Bachelor's thesis (TUAS)

International Business

International Business Management

2014

Mari Ingalsuo

CHALLENGES AND OPPORTUNITIES OF FAMILY BUSINESSES

TURUN AMMATTIKORKEAKOULU

TURKU UNIVERSITY OF APPLIED SCIENCES

BACHELOR´S THESIS | ABSTRACT
TURKU UNIVERSITY OF APPLIED SCIENCES

International Business | International Business Management

2014 | 50

Emmanuel Querrec

Mari Ingalsuo

CHALLENGES AND OPPORTUNITIES OF FAMILY BUSINESSES

Not much research has been done in the field of family businesses. Family business research is still at an early stage, but there has been some development in this field. Especially during the 21st century, family businesses have gotten stronger interest in Finland. Generally speaking family business research examines the complex relationship between family and business. Family businesses are a very heterogeneous group and they can be very similar to non-family businesses. However, there are some common features, which differentiate family businesses from other businesses and usually this uniqueness also causes family businesses some special challenges and opportunities.

The research of this thesis focuses on how family businesses differentiate from non-family businesses and what are the unique challenges and opportunities facing family businesses. This research was conducted using qualitative research methods. Qualitative method was chosen because the author wanted to gain more profound and specific data to answer the research questions. The research findings were collected through two in-depth interviews and two family business owner-managers were chosen as interviewees. The theoretical framework examines family business characteristics, theories, challenges and opportunities. This information was then applied to the interview results of family business owner-managers Timo Ervelä and Joakim Håkans. The theoretical framework was gathered using well-known theories and data gained mainly from Finnish books.

The findings of this research indicate that family businesses are unique and they have several common characteristics that differentiate them from other businesses. This uniqueness also causes the special challenges and opportunities, which family businesses face in their operations. The most significant characteristic that separates family businesses from non-family businesses is the family's impact on the business and ownership. The unique family business characteristics, challenges and opportunities stated in the theoretical framework can be applied to the family businesses used in this research. It can be stated that both of the case companies fit the concept of a typical family business, which is unique compared to other businesses. All of the research findings presented can be called valid and reliable inside this thesis only and should not be generalized elsewhere due to the limited amount of interviewees used in this research.

KEYWORDS:

Family, Business, Ownership, Family business, Challenges, Opportunities

OPINNÄYTETYÖ (AMK) | TIIVISTELMÄ
TURUN AMMATTIKORKEAKOULU

International Business | International Business Management

2014 | 50

Emmanuel Querrec

Mari Ingalsuo

PERHEYRITYSTEN HAASTEET JA MAHDOLLISUUDET

Perheyritysten saralla ei ole tehty paljon tutkimustyötä. Perheyritystutkimus on edelleen varhaisessa vaiheessa, mutta kehitystä on tapahtunut. Erityisesti 2000-luvulla perheyritykset ovat saaneet vahvempaa kiinnostusta osakseen Suomessa. Yleisesti ottaen perheyritystutkimus tarkastelee perheen ja yrityksen välistä monimutkaista suhdetta. Perheyritykset on hyvin heterogeeninen ryhmä ja ne voivat olla hyvin samankaltaisia muiden yritysten kanssa. On olemassa kuitenkin joitain yhteisiä ominaisuuksia, jotka erottavat perheyritykset muista yrityksistä, ja tämä ainutlaatuisuus yleensä aiheuttaa perheyrityksille myös joitain erityisiä haasteita ja mahdollisuuksia.

Tämän opinnäytetyön tutkimus keskittyy siihen, miten perheyritykset eroavat muista yrityksistä ja mitkä ovat ne ainutlaatuiset haasteet ja mahdollisuudet, joita perheyritykset kohtaavat. Tässä tutkimuksessa käytettiin kvalitatiivsta tutkimusmenetelmää. Kvalitatiivinen menetelmä valittiin, koska kirjoittaja halusi saada perusteellisempaa ja tarkempaa tietoa vastatakseen tutkimuskysymyksiin. Tutkimustulokset kerättiin kahden perusteellisen haastattelun avulla, ja haastaeltaviksi valittiin kaksi perheyritysten omistaja-johtajaa. Teoreettinen runko tarkastelee perheyritysten ominaispiirteitä, teorioita, haasteita ja mahdollisuuksia.Tämä tieto sovellettiin sen jälkeen perheyritysten omistaja-johtajien Timo Ervelän ja Joakim Håkansin haastattelutuloksiin. Teoreettinen runko koottiin käyttäen tunnettuja teorioita ja tietoa, joka kerättiin pääsääntöisesti suomalaisista kirjoista.

Tämän tutkimuksen tulokset osoittavat, että perheyritykset ovat ainutlaatusia ja niillä on useita yhteisiä ominaispiirteitä, jotka erottavat ne muista yrityksistä. Tämä ainutlaatuisuus myös aiheuttaa erityisiä haasteita ja mahdollisuuksia, joita perheyritykset kohtaavat toiminnassaan. Merkityksellisin ominaispiirre, joka erottaa perheyritykset muista yrityksistä on perheen vaikutus yritykseen ja omistukseen. Teoreettisessa rungossa mainitut ainutlaatuiset perheyritysten ominaispiirteet, haasteet ja mahdollisuudet voidaan soveltaa tässä tutkimuksessa käytettyihin perheyrityksiin. Voidaan todeta, että molemmat tutkimuksessa käytetyt yritykset asettuvat tyypillisen perheyrityksen konseptiin, joka on ainutlaatuinen muihin yrityksiin verrattuna. Kaikkia esitettyjä tutkimustuloksia voidaan kutsua päteviksi ja luotettaviksi vain tämän opinnäytetyön sisällä eikä niitä pidä yleistää muissa yhteyksissä haastateltavien rajallisen määrän vuoksi.

ASIASANAT:

Perhe, Yritys, Omistus, Perheyritys, Haasteet, Mahdollisuudet

CONTENT

1 INTRODUCTION **6**
1.1 Background 6
1.2 Objectives 6
2 THEORETICAL FRAMEWORK **7**
2.1 Family business 7
2.1.1 Family business characteristics 7
2.1.2 Values in family businesses 10
2.1.3 Three-circle model 12
2.2 Family business theories 14
2.3 Family business challenges 17
2.4 Family business opportunities 21
3 METHODOLOGY **25**
3.1 Research methods 25
3.2 Data collection 25
3.3 Reliability, validity and limitations 26
4 RESEARCH ANALYSIS **27**
4.1 Introduction and general background 27
4.2 Family business characteristics 28
4.3 Values in family businesses 29
4.4 Family business models and theories 30
4.5 Family business challenges 31
4.6 Family business opportunities 34
5 CONCLUSION **38**
5.1 Research findings 38
5.2 Implications for further research 40
SOURCE MATERIAL **41**
APPENDICES **42**

FIGURES

Figure 1. Three-circle model (Retelling Tagiuri & Davis, 1996, According to Elo-Pärssinen 2007, 59.) 12
Figure 2. Roles in the three-circle model (Retelling Tagiuri & Davis 1996, According to Elo-Pärssinen & Talvitie 2010, 54.) 13

TABLES

Table 1. Five dimensions of family orientation (Retelling Elo-Pärssinen & Talvitie 2010, 46.) 8
Table 2. Comparison between agency and stewardship theories (Retelling Elo-Pärssinen 2007, 32.) 15
Table 3. Family policies transferred to the business (Retelling Fleming, Quentin J. 2000, According to Elo-Pärssinen & Talvitie 2010, 49-50) 17

CLICK HERE TO ENTER TEXT.

1 INTRODUCTION

1.1 Background

There is not that much research done in the area of family businesses. Family business research is still at an early stage, but it has undergone drastic development (Sharma, 2004; Zahra & Sharma, 2004, Cited in Kontinen, 2011, 22). Family entrepreneurship as a phenomenon has been a strong topic of conversation at a societal level since the late 1990s, especially in Finland, but elsewhere in Europe as well. In Finland family business research has gotten stronger attention, especially in the 21st century. (Heinonen et al, 2005, 11) Broadly speaking family business research is about the complex relationship between family and business (Tourunen, 2009a, 31).

This topic was chosen due to the author's own personal interest towards family businesses, which arose while working as a manager in a family owned hotel-restaurant business. The author has also grown up in a family whose parents both worked in the same family business with the father as the entrepreneur. Due to these circumstances, the author wants to study deeper the unique family business characteristics and the challenges and opportunities related to them.

1.2 Objectives

The objective of the thesis is to determine the unique features of family businesses that separate them from non-family businesses. The thesis also pursues to find out what are the special challenges and opportunities facing family businesses today. The purpose is to apply the gathered theoretical information to the interview results of family business owner-managers.

The research questions of the thesis are:

1. How family businesses differ from non-family businesses?
2. What are the unique challenges and opportunities facing family businesses?

2 THEORETICAL FRAMEWORK

2.1 Family business

2.1.1 Family business characteristics

Family has a strong impact on the ownership and the management of the business and that is the characteristic that makes family businesses different from other businesses (Kontinen, 2011, 30). Family businesses are a very heterogeneous group (Heinonen et al, 2005, 13). The concept ”family business” encompasses many different types of businesses varying from big companies to smaller SMEs (Elo-Pärssinen & Talvitie, 2010, 11). Family businesses can be very similar to non-family businesses, even if the family would have a strong impact on the business (Tourunen, 2009a, 36; Heinonen et al, 2005, 13). However, there are some common features between all family businesses separating them from other businesses. There’s a phrase that describes family businesses well and can be heard from the mouths of many family entrepreneurs: “family business is much more than just a business”. (Elo-Pärssinen & Talvitie, 2010, 11.) Feelings, inwardness and maintaining stability are common characteristics for family businesses although a successful business is usually mission oriented, outgoing and constantly ready for a change (Elo-Pärssinen & Talvitie, 2010, 14). The unique characteristics of family businesses have been described with the term ”familiness”, which means the casual relationships between an owner family and the resources and capabilities of a business. Habbershon & Williams (1999, 11) have defined familiness as follows: “the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members and the business”. (Kontinen, 2011, 30.) Familiness makes family businesses unique and separates them from non-family businesses (Heinonen et al, 2005, 13).

Table 1 describes the five dimensions that are related to family businesses: tradition, stability, loyalty, trust and dependency. These dimensions represent the impact that family has on the business.

Dimension	Characteristics	Relationship to business
Tradition	- Role expectations - Rituals - Shared history	- Two family members managing together - Only men in managerial positions - Founder's birthday is celebrated - Stories about former generations are told
Stability	- Balance - Permanence - Predictability	- Disagreements between family members - Opposition towards change
Loyalty	- Sense of responsibility - Commitment - Communality	- Following generation continues the business because of a sense of duty - Emotional commitment towards the business and its employees
Trust	- Safety - Fairness - Reliability	- Work place safety - Choosing a continuator is difficult
Dependency	- Cohesiveness - Emotional bonds	- Owners' emotional bonds towards the business

Table 1. Five dimensions of family orientation (Retelling Elo-Pärssinen & Talvitie 2010, 46.)

Family traditions connect the family members together and enforce the unity of the family (Elo-Pärssinen & Talvitie, 2010, 46). Traditions are part of the family's history forming rituals and role expectations. In business life the family traditions might show as a way to respect former generations. (Elo-Pärssinen & Talvitie, 2010, 46). Traditions of the business stem from the founder (Elo-Pärssinen, 2007, 156). Traditions also form the unique resource called "familiness" (Habbershon & Williams, 1999, According to Elo-Pärssinen, 2007, 157). Stability is important for families, since it improves the continuity of the family. Changes inside the family or disagreements between family members might threaten the stability of the family and be a danger also to the continuity and stability of the business. (Elo-Pärssinen & Talvitie, 2010, 47.) Loyalty is also characteristic to family businesses. There's a sense of responsibility towards the family and the business. (Elo-Pärssinen & Talvitie, 2010, 47.) Gaining a complete trust between family members is important because without trust there will be negative impacts on work satisfaction, motivation and the culture of the organization. The trust is gained through fulfilling role expectations, supporting each other, sharing confidential matters, and treating people equally. (Elo-Pärssinen & Talvitie, 2010, 48.) There's a dependency between family members that relates to the emotional relationships inside the family and the same kind of interdependency can also be formed between the family and the business. Dependency enhances unity, which enables family members to seek support from each other when trying to reach their own goals and the business's goals. (Elo-Pärssinen & Talvitie, 2010, 49.)

The Family Business working Group of the Finnish Ministry of Trade and Industry defined the term "family business" in 2005 (Elo-Pärssinen & Talvitie, 2010, 27).

According to the definition: "A firm, of any size, is a family business, if:

1. The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs

2. The majority of decision-making rights are indirect or direct

3. At least one representative of the family or kin is formally involved in the governance of the firm

4. Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital." (European Commission Directorate General for Enterprise and Industry 2009, 10.)

The definition proposed by the Finnish Ministry of Trade and Industry has been approved by GEEF (Groupment Européen des Enterprises Familiales – European Groupment of Owner Managed and Family Enterprises) and it is for the time being internationally most formal one (Tourunen, 2009a, 29).

2.1.2 Values in family businesses

Family businesses have quite similar set of values that makes them different from non-family businesses in many ways (Elo-Pärssinen & Talvitie, 2010, 11). The combination of family and business creates a set of economic and non-economic values that are a strong part of the family business system (Kontinen, 2011, 30). The values and goals of the family are reflected to the business influencing its business strategies and social responsibility (Niemelä, 2006, 51). Values can be seen in everything that the family business does and have a strong impact on its decision-making and business culture. They are the compass of family businesses. (Elo-Pärssinen & Talvitie, 2010, 73.)

Family businesses have more than just purely economic values. To many active business owners the motive for owning a business is the meaningfulness of life. Owning a family business is a way of life or a mission in life and without it life would be empty. (Elo-Pärssinen & Talvitie, 2010, 22.) The goals and objectives of family businesses are different compared to non-family businesses, which are just expected to produce as much profit as possible. Family business culture is usually related with "higher" values and objectives. Family businesses exist rarely just because of money. Productivity of the business is of course important, but it is not the only or even the most important motive for family entrepreneurship. The family business founders also consider the family, community and the environment in their operations. (Elo-Pärssinen, 2007, 64)

The family business founder has a significant impact on the business values (Elo-Pärssinen, 2007, 60). Usually the values of the founder settle deep into the family business culture and they can be quite hard to change (Elo-Pärssinen & Talvitie, 2010, 73). The entrepreneur and the top management have a great authority to direct and develop the business as they wish and according to their own values (Paasio & Heinonen, 1993, 42). Founder's values and perceptions translate to the way the business operates and determine the social responsibility of the family business (Elo-Pärssinen, 2007, 157).

In their research García-Álvarez & López-Sintas (2001) concluded that the most common value for family business founders was hard work. Family came as second on the list. The third and fourth most appreciated values were growth and ambition. (Elo-Pärssinen, 2007, 61.) Koiranen (2002) studied over 100-year-old Finnish family businesses and their set of values. The family business owners found the following values most important for the success of the business: honesty, trustworthiness, operating according to the law, high quality, and hard work. (Elo-Pärssinen, 2007, 63.)

Continuity is one of the most important values and business goals in family businesses (Elo-Pärssinen & Talvitie, 2010, 11). Family entrepreneurs usually think that the business is a gift from former generations and borrowed from the future generations (Elo-Pärssinen & Talvitie, 2010, 12). Family business is not just a source of income or an investment, which will be turned to money as the right opportunity comes along. It is a way of life and usually takes the whole time of the family. It determines the rhythm of life and commits family members to continue the business even after the founder has passed away. (Brokaw & Murphy 1992; Aronoff & Ward 1998; Bradford 2001, According to Niemelä, 2006, 58.)

2.1.3 Three-circle model

There are three factors that are connected in the family business definition and these are family, business and ownership (Heinonen et al, 2005, 12). The dependency and diversity of the different dimensions of family businesses is usually depicted with the three-circle model created by Tagiuri and Davis (Tagiuri & Davis 1992, 1996, According to Niemelä, 2006, 36).

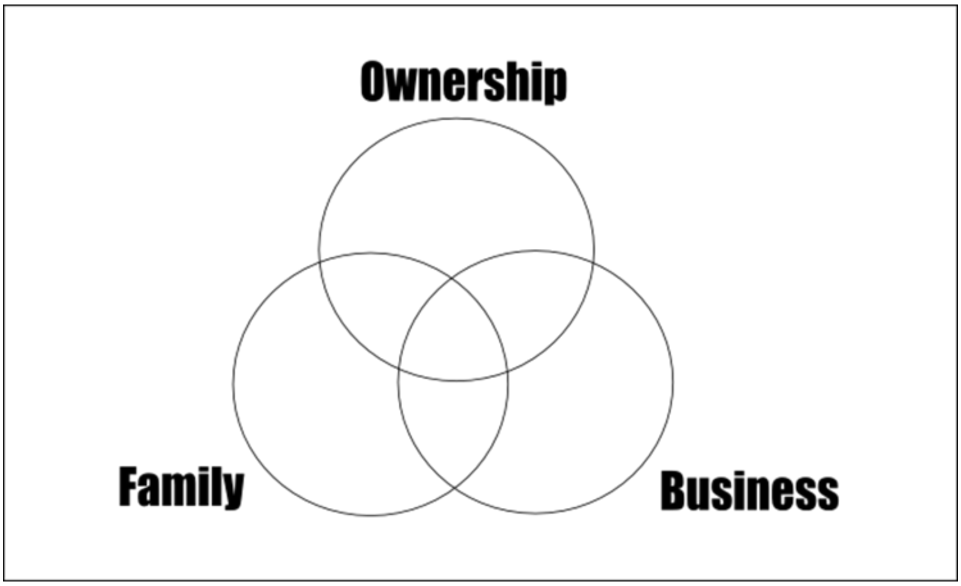

Figure 1. Three-circle model (Retelling Tagiuri & Davis, 1996, According to Elo-Pärssinen, 2007, 59.)

The overlapping areas between these three circles depict the diverse interaction between family and business. It is this diversity that makes the unambiguous definition of family businesses challenging because inevitably there will be grey areas, in which some family business conditions will be fulfilled and some won’t. This makes it hard to draw a clear line between family and non-family businesses. (Heinonen et al, 2005, 12.) Every family business needs to have a clear control over these three elements. Although controlled separately, the aim is to get these three elements to complement and support each other. (Elo-Pärssinen & Talvitie, 2010, 160)

The unique features of family businesses are generated by the interaction between family and business. This interaction defines the basic nature and uniqueness of family businesses and studying this interaction is central when trying to understand family businesses. (Heinonen et al, 2005, 12.) There are different reasons and goals behind the existence of the family and the business causing also tension between them. (Elo-Pärssinen & Talvitie, 2010, 14.) Family business is a tight and cohesive community (Niemelä, 2006, 36). The business and the changes in it affect the life and well-being of the family and the family members in their different roles affect the business. However, the family has a bigger impact on the business than the business has on the family. For example, a divorce or death of a family member can have a significant impact on the business. (Elo-Pärssinen & Talvitie, 2010, 15)

Also the double roles of family members (father / CEO) affect the family, generational relationships and the business operations (Tourunen, 2009a, 31). People can have different roles in a family business system (owner-manager, owner-family member, owner-manager-family member), which creates special challenges when trying to combine these different roles together (Elo-Pärssinen, 2007, 58-59). Family businesses have to find the balance between the different roles in order to succeed (Tagiuri, Elo-Pärssinen, 2007, 59).

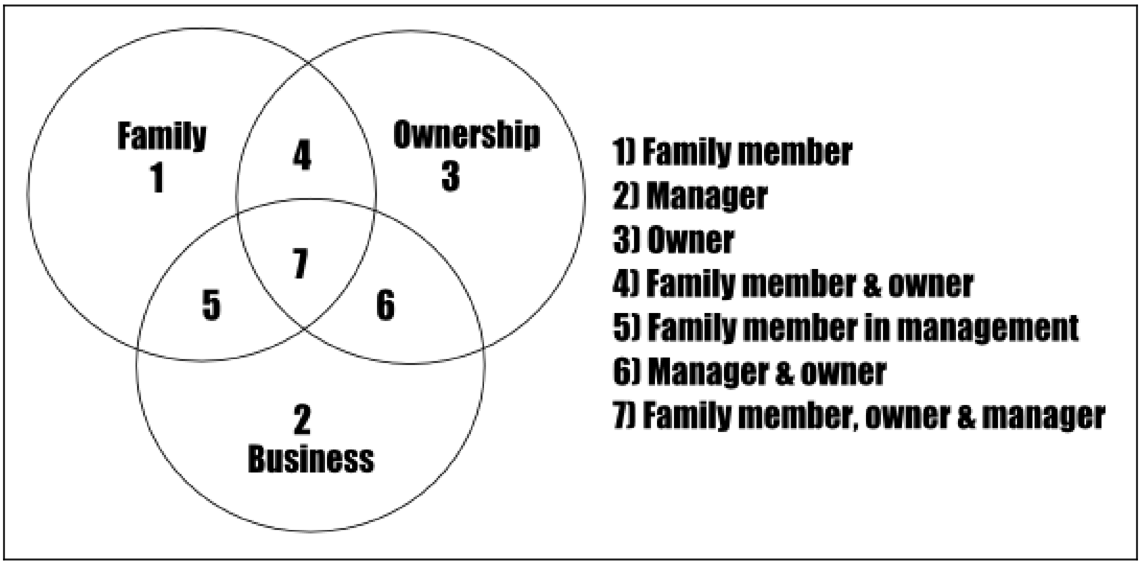

Figure 2. Roles in the three-circle model (Retelling Tagiuri & Davis 1996, According to Elo-Pärssinen & Talvitie 2010, 54)

2.2 Family business theories

There are four theories that are usually linked to family business research: agency theory, stewardship theory, resource-based theory and social capital theory. (Elo-Pärssinen 2007, 30-32; Tourunen 2009a, 47-62.)

Agency and stewardship theories arise from the hypothesis that in business there is a separation between ownership and management. However, this usually isn't the case with family businesses, in which the owner and founder of the business is also the CEO. Considering that normally the owner and the manager are the same person, it can be assumed that in family businesses there are reduced agency costs or no agency costs at all as suggested by Schulze et al. (2001, According to Kontinen, 2011, 30.)

According to agency theory, problems arise when there is a conflict between the owner's and manager's interests (Eisenhardt, 1989a; Schulze et al., 2001, According to Kontinen, 2011, 30). The opportunism of the management might result to hidden actions that are useful for the management, but are against the will of the owners and possibly even harmful for them. (Tourunen, 2009b, 19.) Family businesses experience less opportunistic behavior from the management (Chrisman et al., 2004; Sculze et al., 2001, Elo-Pärssinen, 2007, 29). Family businesses have less need for control because common trust is emphasized (Steier, 2001, According to Elo-Pärssinen, 2007, 29).

However, there are some other kinds of agency costs that may concern family businesses, mostly related to altruism created by the parent-child relationship (Schulze et al., 2001, According to Kontinen, 2011, 30). Corbetta and Salvato (2004) define altruism as unselfish behavior and sacrificing for others without any expectations of return services (Elo-Pärssinen, 2007, 32). The children working in the family business might become spoiled freeloaders because their parents have given them everything they wanted without any expectations (Schulze et al., 2001, According to Kontinen, 2011, 30). Parents might become biased or have false perception of the child's abilities (Schulze et al. 2003b, According to Elo-Pärssinen, 2007, 30).

Stewardship theory is based on the long-term commitment and dedication that managers have for the organization and the collective well-being in it. The manager experiences a strong responsibility towards the organization. (Davis et al., 1997; Miller & Breton-Miller, 2006, According to Kontinen, 2011, 30.) The business management can be motivated by the fact that it is primarily pursuing the interests of the business (Donaldson & Davis 1991, According to Tourunen, 2009b, 21). Family businesses usually have the aim to sustain the business over generations and improve its long-term well-being, so it is more likely for family businesses to have stewardship attitudes than other businesses (Miller & Le Breton-Miller, 2006; Miller et al., 2008, According to Kontinen, 2001, 30). Table 2 below summarizes the differences between agency and stewardship theories.

	Agency theory	Stewardship theory
Idea of man	Values economic goals, Self-centered	Self-fulfilling, Serves community
Psychological factors		
Motivation	Lower-level needs (economic, physiological needs), External	Higher-level needs (growth, accomplishment, self-execution), Internal
Identification	Low level commitment	High level commitment
Authority	Institutional	Personal
Situation factors		
Leadership philosophy	Controlling	Part-taking, Committing
Risk management	Control mechanisms	Trust
Time span	Short	Long
Objectives	Minimizing costs	Improving performance
Culture	Individualistic, High power distance	Communal, Low power distance

Table 2. Comparison between agency and stewardship theories (Retelling Elo-Pärssinen, 2007, 32.)

Another theory that has been commonly used in family business research is the resource based theory. The theory assumes that valuable, rare, inimitable and irreplaceable resources can result to sustainable competitive advantage. (Barney, 1991, According to Elo-Pärssinen, 2007, 30.) These unique resources and the ability to utilize them is the basis for success (Wernerfelt 1984; Barney 1991; Grant 1991; Teece et al. 1997, According to Tourunen, 2009b, 22). The interaction between the family and the business causes unique resources, which can be called with the term familiness (Habbershon & Williams, 1999, According to Elo-Pärssinen, 2007, 30).

Social capital is created when the actions of every party becomes predictable and no one is acting deceptively and pursuing only own interests (Tourunen, 2009b, 23). The predictability is formed when interaction creates norms, mutual identity, and common goals (Putnam 2000; Ruuskanen 2001, Tourunen, 2009b, 23). Social capital theory is based on the respect towards common norms, which is created by reciprocity (Tourunen, 2009b, 23). LaChapelle and Barnes (1998, 2) suggest that the most important success factor for family business management is trust, which is the expressive mechanism behind social capital. (Tourunen, 2009a, 58.)

Based on the agency theory, stewardship theory, resource based theory and social capital theory, family capital model has been suggested as the explanation for the success of family businesses (Hoffman et al., 2006, According to Tourunen, 2009b, 19). Most important theories behind the family capital model are resource based theory and social capital theory (Tourunen, 2009a, 60). Family capital is a long-term and unique resource, which can only be used by family businesses (Tourunen, 2009a, 61). The model is about the unique competitive advantages of family businesses (Habbershon & Williams 1999, According to Tourunen, 2009b, 23), which is created by the human and social resources. In family capital model the key mission is to transmit knowledge, skills and experiences to the business so that it can replace or complement other resources. (Tourunen, 2009b, 23.)

2.3 Family business Challenges

Conflicts in family businesses are different in nature because not only do the members of the organization work together, but they are also related to each other (Davis & Harveston 1999, According to Niemelä, 2006, 61). It is inevitable that every family business faces conflicts sometimes as it combines family and business together. Values of the family don't always go hand in hand with the business values because their starting points are so different. (Elo-Pärssinen & Talvitie, 2010, 54) Problems arise, if the family business operates completely according to family policies. In order for a family business to be successful it needs to take into account also the business point of view. (Elo-Pärssinen & Talvitie, 2010, 49-50.)

Dimension	Family policy	Family policy transferred to business
Membership	- Automatic - Permanent	- Kinship a sufficient criteria for working in the family business - Membership in the organization is "eternal" regardless of results
Decision-making	- Dependent on the situation - Informal	- All the family members expect to be decision-makers
Accountability	- Dependent on the situation	- No clear reporting relationships
Job description	- Optional	- Based on the desire of a family member, Not based on the needs of the business
Objectives	- General, informal - Personal	- Personal, Not objectives of the business
Rewarding	- Sign of affection	- Automatic, Not based on results
Existence	- Self-evidence	- Need for development is not realized

Table 3. Family policies transferred to the business (Retelling Fleming, Quentin J. 2000, According to Elo-Pärssinen & Talvitie 2010, 49-50.)

Being a family member doesn’t automatically also give a membership to the business and the informal decision-making that is used in family life can actually cause confusions in the business. Job descriptions and responsibilities need to be clearly stated and rewarding needs to happen according to business results. (Elo-Pärssinen & Talvitie, 2010, 50.) Family businesses have to be especially careful when rewarding family members who work in the operative management because rewarding should never favor anyone or be illogical (Elo-Pärssinen & Talvitie, 2010, 144). Business cannot be taken for granted because it needs to be developed according to the continuous changes in the business environment. (Elo-Pärssinen & Talvitie, 2010, 50.) If the family policies are directly transferred to all business dimensions, it causes confusion to the business operations and hinders the success of the business (Elo-Pärssinen & Talvitie, 2010, 51).

Strong personalities in family businesses can also cause conflicts (Elo-Pärssinen & Talvitie, 2010, 52). There is a risk that all critical thinking is silenced and only positive thinking is rewarded (Lovallo & Kahneman 2003, According to Niemelä, 2006, 61). It is not unheard of that in family businesses conversation is silenced and team work actually means a group of people that agree with each other (Niemelä, 2006, 62). Flexible decision-making can actually be just autocracy, in which one family member is managing others with fear. The informal organization structures of family businesses can be flexible at best, but they can also create unclear decision-making. (Elo-Pärssinen & Talvitie, 2010, 25.) In family businesses the board of directors doesn’t always work as they should or there is no value given to it at all. Usually the owner-manager does all the decisions in practice. (Heinonen et al, 2005, 126.)

Family business can either tie family members closer together or in worst possible case become a source of conflicts and arguments, which separate the family members from each other (Elo-Pärssinen & Talvitie, 2010, 52). Conflicts arise to the surface especially when the business is in a downturn (Tourunen, 2009a, 35). Usually conflicts are seen as a threat for the family unity and this is why open conversation is avoided. Family members are afraid that it destroys family relationships, and thus, they may try to avoid conflicts by hiding things from each other, forming clicks or rewarding undeservingly. However, this normally only makes the situation worse and in the end people get frustrated. (Elo-Pärssinen & Talvitie, 2010, 55.) For example, a totally incompatible person might be chosen as the continuator of the business just to protect friendly family relationships. Sometimes also dismissals might be avoided for too long, if the family business sees employees as part of the family. (Elo-Pärssinen & Talvitie, 2010, 19.)

Family businesses have often been thought as small businesses, which avoid risks. This is why family businesses can be considered as less effective compared to companies, which have decentralized ownership and control. (Tourunen, 2009a, 32.) Family entrepreneurs are mostly using their “own money” to finance the business (Elo-Pärssinen & Talvitie, 2010, 16-19). Risks are very carefully surveyed because they have a direct impact on the family (Malinen & Stenholm 2004, 12, According to Tourunen, 2009a, 104). However, entrepreneurship requires risk taking and the family entrepreneur needs to accept the existence of risks and not avoid them (Paasio & Heinonen, 1993, 46). Family often ensures continuity by keeping the authority in their own hands, and thus, debt and external investors are often avoided. This kind of behavior can hinder the growth of the family business. (Elo-Pärssinen & Talvitie, 2010, 24.)

Family businesses utilize outside managers to a limited extent, which hinders wealth creation (Sirmon & Hitt, 2003, Kontinen, 2011, 31). If family businesses refuse to utilize distinguished outside managers, it can limit the human capital of the business (Elo-Pärssinen & Talvitie, 2010, 25). In recruitment situations family members might favor each other and completely overlook external managers and governance experts who might possibly be even more competent (Shulze et al. 2001, 100; Tourunen, 2009a, 35). Choosing family members to managerial positions can be seen as nepotism when thinking whether they were chosen because of their skills and competences or just because they are part of the owner family (Elo-Pärssinen & Talvitie, 2010, 126). It is not always the best interest of the business to favor family members over non-family members because sometimes it can generate freeloaders (Elo-Pärssinen & Talvitie, 2010, 25). In the worst case scenario the favoring in family businesses might go so far that a family member is able to continue in his key position despite of his/her serious mistake, even though an external employee would be dismissed in the same situation (Dyer 2006, 261, According to Tourunen, 2009a, 35).

Another challenge for family businesses is that the different roles in it can sometimes be quite unclear and can cause conflicts (Elo-Pärssinen & Talvitie, 2010, 24). Human relationships in family businesses are especially challenging because the family members working in it face each other in different roles. (Niemelä, 2006, 36). The different roles in family businesses are related to the family, ownership and business (Elo-Pärssinen & Talvitie, 2010, 53). Conflicts are usually caused because of the fact that there are different expectations and goals behind different roles. For example, as a family member you want to preserve good family relationships, but as a business manager you have to put the best interests of the business forward and consider your own professional development. (Elo-Pärssinen, 2007, 58-59.)

The biggest challenge of family businesses is succession because it includes changes concerning all three family business elements: ownership, business and family. The most challenging part is to find the continuator. Sometimes the continuator can't be found inside the family or the selection between different candidates is too difficult. Successions have caused big arguments and breaks between siblings, cousins and other relatives. (Elo-Pärssinen & Talvitie, 2010, 23.) Succession is a complex process and it is very important strategic goal for family businesses to successfully integrate the next generation to the organization (Paasio & Heinonen, 1993, 68).

2.4 Family business opportunities

Long-term business planning is a common feature for family businesses and it is said that a quarter in a family business is 25 years (Elo-Pärssinen & Talvitie, 2010, 12). Family entrepreneurs have a long-term and patient commitment to the business and a long-term investment strategy (Carlock & Ward 2001, Accordin to Tourunen, 2009b, 18). It has been detected that this long-term planning and investment strategy might be more effective and successful than a short-term profit strategy (James, 1999, According to Tourunen, 2009b, 18). Instead of short-term profits family businesses pursue safe growth (Elo-Pärssinen & Talvitie, 2010, 11). Because family businesses use long-term strategic planning they also have the patience to wait returns on their investments. They are able to take short-term risks and expect long-term profits. (Elo-Pärssinen & Talvitie, 2010, 13.)

Family as an owner also brings in more human values and they don’t base their decisions only on performance and efficiency (Elo-Pärssinen & Talvitie, 2010, 16-19). One of the strong family business values is responsibility and family businesses are normally very responsible towards their employees, customers and surrounding environment. They take long-term responsibility of their different stakeholders and the commitment and relationships with them are stronger and more valued than in other businesses. (Elo-Pärssinen & Talvitie, 2010, 80.) The reason why family businesses are often more socially responsible than non-family businesses can be found in the trust they have in the stakeholder relationships (Elo-Pärssinen, 2007, 70). Trust is a significant contributor for business survival and competitive advantage (Steier, 2001, According to Elo-Pärssinen, 2007, 70). Family businesses have better resources to create and preserve trust because their goal is to keep the business going across generations, improve business growth, and keep up the reputation of the family business and its owners (Elo-Pärssinen & Talvitie, 2010, 183). Close stakeholder relationships create trust and encourage open co-operation (Elo-Pärssinen & Talvitie, 2010, 20).

Family businesses normally work in a very close contact with their customers so they are also very much aware of the specific needs of its clients. When combined with the ability to react fast to changing circumstances, family businesses can fulfill their customers' needs more efficiently than non-family businesses. (Paasio & Heinonen, 1993, 44). The close relationship and interaction that many family businesses have with their customers helps them to flexibly produce quality products and services that answer to the customers' needs and wants (Paasio & Heinonen, 1993, 45).

In family businesses employees aren't seen only as work force but as individuals and are treated as family (Elo-Pärssinen & Talvitie, 2010, 180). Family businesses value long-term employee relationships. This increases trust between the owner and the staff, which makes it easier to agree on things more flexibly. (Elo-Pärssinen & Talvitie, 2010, 80.) Family businesses want to hold on to their employees very tightly and even during bad times dismissals aren't done as easily as in non-family businesses (Tourunen, 2009a, 36). Employees can also experience the family business as a supportive partner that you can always turn to (Elo-Pärssinen & Talvitie, 2010, 45).

The ability to integrate knowledge is one of the family business characteristics, which increase their dynamic abilities and generate unique competitive advantage (Tourunen, 2009a, 34). Knowledge integration is continuous and collective interaction, in which new thoughts and information is transformed into new visions, beliefs and procedures (Huang, Newell & Pan, 2001, 161, According to Tourunen, 2009a, 34). It can be seen as the continuous processing of exact and silent knowledge, through which the business as an organization learns all the time (Tourunen, 2009a, 35).

Family businesses and their owners might be very famous in their local community. The family owners have usually existed in the area from the very beginning of the business, sometimes even decades, which often gives the family business a status of a trusted friend. The local community considers the family business as a responsible and influential resource and member of a community. (Elo-Pärssinen & Talvitie, 2010, 181.) When the family business is aware of the needs in the local area they can satisfy the customers' special needs better than a business that doesn't know the local area and its inhabitants (Paasio & Heinonen, 1993, 44). Family business owners often are an active part of local associations and organizations and they want to enhance the local well-being. (Elo-Pärssinen & Talvitie, 2010, 182.)

Family businesses usually emphasize values that relate to human relationships and stakeholders (Elo-Pärssinen, 2007, 62). Values can also give family businesses competitive advantage, if they are unique and hard to imitate. Family businesses have a chance to stand out from other businesses with their unique values. (Elo-Pärssinen & Talvitie, 2010, 75.) Values are the glue that connects family to the business and these common values give the family a motive and a reason to continue as family business owners (Elo-Pärssinen & Talvitie, 2010, 184).

In family businesses the owner has a face and he/she is committed to the company also emotionally, not just by owning shares (Elo-Pärssinen & Talvitie, 2010, 16-19). When the owner of a family business is visible it increases responsibility compared to unknown institutional investors, which are hard to get responsible for their actions (Elo-Pärssinen, 2007, 71). If the business can be linked to the owner, for example through the name of the business, the owner usually experiences that the reputation of the business is the same as his/her own reputation. Some family businesses also highlight the family ownership in their marketing. (Elo-Pärssinen & Talvitie, 2010, 16-19.) From the staff's point of view an owner-manager, which is clearly visible in the business reduces hierarchy in the organization (Elo-Pärssinen & Talvitie, 2010, 134). The competitive advantage of family businesses is largely based on their tight and narrow organization making it possible for family businesses to compete against big non-family businesses. (Paasio & Heinonen, 1993, 48.)

Many family businesses have centralized ownership, which gives them a possibility to make quick decisions and operate flexibly. (Elo-Pärssinen & Talvitie, 2010, 156). Family businesses are able to use fast and flexible decision-making because usually the owner and the CEO is one same person or are related to each other (Elo-Pärssinen & Talvitie, 2010, 16-19). When the ownership and management are in same hands, family businesses have much better chances to control its resources than in non-family businesses, in which decentralized ownership is more common (Fama & Jensen, 1983, According to Tourunen, 2009a, 34). Processing the information does not require long and divided hearing in several stages. Instead in family businesses decision-making is based on skills and experience and to the combination of silent and exact knowledge. (Tourunen, 2009a, 34.) Family businesses can more easily adapt to the changes in the economic environment because they can act fast and make decisions based on experience (Tourunen, 2009b, 18).

Family members are resources for the business (Chua, Chrisman & Chang, 2004, According to Niemelä, 2006, 37). Family members can seek support from each other to reach their goals, if the sense of cohesion is strong (Elo-Pärssinen & Talvitie, 2010, 49). Family business joins family members together and everyone is willing to work for the success of the business. It becomes part of the family's history being the source of appreciation and pride. (Elo-Pärssinen & Talvitie, 2010, 21) Children learn to act according to the family's values, which are usually also values of the business. The continuator gains silent knowledge about the business operations already as a child and they have a strong understanding about the business culture and procedures even before he/she has even worked in the family business. (Elo-Pärssinen & Talvitie, 2010, 127.)

Conflicts can also have a positive effect in family businesses and they don't necessarily lead to bad business results. In fact, in family businesses they might actually be useful for the business in many ways (Kellermans & Eddelston, 2007, 1052.1054). Conflicts that relate to business goals, strategies, and work distribution can transform into new possibilities and procedures through the open and genuine interaction between family members. At best conflicts can have significantly positive impact on the operations of family businesses. (Tourunen, 2009a, 35)

3 METHODOLOGY

3.1 Research methods

Research methodology refers to a way of systematically solving a research problem. Methodology concentrates on how research is done scientifically. (Kotarhi, 2004, 8) Research methods then again refer to techniques that are used for conducting a research. (Kotarhi, 2004, 7) Research methods constitute of all the methods and techniques, which are used during the course of studying the research problem. Research methods actually constitute a part of wider research methodology. Research methodology tries to consider the logic behind research methods and explain why certain method is used and why some methods aren't used. (Kotarhi, 2004, 8) There are several methods and techniques of collecting research data. Different research methods can be divided into two categories, which are quantitative and qualitative method.

3.2 Data collection

Qualitative method was chosen for this research. It was seen as a better option for this particular research because it generates more in-depth and more specific data to answer the research questions. It is clear that the combination of qualitative and quantitative methods would have given a wider perspective and more thorough primary data, but because theses are normally narrower, including survey results to this research would have probably made it too extensive.

The objective of the research was to understand the differences between family and non-family businesses and find out the unique challenges and opportunities facing family businesses today. The author herself got to be part of a family business when she took on a hotel-restaurant project during her studies. The purpose of the project was to set up a small countryside hotel-restaurant and stabilize its operations so that the owner-manager Timo Ervelä could manage the business from Turku in co-operation with a hotel-restaurant manager.

During this project the author worked as a hotel-restaurant manager for almost a year and a half before she had to return to her studies in Turku. This project inspired her to study family businesses further and finally it became the topic of her thesis as well.

The author's first intention with the thesis was to make a case study about the hotel-restaurant project and interview the owner-manager Timo Ervelä, who also has other previous experience about family entrepreneurship. However, he didn't have any experience about family business succession. The author didn't want to leave that topic out of the thesis so another interviewee needed to be added to the research. Joakim Håkans, an owner-manager of Alfons Håkans Oy Ab, was chosen as the other interviewee. Alfons Håkans Oy Ab is a maritime business located in Turku and has a long family business history, thus making it a perfect respondent for questions related to family business succession. The author conducted two individual interviews. For practicality reasons and to avoid any confusion, the interviews were conducted in Finnish.

3.3 Reliabiltiy, validityand limitations

Both of the interviewees have great experience in family entrepreneurship and are qualified to answer family business related questions. As mentioned, the author of the thesis did work as a hotel-restaurant manager in one of the interviewee's family business, which gives her some subjective experiences and views about family businesses. This could have an impact on the research analysis, which in turn affects the research validity. However, all the primary data was collected through interviews ensuring validity. The author has tried her best to keep her own subjective views and experiences out of the research analysis. When it comes to the theoretical part of the thesis all the information consist of facts based on well-known data and theories gathered mainly from Finnish books. It should be noted that the research findings and analysis of this particular research can be called reliable and valid only inside this thesis due to the limited amount of interviewees. In order to be able to generalize the research results of this thesis, a quantitative data collection method and a wider population selection should be employed.

4 RESEARCH ANALYSIS

4.1 Introduction and general background

As previously mentioned, qualitative data collection method was used in this research and the two interviewees chosen were Timo Ervelä, the entrepreneur of Turun Asuntohankinta Oy, and Joakim Håkans, the managing director of Alfons Håkans Oy Ab. Both of them have great experience in family entrepreneurship making them qualified respondents for the interview questions used in this research.

Turun Asuntohankinta Oy offers easy and cost-effective way for temporary living through its web-page www.kalustettuasunto.fi. The accommodation options vary from single apartments to large family homes. The apartments and houses locate in Turku and its suburbs. Turun Asuntohankinta Oy is a small family business in its first generation with Timo Ervelä operating as the entrepreneur. He has also other previous experience in family entrepreneurship prior to Turun Asuntohankinta Oy. Family entrepreneurship has been a part of his life from a very young age, since he grew up in a family of entrepreneurs.

Alfons Håkans Oy Ab is Finnish company specialized in maritime services. It was established in 1945 and its services include among other things icebreaking, towage, salvage operations, different kinds of transportation services, and shipyard operation. Through acquisitions Alfons Håkans Oy Ab became the biggest Finnish company in its industry sector. The roots of the business go back to 1896 when Johannes Håkans, a farmer from Strandas, established a small steam sawmill. In the 1920s, Johannes's son, Alfons Håkans, joined the family business and in 1934, a change of ownership resulted in him becoming the managing director. He established a company under his own name in 1945, which was the beginning of Alfons Håkans Oy Ab. His son Stefan Håkans joined the family business in 1974 and later Stefan Håkans and his family became the sole owners of Alfons Håkans. Today the company continues to operate as a family business with Stefan Håkans at the wheel and his son Joakim Håkans operating as the managing director.

4.2 Family business characteristics

As stated in the chapter 2.1.1 Family business characteristics, the feature that makes family businesses different from other businesses is the fact that family has a strong impact on the ownership and management of the business. The same is stated by Joakim Håkans and Timo Ervelä, who agree that combining family and business have a strong impact on each other. The chapter 2.1.1 also mentions that the concept "family business" is a very heterogeneous group and encompasses many different types of businesses varying from bigger companies to smaller SMEs. The same can also be seen in this research, which includes two quite different types of businesses. The other one is a smaller accommodation business in its first generation and the other one is the biggest Finnish company in its industry sector with a long family business history.

It is also noted in the chapter 2.1.1 that inwardness is one of the family business characteristics. This applies to the statement given by Ervelä:

"It is harder to hire outsiders to a community that is tight and inward."

Family traditions also play a big role in connecting family members together and enforcing the unity of the family, as stated in the chapter 2.1.1. Håkans mentions, that continuing traditions is one of the most valuable things for him in family entrepreneurship. Traditions are part of the family's history and in business life they might show as a way to respect former generations. Ervelä agrees that there's a lot of so called 'silent power', that needs to be respected in decision-making and that it can be difficult not to take the opinions of the older family members into consideration. It is also mentioned in the theoretical framework that in family businesses there's a sense of responsibility towards the family and the business. Both Ervelä and Håkans agree that one of the biggest challenges in combining family and business is that you always have to be present and available in one level or another.

“Meetings with family members usually consists of work related conversations.” – Timo Ervelä, personal consultancy

The chapter 2.1.1 also states that in family businesses it is extremely important to gain complete trust between family members. Ervelä agrees with this theory and he sees that the trust relationship between family members has a great positive impact on the business and its operations.

“Family members can be more easily trusted compared to employees outside the family.” – Timo Ervelä, personal consultancy

4.3 Values in family businesses

The chapter 2.1.2, Values in family businesses, describes the unique features of family business values. One characteristic that makes family businesses different from non-family businesses is their set of values. The values of the family business owners are reflected to the business affecting its business strategies and social responsibility. The same is stated by the interviewees who both see that the values of the family business owners have definitely affected the values of the business and generate so called “higher” values.

Family businesses are related to more human values and rarely exist just because of money. This theory goes hand in hand with the information given by Ervelä. To him putting customers’ best interest forward is important part of the business’s operations.

“Fair game on the whole operational environment is one of our highest values. We are able to cooperate with competitors and help the customer to find the best possible solution, even though it wouldn’t benefit us in any way at that moment.” – Timo Ervelä, personal consultancy

Koiranen (2002) has studied over 100-year-old Finnish family businesses and their set of values, as stated in the chapter 2.1.2. What he found out in his research was that the most important values for the family business owners were honesty, trustworthiness, operating according to law, high quality, and hard work. The same type of characteristics can be found from the values stated by Ervelä and Håkans. According to Håkans honesty, perseverance and diligence are the highest values of their business. Ervelä also mentions fairness and high quality services provided through expertise as the highest values of his business.

4.4 Family business models and theories

The chapter 2.1.3 Three-circle model describes the three dimensions of family businesses: family, business and ownership. The overlapping areas between the three circles depict the diverse interaction between family and business, which defines the basic nature and uniqueness of family businesses. This theory applies to the case companies as well and both interviewees agree that family and business have a strong impact on each other creating unique challenges and opportunities, which differentiates them from non-family businesses. It is also mentioned in the chapter 2.1.3 that people can also have different roles in a family business system, which creates unique challenges when trying to combine these different roles together. Håkans agrees that the different roles created by the family business system are at times difficult to control and combine. Ervelä also states that the relationship between older and younger generations might cause difficulties especially in decision-making.

“It might be difficult for parents to let go of the decision-making, even though they legally didn’t have the decision-making right anymore.” – Timo Ervelä, personal consultancy

Agency and stewardship theories are explained in the chapter 2.2 Family business theories. These two theories arise from the hypothesis that in business there is a separation between ownership and management, which however doesn’t usually apply to family businesses. Normally in family businesses the owner and manager is the same person or are related to each other. This also applies to both of the case companies used in this research. This is why in family businesses there are reduced agency costs and less opportunistic behavior. Family businesses experience less need for control, because common trust is emphasized. Ervelä also agrees that trust has a huge meaning in his family business. Stewardship theory is based on the long-term commitment and dedication that managers have for the organization. The same can be said to apply to the case companies. Both interviewees are committed to sacrifice their time for the business by being always present and available at some level. Håkans also sees that the family influence has a positive impact on employee commitment and motivation. Both businesses also utilize the long-term business planning.

Another theory used in family business research is the resource based theory, which assumes that valuable, rare, inimitable, and irreplaceable resources can result to sustainable competitive advantage and thus to excellent business results. Both interviewees agree that there are unique family business characteristics, which can be used as a source of competitive advantage and give a possibility to stand out from other businesses.

Another theory used when studying family businesses is social capital theory explained in the chapter 2.2. The expressive mechanism behind social capital is trust, which has already been mentioned to have a great meaning in the case companies' operations.

Family capital model, which is also explained in the chapter 2.2, is based on all of these afore mentioned theories: agency, stewardship, resource-based and social capital theory. Since all these theories can be applied to the case companies used in this research, it can be assumed that the family capital model is also applicable.

4.5 Family business challenges

The chapter 2.3 discusses about the unique challenges faced by family businesses. Conflicts in family businesses are usually different in nature because the members of the organization are also related to each other. This theory goes together with the statement given by Håkans that the business conflicts tend to have an impact on the family and vice versa. The conflicts arise to the surface especially when the business is in a downturn. The economic business problems might cause conflicts inside the family. This theory applies to the statement made by Ervelä, in which he says that a great deal of the conflicts are related to money issues. Conflicts are usually seen as a threat for the family unity and this is why open and critical conversation might be discouraged. The same is mentioned by Håkans saying, that it is at times difficult to maintain open and critical conversation when trying to avoid conflicts at the same time. Sometimes in family businesses a totally incompatible person might be recruited for a certain position just to protect friendly family relationships. This theory can be related to a statement given by Ervelä:

“For example, when hiring employees outside the family the opinions of family members need to be taken into consideration, even though normally this wouldn’t be the situation.” – Timo Ervelä, personal consultancy

Håkans also states that maintaining objectivity and equality is difficult at times as the family related emotions are combined with the business life.

In family businesses the board of directors doesn’t always work as they should or there is no value given to it at all. The owner-manager does usually all the decisions in family businesses. This applies to the case companies, in which the decision-making is centralized to the owner-manager, who is allowed to make decisions independently and takes responsibility of all decisions.

“There’s no need for separate board meetings in decision-making.” – Timo Ervelä, personal consultancy

However, this is seen as a good thing among the case companies, since this makes the decision-making considerably faster and easier.

Family members are often seen as small businesses, which avoid risks and because of that are often considered as less effective compared to companies, which have decentralized ownership and control. Family businesses use their own money in their operations and risks have direct impact on the family. However, Håkans sees that the use of ‘own money’ in family businesses has a positive impact on risk taking and on the investment strategy and doesn’t make them any less effective than non-family businesses. Family businesses avoid the use of external financial capital, which can hinder growth. Family members like to keep ownership in the hands of the family and avoid sharing equity with non-family members. This goes together with the statement made by Ervelä when asked how the use of own money affects the business:

“The use of own money in family businesses is one of the factors, why external shareholders aren’t considered.” – Timo Ervelä, personal consultancy

Family members can also favor each other in recruitment situations. This can be seen as nepotism when thinking whether family members are chosen over external employees, because they bring in added value or just because they are part of the family. Håkans states that in recruitment situations family members are not favored and just like with external candidates they need to bring added value to the business operations. This is the case especially with key positions. However, summer jobs for family children are a different matter. Ervelä then again says that it is self-evident that more is being required from employees outside the family.

“If there’s interest inside the family, it will be taken into consideration and it will have importance.” – Timo Ervelä, personal consultancy

Favoring family members can sometimes generate freeloaders. Freeloaders utilize the business without doing anything for it and in the worst case scenario they are able to continue on their key position, even though an external employee would have been dismissed in the same situation. Ervelä also mentions that it is easier to accept mistakes from family members.

The biggest family business challenge is succession because it includes changes concerning all three family business dimensions: family, business and ownership. Håkans states that the way they prepare for succession is by making sure that the business operations lie on a healthy ground and by making business arrangements. Erevlä then again notes that the biggest challenge with succession is the fact that there’s no preparations made even though there should be. For him it is difficult to, for example determine when the right time to retire is and when the time comes to hand the business over to the next continuator. He also sees that it can be difficult for parents to trust the next generation and let go of the decision-making.

4.6 Family business opportunities

The chapter 2.4 discusses about the unique opportunities of family businesses. The common feature for family businesses is long-term business planning. Family businesses are able to make long-term investments and have the patience to wait returns on their investments. This theory goes hand in hand with the interview results because both of the interviewees said to employ long-term strategies in their family businesses.

"The quarter in a family business is 25 years." – Joakim Håkans, personal consultancy

The chapter 2.4 also states that the way silent knowledge is systematically processed and information integrated in family businesses is one of the unique resources of family businesses. This goes together with the response given by Håkans that they are able to utilize the experiences and information gained from former generations. Ervelä also states that the business intuition is inherited from his entrepreneur parents.

"Expertise stems from past experience and gaining new knowledge." – Timo Ervelä, personal consultancy

Family businesses emphasize values that relate to human and stakeholder relationships. One of the strongest family business values is responsibility. One way to explain the responsibility of family businesses is the trust they have in their stakeholder relationships. Values can also give family businesses competitive advantage and a chance to stand out from other businesses. Both interviewees agree on this and experience that family business values can be used as a source of competitive advantage. In family businesses the employee relationships are usually closer and long employee relationships are valued. Ervelä agrees that employees are treated more as individuals than just purely as work force, which of course affects the responsibility towards employee relationships. This increases trust between the owner and the staff, which makes it easier to agree on things more flexibly.

“There’s a lot more relaxed and natural interaction daily.” – Timo Ervelä, personal consultancy

He also explains that for his business, helping the customer to the best result is one of the most important factors of its operations. Ervelä states also that trust has a great impact on the business operations. Being worth of the trust and by sticking to what has been agreed on is the most essential part of the responsibility of his business. Håkans mentions that the responsibility of his family business is largely dictated by different quality standards and paying bills on time is one way to maintain trust with its most important stakeholders.

Family businesses and their owners are usually quite famous in their local community. Family businesses are able to satisfy the customers’ special needs because they are aware of the needs in the local area. Family businesses also want to enhance the local well-being. Both interviewees agree that locality has to be utilized and Ervelä also states that locality is one of the most important sources of competitive advantage.

“We know the competitors, markets and the operational environment.” – Timo Ervelä, personal consultancy

According to Ervelä in a small locality everyone knows each other. Håkans also states that his business seeks competitive advantage through local networking. They enhance the local well-being through football. Alfons Håkans is the principal shareholder in FC Inter Turku and Veritas stadion.

In a family business the owner has a so called face. If the business can be linked to the owner, for example through the name of the business, the owner usually experiences that the reputation of the business is the same as his/her own reputation. Both interviewees agree that having a face has an impact on the businesses’ operations. Håkans states that having a face helps them to highlight family entrepreneurship, but according to him having a face also has a downside, which is envy from other people. Normally the responsibility of family businesses is explained with the fact that the family's reputation is related to the firm's reputation, which is why family businesses avoid actions that might endanger their reputation. Ervelä agrees with this theory saying that the owner's reputation has a direct impact on the business and vice versa, even in situations where the owner's name isn't part of the business's name. This is the situation especially when operating in a small locality.

"Own name and personality equals the business." – Timo Ervelä, personal consultancy

Most family businesses have centralized ownership giving them the ability to make fast decisions and operate flexibly. Processing the information does not require long and divided hearing in several stages, but instead decisions are based on skills and experience. According to Håkans, being able to make decision independently is one of the benefits of family entrepreneurship. Ervelä also states that combining family and business makes daily interaction more easygoing. Håkans explains that the interaction between the family and business makes decision-making faster mostly due to the fact that the owner himself takes the risk in decision-making and is more daring than an external manager. Both interviewees agree that the close relationship between the ownership and management has an advantage to the business operations.

"There isn't a need for separate board meetings in decision-making. The owner-manager also has the information about the big picture of the business and knows the business's ability to take on risks." – Timo Ervelä, personal consultancy

Ervelä also states that family entrepreneurship gives flexibility in pricing and enables fast decision-making. He is also able to utilize the co-operation with competitors in providing quality services to the customers.

An owner-manager, which is clearly visible in the business, reduces hierarchy in the organization. Both interviewees agree that the close interaction between family and business lowers organizational structure of the business.

“Management is close to the employees.” – Joakim Håkans, personal consultancy

He also experiences that this has a positive effect on business operations, since employees enjoy the fact that the management is there when needed. According to both interviewees this has a positive effect on employees’ work motivation and commitment towards the business.

When growing up among a family business, the continuator gains silent knowledge about the business operations already as a child and they have a strong understanding about the business culture and procedures even before he/she has even worked in the family business. Family members can also seek support from each other, which is one of the advantages of family entrepreneurship. Both interviewees agree with this theory describing the interaction between family and business as supportive. Ervelä also mentions that the supportive example from parents and their experiences and courageous have encouraged him to family entrepreneurship in the first place.

“Already as a child I knew, that I will become an entrepreneur, which was mostly because of the example given by parents. Already in elementary school I announced to the teacher, that when I grow up I’ll become a continuator”.

Håkans states that certain features from former generations are still part of the business and its operations today. They are also able to utilize some of the experiences of former generations in their business operations. Ervelä also mentions that the business mentality and intuition has been inherited from parents and later reinforced through education.

5 CONCLUSION

5.1 Research findings

The objective of this research was to study the unique characteristics of family businesses and the challenges and opportunities faced by family businesses. Two research questions were formed to define the thesis topic and to determine the information that is relevant for this research. The research questions of this thesis were:

1. How family businesses differ from non-family businesses?
2. What are the unique challenges and opportunities facing family businesses?

In this chapter the author pursues to answer these questions and summarizes all the research findings. It can be stated that the interview results of this research are applicable with the chapter 2 Theoretical Frameworks. The interview results are analyzed more thoroughly and combined with the theories in chapter 4 Research analysis.

Family businesses are unique and they have several unique characteristics that differentiate them form other businesses. The main factor that makes family businesses unique is the family's significant impact on the business and ownership. When analyzing the interview results it was clear to see that the unique family business characteristics stated in the theoretical framework can be said to apply with the family businesses used in this research. The main characteristics separating family businesses form other businesses relate to long-term business planning, the existence of family traditions, sense of responsibility towards the business, the importance of trust, and the supportive interaction between family and business. The unique family business values are also one characteristic that separates family businesses from non-family businesses and also act as a source of competitive advantage.

The models and theories used in family business research also point out some differences between family and non-family businesses. As seen in the chapter 4 Research analysis, the case companies have features of all the theories and models mentioned in the theoretical framework. The Three-circle model depicts the diverse interaction between family and business defining the uniqueness of family businesses. This theory applies to the case companies as well and both interviewees agree that family and business have a strong impact on each other creating unique challenges and opportunities, which differentiates them from non-family businesses.

Agency and stewardship theories arise from the hypothesis that in business there is a separation between ownership and management. This however isn’t usually the case with family businesses, in which the owner and manager is the same person or are related to each other. This also applies to both of the case companies used in this research. Another theory used in family business research is the resource based theory. Both interviewees agree that there are unique family business characteristics, which can be used as a source of competitive advantage and give a possibility to stand out from other businesses. Social capital theory has also been used in family business research. The expressive mechanism behind social capital is trust, which has already been mentioned to have a great meaning in the case companies’ operations.

Family Capital Model is based on all of these afore mentioned theories, and since all these theories can be applied to the case companies it can be assumed that the Family Capital Model is also applicable. All these aforementioned characteristics are the biggest factors that differentiate family businesses from non-family businesses.

As stated in the chapter 2 Theoretical framework, there’s several unique challenges and opportunities facing family businesses and after conducting the research analysis it can be seen that the interview results can be applied with the challenges and opportunities found in chapter 2. Conflicts in family businesses are usually different in nature due to the family’s impact on the business. Conflicts are also usually seen as a threat to family relationships, which can make it hard to maintain open conversation in family businesses. However, the biggest challenge for family businesses is succession, because the changes related to it concern all three family business dimensions: family, business and ownership. Another topic that was included in the research questions related to the unique opportunities of family businesses. These opportunities relate to long-term business planning, close employee relationships, trust, family business values, local networking, visible and centralized ownership, narrow organization structure, silent knowledge, and supportive family influence.

5.2 Implications for further research

As stated in the chapter 1 Introduction, family business research is still at an early stage and in Finland family business research has gotten stronger attention not until the 21st century. This can also be seen in the material used when gathering information for the theoretical framework. The author of this thesis decided to use only qualitative methods due to the fact that the timeframe and scope of this research was pre-determined and limited. If further research would be made, it could also employ quantitative methods to get results than can be better generalized. The same research could also be done again with more comprehensive amount of interviewees including several different types of family businesses from around Finland increasing the reliability and validity of the research. It could also be interesting to take this research further and find out the level of significance of the different family business challenges and opportunities. Are some challenges more difficult to overcome than others, and which opportunities are the most meaningful for the success of family businesses? It could be also interesting to concentrate on how different challenges are overcome in family businesses. After graduation the author of this thesis will start work in a family business hoping that this research has provided some useful information about the unique characteristics of family businesses and the challenges and opportunities facing them. If she plans later to continue her studies, she will definitely proceed to study the interesting topic of family businesses further.

SOURCE MATERIAL

Tourunen, K. 2009b. Perheyritykset kansantaloudessa- Yrityksen omistus, toiminnan laajuus ja kannattavuus Suomessa 2000-luvun alussa. Työ- ja elinkeinoministeriö. Edita Publishing Oy: Helsinki.

Elo-Pärssinen, K. & Talvitie, E. 2010. Perheyritys on enemmän. Helsinki: WSOYpro Oy.

Tourunen, K. 2009a. Perheyritykset kansantalouden resurssina. Keskisuurten ja suurten yritysten omistajuus, toiminnan laajuus ja kannattavuus Suomessa 200-2005. Doctoral Thesis. Juväskylä Studies in Business and Economics. Jyväskylä: Jyväskylä University.

Elo-Pärssinen, K. 2007. Arvot ja yhteiskuntavastuullinen toiminta suurissa suomalaisissa perheyrityksissä: omistajan näkökulma. Doctoral Thesis. Jyväskylä Studies in Business and Economics. Jyväskylä: Jyväskylä University.

Niemelä, M. 2006. Pitkäikäisten perheyritysten arvoprofiili. Jyväskylä: Jyväskylä University.

Kontinen, T. 2011. Internationalization pathways of family SMEs. Jyväskylä: Jyväskylä University School of Business and Economics.

Heinonen, J.; Malinen, P.; Ossa, J.; Stenholm, P. & Kostia, K. 2005. Yrityksen sukupolven- ja omistajanvaihdos. Helsinki: Tietosanoma.

Paasio, A. & Heinonen, J. 1993. Perheyrittäjyys Suomessa. Helsinki: Tietosykli.

Alfons Håkans Oy Ab, 2014. Company History. Consulted 3.3.2014.

http://www.alfonshakans.fi/history/

Turun Asuntohankinta Oy, 2014. Company Information. Consulted 3.3.2014

http://www.kalustettuasunto.fi/sumuCMS/sivu/ajankohtaista

European Commission, 2009. Directorate-general for Enterprise and Industry, Overview of Family-Business-relevant issues: Research, networks, policy measures and existing studies. Consulted 26.2.2014.

http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/family-business/family_business_expert_group_report_en.pdf

Kothari, C.R. 2004. Research Methodology : Methods and Techniques. Delhi: New Age International. Available on the web at:

http://site.ebrary.com.ezproxy.turkuamk.fi/lib/turkuamk/docDetail.action?docID=10318734&p00=methodology

APPENDICES

Appendix 1. Interview questions

1. Mitä perheyrittäjyys ja siinä työskenteleminen sinulle merkitsee?
   - Minkälaisia tuntemuksia on herättänyt olla osa perheyritystä?
   - Mikä perheyrityksen omistamisessa on sinulle arvokasta?

2. Miten edellisten sukupolvien vaikutus näkyy yrityksessänne tänä päivänä?
   - Onko perheyrityksenne muuttunut sukupolvien saatossa vai ovatko perustajan toimintatavat ja arvot edelleen vahva osa yritystä ja sen toimintaa tänä päivänä?
   - Onko vanhempien sukupolvien monet kokemukset ja tietotaito onnistuttu siirtämään eteenpäin yrityksen seuraavalle sukupolvelle? Pystytäänkö näitä kokemuksia hyödyntämään toiminnassanne tänä päivänä (esim. päätöksenteossa)?

3. Mitä vaikutuksia perheen ja yrityksen yhdistämisellä on?
   - Miten perhe vaikuttaa yritykseen ja yritys perheeseen?
   - Mitä mahdollisuuksia ja haasteita perheen ja yrityksen yhdistäminen luo?
   - Kummalla koet olevan suurempi vaikutus toiseen: perheellä yritykseen vai yrityksellä perheeseen?

4. Onko perheen ja yrityksen yhdistäminen luonut ristiriitatilanteita?
   - Onko ristiriitatilanteilla ollut vaikutusta perheeseen tai yrityksen toimintaan?
   - Onko ristiriitojen kautta onnistuttu parantamaan avointa keskustelua ja tuomaan uusia toimintatapoja yritykseen?
   - Onko avoimen ja kriittisen keskustelun ylläpitäminen ajoittain hankalaa, koska ristiriitojen syntymistä pelätään?

5. Minkälaiset tekijät ovat mielestäsi vaikuttaneet eniten haluun liittyä mukaan perheyritykseen?

6. Mitä yrityksenne tekee jatkuvuuden varmistamiseksi ja miten sukupolvenvaihdokseen valmistaudutaan?

7. Miten perheyrittäjyys vaikuttaa päätöksentekoon?
   - Onko vaikea säilyttää objektiivisuus ja tasapuolisuus, kun perheeseen liittyvät tunteet yhdistyvät yritykseen ja työelämään?
   - Onko päätöksenteko nopeampaa vai vaikeampaa perheen vaikutuksesta? Miksi?
   - Miten päätöksentekovalta on jakautunut yrityksessänne: kannustetaanko avointa keskustelua ja tiimityöskentelyä päätöksenteossa vai onko päätöksenteko keskittynyt yhdelle tai kahdelle henkilölle?

8. Perheyritykset käyttävät ja tarkkailevat toiminnassaan ns. ’omaa rahaa’, kun taas vastaavasti ei-perheyritykset käyttävät yrityksen rahaa. Perheyrityksissä riskeillä on usein myös suora vaikutus perheeseen. Vaikuttaako tämä suhtautumistanne riskinottoon ja investointistrategiaanne?

9. Minkälaiset kriteerit yrityksellänne on perheenjäsenten mukaan ottamiselle yrityksen toimintaan?
   - Suositaanko perheenjäseniä rekrytointitilanteissa vai pitääkö heillä perheen ulkopuolisten hakijoiden tavoin olla jotain oleellista annettavaa ja lisäarvoa yrityksen toimintaan?
   - Miten perheenjäsenet koulutetaan yrityksessä työskentelyyn?

10. Ovatko perheyritykset mielestäsi toiminnassaan pitkäjänteisempiä?
    - Voitko sanoa yrityksellänne olevan ennemminkin pitkäntähtäimen investointi- ja suunnittelustrategia vai toiminnallinen lyhyentähtäimen voittostrategia?

11. Madaltaako perheen ja yrityksen vuorovaikutus yrityksenne organisaatiorakennetta siten, että hierarkia on matalampi ja byrokratia vähäisempää?
    - Miten se käytännössä näkyy yrityksen toiminnassa?
    - Onko sillä positiivisia vaikutuksia yrityksen toimintaan?

12. Miten perheyrittäjyys näkyy työntekijäsuhteissa?
    - Näkyykö perheen sitoutuminen ja vastuuntunto myös työntekijöiden työmotivaatiossa ja sitoutumisessa yritykseen? Miten?
    - Koetaanko työntekijät työvoimana vai enemmänkin yksilöinä ja osana perhettä?

13. On todettu, että perheyrityksen tärkeimpiä menestystekijöitä on luottamus. Millainen merkitys luottamuksella on perheyrityksenne toiminnassa? Miten se näkyy yrityksessä ja sen sidosryhmäsuhteissa?

14. Perheyrityksissä omistus ja yrityksen johto on yleensä perheen tai omistaja-johtajan käsissä. Onko tästä omistuksen ja johdon läheisestä suhteesta hyötyä yrityksenne toiminnalle?

15. Mitkä ovat yrityksenne tärkeimmät sidosryhmät? Miten näitä sidosryhmäsuhteita hoidetaan?

16. Perheyritykset ja sen omistajat ovat yleensä paikallisesti melko tunnettuja ja ovat tiivis osa paikallista yhteisöä.
    - Mitä paikallisuus merkitsee teille ja mikä vaikutus sillä on toimintaanne?
    - Hakeeko yrityksenne kilpailuetua paikallisen verkostoitumisen kautta?
    - Panostaako yrityksenne jotenkin paikallisen yhteisön hyvinvointiin? Miten?
17. Miten viestitätte vastuullisuudestanne sidosryhmille?
    - Tuodaanko sitä esille ollenkaan vai haetaanko sillä tietoisesti kilpailuetua tuomalla vastuullisuutta aktiivisesti ja avoimesti esille?

18. Miten perheyrittäjyys näkyy yrityksenne arvoissa?
    - Onko perheen arvoilla ollut vaikutusta yrityksen arvoihin?
    - Perheen vaikutuksesta perheyrityksissä korostuvat muutkin kuin pelkästään taloudelliset arvot. Mitkä ovat yrityksenne tärkeimmät ns. ”korkeammat” arvot?
    - Toimivatko perheyrityksenne arvot kilpailuedun lähteenä ja antavat mahdollisuuden erottua muista yrityksistä?

19. Perheyrityksissä omistajaperhe on yleensä näkyvä ja helposti tunnistettavissa erityisesti, jos perheen nimi on mainittu yrityksen nimessä:
    - Miten tämä kasvollinen omistajuus vaikuttaa yrityksenne toimintatapoihin?
    - Mitä haasteita ja mahdollisuuksia kasvollisuus luo?
    - Tuoko kasvollinen omistus perheyrityksellenne kilpailuetua ja tuodaanko sitä esille markkinoinnissa?

20. Perheyritys yhdistää perheen, yrityksen ja omistajuuden. Onko näiden eri ulottuvuuksien tuomat eri roolit (esim. isä-omistaja tai poika-toimitusjohtaja-omistaja) ja niihin liittyvät odotukset vaikea hallita ja yhteen sovittaa?

1. What family entrepreneurship and working in a family business means to you?
   - What kind of feelings does it generate to be a part of a family business?
   - What is valuable to you in owning a family business?

2. How does the impact of the former generations show in the business nowadays?
   - Has your family business changed over time or are the founder's practices and values still a strong part of the business and its operations nowadays?
   - Have you managed to transfer the many experiences and knowhow of the older generations forward to the next generation? Are you able to utilize this experience in your operations today (for example in decision-making)?

3. What are the effects in combining family and business together?
   - How does the family affect the business and vice versa?
   - What are the opportunities and challenges in combining family and business together?
   - Which one do you think has the bigger impact on the other: family on the business or business on the family?

4. Has combining family and business together created any conflicts?
   - Have these conflicts had an impact on the family or the business?
   - Have you been able to learn, improve open conversation and create new practices to the business through solving these conflicts?
   - Is it at times difficult to maintain open and critical conversation, because of the fear of conflicts?

5. What factors in your opinion have affected most your willingness to join the family business?

6. How does your business ensure continuity and how do you prepare for succession?

7. How does family entrepreneurship affect decision-making?
   - Is it difficult to maintain objectivity when family related emotions are involved in the business?
   - Is decision-making faster or more difficult because of the family's impact? Why?
   - How is the decision-making right divided in your business: are open conversation and team work encouraged in decision-making or is the decision-making centralized to one or two persons?

8. Family businesses use and observe so to say 'their own money' in their operations as on the other hand non-family businesses use the business's money. In family businesses also risks have a direct impact on the family. Does this affect your attitude towards risk taking and has this affected your investment strategy?

9. What criteria do you have for taking family members in the business?
   - Are family members favored in recruitment situations or do they have to have an added value and something essential to give to the business operations just like the applicants from outside the family?
   - How are family members trained to work in the business?

10. Do family members in your opinion operate more long-term?
    - Can you say that your business employs more a long-term investment and planning strategy or is it more an operational and short-term profit strategy?

11. Does the interplay between family and business narrow down your organizational structure in a way that the hierarchy is lower and there is less bureaucracy?
    - How does this show in practice in your business operations?
    - Does it have positive impacts on your business operations?

12. How does family entrepreneurship show in your employee relationships?

- Does the commitment and responsibility of the family show also in employees' work motivation and commitment towards the business? How?
- Are employees seen as work force or more as individuals and part of the family?

13. It has been detected that one of the most important success factors of family businesses is trust. What kind of meaning does trust have in your business operations? How does it show in the business and in its stakeholder relationships?

14. In family businesses ownership and business management are usually in the hands of the family or in the hands of the owner-manager. Has this close relationship between ownership and management generated benefits for your business operations?

15. What are the most important stakeholder relationships of your business? How do you take care of these stakeholder relationships?

16. Family businesses and its owners are usually locally quite famous and are a tight part of the local community.
    - What do local operations mean to you and how does it affect your business operations?
    - Does your business seek competitive advantage through local networking?
    - Does your business contribute somehow to the local well-being? How?

17. How do you communicate about your social responsibility to your stakeholders?
    - Do you bring it up at all or do you rationally seek competitive advantage through openly and actively highlighting your responsibility?

18. How does family entrepreneurship show in your business values?
    - Has family's values had an impact on the business's values?
    - Because of the family's impact also other than purely economic values are emphasized in family businesses. What are the most important "higher" values of your business?
    - Do the values of your family business act as a source of competitive advantage and give a chance to differentiate from other businesses?

19. In family business the owner family is usually visible and easy to recognize especially if the family's name is mentioned in the name of the business:
    - How does the fact that the owner has a so called face affect your business policies?
    - What challenges and possibilities does this cause to the business?
    - Does it bring competitive advantage to your business?
    - Do you highlight family ownership in your marketing?

20. Family business combines family, business and ownership. Is it difficult to control and coordinate the different roles (for example owner-father or owner-son-CEO) created by these three elements and the expectations behind them?