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Abstract: An Organic Model for depicting the transitional nature of family businesses is proposed to reflect the dynamics involved when both business and family issues are intermingled. Along with those of other researchers, the model is founded on appreciations of the relative priority that is given to the achievement of business and family goals, but is extended to allow for the transitional nature of family businesses. The model depicts a quadrant of family business types (Personal, Livelihoods, Bank and Heritage) that overlap to form transition zones between those four principal states of being. A family business could be located in any of the four quadrants but can also, perhaps by deliberate design or maybe due to circumstances, be positioned in one of the overlapping transition zones between them. Larger family firms could also straddle the quadrants or have different parts of the family firm in a different state at the same time. Several measures can be used to determine the location of the family business, including the importance attached to socioemotional wealth and the use made of professional business advisors. Attention is also given to the inevitability of change as new generations of family members emerge and become involved in the family business.

Keywords: Family; business; model; organic; transition.

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Introduction

When comparing family and non-family businesses, complexities often arise due to the combined aim in family businesses of maintaining, developing and balancing both the needs of the business itself and those of the family members (Swaffin-Smith et al 2000). Research has shown that the complexities in a family business can result in a major strategic issue arising nearly every two years (O'Leary and Swaffin-Smith 2013), in addition to the usual day-to-day operational issues that need to be managed and attended to. Three issues that highlight some of the differences between family and non-family businesses are those of socioemotional wealth, the uses made of professional advisors, and the attention given to new generations of family members. Issues such as these are used to test the suitability of existing family business models and develop the proposed new Organic Model to reflect the transitional nature of family businesses. The research is based on a partnership between an experienced family business advisor and a research academic, an approach encouraged by Reay et al (2013) to help contribute to the communication and development of family business theory and practice.

Influences within family firms

Several factors reflect differences between family and non-family busineses and two of those, socioemotional wealth and uses of professional advisors, are suggested as means of evaluating the significance and balance of family values and business focus within the firm. In addition, attention is given to shifts in perspective that can emerge as new generations of family members become more and more involved in the family business.

Socioemotional wealth

The socioemotional wealth of a family business encompasses the non-financial elements that contribute towards the needs of the family and may include, for example, the preservation of the original aims of the founders, the enhancement of family reputation and the recognition of the family for philanthropic purposes (Berrone et al 2012). Social capital in family businesses has been a cornerstone of much research (Sorenson 2011) and has tended to show that family firms have a relatively longer-term perspective compared to an often shorter-term and financial perspective in non-family firms, and this can give family businesses a potential advantage in surviving difficult economic periods and subsequently establishing platforms for future growth compared to non-family firms.

Therefore, it is the theme of socioemotional wealth that may distinguish a family business from its non-family equivalent. Nevertheless, non-family businesses do pay increasing attention to issues of corporate and social responsibility and, in both cases, there can be a historical connection between current activities and the founding principles of the firm. After all, many existing corporate organisations started life as a family firm and, through expansions, acqusitions and public sales of company shares, evolved into the corporate entity that exists today. Therefore, a continuation of any founding principles is perhaps not entirely surprising. However, the familial link inherited through family members still involved at a senior level can be expected to have, at one end of the spectrum, a degree of influence at least and, at the other end of the spectrum, a potentailly significant impact.

The issue of social capital can be the one binding force that stays relatively consistent as the external and internal environments around the family business inevitably evolve as time goes by. The socioemotional wealth that is inherited and passed along the generations may of course also evolve to reflect broader changes in society and changes in emphasis by leading family members and groups.

Professional advisors

Organisations of all sizes and types often use advisors or consultants to offer specific expertise or new perspectives. The same is true of family firms, many of whom use many different types of advisors and consultants for different aspects of their activities. Typically, these advisors fit into four groups; legal, financial, behavioural and management advisors (Reay et al 2013). The spectrum of advice can vary from project or task-specific short-term one-off support right through to comprehensive and strategic long-term and multi-dimensional consultancy and support from a Most Trusted Advisor (Strike 2013). As noted by Barbera and Hasso (2013), the nature, content and implementation of the support will vary depending on whether it is related to a survival or growth phase of the business. It is worth noting that non-family businesses use similar sets of advisors although, with the family elements excluded, the focus may be more on individual employees, groups, teams and departments.

Some family-business advisors specialise in providing advice on primarily externally-related issues such as marketing and sales, while others focus on internal matters such as management skills and teamwork, and some offer support on issues that cover the full spectrum of external trends and internal complexities such as strategy and business development. At the same time, knowledge sharing between the various advisors may be limited for confidentiality or other reasons. However, if the family firm client and the advisors agrees to such collaborations, research by Su and Dou (2013) suggests that such knowledge sharing among individual external advisors enhances the quality of the services provided, the improvements being due to a more accurate identification of the issue at hand, a systematic and shared analysis of the matter, the development of an integrated and holistic solution, and an enhanced credibility being given to the proposed solution because of the coordinated input. Family business research (Reay et al 2013, Sorenson 2011, Poza 2010 and Kaye 2005) suggests that family business advisors can have a positive impact on both firm performance and family dynamics by building trust and resolving conflict. Areas of particular importance include the integration of family members into the business and the issues surrounding leadership succession. The work by Reay et al (2013) also highlights that collaborations between the various family-firm advisors is not a common activity, partly perhaps for reasons of a lack of knowledge of the others' involvement or because of issues of confidentiality, but that such liaisons, if managed effectively, could prove beneficial to all parties concerned.

A successful advisory role if often dependent on forming a good relationship with the client. The advisory team itself could be made up of more than one person and the client too may well consist of more than one person, so a whole network or web of relationships may evolve over and beyond what may begin as a one-to-one interaction. Certain factors help reinforce the relationship, such as the embeddedness required to achieve the challenges set (Barbera and Hasso 2013) and an empathetic and learning approach being adopted by the advisor (Davis et al 2013). The development and continued maintenance of effective relationships has been an essential element of core texts on family businesses both historically (Colli 2003) and over recent decades (Ward 1987, Gersick et al 1997, Miller and Le Bretton-Miller 2005 and Leach 2011).

Generational shifts

Helping to develop an individual family member's general capabilities to be effective in the family firm requires relevant knowledge and also the ability to apply that knowledge appropriately. Such skills tend to evolve progressively with experience, not only through studies but also through experiences not necessarily directly related to the family firm; for example in sport, in work experience elsewhere, in music, in theatre and other activities, as well as at home. Developing an understanding of when to apply which content and in what context is important in problem-solving and hence important in developing suitable employability traits. In addition, each individual family member needs to become trusted to work both in teams and alone to manage issues and projects as necessary to achieve the best balance of results overall. Studies on employability (O'Leary 2012 & 2013) conclude in part that content, capability and character are three key factors for developing employability; content based on learning the relevant knowledge, capability being the correct application of that content, and character showing an ability to operate effectively both alone and in teams. This work was based on studies of students and graduates of higher education but the elements appear to be just as important for family members in a family firm. Clearly, the senior and experienced family firm members will have developed many of these traits over the years and may pass on their abilities either formally or informally to more junior family members. In addition, there is also an important potential role for family firm advisors to play in this respect.

It is interesting to note that the current generation of new family firm members form part of what has become known as Generation-Y, a group that is understood (Terjesen et al 2007) to place great emphasis on personal development and where friendship groups are considred particularly important (O'Reilly 2000). Such issues may have contributed to Hira's (2007) research indicating that

Generation-Y employees appear to be relatively high-maintenance once in the labour force and it would be interesting to research whether this is more or less pronounced in family firms. Family business advisers have for a long time been involved in nurturing and training the next generation entering the family business and this continues today. Nevertheless, research suggests that the current group of Generation Y and Millenials (Howe & Strauss 2000) who have just entered, or are just entering, the workforce are somewhat different, in part because of growing up during the emergence of several new technologies such as personal computers, internet and smartphones. Martin (2005) indicates that this has affected the way that these people learn and process information, and this clearly has an impact on how they can be best educated and developed.

Business models of family firms

Family businesses have been the subject of much research over recent decades and several models and theories of the family firm have been developed and established. The following outlines the overall structure and premise of a selected well-known dozen of these and attempts to illustrate what the proposed Organic Model adds to this already rich tapestry.

A dozen existing family business models

In a compendium of tools and techniques to analyse family businesses, Sharma et al (2013) highlight six models that focus on the family business as a whole, and complement this with a further seven that address particular elements of a family business. The focus here is on the former six: 3-circle model (Davis 1982); 3-axes model (Gersick et al 1997); Governance options model (Hoy and Sharma 2010); Rules of entry and exit model (Frishkoff and Friskkoff 2008); Performance model (Sharma et al 2013); Key events model (Lansberg 1999). In addition to these, several other family business models and theories have been established over the last decade, including those by Dawson and Mussolino (2014) on constructs, Reay (2009) on meta-identity, Litz's (2008) Möbius Strip, Rutherford et al's (2006) developmental model, Pieper and Klein's (2007) Bulleye model and Sharma's (2004) original performance model.

The 3-circle model (Davis 1982) explores the overlaps between the family, owners and employees while the 3-axes model (Gersick et al 1997) extends the analysis by reviewing changes in each over time. The governance options model (Hoy and Sharma 2010) attends to the roles of the board and advisors to the family business. The rules of entry and exit model (Frishkoff and Frishkoff 2008) addresses elements of the transitions between states. The performance model (Sharma et al 2013) gives a clear outline of the positioning of a family business at a particular moment in time and the key events model (Lansberg 1999) highlights issues that may catalyse a strategic or operational transition. In Dawson and Mussolino's (2014) work on constructs, behaviour and performance is included along with assessing the socioemotional wealth of the family firm. A family business and its meta-identity is explored by Reay (2009) while Litz's (2008) Möbius Strip approach highlights the need for a three-dimensional model for family businesses. Rutherford et al's (2006) developmental model extends the models into life cycles, with Pieper and Klein's (2007) Bulleye model showing an interaction between ownership, family, management and business systems. Sharma's (2004) original performance model differentiates between family and business dimensions by addressing the 'hearts' and 'pockets' of a family business.

In different ways, each of these provides a valuable foundation for the Organic Model proposed here, a model where the transition zones are significant. Indeed, it is perhaps in these transitional periods that the key decisions are made to determine the intended direction of the firm.

Proposed Organic Model of family businesses

For the purposes of the model, a family business is defined as one in which members of a family have a significant level of ownership and strategic input, as well as a concern for family relationships. In this proposed model, the relative priority that is given to the achievement of business and family goals is a key factor in differentiating between business types. The research is based in part on a survey of fifty business owners who were asked to identify how they measured the performance of their business, in family and business terms, and to put these in order of priority. Those owners who identified primarily family goals focused on the ability of the business to provide the family with financial security and opportunities for employment, education and involvement in the business. Those owners who identified primarily business goals identified measures such as turnover, profitability and rate of growth. The model reflects the relative importance to the business owners of business and family goals and creates a framework of four primary groups with transition zones between them.

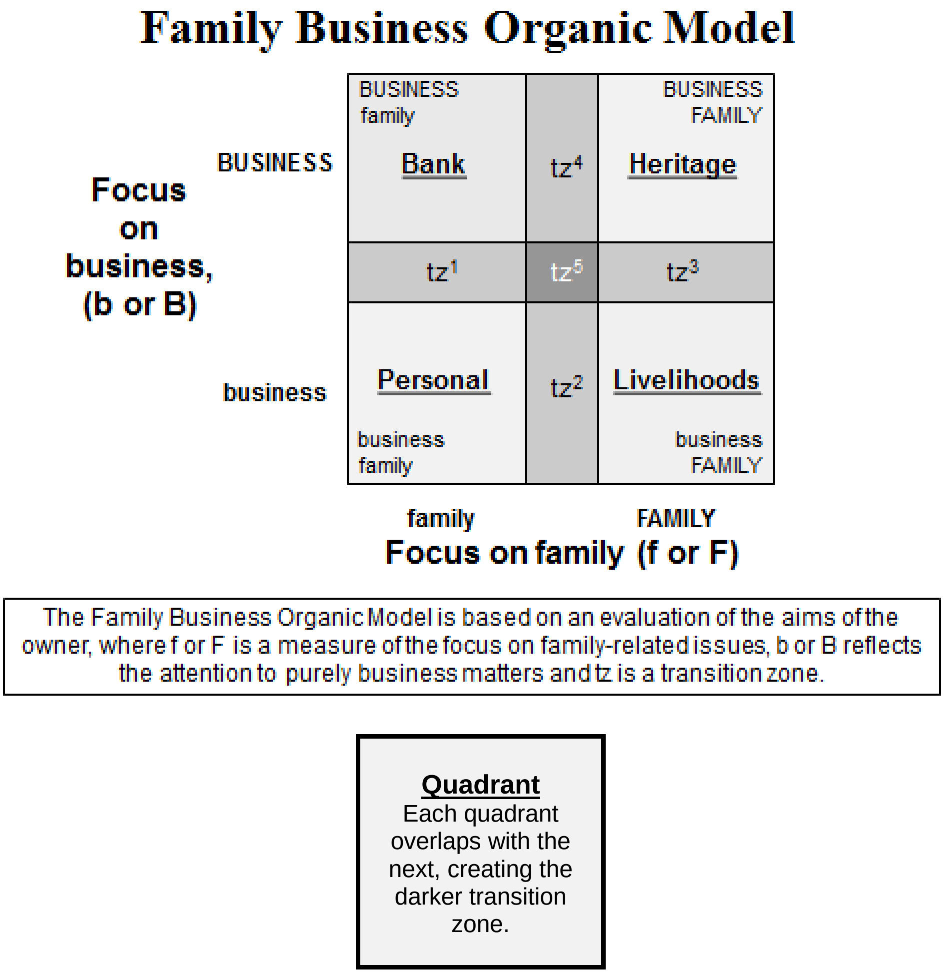

Figure 1: The Family Business Organic Model, where the four principal quadrants overlap to reveal the important transition zones between them.

Characteristics of family firms in each quadrant and transition zone
The following profiles depict some of the characteristics of a family firm in each of the quadrants and transition zones. Further examples are also given to outline the typical trajectory of a family firm as it evolves and transitions from one state to another.

Personal family firm: In a Personal family firm, there is a relatively lower focus on both family and business goals and, from the owner's perspective, it can be characterised as follows:

- The owner develops a business based on their skills and talents and does not distinguish between themself and the business.
- The business is not regarded as a family business by the owner, even if family members may help out on a voluntary basis.
- The owner may not have a view on how long the business will survive.
- There is no need to formalise business and family relationships because it is the owner's personal business.

Livelihoods family firm: In a Livelihoods family firm, there is a realtively higher focus on family goals and lower focus on business goals. Here, the owner(s) have a broader view of the firm that can be characterised as follows:

- See their firm as a family business and assess its performance in terms of its ability to satisfy the existing generations' financial, employment and educational needs.
- Tend not to use traditional financial measures to judge the success of their business.
- Do not expect the business to survive the current generation and plan to sell it or stop it once their needs and aspirations have been met.
- Limited formalisation of relationships between the family and business because the family and the business are synonymous.

Bank family business: In a Bank family firm, there is a reatively lower focus on family goals and a higher focus on business goals. Typically the owners see the business as a means of financing the family:

- Do not view the firm as a family business as it exists mainly because it has the potential to satisfy the family's financial need both now and in the future.
- Focus on the achievement of financial goals, such as profitability and growth, to build a successful business that will help the family accumulate wealth and satisfy personal objectives.
- Expect the business to survive for a relatively long time but plan to sell it as a going-concern during their life time.
- Tend not to recognise the need to formalise relations between family and business as they are seen as separate entities.

Heritage family business: In the Heritage family firm, there is a higher focus on both family and business goals. Here it is more typical for the owners to attend to the following:

- Perceive the business as a family business .The business is a means of providing both financial security and an opportunity for future generations to participate in.
- In some cases, it is a means of perpetuating the family name.
- It is recognised that there is a need to measure business performance and efficiency to achieve the long-term sustainability of the business.
- Formalised relations between the family and the business to ensure the longer term survival of the firm.

The transition zones

The identification of the four quadrants reflects elements of several of the existing dozen models described earlier and the proposed Organic Model adds to these by highlighting the importance of the transition zones between the quadrants. Moving from one quadrant to another is not a simple exercise and requires attention to many details. It is during this period of attending to the relevant details that the planned direction may be better understood and subsequently accelerated or reconsidered and changed.

Personal Bank transitions tz[1]: In these transitions, the focus in moving from Personal to Bank may be on growth and expansion, with particular attention given to business effectiveness and efficiency, often taking advice from professional advisors. The transition from Bank to Personal is more likely to be addressing a retraction in the business and increasing the focus and attention of the owner back on the business.

Personal Livelihoods transitions tz[2]: With transitions from Personal to Livelihoods, the focus is often on employing family members in the business to cope with, or to initiate, business growth. Transitioning back from Livelihoods to Personal often reflects family members moving on to other roles or taking on responsibilities elsewhere, the original owner often taking back full responsibility or passing it on to one family member.

Livelihoods Heritage transitions tz[3]: Having brought family members into the business, the transition from Livelihoods to Heritage is often based on trying to establish a long-term future for the family firm that will continue to involve future generations of the family. The business is effectively being invested in for the future and advice from professional advisors is typically important. A transition from Heritage to Livelihoods may occur if the business is under pressure to retract and recover its strength.

Heritage Bank transitions tz⁴: Having established a Heritage family firm, a transition to Bank status may reflect the sale of the business to a conglomerate whose aim is to extend the brand internationally. The family bank the cash generated and often retain key roles in the business. It could also reflect a reduced involvement of family members in the business and the employment of professionals in each of the key roles of the business, the family retaining a share of the ownership. An immediate transition from Bank status to Heritage is perhaps unlikely as it would probably involve family members, who may have had little involvement for some time, rapidly taking up key roles in the firm.

Heritage Personal and Livelihoods Bank transitions tz⁵: Attempting to transition from Heritage to Personal status and vice versa would involve a complete transformation in the way that the family firm is run. Therefore, it is probably more likely that such a transition would be achieved via the Livelihoods status. A Livelihoods Bank transition may reflect a sale of the business to generate cash whilst retaining some ownership and control in the business.

Discussion and conclusions

Several typical transitions in status can be identified using the Organic Model and Figure 2 illustrates what may be considered some likely candidates:

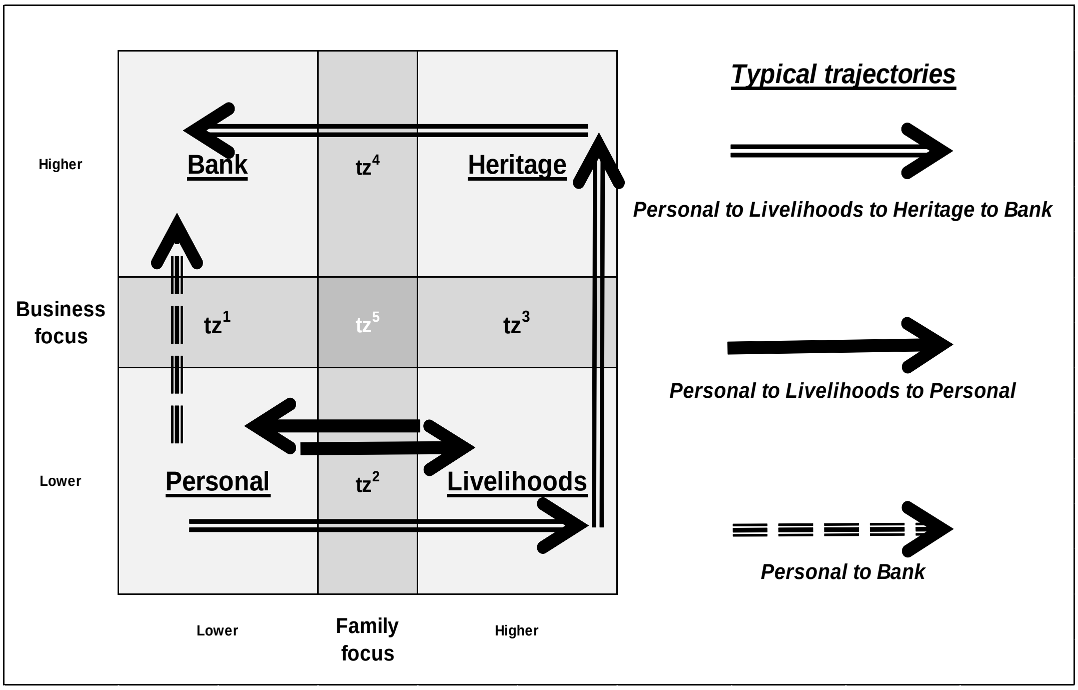

Figure 2: Typical transitions in status of a family business

- **Personal to Livelihoods:** John Smith Limited expanding to John Smith & Sons Limited and later reverting back to John Smith Limited once the sons have moved on.
- **Personal to Bank:** Paul Jones Limited appointing professional managers to extend its international presence, while Paul Jones himself steps back from the day-to-day running of the business.
- **Personal to Livelihoods to Heritage to Bank:** Sandra Wilson Limited employing family members to extend its footprint and establish a strong brand in its market, which then attracts a buyer to acquire a significant share of the family business, the buyer's aim being to build upon the success so far and introduce the brand into new markets, whilst retaining the services of key family members.

In this way, with the transition zones included, the Organic Model complements well-established earlier family business models in several ways. It identifies areas of overlap as in the 3-circle model

(Davis 1982), 3-axes model (Gersick et al 1997) and Bulleye model (Pieper and Klein 2007). It allows a place for the governance options model (Hoy and Sharma 2010) to exist. The importance of moving between states is identified as in the rules of entry and exit model (Frishkoff and Frishkoff 2008). It uses family and business measures as in the performance models (Sharma 2004, Sharma et al 2013) and can be linked to the key events model (Lansberg 1999). It allows for the co-existence of socioemotional wealth and performance (Dawson and Mussolino's 2014). Meta-identity (Reay 2009) is allowed for and it complements Litz's (2008) three-dimensional model for family businesses. Rutherford et al's (2006) developmental model of life cycles is highlighted by the model flow. Therefore, the well-established models and theories of family businesses help form a solid foundation for the proposed new model.

The Organic Model of the family firm allows for the inclusion of both family and business matters in a quadrant of different states of being, while the transition zones highlight the necessary preparatory time during a change of status. The relevant timespans vary according to the aims of the family and complexities of the business. Socioemotional wealth issues and the involvement of professional advisors within a family firm often give an indication of its aims and direction. Whatever the foundations laid down by former family members, it is also reasonable to assume that some changes, minor or major, are likely to occur because of the organic nature of both the newly involved generations of family members and the continued evolution of the international business environment.

Further research

Other implications of this Organic Model are that, from an advisor's viewpoint, it underlines the need to identify both the family and business goals and how they impact on each other, and also potentially indicates both the type of advice that the business is likely to need and the advisory styles that are most likely to help the owners move from one type of firm to another. Such transitions may also be related to changes in the relative priorities of family members as they pass through various stages in their own individual life cycles. The model also highlights the need to balance these family and business goals if the firm is to sustain itself through the generations, and this may be achieved by, for example, continuing to professionalise both the business itself and the relationship between the family and the business by developing a family constitution that clarifies the relationship between the family and the business. It is intended to examine such issues in subsequent articles, along with explorations of the role of an advisor compared to that of a non-executive director in helping the transition of the firm, and further insights into the model's transition phases to identify the changes required, the factors that can influence the degree to which the changes occur and the type and nature of support that is appropriate in each case.

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