easy-going service. Among those customers value quality and good quality is also an competitive advantage for the company. Family

companies invest in sustainable development and they have long-term vision and development plans. It does show in their position in economy as well as in society.



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**APPENDIX 1. Interview form in English**

## Interview form

I am a student at VAMK and I'm finishing my BBA-studies. This interview is for my thesis in which I study family companies values. Research deals with values meaning and affect on family companies image, profitability and sustainability. Also affects of generation change to values continuity is considered.

Thesis is executed in english language and therefore, answers are translated into english by author of thesis. Answers are anonymous and confidential, and they are presented in the thesis as general summary of opinions in english. Answers can not be traced to respondent neither to the family business.

**PERSONS INFORMATION**

Name:

Phone number:

Email address:

**INFORMATION OF FAMILY COMPANY**

Company name:

Founding year:

Industry:

Turnover:

Number of employees:

1. Describe company's \_\_\_\_\_ :

A) Image

B) Profitability

C) Sustainability

## **VALUE WORLD**

2. Your family's and company's value world? What do they have in common and what differences?

3. How family company's value world has changed/develop?

4. Your value world?

5. Employees values, how well do they correspond to company's values?

6. What do customers value in your family company?

7. How well in your opinion your's, company's, employees and customers values correspond to each other (correlate)?

**GENERATIONS**

8. Which generation is involved in family business?
  - A) 1
  - B) 2
  - C) 3
  - D) 4
  - E) 5
  
9. Has continuing in family business been obvious for you (and your siblings) and when did you know you want to continue in family business?
  
10. Which factors have affected generation changes fluency and how?
  - a. Positively:
  
  - b. Negatively:
  
11. Has company's operation changed due to them and how?
  
12. What does company's future look like and what central things affect it?

**APPENDIX 2.** Interview form in Finnish

## Haastattelu lomake

Olen BBA-opintojani päättävä opiskelija Vaasan ammattikorkeakoulussa. Tämä haastattelu on opinnäytetyötäni varten, jossa tutkin perheyrietyksien arvoja. Tutkimus käsittelee arvojen merkitystä ja vaikutusta perheyrietyksen maineeseen, tuottavuuteen ja kestävyYTEEN. Myös sukupolvenvaihdoksien vaikutus arvojen jatkuvuuteen otetaan huomioon.

Opinnäytetyö toteutetaan englannin kielellä ja vastaukset käännetään englanniksi sen vuoksi opinnäytetyön tekijän toimesta. Vastaukset ovat anonyymeja ja luottamuksellisia, ja ne esitetään opinnäytetyössä yleisenä tiivistelmänä mielipiteistä englannin kielellä. Vastauksia ei voi jäljittää takaisin vastaajaan eikä perheyrietykseen.

### **HENKILÖN TIEDOT**

Nimi:

Puhelinnumero:

Sähköpostiosoite:

### **PERHEYRITYKSEN TIETOJA**

Yrityksen nimi:

Perustamisvuosi:

Ala/Teollisuus:

Liikevaihto:

Henkilöstön määrä:

1. Kuvaile yrityksen \_\_\_\_\_ :

A) Mainetta

B) Tuottavuutta

C) Kestävyyttä

## ARVOMAAILMA

2. Perheesi ja yrityksen arvomaailma? Mitä yhteistä ja eroja niillä on?

3. Miten perheyrityksen arvomaailma on muuttunut/kehittynyt?

4. Sinun arvomaailmasi?

5. Työntekijöiden arvot, kuinka hyvin ne vastaavat yrityksen arvoja?

6. Mitä asiakkaat arvostavat perheyrityksessänne?

7. Kuinka hyvin mielestäsi omasi, yrityksen, työntekijöiden ja asiakkaiden arvot vastaavat toisiaan (korreloivat)?

**SUKUPOLVET**

8. Monesko sukupolvi on yrityksen toiminnassa mukana?

A) 1

B) 2

C) 3

D) 4

E) 5

9. Onko perheyrietyksessä jatkaminen ollut sinulle (ja sisaruksillesi) itsestäänselvyys ja milloin tiesit haluavasi jatkavan perheyrietyksessä?

10. Mitkä tekijät ovat vaikuttaneet sukupolvenvaihdoksien sujuvuuteen ja miten?

a. Positiiviset:

b. Negatiiviset:

11. Onko yrityksen toiminta muuttunut niiden myötä ja miten?

12. Miltä yrityksen tulevaisuus näyttää ja mitkä keskeiset asiat vaikuttavat siihen?