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DYNAMIC OWNERSHIP IN FAMILY BUSINESS SYSTEMS – A PORTFOLIO BUSINESS APPROACH

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ABSTRACT

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Family businesses are among the longest-lived most prevalent institutions in the world and they are an important source of economic development and growth. Ownership is a key to the business life of the firm and also one main key in family business definition. There is only a little portfolio entrepreneurship or portfolio business research within family business context. The absence of empirical evidence on the long-term relationship between family ownership and portfolio development presents an important gap in the family business literature. This study deals with the family business ownership changes and the development of portfolios in the family business and it is positioned in to the conversation of family business, growth, ownership, management and strategy. This study contributes and expands the existing body of theory on family business and ownership.

From the theoretical point of view this study combines insights from the fields of portfolio entrepreneurship, ownership, and family business and integrate them. This cross-fertilization produces interesting empirical and theoretical findings that can constitute a basis for solid contributions to the understanding of ownership dynamics and portfolio entrepreneurship in family firms.

The research strategy chosen for this study represents longitudinal, qualitative, hermeneutic, and deductive approaches.The empirical part of study is using a case study approach with embedded design, that is, multiple levels of analysis within a single study. The study consists of two cases and it begins with a pilot case which will form a pre-understanding on the phenomenon. Pilot case develops the methodology approach to build in the main case and the main case will deepen the understanding of the phenomenon.

This study develops and tests a research method of family business portfolio development focusing on investigating how ownership changes are influencing to the family business structures over time. This study reveals the linkages between dimensions of ownership and how they give rise to portfolio business development within the context of the family business. The empirical results of the study suggest that family business ownership is dynamic and owners are using ownership as a tool for creating business portfolios.

Key words: family business, portfolio entrepreneurship and ownership.

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Lahti, October 2012

Marita Rautiainen

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My ventures are not in one bottom trusted
Nor to one place; nor is my whole estate
Upon the fortune of this present year;
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Shakespeare's *Merchant of Venice*

1. INTRODUCTION

This dissertation addresses portfolio entrepreneurship and ownership in family business, answering the question *How do families use ownership in family businesses?* This introductory chapter first outlines the background and the purpose of the study. Secondly, it gives a brief overview of the key definitions. Thirdly, it presents the structure of the study. It also shows the motives for why the selected subject is a relevant, important, and interesting field of study.

1.1 Family business as a research context

Family businesses are among the longest-lived, most prevalent institutions in the world (Astrachan 2010). Very little attention has been paid to the study of family businesses in previous scholarship (Carter, 2003; Hautala, 2006), although family businesses constitute a highly important component of most countries' economies and the concept of family business seems to present continuous challenges to researchers. On a global level, the overwhelming majority of family businesses are small or medium-sized, and in several countries, they form a majority of all businesses. The figures for various countries are: France (60%), Germany (60%), the Netherlands (74%), Portugal (70%), Belgium (70%), United Kingdom (70%), Spain (79%), Sweden (79%), Greece (80%), Cyprus (80%), Italy (93%), Australia (75%) and the USA (96%) (van Buuren, 2007). Data from most other countries provides a similar picture, and in Finland as well it has been demonstrated that family entrepreneurship is important to the national economy, as over 80% of Finnish companies are family businesses (Heinonen, Toivonen, and Sten, 2003; Koiranen, 2003).

Family businesses come in many forms: sole proprietorships, partnerships, limited liability companies, holding companies, and even publicly traded (albeit family-controlled) companies. Family businesses can range in size from a small corner store to a large multinational corporation (Birley, Ng, and Godfrey, 1999). One important and descriptive feature of a family business is that the entrepreneur or, in later generations, the CEO, and one or more members of his or her family play an influential role in the firm. This influence can take the form of participation, ownership, control, strategic preferences, and/or the culture and values imparted to the enterprise. Family members can be involved in the enterprise as members of the management team, board members, shareholders, or members supporting a

family foundation. The familial influence bestows family businesses with characteristics that differentiate them from non-family businesses (Moores, 2009). The unique blending of family, management, and ownership subsystems forms an overarching family business system. Although many researchers indicate that the familial influence is what distinguishes a family business from a non-family business, there is a need to identify what makes a family firm distinct and the process by which these distinctions result from family involvement (Chua, Chrisman, and Sharma, 2003). In particular, we need more information on the family's impact on the visions and goals of the firm, as well as on the family's ability to create unique resources. It is also important to be aware of the issues that make family firms behave and perform differently from other family businesses and non-family businesses.

What do we mean by the term family business? Defining a family business is controversial process, and there is no single agreed definition of what precisely constitutes a family business. Chua, Chrisman, and Sharma (1999) found 21 different definitions of family businesses in their review of 250 research articles. The definitions included three qualifying operational combinations of ownership and management. They noticed that all researchers included the combination "family owned and family managed" in their definitions. There were also disagreements among definitions, some of which included combinations such as "family owned but not family managed" or "family managed but not family owned". Astrachan, Klein, and Smyrnios (2002) have pointed out that the definition of family is often missing from these descriptions. This absence poses problems in an international context, where families and cultures differ across geographical boundaries and also over time. To get a better handle on the subject, it is essential to agree on an accepted definition of what constitutes a family business. Researchers have traditionally started their definition of a family business by looking at three areas of involvement in a business: ownership, management, and succession from one generation to the next (Koiranen, 2003; Hoower and Lombard-Hoower, 1999; Davis and Tagiuri, 1989). A family business is owned, governed, and managed with the intention of shaping and pursuing a vision of the business as one that lasts across generations of one or more families. In their research on the impact of family business on the US economy, Shanker and Astrachan (2003) point out that, "a common definition of what constitutes a family business does not exist." They conclude that there are three family business types, depending on whether the defining criteria are broad, middle, or narrow. The broad and narrow definitions involve a scenario in which multiple generations have a significant impact on the firm.

Family firms behave and, consequently, perform differently from other companies, and explaining how and why they behave and perform differently is the underlying reason for the research at hand. Debates over definitions will continue, but there can be no doubt about the critical importance of family business on every economy in the world. After having analyzed existing definitions, the European Commission Expert Group proposes the following definition (European Commission, 2009):

A firm, of any size, is a family business, if:

The majority of decision-making rights are 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.

1) *The majority of decision-making rights are indirect or direct.*
2) *At least one representative of the family or kin is formally involved in the governance of the firm.*
3) *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.*

Usually, the management processes for both family and non-family firms are similar. The differences lie in the firm's set of goals, the manner in which the process of meeting these goals is carried out, and the participants in this process (Sharma, Chrisman, and Chua, 2004). In research on family business management, researchers explain the dominance of the family as a lack of willingness to share control with external partners, since family members have a personal management style and decision-making is rather emotional and informal (Chrisman et al. 2003). However, research on family business (European Commission, 2009) recognizes that in larger family businesses, it is common to employ individuals who are not family members as managers. Family business management has featured particularly important dimensions in research on succession: the role of the founder, the perspective of the next generation, and succession as a process. In this discussion, there is an implicit assumption that top managers lead a strategic planning process that incorporates management succession with long-term continuation of the business. Family businesses focus on long-term development of the firm; the realization of short-term profits is not seen as relevant, since the business is meant to be passed onto another member of the family. This is one of the main characteristics of family business that differentiates it from non-family business. Long-term survival and sustainability are central considerations in family business development. Although this is

recognized as important in the field of research, there are relatively few publications dealing with the subject in any organizational context, and though there are many examples of long-lived family businesses, their sources of longevity are not well understood (Astrachan 2010). Astrachan (2010) also notes that not much is known about the growth strategies of family businesses. Recent research offers evidence of a CEO's entrepreneurial approach, as is an entrepreneurial orientation in the second generation, as being related positively to growth (Kellermanns et al. 2008), while CEOs with long tenures have a constraining effect on growth (Zahra, 2005). Family ownership has been found to be inversely related to one popular tactic for growth: acquisitions as a response to a family's priority of retaining control and concentrating wealth (Anderson et al., 2003; Zahra, 2005). Miller et al. (2010) found that the propensity to make diversifying acquisitions increases with the level of family ownership. An increasing level of family ownership potentially increases the chances of an undiversified personal wealth portfolio (Rabbiosi and Stucchi, 2012).

1.1.1 Why study family business ownership?

Ownership is a key element of a firm's existence. Ownership is also a key to defining family business; it enables a clear distinction to be made between family and non-family businesses. Taking the 'ownership perspective' rather than the 'company size' perspective can help improve understanding of the phenomenon of family business. Family businesses are special in that ownership is held by the members of a family or kin-related group (Astrachan, 2010; Johnston, 2007). Ownership has special meaning in family firms, since it involves a strong personal aspect. Long-lived family businesses face particular challenges as the family and business grow older and larger over time. Family ownership may be seen as an opportunity or a threat, depending on a variety of factors. Family-internal management–ownership interactions can produce significant adaptive capacity and competitive advantage, or alternately can be a source of significant vulnerability in the face of generational or competitive change. As ownership is dispersed, control over the business becomes harder to exercise (Schulze, Lubatkin, and Dino, 2003). Firms develop from family-owned business into managerially controlled enterprises with broadly shared ownership (Franks et al., 2010). Ownership in a family business is not seen as a liquid asset, but as property that is built and developed by the family over generations.

Family businesses do not only thrive, many are also expanding. With this expansion in size and scope, the family business comes up against limits in management capacity, financial

capacity, and the human and technical resources that the family can offer. When a family business expands in scope into industries requiring greater amounts of capital, such as manufacturing, the family often needs to obtain the capital externally. Family ownership and commitment to the business may be understood as adding value, but at the same time, investors may look with distrust on family-controlled companies because of the risk that the controlling family may abuse the rights of other shareholders. According to Chandler (1995), when a joint stock company grows in size, original shareholders, such as family members and limited numbers of investors, cannot secure the entire share. Many researchers have noted (Ward, 2001; Davis, 2007; Gersick et al., 1997) that families give up ownership slowly, family control of the business remains strong even after several generations, and there is little separation between ownership and control. The ownership configuration or stage of ownership evolution helps explain behaviour in family businesses and suggests prescriptions for family business conduct (Gersick et al., 1997; Ward, 1997). Perhaps the most popular ownership configuration model describes three stages of ownership evolution: owner–manager, sibling partnership, and cousin collaborative (Gersick et al., 1997).

1.1.2 Why study portfolio businesses?

Although the observation that some entrepreneurs own more than one business is not new in the literature (Rosa and Scott, 1999; Westhead, Ucbasaran, and Wright, 2005), little research on portfolio entrepreneurship or portfolio businesses has been conducted within a family business context. This could be because, as a research subject, portfolio entrepreneurship is very empirical in nature. Research stems from empirical findings regarding the interlinking of businesses through ownership (Rosa and Scott, 1999; Alsos and Carter, 2004). Scott and Rosa (1996) point out that the processes of establishing a firm are separate from growth processes. Analysis at the level of a single firm does not suffice to explain multiple business ownership or portfolio business. Alsos and Carter (2006) state that while many studies have speculated that previous venture experience endows entrepreneurs with a greater propensity for future business success, there is almost no evidence of this in the research literature. In their study of the farm sector, Scott and Rosa (1996) noticed that there were no systematic assessments of the frequency of multiple business owners in the economy and that the existing data on multiple ownership is often firm-centred; data on firms and data on individuals don’t talk with each other. The more owners use their ownership for diversification, the less evidence there will be of growth in small firms. Researchers have

recently argued that future studies of portfolio entrepreneurship should focus on illuminating the context, the content, and the processes in action (Carter and Ram 2003; Pasanen, 2006).

Ownership and management issues as well as growth and survival in portfolio entrepreneurship are topics of interest to researchers. Alsos and Carter (2006) note that there is substantial resource transfer from the originating business to the new businesses owned by portfolio entrepreneurs, especially among entrepreneurs who have been successful in creating one well-functioning, resource-rich business. Huovinen and Tihula (2008) found that learning from previous experiences strengthened entrepreneurial knowledge and contributed to management team formation and positive effects on the firm's success. A small business group is both the outcome of and antecedent to growth and corresponds to an entrepreneurial management style (Lechner and Leyronas, 2009). Business portfolios owned by families present a challenge to researchers and at the moment there is no recognized research tradition or theoretical framework developed for investigations of them. Research on portfolio entrepreneurship and management in the context of family business is increasing, as the survival of business and ownership changes in family business create interesting research questions about portfolio ownership, management, and growth. Empirically, such research is very challenging, and there is a clear need to find different methods of getting a better perspective on the phenomenon.

1.2 Defining the research gap

What questions deserve attention? Asking the right questions is the first critical step to finding the right answers. The selection and definition of the level of analysis is not only important in terms of the design of empirical studies; it is also essential for determining the appropriateness of different potentially applicable theories. In order to assess the levels of analysis most relevant for studies of family business, portfolio entrepreneurship, and ownership, the contents of these studies must be analyzed. One important task here is building a theoretical understanding of *why* these topics are pertinent to this study and *what* they mean, as well as *how* they emerge in family business contexts. This study combines and integrates insights from the fields of portfolio entrepreneurship, ownership, and family business. This cross-fertilization should produce interesting empirical and theoretical findings that provide a basis for solid contributions to the understanding of ownership dynamics and portfolio

entrepreneurship in family firms. The key definitions at the core of this study are family business, portfolio entrepreneurship, and ownership.

1.2.1 Family business

Family firms are an important source of economic development and growth; they create value through product, process, and service innovations that fuel growth and lead to prosperity. The long-term nature of ownership in family firms allows them to dedicate the required resources to innovation and risk taking, thereby fostering entrepreneurship (Zahra et al., 2004). The kinship ties unique to family firms have a positive effect on entrepreneurial opportunity recognition (Barney, Clark, and Alvarez, 2002). Owner–managers understand that the survival of their family firm depends on their ability to enter new markets and revitalize existing operations in order to create new business.

The basic characteristics of a family business are the intertwining of business, ownership, and family. Shanker and Astrachan (1996) note that the criteria used to define a family business can include: 1) percentage of ownership, 2) voting control, 3) power over strategic decisions, 4) involvement of multiple generations, and 5) active management of family members. They argue that a broad definition of a family business should incorporate some degree of control over strategic decisions by the family and the intention to leave the business in the family (Shanker and Astrachan, 1996). Furthermore, they argue that to be considered a family business, the business' members must strive to achieve, maintain, and/or increase intra-organizational family-based relatedness. In an effort to resolve the definitional uncertainty surrounding family business research, Litz (1995) suggests that businesses can be defined as family businesses when the ownership and management are concentrated within a family unit.

Families and businesses have often been treated as naturally separate institutions (Sharma, 2004). Aldrich et al. (2003) suggest that families help founders establish ventures and lend support to ensure their founding and survival over time. They argue that families and their businesses are inextricably intertwined. Changes within the family have implications for the emergence of new business opportunities, opportunity recognition, business start-up decisions, and the resource mobilization process. Aldrich et al. (2003) also suggest that entrepreneurship scholars would benefit from a *family embeddedness perspective* on new venture creation. The proposed definitions seem to suppose that the primary focus of research

on family business is the business and the way in which it is related to the family; the business is central and the family is an adjunct. If a family business is defined from this perspective, the implication is that the involvement of family members will not be high, and therefore attitudes and values will not be a prominent influence (Handler, 1989). If, on the other hand, a family business is defined from a perspective where the family is central and the business is an adjunct, a different scenario arises. Habbershon et al. (2003) conclude that "theory and practice indicate that in family-influenced firms, the interaction of the family unit, the business entity and the individual family members create unique systemic conditions and constituencies that impact the performance of the family business social system." To explain the interaction of these different units, we need multiple levels of analysis that could develop into a model of family business. This model should account for the unique characteristics and diversity of family businesses and should address the dynamics among family business subsystems. According to Chua et al. (1999), "What makes a family business unique is the pattern of ownership, governance, management, and succession that materially influences the firm's goals, strategies, structure, and the manner in which each is formulated, designed, and implemented." They propose that a family business behaves in a more unified manner than other firms.

A common perception of a family business is that a founding entrepreneur wants to pass on a legacy on to his or her children. According to Dunn (1999), ensuring the long-term survival of a family business means preparing it for the personal and organizational development tasks it will face in the future, by considering people, families, and businesses as dynamic entities undergoing clinical processes of birth, growth, and decline. Family businesses are unique; no other type of business enterprise has this structural form. This explains the complexity that goes with having a family system, a business system, and an ownership system linked together through wealth, legal structures, employment structures, and emotional or relational bonds. There are different kinds of ownership, management, employment systems, and single businesses connected to business networks or business groups. Who the owning and controlling party is, is the key question to understanding the way in which family businesses operate. Many family businesses are controlled by individuals with large networks and whose portfolios, ownership, and entrepreneurship are interconnected. As businesses develop and begin to involve next-generation members, ownership issues become more important. The ownership system becomes more complex, since the business can include a wide range of companies; the owner of one company

becomes the owner of many companies, and ownership is often shared with other family members or with external owners. At the moment, family business research does not deal with data on how developing family businesses change in terms of ownership systems, and what kinds of action the family takes in this system. From this point of view, there is a clear research gap that needs more clarification. In the family business context, more information is needed on multiple businesses owned by a single family.

1.2.2 Ownership

The family component shapes family businesses in a way that does not occur in non-family businesses. According to Johnston (2007), when scholars have compared family business to other forms of business, the primary criterion has been ownership. The notion of ownership is fundamental to family business (European Commission, 2007), and to illustrate the family component, one has to extend the debate into family business ownership. There are numerous definitions of ownership, and scholars cannot seem to agree on one operational definition. In studies of family business and ownership, ownership is seen in dimensions such as legal–financial, psychological, responsibility, socio-symbolic, and identification (Chrisman et al., 2003; Brundin et al., 2005). Researchers have defined family business operationally, according to the components of a family's involvement in the business: ownership, management, and trans-generational succession. Still, there seem to be a problem precisely delimiting any of these components; for example, does family ownership require total ownership, controlling ownership, or effective control (Chrisman et al., 2003)? In definitions, ownership is linked to the power and control (Ikävalko, 2010; Pierce et al., 2003). From the perspective of ownership of a family business, there are also psychological and social dimensions (Pierce et al., 2003; Mattila and Ikävalko, 2003; Koiranen and Karlsson, 2003), and all dimensions of ownership are foci when the family business system, ownership, and management interact.

As a theoretical concept, ownership refers most often to jurisdictional meanings, to holding the rights to and being responsible for some specific, defined object. The relationship between family and business has largely followed this reasoning: the research on family business has treated ownership as a stable phenomenon – that is, a constant used for explaining various anomalies in the behaviour of family businesses (Rautiainen, Pihkala, and Ikävalko, 2007). The basic model of ownership involves an owner (subject), an ownable object (object), and the relationship between them (ownership) (Ikävalko and Pihkala, 2005).

Psychological ownership deals with the relation between individual persons and ownable objects, but does not necessarily address legal ownership (Pierce et al., 2001). In family firms, the owner is the connector between two social systems: the family and the firm. Nordqvist (2005) introduces socio-symbolic ownership as processes of social and symbolic interaction having other attributes than legal and structural ownership: stakeholders and interest groups create closer ties with the owners and develop a social interaction with both retirees and succeeding generations. Social ownership takes place during social interaction, includes negotiations regarding ownership, and results in mutual agreements about ownership (Brundin et al., 2005). Within a family firm, emotional attachment to ownership may detract from the firm's focus on economic goals; thus, a typical family firm violates almost all the underlying assumptions of traditional governance theories (Mustakallio, Autio, and Zahra, 2002). Long-lived family businesses face particular challenges when both the family and the business grow older and larger. When ownership disperses, control over the business becomes harder to exercise (Schulze, Lubatkin, and Dino, 2003). Ensuring the continuity of multi-century family ownership is challenging (Astrachan, 2010). A family consists of individual family members who, through their existence and social action, jointly construct the family. A family business is owned together by several family members and decisions are made collectively, while at the same time, the members involved are individuals who make their own decisions. In family business research, open questions continue to exist, especially with regard to ownership changes during family business development. How does the family transfer ownership during succession, and what kinds of challenges does business development pose for ownership? What are the impacts of family members' shared ownership on the business? What kinds of situations does this create? The existing research has bypassed these questions; there is relatively little literature available that is specifically dedicated to ownership changes in family businesses. Therefore, research into a detailed understanding of ownership in family business and the role of the family collective as an actor would be worthwhile. More in-depth case studies are needed to reveal the connections between family, business ownership, and business.

1.2.3 Portfolio entrepreneurship and portfolios in family business

Entrepreneurship can involve the founding of new, independent firms, as well as the ownership and development of purchased and inherited independent businesses (Ucbasaran et al., 2001). Different studies have made a distinction between different types of entrepreneurs.

Portfolio entrepreneurship – that is, the simultaneous ownership of several businesses – is becoming an important theme in small business research. Definitions of portfolio entrepreneurship and portfolio businesses come primarily from finance, where portfolios have been one strategy for reducing business risks, as indicated in the following definition of the concept:

"A group of assets. For individuals, a portfolio might include stocks, bonds, rental real estate, bank accounts, and collectibles. For businesses, a portfolio is all of the assets included on the firm's balance sheet. For example, a real estate trust holds a portfolio of office rental properties (also called investment portfolio)."

The American Heritage Dictionary of Business Terms, 2010

Although originally viewed as a means of reducing business risk, the ownership of multiple businesses by a single entrepreneur is now recognized as an important growth strategy. Portfolio entrepreneurship can be defined as a mode of operation in which the entrepreneur founds, owns, manages, and controls, instead of one company, several companies at the same time. Portfolio entrepreneurship is usually studied in terms of the individual, and recent studies often highlight entrepreneurial activity undertaken by teams of people (Cruz et al., 2008). Curran et al. (1991) studied individuals whose parents were owners of small firms and noticed that they tended to follow in their parents' footsteps and become business owners. In their study of succession processes in a Honduran family business, Cruz et al. (2008) found that succession focuses on keeping the family in the business through the development of a portfolio business. For family-owned businesses, a key element of the dynamics of the portfolio is likely to derive from the resources immediately available to the family (Carter, Ram, and Dimitratos, 2003). Approaches to portfolio ownership can be seen as a strategy for family survival, through the introduction of alternative income sources (Carter and Monder, 2003), as well as a structural regulator to accommodate to business succession (Ram, 1994; Mullholland, 1997). The portfolio approach also serves the business logic of wanting to out-perform capital markets through risk diversification for shareholders inside the business (Schwass, 2008). Carter and Ram (2003) suggest that the analysis of portfolio enterprises requires taking a portfolio approach to the unit of analysis, with researchers concerned with addressing each element of the family business (firm, individual, and family) equally. In different circumstances and contexts, portfolio entrepreneurship approaches take different forms and perform different functions. There is a need for

information on the rationalities for diversification and growth in the business portfolio, but despite the multitudes of research on firm growth, theoretical development in the field has been slow. Several researchers are calling for more studies on the creation and growth of business groups (Low and MacMillan, 1988; Zahra, 2007; Iacobucci and Rosa, 2005).

The ultimate aim of the field of family business studies is to improve the functioning of family firms (Sharma, 2004). Why would a family not only attempt to increase the scale of its business but also create enterprise groups by increasing the number of firms under its control? The emergence of a family business portfolio can be revealed and justified in several ways, as the family business system, family ownership system, and family system are constantly changing. A longitudinal portfolio business study in a family business context reveals, for example, different transitional stages in business (e.g. start-ups, successions, exits, and acquisitions). In addition, business growth can mean more than a single company's growth, and to fully understand family business growth, different research perspectives are required. Family business growth is a process that occurs over time across several generations through a variety of business transactions. The family keeps its business going by investments in single businesses and shared investments, and with multiple branches of the family, they can share control and ownership. This makes on-going family solidarity and perpetuation of the family firm more difficult. The family institution, with family retreats, family meetings, family assemblies, family codes of conduct, and family councils, becomes particularly important. The solution to the problem of pooling capital and sharing risks is the family business group. Family institutions have always been important to economies, and if the family members in control of a business group are ethical and competent, the group can be a valuable asset to its economy (Morck and Yeung, 2003). There are strictly solely individual, solely business, and solely family elements, as well as operations where all these elements play a role at the same time. Often and eventually, family businesses become complex structures, with several branches, diverse interests, and a range of stakeholders. A portfolio structure could be the result of these developments. The existing literature does not sufficiently take into account either the role of the family as owners, or the growth of family-business portfolio groups. There is a clear and present need for longitudinal studies on the processes involved in portfolio business growth in family businesses and the role of the family during the existence of a business group.

1.3 Research problems and objectives

When conducting a study, one must ask a critical question: what might the theoretical contribution of this study be – in this case, what might it mean in the context of research on family business? Will it contribute to the development of theory in the field? Kilduff (2006) proposes that "the route to good theory leads not through gaps in the literature but through an engagement with problems in the world that you find personally interesting". Theory is not the summation of existing empirical research; upon formulating one's research idea, one should examine the existing literature on the topic, and this process should lead to new research questions. Comparing real-life experience to the relevant literature reveals what has been already said. In family business research, theoretical development is called for, insofar as current theory is incapable of addressing the problems encountered in family businesses today. Applying theory is not the same as contributing to theory (Ready and Whetten, 2011). To make a theoretical contribution, a study must actually improve theory (Whetten, 1989). According to Ready and Whetten (2011), there are two ways of improving theory: in the first, the authors demonstrate that the old theory is not quite right, while in the second, much rarer manifestation, the authors show us that the old theory was completely wrong. Theorizing is an integral element of empirical investigation, just as empirical analysis has meaning only through reference to the theory from which it is generated (Dubin 1969). According to Dubin (1969), the most important thing in theory building is the notion of unit (concept). Units are not theories; it is only when the units are put together into models of the perceived world that theories emerge. Also important is understanding the interaction among units within the system. Whetten (1989) sets forth the building blocks of a complete theory by pointing out that a good theory must first and foremost reliably explain a phenomenon of interest. To do that, some critical questions should be asked. First, what are the key factors critical to explaining the phenomenon of interest? Secondly, how are these key factors related to each other? Thirdly, why does this representation of the phenomenon deserve to be considered credible? And lastly, what are the conditions under which we should expect the predictions of the theory to hold true?

The strength of building theory from cases lies in the likelihood of generating novel theory (Eisenhardt, 1989). Reviewing the past literature on portfolio ownership in family business contexts reveals that little knowledge of the phenomenon exists. Current perspectives seem inadequate, because they have little empirical substantiation; there is a need for new

perspectives. Theory building from a case study is particularly appropriate in situations like this, as it does not rely on previous literature or prior empirical evidence. It is also suitable because the phenomenon is complex and difficult to approach. One promising approach for analyzing portfolios could be a longitudinal embedded case study that involves more than one unit or object of analysis and is not limited to qualitative analysis alone (Scholz and Tietje, 2002; Yin, 2003). There are three ways of stating the purpose of a study: declarative statement, question, or hypothesis. An initial definition of the research question is important in building theory from case studies. The appropriate method depends on the level of the question and the extent of existing knowledge about the problem.

The focus of this study is one dimension of family business: what happens when ownership of the family firm shifts to members beyond the first generation. As a system, a family firm involves three units: 1) the family unit, 2) the individual family member, and 3) the business unit. The research problem can be addressed in the question:

- ***How do families use ownership in family businesses?***

As a term, *use* is very ambiguous; originally, the creation of uses was a desire to avoid the strictness of the rules of common law. In real property law and common law countries, use (*cestui que)* amounts to a recognition of the duty of a person, to whom property has been conveyed for certain purposes, to carry out those purposes (Wikipedia). Common law does not recognize *cestui que* use, but affirmed the right of ownership through *feoffee* use. In English law, *feoffment* was a transfer of land or property that gave the new holder the right to sell it as well as the right to pass it on to his heirs as an inheritance (Wikipedia). *Use* could avoid these difficulties by allowing the tenant to convey his land to a friend, on the understanding that the friend would permit, after the grantor's death, the grantor's designated persons to have the full benefit and enjoyment of the land. The term *use* is suitable in a family-business context since in family businesses, the (legal) inheritance and transfer of all rights (power and control) from one individual to another makes it possible to determine the ownership at levels other than the statutory.

The word *"using"* needs the question *"using for what goal"* It is important to business development to understand what motivates family businesses and their individual owners and what impact their values and goals might have on the nature and performance of business development. Are family and owner-operated businesses motivated primarily by goals e.g.

lifestyle or family-centered goals, and does this impact on their growth and profitability? The definition of goals in family businesses is ambiguous since family firms aim to achieve a variety of financial and non-financial goals. The concepts of motivation, goal directed behavior, and perceptions of successful outcomes are important elements in the entrepreneurial process (Goldsby et al., 2004). According to Boyd and Gumpert (1983) entrepreneurs enjoy the opportunity to seek financial and personal rewards. Entrepreneurs are individuals seeking independence, wealth, and opportunity (Burch, 1986). Gersick et al. (1997) noticed that family businesses are more likely to be associated with personal, family or lifestyle dreams than with objective business projections. Sharma et al. (1997) stated that family business goals differ from the firm-value maximisation goal assumed for the publicly traded and professionally managed firms. Family businesses accept lower returns or longer paybacks on their investments and sustain a lifestyle rather than maximise profits or personal revenue (Dunn, 1995).

Applying Zachary's (2011) concepts, the importance of the family system and the development of the field of family business are essential to our understanding of the current state of our conceptualization and theory building. Ownership is in the key role in this study, and it has been described as a dynamic element that reveals ownership actions. The aim of this study is to show the use of ownership in family business by presenting two different family business cases. There are only few historical studies of family business (Niemelä, 2006; Colli, 2003; 2011), and there is clearly a need for longitudinal case studies of family businesses conducted over substantial lengths of time. The absence of empirical evidence on the long-term relationship between family ownership and portfolio development creates a significant gap in the literature on family business. To better understand family business ownership, this study uses case studies in building a theory of ownership dynamics in family businesses. Addressing the research problem requires identification of those elements that will promote portfolio development and also construction of a theoretical model that will describe the relationship between these elements.

1.4 Research method overview

The next issue concerns pre-understanding and understanding of family business ownership. In order to understand and describe the process used in theory building, a qualitative, hermeneutic approach will be applied. A hermeneutic circle is a dialogical

interpretative process between the researcher's pre-understanding (bias) and (objective) understanding of a phenomenon, and it is a good tool for developing knowledge. According to Gadamer (1975), pre-understanding is an intentional structure of feelings and thoughts that are activated when we regard something as something. The empirical part of this study consists of two cases: it begins with presentation of a pilot case that will provide pre-understanding of the phenomenon, while the main case will deepen understanding of the phenomenon. The pilot case develops the methodological approach used in building the main case. This study relies on a case study approach incorporating embedded design – that is, multiple levels of analysis within a single study. The selected research strategy represents longitudinal, qualitative, hermeneutic, and deductive approaches.

Analysing data is the heart of building theory from case studies (Eisenhardt, 1983). A historical study poses challenges for data analysis. Historical research is a type of secondary data analysis to determine past social attitudes and community structure and how these have changed over time. Historical data is difficult to work with since the data may be affected by many factors. Data set can be biased or illegible (e.g. letters, diaries) or incomplete. Historical research is intertwined with a hermeneutic research strategy, because perception is always based on past interpretations one makes. One aim in historical studies is to provide explanations for phenomena. The nature of this study is exploratory and descriptive; this is suitable for a problem that has not been clearly defined. A study's reliability is not about the veracity or credibility of the data involved (Yin, 2003). Eisenhardt (1989) points out some criteria for evaluating reliability: 1) assessment turns on whether the concepts, framework, or propositions that emerge from the process are good theory, 2) assessment depends upon empirical issues: strength of method and the evidence grounding the theory, (have the investigators followed a careful analytical procedure, does the evidence support the theory, have the investigators ruled out rival explanations), and 3) strong theory-building research should result in new insights. The point of the process is to develop, or at least begin to develop, a theory. Methodological factors are examined in more detail in Chapter 4.

1.5 Structure of the dissertation

This study is divided into seven chapters (see Figure 1). The aim of the introduction, Chapter 1, has been to briefly introduce the topic of the dissertation and to set the stage for the research problem, the research question, and the purpose of the study. The research design

outlines and shapes the framework for conducting the study. Chapter 2 will discuss in greater depth what has been written on family business, portfolio businesses, and family business ownership with relevance to the current study and offer a literature review on these subjects. Chapter 3 presents the theoretical framework used in the study, the central tool for the empirical analyses to follow. Chapter 4 outlines the methods used, qualitative research methodology, research strategy and design, and selected cases. Data collection and analysis methods for case materials are presented in this chapter, as are validity and reliability. Chapters 5 and 6 contain the empirical case descriptions. The cases introduced – the family firms Flowergardens Ltd. and John Nurminen Ltd. – act as the basis for the empirical study. The study will present both companies' timelines from their beginning until the present day. In Chapter 7, the results of the study are reviewed in light of prior research and the main conclusions of the study are presented. Chapter 7 also includes a critical assessment of the study and presents suggestions for further research. The practical and educational implications are discussed in the analysis of the empirical study.

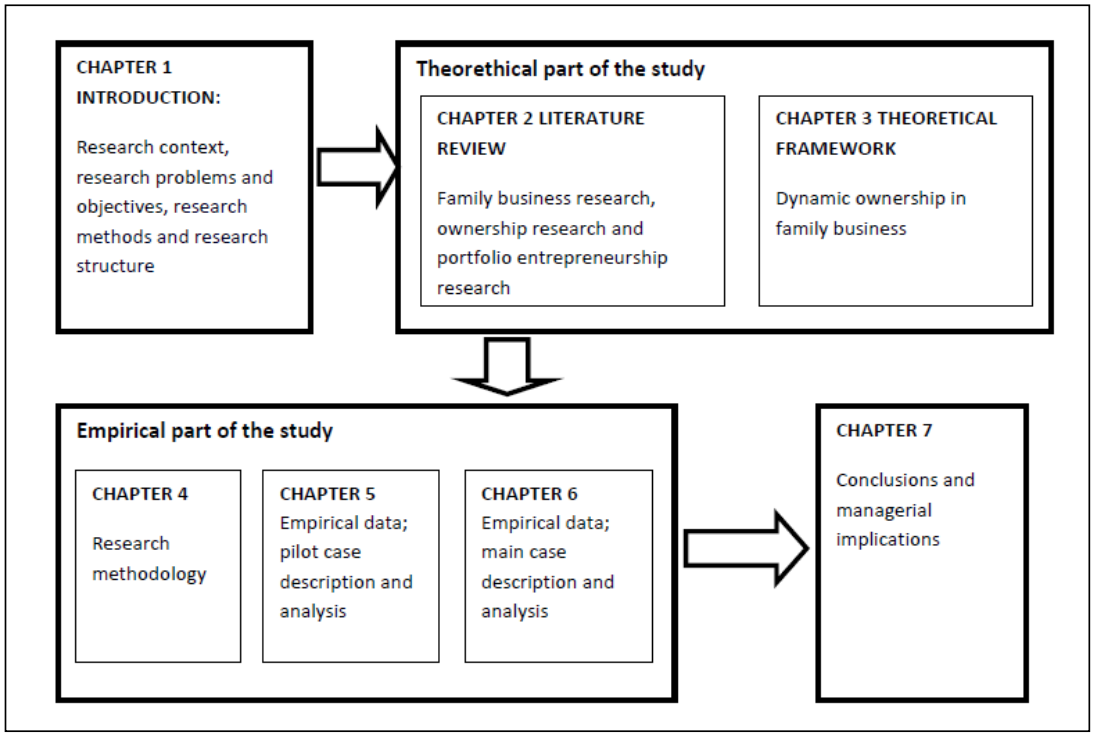

Figure 1. *Research design of the study*

2. THEORETICAL REVIEW OF RESEARCH ON FAMILY BUSINESS, OWNERSHIP, AND PORTFOLIO ENTREPRENEURSHIP

This theoretical review is based on various articles from the field of family business studies. The literature on family business is presented according to the focus of analysis: the individual, the family, or the business. This section also provides an overview of the literature on ownership from different fields – philosophy, law, finance, economics, and psychology – followed by a discussion of the notions of ownership relevant for this study. In addition, the motivations for and processes involved in portfolio entrepreneurship are investigated more deeply. An understanding of each of these three aspects is important, as most of the literature focuses on only one level as opposed to the conceptually complex domain of multi-level theorizing.

2.1 Current research on family business

Although family business research is at least thirty years old as a field, only recently has it attracted significant academic attention. In the past ten years, interest in family business has become an international phenomenon. Table 1 introduces key topics in family business research from various perspectives pertinent to this study.

Table 1. *Key topics in the field of family business research*

TOPIC OF FAMILY BUSINESS RESEARCH	KEY REFERENCES	RESEARCH FOCUS
Definition of family business	Astrachan and Shanker, (2003)	three definitions: broad, middle or narrow
	Chua, Chrisman, and Sharma, (1999)	21 different definitions; three qualifying operational combinations of ownership and management
	Litz, (1995)	complementary approaches: structure-based and intention-based
	Hoower and Lombard-Hoower, (1999); Koiranen, (2003); Chua et al., (1999)	involvement of three areas: ownership, management, and succession
	Tagiuri and Davis, (1996); Koiranen, (2003); Heinonen and Toivonen, (2003);	control has to be in the family

	Habbershon et al., (2003)	interaction of the family unit, the business entity, and the individual family members
Family business models	Tagiuri and Davis, (1996) Habbershon, Williams, and MacMillan, (2003) Gersick et al., (1997) Jaffe and Lane, (2004) Pieper and Klein, (2007)	classic three-circle model familiness model; the unique bundle of resources a particular firm has because of the system's interaction between the family, its individual members, and the business dimensional model of the family enterprise the family holding company model open system model
Family business management	Chrisman et al., (2003) Lansberg, (1983); Sirmon and Hitt, (2003); Burt, (1998); Adler and Kwon, (2002)	personal management style and lack of sharing control management of human resources, human capital, social capital
Family business performance and development	Miller, Le Breton-Miller, and Lester, (2010) Jaffe and Lane, (2004) Chrisman et al., (2003); Anderson and Reed, (2003) Wortman, (1994)	business growth by acquisitions governance as a critical issue for long-term survival resource-based theory and agency-cost theory explaining family business performance and behaviour survival of the family business in both the long and short term on a global basis
Succession in family business	Davis et al., (1998); Miller et al., (2006); Morris et al., (1997). Chrisman et al., (2003) Handler, (1994); Schein, (1995)	succession from the individual level, family level, and business level statistically differentiate intention in family succession role of the founder in succession
Family business entrepreneurship	Kellermanns et al., (2008); Alizadeh, (1999) Zahra, (2005) Johnston, (2007); Sharma, (2004) Handler, (1989) Sharma, (2004); Dumas, (1989); Cole, (1997); Poza and Messer, (2001); Curimbaba, (2002)	entrepreneurial behaviour and growth, the family contributes to the likelihood of individuals becoming entrepreneurs second-generation behaviour and growth company founders next-generation members women in family firms; father–daughter dyad, the roles women take in family firms, gender-related issues

	Davis, (2007); Astrachan et al., (2002)	power issues in the family business system
Differences between family and non-family firms	Anderson and Reeb, (2003); Gorriz and Fumas, (2005); Pajarinen and Ylä-Anttila, (2006) Sharma, Chrisman, and Chua (2004) Moores, (2009) Chrisman et al., (2003).	family firms perform better than non-family firms differentiation in goals, processes, and participants characteristics of differentiation large family firms and management role of non-family members
The family business social group and familiness	Barney, Clark, and Alvarez, (2002) Habbershon, Williams, and MacMillan, (2003); Pearson, Carr, and Shaw (2008); Zellweger, Eddleston, and Kellermanns, (2010); Frank et al., (2010)	kinship ties and positive effect upon entrepreneurial opportunity recognition familiness as resources
Conflict in family business	Jehn et al., (2001); Kellermanns and Eddleston, (2004) Sharma, (2004) Harvey and Evans, (1994); Cosier and Harvey, (1998); Handler, (1991)	task, process, and relationship conflicts relationship conflict interpersonal or inter-family conflicts

Family businesses are inherently complex, and the literature on family business has not settled on a single, precise definition of what constitutes a family firm. In order to understand the uniqueness of family business and explain the justification for dedicated research on it, the definition of family firms, the source of the field's distinctiveness, and the various facets of family business performance require clarification (Sharma, 2004). Numerous attempts have been made to articulate conceptual and operational definitions of family firms. Handler (1989) pointed out that one of the challenges inherent in this exercise is determining the criteria by which a business enterprise can be classified as a family firm. Chua, Chrisman, and Sharma (1999) identified 21 different definitions of family business in their review of 250 research articles. The definitions included three qualifying combinations of ownership and management. Astrachan and Shanker (2003) present three definitions of family business, including a broad or inclusive definition, a middle definition, and a tight or narrow definition. The broad or most inclusive definition demands only some family participation in and control of the business, while the middle level requires the business owners' intention to pass the business on to another member of the family and one or more family members' playing a role

in running the business. The narrow level means that multiple generations have a significant impact on the business. The level of inclusiveness depends on the perceived degree of family involvement in the business. Litz (1995) suggests two complementary approaches to conceptualizing family firms: the first approach is structure-based, focusing on family involvement in firm ownership and management, and the second approach is intention-based, focusing on management's intent to maintain or increase intra-organizational family involvement. The first approach is consistent with the conventional definition of a family business. Many researchers have come to the conclusion that the primary definition of a family business is that control of the business exists within the family (Tagiuri and Davis, 1996; Hoower and Lombard-Hoower, 1999; Heinonen and Toivonen, 2003; Koiranen, 2003).

In her review of 217 articles, Sharma (2004) notes the need for theory building in family business studies. She claims that a starting point for achieving this ultimate objective is re-examining the current theories from the fields of family and organizational studies to test the extent of their validity when these two systems are intertwined. This filtering process will ensure that the theories developed are valuable, robust, and applicable to the vast majority of organizations in the world (Sharma, 2004).

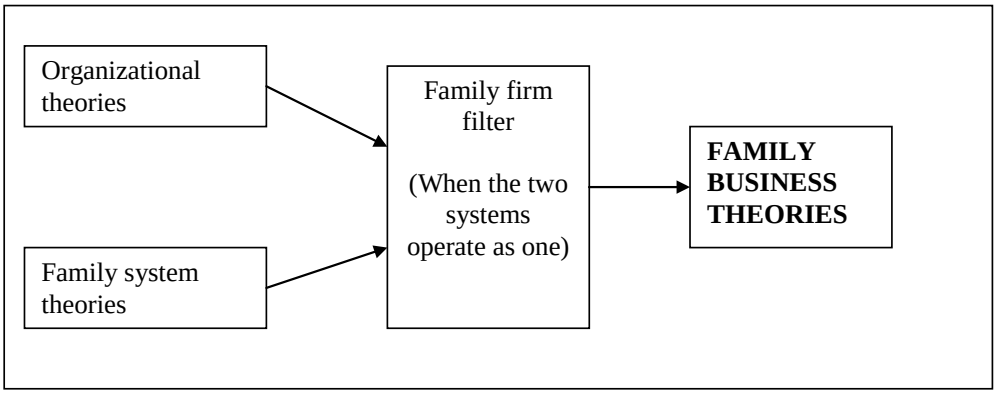

Figure 2. *Toward the development of family business theories (Sharma, 2004)*

Earlier research sought to identify family businesses in terms of ownership, management, and control structures, as well as trans-generational transfer. While this provided some insight into the nature of family businesses, it failed to account for why some firms were identified by their owners or managers as family businesses despite meeting none

of these criteria. Similarly, it did not account for why other firms, in which these criteria for being a family business were met, disavowed the title of family business. Recently, research has shifted to focus on ascertaining the intention and vision of a particular firm as a means of determining whether it can be defined as a family business. Along with this 'strategic' view of a firm, a perspective has also emerged that examines the bundle of resources (e.g. knowledge, materials, capital, human resources) available to a particular firm as a way of determining its status. This resource-based view of a firm suggests a firm is a family business when the role of a family has a demonstrable effect on the function and performance of an associated business. While previous definitions and understandings of family business have not been entirely superseded, there is now a shift in analytical focus to include important components of business practice, such as intentions, vision, and culture. There is still a need for information about family businesses' ability to minimize their inherent weakness and leverage their inherent strengths.

It is clear that there are peculiarities unique to family businesses. Particularly the influence and involvement of the family makes family businesses unique. Tagiuri and Davis (1996) elaborated upon the two-circle system, introducing a third circle in the early 1980s. Tagiuri and Davis (1996) presented a classic three-circle model consisting of separate areas with strong interaction between them. In this model, the family business is made up of three separate but overlapping systems: 1) the *business system*, 2) the *ownership/governance system*, and 3) the *family system*. In the overlap of these three systems, conflicts arise when family goals conflict with business goals. Since family members run the business, family issues are brought into the business, and business issues are carried over into the family. This three-circle model remains the foundation upon which most family business consultation and systems analysis is conducted today. According to Gersick et al. (1997), "the reason the three-circle model has met with such widespread acceptance is that it is both theoretically elegant and immediately applicable."

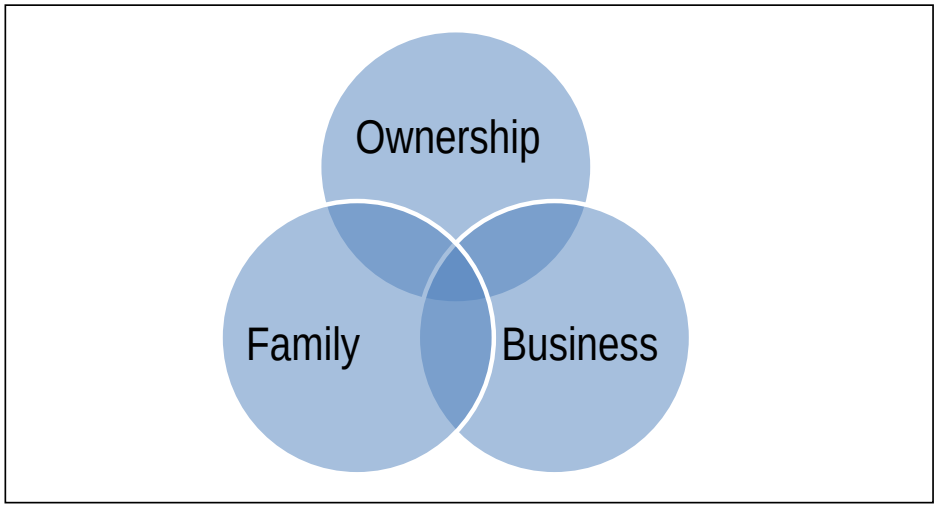

Figure 3. *The three-circle model of the family business system (Tagiuri and Davis, 1996)*

Schwass (2008) found that family businesses can be seen as passing through three phases, each with its particular interplay of business, ownership, and family issues and its own culture. The first of these is the 1) *entrepreneurial* stage, in which an entrepreneur founds a company. At this level, the business is the important issue. Ownership does not mean so much, nor is family an issue. The family business culture is undergoing revolutionary change; the business is new, different, and has to be created first. This is followed by 2) *early generations and smaller families;* at this stage, the children of the founder(s) step in. The family business culture tends to be evolutionary: the business is developing from what the founders established without changing completely. Ownership is emerging and becomes an emotional issue. Family members have equal ownership, and family becomes an issue. The third phase, 3) *later generations and larger families*, can involve several hundred family members, each with an inherited share in the business. The family business culture can be evolutionary, revolutionary, or a mix of both. The issue of ownership really comes to the fore. Here the business faces one of the most difficult questions: should it continue along the old, traditional path, or adapt to new market needs? In the sphere of the family, there is a need to address the larger degree of diversity that comes with a larger number of family members and the addition of new blood through spouses.

In defining family businesses, researchers have sometimes relied on the factors that distinguish it from other organizations. Defining the distinguishing differences between family firms and non-family firms can be used to explain the conceptual and operational

definitions of family firms. There is strong empirical evidence that family and non-family firms are different in certain dimensions. Several studies (Anderson and Reeb, 2003; Górriz and Fumás, 2005; Pajarinen and Ylä-Anttila, 2006) support the overall conclusion that family-owned firms perform better than non-family-owned firms, according to performance indicators including return on total assets, return on equity, and return on sales (profit margin). Using cluster analysis to produce a dichotomy between family and non-family firms, Chrisman et al. (2003) demonstrated that it is possible to statistically differentiate family firms from non-family firms on the basis of ownership, management, and intention of intra-family succession without the use of arbitrary cut-off points. On the other hand, a number of studies have found few or no differences between family and non-family firms in dimensions such as sources of debt financing, strategic orientation, management and governance characteristics, and problems and needs for assistance (Welsch, Gerald, and Hoy, 1995; Coleman and Carsky, 1999; Gudmunson, Hartman, and Tower, 1999; Westhead, Cowling, and Howorth, 2001). Family firms also differ from rational economic ventures in methods of operation; they are not homogeneous (Reid et al., 1999). Ward (2002) points out that there are different types of family firms. In some families, economic rationality dominates decision-making, while for others, a 'family first' ethos takes precedence. There are also family firms that respond to both economic and family considerations. An overly broad definition encompasses firms that may not be family firms, while an overly narrow one can result in a possible loss of important subjects (Handler, 1989). Accordingly, this study defines family businesses by integrating the components of majority ownership, family involvement in management and operations, and the presence of multiple generations. This study will consider a family business as a business in which a family possesses controlling ownership, controlling management, and the ability to pass these elements to the next generation. This definition is close to Astrachan and Shanker's (2003) narrow definition, which involves a scenario in which multiple generations have a significant impact on the firm.

2.1.1 Family business management

Many empirical studies on family business management have revealed that the success of family firms depends on the effective management of the overlap between family and business (Sharma, 2004). When management transfers from one generation to the next, the transition is often far from orderly. In addition, as the company develops, there is a need for a management style that goes beyond survival thinking (Barnes and Hershon, 1994). The management of human resources in family firms has also been studied when family norms

and business norms overlap (Lansberg, 1983). The issue of survival over the long term is based on business strategy and family strategy**.** Studies should focus on the interactions between family systems and business systems (Wortman, 1994). Jaffe and Lane (2004) studied large-scale family dynasties and their ability to survive from generation to generation. They noticed that the most critical issue was governance. Corporate governance is defined as the internal and external mechanisms of discipline used to steer the behaviour of corporate management toward the interests of stakeholders (Lambrecht and Uhlaner, 2005). Key to effective governance of a family business is recognizing when the family business is transitioning from one stage to another and designing revisions to the governance structure that will meet its needs in the next stage (Gersick, Davis, and Hampton, 2003).

Without a dominant paradigm for family business management, typical management issues have revolved around succession, conflict resolution, strategic planning, boards of directors, consulting, and so on. (Chrisman et al. 2003). Often a dichotomy is created between the 'family' and the 'business', in which these are claimed to form distinct subsystems interacting so as to comprise a whole system known as the 'family business'. If family dynamics and business dynamics demonstrably interact and influence each other, then researchers contend that a synthesis exists between the two, meaning the emergence of a new and unique system identified as a 'family business'. More attention should be directed at the levels of firm and business. There are few or no studies of the environments in which family businesses operate. In terms of strategy, investigations should be carried out to discover the issues most critical in family businesses.

Firms use, however, economic criteria such as profits, market share, and efficiency to measure performance. Research on family firms indicates that family goals and needs often drive decisions regarding location, financial strategy, and business strategy (Ward, 1988; Kahn and Henderson, 1992; Mishra and McConaughy, 1999). Ward (1988) finds that family businesses encourage family-oriented environments and inspire strong employee loyalty. Family firms tend to bring out better performance in their employees (Moscetello, 1990) and are seen as having greater trustworthiness (Ward and Aronoff, 1991; Tagiuri and Davis, 1996). Anderson and Reed (2003) determined that company performance increases until a family owns about third of the business, after which it tends to decrease. Research also indicates that good preparation of the next generation and its positive relationship with the senior generation has a significant influence on the next generation's performance (Sharma,

2004). This supportive relationship will smooth transition of knowledge, social capital, and networks across generations.

Sirmon and Hitt (2003) studied resource management in family firms and found that the most important resource for a family firm is its human capital. It is, nevertheless, complicated by the close proximity of dual relationships. Members of the family participate simultaneously in both business and family relationships in their personal and professional lives. Whereas human capital focuses on individual attributes, social capital involves relationships between individuals or between organizations. Human capital refers to individual ability; social capital refers to opportunity (Burt, 1998). According to Adler and Kwon (2002), social capital affects a number of important company activities, like inter-unit and inter-firm resource exchange, the creation of intellectual capital, inter-firm learning, supplier interactions, product innovation, and entrepreneurship. Lambrecht and Uhlaner (2005) suggest that there should be an active and long-term commitment to the family, business, and community and to balancing these commitments with each other. The building blocks for responsible ownership include articulation of shared values, the socialization of subsequent generations, acquiring competences and skills, strategic planning of the family and of the business, informal gatherings, and setting up formal family governance structures (Lambrecht and Uhlaner, 2005). Although improved financial performance may be one possible outcome of close monitoring of the firm, responsible ownership, especially with respect to other stakeholder groups, may also lead to other consequences, such as greater corporate responsibility, better employer, and overall economic growth.

2.1.2 Development of family business

Entrepreneurship theory suggests an enterprise goes through a period of dynamic growth in its initial phase up to a certain point of time when it reaches the mature phase. According to Ward (1997), the popular perception is that family-owned businesses do not grow. He lists several special challenges to growth that are unique to family-owned businesses: 1) maturing business life cycles and increasing competition, 2) limited capital to fund both family needs and business growth needs, 3) weak next-generation business leadership, 4) entrepreneurial leadership's inflexibility and resistance to change, 5) conflicts among sibling successors, and 6) disparate family goals, values, and needs. On the contrary, Heinonen and Stenholm (2006) found no evidence of or reason for growth in family businesses that diverge from those of non-family businesses. Their conclusion is that, due to

less risky behaviour, growth in family businesses is realised in a more moderate way in the short run, while a higher level of sustainability and economic performance is attained in the long run. At the same time, the lower growth rate in the short run is due to the family businesses' often-perceived reluctance to bring in external investors in order to avoid sharing control. For many family businesses, the stability of the enterprise and its maintenance for future generations is more relevant than short-term growth.

The unique contribution of family development theory to studies of family businesses lies in its focus on explaining how families change (White, 1991). Early formulations of the theory suggested that families pass through a predetermined sequence of life-cycle stages. According to Mattssich and Hill (1987), one criticism was that many families did not fit into the normative life cycle and the theory ignored the historical timing of significant life events. According to White (1991), family development has no determined cycle; rather it is a stochastic process. Stages are marked by events, such as marriage, birth, death, and divorce that change the structure of the family. White (1991) also stresses that the timing and sequencing of these events determine how families function as they move into the next stage. During the family business life cycle, the family will pass through different phases, and several models have been developed to describe and analyze the various stages that family businesses go through during their existence. The founder starts as an entrepreneur; over time and generations, the business holds the branches of the family that emerge after the founding generation together (Schwass and Diversé, 2006). The business is part of the family's history and tradition, and it is difficult to see it simply as an investment forming part of the family's overall wealth (Schwass and Diversé, 2006). There has been little insight into the evolution of the processes of wealth development in family businesses over time. The factors that influence this development also deserve more detailed examination. According to Schwass and Diversé (2006), as a family business develops, there is a need to think strategically about the family's financial position and design a new structure and a plan of action – the family has now become a family-in-business.

Gersick et al. (1997) conclude that there are two perspectives to explain how organizations and the behaviour of the entrepreneur change over time. The first focuses on the external social and economic forces exerting pressure on the organizations. The other perspective is based on organizational life-cycle models, where companies change in a sequence of predictable stages, partly motivated by internal environmental conditions, but

mainly due to complex maturation factors within the organization. The environment influences organizational development; the internal perspective suggests that the entrepreneur assumes a more active than reactive role in the development and success of the venture. Gersick et al. (1997) have adopted a variation of the three-circle model, choosing to focus on family, ownership, and business and breaking each up into an individual life cycle. The result is a three-dimensional matrix they call their 'dimensional model' of the family enterprise. This developmental model of family businesses was one of the first models that made a real attempt to look at family businesses as three independent yet interdependent systems.

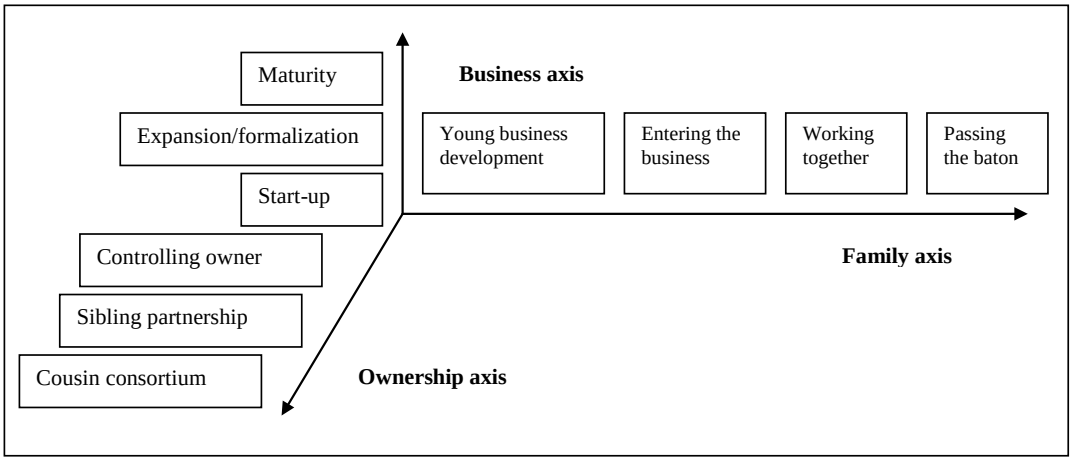

Figure 4. *The dimensional model of the family enterprise (Gersick et al., 1997)*

When the founder starts a business, he or she must decide its form: sole proprietorship, partnership, corporation, or limited liability company. Which of these forms is right depends on the type of business the founder wants to run, how many owners it has, and its financial standing. In family businesses, the owners usually choose a business entity that takes advantage of what the entity could offer in capitalization, income tax, and management structure. Usually the business begins with a single owner. Over time, the family business moves through sibling partnership to cousin consortium (Gersick et al., 1997). However, it can also take the form of a company owned by combinations of family members, public shareholders, or other companies. The structure and distribution of ownership affects other business and family decisions, as well as operations and strategy. By the time the family reaches the dynasty stage, it is a given that the diversity of the ownership group will be an issue if there are a substantial number of heirs or beneficiaries (Jaffe and Lane, 2004). This diversity involves business skills, motivation, temperament, and lifestyle issues.

Andersson and Reeb (2003) note that family ownership is a very effective organizational structure. The structure of ownership in a family business can remain static for generations, even as the individual owners change (Gersick et al., 1997). The search for understanding of a family business throughout its life cycle must be supported by the understanding of the owning family and ownership behaviour. This wide usage of the concept of ownership often results in a paradox in research, as it is seldom explicitly defined, or tends to be defined depending on the analytic purpose (Foss and Foss, 2001). Gersick et al. (1999) note that there are three main forms of ownership structure, inevitably with many variants: controlling owner, sibling partnership, and cousin consortium. According to Lansberg (1983), cousin consortia are reported to be relatively rare in the United States but frequently found in Europe, Asia, and Latin America. Table 2 presents the different ownership stages and dominant shareholder issues in an evolving family business.

Table 2. *Ownership issues in an evolving family business (Gersick et al., 1999)*

Ownership stage	**Dominant shareholder issues**
Stage one: the founder(s)	• Leadership transition • Succession • Spouse insurance • Estate planning
Stage two: the sibling partnership	• Maintaining teamwork and harmony • Sustaining family ownership • Succession
Stage three: the family dynasty (also called the cousins' confederation)	• Allocation of corporate capital: dividends debt and profit levels • Shareholder liquidity • Family tradition and culture • Family conflict resolution • Family participation and role • Family vision and mission • Family linkage with the business

While Gersick et al. (1997) present a model of generational evolution, Jaffe and Lane (2004) present the *family holding company model* (see Figure 5), which describes how complex multigenerational family businesses and investments can be. When a family business develops, it becomes a multigenerational business with several family branches. Jaffe and Lane (2004) outline the key challenges that a family must face to create an effective dynasty over generations. They show that when a family business faces continual changes in the business environment and in internal pressures as people develop, the family must come up with a clear infrastructure to manage the interrelationship of people, business, and investment.

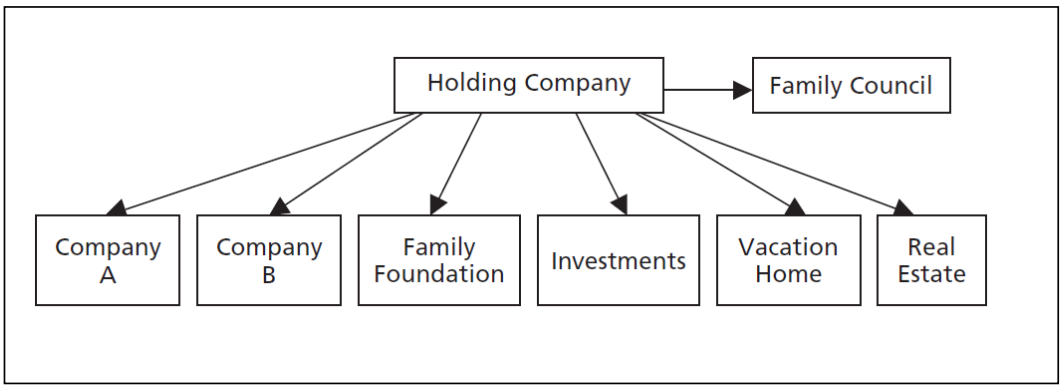

Figure 5. *The family holding company model (Jaffe and Lane, 2004)*

There is a growing interest in system models of family business. As with system models in general, the tendency has been from closed to open systems (Pieper and Klein, 2007). The classical three-circle model (Tagiuri and Davis, 1996) and its later applications (Gersick et al., 1999) have addressed the interlinking of three separate systems in family firms: family, business, and ownership. System theories have not only been popular for the purpose of describing actual phenomena, but also for their role in general scientific thinking. They form platforms for academic reasoning (Newman and Peery, 1972), and this could also be the case in family business research. Despite crucial differences between closed and open system models, in both theoretical and empirical considerations (Chick and Dow, 2005), there is surprisingly little focused research on the closed-open dynamics of family business system models. An *open-systems approach* (Pieper and Klein 2007) is used in combining the various elements of a family business. It addresses the unique characteristics and diversity of family businesses and the dynamics among family business subsystems, offering multiple levels of analysis. Ashmos and Huber (1987) note that the system paradigm in general assumes that

"systems are composed of interrelated components and that the properties of both the system and its components are changed if the system is disassembled in any way."

2.1.3 Family business consists of individual actors

Low and MacMillan (1988) suggest that entrepreneurship should be defined as the "creation of new enterprise". The purpose of entrepreneurship research should be to "explain and facilitate the role of new enterprise in furthering economic progresses". Low and MacMillan (1988) continue by stating that entrepreneurship studies could and should be carried out at multiple levels of analysis and that these analyses could and should complement each other. Schumpeter (1934) had already linked the entrepreneurial initiatives of individuals to the creation and destruction of industries as well as to economic development. He says that it is individuals who carry out entrepreneurial initiatives; these often result in innovations, which may in turn alter existing industries. So far, research on family businesses has focused on a few different objects at the individual level. Studies have been conducted on company founders, the role of the founder in succession, and creating organizational culture (Handler, 1994; Schein, 1995). Founders have an anchoring role in their firms and a significant influence on corporate culture, values, and performance (Sharma, 2004; Schein, 1995). There have been efforts to understand leadership by comparing family leaders and their relationships to non-family leaders, as well as their relationships with other family and non-family members (Chrisman et al., 2003; Sharma, 2004). In a family business, tenures are longer, and due to their centrality of position in the family and the firm, founders exert considerable influence on culture and performance. Family businesses face challenges due to duality or multiplicity of roles (i.e. as father, husband, and president of the company), and problems can occur when one family member acts out a role inappropriate for the situation (Johnston, 2007). Family life has an effect on the development of individuals. A significant amount of research on founders focuses on the theory of development stages (Sharma, 2004). So there is a need to subject these conceptual ideas to empirical tests to gauge their validity and generality in practice.

Next-generation family members have also been an important group in research. So far, researchers have focused on studying successors, stakeholders, women, and non-family employees. There have been studies of next-generation members in which, for example, the power issues in the family business system can be difficult to resolve because of the way power is distributed among individuals in the three circles of the family business system

(Davis, 2007). Astrachan et al. (2002) have developed a scale, F-PEC, for assessing the extent of family influence on a business organization, using the dimensions of *power*, *experience*, and *culture*. The power scale articulates the interchangeable and additive influence of family power through ownership, management, and governance. The experience scale measures the breadth and depth of the dedication of family members to the business through the number of individuals and generations of family members involved in the business. The culture scale measures the family's commitment to the business and its values. An important point made by Astrachan et al. (2002) is that family power is defined not only by ownership (voting power) but also by family participation in boards and management. They note that power, experience, and culture are important and influence the business organization. The power of the family has a strong affect on ownership, management, and governance. Stakeholders have also been studied from the individual point of view by Freeman (1984), who identified 16 generic types of stakeholders, although he did not identify family members as a separate group. However, Sharma (2001) extended this concept into the family business context and drew a distinction between internal and external stakeholders of family firms. Those involved with the firm as employees and/or owners and/or family members are referred to as internal stakeholders. Stakeholders who are not linked to the firm but have the capacity to influence its long-term survival and prosperity are referred to as external stakeholders.

Even though it has been said, that women in family firms continue to remain in the background, their observations, intuition, and emotional capital can make a difference between the success and failure of a family firm (Sharma, 2004). Dumas (1989) studied similarities and differences between father–daughter dyads in family-owned businesses with the literature on father–son dyads in family-owned businesses. Cole (1997) interviewed women and other family members about how gender-related issues affect their work. There are also studies that characterize the roles that women in family firms tend to take (Poza and Messer, 2001; Curimbaba, 2002), but this does not explain, for example, the implications of these roles for firm performance. There is a rising trend to study women as owners and managers, but no systematic research has yet been conducted on the factors that lead women to positions of leadership or ownership of a company (Sharma, 2004). Non-family employees have also caught the interest of researchers as an important stakeholder group (Chua et al., 1999; Gallo, 2004). Non-family employees possess idiosyncratic knowledge of the firm that is valuable when mentoring future generations. In large firms, non-family members have been found to play a critical role in strategic decision-making (Chrisman et al., 2003). The field of

family business has not explicitly identified the entrepreneurial potential of the family ownership group nor adequately delineated the strategic requirements for families in wealth creation (Habbershon and Pistrui, 2002).

2.1.4 Family relations, familiness and succession

All forms of social organization experience conflicts. Developing conceptual models to understand the nature, causes, and implications of conflicts is just the beginning. So far, three types of conflicts have been conceptualized in the literature (Jehn et al., 2001): task, process, and relationship conflicts. Most of these studies have been cross-sectional in nature, focusing on static levels of conflict instead of temporal issues. *Task conflict* is an awareness of differences in viewpoints and opinions pertaining to a group task. *Process conflict* is associated with lower levels of productivity and group morale. *Relationship conflict* is detrimental to individual and group performance (Sharma, 2004). Kellermanns and Eddleston (2004) found that task and process conflicts interact with relationship conflict to influence company performance. Research indicates that the relationship between conflict and performance is moderated by the ownership structure of the firm (Kellermanns and Eddleston, 2004). When the business matures and more complex organizational forms emerge between the family and the firm, there will be more conflicts between family members. Usually these conflicts manifest themselves in the form of normative contradictions whereby what is expected from individuals in terms of family principles often violates what is expected from them according to business principles (Lansberg, 1983). Many healthy businesses are sold or destroyed due to family disputes rather than business failings (Carlock and Ward, 2005).

The role of the family is seen as very important to determining the vision and control mechanisms used in a firm, as well as creation of unique resources and capabilities (Chrisman et al., 2003; Habberson et al., 2003). Family-owned businesses typically have a set of shared traditions and values that are rooted in the history of the firm. Depending on how they are viewed, these traditions and values can be a positive or a negative influence. Members of the family are first exposed to the traditional issues arising from family relationships: family culture, parent–children interactions, sibling rivalry, gender, ethnicity, change, and conflict. Family businesses may include numerous combinations of people, including husbands and wives, parents and children, extended families, and multiple generations, in the roles of stockholders, board members, working partners, advisors, and employees. Extended family members can play a wide range of roles in a family business. Family firms tend to coordinate

family members in the firms better than non-family firms do their executives and staff (Brice and Jones, 2008). The literature (Hall, Melin, and Nordqvist, 2001; Chrisman et al., 2003) shows that the competitive advantages of family firms are based on their organization's inimitable family-based culture. Specific and distinctive qualities of family firms include goals that support family members and values of altruism (Brice and Jones, 2008). A family business's culture is the product of beliefs, values, and goals embedded in its history and social ties (Hall, Melin, and Nordqvist, 2001). The generational transfer of beliefs and values creates a stable family culture and family business.

The family may have a vision for trans-generational value creation (Chrisman, Chua and Litz 2003). This familial coalition generates distinctive *familiness* (Habbershon and Williams, 1999). When trying to build a familiness model, researchers have used different perspectives and views to explain what familiness means in family businesses. Family firms feature unique constructs, and it is important for the family business that the development of this construct continues. Researchers have defined and identified the construct of familiness as resources and capabilities that are unique to the family's involvement and interactions in the business (Habbershon, Williams, and MacMillan 2003; Pearson, Carr, and Shaw 2008; Zellweger, Eddleston, and Kellermanns 2010; Frank et al. 2010). Habbershon and Williams (1999) were the first researchers who introduced the term *familiness*; later on, Chrisman, Chua, and Liz (2003) defined it as resources and capabilities related to family involvement and interactions. Habbershon, Williams, and MacMillan (2003) used the concept of familiness to characterize those interactions between individual family members, the family unit, and the business. Familiness leads to systemic synergies with the potential to create competitive advantages or disadvantages for the firm. Building upon the resource-based view, Habbershon and Williams (1999) named the bundle of resources distinctive to a firm as a result of family involvement as the familiness of the firm. However, Nordqvist (2005) suggested that not all family firms have familiness capabilities that are unique, inseparable, and synergistic over time, attributes needed to provide competitive advantage. Nevertheless, even if they lack of these unique resources, it could be possible for such family firms to survive.

The prime objectives of many family businesses are the same as those of other businesses, "to maintain control and pass on a secure and sound business to the next generation" (Errington and Lobley, 2002). Succession is viewed by many scholars as a long-term process involving multiple activities (Handler 1994; Sharma, Chrisman, and Chua,

1997). In the field of family business research, much attention has been directed at the topic of succession (Koiranen, 2003; Hoower and Lombard-Hoower, 1999; Tagiuri and Davis, 1992; 1996). Successions have been studied at the individual level, family level, and business level (Davis and Harveston, 1998; Miller et al., 2003; Morris et al., 1997). At the individual level, the founder plays an important role; these studies concluded that a majority of leaders of family firms want to retain control within the family beyond their personal tenure (Astrachan et al., 2002). The incumbents and successors are in critical roles during the transition process. Sharma et al. (1997) found that, in the succession planning process, the successor's role and his or her will to take over leadership of the firm is the force that controls the transition process. Understanding the interests of next-generation family members is crucial, as their careers and lives are involved in the firm.

Problems occur between the founder and the next generation in managing human resources. Lansberg (1983) suggests that ownership and management should be separated so that there are a distinct ownership perspective and management perspective. From an ownership perspective, relatives would be subject to all the norms and principles that regulate family relations, while from a management perspective, relatives would be affected by the firm's principles (Lansberg, 1983). In family businesses, ownership is usually shared with other family members. Sometimes the business serves the family; sometimes the family serves the business (Reid et al., 1998). There are families where economic rationales dominate decision-making, families where the family ethos comes to the fore, and families who respond to economic and family considerations together. Reid et al. (1998) conclude that a considerable number of family firms may be lifestyle- rather than growth-oriented businesses. Transfers of ownership and management and conflicts of interest may also create inefficiencies that limit the ability of family businesses to create or renew distinctive familiness (Chrisman et al., 2003). Due to their dissatisfaction with existing definitions, several authors have shifted their approach to identify the 'essence' of a family firm, through the question of the family's influence in strategic decision-making (Davis et al., 1989; Handler, 1994; Shanker et al., 1996).

2.2. Dimensions of ownership

Scholars in the field of finance have carried out much of the research on ownership, and the majority of empirical research to date on ownership focuses on ownership structures

and financial performance (Uhlaner, 2008). There is substantial literature on certain aspects of ownership, but very limited literature on ownership dynamics and business-owning groups. Table 3 presents ownership research in family business contexts important for this study.

Table 3. *Ownership research in family business contexts*

TOPIC OF FAMILY OWNERSHIP RESEARCH	KEY REFERENCES	RESEARCH FOCUS
Ownership definition	Chrisman et al., 2003; Brundin et al., (2005); Pierce et al., (2003) Koiranen, (2003); Heinonen-Toivonen, (2003); Hoower-Lombard-Hoower, (1999); Niemelä, (2006)	legal–financial, psychological, responsible, socio–symbolic and identified dimensions in family businesses, the concept of ownership is central
Family ownership models	Gersick et al., (1997)	three stages of ownership evolution
Family ownership groups	Astrachan, (2010); Johnston, (2004)	members of a family or kin-related group, the family business social system
Family ownership and control	Schulze, Lubatkin, and Dino, (2003) Ward, (2001); Davis, (2007); Gersick et al., (1997) Sharma, (2001) Chrisman et al., (2003); Gallo, (2004)	ownership disperses and control becomes harder to exercise families give up ownership slowly internal and external family firm stakeholders non-family employees as stakeholders
Differences between family and non-family firms	Johnston, (2004) Anderson and Reeb, (2003); Gorriz and Fumas, (2005); Pajarinen and Ylä-Anttila, (2006)	primary criterion in comparisons has been ownership family-owned firms perform better than non-family-owned firms
Ownership succession in family business	Ward, (2001); Gersick et al., (1997)	family firms move through six possible ownership patterns: entrepreneurship, owner–manager, family partnership, sibling partnership, cousins' collaboration, and family syndicate
Family business development	Franks et al. (2010)	from family-owned enterprises to a significant share of ownership

Ownership as a relationship between people and ownable things is a very complicated issue to research, and the concept of ownership can be defined in several ways. Most often, it is seen as legal or economic ownership. Rousseau (1950[1762]) stated that civil society probably began when a person fenced off a piece of land and took it into his head to claim 'this is mine', and others accepted this declaration. According to Grunebaum (1987), ownership is the relationship between the subject (owner) and the object (target). He relates ownership of property to personal autonomy, as a set of relations constituted by rights and responsibilities among persons with respect to things. This means that ownership is a much broader concept than a particular legal regime and the status based on it.

Under certain conditions, formal ownership leads to, for instance, psychological ownership, and it can also be felt towards non-physical entities such as ideas, words, artistic creations, and other people (Pierce, Kostova, and Dirks, 2003). Feelings of ownership towards various objects have important and potentially strong psychological and behavioural effects. Kuratko, Hornsby, and Naffziger (1997) noticed that business owners are motivated by more than just extrinsic rewards, such as increasing personal income. They suggest that intrinsic rewards (e.g., meeting challenges), independence (e.g., maintaining personal freedom), and family security (e.g., building a business) are important and motivating. Business success is, then, about more than financial success. The structure and distribution of ownership affects business and decisions and the strategies used in business.

Table 4. *Types of ownership (Koiranen, 2006)*

Type of ownership	**Character**	**Nature**	**Routes**
Legal–economic	Socially constructed and institutionalized	Absolute, verifiable, easily transferable	Social agreements, like law
Psychological	Emotional	Relativistic Processual	Intimate knowing Controllability Self-investment
Social, i.e. socio-psychological and socio-symbolic	Socially constructed and/or internalized in a process of interaction	Relativistic Processual	Values, Symbols, Learned and shared meanings

Koiranen (2006) has compared different dimensions of ownership and their characters, natures, and routes (see Table 4), revealing the multidimensionality of ownership. In addition

to legal and economic ownership, a family firm can be the object of psychological ownership and socially, role or identity constructed by possession, in the process of interaction (Koiranen, 2006). Although ownership is usually seen in terms of a legal or financial, typically subject–object association, it is multidimensional in nature and operates both as a formal (objective) and psychologically experienced phenomenon (Pierce et al., 2001). Other forms of ownership also exist, such as psychological, social-psychological, and socio-symbolic ownership. These forms of ownership can exist even without legal ownership and are typically based on emotions and feelings. Psychological ownership is recognized foremost by the individual who holds this position. The personal/psychological dimension includes "goals, ambition, motivation, commitment, responsibilities, and other things in the mind of an owner that link him to the target of owning" (Mattila and Ikävalko, 2003). Property and ownership are both real as well as psychologically experienced, as they exist in the 'mind' (Etzioni, 1991). Etzioni (1991) extended ownership from legal–economic to a more psychological (emotional and behavioural) dimension. According to Etzioni (1991), "Ownership is a dual creation, part attitude, part object, part in mind, part real". It is the individual who manifests the experienced rights associated with psychological ownership. Socio-symbolic ownership (based on a status, a role, or an identity) extends the meaning of ownership beyond its general financial, legal, and structural definition; it is constructed by possessions (Nordqvist, 2005). Socio-psychological ownership refers more to possessing something through (affective and collectivistic) emotions. In socio- psychological and socio-symbolic ownership, one's possessions are experienced as extensions of the self (Dittmar, 1992).

2.2.1 Legal ownership and property rights

> *"Ownership: The total body of rights to use and enjoy a property, to pass it on to someone else as an inheritance, or to convey it by sale. Ownership implies the right to possess property, regardless of whether or not the owner personally makes constructive use of it."*
>
> *Webster's New World Law Dictionary (2006)*

Property rights are fundamental to economic analysis; 'property' is a general term for the rules that govern people's access to and control of things like land, natural resources, means of production, manufactured goods, and also (in some accounts) texts, ideas,

inventions, and other intellectual products. The *first possession* theory of property holds that ownership of something is justified simply by someone seizing it before someone else does (Lueck, 1995). First possession has been the dominant method of establishing property rights, and this rule grants an ownership claim to the party that gains control before other potential claimants. There have been several discussions and speculations about property in the past; Plato stated in *The Republic* that collective ownership was necessary to promote common pursuit of the common interest, and to avoid the social divisiveness that would occur "when some grieve exceedingly and others rejoice at the same happenings". In *Politics*, Aristotle responded that private ownership promotes virtues like prudence and responsibility: "When everyone has a distinct interest, men will not complain of one another, and they will make more progress, because everyone will be attending to his own business" (Waldrow, 2010). The right to own is a well-protected tradition and can be regarded as the key axiom of the market economy. The scope and limits of ownership can be derived from laws and court decisions. It is a source of power and makes proprietorial decision-making possible, it creates a domain, and it is sometimes manifested by symbols. Property is a target of taxation and can be transferred, and it is also source of giving (philanthropy). Ackerman (1977) defined three different types of property arrangements: common property, collective property, and private property. In a *common property* system, resources are governed by rules intended to make them available for use by all or any members of the society. *Collective property* is a different idea: here the community as a whole determines how important resources are to be used. *Private property* is an alternative to both collective and common property. In a private property system, property rules are organized around the idea that various contested resources are assigned to the decisional authority of particular individuals (or families or firms). Although property is a system of individual decision-making, it is also a system of social rules.

Legal ownership is the state or fact of exclusive rights and control over an asset; in general, the ownership of an asset consists of three elements: the right to use the asset, the right to appropriate the returns from the asset, and the right to change its form, substance, and location (Libecap, 1999). Weber (1947) suggests that control of an enterprise is based on private ownership. Legal ownership is the form recognized foremost by society, and hence the rights that come with ownership are specified and protected by the legal system. The responsibilities that come with legal ownership are often an outgrowth of the legal system (Pierce et al., 2003). The motives met by legal ownership are instrumental or utilitarian

functions. Legal ownership is based on institutionalized agreements and is protected by law. It is formal and governed by conditions recorded in a written legal agreement. Legal ownership changes when the owner sells or buys assets. A person can also inherit ownership, be given it as a gift, or, especially in family businesses, receive it through succession. The target can be the whole company, part of it, or just its business. A change in ownership will transfer rights, title, and interests from the current owners to another party. Research on ownership in a family business context shows that as the concentration of ownership increases, owners have more incentive and ability to get involved with running the company (Hoopes and Miller, 2006).

2.2.2 Psychological and behavioural sides of ownership

Psychological ownership has gained increased interest among researchers in recent years (Pierce, Kostova, and Dirks, 2001; 2003; Hall, 2005; Mattila and Ikävalko, 2003; Ikävalko and Pihkala, 2005). The theory of psychological ownership has been developed with the aim of analyzing the employee–organization relationship (Lubinski, 2007). Psychological ownership is the psychologically experienced phenomenon in which an employee develops possessive feelings for the target (Van Dyne and Pierce, 2004). Independently of legal ownership rights, the employees' feelings of ownership explained changes in their attitudes and behaviours. Recently, some family business scholars have picked up on the basic ideas of this theory and stressed the need for further studies about the psychology of family ownership (Van Dyne and Pierce, 2004; Sharma, 2004; Pierce, Kostova, and Dirks, 2001).

The greater the amount of control a person can exercise over certain objects, the more they will be psychologically experienced as part of the self. Pierce, Kostova, and Dirks (2001) propose a frame for a theory of psychological ownership. They define the roots of psychological ownership, the reasons for its existence. They state that psychological ownership emerges because it satisfies both generic and socially generated motives of individual human beings. The motives are:

- *Efficacy and effectance.* It is important for an individual to be control. The potentiality of being in control, being able to do something with regard to the environment and to be able to gain the desirable outcome of actions are important factors in creating psychological ownership.
- *Self-identity.* People use ownership as for the purpose of defining, expressing

their self-identity to others.

- *Having a place.* This motive arises from the need to have a certain personal area, a 'home'. This includes both actual places and objects.

Hall (2005) has analyzed the sources of psychological ownership. These sources include the ability to use and control the use of objects, the intimate knowledge of the target (leading to a fusion of the self with the object), and self-investment in the target – in this case, the family firm. Through a lived relationship with objects, individuals come to develop feelings of ownership for those objects (Pierce, Kostova, and Dirks, 2003). People come to find themselves psychologically tied to things as a result of their active participation or association with those things. At times, psychological ownership may have a dark side. Much like the overly possessive child, individuals may be unwilling to share the target of ownership with others, or they may feel a need to retain exclusive control over it. Such behaviours will, in turn, likely impede co-operation. People may also become preoccupied with enhancing their psychological possessions and, for instance, obsessed with improving their 'toys' at the cost of their family or community. Psychological ownership may also lead to deviant behaviours, defined as voluntary behaviours that violate group norms and threaten the well-being of the group or its members. Individuals separated against their will from that for which they feel strong ownership (e.g., due to a restraining order, divorce, or estrangement) may engage in deleterious acts such as sabotage, stalking, destruction, or physical harm as opposed to letting others control, come to know, or immerse the self into the target of ownership (Pierce, Kostova, and Dirks, 2003). They are likely to support change in a target towards which they feel ownership when the change is self-initiated, evolutionary, and additive. On the other hand, individuals are likely to resist change in a target of psychological ownership when the change is imposed, revolutionary, and subtractive in nature. Empirical material (Lubinski, 2007) proves that ownership is not sufficiently described as a legal agreement alone, but also has to be understood as a culturally embedded construct. Especially in family firms, in which the owner–business relationship is a part of a family culture and tradition, this aspect is of high relevance for continuity, longevity, and success. In order to take this into account, the psychology of ownership is of major importance.

In the field of behavioural finance, researchers study the behaviour of the individual in decision-making. A large part of knowledge about behavioural finance on the level of individual decision-making in markets stems from psychological research. Zellweger and

Astrachan (2008) have studied the emotional value of owning a firm for individuals. They noticed that owners value non-financial aspects of the ownership stake. They define emotional value as that part of willingness to accept unexplained by the financial value of the ownership stake and the private financial benefits of control accruing to the owner. Zellweger, Frey, and Halter (2005) showed that behavioural aspects play a significant role in how managers of privately held firms make investment choices. There are two different approaches towards behavioural finance. Both models try to explain observed prices, market trading volume, and individual behaviour; the psychological results of individual behaviour are screened to find an explanation for observed market phenomena (Glaser et al., 2003; Ritter, 2003). If we look at ownership from the investor's point of view as a behavioural aspect of it, we can talk about the psychology of the investor. Behavioural ownership research has usually painted a negative picture of it. There are four classes of anomalies: they have to do with 1) investors' perceptions of the stochastic process of asset prices, 2) investors' perceptions of value, 3) the management of risk and return, and 4) trading practices (De Bondt, 1998; Thaler, 1999).

2.2.3 Collective ownership

The category of social ownership was first extensively studied within the sphere of property rights economics, a forerunner of institutional economics (Stallaerts, 1992), and it has become a permanent source of debate. Social property is a special form of collective property of means of production and other resources such that they belong to the community and not to one collective, group, or individual (Stallaerts, 1992). Individuals can own economic goods one by one, or they can own certain economic goods together. Private ownership gives the individual the right to make final decisions concerning certain economic goods; this grants him or her the power to use this right to his or her own advantage, even if doing so produces injustice for others. Stein (1976) says that ownership is the social construct linking items of property to one or more people, and in fact defines social relations among persons. Property therefore also implies an actual or potential power relation between the persons holding property rights and the persons excluded from their enjoyment; hence, when there are changes in property rights, power is also redistributed (Moore, 2009[1965]). Social action theory considers collectivity as an integrated system of norms such that the actors attached to it regard behaviour within it as appropriately differing from behaviour outside it (Parsons, 1964). Collectivity includes families, communities, nations, and organizations. Stein (1976) writes that the essential point in collective ownership is that the collective must

exercise its ownership rights as a unit; individual members of the collective are not themselves owners. Individuals are members of multiple social groups with a collective identity. A collective identity is the cognitive, normative, and emotional connection experienced by members of a social group because of their perceived common status with other members of the social group. Collective identities emerge out of social interactions and communications between members of the social group (White, 1991).

According to Cocutz (1953), there is no such thing as social ownership. He says that making an economic decision is always an individual and private matter, and people cannot make decisions together; rather, people make decisions in their minds and then compare their individual decisions to see if they agree or disagree. Different individuals who own property together are entitled as owners to make decisions, and these decisions usually conflict with each other. Solving conflicts requires the establishment of rules regarding equal ownership or equality of individual decisions in relation to each other, which will establish which one of the various decisions will be the one to be enforced. The decisions are not made by the majority as a group, but by each individual of the majority (Cocutz, 1953). This is much like distributive ownership (Stein, 1976), where rights of ownership are vested specifically in individuals rather than in a collective. Each individual owner can exercise his or her personal rights at will. No collectivity is needed, and no interaction or relationships among individual owners need be involved. One classical form of this is the shareholder corporation. Shareholders are able to exercise their rights individually rather than as members of a group. According to Stein (1976), the present powers of management in large corporations have developed as a result of two institutional factors: shareholder ownership is distributive rather than collective, and the property in the organization itself cannot be used as a source of legitimate authority.

The concept of ownership arises and makes sense only when intelligent rules exist for making decisions. Ownership is, then, a matter of economic decisions that are subjective and can be exercised only by individual human beings. Owning together is a complex matter that deserves a careful analysis. Property may be held in a number of forms, such as through joint ownership, community property, sole ownership, or lease. These different types of ownership may complicate an owner’s ability to exercise property rights unilaterally. In the loosest sense of group ownership, the lack of legal frameworks, rules, and regulations may mean that group ownership of property places every member in a position of responsibility (liability) for the

actions of each other member. A structured group duly constituted as an entity under law may still not protect members from being personally liable for each other's actions. Court decisions against the entity itself may give rise to unlimited personal liability for each and every member. An example of this situation is a professional partnership (such as a law practice) in some jurisdictions. Thus, being a partner or owner in a group may give little advantage in terms of shared ownership while producing a lot of risk for the partner, owner, or participant.

2.3 Ownership logic in family business

Research from the fields of strategy, finance, and international business indicates that family-owned and -controlled firms are among the most common corporate ownership structures in the world (Schneper et al., 2008). Family ownership is the defining characteristic of family businesses, and there are many forms that ownership may take in the business (Gersick et al., 1997). There are family businesses owned by a sole owner, but when it comes to the second generation, most of them turn into a sibling partnership with very few but strong owners who hold large shares in the company. In the next generation, the ownership transforms into a cousin federation, and perhaps one day a family dynasty. The relevance of good family ownership in business is important: a healthy owning family with strong values is a resource the gives strength and instils energy in the business. Still, the challenges revolving around ownership in a family business are very complex and delicate issues, as the family is at the intersection of several complex systems. The family faces continual changes in the business environment and in internal pressures as people develop (Jaffe and Lane, 2004). Families have to manage people, the business, and investment. The transfer of ownership interests is usually the most meaningful and challenging task in family enterprise continuity. To understand this complex structure, we need to look more closely at the kind of logic that governs ownership during the life cycle of the family business. Family business ownership is a chronological process, consisting of a continuum of reasoning and decisions concerning control of and responsibilities towards the company and control of and responsibilities towards the family.

One critical factor is the ownership structure, which affects the firm's chances of maintaining and improving its performance in the future. The ownership structure and control of firms has been frequently investigated in the fields of corporate governance and family

businesses. In public firms with a large, fragmented set of owners, the board of directors is usually an internal disciplining mechanism; control and ownership are separated (Lambrecht and Uhlaner, 2005). In a family business with a substantial family ownership interest, the owning family itself plays a critical role in monitoring management actions. Shareholders have the right to elect the board of directors and in this way influence the management, the direction of the company, and even the company's continued existence (Ward, 2001).

In family business, the building blocks for responsible ownership include articulation of shared values, socialization of subsequent generations, acquiring competences and skills, strategic planning of the family and of the business, informal gatherings, and setting up formal family governance structures. Although improved financial performance may be one possible outcome of close monitoring of the firm, responsible ownership, especially with respect to other stakeholder groups, may also lead to other consequences, such as greater corporate responsibility, being a better employer, and overall economic growth. In a study of ownership profiles and a company's strategic behaviour, Ikävalko and Pihkala (2005) suggest that ownership is not a monolith, nor is it only a background variable related to formalities. The target of owning represents many different things to the owner: instrumental value, narcissism, responsibility to the generation to come, egocentric surfing on personal accomplishment. The analyses also suggest that an owner–manager's strategic behaviour is affected by their personal relationship to the company that they own. Ownership influences power in family business systems, and shifting power is often a difficult and slow process. This is because ownership is transferred at the end of a generation, which gives the senior generation high levels of power until late in life (Davis, 2007). The reality is that family leaders and other family members use power all the time to influence members of the family and the family business. Responsible ownership in a family business is an active and long-term commitment to the family, business, and community and to balancing these commitments with each other.

Business families have been seen to move through six possible ownership patterns: entrepreneurship, owner–manager, family partnership, sibling partnership, cousins' collaboration, and family syndicate (Ward, 2001; Gersick et al., 1997). These moves are not necessarily linear, and not all family businesses go through all of them: they may skip phases or circle back into a phase due to family ownership decisions or actions (Ward, 2001). Shareholders face many challengers when it comes to dealing with ownership roles and

responsibilities: for example, those owners who are not employed by the family firm but are owners of the business. Shareholders should understand their role as owners and balance individual interests with the shared interests of the other family members who own the business. Owners need to understand how their actions and demands will affect other stakeholders in the family business (Ward, 2001). In research in the field, the ownership configuration is defined according to the different phases the family business passes through, each with its own challenges and characteristics (Ward, 2001). The composition of the shareholders is determined by changes in the interaction between business and family life cycles and the owners' decisions. The type of composition varies through different phases, from entrepreneurial to collaboration and family syndicate (Mussolino et al., 2005).

Ownership is a very important issue at the family level. What happens if one of the family members wants to leave? On the whole, changes in ownership are not well planned. Research shows that there is very little proactive planning for this (Schwass, 2008). Some major problems arise in the family when the new generation wants to create their own sense of personal worth to the business. The concept of ownership has generally referred to the economic–institutional dimension of ownership (Westhead and Cowling, 1998; Chua, Chrisman, and Sharma, 1999; Hall, 2005). As such, family firms represent relatively stable systems, as long as the founder is present and in a leading role (Morris et al., 1997).

The leading role of one person within the family has posed a problem for family business research. The relationship between family member–owners and the family member who is the operational leader has been explained using a combination of agency theory and stewardship theory. Agency theory basically argues that the relationship between the principal and agent could be characterized as a control mechanism that seeks to ascertain that the agent operates to secure the interests of the principal in all situations. The interests of the principal, the incentives of the agent, and the agency costs arising from the control mechanism are measured in monetary value. Stewardship theory builds on the idea that people are not motivated and guided by monetary instruments alone, but are influenced by higher values. These values would include also non-financial factors, such as responsibility, tradition, or loyalty (Westhead and Howorth, 2001; Miller and LeBreton-Miller, 2006). The theory builds on the relationship between the individual and collective; that is, it argues that individual actors replace their self-serving objectives with those of the collective. In the context of family firms, family members may thus show loyalty to the family's objectives at the cost of

personal freedom of choice. In this sense, the family as a collective may in fact prevent some individual entrepreneurial intentions and ventures, should those ventures not serve the family agenda. According to stewardship theory, the origin of the family conflicts leading to a family member's exit from the family business is likely to revolve around collisions between family-serving objectives and self-serving objectives.

2.3.1 Individual owners in family business

Much of the research on entrepreneurship is focused on answering two questions: who is an entrepreneur, and what does an entrepreneur need to do to start a successful business? Researchers studying family business have been interested in what happens to entrepreneurs near the end of their working lives. Increasingly, age studies show that entrepreneurial orientation is a major factor in generating high performance (Wiklund and Shepherd, 2008). Family owners and managers are more likely to form strong personal identification with their organization and view the firm as an on-going 'social enterprise' to be passed on to future generations (Schneper et al., 2008). Alizadeh (1999) studied the network activities of founders and found that the family is a very important part of their personal networks; the family is activated for moral and operational support and acts as a vehicle for linking the business with other people and organizations. A family contributes to the likelihood of individuals becoming entrepreneurs (Alizadeh, 1999). Moog et al. (2009) note that owners as individuals and their orientations drive the differentiated strategy and orientation of family businesses. In the context of a family business, the individual family member can be seen as a person weighing his or her options. The person is not only a member of the family, but he or she is also an individual owner with original ideas, entrepreneurial spirit, and willingness to make a difference in the family business.

Inheritance laws play an active role in determining the prevalence and persistence of family firms in different countries (Colli, 2003). An equal subdivision among heirs shapes the strategies of succession in family firms, and hence their governance and performance. The prime objectives of many family businesses in the farming sector are the same as those of other businesses: "to maintain control and pass on a secure and sound business to the next generation" (Errington, 2002). To avoid fragmentation of the enterprise, daughters were historically almost never expected to take an active part in the firm's management. Usually the authority of the first son, or successor, went unchallenged (Colli, 2003). Karlsson Stider (2000) acknowledges that the members of the family do not only perceive their company

ownership as an economic inheritance, but also a social, cultural, and symbolic inheritance from their ancestors; the inheritance can take financial (e.g. money), social (e.g. relations) and symbolic (e.g. status) forms. The inheritance can be viewed as a relationship; a more complex relationship to the company implies that the owner's assessment of the company's development and strategies are not solely based on economic performance. The ownership also values how the company develops in accordance with family/company ideals and faithfulness to traditions. This close personal relation between owners and the company could also implicate a different degree of ownership involvement in family businesses.

The intergenerational transfer of a family business involves three distinct but related processes (Errington, 2002): *inheritance* denotes the legal transfer of ownership of the business assets (including land and quota); *succession* refers to the transfer of managerial control over the use of these assets; while *retirement* marks the withdrawal of the present manager from active managerial control and/or involvement in manual work in the business. Succession is viewed by many scholars as a long-term process involving multiple activities (Handler, 1994; Sharma, Chrisman, and Chua, 2003). The family has to deal with succession and estate planning and the overlap between personal and business relationships. Studies of succession in family business tend to revolve around three interrelated themes: the interconnectedness of family and business issues; structural forms before and after succession; and the succession process itself, which encompasses planning, selection, founder resistance, and preparation of an heir. Succession can be defined as the process through which the leadership of the business is transferred from the outgoing generation to the successor generation, which can either be a family member or a non-family member (van Buuren, 2008).

Ownership succession occurs when the life cycle of the business exceeds the period of time the owner wishes to stay in the business. Rather than closing down the business, the owner finds a way of exiting, by selling the business to an external owner or transferring ownership to other family members or employees in an internal, non-market-based transaction. How and why owners take particular routes is an under-researched area (Martin et al., 2002). One critical activity entailed in the succession process is the grooming of the future leader of the firm (Fiegener et al., 1994; Sharma, Chrisman, and Chua, 2003), which ensures that the successor is skilful and experienced enough to take over the business. There are cases in which the founder wants more than one person to benefit from the family trust, and in these

instances the way ownership and control can be effectively shared between successors becomes an important issue. This is particularly relevant in cases where control is being passed to children who have different views on how the trust should be run and the trust assets managed. Another important question is what role, if any, the founder is going to play. In succession, there are two dimensions – ownership and management – that are usually interlinked. In a family business, a large share of the private fortune is tied to the firm, and because of this, family managers display a high preference for independence. Most family managers strive to bequeath their firms to subsequent generations, so a preference for independence influences their investment and financing decisions (Zellweger et al., 2005). Zellweger et al. (2005) suggest that an investment preference in privately held firms – especially family firms – is affected by individual behaviour.

2.3.2 Ownership groups in family business

What is the basic economic decision-making unit in a family business? This is an important question when we need to understand economic exchange among family members. Collective choice requires mutual objectives, and collective decision-making units can be large (Altonji et al., 1992). In their research on altruism, Altonji et al. (1992) relied on a definition of family that involved an extended family, a family that includes, in one household, near relatives in addition to a nuclear family. According to them, family members may engage in selfish economic exchange with one other, and family does not imply a collective decision-making unit. In turn, groups that have organic solidarity may be considered a clan. This clan form is based on the solidarity to which Durkheim (1997[1893]) refers: the union of objectives between individuals that stems from their necessary dependence upon one another. Clan systems can be family units or based on local groups, and family businesses could be treated as clans. Ouchi (1980) compared the modern industrial organizations to clans. In these organizations, varieties of social mechanisms reduce differences between individual and organizational goals and produce a strong sense of community.

In family businesses, group ownership can be seen as a ‘clan’ only for family members. Ownership is based on social agreements, such as legislation, and is a social construct. Social, interactive, and symbolic aspects and things owned are ascribed certain meanings and come to symbolise these meanings: ownership is an inter-individual process of socialization, attendant on the contextual dimensions of ownership. A family consists of

individual family members who, through their existence and social action, jointly construct the family. Habbershon et al. (2003) note that it is not just individual family members' feelings associated with the business, since they simultaneously belong to a multi-generational tradition as business owners. This social group offers a place for narrations and collectively negotiated role responsibilities (Lubinski, 2007).

Although it is common for family businesses to have one controlling owner group, knowledge of controlling owner families and the reasons for exercising their ownership is limited. Usually the research on family business ownership has concentrated on family and non-family ownership. Family members become shareholders through purchase, inheritance, or gifting, with all the attendant rights and responsibilities of ownership, regardless of their training, experience, or other qualifications (Ward, 2001). Ward also points out that the future character of the family business is significantly impacted when the shareholders gift or sell stock to the next generation and in this way shape the future ownership group. Ownership transitions create the most familiar yet least foreseeable kinds of liquidity crises in family businesses (Visscher et al., 1995). A family business is a context for social learning through role models and vicarious experience, a rich source of social and psychological support, and a release system that makes use of personal networks (Alizadeh, 1999). Martin and Lumpkin (2003) argue that a family firm's strategy may feature a special orientation towards family issues, defined as a *family orientation*.

The owners of a family business often have their personal wealth concentrated in the business, and ownership is usually shared with the other family members. Shareholders are usually shareholders for life. The research on family business has generally treated ownership as a stable phenomenon, that is, a constant used for explaining various anomalies in the behaviour of family businesses (Rautiainen, Pihkala, and Ikävalko, 2007). The family should be taken seriously as a collective decision-maker at the same time as it is a metaphor for a collection of individuals making their own decisions. By protecting ownership, those who are majority shareholders of and hold management positions in family-owned businesses want to maintain control of how the firm is run. According to Sund and Bjuggren (2008), there are other motives more or less linked to this control. They found that 1) owners often wish the next generation to become new shareholders and leaders of the business. If this is the primary motive, it becomes important to keep ownership within the family. 2) The success of the business is often dependent on delicate and fruitful cooperation between partners. If the most

important purpose, with transfer restrictions, is to maintain this balance, it is crucial to construct clauses that contribute to maintaining ownership positions. 3) A company can be dependent on the skilfulness of a few owners and leaders. If this is the case, it becomes important to prevent externals (e.g. inexperienced people or competitors) from becoming new shareholders.

The long-term success of family businesses is achieved by meeting the needs of each generation to re-affirm their commitment as responsible owners and proactively anticipating the future needs of the family and the business (Schwass, 2008). Family businesses have a long time horizon, so financial capital management is a long-term focus. Family businesses are often run by multiple family members rather than a single person; ownership is also usually shared with other family members. The interplay between multiple social and financial factors is complex. There are behavioural factors, like the owners' need to be in control, that affect financial-structure decision-making processes. Sirmon and Hitt (2003) termed this interaction of unique resources as survivability capital, in which the capital represents the pooled personal resources that family members are willing to loan, contribute, or share for the benefit of the family business. Members prefer protecting their wealth through investment diversification. Family shareholders dramatically influence the family business. The attitudes and behaviours of family businesses clearly vary across generations. Different owners exhibit different interests. Each generation of leadership brings to the business new strategic ideas that build on underlying, long-held competencies developed for earlier strategies (Ward, 1997). As a family business develops and diversifies and ownership is shared with other family members, the core business is often also divested or sold, or family members inherit their own fortunes and go their separate ways (Jaffe and Lane, 2004). If the family is successful, they can multiply the value of their businesses and investments across the generations. Jaffe and Lane (2004) studied the key challenges that a family must face to create an effective dynasty over generations (see Table 5). They also illustrated the shifting characteristic of a family business as it evolves into a business dynasty.

Table 5. *Stages of family business evolution (Jaffe and Lane, 2004)*

Generation	**G1: Entrepreneur**	**G2: Family partnership**	**G3: Business dynasty**
Business form	Entrepreneurship	Maturing business	Holding company of family office, with diversified assets
Mode of control	Founder/owner/manager	Sibling team	Family branches
Strategy	Personal vision	Renew business	Sustain profitability; generate new wealth
Governance structure	Ad hoc, implicit	Informal board, implicit policies	Board with outsiders, formal policies

The family's original fortune is usually created by a single founder, and over generations, the fortune is divided among a growing pool of heirs and relatives. It is difficult to keep the fortune unified; collaboration, conflict resolution, and shared governance are difficult by nature. Issues of ownership, representation, management, and financial returns are subjected to family and personal development considerations (Jaffe and Lane, 2004).

2.4 Behavioural aspects and activities in family ownership

In listed companies, ownership is typically spread across different owners (shareholders) who are constantly trading in the company's shares. Private companies owned by individuals, families, or groups of individual stockholders differ significantly from listed companies because there can be only one owner. Another important difference is that in family companies, shareowners are not constantly changing. Instead of selling shares out of the family, they are usually passed on to the next generation. When viewing ownership more broadly, a useful starting point is the idea that while ownership may be the ultimate source of capital for the business, that capital should not be viewed solely in financial terms. Active ownership is conducted from a platform of continuous, fundamental analysis and an action plan for value creation. As the business grows, families need to understand the financial goals and trade-offs involved in running a business: achieving growth, improving profitability,

managing risk, and providing pay-outs to owners (Aronoff and Ward, 1996). They should understand not only financial goals, but also why the business exists and what it is trying to achieve. The business has multiple stakeholders: employees, suppliers, customers, and shareholders. Aronoff and Ward (2003) have drawn up a list of six different types of owner:

- **Operating owner:** an owner–manager or employed owner with direct responsibility for the business. A hands-on owner who is in the business every day, helping to run it and make decisions.
- **Governing owner:** a full-time overseer not involved in operations, such as chairman of the board of directors.
- **Involved owner:** not employed in the business but takes a genuine interest in the company, offers support to management and becomes involved as appropriate.
- **Passive owner:** collects dividends but abdicates responsibility for the business to others. Makes no conscious decision to stay an owner.
- **Investor owner:** very like passive owners except that if satisfied or dissatisfied with their returns, they may make a deliberate decision to keep or to sell their ownership.
- **Proud owner:** not engaged in the business or especially knowledgeable about it, but nevertheless proud to be an owner.

Families with members who do not work in but are owners of the business have developed roles for these members. Aronoff and Ward (1996) call this role *active ownership*. These owners are vigilant about staying in touch with the business even though they are not employed by it. They may work occasionally in projects or, most commonly, as chairman or member of the board. In this way they sustain family involvement through their presence and interest. A family-owned firm often represents the family's tradition and legacy in addition to monetary wealth. Family owners are more than typical investors; they have a personal and emotional involvement in the business in which they are investing, and most family business shareholders do not become owners by choice. According to Aronoff and Ward (2003), "Inheritors become deserving of ownership and turn it into a voluntary act by stepping up to their responsibilities". They also group owners into *insiders* and *outsiders*, i.e. owners who work in the business and owners who do not. In family businesses, these groups can consist of

majority shareholders, minority shareholders, and those who do not have any shares. There are owners who hold shares directly and owners whose interests are held in trust, married couples where one spouse is an owner and the other is not. Family ownership represents cultural values, family and social values, and symbolic values.

2.4.1 Family member behaviour and motivation: exit, voice, and loyalty model

Research on family ownership provides important insights into the behaviours and motivations of family members. Karlsson Stider (2000) mentions two different strategies for owners to communicate dissatisfaction with company management: *voice* and *exit.* According to her, voice is when the owner decides to get more involved in the company's management to change it in the preferred direction, while exit is a strategy when the owner chooses to sell some part of or his or her entire holdings in the company. Hirschman (1970) suggests that the family member may choose between three different alternatives: exit, voice, and *loyalty* (see Table 6).

Table 6. *Exit, voice, and loyalty within the family business context*

Exit	E1: Constructive exit	E.g. After succession, partial ownership changes in the family
	E2: Angry exit	E.g. After interpersonal or inter-family crisis
	E3: Entrepreneurial exit	E.g. Starting a new personal business separate from the family business
Voice	V1: Constructive voice	E.g. The person participates in decision-making; represents the family, CEO, chair, etc.
	V2: Critical voice	E.g. Power struggles in the family firm; successor–successee disagreements
	V3: Entrepreneurial voice	E.g. Starting up new businesses on the family business platform, possibly involving other members of the family; building joint ventures
Loyalty	L1: Loyal silent support	Staying an owner without participating in management; becoming a team entrepreneur without an explicit role
	L2: Loyal silent resistance	E.g. Person chooses to neglect the business
	L3: Loyal responsibility	E.g. Assuming the steward's role; can include stewardship towards the family legacy or positive entrepreneurial stewardship behaviour, developing the family business
	L4: Loyal forced participation	E.g. forced entrepreneurship; being involved without the possibility to choose (children as owners; the only child syndrome); being involved in the business to enable family contact (social reasons); legacy reasons, jurisdictional reasons

In terms of exit, the person's leaving the family business may take three basic routes: after a well-managed succession process, the family members agree on the successor of the business, and the other family members step away to give the new management/ownership the required space for individual entrepreneurship. This type of exit is by nature very 'constructive' – it seeks to promote the survival of the business and is very likely to benefit all the exiting members as well in terms of monetary compensation or the like. A *constructive exit* can include aspects of entrepreneurship on the part of the exiting members as well: the compensation could comprise parts of the business, or monetary compensation can work as the starting capital for a new business venture. An exit can be also the result of a conflict within the family business. In family businesses, interpersonal or inter-family conflicts have been reported and analysed by many scholars (Harvey and Evans, 1994; Cosier and Harvey, 1998; Handler, 1991). In many cases, the conflicts have been resolved through arrangements where one or more members of the family leave the family business. The exit does not necessarily suggest the leaving person's low entrepreneurial spirit; on the contrary, the original reason for the conflict may also arise from the family members' different attitudes towards entrepreneurial projects or risk. Finally, an *entrepreneurial exit* may arise not from survival of the original family business nor conflicts within the family business, but from the personal entrepreneurial endeavours of a family member setting off to start something on his or her own.

In addition, the use of voice can be identified in several ways in family businesses. The most usual manifestation of voice would be the family member's active participation in decision-making, possibly representing the family and supporting the family's thinking in the business. In *constructive voice*, the main orientation is not criticizing, but playing an important role in the decisions regarding the family and the business. This could mean bringing new insights into discussions or taking initiative in discussions on the business and its development, or on the relationship between the family and the business, or other issues. Thus, a family member as CEO or chairman of the board would typically assume the constructive mode of voice. In Hirschman's typology, voice emphasises criticism of the business, the organization, or the management. In a family business context, *critical voice* could be identified as, for instance, power struggles within the family or as difficulties in the succession process. In family businesses, long-lasting disagreements and conflicts are rather common and may stem from some family members' dissatisfaction with the way the business is managed or owned. On the other hand, these dissatisfied family members do not want to

exit, so they choose to stay with the business and criticize the current practices from the inside. The presence of critical voice could potentially work as a starting point for family business development, but on the whole it is unlikely that critiques will lead to major changes. Instead, the constant prevailing critique is bound to cause unrest and difficulties in personal relationships. The third mode of voice, *entrepreneurial voice*, has a close resemblance to intrapreneurial behaviour – that is, the person actively takes part in the internal development of new ventures and businesses within the family business context. Through this, the person feels enough freedom to exercise his entrepreneurial aspirations.

Finally, four patterns of behaviour can be identified in the loyalty mode. *Loyal silent support* refers to those family members that do not assume an active role in the family business, but who, by their presence, lend their support to the family members who bear that responsibility. Typically this mode could be found in family businesses where the parents assume the active roles and the children – while being part-owners – remain in the background with regard to decision-making. *Loyal silent resistance* mode is related to those family members who for personal reasons, for instance, decline to be in contact with the business, even if they are part-owners. For example, after family conflicts or difficult succession processes, some family members may feel neglected and choose to stay both functionally and emotionally disconnected from the family business.

A person's loyalty to the family business can stem from responsibility. In *loyal responsibility* mode, the person may assume the steward's role towards the family legacy. Loyal responsibility mode includes strong positive tendencies: entrepreneurial stewardship behaviour that develops the family business. Finally, loyalty mode includes a curious form: *loyal forced participation*. This form would include situations such as children as owners and being involved without any real opportunity for choice. In the case of being the family's only child, involvement in the family business does not seem voluntary, but more of a must. Loyal forced participation would also take place in the case of family members being involved in the business to maintain family contact (social reasons), a perceived need to maintain the family legacy, and various jurisdictional reasons. Considering the individual family members' entrepreneurial behaviour is warranted by the need to more fully understand development of the family business and the development of family business portfolios.

In the context of family businesses, the individual family member can be seen as a person weighing his or her options. The person not only is a member of the family; he or she is also an individual with original ideas, entrepreneurial spirit, and willingness to make a difference in the family business. The concepts of exit, voice, and loyalty refer to alternatives that a member of a business system has in relationship to the system. That is, if a person perceives that there is a mismatch between his or her own goals and the goals or level of performance of or benefits delivered by the organization, the person can choose to exit or use voice and actively seek to repair the problem. Loyalty refers to the person's choice to stay within the business structure and support it. This pattern of behaviour has a resemblance of stewardship behaviour. In family businesses, long-lasting disagreements and conflicts are rather usual and may stem from some family members' dissatisfaction with the way the business is managed or owned.

2.4.2 Active ownership through other businesses

We should improve our understanding of how investment decisions are made in family business and how those decisions affect the business. Family shareholder dynamics can dramatically influence a family business; however, this has received little attention in the literature on family businesses. In order to expand understanding of family shareholder behaviour, some researchers had used several concepts from social psychology that help explain why family shareholders behave as they do: group cohesiveness, conformance, diffusion of responsibility, de-individuation, and social power. The current literature on family and business goals suggests that they differ among family businesses (Ward, 2001; Danes et al., 2000). Danes et al. (2000) also note that conflict is inevitable whenever there is an environment in which boundaries between family and business are not clear. Family business is seen as *non-market behaviour* based on behavioural choices made by owners:

> *"If the firm will sacrifice "profits" for anything else, whether prestige, or good public or labour relations, or a quiet life, liquidity, or security, or what have you, then it is clearly not maximizing profits. And if it is not maximizing profits it must be maximizing "utility", which is simply a more elaborate way of saying that it does what it thinks best." (Coase, 1960)*

Almeida and Wolfenzon (2006) studied pyramidal ownership in family businesses; this refers to the control of a firm through a chain of ownership relations. This is opposed to an

ownership structure in which group firms are owned directly by the controlling family. In pyramidal ownership, the family achieves control of the constituent firms through a chain of ownership relations: the family directly controls a firm, which in turn controls another firm, which might itself control other firms, and so forth. With a pyramidal structure, a family uses a firm it already controls to set up a new firm. At the same time, Almeida and Wolfenzon (2006) also analyzed the creation of family business groups in which a single family controls multiple independent firms. They noticed that when internal funds are important and the security benefits of the new firm are low, pyramids are attractive. In cases where external markets are poorly developed and internal resources from existing firms provide the family with financing advantages, the business groups flourish (Almeida and Wolfenzon, 2006). This pyramidal ownership can be an efficient organizational structure for the family if the availability of internal funds is important. Some studies (Gadhoum, 2002) also show that controlling families have power over firms significantly in excess of their cash-flow rights primarily through the use of pyramids, cross-holdings, and interlocking directorates. These approaches to leveraging control strongly motivate family firms to syndicate a group of listed and unlisted firms. Each firm is legally independent of the others, while all were unified by means of mutual shareholding to ensure a solid base of control. Family businesses are strongly motivated to engage in hierarchical grouping, perhaps to increase debt capacity or balance other contingent losses (Gadhoum, 2002). Recent literature on ownership concentration and corporate governance of company owners' control rights needs much more attention (Edwards and Weichenrieder, 2009).

Many researchers have also studied ownership distinctions between family businesses and non-family businesses (Astrachan, Klein, and Smyrnios, 2002), since their interest has been defining a "continuum spectrum" that reaches from "entrepreneurial business" to "professionalized firms" in order to exploit the differences between family and non-family firms (Daily and Dollinger, 1992). Sacristán-Navarro and Gómez-Ansón (2007) studied pyramidal ownership in family businesses in Spain and noticed that the percentage ownership of individuals and families increases significantly once the firms' control chains, rather than direct and indirect shareholdings, are taken into account.

As family business develops and ownership is divided among family members, the family business faces many challenges. Knowledge of the development of business groups

and the circumstances surrounding their establishment is limited. In the next section, entrepreneurship and ownership are considered from the perspective of business portfolios.

2.5 Review on portfolio business research

Business groups and portfolio entrepreneurs constitute a large majority of many of the world's developed and developing economies (Westhead and Wright, 2005; Alsos and Carter, 2006), and the impact of portfolio entrepreneurs on the economy is significant. Relevant recent research in the field of portfolio entrepreneurship is shown in Table 7.

Table 7. *Selected research in the field of portfolio business*

TOPIC OF PORTFOLIO BUSINESS	KEY REFERENCES	RESEARCH FOCUS
Portfolio business definition	Wright et al., (1997)	a mode of operation in which the entrepreneur founds, owns, manages, and controls, instead of one company, several companies at the same time
Portfolio entrepreneurship	Carland, Carland, and Steward, (2001)	multiple venture entrepreneurs are highly motivated, innovative, and risk takers
	Alsos and Carter, (2004)	entrepreneurs who see themselves as potential entrepreneurs and having the required abilities seem to be more alert to new business opportunities
	Flores-Romero and Blackburn, (2005)	firms owned by serial entrepreneurs have shorter survival rates compared to firms headed by novice entrepreneurs
	Westhead , Ucbasaran, and Wright, (2005)	portfolio entrepreneurs were more likely to express dimensions of entrepreneurial behaviour
Resource transfer	Alsos and Carter, (2004)	substantial resource transfer from the original business to the new business
	Carter, Ram, and Dimitratos, (2004)	resources immediately available to the family
Learning experience	Huovinen and Tihula, (2008)	previous experiences strengthened the positive contribution of entrepreneurial knowledge to the firm's success
Business management	Lechner and Leyronas, (2009)	entrepreneurial management style is both the outcome of and the antecedent to growth
	Schwass, (2008)	risk diversification
Portfolio business in family business	Cruz , Hamilton, and Howorth, (2008)	succession focuses on keeping the family in business through the development of a portfolio business

	Cruz, Hamilton, and Howorth, (2008)	portfolio entrepreneurship is a collective rather than individual phenomenon
Portfolio business ownership	Carter, (1998)	farm owners' business ownership activities in rural business development; farmers' ability to start new non-farm enterprises
Portfolio business development	Pasanen, (2006) Lechner and Leyronas, (2009) Iacobucci and Rosa, (2010)	more managerial experience, more growth oriented small-business group is both the outcome of and the antecedent to growth the formation and expansion of business groups; creating entrepreneurial teams by giving minority shares in new ventures to others, mainly former employees

A business group is a set of businesses that are legally distinct but belong to the same person or people (Iacobucci and Rosa, 2010). Ownership of a group of firms by a single entrepreneur is much more popular than is generally realized. In a study by the Cambridge Small Business Research Center (1992), approximately 25% of owner–managers had connections to two or three other companies, and 18.5% to four or more companies. In Finland, 32% of micro- and small business owners reported owning more than one business. Furthermore, the portfolio phenomenon seems to be dependent on the size of the business: only 12% of micro-entrepreneurs had ownership of more than one business, while 32% of small business owners and 45% of medium-sized business owners owned other businesses (Kiander, Martikainen, Pihkala, and Voipio, 2006). In addition to serial entrepreneurs, also known as habitual entrepreneurs, portfolio entrepreneurs have become a key theme within the literature on entrepreneurship research.

2.5.1 The entrepreneurial approach to portfolio entrepreneurship

Entrepreneurship was first identified by the economists Cantillon, Say, and Schumpeter as a useful element for understanding development (Schumpeter, 1934). Behaviourists (Weber, 1947; McClelland, 1971) have subsequently tried to understand the entrepreneur as a person. Interest in entrepreneurship is currently spreading into almost every soft science. It is notable that a remarkable level of confusion reigns surrounding the definition of entrepreneur, so researchers tend to define entrepreneurs according to the premises of their own discipline.

Some researchers hold to the views of MacMillan (1986), who claims that “to really learn about entrepreneurship we should study habitual entrepreneurs” (Pasanen, 2003; Rosa, 1998; Carter and Ram, 2003). There are several studies about entrepreneurs where a distinction is made distinction between different types of entrepreneurs. *Nascent entrepreneurs* are individuals considering the establishment of a new business. *Novice entrepreneurs* are individuals with no prior experience as a business owner or founder; they have inherited or purchased a business. And then there are *habitual entrepreneurs*, who have prior experience of business ownership. Habitual entrepreneurs have been further divided into two subcategories: *serial entrepreneurs*, who have sold or closed their original business but at a later date have inherited, established, and/or purchased another business, and *portfolio entrepreneurs*, who have retained their original business but at later date have inherited, established, and/or purchased another business.

Entrepreneurs who are involved in multiple ventures are an interesting group to research. They differ from serial entrepreneurs, who establish several companies but own only one company at the time (Donckels et al., 1987). Portfolio entrepreneurs found, own, manage, and control more than one business at a time (Westhead and Wright, 2005; Carter and Monder, 2003; Carter, 2001; Alsos, 2004; Ucbasaran et al., 2001). According to Huovinen and Tihula (2008), development of entrepreneurial knowledge is viewed as leading to new ways of organizing and managing start-up firms. Entrepreneurial experience may represent both assets and liabilities for new business start-ups (Alsos and Carter, 2006). Flores-Romero and Blackburn (2005) focused especially on the differences between first-time entrepreneurs and serial entrepreneurs in relation to start-ups and found out that a serial entrepreneur is more likely to succeed. MacMillan (1986) also claims that really successful entrepreneurs are those who have created many ideas, learned from their mistakes, and started again. McGaughey (2007) conducted a longitudinal study on portfolio entrepreneurship in international new ventures; key findings indicated the ability of portfolio entrepreneurs to leverage high-discretion slack resources, positive legitimacy spill-overs, and learning effects and experimentation across loosely coupled international new venturing in their portfolios. Wiklund and Shepherd (2008) investigated what types of organizations entrepreneurs choose by comparing novice and habitual entrepreneurs. They concluded that novice entrepreneurs are more likely to organize portfolio entrepreneurship within their existing firms, while habitual entrepreneurs more often organize subsequent acts of portfolio entrepreneurship by creating another new independent organization.

Rosa and Scott (1999) concluded that both serial entrepreneurs and portfolio entrepreneurs are important, impressive groups affecting the entrepreneurial climate. They also concluded that instead of being assessed at the firm level, business performance should be assessed at the individual level. The focus in portfolio entrepreneurship research has often concentrated on the relationship between entrepreneurship and the entrepreneur's context (Alsos and Carter, 2004; Brunåker, 1993; Rosa and Scott, 1999; Flores-Romero and Blackburn, 2005; Myint and Vyakarnam, 2004; MacMillan, 1986). It has been noted that portfolio entrepreneurs are more motivated, innovative, and prone to take risks when compared with entrepreneurs who have only one business (Carter, 2001; Alsos and Carter, 2004; Brunåker, 1993; Flores-Romero and Blackburn, 2005; Carland, Carland, and Stewart 2001). From a resource-based view, knowledge is seen as the prime mover in the creation and sustaining of a competitive advantage.

2.5.2 Portfolio business formation by an entrepreneurial team

The relationship between the entrepreneur and his or her environment has been an important area of research. Entrepreneurship research has been interested in the individual entrepreneur, and it is well known that entrepreneurship is a social endeavour often involving the joint efforts of several individuals. On the other hand, the collective dimension of portfolio entrepreneurship has not yet been well studied, nor has its processual nature been analyzed. Team entrepreneurship research is now receiving attention, since researchers have noticed that fast-growth firms are more likely to have been founded by entrepreneurial teams (Cooney, 2005; Iacobucci and Rosa, 2010; Scott and Rosa, 1999).

An entrepreneurial team is a group of people who share ownership and management of a new venture (Cooney, 2005). Although business groups have generally been associated with large firms, business groups are relatively common in the small business sector (Rosa, 1998). Ownership of small firms commonly involves relatives or partners who are directly involved in their management. In family businesses, some entrepreneurial families create teams of family members who found and develop several businesses over time (Iacobucci and Rosa, 2010). Scott and Rosa (1999) found that the natural growth process of starting firms is not about increasing the size of a single firm, but about "growing the clusters of companies under the control of the entrepreneur or entrepreneurial team". In addition, Iacobucci and Rosa (2010), whose study focuses on the operations of entrepreneurial team dynamics in multiple

business contexts, suggest that one of the main reasons for the formation and expansion of business groups is the need to create an entrepreneurial team, which is achieved by giving minority shares in the new ventures to others, mainly former employees.

Few studies have considered the family as an entrepreneurial team. In their study on portfolio entrepreneurship, Carter and Ram (2003) suggest that portfolio management should be studied as a process, and that special attention should be paid to the composition of stakeholders in each component of the portfolio. Studying the same phenomenon on a different level of analysis, Myint and Vyakarnam (2004) analyzed networks and social relations among multi managers and found that multi managers' connections to other parties function remarkably better than those of managers without a multi manager profile. The number and functionality of the connections also provides these managers with more possibilities for business opportunity recognition, new ventures, and partnership in other ventures. Wiklund et al. (2002) found in their research that those who were members of a business network had much higher tendency to start up new business initiatives. This means that network membership is important to successful start-ups and new venture performance. In their view, an opportunity to establish a new business initiative can be pursued either within an existing organization or by establishing a new one. When new economic activities are added to old ones in existing organizations, entrepreneurship manifested as growth rather than as the creation of new organizations (Wiklund et al., 2002). Huovinen and Tihula (2008) note that portfolio entrepreneurship is more like a team sport than an individual sport and this offers good learning opportunities. Cruz et al. (2008) studied portfolio businesses in Honduras and found that business groups' succession processes often entail keeping the family in the business through the development of a portfolio of businesses. This keeps the family in business, not the business in the family. Successful family companies usually seek long-term growth and performance. In a recent study, Cruz and Howorth (2010) relied on a resource-based view and stewardship theory to discover how family members developed portfolio businesses. They noticed that family members form groups committed to being in business together for the long term, and these family groups have a collectivist approach to opportunities and resources. Business group formation is a process that evolves over time, so such research requires a longitudinal research design where portfolio entrepreneurs are monitored over a period of years (Iacobucci and Rosa, 2010).

2.5.3 Business growth and simultaneous ownership of several businesses

Entrepreneurship is commonly associated with growth, and company growth is a process that occurs over time (Low and MacMillan, 1988; Shane and Venkataraman, 2000). Several researchers require further studies focusing on the entire entrepreneurial process, such as the creation and growth of businesses and business groups, demanding a longitudinal view (Low and MacMillan, 1988; Wright et al., 1997; Iacobucci and Rosa, 2005; Zahra 2007). Business diversification is defined as the growth and expansion of firms entering related fields and new businesses, and is often used synonymously with start-up business development. Birch (1987) leads the way in the research on high-growth start-ups, showing that these firms were the real job creators in economies. Ansoff (1965) defined expansion and diversification as a fundamental perspective on decision-making regarding business structures, and made several important statements on these topics. Diversification was viewed by Ansoff as a particularly important growth strategy requiring organizations to "break with past patterns and traditions" as they enter onto new, "uncharted paths" where there will be a general requirement for new skills, techniques, and resources. Montgomery (1994) names three comprehensive perspectives that synthesize a number of individual points: 1) the *market power view*, 2) the *agency view*, and 3) the *resource view*. The market power view and the resource view are consistent with profit maximization, while the agency view is based on managerial issues. The reasons for diversification vary widely among firms; risk reduction, directional change, stabilized earnings, use of spare resources, adaptation to customer needs, synergy gains, and increased growth are mentioned as potential benefits. Montgomery (1994) notes, that argument, that link diversification and firm growth are typically tied to the life cycle of the firm.

Diversifying a company through new ventures, mergers, or acquisitions can be good strategy. A diversified group of businesses can have greater flexibility and more options as the economy changes. On the other hand, diversification can increase problems in business management or ownership. For portfolio entrepreneurs, growth is often associated with the formation of a new firm as part of the portfolio business group. This may be a crucial distinction, as growth is often thought of as a process that exists and develops from a single firm. Portfolio entrepreneurship can contribute to a more encompassing approach to small business survival and growth. Pasanen (2006) studied portfolio entrepreneurship as a growth strategy and noticed that portfolio entrepreneurs have more managerial experience and are

more growth- and internationally oriented. Alsos and Carter (2004) suggest that resource transfer affects the performance of new ventures, although this effect can be either positive or negative. Alsos and Carter (2004) and Brunåker (1993) presented portfolio businesses as a survival strategy for farmers during structural crises. Scott and Rosa (1996) also noted that even if the individual firms in a portfolio do not grow, the portfolio itself does through the creation of new businesses. They showed that growth can be achieved outside a single firm, through the portfolio diversification process. Understanding the process of growth in a portfolio of companies is essential to understanding business diversification and growth from this perspective. From this point of view, multiple-business ownership is linked to diversification.

A substantial proportion of business founders have had previous experience of business ownership, and many own more than one firm (Carter and Ram, 2003). Previous experience provides greater knowledge of and insight into business ownership. Multiple business ownership is thus seen as a mechanism for business growth (Scot and Rosa, 1996; Westhead and Wright, 2005). The more capital and economic and social resources portfolio owners have, the easier it is for them to start new businesses in the most profitable new business areas (Scot and Rosa, 1996). This is important, because this way they create new jobs and wealth. Carter (2001; 1998) also found that younger and better-trained farmers use multiple business ownership as a lateral growth strategy, and that additional business activities are best viewed as a continuum from the diversification of existing assets to the ownership of a portfolio of businesses. The basic idea of the study by Almeida and Wolfezon (2006) about pyramidal ownership in a family business context is that business groups are used by entrepreneurs to manipulate the ownership structure of new businesses to maximize their financial wealth.

Scholars of portfolio entrepreneurship (Carter, 2001; Alsos and Carter 2004; Brunåker, 1993; Rosa and Scott, 1999) have noticed that successive family generations inherit farmlands and occupations, so they also inherit the tradition of engagement in alternative income-generating activities. In today's legal environment, the child who inherits the family farm will generally be required to pay out his or her siblings. Ehrhardt et al. (2005) found in their study that families relinquish ownership slowly, and control of the family businesses remains strong even after several generations. Sund and Bjuggren (2008) show that inheritance tax laws act as crucial constraints that foster intergenerational transfer of ownership in family firms.

Knowledge of the actual processes of portfolio entrepreneurship and the circumstances in which it arises is limited. Portfolio entrepreneurship entails making strategic and financial choices: which companies the entrepreneur will invest in, or which new products or development projects they will choose from among the many opportunities proposed to them. It also involves resource allocation: how the entrepreneur will spend his or her resources (human capital, social capital, financial capital, and so on) to manage the portfolio effectively. For family enterprises, a key element of the portfolio process is likely to derive from the resources immediately available to the family. The literature also suggests that for many small firms, family circumstances influence both the decision to engage in portfolio strategies and the processes used in the portfolio approach (Carter and Ram, 2003). Portfolio ownership takes different forms and performs different functions for entrepreneurs in different circumstances and contexts. Portfolio ownership is a complex and dynamic process: on the one hand, there is the structure and strategies of the sector of industry, and on the other, the personal decision-making of the owners. There are very little existing studies about the processes involved in the development of portfolio ownership approaches (Carter and Ram, 2003).

2.6 Conclusion of the literature review

Several studies of family firms have been directed at the individual or group level. At the individual level, founders and next-generation members have been researched the most (Zahra, 2005; Sharma, 2004; Johnston, 2007). Group-level studies have focused primarily on ownership and management (Astrachan, 2010; Johnston, 2007). Scholars have also noted that the relative large proportion of studies have focused on leadership, ownership, and corporate governance (Chrisman et al., 2003). There have been articulations of conceptual and operational definitions of family firms. Many of these attempts have concentrated on defining family firms so that they can be distinguished from non-family firms (Sharma, 2004). Although the definition of family firm is still under discussion, it is accepted that in family firms, the role of the family in the most important factor in terms of determining the vision and control mechanisms used in the firm, as well as the creation of unique resources and capabilities (Habberson et al., 2003). Family control has also been one of the main definitions used in family business (Tagiuri and Davis, 1989; Heinonen and Toivonen, 2003; Koiranen, 2003). Some researchers have come to conclusion that family firms are only rarely an either-

or scenario. Instead, they vary in degrees of family involvement. So far, attempts to capture the mode of family involvement in firms have aimed in three general directions: multiple operational definitions of family firms, the development of scales to capture various types of familial involvement, and development of family firm typologies (Sharma, 2003). Shanker and Astrachan (1996) note that the criteria used in definitions classify firms as family firms only if the family retains voting control of the business and multiple generations of family members are involved in the day-to-day operations of the firm.

Traditional approaches to ownership tend to concentrate solely on the financial, legal, or structural aspects of ownership (Pierce et al., 2003; Libecap, 1999). Recently, discussions have moved toward psychological and behavioural dimensions (Hall, 2005; Koiranen, 2003; Nordqvist, 2005; Ikävalko and Pihkala, 2006) and social and symbolic aspects (Nordqvist, 2005) of ownership. Studies of ownership in family firms tend to confine themselves to the legal rights of shareholders and the structure of shareholder institutions. Family businesses are owned by a family, and familial ties have long been thought to mitigate potential agency conflict. In large, publicly held firms, ownership is widely dispersed, while ownership in a private family firm may, however, be dispersed among many family members, effectively separating ownership and control. Gersick et al. (1997) suggested an ownership configuration model that described different stages of ownership evolution in family businesses. There is still a gap in knowledge about simultaneous family ownership and business development in the long run. In order to capture how ownership is channelled and what the drivers of family business development processes are, an appropriate model of ownership is needed. The relationship between ownership and long-term business development in family businesses is more common than earlier researchers have argued.

The process of enlarging a business controlled by the same entrepreneur is fundamental to business group formation in the small business sector (Iacobucci and Rosa, 2010), so there is a need to deepen understanding of portfolio businesses and the different contexts in which portfolio entrepreneurship occurs, as well as the contents that determine the form taken by portfolio entrepreneurship and the processes used to bring it about. Opportunities are central to entrepreneurial activities. Without opportunity, there is no entrepreneurship. Westead et al. (2005) found that portfolio entrepreneurs were more likely to express dimensions of entrepreneurial behaviour. Portfolio entrepreneurs were significantly more likely than other types of entrepreneurs to state that they were interested in embarking

on further ventures in the future. Portfolio entrepreneurs also have an advantage recognizing and exploiting new business opportunities, due to the learning and human capital accumulated through their entrepreneurial activity (Huovinen and Tihula, 2008; Alsos and Carter, 2006), as well as the advantage of immediately available resources (Carter et al., 2003). Scott and Rosa (1996) point out that the processes involved in starting up firms are distinct from growth processes, and that the unit of analysis should be shifted from the firm to the entrepreneur when researching growth in small businesses. Studying portfolio businesses in the family business context could be one very natural way of capturing entrepreneurial behaviour as well as long-term business development. This context is also important, because it shows the possibility of changing the ownership structure of a new business to maximize the probability of success by involving family members in an entrepreneurial role.

In conclusion, there is a need to develop different theories of family firms to understand them and their behaviour. A good place to start building a theory is to examine whether existing theories of companies are robust enough to explain the behaviour and performance of family firms (Chrisman et al., 2003; Sharma, 2004). A resource-based view of the firm can help inform us about how family firms identify and develop such capabilities, how they might transfer those capabilities to new leaders and new structures, and how they might renew their capabilities under changing circumstances. However, the problems of close kinship, ownership and management transfers, and conflicts of interest may also create inefficiencies that limit the ability of family businesses to create or renew distinctive familiness. Although family business studies remain open to research in all ownership approaches, the application of the new ownership approach seems especially inviting. Therefore, this study of ownership dynamics in family businesses is focused on family firms as one type of firm where ownership is a dynamic and visible element of everyday life, and its relation to long-term portfolio business development can be illustrated. The next chapter will present a model of family business ownership dynamics in which different drivers affect business development at the family, individual, and business levels. The study attempted to highlight this applicability and to stimulate ownership studies of family businesses. Based on existing studies of ownership in the context of family businesses, the analysis above has developed a theoretical model that need to be empirically tested. This model is presented in Figure 21 (page 193). The model consists of ownership interests contributing to portfolio development at the family, individual, and business levels. The key element that affects the

creation of a portfolio is ownership. Further work is needed to develop and test concepts of ownership in family businesses, using both qualitative and quantitative approaches.

3. DYNAMIC OWNERSHIP IN FAMILY BUSINESS

This section aims to contribute to understanding of the dynamics of ownership processes by explaining ownership changes in family businesses through different drivers. These drivers effect, at the levels of family, individual, and business, business changes that lead to the formation of a portfolio business. An open-systems approach serves as the conceptual foundation of the model.

3.1. An open-systems approach to characterizing the drivers of ownership change

There is a growing interest in system models of family businesses. As with system models in general, the trend has been from closed to open systems (Pieper and Klein, 2007). The classical three-circle model (Tagiuri and Davis, 1996) and its later applications (Gersick et al., 1999) have addressed the interlinking of three separate systems in family firms: family, business, and ownership. As suggested in the literature review, research on family businesses has concentrated on the specific features and processes of families involved in business, such as succession and altruism, and their effects on the business system (Pieper and Klein, 2007). As a research setting, this implies that the peculiarities of family businesses stem from the family but affect the business, and, most importantly, that 'the company' is a single unchangeable metaphor for the stage where everything takes place. Therefore, it is likely that in many cases, this setting oversimplifies both the character of the family as an owner and the target of owning as a complex set of businesses. As an active entrepreneur, the family uses ownership as a tool. In this sense, changes in ownership are always involved – either in terms of owning some particular object (estate, company, business, shares, concept) or in terms of changing the combination of owners of those owned objects. Ownership changes can be used in the development of the business, developing the relationships between family members, or providing family members with the ability to carry out their individual ventures.

The system of a family business includes the family, as a collective level, engaging in business and securing continuity. The system is built of smaller pieces, such as the individual businesses owned either jointly by the family or individually by family members. Furthermore, businesses require their special maintenance and management, which has implications at the family level and for the individual family members. According to Davis

and Tagiuri (1989), the evolution of family businesses may be understood through the external influences on internal changes, and the ways in which maturity factors influence the company's internal pressures. In the social sciences, an open system is a process that exchanges material, energy, people, capital, and information with its environment. Pieper and Klein (2007) suggest this model to account for the unique characteristics and diversity of family businesses, as well as to address the dynamics among family business subsystems. According to them, the distinctive features of the model are its multiple levels of analysis and the dynamics and interdependencies among the subsystems.

An open-systems approach serves as the conceptual foundation of the model. As an open system, the family business system is in constant interchange with its environment through each subsystem – that is, businesses and family members. This characteristic leads to three considerations: 1) The family business is not a buffer against the environment, but rather the core of a business system, i.e., the family business system is not able to save any of its subsystems from external influences. 2) Each of the subsystems needs to run efficiently and productively. Should any of the subsystems operate inefficiently, it could lead to severe problems in the whole family business system, or even a collapse. 3) The system contains both systemic cohesion and entropy, leading to the family members needing to keep things within the family ('familiness') while at the same time leading to diversification and independent venturing of family members (Rautiainen, Pihkala, and Ikävalko, 2010). Through this dynamic, the family business system grows in both size and complexity.

This perspective is built largely on the ideas of Pieper and Klein (2007) and suggest that analysis of family businesses should take into account the different subsystems affecting the overall system. In this sense, the openness of the system takes place at the level of each subsystem, leading the system to be in constant interaction with its environment. The development of the family business could be understood by studying the behaviour of the individual family members and studying the needs of the eventually separate businesses within the family business structure. To build this perspective further, the portfolio businesses are included in the theoretical framework.

3.2 Ownership processes from a dynamic perspective

It is evident that ownership is a dynamic element of a family business, and that the family business includes several layers that are important to take into account in research. On one hand, the family running the business system keeps changing constantly. On the other hand, the family members are also entrepreneurs who make individual decisions on the allocation of their entrepreneurial spirit and ownership. This leads to a new type of systems thinking in family business research. The resources specific to family businesses stem not only from a definite 'family business', but also from the outside that business: from the collective family system and from independent individual actions and resources. This implies that ownership carries the characteristics of an open-systems phenomenon.

It is important to recognize the different systems that will offer the most comprehensive investigation and are most likely to increase future understanding of family businesses. It is also essential to acknowledge the advantages and disadvantages of the choice of framework. In family businesses, dynamics create tensions on many levels, so the question of ownership is a critical distinction, because when ownership and business overlap, so do business decisions and individual ambitions. In order to better understand and portray ownership processes in family businesses from a dynamic perspective, this study proposes a framework that considers the temporal dimension and incorporates changes in the drivers of family, individual, and business over time.

3.2.1 Drivers affecting changes in ownership

One way of describing ownership is to consider it a relationship between the subject (the owner) and the object owned. It has become clear that in order to proceed from defining the family business based on behaviour towards a more generic theoretical definition, a careful consideration of the multidimensionality of ownership is needed (Chua, Chrisman, and Sharma, 1999). Although not all family businesses make it to the dynasty stage and the several generations it entails, many do, and when the family is successful, it can multiply its businesses and investments across the generations. In this study, the key element that affects the development of a portfolio is ownership. Owners make decisions about business start-ups, company takeovers and sales, joint ventures, business investments, company divisions and closures, and so on, based on various drivers. In family businesses, these drivers are directly or indirectly related to changes in ownership. In order to identify the drivers contributing to

portfolio development, one must analyze the basic motives for changes in family businesses and the sources of those motives. As a conclusion, family business systems have been classified into three key drivers: business, individual, and family drivers. Family members make ownership decisions based on these drivers, and the forces exerting influence via these drivers can be internal or external. A longitudinal perspective helps unravel the relationships and causality between the key drivers and uncover causal processes reflecting the reciprocal influences of various drivers of the family and business systems that are often inaccessible or not easy to measure.

The theoretical setting of this study is a model of dynamic ownership that presents key family, individual, and business drivers. The literature review has been useful in helping to develop an understanding of the different levels of family businesses and to clarify key drivers. The model highlights the importance of ownership dynamics in analyzing drivers, contributions, and challenges. The focus is on the actions that these key drivers inspire and what kinds of reasons influence these actions. Although the different drivers are presented in this study as independent, the reflection between these drivers is constant: for instance, when there are problems in the business, individuals make decisions that affect the family and, thus, ownership, and vice versa.

Family drivers encompass several reasons. A family should be thought of as a constantly changing multigenerational system where members are connected to each other. Compared to the other business systems, family businesses have the added complexity of family members working closely with other family members. As an on-going relationship, the family forms an arena for carrying over the inherent and tacit knowledge of the business and its operations. This takes place through the internal culture of the family, its way of talking about business, entrepreneurship, new ventures, and competition, and its commitment to the long-term development of the company (Johannisson and Huse, 2000). Succession is the reason through which a change in ownership most frequently occurs. It is a long-term process with multiple activities (Sharma et al., 2003) and comprises legal, psychological, and social aspects. The family culture and values inspire strong feelings and can be powerful drivers of change in ownership (Hall, Melin, and Nordqvist, 2001), since the family typically has a set of shared traditions and values rooted in the family history (Chrisman et al., 2003; Habberson et al., 2003). Conflicts are inevitable, so disagreements and inter-familial crisis can spark problems that result in a change in ownership. As mentioned in the literature review, there are

can be task, process, and relationship conflicts (Jehn et al., 2001). As the family and business pass through various phases (Schwass et al., 2006; Gersick et al., 1999) and develop over time and across generations, value creation will obviously take place. The family will have discussions about financial interests, like other investments or forming a foundation (Jaffe and Lane, 2004). Although the group of owners grows, the structure of ownership can remain static for generations (Andersson and Reed, 2003; Gersick et al., 1997). Joint ownership is complex, since each individual wants to exercise his or her own personal rights and will.

Individual drivers are reasons that have legal, psychological, and behavioural aspects. In the context of family firms, family members may thus show loyalty to the family's objectives at the cost of personal freedom of choice. In this sense, the family, as a collective, may in fact prevent some individual entrepreneurial intentions and ventures, should those ventures not serve the family agenda. Inheritance is strong legal legitimacy, but can also have social and symbolic apects (Karlsson Stider, 2002). Although the family's prime objective could be to maintain control and ownership of the business at the group level, individual members of the family might have their own interests in and ideas about their ownership. Entrepreneurial interests exert influence in several ways here: individuals might want to start their own business, or they have partners or friends with whom they start a business with a different business idea than the family business. This does not necessarily mean that they want to leave the family business; they can still be in an owner's role when playing the role of investor (Aronoff and Ward, 1996), spreading risks or investing in different opportunities. An individual's interpersonal crisis or dissent with the family can also affect ownership behaviour. Disagreements over management or strategy are common in large families with several family members. The individual family member is simultaneously a person weighing his or her options and a member of the family behaving according to Hirschman's (1970) model of exit, voice, and loyalty. An owner's actions and demands affect other stakeholders in the family business (Ward, 2001); people regularly join and leave the family system and move from one dimension of the business to another.

Business drivers are reasons that can be internal or external or both. Although a business usually begins as a start-up owned by a single entrepreneur, through time and generations different circumstances will arise. Diversification and growth are tied to the life cycle of the firm (Montgomery, 1994). As the business develops, there can be acquisitions, mergers, cooperative ventures, and company splits. These may result from strategic reasons,

like spreading risks, recognizing opportunities, expansions, or financing and investments. In the long run, this development could shape the business into a portfolio. Ownership structures grow complex through the integration of other businesses, for instance pyramidal ownership (Almeida and Wolfezon, 2006), or ownership shared with several stakeholders. Gadhoum (2002) shows that the controlling families have power over firms significantly in excess of their cash-flow rights primarily through the use of pyramids, cross-holdings, and interlocking directorates. As Gersick et al. (1997) argue, family, business, and ownership systems have a developmental dimension. The owners, the business, and the family develop, and the potency of each system will vary with time. These changes influence the nature of the entire family business system.

3.2.2 A tool for analyzing the use of ownership

To help analyze the use of ownership over the long run, all ownership actions need to be identified. To aid in this identification, a tool has been developed that specifies and measures various factors, like operators, time of operation, type of operation, and reason for the operation, and driver. The operator can be either the owner(s) making the ownership changes or different established companies. To capture a comprehensive picture of the development, the time of the operation is critical, since this is the actual year when the action has happened. The type of operation focuses at the company level: start-up, joint venture, sale, acquisition, merger, co-operation, divestment, and so on. The reason for the operation is the set of motivations causing operations. These motivations can be the communicated reasons for the operation, and the criteria on which the rationality of the operation is based. The domain is the sphere where the driver arises, which can be family, individual, business, or some combination of these**.** This method is used in both of the cases featured in this study when analyzing ownership change in the business.

Table 8. *Factors used in the analysis of ownership changes in family businesses*

Operator; owner or company	person who makes ownership changes or established company
Time of operation	year when the action takes place
Type of operation	the nature of the change taking place in the family business structure
Reason for the operation	the set of motivations causing operations
Driver	family driver or individual driver or business driver or several at the same time

Researchers have used system theories (Pieper and Klein, 2007) to combine the various elements of family businesses and develop models to explain their uniqueness (Taqiuri and Davis, 1996) as well as models to explain development in family businesses (Gersick et al, 1999; Jaffe and Lane, 2004). A fundamental analysis of ownership change in family businesses is the process of looking at ownership changes at the family, individual, and business levels. The goal is to determine changes in ownership and, more importantly, how the family uses ownership and how these changes affect the business. The analysis shows the relationship between the change in ownership and portfolio development in the family business. It also reveals the main drivers – family, individual, and/or business – and how these drivers are connected to each other. The novelty of this study lies in its combination and handling of different systems, dynamics, and drivers at the same time. The longitudinal perspective enables extension of the family holding company model devised by Jaffe and Lane (2004) and reveals new perspectives on family business development. The development of the family member's ownership is seen in the family member's portfolio ownership model, particularly from the perspective of entrepreneurship and individual family members.

4. RESEARCH METHODOLOGY

In this chapter, I present the methodological issues connected to my research. The research method refers to the study approach and the philosophical assumptions of the discipline, as well as the research strategy, data collection method, case study selection, sampling, data analysis, and interpretation method. These processes affect, and are affected by, four factors: real-life occurrences, the available theories, the case that gradually evolves, and the analytical framework.

4.1 The methodological challenges emerging from the nature of family-owned portfolio ownership

Development of theory is a central activity in research on portfolio businesses and family businesses. When developing rich, generalizable theories, both quantitative and qualitative methods are important (Zahra and Sharma, 2004). An interesting and useful research question alone is not enough; researchers should develop rich insights into the question. To develop such insights, researchers make decisions regarding three interrelated but analytically distinct domains: the substantive, the conceptual, and the methodological (Brinberg and McGrath, 1998). The *substantive domain* refers to the intellectual territory to be covered in the research; in the case of family business research it can be governance, succession, development, or management, keeping in mind the interaction between the family and the business. The *conceptual domain* refers to theoretical underpinnings, like framework, predictions made, and explanations provided (Brinberg and McGrath, 1998). Theory answers the question of why acts, events, and structures occur; it is a collection of assertions that identify what variables are important and for what reasons. Theory specifies how these variables are interrelated and why, and identifies the conditions under which they should be related or not related (Zahra and Sharma, 2004). A good theory is an excellent way of connecting our research to broader discussions in the field, and when we use theories from sister disciplines and test them in the context of family businesses, we can link our research to other fields. The *methodological domain* refers to the skills that a researcher should have, the types of data to be collected, and the methods used to analyze the theoretical constructs (Brinberg and McGrath, 1998). However, the links to actual data have often been tenuous; it

is the intimate connection with empirical reality that permits the development of a testable, relevant, and valid theory (Eisenhardt, 1989).

The phenomenon of portfolio entrepreneurship has caused methodological problems that have been difficult to solve with ease. In a similar way, family businesses have been methodologically challenging in terms of understanding the dynamics within ownership mechanisms as well as studying their development. A family-owned portfolio business poses a serious challenge for researchers. Part of the challenge stems from the concept and nature of portfolios, while others are more related to the concept and nature of the family as a business owner. We can identify five distinct methodological issues that need to be dealt with in the case studies in the research at hand. The first deals with the notion that understanding portfolio businesses seem to require research approaches that are able to capture processes (e.g. Myint and Vyakarnam, 2004). The second is related to the difficulty of defining the right unit of analysis for analyzing portfolio businesses (Rosa and Scott, 1999). The third challenge deals with the concept of family as a unit of analysis: studying the family as an owner as opposed to individual family members as owners. The fourth challenge stems from the notion of the family-owned portfolio business as a systemic organization – changes in one element may cause changes in other elements, and catching this complexity leads to methodological difficulties. Finally, evaluation of business performance seems more complicated in the context of family-owned portfolio businesses – in addition to the basic performance of the individual businesses, the owned companies are interrelated, and they may be evaluated in terms other than financial ones alone.

1. The analyzed phenomenon is processual and happens in time

Time is the decisive element in the concept of ownership that separates it from power and reveals that ownership is a social construct by nature. The connection between ownership and time has been noticed by researchers including Becker (1977), Monks and Minow (2004), and Underkuffler (2003). Ownership is connected to the understanding of time in a manner that is only possible for human beings. In this sense, it always concerns changes in ownership – either in terms of owning some particular object (estate, company, business, shares, concept) or in terms of changes in the combination of owners of those owned objects. Ownership changes can be used to develop the business, develop the relationships between family members, or provide family members with the ability to carry out individual ventures.

A *longitudinal* approach is required to capture changes and development in ownership requires. Longitudinal research is the (quantitative and/or qualitative) study of a single entity at multiple time points. This examination provides a systematic way of observing events, collecting data, analyzing information, and reporting results over a long period of time. There are some empirical methods of observation that can be used to collect temporal data. The distinct temporal aspects that should be considered, and have been used in studies of family solidarity, are the perspectives of *historical time*, which applies to the maintenance of solidarity over time despite structural change in families and society; *historical evolution*, comparing observations collected at different times; the *generational time* implied by the primacy of intergenerational exchanges; and, finally, *biographical time*, which refers to the calendar of individual and family trajectories, examining change in terms of the changing position of individuals over generations (Kempeneers and Lelièvre, 2007).

Recent studies of portfolio businesses investigate business growth and ownership (Cruz et al. 2008; Lechner and Leyronas, 2009). For example, Ehrhardt et al (2005) analyzed the evolution of ownership, control, and performance in German family-owned firms over a hundred-year time span. These studies also have a longitudinal point of view. They are not focused on a static legal ownership structure, but on a process whereby ownership alters, the contents of the portfolio ownership alter, the businesses owned alter, and, notably, the underlying motivation, the aspirations behind each ownership stake, change over time.

2. The analyzed phenomenon concerns many businesses at the same time

Time sets a frame of reference for what changes are seen and how those changes are explained. It is easy to identify change when we look at present-day events; the longer we stay with an emergent process and the further back we go to disentangle its origins, the more we can identify continuities (Pettigrew, 1990). Empirically and theoretically, change and continuity are a matter of time. Pettigrew cites Whipp (1988): “time is more diverse and necessarily social and subjective, time is not just ‘out there’ as neutral chronology, it is ‘in here’ as a social construction”. This duality of time means that we have to study events and social constructions of those events in the context of the important time cycles that help provide an implicit rhythm to particular social systems. Lerner and Kauffman (1985) note that there is a complication to add: there may be different temporal patterns in the processes occurring at different levels in contextualised analyses – the firm may be changing more

quickly or slowly than the sector of which it is a part. They used an example from developmental psychology to illustrate the general point that time may have different meanings at different levels of analysis.

Portfolio ownership or multiple business ownership refers to a situation in which the owner has ownership in several businesses. To date, however, there have been few dedicated empirical investigations of this phenomenon (Carter and Ram, 2003; Alsos and Carter, 2004). The literature (Carter and Ram, 2003) highlights different contexts and motivations for engaging in portfolio entrepreneurship strategies. Portfolio ownership approaches can be seen both as a strategy for family survival through the introduction of alternative income sources and as a structural regulator for accommodating to business succession. However, the existing research has rarely touched on the development of portfolio ownership.

Studying the phenomenon of multiple business ownership is challenging and requires methodologically innovative approaches. There are several different key issues to involve in any examination of the phenomenon. Each firm has juridical independence from the others, while all are unified by means of mutual shareholding to ensure a solid base of control. For example, how could a researcher ensure that the informants report all businesses involved in the portfolio? If the responses deal with only one or a few companies, on what basis could the researcher be sure that other businesses do not affect the behaviour or performance of the observed businesses? Family businesses are strongly motivated to engage in hierarchical grouping, perhaps in order to increase their debt capacity or to balance other contingent losses (Gadhoum, 2004). Should the researcher decide that only one company from the portfolio should be studied, how would he or she choose the most important business? Methodologically, research has concentrated on the study of entrepreneurs and their behaviour, while a family business could have several owners, so one problem is finding the right persons to respond to researcher questions. One promising approach to analyzing portfolios could be an embedded case study that involves more than one unit or object of analysis and is not limited to qualitative analysis alone (Scholz and Tietje, 2002; Yin, 2003).

3. The analyzed phenomenon concerns many owners at the same time

Carter and Ram (2003) point to the collective nature of portfolios in suggesting that portfolio management should be studied as a process, and that special attention should be paid

to the composition of stakeholders in each component of the portfolio. This perspective emphasizes decision-making and active ownership. The active owners may include only one person in the family, the family as a collective, or a group of many voiced family members. Furthermore, ownership can be a mixture of different combinations of family members, public shareholders, or other companies.

It is common for businesses to have one controlling owner group. Existing knowledge on controlling owner families and their ownership conduct is limited. To expand understanding of the family owner's behaviour, some researchers have used several concepts from social psychology that help explain why family shareholders behave as they do: group cohesiveness, conformance, diffusion of responsibility, de-individuation, and social power. In family businesses, where there is a substantial family ownership interest, the owning family itself plays a critical role in monitoring the actions of management (Ward, 2001). Should all the owners be included in the study, or could someone represent the others? Zellweger et al. (2008) point out that the individual's perceived emotional values regarding the business need to be taken into account in the analysis of ownership. In a portfolio business, there may be several owners with several different values. It is clear that different owners exhibit different interests. The values and interests of the owners seem to be decisive in understanding family businesses. Behavioural aspects play a significant role in how managers of privately held firms make investment choices.

4. The analyzed phenomenon requires a systemic view – changes in one element may cause changes in other elements

A family-owned portfolio forms a system built of smaller pieces, such as a number of individual businesses owned either jointly by the family or individually by family members. The relationship between the owners and the owned businesses is likely to be very dynamic. Different generations of owners exhibit different interests, management styles, and objectives. Each generation of leadership brings to the business new strategic ideas that build on underlying, long-held competencies developed for earlier strategies (Ward, 1997). In a portfolio system, businesses require their special maintenance and management, which has implications at the family and individual levels. As an open system, the family business system is in a constant interaction with its environment through each subsystem – that is, the businesses and family members.

In terms of methodology, the obvious causal inferences are difficult to build without grave exaggeration – the owners may want changes in the businesses, and changes in the businesses may lead to changes in ownership. However, it seems that the family running the business system keeps changing constantly. Furthermore, the family members are also entrepreneurs who make individual decisions on the allocation of their entrepreneurial spirit and ownership. Finally, the family works as a collective level, engaging in business and securing continuity.

5. Perspectives on business performance are multidimensional – and include family values and personal wishes as well

Portfolio management within a family-owned business portfolio suggests distinct expectations for each business. Almeida and Wolfenzon (2006) propose that in pyramidal family business structures, some companies are likely to play a special role. In other words, some companies within the portfolio may be evaluated according to different criteria than others. For example, a start-up would be evaluated according to its ability to provide continuity for the family business rather than its innovativeness or its ability to collect venture capital. In a similar vein, the parent company would not be expected to show extensive returns on capital in exchange for being an operative tool in managing the portfolio or channelling the interests of the various family members through the family council of the parent company. Family life has an impact on the development of individuals. A significant amount of the research on founders is focused on the theory of development stages (Sharma, 2004). There is, then, a need to subject these conceptual ideas to empirical tests to gauge their validity and generality in practice. Next-generation family members have been an important group in research (Handler, 1989; Davis, 2007; Astrachan et al., 2002). For example, Astrachan et al. (2002) note that issues of power, experience, and culture are important and very influential in business organizations.

When a family business moves across generations from the second to the third, fourth, and so on, seeking to maintain shared family control of its often highly diversified financial and business assets, there are many complex structures, agreements, councils, and forms involved in the management of wealth and business (Jaffe and Lane, 2004). There are family values and individual wishes that change along with the family and people involved. One

business turns into branches of business, and the people involved into a bigger group of people involved. When there are problems, a person can choose to exit from the system. This exit may take place in a constructive or a destructive sense. For example, in terms of entrepreneurial behaviour, the exit could be seen as a necessary personal venturing outside the family business structure. The person can also choose to exit from the system and leave problems unsolved. Family involvement and business development across generations can cause a wide range of problems that families have to solve: how can the business handle several owners, what kind of management will satisfy family members, how can continuity of the family business be secured? Families have to be active stewards and responsible owners in making key decisions and overseeing their assets (Jaffe and Lane, 2004).

4.2 Significance of the research approach

According to Molander (1993), science refers to the process of creating new knowledge. Eriksson and Wiedersheim-Paul (2001) note that when one is attempting to examine and understand reality, underlying assumptions influence the conception of reality. They believe that values, norms, and actions arise from humans, and that reality is subjective and consists of systems where people are in constant interaction. The main difficulty in case studies is handling the interrelatedness of the various elements in the research. The main objective of any research is to confront theory with the empirical world. There are three kinds of scientific reasoning – induction, deduction, and abduction – which are complementary to each other (Ghauri and Grønhaug, 2005). *Deductive* approaches are concerned with developing propositions from current theory and making them testable in the real world. It seeks to test existing theory, to fortify, invalidate, adapt, or develop it. *Inductive* approaches, on the other hand, rely on *'grounded theory'* (e.g., Glaser and Strauss, 1967), where theory is systematically generated from data. The inductive method has its starting point in empirical findings and aims to build up new knowledge that will contribute to new theories. The grounded theory method is a qualitative research approach and has been found useful in situations where research activities are carried out in different socio-cultural contexts and aim at conceptualizing and understanding various social processes. The *abductive* approach is a process for creating a new idea, and the only logical operation that develops a new hypothesis. It suggests how things might be. Systematic combining grounded in abductive logic is a process whereby theoretical framework, empirical fieldwork, and case analysis evolve simultaneously, and is particularly useful for developing new theories (Dubois and

Gadde, 2002). Systematically combining of this confluence is more or less continuous throughout the research process.

4.2.1 A comparison of qualitative and quantitative research

Qualitative research seeks to understand a given research problem or topic from the perspectives of the local population it involves. Qualitative research is especially effective in obtaining culturally specific information about the values, opinions, behaviours, and social contexts of particular populations. Qualitative research seeks to provide a deeper understanding of social phenomena (Silverman, 2001). While quantitative research methods are more useful in hypothesis testing, qualitative research is used successfully in the description of organizations (Welman and Kruger, 1999). Quantitative research should begin with an idea (usually articulated as a hypothesis), which then, through measurement, generates data and, by deduction, allows a conclusion to be drawn. Qualitative research, in contrast, begins with an intention to explore a particular area, collects 'data' (observations and interviews), and generates ideas and hypotheses from these data largely through what is known as inductive reasoning. The strength of the quantitative approach lies in its reliability (repeatability) – that is, the same measurements should yield the same results time after time. The strength of qualitative research lies in validity (closeness to the truth) – that is, good qualitative research, using a selection of data collection methods, really should touch the core of what is going on rather than just skimming the surface. Family business studies have become a field in which where methodologically based theorizing matters (LaRossa, 2005). While in quantitative research multivariate statistical techniques are essential to the theorizing process, in qualitative research any number of approaches may be used to generate theory. Family business research is dominated by descriptive studies (Handler, 1989). Goffee (1996) believes that family business research needs more explorative research that explains the complex relationships and interactions involved in family businesses. There is a clear need for qualitative studies with an interpretative approach, which would be useful for the development of new theories. An interpretative approach in family business research requires the desire to conceptualize and promote new theories by using interesting and relevant interpretations.

4.2.2 The case study approach

Although case study methods remain a controversial approach to data collection, this study method enables a researcher to closely examine the data within a specific context, and it is also well suited to historical research. A case study is expected to capture the complexity of a single case. Usually the subjects of the study are a very limited number of organizations and individuals. Case study research can be defined as empirical inquiry into a contemporary real-life situation in which multiple sources of evidence are used (Yin, 2003). It is a time-honoured, traditional approach to the study of topics in the social sciences and management. The more complex and contextualized the objects of research, the more valuable the case study approach is regarded to be. The ability to "take in rich and holistic qualities of real life circumstances" (Groat and Wang, 2002) is one of several strengths of the qualitative approach. Several different case categories and case study types are reported in the literature. Yin (2003) identifies three categories of case studies: exploratory, descriptive, and explanatory. *Exploratory* case studies set out to explore any phenomenon in the data that serves as a point of interest to the researcher; a pilot study is one example of an exploratory case study. *Descriptive* case studies set out to describe natural phenomena that occur within the data in question. The challenge of a descriptive case study is that the researcher must begin with a descriptive theory to support the description of the phenomenon or story. Descriptive case studies may be narrative in form (Zaidah, 2007). *Explanatory* case studies examine the data closely both at a surface and deep level in order to explain the phenomena in the data.

Jensen and Rodgers (2001) set forth a typology of defining case studies in a number of ways. *Snapshot* case studies are defined as detailed and objective studies of one research entity at one point in time; hypotheses are tested by comparing patterns across sub-entities. *Longitudinal* case studies are (quantitative and/or qualitative) studies of a single entity at multiple time points. This examination provides a systematic way of observing events, collecting data, analyzing information, and reporting results over a long period of time. *Pre-post* case studies are a number of case studies written on a single business, with a comparative analysis of each case study over time. A critical event is one that, on the basis of a theory being studied, would be expected to significantly impact case observation. *Patchwork* case studies are sets of multiple case studies of the same entity using either snapshot, longitudinal, or pre-post methodologies. This multi-design approach is intended to provide a more holistic

view of the dynamics of the research subject. *Comparative* case studies are sets of multiple case studies of multiple businesses that analyse similar situations across various businesses for comparative reasons. In comparative case studies, both qualitative and quantitative comparisons are generally made. An *embedded* case study is a case study containing more than one sub-unit of analysis (Yin, 2003). The identification of sub-units allows for a more detailed level of inquiry. Embedded case study design is an empirical form of inquiry appropriate for descriptive studies, in which the goal is describing the features, context, and processes of a phenomenon.

There are a number of advantages to using case studies. Data is most often collected within the context of its use, which increases understanding of complex issues (Yin, 2003). Also, variations in terms of intrinsic, instrumental, and collective approaches to case studies allow for both quantitative and qualitative analyses of the data (Zaidah, 2007). The detailed qualitative accounts often produced in case studies help to explore or describe the data in real-life environments, and also help to explain the complexities of real-life situations. Criticisms of case studies also exist. Yin (2003) mentions that case studies are often accused of exhibiting a lack of rigour, and, since they use a small number of subjects, they provide very little basis for scientific generalization. Case studies are also often labelled as being too long, difficult to conduct, and producing massive amounts of documentation. Another common criticism of the case study methodology is its dependency on a single case exploration, making it difficult to reach generalizable conclusions (Tellis, 1997). A case study is best defined as an intensive study of a single unit with an aim to generalize across a larger set of units. The interaction between a phenomenon and its context is best understood through in-depth case studies. Theory building is an arduous process from the perspective of case studies, since it generally does not lend itself well to generalization or prediction (Dooley, 2002). The case study methodology is usually interested in a specific phenomenon and a thorough understanding of it by observing all of the variables and their interacting relationships. From this single observation, the seed of a theory may form (Dooley, 2002). New theories do not emerge quickly; they develop over time as the research is extended from one case to several others and more data are collected and analyzed. Mintzberg notes (1979):

> "*While systematic data creates the foundation for our theories it is the anecdotal data that enable us to do the building. Theory building requires rich description. We uncover all kinds of relationships in our hard data, but it is only through the use of soft data that we are able to explain them.*"

Eisenhardt (1989) also suggests that theory developed from case study research is likely to have important strengths, like novelty, testability, and empirical validity, so the possibility of generating new theory increases with case study research. According to him, the empirical validity of theory generated from case study research is high, because the process is intimately tied to the evidence. It is said that parsimony is a recognized characteristic of good theory (Patterson, 1986). This can also produce complexity, since theory builders' work with rich and voluminous data, which makes it possible for them to lose perspective and be unable to recognize which relationships are the most important (Dooley, 2002).

4.3. The research method used in this study

The methodological approach applied in this study is qualitative case study. To understand and uncover a phenomenon that one does not know much about, as in this study, a qualitative method is the best alternative. According to Eriksson and Wiedersheim-Paul (2001), there are two main scientific approaches: *positivism* and *hermeneutics*. They claim that while the positivistic approach seeks to explain and describe, the hermeneutical approach seeks to acquire a comprehensive understanding, or an insight. The hermeneutical approach is further characterized by what is referred to as holism, which is based on the idea that it is only possible to understand the object and its actions when it is connected to the whole (Eriksson and Wiedersheim-Paul, 2001). The purpose of this study is to describe how the family uses ownership in their business, and so a hermeneutic approach was chosen, as hermeneutics seeks to understand the whole picture and gain insight into the chosen subject. This method is suitable when making observations with the goal of understanding the overall picture of a phenomenon. The main unit of analysis of this study is the family business system.

Historical examinations of specific business functions offer a vibrant and diverse area for studying family business development. The benefit of this type of research is that it allows researchers to look at changes over time. The longitudinal point of view gives powerful insights into past business conditions and practices. Because of this, longitudinal methods are

particularly useful when studying development and lifespan issues. Longitudinal case analysis has, for example, been successfully used to study the evolution of strategy in an entrepreneurial business (Mintzberg and Waters, 1982). Eisenhardt (1989) states that in order to fully grasp the "dynamics present in single settings"; a longitudinal approach to case study research is specifically recommended. This study is longitudinal, comprising the years 1871–2011. To get a truthful picture of the phenomenon being studied, the data has been collected over a long period of time, from histories of and stories about family companies. In the pilot case, the time span was 59 years, and in the main case, the time span was over 140 years. The data consists of interviews with main owners, managing directors, and board members. Historical material, which was collected primarily from the company's histories, will complement this data. Without a clear research focus, it is easy to become overwhelmed by the volume of the data, and also there is a temptation to build theory that tries to capture everything. To get better understanding of the data, this study uses a *thick description* method (Geertz, 1973; Denzin, 1989), which describes a human behaviour in its context so that the behaviour becomes meaningful to an outsider, recording the circumstances, meanings, intentions, strategies, motivations, and so on that characterize a particular episode. In this study, the historical, longitudinal data is used to track ownership actions and portfolio development at the same time. It will focus only on business start-ups, company takeovers or sales, joint ventures, business investments, company divisions, and company closures. Ownership actions are viewed from the individual, family, and business points of view, in order to analyze these events.

4.3.1 Pre-understanding on the phenomenon

An essential part of the research process is choosing the right method; this is crucial to achieving a well-developed pre-understanding. Heidegger (1962 [1927]) introduced the concept of the hermeneutic circle, and Gadamer (1975) developed it further. While Heidegger saw the hermeneutic process as cycles of self-reference that situated our understanding in a priori prejudices, Gadamer (1975) re-conceptualized the hermeneutic circle as an iterative process through which a new understanding of a whole reality is developed by means of exploring the details of existence. A portfolio business is very empirical in nature and also difficult to capture, so it was necessary to pre-understand the phenomenon. This pre-understanding is a prerequisite for being able to initiate the study. A hermeneutical circle was used as an analytical tool to help find a suitable research method, because it is a good tool for developing knowledge. Gadamer (1975) explains the hermeneutical circle in the following

manner: the meaning of the parts is based on the whole at the same time as the parts determine the meaning of the whole.

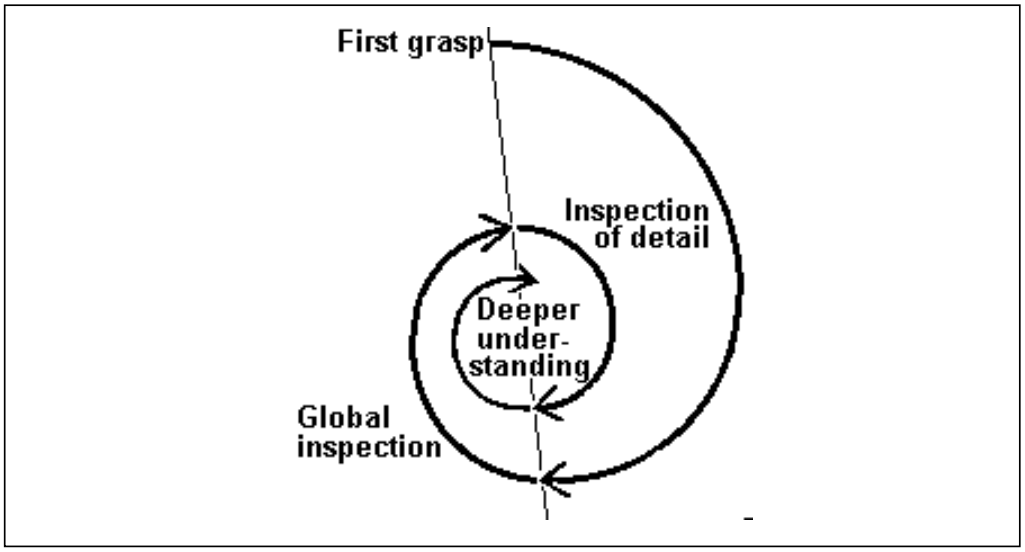

Figure 6. *The hermeneutic circle (Gadamer, 1975)*

A pilot study can involve pre-testing a research tool, like a new data collection method. It can also be used to test an idea or hypothesis. Pilot studies are used as feasibility studies to ensure that the ideas or methods underpinning a research idea are sound. This study first presents a pilot case with various conceptual and methodological revisions; it highlights two important ways of developing understanding: practical activity and reflection. The hermeneutic circle provides a helpful framework for understanding the importance of the pilot study within the research process. According to Heidegger (1962), involvement and participation in practical activity were necessary to develop understanding. He believed that an individual must have a practical sense of the domain or context within which a phenomenon is situated in order to develop understanding. A pilot study can be the pre-testing or 'trying out' of a particular research instrument (Baker, 1994). The pilot case provides the engagement in practical activity that facilitates decisions about how to approach this study and to start to solve the problem identified. The pilot study allows making meaningful revisions to the conceptual framework and methodology.

This pilot study was conducted in the spring of 2007. The qualitative pilot study involved several phases, starting from interviewing the main owner of the company. In the beginning, the nature of the research subject was not identifiable, so experimentation was also required in the research methods. The result was that the interview was unstructured, and it was not recorded. Instead, the owner drew pictures of the development of his family business from the historical point of view. Other sources, such as archival records, were also applied to allow the framing of real event descriptions within their relevant context. Based on the interview and pictures drawn by the owner, a method of data collection was developed. The interview revealed several changes in ownership, and although these changes were not noticeable while conducting the study, they became more distinct as time passed. The pilot study continued with a review of the literature and development of the research design. Finally, a hermeneutic theory was used to assist in comprehending the way the pilot study had significantly shaped the understanding of how to study ownership and portfolio development in family businesses. This is not simply the result of testing half-conceptualized ideas or studying ownership in a new context or in a new way; it was the result of layers of understanding surfacing from engagement in practical activity. The pilot study enabled various conceptual and methodological revisions that would not have been possible without engagement in practical activity and long-term reflection. The pilot study research method revealed how and why the portfolio formation developed. Knowledge of the various changes in ownership deepened, and the conclusion was that changes in ownership take place at three interdependent levels in a family business – the individual level, the family level, and the business level. These levels include different criteria that affect development of the family-owned portfolio business.

4.3.2 Case selection for this study

In a qualitative research approach, it is not essential to talk about the study population and the sample, but rather the case selection and the discretionary sample (Eskola and Suoranta, 1999). When using an interpretive approach, researchers usually choose a limited number of in-depth case studies to reach understanding. It is important to discuss the possible advantages and disadvantages of a single case compared to multiple cases. The case study method is criticised for its purported lack of robustness as a research tool (Zaidah, 2007). Dyer and Wilkins (1991) argue for single cases, claiming that theory derived from them is richer and more coherent; in essence, their argument becomes one for ‘better stories’, not ‘better constructs’. Eisenhardt (1989) responded by suggesting that the dichotomy ‘better

stories' (single case) versus 'better constructs' (multiple case) is a false one, since it will be almost impossible to historically substantiate whether certain single cases contributed more or had greater theoretical insights and impacts than did certain other multiple cases. The single-case study is eminently justifiable under certain conditions: where the case represents a critical test of existing theory, where the case is a rare or unique event, or where the case serves a revelatory purpose (Eisenhardt, 1989; Yin, 2003).

Table 9. *The cases constituting the empirical basis of this thesis*

	Pilot case Flowergarden Ltd.	Case John Nurminen Ltd.
The nature of family business character in the case	in third generation, two successions, several family members, shared family ownership	in fifth generation, four successions, several family members, shared family ownership
Time of data collection	2007	2011
No. of observed companies in the case	~ 20	~ 100
Time perspective	55 years (1952–2007)	140 years (1871–2011)
Research design Main focus	single case study retrospective	single case study retrospective
Main purpose	exploratory and descriptive	descriptive
Method of data collection	personal interview with owner–manager, pictures drawn by the owner, written history, accounting reports, and other resources	personal interviews with owner–manager and owners, accounting reports, company histories, and other resources
Interview form	unstructured, narrative	thematic , narrative

Table 9 introduces the two cases that were the focus of this study. The first case, the pilot, is used to gain pre-understanding of the phenomenon and develop the research method. The second case gave the opportunity to test the research method and deepen knowledge of the phenomenon. The findings from the case served as input in the formation of the theory. The meaning was to study how ownership changes affect family-owned business portfolio development over time, so the case must meet the criteria for the definition of family business. Both cases meet definition of family business, since the case organizations are family owned and have gone through at least one process of ownership succession; in addition, they also meet the requirement of creating a picture of portfolio development. A qualitative research approach in these single case studies was used in order to understand the impact of historical decisions within the family business on the current and future sustainability of the firm. It is obvious that in a case study like this, it is important to use a longitudinal approach. Hendry et al. (1995) state that, by focusing on historical processes and real-life settings, we can reveal the interaction between an organization's strategy and its people that broader survey approaches usually fail to register. A case study in this context results in a longitudinal analysis of a family doing business for numerous years. In a case like this, the main challenge is to decide on the case, what perspectives to follow, so crafting the design of the case study is of paramount importance. Studying the impact of family business ownership on portfolio business development requires a retrospective approach. A retrospective (from Latin *retr*, "look back") approach means to take a look back at events that already have taken place. The main purpose is exploratory and descriptive, to create understanding of a matter that has not yet been much studied.

4.3.3 Data collection and methods of analysis

One research problem in and of itself is determining the best technique, i.e. the data collection method, for answering the research question. In case studies, this is characterized as combining multiple methods of data collection. In case studies, data collection may come from a variety of sources, e.g. documents, archival records, interviews, direct observation, participant observation, and physical artefacts (Yin, 2003). For this study, personal interviews, one of the most important sources of case study information, was selected as the main method of data collection. Yin (2003) identifies three forms of interviews that can be conducted in gathering qualitative research data. An *open interview* is one in which the researcher asks the respondent for facts as well as opinions about certain events. A *focused interview* is used to corroborate certain facts that the researcher already thinks have been

established. A *structured interview* applies rigor to the questioning of the respondent and entails more structured questions along the lines of a formal survey.

The definition of the research questions helps to determine what kinds and volumes of data must be gathered. The research question this study answers is: *'How do families use ownership in family businesses?'* As mentioned earlier, the pilot case data was collected in unstructured mode; at the time, there was no clear vision of the research methodology or knowledge of a suitable approach. The main objectives in the pilot case were refining theoretical understanding of ownership in family businesses and utilizing this refined conceptualization of ownership for finalizing an appropriate research design. The goals for the pilot case were reciprocal; when ownership was reconceptualized, a better understanding of the data collection techniques was gained. The results from the pilot case determined the data collection and research methodologies used in the second case. This research was conducted through a narrative approach, and the data was collected through four personal thematic in-depth interviews. This approach emphasizes the use of description, conceptualization, knowledge sharing, and interpretation. It connects the subject and the researcher, allowing the latter to better understand the actual practice of business ownership, while also extending the study to the novice and general reader alike. Owners were interviewed to get a better understanding of their experience of ownership behaviour. Each interview lasted approximately 2 to 4 hours and was recorded via Dictaphone; the interviews were also transcribed. In keeping with the case study method, multiple sources of data collection, such as documents, websites, and archival records were also used to overcome the limitations of any individual source as much as possible. As in all retrospective studies, the interviewee's ability to remember the facts is questionable, so other sources, such as archival records, were also tapped to allow the framing of real event descriptions within their relevant context. In addition to interviews, historical written material was also widely used in this study. The cases were longitudinal, and verbal information about precise past events was not available. At this point, the researcher had to rely on second-hand information.

Researchers using qualitative data can apply several different kinds of analysis. Patton (1980) suggests the following:

> *"The cardinal principle of qualitative analysis is that causal relationships and theoretical statements be clearly emergent from and grounded in the phenomena studied. The theory emerges from the data; it is not imposed on the data."*

General indications of what was done with such data in this study will be presented next. The research started off with observation that took place during the pilot case. The information from the pilot case was gathered with spontaneous, unstructured participant interviews. The case approach was longitudinal, so the historical information was gathered and studied from written company histories and other second-hand information. Afterwards, this information was analyzed together with the interviews in order to bring out more relevant elements of the phenomenon being studied. The story was formed during the analysis, and it was interpreted according the evidence from the case. There was a need to be careful when interpreting the evidence from the case study, as there is the danger that very general conclusions might be drawn on the basis of a single individual. For this reason, there was a need for supporting evidence from other sources (histories, other information) before drawing any conclusions. As a result of the pilot case, a research method was formed, which was then used to study the main case. This method contained the essential elements required to reveal ownership actions and portfolio development.

The next phase was to test this research method in the main case. The research began by observing the case, which, as in the pilot case, involved a longitudinal point of view. The interviews were structured, thematic, in-depth interviews built based on the pilot case results. Information was gathered and analyzed together through the interviews and company histories as well as other second-hand material. Based on interviews and other materials, the story was drawn and then analyzed by arranging the items of information (e.g. levels of change in ownership) into various groups in a preliminary way.

Yin (2003) suggests that instead of using a single technique in a case study, the data collection should involve a broad variety of techniques, such as archival analyses, documentary searches, and direct field observations. In fact, the more techniques are used in the same study, the stronger the case study evidence will be. In using multiple sources of evidence, the goal during the data collection process is to amass converging evidence and to triangulate given facts. Table 10 enumerates the main types of evidence and their strengths and weaknesses as defined by Yin (2003). These types of evidence have been compared against the data collection used in this study.

Table 10. *Sources of evidence: strengths and weaknesses (adapted from Yin, 2003)*

Source of evidence	Strengths	Weaknesses	This study
Documentation	stable - can be reviewed repeatedly unobtrusive - not created as a result of the case study exact - contains exact names, references, and details of an event broad coverage - long span of time, many events, and many settings	retrievability - can be low biased selectivity, if collection is incomplete reporting bias - reflects (unknown) bias of author access - may be deliberately blocked	in the pilot case, the company names are changed; in the main case, documentation is exact containing exact names and details of events documentation covers a long time span and has many events and settings full accessibility to data
Archival records	same as above for documentation precise and quantitative	same as above for documentation accessibility due to privacy concerns	study contains archival records with full accessibility
Interviews	targeted - focuses directly on case study topic insightful - provides perceived causal inferences	bias due to poorly constructed questions response bias inaccuracies due to poor recall reflexivity-interviewee gives what interviewer wants to hear	the data was collected by interviewing the CEOs, board members and main owners of two case firms
Direct observations	reality - covers events in real time contextual - covers context of event	time consuming selectivity - unless broad coverage reflexivity - event may proceed differently because it is being observed	not relevant in this study
Participant observation	same as above for direct observations insightful into interpersonal behaviour and motives	same as above for direct observations bias due to investigator's manipulation of events	not relevant in this study
Physical artefacts	insightful into cultural features insightful into technical operations	selectivity availability	not relevant in this study

Like any businesses, family businesses are always developing across time, and so it is necessary to supplement an understanding of the family business system. These changes take place in ownership, management, and family. There will be continual changes in the lives of individuals, families, ownership groupings, and businesses, as well as the structures (organizational, legal, financial and family) that hold the family business system together. In this study, a pluralist analysis, in which different versions of reality are revealed by the range of actors who operate with a variety of interests and perceptions, has thus been obtained and presented.

4.3.4 Qualitative research evaluation

Case studies are often seen as rather unscientific and unreliable. The sample is not representative of the wider population, the study cannot be repeated in exactly the same way, and interpretation of the findings is very subjective. Case studies can be of great interest because they highlight unique and unexpected behaviour; case studies can also stimulate research that may contradict established theories (Eysenck, 2004). There are two primary criteria upon which any theory may be evaluated: its falsifiability (or refutability), and its usefulness in explaining and predicting phenomena (Bacharach, 1989). If research produces empirical generalizations, the data might *inductively* lead to the development of a new theory, or the data might be interpreted in terms of an existing theory. When the process goes from data to ideas, we think of it as being *inductive* (Ghauri and Grønhaug, 2005). Qualitative research is an on-going discussion of whether reliability and validity are relevant when evaluating quality of research (Eisenhardt, 1989). The reliability of the study is related to the researcher, data, research methods, and presentation of findings.

4.3.4.1 Reliability of the research

Reliability is the repeatability of any research, research instrument, tool, or procedure. Reliability means that different phases of the study, such as data collection processes, can be repeated and still produce the same results (Yin, 2003). The data collection process used in this study was developed during the pilot study. This process was tested in the second case, so reliability on that matter was improved. Reliability is significantly improved by the fact that the members interviewed in the family have allowed the researcher to use the real names of the company and of the people involved. This will give added value to research, because it has been possible to report on the most essential business and personal identity with the most precise detail and realism. The accuracy of results is easier to verify afterwards. In addition,

reliability and accuracy were strengthened in this study through the recording of all interviews. These recordings are stored in computer memory, and the interviews are also transcribed. As Yin (2003) suggests, reliability is also improved by using data from several different sources, like histories and information gathered from the internet. Reliability is affected by many factors, of course, such as the person interviewed, the research situation, and study arrangements; these interview situations were agreed on in advance. Good reliability is a necessary condition for good validity.

4.3.4.2 Validity of the Research

Validity is the measure by which we can call the research conclusions, assumptions, or propositions true or false; it determines the applicability of research. Validity of measurement is often described under three topics: *content validity*, *criterion-related validity*, and *construct validity* (Yin, 2003).

Table 11. *Validity of measurements (Yin, 2003)*

Approach	**Description**	**Procedure**
Content validity	The extent to which a measure appears to measure the characteristic it is supposed to measure.	Subjective assessment of the appropriateness of the measure for the task at hand.
Criterion Validity	The extent to which a measure can be used to predict an individual's score on some other characteristic (the criterion)	Examination of the relationship between the measure and a criterion
Construct Validity	The extent to which a measure behaves in a theoretically sound manner.	Investigation of the relationships between the measure of other concepts/characteristics within a theoretical framework

Content validity is a subjective assessment of the appropriateness of measurement items as judged by knowledgeable reviewers. It refers to the degree to which a measure covers the range of meanings included within a concept (Yin, 2003). The items selected to measure the concept should represent all the important dimensions of the concept's domain.

Content validity is better suited to a positivistic paradigm and quantitative study measurements, so in the evaluation criteria for this qualitative research, it is not an essential criterion. *Criterion-related validity* indicates how well scores of a test relate to another variable, the criterion. Criterion-related validity is assessed by the correlation between the test measure and the criterion, which is external to the test and which has been previously validated. *Construct validity* is concerned with how well a measure reflects a theory-based construct and whether a measure relates to other observed variables in a way that is consistent with theoretically derived predictions (Bagozzi, et al., 1991). Construct validity can be improved in a case study by using data triangulation (Yin, 2003).

To improve the validity of this study, the data consists of a variety of sources; secondary material in particular (e.g. written material) has been used widely. The secondary material made it possible to check a number of the events mentioned in the interview data, improving data triangulation. Moreover, as Yin (2003) suggests, the validity of this research is improved by sending each participant the first draft of their interview transcript to read, so they have had the opportunity to comment on and make suggestions regarding the interpretations made by the researcher. *External validity* is the validity of generalized inferences in scientific studies (Miles and Huberman, 1994; Yin, 2003). External validity of the study design can be improved by using a replicatory logic in multiple case studies (Yin, 2003). According to Miles and Huberman (1994), the question of external validity exists: are the results or findings consistent with earlier theory. This study uses a single family business case study to create a theory of portfolio ownership in family businesses. This ownership model is a novel suggestion for theory development, and findings have been obtained mainly from a preliminary outline of the theoretical model. *Internal validity* is the validity of (causal) inferences in scientific studies, usually based on experiments as experimental validity. It refers to the harmony of theoretical and conceptual definitions. As Eskola and Suoranta (1999) suggest, a study's philosophical, theoretical and conceptual attributes and methods must be compatible with each other. Miles and Huberman (1994) stress the rationality of the study. According to Yin (2003), internal validity concerns only explanatory or causal studies, not descriptive or exploratory studies. This research is both descriptive and exploratory in nature; internal validity has not been thoroughly evaluated.

Since the objective of the research was to explore, interpret, and obtain a deeper understanding of a particular clinical issue, qualitative methods were the most appropriate

methods to use. Data analysis often takes place alongside data collection to allow questions to be refined and new avenues of inquiry to develop. In addition, the core question of changes in ownership involves the equally important issue of the meaning of time in temporal analysis. Qualitative data is particularly useful for understanding different aspects of portfolio development, especially because qualitative data often provides a good understanding of the dynamics underlying portfolio development, which is ‘why’ what is happening. This is crucial to the establishment of internal validity.

5. PILOT CASE: FLOWERGARDEN LTD.

This pilot case presentation shows a smaller-scale version of the main study; the pilot was conducted to prepare for the larger study. It applies a single case study of a family business and also provides pre-understanding of the phenomenon. The pilot case presents the case company timeline from 1952 to 2007. The purpose of this case is to explore and illustrate the logic of portfolio development in a family business and to link ownership changes to this development. The case at hand is a longitudinal analysis of a family engaged in business for over fifty years. One main challenge is deciding on the case, i.e., what phenomena to study. In this presentation, the focus is on business start-ups, company takeovers and sales, joint ventures, business investments, company divisions, and company closures. The study will show the company history through a figure portraying the development of the portfolio through these actions and indicating how succession and ownership changed across the years. Figure 8 illustrates the history of the company. The companies above the timeline belong to the main family business group, and the companies below it are other businesses part of this group but still owned by family members. Figure 7 provides guidelines on to how to read Figure 8.

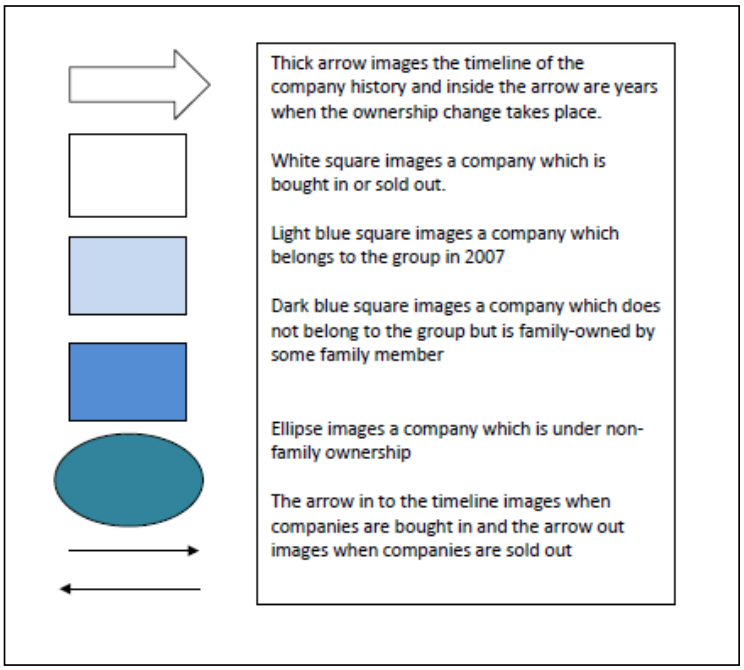

Figure 7. *Guidelines for reading figure 8, the history of Flowergarden Ltd.*

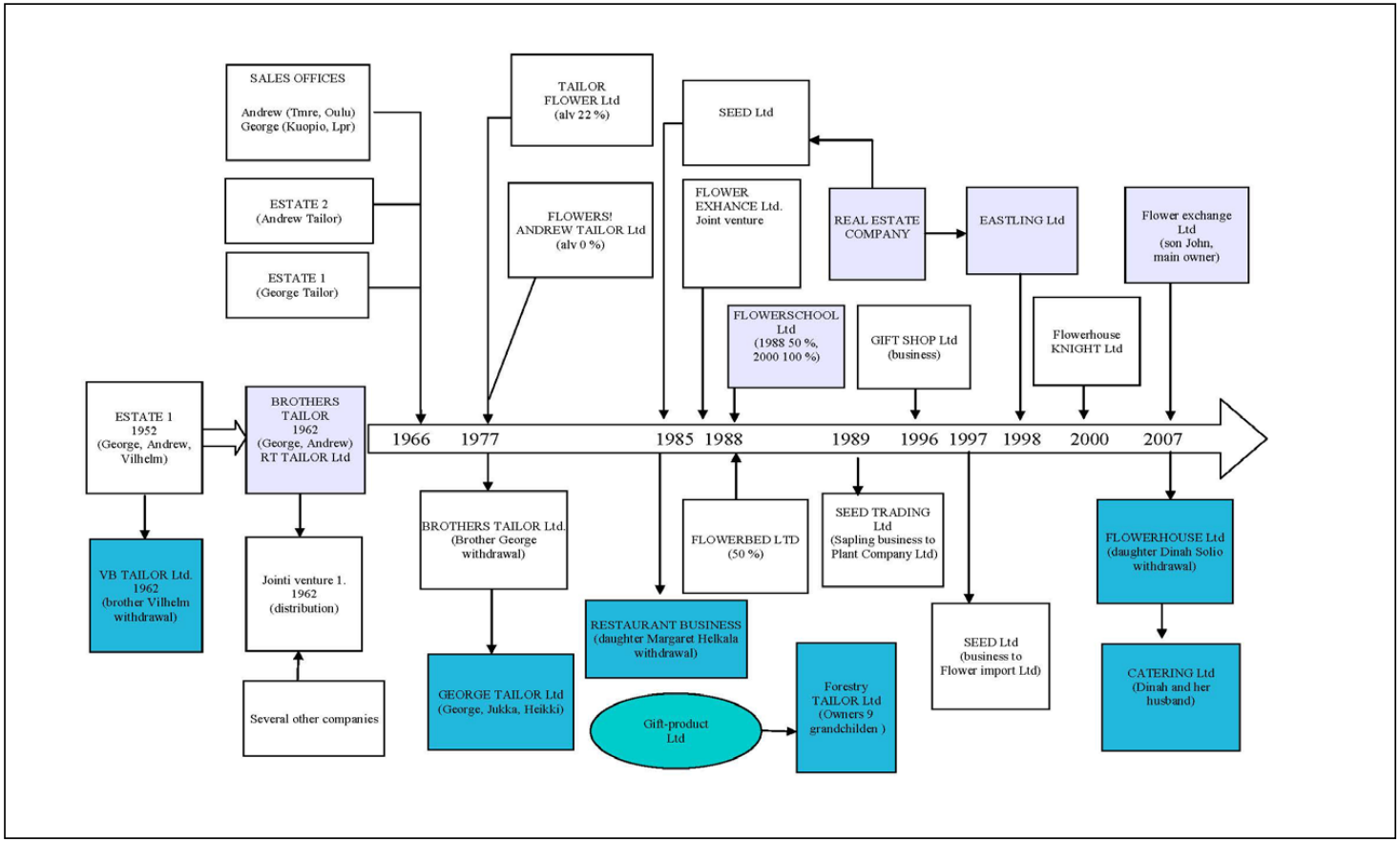

Figure 8. *Flowergarden Ltd. business history during 1952-2007*

5.1 Case description

The history of the business springs from a small farm established after World War II. Since then, the business has evolved into a well-established flower company with a wide distribution network and wholesale operations. There were three daughters and three sons in the family. The daughters married and moved away, while the brothers, Vilhelm, George, and Andrew, started planning their own business. In 1952, they built their first greenhouse and began growing roses. This was the start of the core business. This start-up could be described as team entrepreneurship, and the family links between the brothers played a considerable role in the start-up. At the time, they had equal stakes in the business, but the plan was to build a separate company for each brother. After ten years, in 1962, Vilhelm carried out the initial intention of having a company of his own and withdrew from the family business, starting a company named VB Tailor Ltd. The remaining two brothers, George and Andrew, restructured the company, organizing it into two segments, each owning half of the company. That same year, they also took part in a joint venture, establishing a major flower distribution company together with other companies in the same field. At this stage, the brothers had been involved in starting up three businesses.

In 1966, Andrew and George bought a new production site, Estate 2, which was located nearby. Now they had two production sites under their control, which gave them the opportunity to divide the business, with Estate 2 going to Andrew and Estate 1 to George. They also divided the six sales offices. After ten more years, in 1977, Andrew and George had disagreements about the business, and George withdrew from the family company. He started his own company, Tailor Brothers Ltd., bringing his sons in as partial owners. After 25 years, four start-ups and one acquisition, the brothers had reached their original goal of having their own separate businesses. George's withdrawal also meant that Andrew had to buy all the shares for himself and his wife Ellen, with whom he had four children, Margaret, Dinah, John, and Tim. In this situation, Ellen became a 50% owner. In time, the whole family was working in the family business. Andrew Tailor started to manage the core company by himself. Because of value-added tax regulations, he had to divide the business into two different companies, one focusing on growing flowers (Flowers Andrew Tailor Ltd., VAT 0%) and one focusing on sales (Tailor Flower Ltd., hereafter TF Ltd., VAT 22%). Until 1980, Andrew and Ellen were equal owners of the company. In 1980, it was time to include the second generation in the legal ownership of the business. The parents transferred 50% of the

shares to the children, so the parents owned one half and the children the other. By now, the family business involved the father, the mother, and four children as company owners.

The year 1985 was a significant one in Flowergarden Ltd. history; several changes took place in the business as well as in ownership structures. One of the daughters, Margaret, married and withdrew from the family business. Later on, she established her own catering company. Dinah and John stayed in the business, and the succession process started with a partial ownership transfer. At this point, all the members of the family also became legal owners of the company. The two companies, Andrew Tailor Ltd. and TF Ltd., merged when TF Ltd. bought all the shares in Andrew Tailor Ltd. At the same time, Andrew Tailor Ltd. converted into a corporation, changing its name to TF Ltd. Also in 1985, TF Ltd. integrated backwards as it acquired a new company, Seed Ltd., which sold seeds and garden equipment. This acquisition was an important growth step for the company. After three years, in 1988, the company continued external growth both downstream and upstream by taking over Flowerbed Ltd. (a company selling grass seeds, saplings, and gardening equipment) and Flower Exchange, a wholesale chain from Finland's Flower Associated. Flower Exchange had sales offices in eight towns, allowing TF Ltd. the possibility to reinforce distribution and marketing areas. In 1988, the company was involved in the start-up of a new company, Flowerschool Ltd., with a 50% share. Flowerschool produced flower starts and potted plants. In the same year, the succession of the family business continued through a new share emission. After ownership was reorganized, two of the children, John and Dinah, became majority owners with 70 shares each, and Ellen, the mother, represented a minority with 20 shares. The father, Andrew, kept 50 shares. The other children were bought out of the business. This is understandable, as the other children did not actively participate in running it.

In 1989, TF Ltd. sold the sapling business to Plant Company Ltd., and in 1997 TF Ltd. sold the rest of the Seed Ltd. business to Flower Import Ltd. The aim was to rationalize the main business by concentrating only on the flower business. In 2000, TF Ltd. bought Flowerhouse Ltd., one of the biggest flower chains in Finland. In the same year, TF Ltd. also bought the remaining shares of Flowerschool Ltd., becoming its sole owner. This was done to get a better perspective on the retail business. In 2000, succession of the family business was completed. John and Dinah bought their father out of the business, after which they each had 95 shares (45%), while their mother still possessed 20 shares (10%). John became the managing director, and Dinah continued as the chairman of the board. Andrew

stayed on as a member of the board, and Ellen stayed on as a minority shareholder. Dinah and John started to manage the company, although fairly soon problems arose in the leadership of the business. These two strong people, who were also siblings, had a very different way of thinking about and managing the business. Finally, in 2007, they made the decision that Dinah would leave the company. John bought out Dinah, who in turn bought Flowerhouse Ltd. from TF Ltd. and started her own retail company. Dinah has also invested in her husband's company, Catering Ltd. At the moment FT Ltd. is the parent company, and Flowerschool Ltd., Eastling Ltd., Real Estate Ltd. and Flower Exchange Ltd. are subsidiaries. John is now the main owner of TF Ltd., and Ellen, the mother, retains a 10% share of the company. Andrew bought a company, Gift Product Ltd. in the 1980s; he changed the name to Forestry Tailor Ltd. and donated this company to his grandchildren. Succession took place, and the fourth generation was thus involved in entrepreneurial activity and the family business.

5.2 Summary of the pilot case

5.2.1 Portfolio development in Flowergarden Ltd.

Development of the portfolio business at Flowergarden Ltd. has taken some 55 years. During this process, there have been about 20 different companies involved, and the number of start-ups, acquisitions, and buy-outs was 19. In its present configuration, the core corporation includes the parent company and three subsidiaries and is owned by John (the founder's son) and his mother. The families of both of the majority owner's uncles run separate businesses. One of the majority owner's sisters runs a successful catering business, and another runs a business complementary to the core company and is involved in other businesses as well. Forests and land are organized through a company transferred directly to the third generation, which consists of the founder's nine grandchildren. At the moment, Tailor Ltd. is the parent company, and Flowerschool Ltd., Eastling Ltd., Real Estate Ltd., and Flower Exchange Ltd. are subsidiaries. John Tailor owns the majority of the corporation's shares. In the case presented, a number of ownership-, business-, and family-related operations can be identified. Table 12 depicts these operations, showing the owners as the operators, the time of the operation, the type of operation, the motive for the operation, and the driver serving as the rationale for the operation.

Table 12. *Business portfolio development criteria in Flowergarden Ltd.*

Owner as operator	**Time**	**Operation**	**Main Reasons**	**Driver (Family, Business, Individual)**
first generation; three brothers	1952	start-up	the creation of business, business focus from farming	Family Business
second generation; two brothers	1962	start-up, dissension	dissension in management and family, creation of new business, one brother withdraws and starts his own business	Family Business Individual
second generation; two brothers, other companies	1962	joint venture, start-up	grasping opportunities, creation of new business	Business
second generation; two brothers, 50% each	1962	start-up, dissension	dissension, personal managerial attachment, company divided in two	Family Individual
second generation; one brother and his wife, 50% each	1977	start-up, dissension	dissension, the creation of new business, one brother withdrew and started his own business	Family Business Individual
second generation; husband and wife 50% each	1977	re-arrangement	bringing the children into the business and ownership	Family
second generation; husband and wife	1977	diversification, business focus	dividing the company in two because of tax regulations	Business
second generation; husband and wife, 50% each	1977-1980	learning, resources, returns	the whole family working in the business	Family Business
second and third generation (four children)	1980	succession	children included in the legal ownership, 50% parents and 50% children	Family
second and third generation; parents and three children	1985	succession, start-up	one daughter got married and moved, she started her own business	Family Business Individual
second and third generation; parents and three children	1985	succession	ownership changes, three children became the main owners	Family
second and third generation; parents and three children	1985	business focus	new company formed in corporation form	Business
second and third generation	1985	diversification, value creation, business focus	acquisition of a new company, Seed Ltd	Business
second and third generation	1988	business focus, diversification, value creation	acquisition of a bankrupt estate's Flower Exchange, reinforce distribution and marketing	Business
second and third generation	1988	joint venture, business focus, value creation	acquisition of a competitor, 50% Flowerbed Ltd into Seed Ltd	Business
second and third	1988	joint venture, business	start-up of a new company,	

generation		focus, value creation, stat-up	Flowerschool Ltd, 50% share	Business
second and third generation	1988	business focus, risk reduction, start-up, value creation	new real estate company formed	Business
second and fourth generation, 100%, 9 grandchildren	1988	business focus, value creation, start-up, succession	grandfather buys land and establishes a new company, Tailor Ltd, for the fourth generation, succession skips one generation	Family Business
second and third generation, parents 70 shares, and two children 70 shares each	1988	succession	ownership changes, two children main owners	Family
second and third generation	1989	business focus, core businesses, business sales	selling the sapling business to Plant Company Ltd.	Business
second and third generation	1996	business focus, value creation	buying business from Gift Shop Ltd	Business
second and third generation	1997	business focus, core business, business sales	selling business from Seed Ltd to Flower Import Ltd	Business
second and third generation	1998	business focus, value creation	buying a new company, Eastling Ltd transportation	Business
second and third generation	2000	business focus, value creation	buying a new company, Knight Ltd, distribution and marketing areas	Business
second and third generation mother 20 shares, and two children with 95 shares each	2001	dissension, succession	ownership changes, children bought their father out of the business	Family
second and third generation, mother 10% and son 90%	2007	dissension, succession, start-up	ownership changes, brother buys sister out of the business and sister starts up a new company, Flowerhouse Ltd	Family Business Individual
Summary of operations and drivers		10 start-ups 3 joint ventures 7 successions 5 dissensions 3 diversifications 13 shifts in business focus 9 value creation operations		Family 14 Business 20 Individual 5

Table 12 presents the various processes at the focus of the ownership arrangements within the core family. Five different stages can be seen in the history of the family business: first, the three brothers Vilhelm, George, and Andrew started a business in 1952 at Estate 1, and at that time they owned the business equally. This start-up could be labelled as an instance of team entrepreneurship, and the family links between the brothers played a considerable role here. The first stage lasted 10 years, after which the first brother started his

own company and withdrew from the family business. The second stage lasted for 15 years, after which the two brothers George and Andrew divided the business into two segments, each owning half of the company. The third stage started when George withdrew and Andrew bought all the shares for himself and his wife Ellen. This situation lasted for three years. The fourth stage was bringing the second generation into legal ownership of the business. The fifth stage started in 1988, when succession continued through a share emission and ownership reorganization; two of the children, John and Dinah, became majority owners with 70 shares each, and the mother Ellen was a minority owner with 20 shares. The father, Andrew, kept 50 shares. The other children were bought out of the business. This is understandable, as the other children did not actively participate in the business. The fifth stage lasted for 13 years.

Figure 9 presents the ownership changes between years 1952–2007. In 2001, John and Dinah bought their father out of the business, after which they each had 95 shares (45% each), and their mother held onto 20 shares (10%). Finally, John bought Dinah's shares, and in 2007, he owned 90% and his mother 10% of the group.

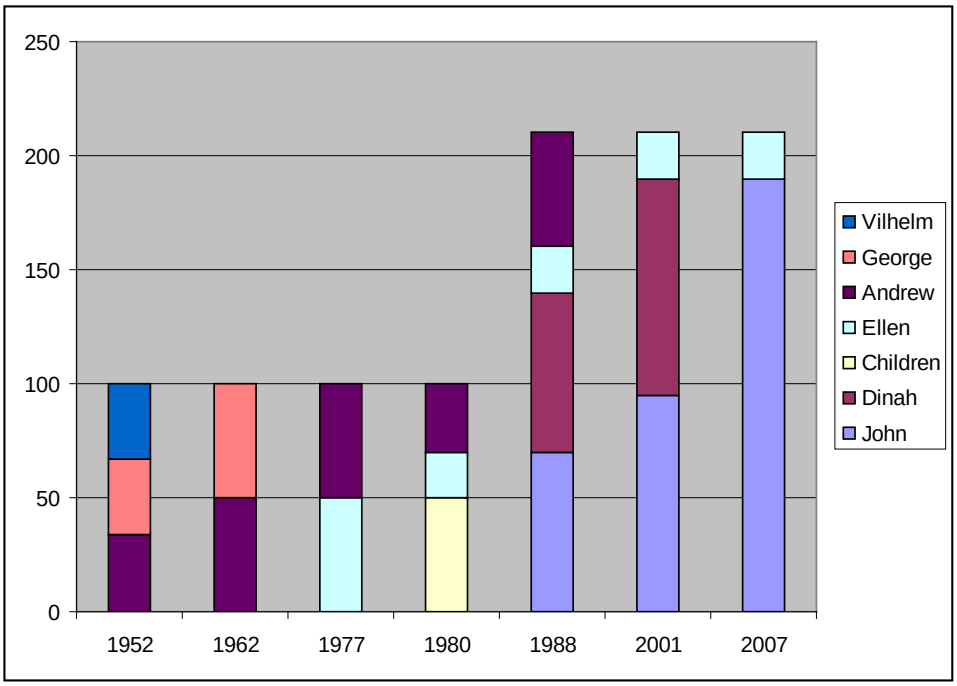

Figure 9. *Ownership changes at Flowergarden Ltd., 1952 –2007*

5.2.2 Drivers and family business development

There have been several changes in business, ownership, and family systems over the history of Flowergarden Ltd. The family has kept its business going via individual businesses and shared investments. The analysis shows that three different rationalities can be identified in the case development. The rationalities behind ownership decisions in the family-owned business portfolio can be illustrated as follows:

A *family driver* refers to generational transitions and family relationships and the control and ownership of businesses. In this case, family drivers have influenced ownership actions 14 times. There have been two full successions in which ownership has been passed down. In addition, there have been four different occasions when business ownership has changed due to family relationships. As indicated in the literature review, relationship conflicts are detrimental to individual and group performance (Sharma, 2004; Kellermanss and Eddleston, 2004). Ownership was shared with other members of the family, and owners were actively involved in the company's management. There were management issues between owners. Ownership also changed, which involved the family's children in legal ownership of the company. As several studies have noted (Chrisman et al., 2003; Ward, 2001; Visscher et al., 1995), and as occurred in this case as well, this was due to the family's values and vision of trans-generational value creation. It could be argued that these changes would not have taken place without the family-originated need to secure continuity of family ownership of the businesses, or without changes in the relationships between family members. Furthermore, these changes only define the family members' relationships to each other as owners, rather than their relationship to the business. However, these changes may have had effects on business performance, even though the changes were not designed to promote business per se.

An *individual driver* stems from a person's individual entrepreneurship. In this case, individual drivers influenced ownership 5 times. In this family, there are many strong individual members who have carried out their personal entrepreneurial ventures and used their personal experience and knowledge. As stated in the literature (Sharma, 2004; Ward, 1997; Alizadeh, 1999), a supportive relationship entails smooth transition of knowledge, social capital, and networks to the next generation. In this case, the family culture has had a significant influence on the development of individuals. Here, the individual's inner desire to

start his or her own business has been the reason for the creation of four different companies. The individual driver has also been an important factor in the restructuring processes of the family business – disagreements and a personal need to focus on one's own domain have been triggers for many personal start-ups. Legal ownership and inheritance give the owner the right to exercise individual ownership (Libecap, 1999; Colli, 2003). This was also the case in Flowergarden Ltd.: although personal wealth is shared with other family members, several members had used their inherited wealth and established their own companies. At one point, the founder of the family company transferred ownership to the third generation to keep the wealth within the family. At the same time, this increased portfolio development.

A *business driver* refers to the need to respond to changes in the market and the desire to take advantage of resources that have accumulated within the firm. Although research indicates the importance of family goals and needs when making different business strategies and decisions (Ward, 1997; Kahn and Henderson, 1992; Mishra and McConaughy, 1999), in this case, business drivers caused ownership changes at least 20 different times and were often the trigger for development of and changes in ownership. There were changes in businesses for several reasons: the family saw new opportunities in the field; the environment changed (e.g., tax regulations compelled them to divide the business into two different companies); or the family was motivated by value creation to buy other companies and rationalize their business focus by selling branches that were unprofitable or not closely linked to the core business. Some of the developments can be seen as reactions to changes in the business environment. From this perspective, the family has been rather entrepreneurial in its business by growing, diversifying, streamlining, and adjusting to the competitive environment. Jaffe and Lane (2004) presented a model of the *family holding company*; this model is adopted here to describe the business portfolio of Flowergarden Ltd. (see Figure 10).

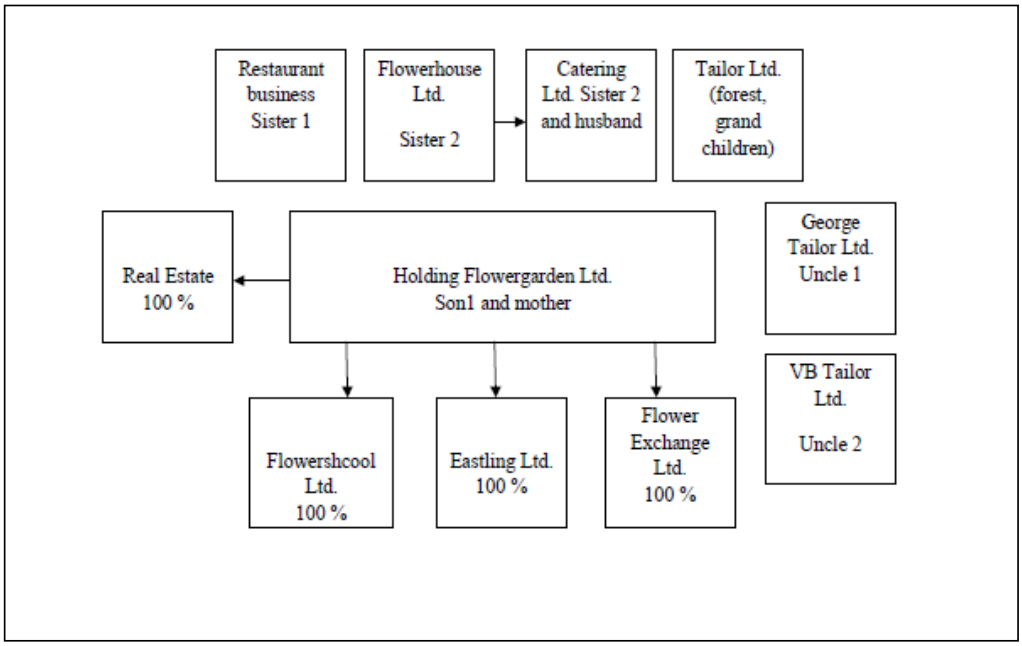

Figure 10. *Company portfolio of Flowergarden Ltd. in 2007*

The company portfolio shown above in Figure 10 portrays the situation in 2007. The holding company owns four other companies where holding ownership is 100%. There are also six other companies not connected to the holding company, but two of them conduct business with the holding company. Son 1 and the mother share ownership of the holding company: Son 1 owns 90% and the mother 10%. Sister 1 owns one company by herself, and Sister 2 owns her own company and another company with her husband. The grandchildren have inherited a company, and two uncles own companies with their own families. Ownership is fragmented through successions, and other family members have set up their own businesses. Researchers have concluded (Gersick et al., 1997; Schwass et al., 2006) that over time, family businesses will pass through different phases during their existence. In Flowergarden Ltd., the structure and distribution of ownership has affected other businesses and family decisions in addition to internal operations and strategies.

6. CASE JOHN NURMINEN

This chapter presents the timeline of the company John Nurminen Ltd. from 1871 to 2011. For five generations, the John Nurminen family have maintained their presence in the forwarding business. In 1914, Johan Matinpoika became a partner in a steamship, and eventually started a successful forwarding business. His son John Viktor joined the family business, and the forwarding company developed into a major wholesale and retail business. Over time, the company developed, and by the time John Viktor's son Matti became a managing director, the business had expanded a multi-firm cluster. The firm was passed to Matti's son Juha, who guided the company into its fifth generation and the present day. In the 2000s, John Nurminen Ltd. was divided into two companies, Nurminen Logistics Plc. and a new John Nurminen Ltd. The former John Nurminen Ltd business units in rail operations, cargo handling, value-added services, custom services, special and heavy transport, and care logistics were transferred to this Nurminen Logistics Plc., which was listed on the Helsinki Stock Exchange in 2008. Today, the legacy of John Nurminen is maintained by Juha Nurminen and his son, Jukka Nurminen. They run the public company at the board level and also develop the family business at the operational level. John Nurminen's long history in business and the value of the entrepreneurial world are advantages utilized in the management of the family's venture capital operations. The company history is presented in Figure 12, where portfolio development is shown based on ownership changes resulting from different drivers. This presentation will focus only on business start-ups, company takeovers and sales, joint ventures, business investments, company divisions, and company closures. Guidelines for reading the main figure are provided in Figure 11.

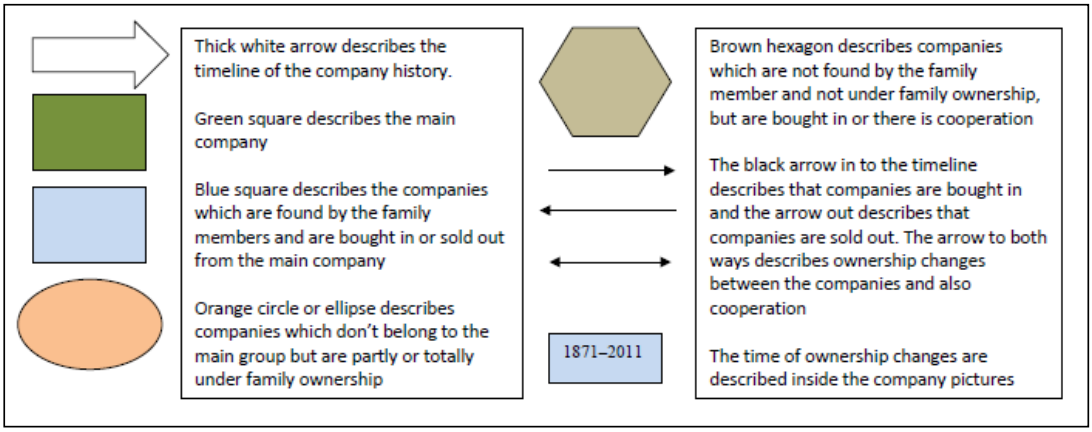

Figure 11; *Guidelines for reading Figure 12, Company history of John Nurminen Ltd.*

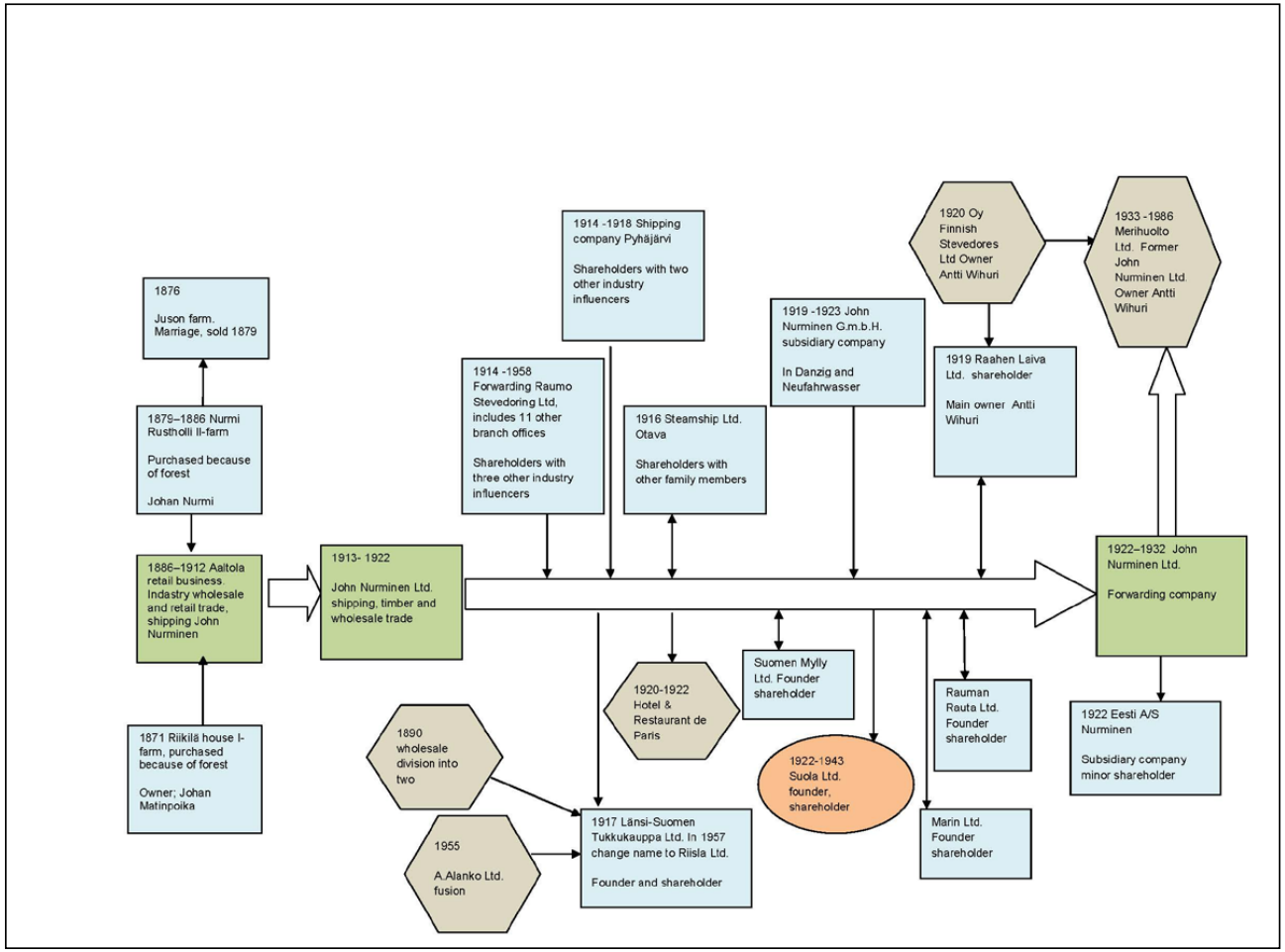

Figure 12. *John Nurminen Ltd. business history during 1871-1932*

6.1 Founding and the first generation

The story of John Nurminen Ltd. begins in 1932, but its roots go back further: the founder Johan Matti (later Johan) started business activities at the age of 21 when he bought Riikilä Farm at an auction in 1871. The farm was valuable because of its forests, and Johan was aware of good business opportunities in the timber sector. Although Johan had no money or experience running a business, a man named Gustav Wahlroos, who was one of Rauma's successful entrepreneurs, saw the potential of the young man and lent money to Johan. Within four years, Johan was able to pay back this loan. In 1876, Johan married Miina, who was a widow and owned Juso Farm. Johan became Johan Juso, and now he owned two farms. It didn't take long for Johan to grow interested in a third farm, Nurmi Rustholl, which he bought in part because of its forests. At the same time, he sold Juso Farm and concentrated on the timber business at Nurmi Rustholl. At that time it was common for a person to be named after the farm where he lived, so Johan changed his name to Johan Nurmi. Before long Johan realized that a successful business requires a trading room in town, and in 1883 he bought a commercial plot in town and built Aaltola, a new trading house. In 1886, he sold what was now Rustholli Farm and moved to town, where he started a trading in timber. The trading house was named John Nurminen. By opening a new trading house, Johan moved into a higher social class, which gave him the opportunity to practice foreign trade, which later proved to have a profound impact on the family's history.

Timber merchant Johan Nurminen soon realized that the next step to doing a better business in timber was to be involved in shipping, and so he decided to enter the sector. In the years 1886 and 1910, Johan bought ships or shares in ships. He was a wholesaler exporting timber and importing salt, cement, fertilizers, and other commodities. He also bought farms and forests, and processed timber. Johan Nurminen was very entrepreneurial, getting involved in multiple businesses at the beginning of the company history; in this way, he started to build a business portfolio. As researchers have noted (Carter, 2003; Alsos, 2004; Huovinen and Tihula, 2008), and as also demonstrated by this case, entrepreneurial experience represented assets and liabilities for the new business start-ups, and from the resource-based view, knowledge is seen as a prime mover in the creation and sustaining of a competitive advantage. Researchers (MacMillan, 1986; Flores-Romero and Blackburn, 2005; Rosa and Scott, 1999) have concluded that individuals with experience managing several businesses are more successful at managing risks. From the individual point of view, Johan Nurminen was very

motivated, innovative, and aware of the external factors in the business, and he also had the courage to take risks. Applying Schwass's (2008) different stages of family businesses, at this point John Nurminen Ltd. was in the *entrepreneurial stage*.

6.2 Second generation: business development

Johan's son John Viktor, who was born in 1877, started to work as an assistant in his father's trading house in 1892. In 1896, Johan sent his son to Germany to study trade in Zur Muhlen's trading house. In 1910, business succession began, and John Viktor took main responsibility for the family business. The short time in Germany gave John Viktor a good vision of and ideas for developing the company. In 1912, the Aaltola trading house was closed, and in 1913 John Viktor bought the remaining businesses – shipping, timber, and wholesale trade – from his father Johan. Many studies (Sharma, 2003; Jehn et al., 2001; Jaffe and Lane, 2004) have concluded that succession is critical to a company's future, and for John Nurminen Ltd., the succession was smooth. Succession was natural, because at the early stages of the John Nurminen family culture, it was clear that the oldest son would inherit the business. According to Schwass's (2008) stages of family businesses, John Nurminen Ltd. now moved into the stage of *early generations and smaller families*.

6.2.1 John Viktor, entrepreneur

John Viktor was very attracted to the business and shared his father's vision that the company needed to develop. In 1913, he established John Nurminen Ltd. and decided to invest in ships. Before long, shipping became the company's main business. Like his father, John Viktor bought ships or shares in ships and in the period 1901–1919, the company had stakes in 37 different ships (Lainema 2008, 47).

> *"Well...the story is that John had to sell timber, and when there were no ships to use, he started building one, and then in '20s and '30s we had over thirty ships and that was the main business." (CEO Jan)*

John Viktor's strength lay in wide-ranging interests, not only in business but also in society. When Johan died in 1914, John Viktor was developing the business and also had many social obligations. Soon John Viktor realized that he had to think about what businesses were important and what businesses he had to give up. At the time, the Rauma area was an

important hub for maritime transport, and WWI increased the demand for stevedoring. In 1914, John Viktor started up the company Raumo Stevedoring Ltd. together with three other influential local figures. The company was the biggest Finnish forwarding business during the war years. In 1914 the shipping company Pyhäjärvi was established, and was also shared with three other influential local people. This company closed in 1918 because of the war; the ship was blown up. In 1916, John Viktor started Steamship Ltd. Otava, when the company bought two steamships; ownership in this company was shared with other family members. John Viktor was an individual with a strong entrepreneurial identity inherited mostly from his father. He was now a portfolio entrepreneur involved in a large entrepreneurial network. The business was not solely a family business; the portfolio also comprised businesses owned with non-family members. As this case and the research on group entrepreneurship suggest (Cooney, 2005; Wiklund et al., 2002; Myint and Vyakarnam, 2004), the main reason for the formation and expansion of business groups is to create effective and powerful teams to achieve better business opportunities by sharing risks and funding. Ownership and management of several companies became more important.

Even though the war caused some problems for John Nurminen, it also brought opportunities. At the end of the war in 1918, Raumo Stevedoring Ltd. had eleven branch offices in Finland and two offices abroad. The company also started to internationalize, starting up the subsidiary Nurminen G.m.b.H. in 1919, with offices in Danzig and Neufahrwasser. This company closed in 1923, but despite the downsizing, John Viktor was a founder and a shareholder in many new companies. As the researchers suggest (Iacobucci and Rosa, 2005; Zahra 2007), business diversification is a way of entering related fields and new businesses. None of these companies were unrelated to the family business; on the contrary, all were of significance for development of John Nurminen Ltd. At the time, the company's most important business was wholesale trade. The wholesale business was founded in Rauma in 1870, but not by John Nurminen; in 1917 it was split in two, resulting in the new company Länsi-Suomen Tukkukauppa Ltd. That same year, the John Nurminen Ltd. wholesale business was merged with this company. This merger was based on the strong friendship between John Viktor and Yrjö Fagerström, founder of Länsi-Suomen Tukkukauppa. In 1955, A. Alanko Ltd. also merged with Länsi-Suomen Tukkukauppa, which was renamed was renamed Riisla Ltd. in 1957. John Viktor was also the founder of and a shareholder in Suola Ltd. (founded in 1932), Suomen Mylly Ltd., Rauman Rauta Ltd., and Marin Ltd. (these start-up years of these latter companies are not known).

6.2.2 Business partner takes over the company

John Viktor thought that Rauma was too small city for his business, and as the business expanded and internationalized, he moved the John Nurminen head office to Helsinki, registering it there in 1919. He was the main owner of the company, and at that time he also started co-operation with Antti Wihuri, whom he had befriended. In 1919, they founded the company Raahen Shipping Ltd., where Antti Wihuri was the main owner. John Viktor bought a large number of shares in Raahen Shipping Ltd., and in return Antti Wihuri bought shares in John Nurminen Ltd., becoming the third-largest shareholder in the company. Raahen Shipping Ltd. did not develop into a significant business, and so Antti Wihuri started up Finnish Stevedores Ltd. (in 1920), which began to operate from the Raahen Shipping office premises. Although the shipping business was successful, it faced a lot of setbacks, and John Nurminen Ltd. suffered from a shortage of cash. The biggest problem was a private company, Cafe De Paris, which John Viktor had bought in 1920 because of a debt pledge. This company was sold in a forced auction in 1922. The subsidiary John Nurminen G.m.b.H. was also closed and its business transferred to Eesti As. Nurminen (founded in 1922), where the Nurminen family were minor shareholders. There were also a lot of problems among other companies in which John Viktor had invested. Soon John Nurminen Ltd. investors and creditors began wondering whether John Viktor was capable of leading the company. Aronoff and Ward (1996) list different types of owners; according to their categorization, John Viktor was an *operating owner* who had his hands in the business every day. At the same time, he was also an *involved owner* in other companies; however, it seems that he was unable to handle the increasing number of branches of business and ownership diversification.

John Nurminen Ltd. was the largest freight forwarding company in Finland, a fact that had not gone unnoticed by Antti Wihuri. He saw an opportunity to take over the company as soon as its shipping operations were closed. Wihuri's main objective was to give up shipping and concentrate solely on forwarding. John Nurminen Ltd. ran into financial difficulties because of failed ship sales and management problems. At that time, in 1923, Wihuri was a minor shareholder in John Nurminen Ltd., and although the company's situation improved, John Viktor was forced to submit his resignation. Antti Wihuri was elected to the supervisory board, and in autumn 1923, he became the largest shareholder and CEO. The economic situation in Finland was changing, and Wihuri soon realized that shipping was a good business after all. In 1933, he changed the company name from John Nurminen Ltd. to

Merihuolto Ltd. and started a new business focused on shipping. Wihuri was a totally different kind of person than John Viktor. Wihuri consistently stuck to strict fiscal policies, and different views of business drove a rift between the men. Finally John Viktor sold his shares to Wihuri, and the story of John Nurminen Ltd. seemed to come to an end.

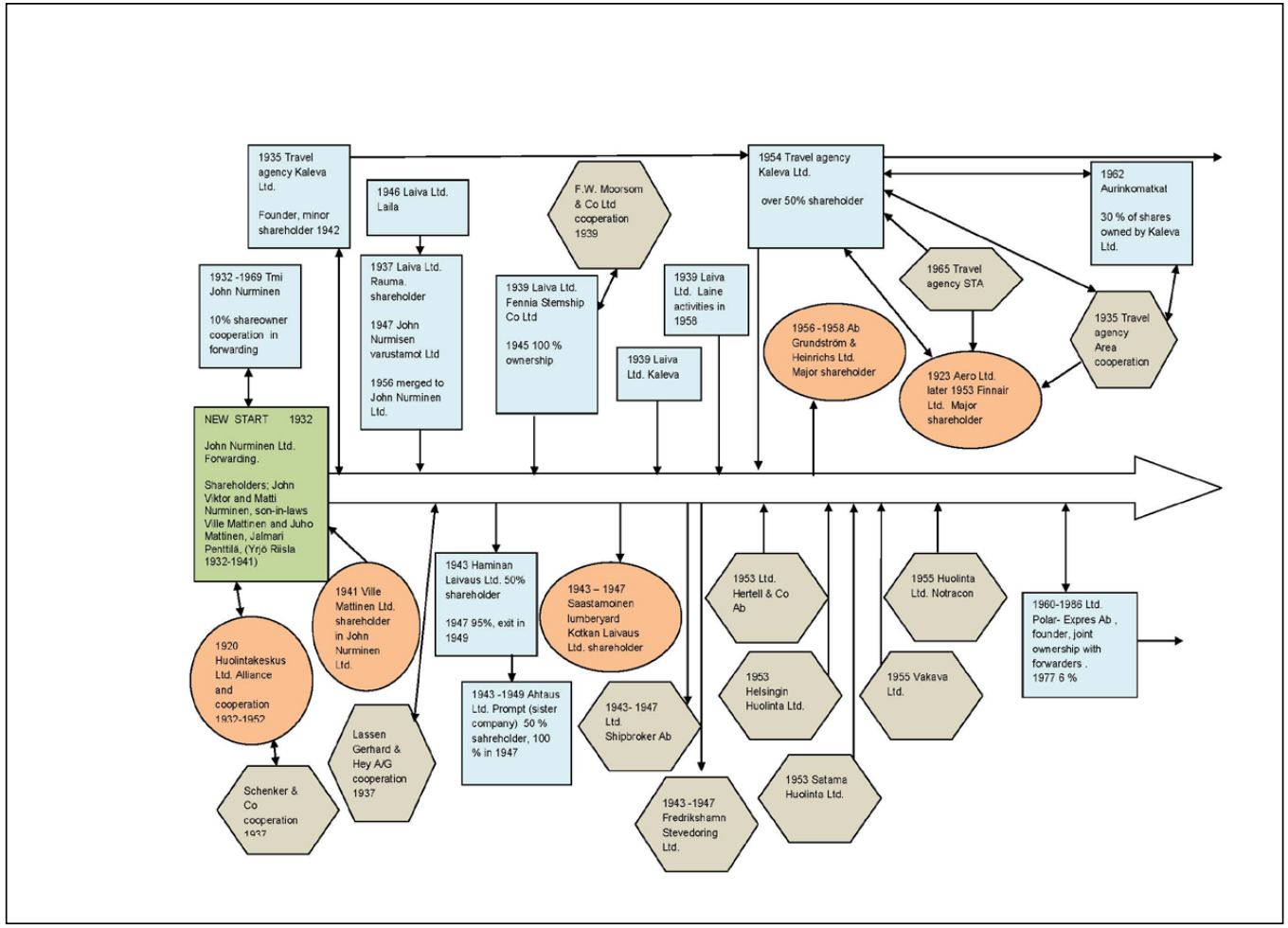

Figure 13. *John Nurminen Ltd. business history during 1932-1965*

6.2.3 The new John Nurminen Ltd.

In the years 1931-1932, John Viktor was looking for new tasks. Since Wihuri had changed his company's name to Merihuolto Ltd., John Viktor was still using the name John Nurminen in his business plans. He saw the economic situation improving and realized that he should implement the propositions for strengthening the company's market position that he had suggested earlier to Wihuri. At the end of 1932, he started a forwarding business, naming the company John Nurminen Ltd. (see Figure 13). There were six shareholders in the company, including two sons-in-law and two of his closest friends. John Viktor had learned a lesson from the earlier situation and ensured that he was the main owner of the company. John Viktor wanted to co-operate with the company Huolintakeskus Ltd. and presented a model of cooperation to company's management, which they accepted, and so John Nurminen Ltd. entered into an alliance with Huolintakeskus Ltd. in 1932. Wihuri had underestimated John Viktor's qualifications for starting a new business in the forwarding sector and had given John Viktor all rights to use the name John Nurminen Ltd. When Wihuri realized that he had a new competitor and a very successful one at that, he sued John Viktor and did everything to undermine his credibility. Legal proceedings continued until the Supreme Court granted John Viktor rights to use the name John Nurminen Ltd., and the story of the new John Nurminen began.

As noted in the research (Fiegener et al., 1994; Sharma, Chrisman and Chua, 2003), one critical activity in family businesses is the grooming of the future leader. John Viktor wanted his eldest son Matti to continue the family's traditions. Just as he had been sent abroad, he sent Matti to Lübeck to be a shipbroker trainee in 1928. Like his father, Matti had excellent business skills. He started to practise small business during his trainee period, and when he, in 1933, joined John Nurminen Ltd. to work with his father, he already had a strong vision of the company's future. When Huolintakeskus Ltd. began to co-operate with Europe's biggest forwarding company Schenker & Co in 1937, John Nurminen Ltd. started to search for partners in Europe. In 1937, John Nurminen Ltd. began to co-operate with Lassen Gerhard & Hey A/G. This co-operation opened the road to foreign trade. The economic situation in shipping had improved from 1936, so in December 1937 John Viktor told the company's board that a new shipping company, Laiva Ltd. Rauma, had been established, and the board decided to buy shares in this company. John Viktor and Matti also privately bought shares in

Laiva Ltd. Rauma, making the Nurminen family the company's main owners and ownership issues more important.

6.2.4 Shipping, forwarding, and moving towards the travel business

Shipping had always been important to the family and although war was imminent, John Viktor and Matti were very optimistic about the future of the shipping business. In 1939, they started up the company Laiva Ltd. Fennia Steamship Company Ltd., where John Viktor and Matti were the main owners. Just a few days later, they started co-operation with the English company F. W. Moorsom & Co. Ltd., and according to the agreement, Moorsom became the main owner of the company. Despite this, the Nurminens sat on the company's board of directors, and by 1945 the company was totally merged with John Nurminen Ltd. Just before the war, in 1939, they started up the company Laiva Ltd. Kaleva. WWII forced John Nurminen Ltd. to move back to Rauma. John Viktor had a separate private company (John Nurminen, founded in 1932) that was engaged in property management and handled forwarding in the Rauma area (his wife Aina owned 10%), and the business from John Nurminen Ltd. was transferred there. When the war started, all ships were escorted to Turku, and the company board decided to double shares and also engage in some buyouts. Through these operations, the Nurminen family became the main owner of the company, and there was only one close non-family member who was a minority shareowner. Colli (2003) and Errington et al. (2002) conclude that the prime objective in family businesses is to maintain control and pass on the business to the next generation. This was also the case in John Nurminen Ltd. Table 13 presents the ownership structure of the family business in 1939.

Table 13. *The ownership structure of John Nurminen Ltd. in 1939 (Lainema, 2008)*

Owner	**shares**	**% ownership**
John Viktor Nurminen	852	52
Matti Nurminen	332	22
Ville Mattinen (son-in-law)	120	8
Juho Mattinen (son-in-law)	120	8
Jalmari Penttilä (close friend)	76	5
	1500	100

After the war, John Nurminen Ltd. concentrated on shipping and forwarding in Europe, also opening routes to the Soviet Union. When the war ended, John Nurminen Ltd. received the largest forwarding contract to date in the company's history. Sweden donated two thousand factory-made wood houses to Finland to help the Finns recover from the war, and John Nurminen Ltd. was responsible for shipping and forwarding. The war changed transportation routes and trade practices; John Viktor had been one of the founders of the travel agency Kaleva Ltd. in 1935, and now he wanted to also buy shares in it. His son-in-law Ville Miettinen was already a minority shareholder. John Viktor had an interest in the travel agency; since the company began operations, John Nurminen Ltd. had handled sales of tours to Hungary, and they already had a separate department for this business. In December 1942, the board agreed that John Nurminen Ltd. would buy shares in the Kaleva travel agency, and at the end of the 1940s, the company was thus linked to John Nurminen Ltd.

6.3 Third generation: management of business portfolios

In spring 1943, Jalmari Penttilä died. He had been a close friend of John Viktor and one of the owners of John Nurminen Ltd. The board decided to increase the share capital and make changes in ownership. John Viktor's son Matti became the main shareholder in the company. This caused disagreements between John Viktor's son-in-laws, which were noted in the minutes but did not stimulate further action. When comparing the situation to Schwass's (2008) different stages, John Nurminen Ltd. had now moved into the *later generations and large families* stage. In 1943, Huolintakeskus Ltd. announced its intention to buy the Saastamoinen lumberyard (later Kotka Shipping Ltd.) with all its stock; it was not of major interest to John Nurminen Ltd., but the company still bought 50% of the shares. The Nurminens had realized that things might grow difficult for John Nurminen Ltd. if Huolintakeskus Ltd. were the sole lumber forwarder in the area. This was also the reason for the purchase of shares from Hamina Shipping Ltd., which owned the subsidiary Ahtaus Ltd. Prompt. Ownership in these companies changed in 1947 when John Nurminen Ltd. took over almost sole ownership in the companies. The Hamina area caused a lot of problems: price competition drained viability, and to remedy the situation John Nurminen Ltd. and Huolintakeskus Ltd. jointly bought 40% of Ltd. Shipbroker and a third of Fredrikshamn Stevedoring Ltd. The agreement between the companies was that 60% of the stevedoring business and 25% of ship forwarding belonged to John Nurminen Ltd. and Huolintakeskus

Ltd. All of these companies' shares were sold by 1949, when John Nurminen Ltd. wanted to focus on shipping and needed cash to buy ships.

6.3.1 Matti Nurminen initiates management changes in the company

In 1945, Matti took over management of the company. He was not, however, officially appointed CEO until 1949. According to Aronoff and Ward's (1996) typology of owners, Matti, like his father, was both *operating owner* and *involved owner.* Although the shipping operation failed in the first generation, Matti started to plan expansion. Shipping business had been the closest to the owner´s hearts for three generations now. The fleet had diminished during the war, so several companies were merged to form John Nurminen Ltd. – Laiva Ltd. Fennia Steamship, Laiva Ltd. Laila, and Laiva Ltd. Rauma – and the company name was changed to John Nurminen Shipping Ltd. Despite the risks of wartime and even though the profits in forwarding was steady, shipping interested the board, so it became the core business. At the beginning of 1948, Nurminen owned five ships, two at John Nurminen Ltd. and three at John Nurminen Shipping Ltd. They also had a tugboat, which was in the name of Laiva Ltd. Laine (founded in 1939). Even though in the 1950s, shipping was the core business of John Nurminen Ltd., the family also continued expanding its forwarding business. In the forwarding business, co-operation with Huolintakeskus Ltd. continued until 1952, when the companies could no longer reach an agreement and decided to terminate the contract. From that point forward, John Nurminen Ltd. began to do forwarding independently, and the new model required investments in transportation equipment and port personnel. To strengthen business operations, the company bought Ltd. Hertel & Co, Helsingin Huolinta Ltd., and Satama Huolinta Ltd in 1953. Two years later, it also bought Huolinta Ltd, Grundstöm & Heinrichs Ltd., Notracon, and Vakava Ltd. Through these manoeuvres, Nurminen acquired opportunities to take forwarding abroad, to the Soviet Union and Europe. Vakava Ltd. was a company that handled special transportation commissions, like fur products. Knowledge of specialized transportation was valuable to John Nurminen Ltd. At that time, the main strengths at John Nurminen Ltd. were high skills managing business in the direction of the Soviet Union.

6.3.2 Getting a stronger foothold in the forwarding and travel businesses

In the late 1950s, the company's main activity began to take shape in freight forwarding; many ships were sold, and when freight rates came down, John Nurminen Ltd. decided to slowly give up the shipping business. By 1967, the company no longer owned

ships; the shipping story was over. John Nurminen Ltd. had taken care of route-services as far back as 1933, and the business was rapidly increasing. In 1961, Nurminen had thirteen liner agencies. Although in 1958 the route-service business was successful, Nurminen was still experiencing a shortage of money. In spring 1958, the company had to give up Raumo Stevedoring Ltd. and Grundström & Heinrichs Ltd., in which they had been main shareholders. They had also problems in Rauma, and so they transferred all the business there to Laiva Ltd. Laine (founded in 1939), which had been inactive. The forwarding business was constantly diversifying; they had exhibition and trade fair activities and the business in warehousing services was also developing. In 1960, John Nurminen Ltd. established the company Polar-Express Ltd., which was a joint company owned with other forwarders and concentrated on warehousing services. One new field was air cargo, which was growing rapidly, and in 1962 John Nurminen Ltd. was number one in the air cargo business in terms of air freight turnover. Now John Nurminen Ltd. was a versatile freight forwarder.

In 1953, Matti grew more interested in the travel agency Kaleva Ltd. John Nurminen Ltd. was already a minority shareholder, but Matti realized that business travel was a growing field. In 1954, John Nurminen Ltd. and Matti's wife Laila Nurminen bought shares in Kaleva, and Nurminen family ownership in the company rose to over 50%. At that time, then, Kaleva Ltd. was owned primarily by the Nurminen family, since both brothers-in-law were also shareowners.

> *"…let´s look at Travel Agency Kaleva, when Matti Nurminen bought it he never realized that it would turn out to be one of Finland's biggest travel agencies. He got it by accident." (CEO Jan)*

In 1959, the company's growth was already 25% a year. The travel agency Area Ltd. had started as a bus company and proposed co-operation with Kaleva Ltd. To keep a foothold in package tours, they decided to join in this business, although Kaleva had specialized in business travellers. Kaleva Ltd. engaged in a lot of cooperation with other travel agencies, a common practice at the time, and was also a major shareholder in Aero Ltd., later Finnair Ltd. Aero Ltd. owned Area Ltd. and STA Ltd. Matti Nurminen was one of creators of the Aurinkomatkat Ltd., which was jointly established in 1962 with Aero Ltd., Area Ltd., and SMT Ltd., each of which owned 30% of Aurinkomatkat Ltd shares. With this move, Kaleva's risks in package tours was reduced and profitability improved. In 1965, Kaleva Ltd. bought

all the shares in STA Ltd. Research (Myint and Vyakarnam, 2004; Wiklund et al., 2002) has shown that multi managers with a large business network have more possibilities for business opportunity recognition, new ventures, and partnership in other ventures. Matti Nurminen recognized opportunities and made bold business decisions. Much like Huovinen and Tihula's (2008) characterization of successful team entrepreneurship, Matti was a successful team player with large entrepreneur and business network. He had a strong personal interest in the travel business and Kaleva Ltd., and he followed the company's development throughout his life.

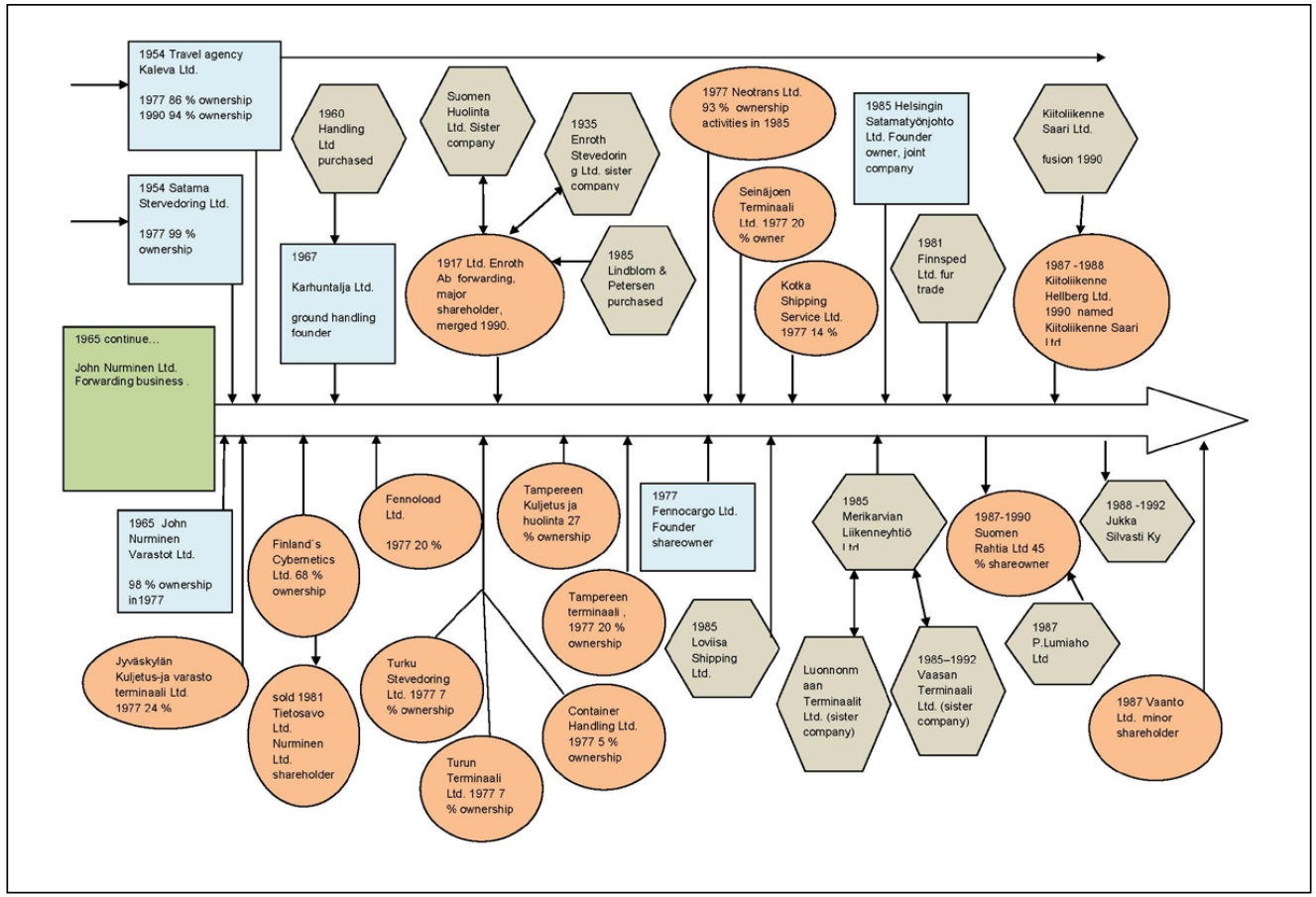

Figure 14. *John Nurminen Ltd. business history during 1965-1990*

6.4 Fourth generation: concentrating on board management and ownership

In the 1960s, when the shipping business was merged with the forwarding company, the ownership structure was much more fragmented in comparison to previous years (see Table 14).

Table 14. *John Nurminen Ltd. ownership structure in the 1960s (Lainema 2008, 194)*

Owner	% ownership
Matti Nurminen	63
Juha Nurminen (son)	10
Penttilä estate (friend)	7
Mattinens (family)	6
Matti's daughters	6
Aili Arho	5
Lauri Porkka (estate)	2

In the 1960s, ownership in John Nurminen Ltd. was concentrated in the Nurminen family, two members of which were the main owners. There were also non-family owners (Penttilä, Porkka, and Arho) who owned a small percentage of the company's shares. At this point, the ownership structure was at a turning point. John Nurminen Ltd. began to redeem shares back from small shareholders, non-family members, and even some family members (Matti's daughters and the Mattinen family). In addition, some of the shares were cancelled.

Table 15. *John Nurminen Ltd. ownership structure in 1972 (Lainema 2008, 194)*

Owner	% ownership
Juha Nurminen	73
Matti Nurminen	16
Ali Arho	7
Marja-Liisa Suopanki (daughter)	3
Iiro Penttilä (friend's son)	2

Tables 14 and 15 present the ownership shares in John Nurminen Ltd. from 1960 to 1972; changes in ownership aimed at stronger control of the company for the Nurminens and family ownership. Juho Mattinen, who had been the perennial chairman of the board of directors, died in 1968, and the family started to redeem shares from small shareholders. There were business disputes with the Penttilä family that cooled relations between the families.

> *"But anyway, little by little Matti was buying the other shareholders out, he didn't want any owner disputes to arise and have everything go to the oldest son...some were even forced to give up shares, and when they bought them out of the company, then there were only two owners, Matti and Juha..." (Board member Matti)*

At that time, Juha Nurminen, Matti's eldest son, became involved in the activities of the company's board of directors. Ownership succession began, and Juha became the major shareholder; it was only a matter of time before the rest of the shares would be transferred over to Juha. Like his father, Juha was both an *operating owner* and an *involved owner* (Aronoff and Ward, 2003). According to Schwass's (2008) scheme, John Nurminen Ltd. was in now in *later generations and large families'* stage.

In 1965, John Nurminen Varastot Ltd. was established, as forwarding in land and air services were developing. In 1967, John Nurminen Ltd. bought Handling Ltd. (founded in the early 1960s) and changed the name to Karhuntalja Ltd., and so John Nurminen Ltd. began ground handling in a new airport service unit. Air cargo turned out to be a very successful business, not peaking until 1984. In 1975, John Nurminen Ltd. took a big step in the forwarding field by buying a majority of shares in Enroth Ltd. (founded in 1917), including its subsidiaries. Enroth Ltd. had good shipping representatives, which further solidified John Nurminen Ltd.'s role in forwarding. In practice, they were two rival freight forwarding companies, so in 1990 the company was merged into John Nurminen Ltd.

6.4.1 The Nurminens' company becomes more complex

In late 1970s, Matti Nurminen gave up his role as CEO, and since his son Juha was too young, the company chose Birger Ekström as the new CEO. He had been working in the company for 25 years and had long-term experience in forwarding. Juha Nurminen started to

work in the company as a planning manager, and he had spent a lot of time in company management development. At the recommendation of the company management team, John Nurminen Ltd. bought their first computer system from Finland's Cybernetic Ltd. It was a small company, and to ensure delivery, Nurminen bought a majority stake in it. In November 1976, Juha Nurminen became the company's executive vice president, and in 1979, it's CEO.

Table 16. *John Nurminen Ltd. ownership structure in 1977 (Lainema 2008, 197)*

Company	**% ownership**
Satama Stevedoring Ltd.	99
John Nurminen Varastot Ltd.	98
Neotrans Ltd.	93
Travel Agency Kaleva Ltd.	86
Ltd. Enroth Ab	85
Finland's Cybernetics Ltd.	68
Tampereen Kuljetus ja Huolinta Ltd.	27
Jyväskylän Kuljetus- ja varastoterminaali Ltd.	24
Fennoload Oy	20
Seinäjoen Terminaali Ltd.	20
Tampereen Terminaali Ltd.	20
Kotka Shipping Services Ltd.	14
Turku Stevedoring Ltd.	7
Turun Terminaali Ltd.	7
Ltd. Polar-Express Ab	6
Container Handling Ltd.	5

Table 16 presents the John Nurminen Ltd. ownership structures at this point, which were complex. Ownership started to shift from individual ownership towards company ownership. Company ownership was fragmented inside the group, and it was not planned. Diversification was a trend in business at that time.

> *"In the 1980s, buying was not so planned, we just bought these companies every time something came up, and also when Juha was a new CEO and very interested in growth" (board member Matti)*

John Nurminen Ltd. had bought shares from many companies that were fundamentally in the forwarding business. It had become a complex conglomerate including two rival freight forwarding companies, travel agencies, a passive international transport company, a warehouse business, stevedoring in several cities, and a new IT company.

6.4.2 The freight forwarding industry changes

Containers were a major innovation in the transport business in the 1960s, and rubber wheel transport strengthened, which brought changes to the forwarder's role. For this reason, Fennocargo Ltd. was established in 1977; John Nurminen Ltd. was the founder and a minor shareholder. Customers also wanted both transportation and freight forwarding in one company, so these functions were combined. Air freight was a growing business, and at the time John Nurminen Ltd. specialized in transporting sheep. Fur forwarding had been also a long-time area of John Nurminen Ltd. expertise; furs were expensive and the business was based on trust. In 1981, the company bought Finnsped Ltd., which specialized in the fur trade. John Nurminen Ltd. also specialized in transportation of exhibitions and various demanding large-scale transportation projects. They also noticed that development at Cybernetic Ltd. was continuously weak and realized that information technology was not their field, so in 1981 they sold the company to Tietosavo Ltd. To strengthen the sale, John Nurminen Ltd. committed to give priority to Tietosavo when it needed computer services, and at the same time they also marked Tietosavo shares. In the 1980s, air freight and airport services became more and more important to John Nurminen Ltd. even though they required investments; these were seen as businesses of the future. They did not share the same customers, however, so Nurminen set up an independent unit to manage airport services. The US embassy became their main customer, and when the president of the United States visited Finland, John Nurminen was seen around the world.

International transportation services were growing in 1986, and at the end of that year Neontrans Ltd. started to concentrate on international car and trailer transportation. John Nurminen Ltd. united international transportation and forwarding in one group. They merged the Trans-Siberia unit with this group and sold their shares in Polar-Express to a competitor,

Speditos Ltd. The companies had a lot of overlapping functions in ports, and so to simplify things, they established Helsingin Satamatyönjohto Ltd. in 1985. In autumn 1985, the board also approved a new acquisition: Merikarvian Liikenneyhtiö Ltd., which had two sister companies, Luonnonmaan Terminaalit Ltd. and Vaasan Terminaali Ltd. These companies carried bulk freight, so this strengthened the John Nurminen Ltd. business. Despite their relationship of competition, John Nurminen Ltd. had to co-operate with its competitors. To strengthen its market position, the company decided to buy Loviisa Shipping Ltd. And in 1988, Nurminen bought Jukka Silvasti Ky, which specialized in heavy transportation.

> *"In a way we did not plan to build this field, but when a few large competitors built their own network, that forced us to react also…and then came the recession of the 90s, which almost drove us into bankruptcy…" (CEO Jan)*

Price competition was a tough spot for all companies, so they had to work together and share some functions. In 1987, John Nurminen Ltd. made an agreement with Speditor Ltd. that Suomen Rahtia Ltd. would take care of Helsinki-area transportation. As a result, John Nurminen bought (45%) shares in Suomen Rahtia Ltd. and minority shares in Kiitoliikenne Ltd. and Vaanto Ltd. Soon after, Suomen Rahtia Ltd. bought P. Lumiaho Ltd., despite the board's opposition. At the end of 1980s, problems began to emerge in the collaboration, and in 1990 John Nurminen Ltd. decided to divest from Suomen Rahtia Ltd. At the end of 1990, Suomen Rahtia Ltd. shut its doors.

6.4.3 The board works more efficiently

Until 1980, the company's board was more or less a one-man show. John Nurminen was followed by John Viktor Nurminen and then Matti Nurminen. Before Matti, John Nurminen's son-in-law Juho Mattinen was the chairman of the board. When he died in 1968, the board of directors was only internal, consisting members of company executives and members. At that time, the board of directors was operational; around a dozen meetings were held a year.

When the company became more complex to manage, it needed a more professional board. In 1981, the board wondered, for the first time in the company's history, if external board members should be brought in. Although they were looking for members outside the company, they elected members from sister companies. The board did not have a clear group

strategy; the strategy formed as a result of individual decisions without a defined idea of leadership (Lainema 2008, 236). In 1986, Matti Nurminen resigned from the board. The new board consisted mostly of external, non-family members and set itself a clear operating model. To some extent, the external board was formed too late, because it never had time to create the strategy being sought before the onset of the recession (Lainema 2008, 238).

> *"Yes, the question was about different industries, we saw this business as a conglomerate company, it was a portfolio, and I have to say that very few family business boards had to think about their role as a portfolio board." (Board member Matti)*

The owners had a lot of professional board members in addition to members who were not involved with the actual business. These people brought new, valuable knowledge and added value to board work.

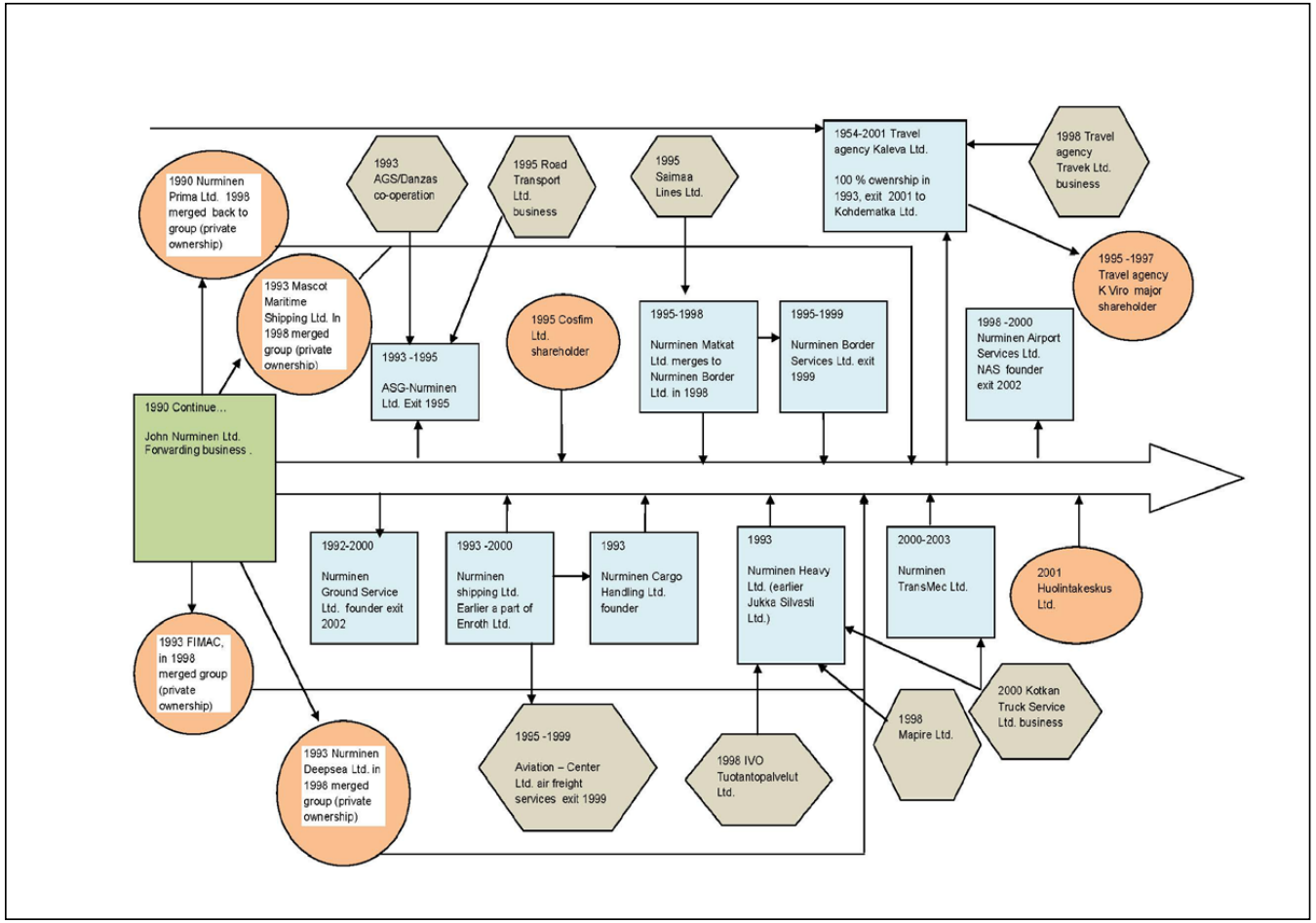

Figure 15. *John Nurminen Ltd. business history during 1990-2000*

6.4.4 The effects of the recession on the company's structure

During the decade of the 1980s, John Nurminen Ltd. developed rapidly. When a recession hit Finland during the first eight months of 1990, it was catastrophic for the company. The board had to consider measures that would allow the company to survive. It was too expensive to keep two rival freight forwarding units, so in 1990 Enroth Ltd. was merged with John Nurminen Ltd. The board wanted also to streamline the business portfolio. Juha Nurminen owned a private company, Prima Ltd., and since the family did not want to sell off the exhibition transport business, it was sold to Prima Ltd. in 1990. That same year, the board of Kaleva Ltd. noticed that their cost structure was too high, and they sold off unprofitable businesses. John Nurminen Ltd. bought almost all shares, raising their ownership in Kaleva Ltd. to 94%. Survival required some painful cuts within the parent company; Jan Lönnblad was chosen to carry out these actions at John Nurminen Ltd., while Juha Nurminen took responsibility for the group management.

> *"When the recession started, Juha was the CEO, but he had no experience with restructuring the business, because he had not been there expanding it with the people who had been there earlier, we politely said to him that now we need a totally different kind of CEO " (board member Matti)*

> *"...the father Matti was retired...from that point on I took the responsibility... a little too young, let's say that I was forced to take the CEO position. That was when the succession took place." (Owner Juha)*

In 1992, Nurminen Ground service Ltd. was founded, to which John Nurminen Ltd. sold its airport services. At the same time as John Nurminen Ltd. was struggling to survive, the transportation business in northern Europe changed. Danzas, the company that had served as Nurminen's representative in the Nordic countries, began negotiations with ASG Ltd. This co-operation was seen as dangerous at John Nurminen Ltd. To keep a foothold in the business, ASG and Nurminen joined forces in 1993, forming ASG-Nurminen Ltd. The Nurminen group structure was simplified significantly and sold in 1995. The structure contained a number of small units, which were divided into four business sectors: special logistics, aviation, travelling, and shipping. Jukka Silvasti Ltd. and the Vaasa bulk business were sold to Nurminen Heavy Ltd.

These companies were either private companies owned by the Juha Nurminen family or owned by John Nurminen Ltd. Privately owned Prima Ltd. was responsible for the exhibition and fur businesses; Finnish Maritime Agencies Ltd. FIMAC and Nurminen Deepsea Ltd. were created when Enroth was merged with John Nurminen Ltd. Both FIMAC and Deepsea were sold to the Nurminen family in 1993; these businesses were seen as small businesses that could be transferred to the next generation in time.

> *"...because the family company would not sell anything externally, they were transferred to the family just in case something would happen with the other businesses, it was a more like precaution." (board member Matti)*

At this point, family ownership was seen as very important; even if a business could no longer be transferred from generation to generation, it was thought that if Juha Nurminen's children would be interested in entrepreneurship in the future, they can be given their "own sandbox" from the group portfolio. Majority shareholder Juha Nurminen, who was now the managing director of the group, had a clear vision of the group's management, the various units' boards made independent decisions regarding business at the unit level, and the group board's mission was to plan and develop the portfolio and define its focus areas. Table 17 presents the ownership structure in the 1990s, and also includes the various inter-company changes in ownership.

Table 17. *Ownership in different Nurminen family companies in the 1990s*

Owner	**Company**	**Ownership change**
Juha Nurminen family	John Nurminen Ltd.	Group
Juha Nurminen family	Nurminen Prima Ltd.	merged 1998 with John Nurminen Ltd.
John Nurminen Ltd.	Nurminen Heavy Ltd.	merged 2002 with John Nurminen Ltd.
John Nurminen Ltd.	Nurminen Lovisa Shipping Ltd.	merged 2000 with Nurminen Cargo Handling Ltd.
John Nurminen Ltd.	Nurminen Cargo Handling Ltd.	merged 2002 with John Nurminen Ltd.
John Nurminen Ltd.	Nurminen Ground Services Ltd.	exit 2002
Juha Nurminen family	FIMAC Ltd.	merged 1998 with John Nurminen Ltd.
Juha Nurminen family	Nurminen Deepsea Ltd.	merged 1998 with John Nurminen Ltd.
John Nurminen Ltd.	Travel Agency Kaleva Ltd.	exit 2001
John Nurminen Ltd.	ASG-Nurminen Ltd.	exit 1995
Juha Nurminen family	Mascot Maritime Shipping Ltd.	merged 1998 with John Nurminen Ltd.
John Nurminen Ltd.	Nurminen Matkat Ltd.	merged 1998 with Nurminen Border Services Ltd.
John Nurminen Ltd.	Nurminen Border Services Ltd.	exit 1999
John Nurminen Ltd.	Nurminen Airport Services Ltd.	exit 2002

6.4.5 Portfolio management

The group board started to concentrate on portfolio planning and management. Analyzing each unit's development guided the selling and buying of companies. The board focused on those activities that were believed to be profitable for the company's future. The business plan was clear; it was almost 100% focused on companies and foreign trade, and it was important to keep it as such in the future. When investing in different units, there was one important view: how the group can exit if the company does not bring value to the unit? The board drew attention to each unit's management development; this was one of the ways of adding value to the unit. The targets for all units were to be the best, most dominant in their field.

In spring 1995, the travel agency Kaleva Ltd. made inroads into Estonia by buying a majority of shares of the travel agency K Ltd. At that time, Kaleva Ltd. was one of two very profitable travel agencies in Finland, the other being Matkapojat Ltd. Nurminen Shipping Ltd. expanded in 1995, when it bought Aviation-Center Ltd. Also that year, ASG-Nurminen Ltd. bought the business of Road Transport Ltd. At the same time, competition and regional redistribution were heavy in Europe, and to rationalize the situation, representatives from ASG wanted to buy all shares of ASG-Nurminen Ltd. The shares owned by John Nurminen Ltd. were sold to ASG in 1995, and now John Nurminen Ltd.'s days in rubber-wheel forwarding were over. From now on, John Nurminen Ltd. concentrated on the niche kind of forwarding.

Good profitability, an improved balance sheet, and ease of financing inspired John Nurminen Ltd. to seek new business areas. FIMAC and Nurminen Deepsea Ltd., both private companies, expanded into the Baltic countries. Two new units founded in 1995, Nurminen Border Services Ltd. and Nurminen Matkat Ltd., were opened in the Russian-Finnish border area. Saimaa Lines Ltd. was bought by Nurminen Matkat Ltd. because of its long experience in Russian travel and visa-handling. In this way, John Nurminen Ltd. expanded its business into the consumer business. As soon as 1997, management problems forced Nurminen Matkat Ltd. to merge with Nurminen Border Services. This unit was not successful and it was closed in 1999; John Nurminen Ltd.'s shift into consumer services failed. It seemed that business ideas surfaced quickly, but disappeared just as quickly.

> *"This travel thing was mistake, like Border Services also, maybe it came with Saimaa Lines Ltd., but very soon we realized that it was not worth to go on...but NAS was a company that supported this Ground Service..." (Board member Matti)*

One of the biggest challenges was rationalizing the group structure. In 1997, Jan Lönnblad, who had previously worked at the company, once more took the role of John Nurminen Ltd.'s managing director, but this did not resolve the problems resulting from the subsidiaries' management. The group board of directors was the same board for the companies privately owned by Juha Nurminen. The new managing director was in a difficult position, since some managers wanted to speak, if possible, with the main owner alone (Lainema 2008, 287).

6.4.6 Developing into a tightly focused logistics company

Although after the recession the Finnish economy was on a stable growth path, economic crises in Asia and Russia slowed the economic growth rate. This was also reflected in business at John Nurminen Ltd., where the shipping business started to decline. In July 1998, Juha Nurminen's private companies were merged with John Nurminen Ltd. At the same time, management roles were clarified, the group's board invested more in portfolio development and development of the units. The group had never relied much on synergy between units, and these kinds of synergies had not existed earlier. Instead of synergies, they saw value that should be strengthened and developed. The board and management were increasingly concerned about fragmentation among units; in particular, they were discussing selling Kaleva Ltd. and the Shipping group, because growth was seen as uncertain in these fields. The custom shipping business at Prima Ltd. was good, and it had bought other units to supplement its business. Nurminen Heavy Ltd. was also holding steady; in 1998 it bought IVO Tuotantopalvelut Ltd. and Mapire Ltd., and in 2000 it bought the business of Kotkan Truck Service Ltd., moves that expanded its heavy transport supply. In 2000, Lovisa Shipping was merged with Nurminen Cargo Handling. The company TransMec Ltd. started to handle trailer repairs, so part of the business of Truck Service Ltd. was transferred to this company.

The travel agency Kaleva Ltd. had become increasingly important to the group. Even though its acquisitions (the travel agency Travek in 1998, and the travel agency K in 1995) were not successful, the company developed well and was considered Finland's best travel

agency, if not the biggest (Lainema 2008, 293). But Kaleva's business was totally different than other businesses in the John Nurminen Ltd. portfolio, and it also tied up a lot of capital, so many questioned what value it could provide for John Nurminen Ltd.?

> *"...we had been working for a year and a half to find a buyer for Kaleva, and the only one who resisted the sale was me, but I can't say that it was wrong to sell it because it made more sense to focus on logistics" (board member Matti)*

> *"...we made the decision as a family company that we don't have enough strength for all three industries, not the monetary or the human resources...and there were also a big transformation in these sectors, so we decided to sell these units..." (CEO Jan)*

The company ordered an external study of the future of the travel industry and recommended selling. Selling the business was not easy: international companies were not interested in Kaleva Ltd., and so they had to find a domestic buyer. Finally, in 2001, the Travel Agency Kaleva Ltd. was sold to Kohdematkat Ltd. John Nurminen Ltd. stayed a minor shareholder (with 10% of shares) for a few years. They never had to regret this decision.

The group management and board wanted to better understand the logic of airport services. John Nurminen Ltd. made a contract with airline companies, and so in 1998, together with Civil Aviation, they formed Nurminen Airport Services Ltd. (NAS), which began operations at eight rural fields. The same situation was underway in the airport business as in the travel business; the same consultant they used when selling Kaleva suggested that airport business should also be sold. In 2000, John Nurminen Ltd. sold both businesses to Globe Grounding Ltd., while retaining 34% of the company's shares. In 1999, John Nurminen Ltd. again began discussing forwarding with Huolintakeskus Ltd., and in 2001 they bought the company.

> *"...yes, we had been thinking about this business for almost two years, when we got the money from Kaleva and the airport business, so we should buy something to replace them, Huolintakeskus Ltd. had three different business that we were interested in..."(Board member Matti)*

Three things happened at the same time: the travel and airport businesses were sold, and the forwarding business once again became John Nurminen Ltd's main business. With these moves, John Nurminen Ltd. businesses were once more focused on logistics through three different units. Matti Nurminen passed away in 2000; he had built John Nurminen Ltd. into one of the leading Finnish companies, and he had created the groundwork for future businesses. By selling the travel and airport businesses, John Nurminen Ltd. created the foundation for its next growth phase.

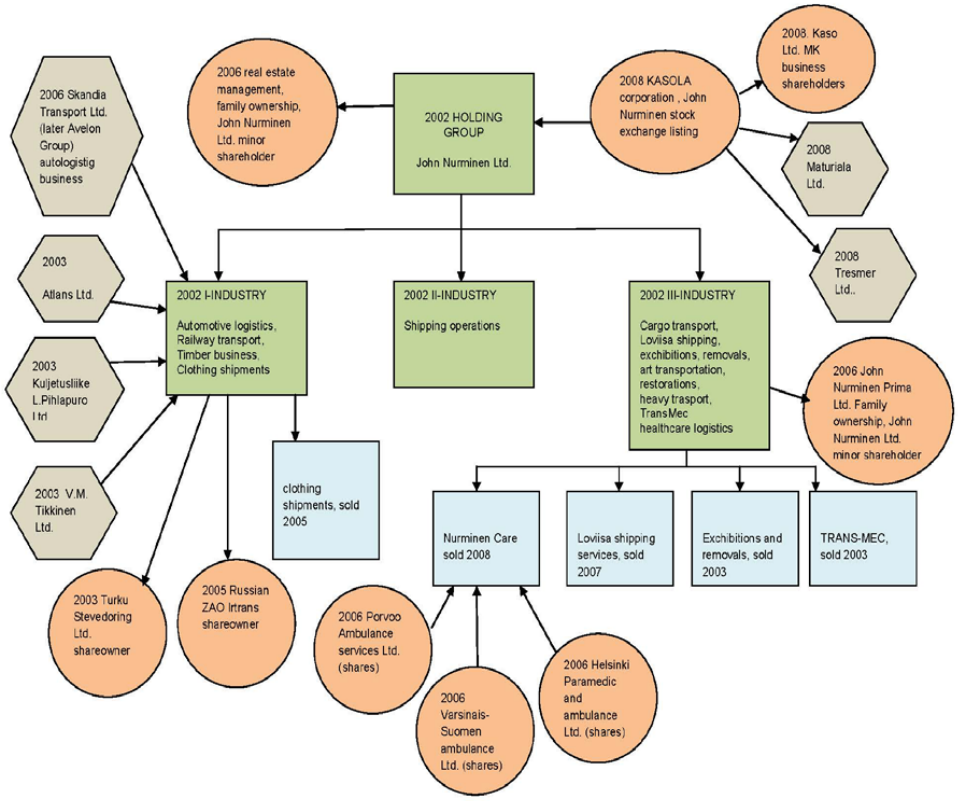

Figure 16. *John Nurminen Ltd. business history during 2000-2008*

6.5 A new strategy for development

When John Nurminen Ltd. made the decision to concentrate solely on logistics, Huolintakeskus Ltd. offered an interesting path to new business. In spite of the Huolintakeskus Ltd. acquisition, John Nurminen Ltd. had a strong balance sheet, and its equity ratio was more than 48%. Before selecting a new path, the board wanted its owners to update the expectations and conditions they had established for company development after the sale of the freight forwarding. They once again emphasized that possible exits should be considered in the development of new business development areas. They had to think about geographical range, whether a pure family business model was the only way to do business, if they wanted to continue to focus on business-to-business activities, what kind of profitability and growth they wanted to seek, and what the group structure and management model for the company would be (Lainema 2008, 322).

6.5.1 Defining the final alignment

In 2002, the board started to discuss different portfolio models. They believed that the family business would emphasize flexibility and rapid reaction if there were several smaller businesses to manage. The company board ended up with a scenario for developing existing businesses, and also searched for new businesses to complement the portfolio. It was important to understand the trends that affected the logistics business (globalization, standardization, and deregulation). To be successful in the logistics business, the company had to concentrate on businesses where having an international network would not offer any extra benefits (Lainema 2008, 324).

All the present businesses had growth opportunities; the questions were more of which investments to make in which businesses and in what order. Growth demanded business acquisitions, and to some extent a large portfolio could lead to management problems. John Nurminen Ltd. had had good experiences of portfolio management, and from the family business point of view as well, one important aspect was independence. The broader portfolio was seen as an opportunity to monitor different sectors over time, as well as opportunities for exiting them if they were not able to provide the group with added value. At a company board meeting in 2002, the organization was grouped so that all the functions of the company were concentrated in John Nurminen Ltd. (see Figure 16). Separate companies were turned into profit centres, and businesses were grouped into three different divisions. The first division

included automotive logistics, railway transport, the timber business, and clothing shipments. The second division was shipping functions, and the third division included cargo transport, Loviisa shipping, exhibitions, removals, art transportation, restorations, heavy transport, Trans Mec, and healthcare logistics. The John Nurminen brand was strengthened by collecting other companies under the umbrella of John Nurminen Ltd.

> *"...the smartest idea was to develop a portfolio and also to think that the board cannot go too deeply into any of its businesses...it has to think about the portfolio and ask what to give up and what to acquire more of...I think that this portfolio management and board, their roles are also interesting because here you can see* (pointing at Figure 16) *that these businesses are independent of each other, there is no synergy... " (Board member Matti)*

> *"The Nurminen strategy has always been that if we give up something, we have purchased something to replace it... it had been that way for the last fifteen years..." (CEO Jan)*

Portfolio development started: in 2003, Nurminen bought Atlans Ltd., which was the market leader in automotive logistics, and to strengthen this business they also bought the companies Kuljetusliike L. Pihlapuro Ltd. and V. M. Tikkanen Ltd. Turku functions were improved by buying shares from Turku Stevedoring Ltd. When John Nurminen Ltd. bought Skandia Transport Ltd.'s automotive logistics business in 2006, it became the biggest automotive logistics company in Baltic region. This led to the development of Russian businesses, and as John Nurminen Ltd. recognized the risks in Russia, in 2005 it became a minor shareholder in the Russian railway company ZAO Irtrans. The prerequisite for success was active business portfolio development; the company had to follow the businesses' life cycles and anticipate at what stage the business was no longer bringing in value and make their exit. In 2003, the board defined criteria for portfolio: there should be several different industries. The business had to achieve a certain profit, and, at the end of its life cycle, they would exit even if it met the criteria of profitability.

6.5.2 Portfolio evolution

The early 2000s was a very promising time for John Nurminen Ltd. The export business was growing, and especially the Russian businesses developed. Thanks to the acquisitions of ZAO and Skandia Transport, John Nurminen was a leading player in Scandinavia. But in accordance with board's guidelines, businesses had to be also cut. In 2003, John Nurminen Ltd. sold Trans-Mec Ltd. and the exhibitions and removals units. The clothing businesses had changed; exporting was decreasing, importing increasing, and there were also more competitors, so in 2005 the clothing business was sold. In 2006, Nurminen Prima Ltd. was separated from the company and shifted to Juha Nurminen (private ownership), and the art logistics were sold back to the family, although John Nurminen Ltd. remained a minority shareholder. The same move was made in real estate. The Nurminen family had long been interested in these businesses, and they did not want to sell them to third parties; they wanted to preserve ownership in the family.

> *"When we started to think about this corporation structure, we noticed that all the companies were not suitable for this portfolio, they were too small or too special, and also we did not want to make the corporation portfolio too difficult...we were also thinking that it will be difficult in the future for the family to manage this complex without Juha...but these small, these "hobby" businesses, which the family could inherit and which they are interested in, let's keep them in the family, they're not part of logistics." (Board member Matti)*

A new field was healthcare logistics: this unit was established in 2006, when John Nurminen Ltd. became a major shareholder in three private ambulance companies: Helsinki Paramedic and Ambulance Ltd., Varsinais-Suomen Ambulance Ltd., and Porvoo Ambulance Services Ltd. The healthcare business was very fragmented; at the time there were more than two hundred small private parties. The aim was to build a nationwide service chain. In 2007, Loviisa Shipping was sold, as was Nurminen Care. The company's portfolio had grown too difficult to handle; they had a unit, automotive logistics, which demanded too much in the way of investments. They wanted to stabilize the portfolio. Because Nurminen wanted to continue as a family business, they were looking for partners at the unit level, partners able to support the business area. They started to negotiate with CapMan, an investment company,

and after the arrangements were made, CapMan owned 60% of the automotive logistics business, John Nurminen Ltd. 25%, and the rest went to the management.

> *"We started to grow automotive logistics...it became too big and we decided that we can't do everything, so we sold this business...but we are still a minor shareholder..." (CEO Jan)*

Just a few months later, the board of John Nurminen Ltd. clarified the policy; the strategy's core idea was that John Nurminen would be divided in two different companies: a listed company and a private family company. The key business functions would move to Kasola Corporation, which changed its name to Nurminen Logistics Corporation. Kasola's main owners bought the business from Kasola Ltd. (to Maturiala Ltd., Kaso Ltd., and MK Tresmer Ltd.), and the price was paid in shares. In this way, the owners of Nurminen Logistics, in other words, the Nurminen family, became major shareholders in Kaso Ltd.

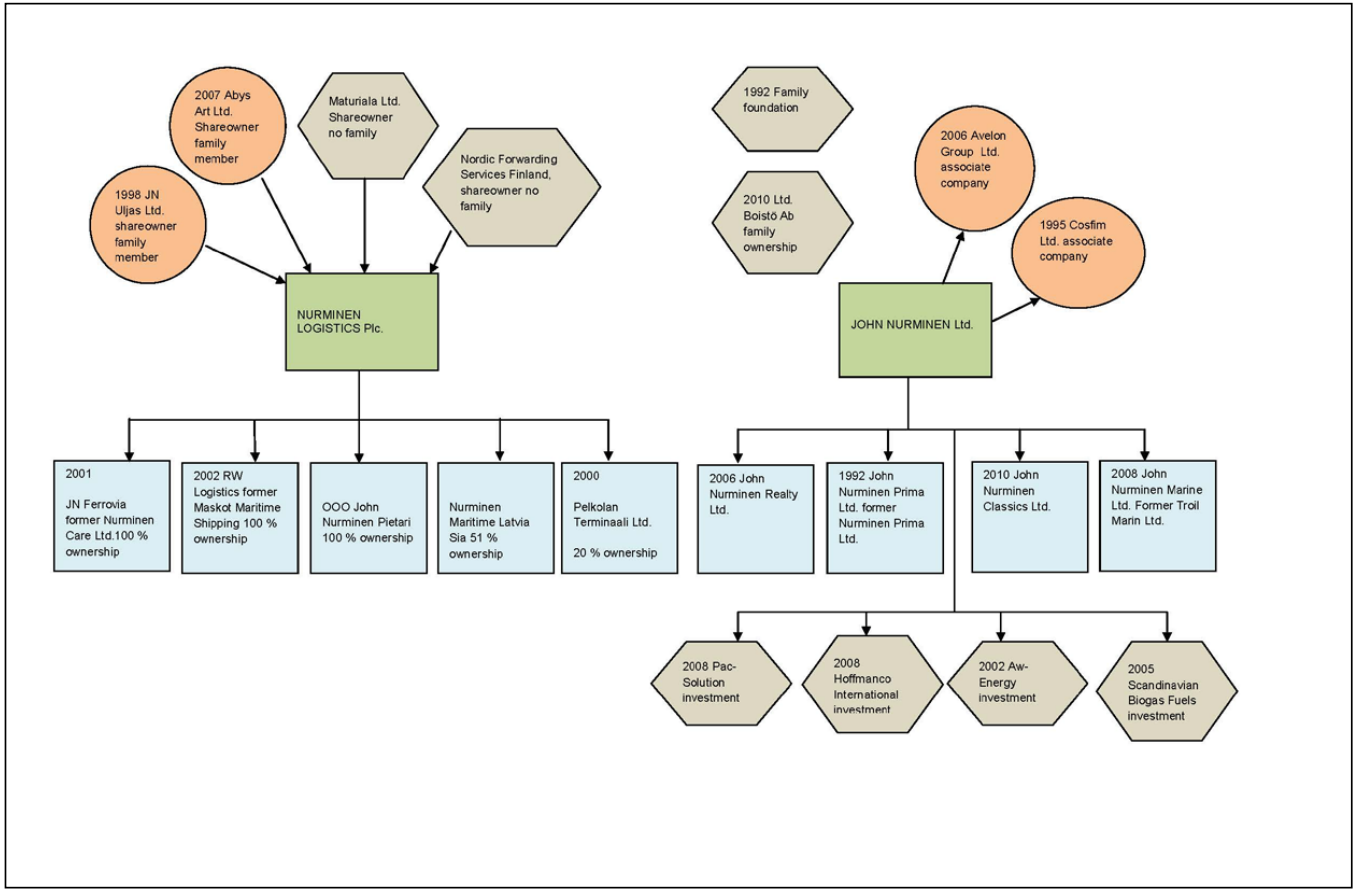

Figure 17. *John Nurminen Ltd. business portfolio in 2010*

6.6 The portfolio in 2010

In 2010, Nurminen Logistics Corporation was a strongly growing logistics company aiming at being the best in its market area. Nurminen Logistics focused on high-quality logistics services, such as railway transport, terminal services, forwarding, and special and heavy transports. Nurminen Logistics' main market areas were Finland, the Baltic region, Russia, and other Eastern European countries. The company's shares were listed on the NASDAQ OMX Helsinki. Table 18 presents the ownership portfolio of Nurminen Logistics Plc. The table also specifies these companies' holdings in other companies.

Table 18. *Nurminen Logistics Plc. ownership portfolio 2010*

Companies owned by Nurminen Logistics Plc. % owner	**Owning other companies % owner**
JN Ferrovia Ltd. 100%	Huolintakeskus 100%
Nurminen Heavy Ltd. 100%	
RW Logistics Ltd. 100%	John Nurminen Terminal 100% ZAO Terminal 100%
John Nurminen Pietari Ltd. 100%	
Nurminen Maritime Latvia SIA 51%	Nurminen Maritime Eesti AS 100% Nurminen Maritime Liettua UAB 100% CMA CGM Latvia SIA 45% CMA CGM Estonia OU 45% Team Lines Latvia SIA 40% Team Lines Estonia OU 40%
Pelkolan Terminaali Ltd. 20%	

Family ownership in Nurminen Logistics Plc. is seen here as decreasing, and this is because company growth is possible only through reforming the ownership and business base.

> *"Ownership dilution is not the main target, of course, but the target is to grow the company, it will grow by diluting the business base and reforming ownership...the family mission lies here* (pointing at the picture John Nurminen Ltd.) *and here were don't have any other owners" (Owner Juha)*

John Nurminen Ltd. is Europe's leading fine art logistics services company, a major supplier of nautical charts and marine navigation electronics, and also a distributor and operator of real estate development. The group's associated companies engaged in specialty areas such as logistics, vehicle logistics, and maritime transport. John Nurminen also works as an independent private equity investor, focusing on the growing need for financing in small and medium-sized enterprises. Its investment focus is concentrated mainly in sustainable development and the clean tech industry in Finnish and international companies. High-priority sectors in the investment portfolio are water purification, renewable energy, and leadership ability at work.

> *"...no, the point is that these companies are developing far apart from each other...and the family business is here* (pointing at Figure 17, John Nurminen Ltd.), *and here* (pointing at Figure 17, Nurminen Logistics Plc.) *the family ownership will inevitably decrease at some point, hopefully." (Owner Juha)*

Table 19 presents the ownership portfolio of John Nurminen Ltd. at the present time, specifying companies, business sectors, and the business relationship.

Table 19. *The ownership portfolio of the family business John Nurminen Ltd. in 2010*

Companies owned by John Nurminen Ltd. % owner	**Main business/ business relationship**
John Nurminen Marine Ltd. 100%	boat equipment subsidiary
John Nurminen Realty Ltd. 100%	real estate subsidiary
John Nurminen Prima Ltd. 100%	art logistics, exhibitions subsidiary
John Nurminen Classics Ltd. 100%	historic art exhibitions and promotions subsidiary
Avelon Group Ltd.	logistic company associate company
Cosfim Ltd.	forwarding and international shipments associate company
Pac-Solution Ltd. minor shareholder	water clean-tech capital investments
Hoffmanco International Ltd. minor shareholder	human resource management capital investments
Scandinavia Biogas Ltd. minor shareholder	biogas energy capital investments
AW-Energy Ltd. minor shareholder	renewable energy production capital investments

6.6.1 Portfolio performance in the Nurminen case

Cruz et al. (2008) note that a business group's succession processes often entail keeping the family in business through the development of portfolio businesses. Scott and Rosa (1996) conclude that although the individual firms in a portfolio do not grow, the portfolio itself does through the creation of new businesses. In the Nurminen case, portfolio development has been impressive; they have had owned over one hundred different

companies during their history. Having a portfolio business has definitely been one factor that has kept the family in business. The portfolio has contained companies that have not grown, but also some important companies, industry leaders where growth has been rapid. These companies have developed growth by buying smaller rival firms or by establishing new ones that are later merged. Growth demanded business acquisitions; to some extent, a large portfolio could lead to management problems. According to Pasanen (2006), portfolio entrepreneurs have more managerial experience and are more growth- and international business-oriented. The Nurminen family has managed its portfolio successfully, and the owners have been very growth oriented. A broader portfolio was seen as an opportunity for long-term experience in different sectors, and it also offered an opportunity to exit from them if they were not able to provide added value to the business. Selling businesses created the foundation for the company's next growth phase. Although there have been business operations that have failed, the owners have always been open-minded and well aware of business changes in the environment.

One important view to consider in portfolio development is the lack of conflicts in the Nurminen family. Studies indicate that the relationship between conflict and performance is moderated by the ownership structure of the firm (Kellermans and Eddleston, 2002; Lansberg, 1983). Studies also show that the more complex organizational forms emerge between family and firm, the more conflicts there will be between family members. Since the 1960s, there has generally been only one owner who has had a majority of shares. This has allowed the business to develop without conflicts with other family members.

6.6.2 Private companies

Many researchers suggest that there should be more studies of portfolio entrepreneurs (e.g., Carter and Monder, 2003; Hall, 1995). They believe that we could learn more about the individual entrepreneur’s behavioural aspects, resource management, and networks. Carter and Ram (2003) have studied portfolio entrepreneurship and suggest that portfolio management should be studied as a process and special attention should be paid to the composition of stakeholders. Alsos and Carter (2004) said that resource transfer affects the performance of the new venture. Along the long history of John Nurminen Ltd., its owners have always been very entrepreneurial. They have had their own private businesses, even when they have worked with the main company at the operational or board level. Inheritance has also given other family members the opportunity to be involved with the company, but the

other heirs' interests have lain elsewhere. Fifth-generation member Jukka Nurminen has started a company, Abyss Art Ltd., which concentrates on a graphic design business.

> *"...the only one who is in the company, involved in the board, is Jukka... he is interested in his own company, which now happens to be in this same building...Mikko will graduate as a doctor...they are removed from the business world, but will take part in general meetings." (Owner Juha)*

The reason for establishing private companies could be economic, but also, on many occasions, interest in and love for a certain industry. Many businesses were bought from the main company only because those businesses would otherwise have been sold outside the family. Astrachan et al. (2002) show in their study that power, experience, and culture are important influences on the business organization. Family power has a strong effect on ownership, management, and governance. Through individual ownership, the family used power to carry out their individual needs in business. Some companies have been in the Nurminen family a long time, and they represent the family values and culture, so it was seen as natural to keep these companies in the family's ownership.

> *"...I don't quite remember what was the motive, but I believe that we wanted them to be more independent and separated...maybe we were thinking that we could sell them...which I don't really think..." (Owner Juha)*

> *"Prima is a good point...Juha has always had a big love for the arts, and the foundation started from there, when they collected old things, so we moved it to him, he bought it and there is small board which is separated...now it can grow...I said that they should sell the company but the family wanted it..." (CEO Jan)*

The family has also a foundation, which is seen as very important. The foundation has its roots in the John Nurminen Ltd. family company, and was established in 1992 to maintain a marine historic collection that the John Nurminen family had collected over the years. The foundation has concentrated on a cleaner Baltic Sea since 2004, which is also something that owners do not see solely as a business; it is more personal and involves family values. The company's social responsibility is carried out through the foundation.

> *"...and when I relate this to myself, that this has not been just business to me, we have been involved with this foundation almost for twenty years, which is not a business...but without the business, the succession of foundation could not be possible...the foundation is professionally taking care of company's social responsibility. " (Owner Juha)*

Zellweger et al. (2005; 2008) note that owners value non-financial aspects of the ownership stake. Behavioural aspects play a significant role in how managers of privately held firms make investment choices. Reid et al. (1999) note that just as the business serves the family, the family serves the business. They conclude that a considerable number of family firms may be lifestyle- and not growth-oriented businesses. Like Jukka, Juha also owns two different private companies: JN Uljas Ltd., an investment company, and Böistö Ltd., a travel business he owns together with his wife. He characterized Böistö Ltd. as more or less a "hobby company", as well as an investment.

> *"...it is more like a private hobby, and I have in a way invested in the land, now I regret it a little because it requires so much investment...I don't think that it will be profitable...it is more like cultural charity, a hobby that I share with my wife..." (Owner Juha)*

Table 20. *Companies in private ownership not part of John Nurminen Ltd.*

Companies in private ownership/owners	**Owning other companies main business**
JN Uljas Ltd. Juha Nurminen	Nurminen Logistics Corporation investment company
Abyss Art Ltd. Jukka and Juha Nurminen	Nurminen Logistics Corporation graphic design
Böistö Ltd. Juha and Marjo Nurminen	- travel
John Nurminen foundation Nurminen family	- maritime history and marine environment

The family history starts in 1870, and already at that time, the founder Johan showed exceptional business skills. There are not many records on him, but he was described as honest, kind, and able to create solid relationships with the people with whom he worked. He brought the second generation, John Viktor, into the business at a very early stage. Succession was already carefully planned at that time, and this was to be one of the common features among Nurminen family entrepreneurs. There are a lot of records on John Viktor; he was described as a brave and broad-minded, and capable of immediately grasping possibilities. He expanded the wholesale and shipping business; he set up new businesses and was a partner in many other companies. He also made John Nurminen Ltd. one of Finland's biggest shipping forwarders when the war created new markets. There were also flipsides to his career: at the beginning, some very promising alternatives turned out to be mistakes.

> *"The group structure has more or less developed like this today because of John Viktor's mistakes...and when he lost the company to Wihuri, after that Matti was very convinced that there should not be any other owners than family, and preferably only one family member." (Board member Matti)*

Although John Viktor lost the business to Wihuri, he did not abandon optimism. When the time was right, he started the business concept that he had previously offered to Wihuri. He also shared ownership with other family members, although he took care to remain the main owner. John Viktor gave the third generation a valuable heritage in which making mistakes were allowed and never in vain (Lainema 2008, 365).

Matti was a "boat man", and it did not take long until the company was in the shipping business again. His biggest disappointment might have been exiting shipping, but since he realized other opportunities in different fields, this was not devastating. He developed the travel business and airport businesses; he also saw new trends in the shipping business. Matti was a salesman and particularly enjoyed doing business 'face to face'. Matti, like his father, was a very original entrepreneur; he concentrated on cumulative knowledge and its transfer to the next generation. He wanted to avoid anyone else taking over the company (as in the Wihuri case), so he wanted to make sure that the ownership would transfer to his only son, Juha.

> *"My father (Matti) was very strict about this point, he had bad experiences before the war, and after, when his sister's husbands...Jussi Mattinen was sitting on the board for a long time. But in the long run, there were conflicts...my father was strict that no son-in-laws...he believed that conflicts will ruin the company...I also have this gift book with a golden watch, it was transferred to the eldest son when he was fully grown and learned to be a ship man, it had to be a man, they couldn't imagine a woman there."(Owner Juha)*

Juha had worked in the family business in different tasks; he was also the first entrepreneur in the family who had an academic education. If he could have freely chosen his profession, he would have been a photographer (Lainema 2008, 371). The tradition of ownership succession is also clearly seen here; it was always the first son, and since the field was very masculine, there was no place for women. This kind of behaviour was common, especially during the early phases of European industrialization (Colli, 2003). The new John Nurminen Ltd. continues the family tradition by focusing on a narrow logistics segment. The family heads of Nurminen have always had three different roles: owner, manager, and company board member. When the company developed and ownership was divided among the family, the family head shifted more into the owner's role. Nurminen has carried out open-minded solutions not necessarily obvious in family-owned businesses. Ownership has been split between management and the board, although the company has the right to redeem the shares at the end of certain period. They have been forced to realize that a company of this size is no longer in such position that leaders could become from the next generation. This could happen only if the heir is the best potential leader from the company's point of view.

> *"I haven't pushed them to work in the company; Jukka came here naturally because he chose this career, I myself walked a rather hard path, although they did not forced me to, I think it was a natural choice...the development path was inside the company, I had to earn each step." (Owner Juha)*

> *"I have full ownership, and Jukka has a small part, but I have broke this hand-off from father to son...there is Jukka, Satu and Mikko, with 10% ... it now appears in their name, but the only one who is on the board is Jukka..." (Owner Juha)*

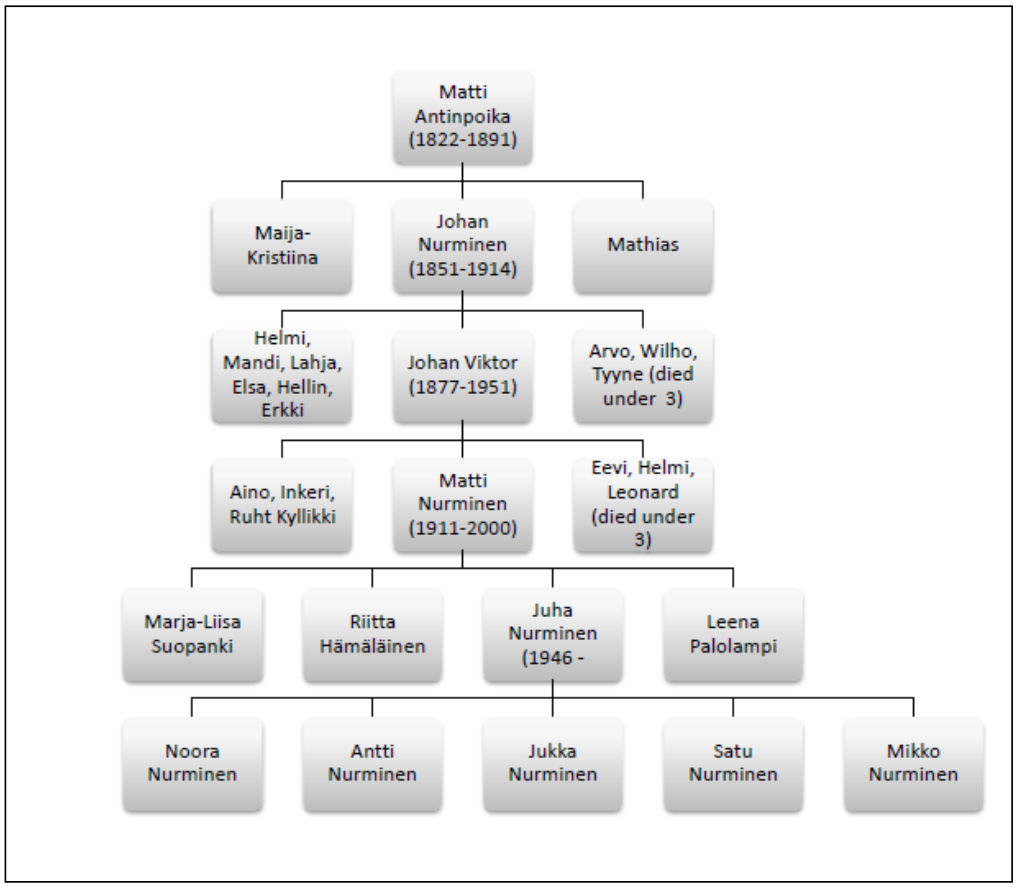

Figure 18. *The Nurminen family tree*

6.7 Ownership development in the Nurminen case

As well as understanding the entrepreneur's behaviour, we should pay attention to owners, and ownership in particular. The structure of ownership in a family business can remain static for generations, even as the individual owners change (Gersick et al., 1997). John Nurminen Ltd. has always kept a clear ownership strategy, one that has not been compromised. Businesses that proved unsuitable for the main portfolio have been transferred to the family's privately owned companies or sold off. Such moves indicate a clearly delineated portfolio. If the business was exceptionally close to the family's traditions and values, it was shifted to one of the family's private companies; if not, it was sold off. One important issue is succession: the Nurminen family have managed to transfer ownership and management wisely and at the right time. A family contributes to the likelihood of individuals

becoming entrepreneurs (Alizadeh, 1999). This has been the case in the Nurminen family. The transfer of ownership has been strictly regulated within the family, and the next generation has not challenged this tradition. Astrachan et al. (2002) note that, on an individual level, the founder's role is important and a majority of family company leaders want to retain family control beyond their tenure. From the beginning of the Nurminen family company, its owners have taken care of the next generation's opportunities to control the business. Ownership transitions create the most familiar kinds of liquidity crises in family businesses (Visscher et al., 1995). Inheritance of property and entrepreneurial heritage is passed directly to the eldest son. As Ward (2001) notes, when shareholders donate or sell stocks to the next generation, they shape the future ownership group. Different owners exhibit different interests, and each generation brings to the business new strategic ideas that build on underlying, long held competencies developed for earlier strategies (Ward, 1997).

Non-family member ownership has seen valuable in the mentoring of future-generation leaders or in case a need to fill a leadership role arises (Chrisman et al., 2003). When Juha started to manage company, he was young and the company was ill-prepared for the recession. The recession required a different type of leadership, a step back from the organization. He also realized that the management structure should be changed radically. He was able to leave leadership of the company to a manager who came from the outside. Juha is works at the board level by managing the company portfolios. At this time, it also became possible for the other company board members and managers to share ownership in John Nurminen Ltd.

> *"Then when it comes to the ownership, two essential changes occurred: one was that the board and management also became owners of the company. When we were at Jussi's place, we were thinking that – hey, let's open this family business...and then later in 2000s we were thinking that there could be also businesses where we are minor shareowners."(Board member Matti).*

The family is the main owner of Nurminen Logistics and John Nurminen Ltd., and yet the concept of family business is a little bit contradictory among the Nurminen family members. This can also be seen as resulting from the different situations that family members have gone through during the companies' history. Juha has worked in the company at the

operative level, and Jukka has worked only as a board member. Jukka works at the operative level in his own private company.

> *"There are so many different kinds of family businesses...we don't have a family business feeling here, I don't think there's anything romantic about family businesses except when there is an inheritance and that might be the target. But after it is inherited, then the business is just normal business, maybe just one owner there...but in a way it's in your heart, the family" (Owner Jukka)*

> *"Understanding and knowledge of different companies is so different, even the terminology is alienating."(Owner Juha)*

Jukka also has a business of his own. This business first started as a small-scale company based on a hobby. When asked what this company means to him, he points out that this is something he likes to do and it also enables him to work as a board member in the real family business and be around when needed. He also sees that it is better to influence the business at the board level than the operational level.

> *"It started from pictures, we took pictures with dad and so we thought that we should sell them as well...you can't say that this is a family business...or maybe you can, dad owns 49% of the company...but I don't feel that it is a family company...it's too bold to say so....you know, if I'd be working somewhere else it would be difficult to take a part of the board meetings, and you know, there have been a lot of different situations when I had to be around...it is better to stick around on the board that go to fumble around...this is such complicated baggage...I have those two cakes, this bigger one, the whole cake, and this partial cake...and I can juggle with them." (Owner Jukka)*

Although Jukka says that the focus is the same in both companies (Nurminen Plc. and Nurminen Ltd.), he presses the point that Plc. is simpler, and the meaning of family business is to be little bit more eternal; in a family business, the money is not in the "same bag". Jukka sees ownership in John Nurminen Ltd. to be more closely tied to the family, which is also managed by family members.

> *"...you see this is corporate company* (pointing at Figure 17) *with maybe only one branch, this is the family company and its intended to be eternal...and also it can be decentralized..." (Owner Jukka)*

As regards the future ownership structure, the family wants Plc. ownership to not have as heavy a family emphasis as in the family business, John Nurminen. The owners see a lot of values and tacit knowledge in the family business that is difficult to measure, and they want to control future business activities.

6.8 Portfolio development in the case company

The case could be summarized in the following way: the development has taken some 140 years. During this process, there have been about a hundred different companies involved, and the number of start-ups, acquisitions and buy-outs has reached nearly two hundred. At the present state (see Figure 17), the core corporation includes a public company with five subsidiaries and a private, family-owned company with four subsidiaries. Ownership in the public company is shared with non-family members (mainly investment companies); the family owns over 50% through other businesses and through private ownership, while non-family companies own the rest. The private family company with four subsidiaries is owned 100% by the Nurminen family. The family has made investments in other private companies through the family company and privately; this has been done because of new business opportunities in other fields. Table 21 presents the history of company development and operations at John Nurminen Ltd. and main reasons for changes in ownership.

Table 21. *Drivers in portfolio business development at John Nurminen Ltd., 1871–2010*

Company	Time	Operation	Main Reasons	Driver (Family, Business, Individual)
Riikilä Farm, Johan Matinpoika	1871	**start-up**, the creation of a new business	purchased for timber, business focus on the timber sector	Business Individual
Juso farm.	1876–1879	**acquisition**, grasping opportunities, value creation **exit**	purchased because of marriage	Family Individual
Nurmi Rustholli Farm Johan Nurmi	1879–1886	**acquisition**, grasping opportunities, value creation	purchased for timber	Business

		exit		
Aaltola retail business. John Nurminen	1886–1912	**start-up**, creation of new business **exit**	industry wholesale and retail trade, shipping, new business field	Business Family
John Nurminen Ltd.	1913-1922	**restructuring**, actual business starts, creation of new business **exit**	business, shipping, timber and wholesale trade	Business Family Individual
Forwarding Raumo Stevedoring Ltd.	1914-1958	**start-up**, creation of new business, joint venture, grasping opportunities, **exit**	new business field forwarding, together with three business partners, shared business risk	Business Individual
Shippping Ltd. Pyhäjärvi	1914-1918	**start-up**, creation of new business, joint venture, **exit**	expansion in the field, new company with three business partners, shared business risk,	Business
Steamship Ltd. Otava	1916	**start-up,** creation of new business, family,	new ships, new company with family members	Family Individual Business
Länsi-Suomen Tukkukauppa Ltd. 1957 Riisla Ltd.	1917-	**merge**, value creation, supporting business	friendship with founder, shareholder,	Family Individual Business
Nurminen G.m.b.H. company.	1919-1923	**start-up**, internationalization, **exit**	subsidiary abroad,	Business
Hotel & Restaurant de Paris	1920-1922	**acquisition**, company take over, **exit**	due to debt pledge	Individual
Suomen Mylly Ltd.	not known	**start-up**, creation of new business, value creation	founder, shareholder, supporting business	Family Individual Business
Suola Ltd.	1922-1943	**start-up**, creation of new business, value creation, **exit**	founder, shareholder, supporting business	Family Individual Business
Marin Ltd.	not known	**start-up**, creation of new business, value creation	founder, shareholder, supporting business	Family Individual Business
Rauman Rauta Ltd.	not known	**start-up**, creation of new business, value creation	founder, shareholder, supporting business	Business Individual
Raahen Laiva Ltd.	1919	**start-up**, business merger, joint venture	founder, shareholder, friendship	Business Individual
John Nurminen Tmi	1932-1969	**start-up**, dissension, value creation, **exit**	founder, re-starting business, real estate, family	Individual Family
John Nurminen Ltd.	1932-	**start-up**, future core business	re-starting business, family, friendship	Family Individual Business
Huolintakeskus Ltd.	1920-1952	**alliance**, co-operation, internationalization, **exit**	shareholder, shared business risk,	Business
Travel agency Kaleva Ltd.	1935-2001	**start-up**, creation of new business, value creation, **exit**	shareholder, family, individual interest	Family Individual Business
Lassen Grhardt & Hey A/G	1937	**alliance**, co-operation, internationalization	business focus	Business

Laiva Ltd. Rauma	1937-	**start-up**, value creation	founder, shareholder, re-entering shipping	Family Individual Business
Laiva Ltd. Fennia Stemship Co Ltd.	1939-	**start-up**, value creation	founder, shareholder, family	Family Business
F.W. Moorsom & Co. Ltd.	1939	**alliance**, co-operation, internationalization	business focus,	Business
Laiva Ltd. Laine	1939-	**start-up**, value creation	business focus	Business Individual
Laiva Ltd. Kaleva	1939	**start-up**, value creation	business focus,	Business
Haminan Laivaus Ltd.	1943-1949	**joint venture**, value creation, co-operation, **exit**	shareholder, business focus	Business Family
Ahtaus Ltd. Prompt (subsidiary)	1943-1949	**joint venture**, value creation, co-operation, **exit**	shareholder, business focus	Business Family
Saastamoinen lumberyard (Kotkan Laivaus Ltd.)	1943–1947	**joint venture**, value creation, co-operation, **exit**	shareholder, business focus	Business Family
Ltd. Shipbroker Ab	1943–1947	**joint venture**, value creation, co-operation, **exit**	shareholder, business focus	Business Family
Fredrikshamn Stevedoring Ltd.	1943–1947	**joint venture**, value creation, co-operation, **exit**	shareholder, business focus	Business Family
Laiva Ltd. Laila	1946	**start-up**, value creation	business focus	Business Individual
Hertell & Co. Ab	1953	**acquisition**, company takeover	strengthen business operations	Business
Helsingin Huolinta Ltd.	1953	**acquisition**, company takeover	strengthen business operations	Business
Satama Huolinta Ltd.	1953	**acquisition**, company takeover	strengthen business operations	Business
Vakava Ltd.	1955	**acquisition**, company takeover	strengthen business operations	Business
Huolinta Ltd. Notracon	1955	**acquisition**, company takeover	strengthen business operations	Business
Grundström & Heinrichs Ltd.	1956–1958	**joint venture**, value creation, co-operation, internationalization, **exit**	strengthen business operations, shareholder	Business Family
Polar-Expres Ltd.	1960–1986	**start-up**, creation of new business, **alliance**, joint company, co-operation, business merge, **exit**	founder, shareholder, supporting business	Business Family
Travel agency Area Ltd.	1959	**joint venture**, value creation, co-operation, grasping opportunities	business focus, shareholder, personal interest	Family Individual Business
Aero Ltd.	1923 (found)	**joint venture**, value creation, co-operation	shareholder, supporting business, personal interest	Family Individual Business
Travel agency STA	1965 (bought)	**joint venture**, value creation, co-operation	shareholder, supporting business, personal interest	Family Individual Business
Aurinkomatkat Ltd.	1962	**start-up,** creation of new business, value creation, co-operation,	founder, shareholder, shared business risk, personal interest	Family Individual Business

John Nurminen Varastot Ltd.	1965	**start-up,** creation of new business, value creation, co-operation	founder, shareholder, shared business risk	Business Family
Handling Ltd. (Karhuntalja Ltd.)	1967	**acquisition**, company takeover, grasping opportunities	strengthen business operations, entering new business field	Business Individual
Ehnroth Ltd.	1975	**joint venture**, value creation, co-operation, grasping opportunities	strengthen business operations, entering new business field	Business Individual
Suomen Huolinta Ltd.	1975	**acquisition**, company takeover	strengthen business operations	Business
Ehnroth Stevedoring Ltd.	1975	**acquisition**, company takeover	strengthen business operations	Business
Lindblom & Petersen Ltd.	1975	**acquisition**, company take over	strengthen business operations	Business
Finlands Cyberneticds Ltd.	1970-1981	**joint venture**, grasping opportunities, value creation, **exit**	shareholder, new business field, supporting business, personal interest	Family Individual
Fennocargo Ltd.	1977	**start-up**, creation of new business, grasping opportunities, value creation,	founder, shareholder, supporting business,	Family Individual Business
Fennoload Ltd.	1977	**joint venture**, value creation, co-operation, grasping opportunities	shareholder, strengthen business operations	Family Individual Business
Turku Stevedoring Ltd.	1977	**joint venture**, value creation, co-operation, grasping opportunities	shareholder, strengthen business operations	Family Individual Business
Turun Terminaali Ltd.	1977	**joint venture**, value creation, co-operation, grasping opportunities	shareholder, strengthen business operations	Family Individual Business
Container Handling Ltd.	1977	**joint venture**, value creation, co-operation, grasping opportunities	shareholder, strengthen business operations	Family Individual Business
Tampereen Terminaali	1977	**joint venture**, value creation, co-operation, grasping opportunities	shareholder, strengthen business operations	Family Individual Business
Tampereen Kuljetus ja huolinta	1977	**joint venture**, value creation, co-operation, grasping opportunities	shareholder, strengthen business operations	Family Individual Business
Neontrans Ltd.	1977	**joint venture**, value creation, co-operation, grasping opportunities	shareholder, strengthen business operations	Family Individual Business
Seinäjoen Terminaali Ltd.	1977	**joint venture**, value creation, co-operation, grasping opportunities	shareholder, strengthen business operations	Family Individual Business
Kotka Shippping Service Ltd.	1977	**joint venture**, value creation, co-operation, grasping opportunities	shareholder, strengthen business operations	Family Individual Business
Finnsped Ltd.	1981	**acquisition**, company takeover, grasping opportunities	strengthen business operations	Business
Tietosavo Ltd.	1981	**joint venture**, value creation, co-operation	shareholder, supporting business	Family Individual
Helsingin Satamatyönjohto Ltd.	1985	**star-up**, creation of new business, co-operation	founder, shareholder, supporting business	Business

Merikarvian Liikenneyhtiö Ltd.	1985	**acquisition**, company takeover, grasping opportunities	strengthen business operations, supplemented business	Business
Luonnonmaan Terminaalit Ltd.	1985	**acquisition**, company takeover, grasping opportunities	strengthen business operations, supplemented business	Business
Vaasan Terminaali Ltd.	1985-1992	**acquisition**, company takeover, grasping opportunities, **exit**	strengthen business operations, supplemented business	Business
Loviisa Shipping Ltd.	1985-2007	**acquisition**, company takeover, grasping opportunities, **exit**	strengthen business operations, supplemented business	Business
Suomen Rahtia Ltd.	1987-1990	**joint venture**, value creation, co-operation, **exit**	shareholder, strengthen business operations	Business Family
P.Lumiaho Ltd.	1987	**acquisition**, company takeover, grasping opportunities	strengthen business operations	Business
Kiitoliikenne Hellberg Ltd.	1987-1988	**joint venture**, value creation, co-operation, **exit**	shareholder, strengthen business operations	Business Family
Vaanto Ltd.	1987	**joint venture**, value creation, co-operation	shareholder, strengthen business operations	Business Family
Jukka Silvasti Ltd.	1988-1992	**acquisition**, company takeover, grasping opportunities, **exit**	strengthen business operations, supplemented business	Business
Prima Ltd.	1990-1998	**start-up,** value creation, **restructuring, exit**	founder, personal interest, supporting business, strong family focus	Family Individual
FAMILY FOUNDATION	1992	**start-up**, social values, family values, individual values	founder, personal interest, family values	Family Individual
FIMAC	1993-1998	**start-up**, value creation, **restructuring, exit**	founder, personal interest, supporting business, strong family focus	Family Individual
Nurminen Deepsea Ltd.	1993-1998	**start-up**, value creation, **restructuring, exit**	founder, personal interest, supporting business, strong family focus	Family Individual
Mascot Maritime Shipping Ltd.	1993-1998	**start-up**, value creation, **restructuring, exit**	founder, personal interest, supporting business, strong family focus	Family Individual
Nurminen Ground Service Ltd.	1992-2000	**start-up**, **restructuring, exit**	founder, strengthen business operations	Business
ASG Nurminen Ltd.	1993-1995	**start-up**, co-operation, **exit**	strengthen business operations	Business
Nurminen Shipping Ltd.	1993-2000	**start-up**, **restructuring, exit**	founder, strengthen business operations	Business

Nurminen Cargo Handling Ltd.	1993	**start-up**, **restructuring, exit**	founder, strengthen business operations	Business
Travel agency K Viro	1995	**joint venture**, value creation, co-operation, internationalization	shareholder, strengthen business operations	Family Individual Business
Cosfim Ltd.	1995	**joint venture**, value creation, co-operation, grasping opportunities	shareholder, shared risk, strengthen business operations	Business Family
Aviation Center Ltd.	1995-1998	**acquisition**, company takeover, grasping opportunities	strengthen business operations, supplemented business	Business
Road Transport Ltd.	1995	**acquisition**, grasping opportunities	strengthen business operations, supplemented business	Business
Nurminen Matkat Ltd.	1995-1998	**start-up**, creation of new business, grasping opportunities, **exit**	strengthen business operations	Business
Nurminen Border Services Ltd.	1995-1999	**start-up**, creation of new business, grasping opportunities, **exit**	strengthen business operations	Business
Saimaa Lines Ltd.	1995	**acquisition**, company takeover, grasping opportunities	strengthen business operations, supplemented business	Business
JN Uljas Ltd.	1998	**start-up**, value creation	founder, investing company	Family Individual
IVO Tuotantopalvelut Ltd.	1998	**acquisition**, company takeover, grasping opportunities	strengthen business operations, supplemented business	Business
Maripe Ltd.	1998	**acquisition**, company takeover, grasping opportunities	strengthen business operations, supplemented business	Business
Travel agency Travek Ltd.	1998	**acquisition**, grasping opportunities	strengthen business operations, supplemented business	Business
Nurminen Airport Service Ltd. NAS	1998-2000	**start-up**, creation of new business, value creation, co-operation, **exit**	founder, shareholder, shared business risk	Business Family
Kotkan Truck Service Ltd.	2000	**acquisition**, company takeover, grasping opportunities	strengthen business operations, supplemented business	Business
Nurminen TransMec Ltd.	2000-2003	**start-up**, **restructuring, exit**	founder, strengthen business operations	Business
Pekkolan Terminaali Ltd.	2000	**joint-venture**, value creation, co-operation	shareholder, strengthen business operations	Business Family
Huolintakeskus Ltd.	2000	**acquisition**, company takeover, grasping opportunities	strengthen business operations, supplemented business	Business

Aw-Energy Ltd.	2002	**Investment**, value creation, new business field	shareholder, personal interest, investment	Business Family
Atlans Ltd.	2003	**acquisition**, company takeover, value creation 3	strengthen business operations, supplemented business	Business Family
Kuljetusliike Pihlapuro Ltd.	2003	**acquisition**, company takeover, value creation	strengthen business operations, supplemented business	Business Family
Turku Stevedoring Ltd.	2003	**joint-venture**, value creation, co-operation	shareholder, strengthen business operations	Business Family
V.M. Tikkinen Ltd.	2003	**acquisition**, company takeover, value creation	strengthen business operations, supplemented business	Business Family
Russian ZAO Irtrans	2005	**joint venture**, value creation, co-operation	shareholder, strengthen business operations	Business Family
Scandinavian Biogas Fules Ltd.	2005	**investment**, value creation, new business field	shareholder, personal interest, investment	Business Family
Skandia Transport Ltd.	2006	**acquisition**, company takeover, value creation	strengthen business operations, supplemented business	Business Family
Avelon Group Ltd.	2006	**joint venture**, value creation, co-operation	shareholder, strengthen business operations	Business Family
John Nurminen Prima Ltd. (subsidiary)	2006	**start-up**, value creation, **restructuring**	founder, personal interest, supporting business, strong family focus	Family Individual
John Nurminen Realty Ltd. (subsidiary)	2006	**start-up**, value creation, **restructuring**	founder, personal interest, supporting business, strong family focus	Family Individual
Nurminen Care	2006-2008	**start-up**, creation of new business, value creation, **exit**	founder, shareholder,	Business Family
Helsinki Paramedic and ambulance Ltd.	2006	**joint-venture**, value creation, co-operation	shareholder, strengthen business operations	Business Family
Varsinais-Suomen ambulance Ltd.	2006	**joint-venture**, value creation, co-operation	shareholder, strengthen business operations	Business Family
Porvoo Ambulance services Ltd.	2006	**joint-venture**, value creation, co-operation	shareholder, strengthen business operations	Business Family
Abyss Art Ltd.	2007	**start-up**, creation of new business	founder, strong personal interest	Family Individual
Kasola Corporation	2008	**acquisition**,	access to the stock exchange	Business

Kaso Ltd.	2008	**investment**, value creation	shareholders	Family
Nurminen Logistics Corporation	2008	**start-up**, **restructuring**, value creation	founder, business deformations, strong business value	Business Family
John Nurminen Ltd.	2008	**start-up**, **restructuring**, value creation	founder, business deformations, strong family value	Business Family
John Nurminen Marine Ltd. (subsidiary)	2008	**start-up**, **restructuring**, value creation	founder, business deformations, strong family value	Business Family
Hoffmanco International Ltd.	2008	**investment**, value creation, new business field	shareholder, personal interest, investment	Business Family
Pac-Solution Ltd.	2008	**investment**, value creation, new business field	shareholder, personal interest, investment	Business Family
John Nurminen Classics Ltd.	2010	**start-up**, **restructuring**, value creation	founder, business deformations, strong family value	Business Family
Boistö Ab	2010	**start-up**, creation of new business, value creation, family	founder, strong personal interest, family members	Family Individual
Summary of operations and drivers		**47 start-ups** **32 acquisitions** **15 restructurings** **4 alliances** **33 joint ventures** **5 Investments** **38 exits**		**74 Family** **47 Individual** **106 Business**

The summary of the case consists of several different types of operations that have occurred during the history the family business. Start-ups, acquisitions, and restructurings have shaped the family business portfolio, and alliances and joint ventures have completed this structure. As family ownership has evolved, it has also enabled investments in other companies. Although there have been several exits, they have not meant failure; rather they have ensured longevity and value creation and growth in the family business portfolio. The case shows that there are three different drivers behind ownership changes: 1) *individual*, which stems from individual entrepreneurship 2) *business*, that is, the need to respond to changes in the market and the desire to take advantage of resources that have accumulated within the firm, and 3) *family*, that is, inter-generational transfer and family relationships in the control and ownership of the business. The Nurminen family has included many strong individuals who have carried out personal entrepreneurial ventures using their personal experience and knowledge. The motivation for this has been the individual's positive inner desire to start a business venture, and is centred on the potential new business owner's need to

take control and change his or her status as an employee. Related issues include independence or autonomy, being one's own boss, wealth creation, lifestyle changes, and the desire to use or apply personal experiences and knowledge. The family's original business is usually created by a single founder or entrepreneur. Business rationality refers to the need to respond to changes in the market and the desire to take advantage of resources that have accumulated within the firm. For the Nurminens, this has been the strategic planning of their businesses.

Changes in business due to economic reasons are usually clear and based on the changes in the business environment. Such reasons have included new opportunities in the field, value creation by buying other companies, and improving business focus by selling branches that are unprofitable or not closely linked to the core business. Some of the development can be seen as reactions to changes in the business environment. From this perspective, the family has been rather entrepreneurial in its business by growing, diversifying, streamlining, and adjusting its business to its competitive environment. Transferring ownership of the family business is usually a complex matter full of emotions. When ownership changes, you have to determine how to divide your company fairly, and your decision about who will get what may trigger strong reactions. This can cause dissension in the family ranks. It might be that family members inherit their own fortunes and go their separate ways. So far, in this case, there have been four successions where ownership has changed. In this family, due to problems in the first generation, ownership has been kept tightly in the hands of one owner, and succession has been from father to eldest son. Heirs have been bought out. This culture has been very strong in the family, so there has not been any problem with it. This kind of ownership succession is now changing: the fourth generation owner has shared ownership for the first time with other family members as well. Inheriting ownership has given the new owners the opportunity to create new businesses.

6.8.1 John Nurminen Ltd. ownership portfolio

Family firms may have different goals than publicly owned companies (Carter, 2003). The family company at the focus of this study has increased in size and is one of the leading companies in its field. Although this family has actively grown their ownership portfolio, they have also been responsible owners. When the business grew to a certain level, the need for external financing increased, and the family expanded their ownership outside the family, causing dilution of family ownership. But at the same time, they have built a new family business where ownership is allowed only to family members. When external financing is the

source of dilution of family ownership, family firms should concentrate on industries with a lower need for external financing (Franks et al., 2010). Jaffe and Lane (2004) presented the family holding company model, which describes how complex multigenerational family businesses and investments can be. This model is adopted and extended to respond to the current situation in the John Nurminen case (see Figure 19).

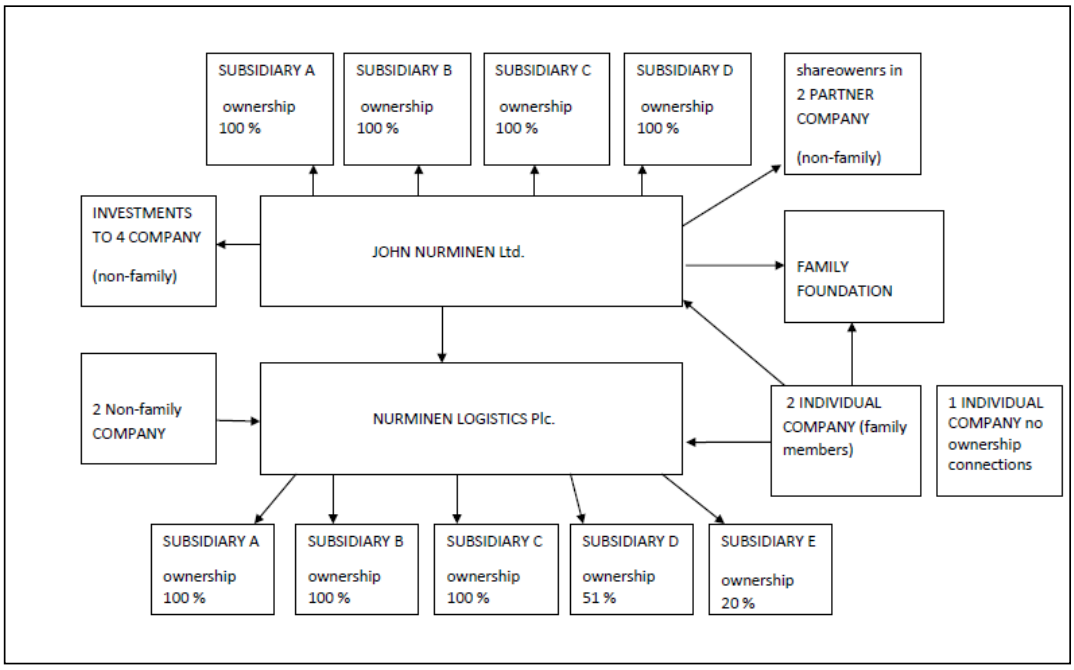

Figure 19. *Nurminen family company ownership portfolio in 2010*

The company portfolio shown in Figure 19 demonstrates the complex web of businesses owned through other businesses. The holding company owns several other companies, while the family company owns other companies and shares from holding company. The individual companies own shares in the family company and the holding company. Both holding company and family company have invested in other companies. One individual company has no company ownership connection to the other companies. The point to be made here is that the current situation can only be understood after longitudinal analysis. It has taken a long time for the portfolio to develop to this stage. Due to changes in the relationships between family members and in the business environment, the family business portfolio has been under constant restructuring. Therefore, it is rather likely that the present

state is not stable, but will develop further during upcoming years. To understand the next steps, it is vital to understand the development path it has taken so far.

6.8.2 Nurminen family members' individual ownership portfolios

Systematic family ownership has been an important factor in the company's growth; individual family members have been directly involved in the ownership and management of the business. First-generation ownership consisted of one family member, while the second and third generations included two family members and also close relatives. The current fourth generation involves more members in the ownership system. One important factor in ownership has been the family's strong culture of ownership culture. Company ownership and management has always transferred to the eldest son; other family members have been minor owners and have not had the chance to affect to the company's management. The long-term success of family businesses is built through meeting the needs of each generation to re-affirm their commitment as responsible owners and proactively anticipating the future needs of the family and the business (Schwass, 2008).

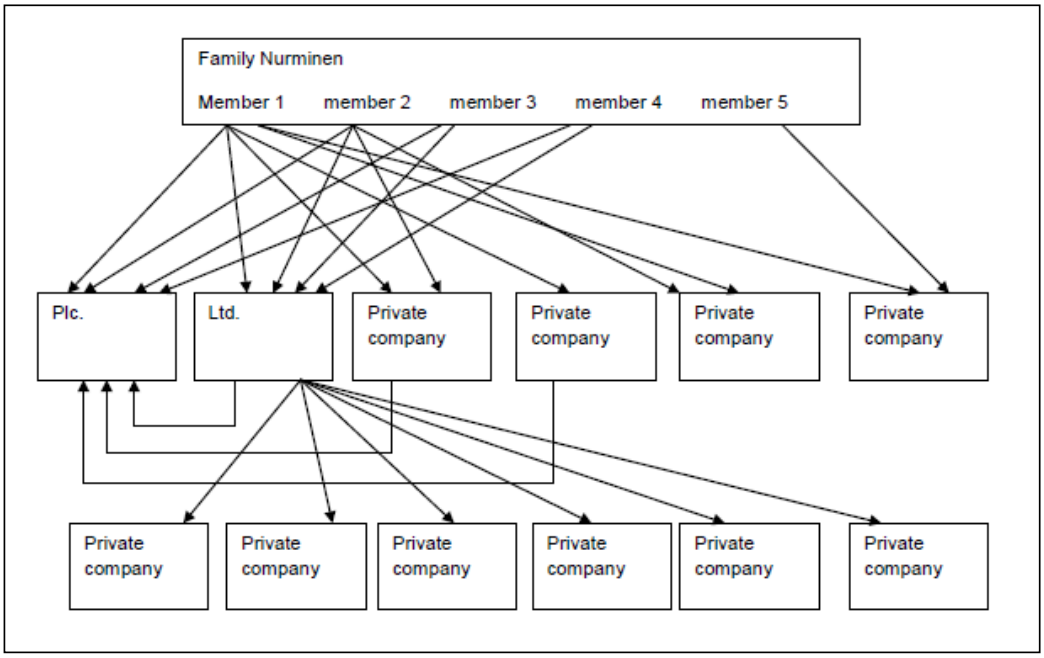

Figure 20. *Ownership portfolio of Nurminen family members in 2010*

The ownership portfolio shown in Figure 20 describes an entrepreneurial family that has five members; the family owns twelve separate businesses through a complex web of

legal ownership. Family members 1 and 2 are the most active owners of multiple businesses. Member 1 (fourth generation, and CEO***)*** holds shares in six different businesses; he is the main owner in Plc. and Ltd., along with his three children (the fifth generation), who are minor shareholders. Member 1 has also his own company, and owns one company with member 5. Member 2 is an owner in Plc. and Ltd. and has also started his own business, where member 1 is a minor shareholder. Members 3 and 4 are only shareholders in Plc. and Ltd. Member 5 owns one company with member 1 and has no ownership in Plc. or Ltd. Ltd. has invested in six other companies, so through Ltd. members 1, 2, 3, and 4 are shareowners in these other companies. Ltd. owns shares in Plc., so members 1, 2, 3, and 4 are shareowners in Plc. through Ltd, and the private companies owned by members 1 and 2 also own shares in Plc. Members 1 and 2 work at Plc. and Ltd. at the board level, and in their own companies at the operating level. The family also has a foundation, which is owned by Ltd. and member 1. The family holds a portfolio of companies, and the number of companies is in constant change, increasing and decreasing over time. At a closer look, then, it becomes evident that the family does not collectively own anything, but that the actual owners are the family members who are likely to change their personal portfolios of ownership through purchasing, inheriting, personal entrepreneurial ventures, or other methods. It is, however, likely that ownership behaviour is strongly affected by the presence of the family as co-owners and by close personal relationships. Family businesses have a long time horizon, which leads to a long-term focus in financial capital management. Hoffman et al. (2006) note that family businesses with high levels of family capital possibly hold a sustained competitive advantage over family businesses with low levels of family capital. They propose that family capital has a potential impact on business performance. The interplay between multiple social, family, and financial factors is complex. There are behavioural factors, like the owners' need to be in control, that affect financial-structure decision-making processes.

7. CONCLUSIONS AND IMPLICATIONS

The objective of this concluding chapter is to summarise the key issues and research findings that underpin this study, which may in turn have an influence on the nature and direction of further studies in the field of family business. The objectives of this study were also to give answers to the questions about how this study is related to family business, why it is important, and how it fills a current gap in the literature. This conclusion discusses the study's theoretical contribution to and practical significance for family business research. It focuses on the research question in light of the case study results and highlights applications from the literature on ownership with regard to the findings from the two case studies. This chapter also presents a suggestion for further research, which will hopefully inspire new family researchers to continue further processing of scientific information. Qualitative reliability in research was discussed earlier in the chapter on methodology, and this section analyzes the implementation of this study.

As highlighted in prior research, family firms are widespread around the world, and the family business model has been associated with certain unique characteristics (Astrachan, 2010; Johnston, 2004). Although researchers are not quite satisfied with existing definitions of family business (Chua, Chrisman, and Sharma, 1999; Astrachan, Klein, and Smyrnios, 2002; Sharma, 2004) and no universal definition exists, having some common basic characteristics that can identify and distinguish family firms are necessary. The lack of definition might be construed as a consequence of weak theoretical development in the discipline, but it also highlights the complexity entailed in family business. According to Chrisman et al. (2003), there is a lack of understanding regarding the conditions that give rise to familiness and the sources and types of familiness. The presence of the family in the business gives rise to a bundle of idiosyncratic resources termed familiness, which helps differentiate family business from other forms of business (Habbershon and Williams, 2009). Firms that survive multiple generations typically manifest strong entrepreneurial orientations (Schwass, 2005; Wiklund and Shepard, 2003), and success behind trans-generational family firms is driven by the resources that enable these firms to maintain entrepreneurialism across generations (Miller and Le Breton Miller, 2006).

There are empirical works on family-controlled ownership that indicate that there are not only problems but also possibilities in family ownership (Anderson and Reeb, 2003;

Zahra, 2004; Nordqvist, 2005) and that the attitudes and behaviours of family businesses can vary across the generations. Sustaining successful longevity is a distinctive characteristic of many family businesses (Gersick et al., 1997). According to Ward (2001), the critical factor in family businesses is the ownership structure and the owners' ability to maintain and improve business performance. Family businesses have a long-term focus, and ownership is often shared with other family members. Family control in excess of ownership is often manifested in the form of multiple share classes, pyramids, cross-holdings, or voting agreements. Chua et al. (2003) point out that successful longevity should satisfy the financial and non-financial objectives of the family business. Although family business ownership is collective, consisting of a group that owns the business together, owners value non-financial factors, which emerge particularly at the individual level, since individuals have a personal and emotional involvement in the business. Longitudinal studies that investigate specific aspects of family ownership are needed, since previous studies are not conclusive as to whether this type of ownership structure is beneficial or detrimental to the family and the family business.

Researchers have recognized the importance of business groups and portfolio entrepreneurs in a company's strategy building and value creation (Alsos and Carter, 2004; Rosa and Scott, 1999; Iacobucci and Rosa, 2010). Although business diversification is often seen as a growth and risk management strategy, there are also other aspects that should be taken into account. When portfolio entrepreneurship is examined from an entrepreneurial point of view, studies find that previous entrepreneurial experience as well as the entrepreneurs' motivation and ability to recognize possibilities are significant factors (Iacobucci and Rosa, 2010; Scott and Rosa, 1999; Carter and Monder, 2003). At the group level, portfolio entrepreneurs are an important and impressive group affecting the entrepreneurial climate (Rosa and Scott, 1999), as well as creators of entrepreneurial teams (Cooney, 2005; Huovinen and Tihula, 2008). The absence of empirical evidence on the long-term relationship between family ownership and portfolio development has been an important gap in the literature on family businesses. Several researchers have required more longitudinal studies focusing on the process of creation and growth of business groups (Iacobucci and Rosa, 2005; Zahra 2007). In this scenario, the present dissertation sheds some light on the links between ownership changes and portfolio development.

7.1 Contributions and findings of the study

The purpose of this study is to contribute to and expand the existing body of theory on family business and ownership. There are several important contributions in this study and its findings. First, this study has broken new ground, since the areas covered by this empirical research remained unexplored until now. Secondly, a method developed for capturing the development of family business portfolios was developed particularly for this study. Data is more complex and mixed than the conclusions reached in most of the previous conceptual and empirical research, which has been limited. This method could be useful for future research, since it assists in developing and broadening the scope of any future studies in this area. Thirdly, it advances understanding by clarifying ownership constructs in family businesses. This is done by investigating how ownership changes influence family business structures over time.

This study reveals the links between dimensions of ownership and how they give rise to portfolio business development within the context of family businesses. The field of family business has not explicitly identified ownership changes involving the family, and there is a lack of integration between ownership research and portfolio business research in a family business context (Habbershon et al., 2003; Sharma, 2004). Taking into account previous theoretical developments in the family business literature from the ownership point of view and considering the empirical evidence provided thus far as to the effects of a family business ownership structure on portfolio business performance, one of the study's objectives was to unravel how changes in family ownership affect a family business. This study endeavours to contribute to research on ownership changes and portfolio businesses and study their interaction within the context of family businesses.

Handler (1989) points out that knowledge should not be limited to its theoretical implications but to the practical value of that theory. To contribute to practice, this study endeavours to develop a framework that helps family firms identify the nature of their ownership changes and the advantages that can be harnessed to develop family business ownership activities and sustain this across generations. Research in the field has determined that only a small number of family businesses survive to the third generation (Sharma, 2004), and so a contribution of this nature is of practical value to new and emerging family firms. A noteworthy contribution of the present dissertation is that all empirical results are obtained

through the use of specific methods developed for this study. By using this methodology, it was possible to reveal the problems that arise when investigating the effects of ownership changes on portfolio development. This study has also contributed to the development of an understanding of the family business. Findings from research can provide this development: the findings of this study anticipate a better understanding of ownership changes in family firms and their influence on portfolio development within the business. It can also raise awareness among academics and institutions about family firms as a discipline and area of interest.

This dissertation draws a picture of changes in family ownership and their effect on family businesses. The research problem was presented in the form of the research question:

- ***How do families use ownership in family businesses?***

This study revealed a number of observations through two different case firms. Analyses within the cases identified the ownership changes in the family businesses that affected the family business and stimulated portfolio development across generations. The main findings of these analyses culminated in the proposed conceptual relationships that form the core discussion of this chapter. The overall findings of this study, along with the propositions developed, are illustrated by the conceptual framework in Figure 21. It presents a theoretical model, interpreted from the data that identifies how ownership changes are composed of three drivers: family, business, and individual. These drivers emerge based on various forces identified in Chapter 3, and are directly or indirectly related to changes in family business ownership. This relationship is the driver behind portfolio formation.

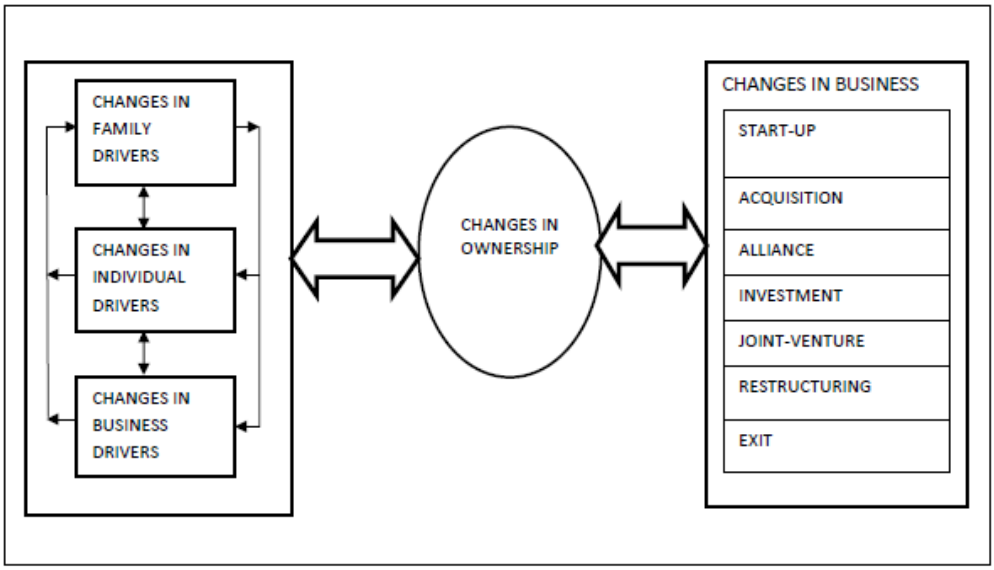

Figure 21. *Conceptual relationships in ownership changes*

The focus of the model is on ownership changes in the family business system based on three drivers: family, individual, and business. Changes in one driver may cause changes in the others, which leads to shifts in family ownership and business ownership. Business performance grows more complicated, shaping the business towards a portfolio business that includes both core family business and individual business elements. The companies owned in the portfolio can be interrelated, and they may be evaluated in terms other than merely financial ones. The general goal of research based on this model is to identify family, individual, and business drivers and their inter-relationship. The model presents ownership as a dynamic element that is used as a tool for developing business portfolios.

The influence of these drivers and their effect on ownership changes provides a clear theoretical frame for assessing the impact of ownership changes on business portfolio development. The main unit of analysis in this study was the family business system, within which there are subunits: the family, the business, and the individual. From the case findings, some major propositions can be drawn, and these propositions are discussed in the following four sections:

- Family business is an open system
- Family business is changing constantly
- Owners use ownership as a tool
- Owners play different roles in a family business
- Several ownership roles exist in different businesses
- Business develops through a portfolio structure
- Research requires a longitudinal point of view

7.1.1 Family business is an open system

Even though a family business is regarded as the main issue to focus on in research on family businesses, the family business does not necessarily form the only possible core of the relevant system setting. Family business is also a subsystem of larger systems, for example business and socio-cultural systems. This, along with the notions in the case presented, offers a basis for critically reconsidering the hierarchical order of the entities present in family business system models. This may eventually have implications for the theoretical interpretations of family businesses.

As an open system, the family business system is in constant interaction with its environment through each subsystem, such as businesses and family members. Through this dynamism, the family business system grows both in size and complexity. On the one hand, the analysis shows that the family running the business system keeps changing constantly as family relations and the business changes. On the other hand, the family members are also entrepreneurs who make individual decisions on the allocation of their entrepreneurial spirit and ownership. This leads to a new type of systems thinking in family business research. The system includes the family on a collective level, conducting business and securing continuity. Family businesses are possible even when the family and family members own several companies, which may differ from each other very drastically. The system is built of smaller pieces, such as the individual businesses owned either together by the family or individual family members. Furthermore, the businesses require their special maintenance and management, which has implications at the family level and for individual family members. This notion also has implications for the notion of familiness. Family business-specific resources stem not only from a definite “family business”, but also from the outside that

business, from the collective family system, and from independent individual actions and resources. This implies that ownership exhibits the characteristics of an open system.

Subsequently, the phenomenon of family business development contains both collective and individual reasoning and decisions concerning the control of and responsibilities for businesses. Ownership is often defined and treated as a relationship between the owner and the object. A contextual view of ownership builds on the idea that ownership is concerned with human beings and ownable objects within an environment, that is, in a context, and furthermore, that the fundamental character of ownership is the power–influence position it gives to the owner in the social–material context. This study suggests that ownership should be included in the models as a more dynamic and guiding element directing the development of the family business system than has been understood so far.

7.1.2 Ownership is a dynamic element and used as a tool

Ownership matters to business success and is particularly vital for family businesses for different reasons. First, family firms may have different goals than publicly owned companies, in that non-performance-oriented goals, such as employment for family members, may take precedence over the goals of growth and profitability (Chua, Chrisman, and Steier, 2003). Second, compared to non-family firms, family businesses have a greater potential for long-term conflict among the actors involved (Morris et al., 1997). Finally, the process of ownership succession is far more important for family firms than non-family businesses because of a stronger link to firm survival (Robinson and Gupta, 1996). Changes in ownership take place least often in family business, but usually these changes are dramatic. Different generations of owners exhibit different interests, management styles, and objectives. Each generation of leadership brings to the business new strategic ideas that build on underlying, long-held competencies developed for earlier strategies (Ward, 1997). Based on the empirical study presented here, the answers and findings regarding family business ownership show that owners use their ownership in a dynamic way that shapes family business portfolios and supports business development. It is evident that ownership is a dynamic element in a family business including several layers important to take into account in research. In this case, it also possible that family ownership creates value for all of the firm's shareholders as well as for the family. Ownership is in constant interaction with the material and social environment, and there a several stages in the life cycle of single ownership relationships. Ownership changes can be used in the development of the business, developing relationships between

family members, or providing family members with the ability to carry out their individual ventures. The creation of an ownership relationship also often entails an exit plan. Therefore, it is appropriate to claim that there is a need for further research on the concept of ownership.

7.1.3 Family business develops through portfolio business

There is a positive relationship between ownership changes and portfolio development in family-controlled businesses. In this study, portfolio formation was possible to recognize and understand on the basis of the longitudinal empirical research. Evidence from existing portfolio business studies offers only limited insight into the motivations and processes associated with portfolio entrepreneurship, especially in family businesses. It is likely that portfolio ownership – as a complex and dynamic process – takes different forms and performs different functions for entrepreneurs in different circumstances and contexts (Carter and Ram, 2003). Research should also focus on evolution of the process, developments in the family and the business. In this study, family members acted as portfolio entrepreneurs inside the family by expanding the original business while at the same time establishing entirely new businesses with other family members or joint businesses with non-family members. Family members may be interested in continuing the family business in some other sector, for example an industry more familiar to the successor because of his or her interests. In such cases, the same family may own several firms in several industries. Family members are owners of the original family business and also investors in the new businesses.

7.1.4 Significance of research methodology

The contribution of this study was examining ownership of family businesses over the long run. Novel value is additionally found in the research method, since few qualitative longitudinal studies of ownership have been conducted, and family business ownership has not been examined from this viewpoint before. The lack of research on portfolios in family business strongly supports the use of a qualitative methodology (Cruz and al., 2008; Carter and Ram, 2004; Rosa and Scott, 1999). Qualitative studies make it possible to investigate not only experiences of the past but also prospects for the future. Qualitative studies enable exploration of causality and generation and testing of theory. Even though there are several challenges to conducting case research – it is time consuming, there is a need for skilled interviewers, it results in a limited set of cases, and questions exist regarding its rigor as research method – the results of such case research can have a very high impact.

The small business sector is complex; many quantitative studies rely on combinations of different sources of data to get a better view of the phenomena of multiple ownership. Rosa and Scott (1999) note that even though there are many sources of data in the UK, the problem lies in identifying the owners of larger companies, where ownership details often have to be painstakingly researched. There are policy implications involved in shifting the unit of analysis from the firm to the entrepreneur (Rosa and Scott, 1999). Qualitative studies involving genealogical techniques would be particularly helpful in unravelling the complexities implied by these measures. Qualitative studies from the entrepreneurial point of view could explain better the full hierarchical complexity of multiple ownership and inter-firm linkages. This review revealed only a few longitudinal studies, whereas others were snapshot portrayals of the situation at a given point in time. In family businesses, the development of portfolio takes time. This study suggests that there should be more concentration on longitudinal methodologies to accommodate the dimension of time.

7.2 Discussion

The scope of research provides information on what type of data was gathered and how, while the limitations of the research provide information on what data was not gathered and why not. The scope of this study was to investigate longitudinal ownership changes in a family business context. Collecting data of the type used in this study is a time-consuming process, and business owners are often reluctant to share information about their ownership and business operations. The generalizability of the findings is limited by the sample selected, which was only two family businesses representing the entire population of family businesses. On a philosophical note and as with any investigation, the researcher's own inclinations may have influenced the research process and outcomes.

7.2.1 Implications for policy and practice

If family firms intend on maintaining ownership of their business and remaining successful across generations, they need to recognize the criteria of their ownership changes and understand how these changes influence their business. This study has a few implications to consider: first, more in-depth case studies are needed to uncover the connection between the family, business ownership, and business. The dynamic interaction between these elements seems far more significant than the mere succession process. On the other hand, this

would imply some reconsideration of the meaning of family business. It seems that the definition of family business faces another challenge: how can cases of multiple family ownership be taken into account? It could be stated that the actual portfolio structure has been created to enable the participation of each family member in the business. It also seems that the role of ownership as the mediator between family business and entrepreneurship is evident. This is likely to further increase the significance of family businesses, should the family's ability to engage in portfolio entrepreneurship prove more general than expected. Thirdly, to be able to study the generality of the phenomenon at hand, it is necessary to develop research methods for quantitative research. This necessitates building a model and recognizing the basic elements in family business portfolio ownership.

Finally, this case illustrates the inadequacy of the concept of succession focused on a single ownership transfer in capturing the whole rationality of that process. Even if not legally involved, other family members and other family businesses have an influence on the outcome. Ownership opens both new challenges and new opportunities. The challenges at this stage are directed more at research: new understanding, new methods, and new theory building are obviously needed. The opportunities are hopefully managerial in nature. As demonstrated in the main case, instead of a single instant of succession, transfer of ownership, knowledge, and responsibility took place over a long process. Research on succession hangs very much on the idea of a single business and a single succession process, in which several actions take place in a short period and where less time is used for learning and spreading risk. This case seems to suggest that perhaps succession should be freed from the shackles of single-company ownership. Perhaps families should operate with the property in such manner as the family members and passing on would require and treat ownership as a dynamic and manageable state of being "the tail should not be waving the dog".

From this perspective, the issue of the family business portfolio stimulates an interesting theoretical question: how does the family manage the portfolio? How do the family members take part in ownership, work, responsibility, and development of the businesses? It is likely that the family can exploit business resources flexibly within the portfolio, and that the start-up of new businesses is easier, as start-up experience has accumulated within the family and been transferred as a tacit knowledge, among other advantages. If we study companies one by one, they do not look like family businesses but normal owner–manager-type companies. This interpretation might not be valid, since we

know that during their history, changes in business strategy, business structure, and ownership structure have been dictated by the family members' relationships more than the companies' inner logics. On the other hand, if we assume the business family as the level of analysis, we are more likely to understand the nature of the collective owner, but we may miss the business side of the enterprise. Finally, if our perspective were portfolio entrepreneurship, it would allow us to study the case as a collective family case. The perspective should enable us to combine these three levels of analysis into a simultaneous description. Individual decision-making is, naturally, possible within this structure. However, it is likely that a large part of the decision-making takes the other businesses and persons into account, even if it is not totally carried out in a collective manner.

7.2.2 Limitations and suggestions for further research

The study indicates that research on ownership changes in the context of family portfolio business gives a fruitful picture of those changes and opens several new research perspectives. This study raised several questions that need to be answered but that were not possible to answer within the framework of this dissertation. One positive aspect of this is that it generates ideas for future research. A few of these directions for future research that would be worthwhile to explore include:

- ownership complexity
- entrepreneurship
- portfolio business strategies
- approaches to business risk
- long-term development

The complexity of family involvement and ownership as well as non-family members' involvement in and ownership of family businesses creates tensions. To better understand the role of ownership in business and the dynamics of ownership, researchers could investigate different system theories to grasp how internal and external issues affect business development.

The distinction between businesses operated by an individual and by a collective has long been fuzzy. Research on family businesses has traditionally dealt with the problem by

simply defining the target of research as being collectively operated if the characteristics of a family business are met. Similarly, as there are individuals and collectives as actors in family businesses, the theoretical framework should consider that state of being as well. In this study, owners from different generations played different roles, and some were in different roles at the same time. They were founders, shareholders, investors, successors, managers, board members, and family members. Family members are entrepreneurs who make individual decisions on the allocation of their entrepreneurial spirit and ownership.

Moreover, future research could explore and compare more broadly the impact ownership groups and financial diversifications have on reducing family risk. Achieving economies of scope, entering into new business units, or simply sharing fixed resources for new related or unrelated activities can be accomplished either by investing in new businesses that contribute financial resources and/or new capabilities or simply either with the family core. In general, further studies should test to what extent the propositions that emerged in this study can be generalized to the population of families in business, particularly those in control of a portfolio business.

In the future, it would also be important to concentrate on methodology and the development of appropriate research propositions. This qualitative study encourages the prospect of studying the phenomenon quantitatively in the future. The concepts of family business and entrepreneurial behaviour have an interesting relationship: in some ways they are closely related, and in others in stark contrast to each other. Capturing the complex interaction between different elements (individual, family, and business) and addressing each element equally is important in developing an appropriate unit of analysis.

A limitation of the current study is that it has only considered two family businesses. Family firms do not constitute a homogeneous population; there are several types of family firms, and more research is needed to compare these different types. Comparing ownership and its role as well as investigating differences and similarities among businesses owned exclusively by family members with regard to the role and different types of ownership would be necessary. The study can also provide a basis for replication in other contexts, to examine whether changes in ownership have a similar effect across national boundaries. Clearly, further research is required to address these limitations.

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