An Examination of Strategy Development Processes in Family Firms in the South East of Ireland

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Abstract

Strategy Development Processes in Family Firms in the South East of Ireland
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The purpose of this study is to examine the process of strategy development in family firms. The study will apply the generic model developed by Hart & Banbury (1994) of strategy development with some modifications and a modified version of the questionnaire developed by Bailey Johnson and Daniels (2000).

The study evolved from the identification of gaps and deficiencies in the literature in this area. The aim of this research is to review strategy development processes in family firms. To examine this a literature review is conducted. This examination discusses the definition of the family business. Next, an examination of strategy theory is conducted, by performing a thorough analysis of the development of strategy processes.

The theoretical foundation of the study influenced the formation of the research hypothesis and sub hypotheses posed. To test the hypotheses formulated, an electronic survey was conducted and the quantitative data analysed. The unit of analysis was family business operating in the South East region of Ireland. The questionnaire-based survey is applied to a sample of 1,400 businesses in the South East area Ireland. A total of 226 valid responses were received, of which 112 were family firms, which resulted in a valid response rate of 16.2% for the electronic survey conducted.

The major finding of this study is that strategy development in family firms encompasses both family and business objectives and is leader driven. The strategy development process in family firms was found not to differ, except where the influence of the leader is concerned, but family definition age and size are relevant factors that should be considered. The leader is influential in family firms. However this influence in turn affects the other six perspectives. Thus the leader's influence in the whole process is ever present.

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Chapter 1:

Introduction

1.1 Introduction

This chapter sets out the research problem and the research questions of this study. The background to, and the justification for, the research is presented. The research methodology used to investigate the study is outlined. This chapter concludes with the delimitations of scope of this study.

1.2 Background to the Research

This study focuses on the strategy development processes of family owned firms. There is a considerable amount of research into strategy, mainly focusing on larger businesses (Collis & Montgomery, 2004; Porter, 1987; Ventrakaman, 1985; Anderson, 1984). However research on the strategy planning practices of family firms is sparse (Klein, 2006; Rue & Ibrahim, 1996; Wortman, 1994). It is well recognised that the complexities associated with managing a family business are not entirely addressed by classical management theory (Zahra, 2003). Family business literature argues that the complexities unique to family firms influence their decision making (Alderson, 2009; Tagiuri & Davis, 1996). Because of the paucity of research into the strategy development processes of family firms, little is known about what influences their managerial practices. Family firms have unique characteristics. For instance, research shows that family firms objectives are different, they pursue other than merely financial goals, (Astrachan & Jaskiewicz, 2008) are value-driven (Lief & Ward, 2004; Olson et al., 2003), can rely on networks and long-term relationships fostering trust and altruism, (Tracey, & Phillips, 2006) and frequently have a long-term perspective (Le Breton-Miller & Miller, 2006). These characteristics shape family business strategy. This thesis focuses on the strategy developments implications of these distinct characteristics.

1.3 Research Aim

The research aim addressed in this study was:

Strategy Development Processes in Family Firms.

I conclude that the strategy development processes in family firms is different due to the overlap of family and business interests, and therefore the role of the leader, one individual or family group, is more influential because of more centralised decision making. Additionally strategy development processes cannot be the only criteria for analysis, family definition, size and age should also be incorporated as units of consideration.

The research aim was investigated by focussing on the following 7 questions:

- Is the strategy leader more influential in family firms?
- Do family firms make less use of strategy planning?
- Are family firms more likely to adopt logical incrementalism strategy formation processes?
- Is the political view of strategy development less prevalent in family firms?
- Are cultural processes influential in strategy development in family firms?
- The environment impacts on strategy development in family firms?
- Do family firms engage more in the resource allocation process?

1.4 Justification for the Research

The vast majority of businesses in the world are owned or controlled by families. As many as 80 / 95% of all businesses in the United States are family owned or controlled (Astrachan & Shanker, 2003; Ward, 1987). There are 20.5 million enterprises in the European Union, of which 17 million are owner-managed or family enterprises. These 17 million family firms provide employment for 100 million people, almost 80 percent of employment in Europe, out of a total of 122 million people employed (Riehle, 2003).

There are approximately 200,000 Irish family businesses and it is estimated that between 40 – 50 percent of the private sector workforce are employed in family owned businesses (Smiddy, 2002; Hickie, 1995). Despite this, very few studies on family business have been conducted in Ireland. In the South East region of Ireland where the author resides no studies, that the author is aware of, exist for family enterprises. Out of a total of 63,584 enterprises in the South East region 28,307 are family owned (CSO, 2005). Therefore because of their dominance in the Irish enterprise structure, and the fact that the European economy, and therefore the Irish economy, depends greatly on the performance of family firms, this study adapted the unit of analysis as family firms predominantly within the small to medium enterprises (SME) sector in the South East region of Ireland. Butler of The Small Firms Association in Ireland (2002) states that the majority of small and medium size enterprises in Ireland are comprised of family businesses. Given the appropriate fiscal and social conditions family firms could provide an even greater contribution to the Irish and European economy (Birdthistle, 2007).

The reason why the strategy development processes of family firms in the South East Region of Ireland was chosen was: Eighty percent of all indigenous firms in Ireland are family firms

(Mac Feely, O'Brien, 2008). A historical bias exists towards the research of the strategy development processes of large businesses (Bower, 2005; Bailey, Johnson & Daniels, 2000). Lastly in the South East region of Ireland there are more family enterprises than in the midlands or western regions (Central Statistics Office, 2005). Out of a total of 63,584 enterprises in the South East 28,307 are family owned, compared to the border midlands and western region where out of 20,404 enterprises 10,620 are family owned.

This study focuses on family firms for three reasons: Firstly, there is concern about the lack of planning in family firms (Ward, 1997; Mintzberg, 1994; Fiegener, 1990). Secondly, compared to non-family firms, family firms are lacking in performance and growth (Daily & Dollinger, 1992; Maury, 2006). Thirdly, very few studies on family business have been conducted in Ireland even though there are approximately 200,000 Irish family businesses (Mac Feely & O'Brien, 2008; Birdthistle & Fleming, 2008; Smiddy, 2002). Therefore family firms are important contributors to the Irish and European economies. Family firms are different because they have unique complexities, issues and problems that non-family owned firms do not encounter. Davis & Tagiuri (1982) suggest that family firms have unique inherent attributes derived directly from the overlap of family, ownership and management status. These attributes include simultaneous roles, shared identity, a lifelong common history, emotional involvement, a private language, mutual awareness and privacy. Family businesses behave differently and often have different objectives to non-family firms, because of these attributes. Their objectives are not always economically driven; they often care more about providing jobs for family members, maintaining or enhancing the lifestyle of the owners and having a sense of pride in the organisation's job creation in the community (Westhead & Cowling, 1997). The pursuit of such non-financial objectives may potentially impede the performance of the firm.

The decision making process in family firms tends to be more centralised; Ward found that family-firm founders exhibit stronger requirements for control. Founders are less likely to delegate power, and family firms tend to be centralised and controlled by the founder's beliefs (Ward, 1997; Kets de Vries, 1996; Tagiuri & Davis, 1992). Planning is sparse in family firms and succession planning is avoided (Upton, 2001). In a family firm, the family's values become the firm's cultural values. An inimitable culture can be a resource which leads to sustained competitive advantage (Barney, 2001). Family firm members are easier to coordinate and are more adaptable when conditions change because of their tacit knowledge of each other and of the firm (Ram & Holiday, 1993).

In this study, family firms are viewed as a subgroup with distinct characteristics and attributes. In this way, family firm owner-managers are seen as a kind of occupational grouping. Outlining the effect these distinct characteristics may have on the decision making process could be a step further in understanding the family firm.

The model used is an amended version of Hart & Banbury's (1994) model. Five of the 7 dimensions researched are related closely to Hart et al.,'s (Hart & Banbury 1994) five dimensions of strategy development, labelled: command, rational, transactive, generative and symbolic. These correspond most closely to the command, planning, incremental, political and cultural dimensions in the model amended and used for this study.

1.5 Methodology

In order to examine the 7 research questions outlined in Section 1.3, a primarily quantitative research design was adopted. This quantitative approach was preceded by qualitative research which gave an insight and understanding into the subject area and helped to embody

the concept of the whole study. The findings from this approach were drawn together to develop the study's overall conclusions.

1.5.1 Qualitative Data Analysis

Four key personnel in active positions in family firms and two influential stakeholders were selected to enable a more in-depth understanding of the uniqueness of family firms before the quantitative study was undertaken. This qualitative research served to help the researcher in gaining an understanding of the unique dynamics and characteristics that cannot be quantified in family firms.

1.5.2 Quantitative Data Analysis

The data used for the quantitative analysis was obtained from questionnaires distributed to businesses in the South East of Ireland, using the South East Chamber of Commerce databases. The questionnaire was an adaptation of Bailey, Johnson and Daniels (2000) questionnaire, which was pre-tested, piloted, distributed and analysed by the software package SPSS.

1.6 Outline of the Thesis

The thesis comprises six chapters, inclusive of this chapter.

In Chapter 2, Literature Review; the literature, on strategy development processes in family businesses is reviewed. The purpose of the literature review is to summarise previous research on family owned businesses and strategy, with an emphasis on the issues pertinent to the strategy development processes of family firms. The review was used to focus on the strategy development processes, from which the study's research questions were developed.

In Chapter 3, Methodology; justification for the study's research paradigm and the research method design is given, followed by a discussion of the research procedures employed.

Chapter 4, Presentation of Findings; presents the findings of the quantitative analysis. The hypotheses related to the research questions are presented for family firms.

Chapter 5, Discussion; is an in-depth analysis of the influences on the strategy development processes of family firms.

Chapter 6, Conclusions and Recommendations; presents the contributions made by this study to the body of knowledge on family firms and strategy literature. The implications of the findings for theory, policy and practice are discussed. Recommendations are presented. The chapter concludes with a discussion of the limitations of the quantitative analysis and the implications for future research.

1.7 Definitions

Research studies are often for comparative purposes to aid in the learning process. A key challenge in this regard is often the definitions used in the studies, as comparisons are hard to achieve when differing meanings exist. To aid in this regard the definitions used in this study are outlined in more detail in chapter 2.

1.7.1 Family Firms

It is reasonable to demand that family business researchers define the family business, the object of research, before proceeding with their research. Ideally, all researchers should start with a common definition and distinguish particular types of family businesses through a hierarchical system of classification consistent with that definition (Sharma & Chrisman, 1999). Over two decades ago, Handler (1989) identified the issue of defining the term 'family business' to be one of the major challenges facing family business researchers.

Despite the research conducted since then, the definition of a family business remains one of the key challenges in family business research where a single agreed upon definition remains elusive (Astrachan; Klein & Smyrnios, 2002; Westhead & Cowling, 1997). Unfortunately, traditional definitions of family businesses have been operational in nature and fragmented, with each focusing on some combination of the components of a family's involvement in the business: ownership, governance, management, and transgenerational succession (Chua, Chrisman, & Sharma, 1999). Researchers have had problems making these components precise and it is not readily apparent how they could or should be reconciled. Importantly, these definitions lack a theoretical basis for explaining why and how the components matter, or in other words, why family involvement in a business leads to behaviours and outcomes that might be expected to differ from non-family firms in nontrivial ways. The observation that firms with the same extent of family involvement may or may not consider themselves family firms, and that their views may change over time, has prompted some scholars to define the family business theoretically by its essence: An important philosophical difference between the two approaches to defining the family firm appears to be the implicit sufficiency conditions. The components-of involvement approach is based implicitly on the belief that family involvement is sufficient to make a firm a family business. The essence approach, on

the other hand, is based on the belief that family involvement is only a necessary condition; family involvement must be directed toward behaviours that produce certain distinctiveness before it can be considered a family firm. Thus, two firms with the same extent of family involvement may not both be family businesses if either lacks the intention, vision, familiness, and/or behaviour that constitute the essence of a family business (Chua et al., 1999).

A family firm is one that combines family issues and business issues. Many different models were explored but it was decided to use the Central Statistics variable for this study, which is: simply ask the respondent if they consider themselves to be a family firm, thus using the essence model. It was felt that this model was best suited to the target audience, which was predominantly small to medium sized enterprises.

1.7.2 Strategy

"We simply don't know what strategy is or how we can develop a good strategy" (Markides, 2000) "Consultants and theorists that compete for giving advice to companies cannot even agree on the most basic question: what is strategy?" (The Economist, March 20, 1993)

Strategy, a word of military origin, refers to a plan of action designed to achieve a particular goal. In military usage strategy is distinct from tactics, which are concerned with the conduct of an engagement, while strategy is concerned with how different engagements are linked. How a battle is fought is a matter of tactics: the terms and conditions that it is fought on and whether it should be fought at all is a matter of strategy (Chilcoat, 1995). Johnson and Scholes (2002) describe strategy as the direction and scope of an organisation over the long-

term. Mintzberg (1996) argues that human nature insists on a definition for every concept. The field of strategic management cannot afford to rely on a single definition of strategy, indeed the word has long been used implicitly in different ways even if it has traditionally been defined formally in only one. Explicit recognition of multiple definitions can help practitioners and researchers alike to manoeuvre through this difficult field. Accordingly Mintzberg (1998) presents five definitions of strategy as, plan, ploy, pattern, position and perspective- the five P's. Strategy can be intended or emergent according to Mintzberg. Intended or deliberate, where intentions that existed previously were realised. Emergent strategies, where patterns develop in the absence of intentions, or despite them (Mintzberg, 1985)

1. 8 Delimitations of Scope

This study's encouraging results should be interpreted with caution in view of the study's potential limitations. The generalisability of the findings is limited by the sample selected, the response rate, the methodology and the definitions used.

This study focuses on family businesses predominantly in the SME sector rather than on large or all family businesses for three reasons. Firstly the majority of SMEs in Ireland are comprised of family businesses (Butler, Small Firms Association, 2002). Secondly, small firms accounted for more than half (52%) of the total turnover in the services sector alone, in Ireland in 2004. The vast majority of family businesses employed less than 10 people (CSO, 2004). Thirdly, because of a historical bias towards the research of strategy development in large businesses (Bailey, Johnson & Daniels, 2000; Bower, 2005). The sample used was

taken from a set of family and non-family firms representing the SME population in the South East of Ireland.

While the results of the quantitative research were reassuring, it would have been ideal to collect data from multiple sources, such as from members of management in several businesses and family members, also from non-family employees and/or multiple members of the Board of Directors. Unfortunately time was limited by management and businesses were not prepared to afford the amount of time necessary to achieve this; therefore interviews were limited and only served to create an understanding of the subject. These limitations notwithstanding, the results have several implications for effective managerial practice and future theory development. The response rate could be a limitation as it is difficult to know anything about the strategy development processes of those who did not respond, thus the generalisabililty of results may be weak. Statistics used on businesses in Ireland was collated from the CSO website and the most up to date information available was the 2007 report which covered data from 2004. Unfortunately the businesses have undergone a lot of change and upheaval since then.

As was described in the literature, there are differing views on what strategy is, the word has long been used implicitly in different ways, or how it is developed. Some of those views have been investigated but there may be others. The definition of a family business remains one of the key challenges in family business research where a single, agreed upon definition remains elusive. A researcher drawn to the idealistic viewpoint of the world may even question if one interprets the words in the same way, how could one make a comparison if there are different interpretations of the phenomena? However, this research is based on the

assumption that there is such a thing as a common language and that the words mean something similar to all people.

On a philosophical note and as with any investigation, the researcher's own inclinations may have influenced the research process and outcomes. While the empirical investigation approach may reflect the researcher's bias it was felt that the study fulfils its objectives as an explanatory research study into strategy development of family firms in Ireland within the framework of the theory of the strategy development processes.

1.9 Conclusion

This chapter has presented the nature and the framework of the research reported in this thesis. The background to, and the justification for, the research were presented: how does family involvement directly and indirectly influence the strategy development processes of businesses in the south east of Ireland. A primarily quantitative method of research design was employed to examine 7 research issues. Based on this foundation, the next chapter reviews the strategy development literature as it relates to family businesses, from which the study's 7 research issues were developed.

Chapter 2:

Literature Review

2.1 Introduction

The core aim of this literature is to review strategy development processes in family firms. The special characteristics of family firms could be the reason they have different strategic management behaviours to those of non-family firms. This study provides a review of important trends in the strategic management approach to studying family firms: and managerial behaviour, accumulating evidence that family involvement may affect the strategy development process.

There are numerous models for developing strategy including probably the most famous of all, the five forces model by Porter (Porter, 1980). The Ansoff Matrix is a marketing tool that was first published in the Harvard Business Review in an article called 'Strategies for Diversification' (1957). Models were also developed by Whittington (1977) and Mintzberg et al (1998) identifies with two sorts of strategy – deliberate and emergent. This study will use a modified version of the model developed and tested by Bailey, Johnson & Daniels (2000). These authors propose a model of six dimensions: command, planning, incremental, political, cultural and enforced choice. The model is modified to include a 7th dimension, resource allocation. This model was selected to give a more comprehensive analysis of strategy development processes.

The literature review will address the problem of family firm definition, the importance of family firms in the overall business context, the distinctiveness of family firms, why their objectives are different, the importance of survival, strategy, and strategy development processes in family firms.

2.2 Family Firm Definition

A first issue that any family business study must address is the question 'what is a family business?' There is no universal agreement on the characteristics that define a family business (Handler, 1989). Some have used the level of equity held by a single family as the criterion (Landsberg et al. 1988) whereas other criteria have ranged from family in the management structure (Kepner, 1983) to multi-criteria definitions (Smyrnios et al., 1997). Litz (1995) proposed a categorisation of family business which defined a'pure' family business as being family managed and family owned. Over two decades ago, Handler (1989) identified the issue of defining the term 'family business' to be one of the major challenges facing family business researchers. Despite the research conducted since then, the definition of a family business remains one of the key challenges in family business research where a single, agreed upon definition remains elusive (Astrachan; Klein & Smyrnios, 2002; Westhead & Cowling, 1997), for example based upon an extensive review of the family business literature, some definitions solely used one characteristic while others used a combination; however Chua et al.,(1999) found that there was total agreement that a business owned and managed by a nuclear family is a family business.

A problem when comparing family business research studies is the numerous definitions used by authors and researchers. In Welsch's (1991) comparison of these works, he acknowledges the wide variation of family firm definitions. The importance of establishing clear definitions of family firms cannot be denied as these will assist in building a cumulative body of knowledge. Numerous attempts have been made to articulate conceptual and operational definitions of family firms. Traditional definitions of family firms have been operational in nature. The focus of most of these efforts has been on defining family firms so that they can be distinguished from non-family firms. The main schools of thought focus on either

ownership criteria or on management variables. According to Romano et al., (2000) family firms are those fulfilling any of the following requirements: at least 50 per cent of ownership is in the hands of the family; the family maintains control of the business; an important part of management positions are occupied by family. Sharma et al., (1997) believe that family firms should meet with these conditions: ownership and control of the business in the hands of the family; influence of family in management decisions; intention of transmitting the business to the next generation of family members.

Unfortunately, these traditional definitions of family firms have been fragmented, with each focusing on some combination of the components of a family's involvement in the business: ownership, governance, management, and transgenerational succession (Chua, Chrisman, & Sharma, 1999). Researchers have had problems making these components precise and it is not readily apparent how they could or should be reconciled. Importantly, these definitions lack a theoretical basis for explaining why and how the components matter, or in other words, why family involvement in a business leads to behaviours and outcomes that might be expected to differ from nonfamily firms in nontrivial ways. The components-of involvement approach is based implicitly on the belief that family involvement is sufficient to make a firm a family business. The observation that firms with the same extent of family involvement may or may not consider themselves to be family firms, and that their views may change over time.

The essence approach, on the other hand, is based on the belief that family involvement is only a necessary condition; family involvement must be directed toward behaviours that produce certain distinctiveness before it can be considered a family firm. Thus, two firms

with the same extent of family involvement may not both be family firms if either lacks the intention, vision, familiness, and/or behaviour that constitute the essence of a family business (Chrisman, Chua & Sharma 2005). Results from a study by Chua et al., (1999) suggest that the components of family involvement typically used in operational definitions are weak predictors of intentions and therefore are not always reliable for distinguishing family firms from non-family ones, for example in that study family firms themselves did no better when asked to define their family firm. In interviews conducted with family firm managers, the CEO of a firm with minority public shareholders and managed by a family for three generation denies that it is a family business while another with similar attributes declares itself to be one. Members of the same family who, together fully own and manage the business vehemently argue that theirs is not because they believe that only a business fully owned by the family and without a single non-family worker is a family business. Meanwhile, siblings and in-laws who own and govern but do not manage another insist theirs is. Chua et al., (1999) admits no business can escape some family involvement because even the decisions of a widely held corporation's CEO are influenced sometimes by the spouse and children. Definitions based on the components of family involvement, management, ownerhip, governance and succession, are easy to operationalise but do not capture the intentions of the firm for example the essence approach.

To summarise the question: what is a family business?, continues to be asked because definitions of family business abound in the literature (Desman & Brush, 1991) and definitional ambiguities persist (Upton, Vinton, Seaman, & Moore 1993) What is agreed upon is the family firm is one that combines family issues and business issues but in order to distinguish between two firms with the same level of family involvement when one considers itself a family business and the other does not, there is a need to develop a definition that

captures the essence of the family business and as such may be used to distinguish the family business, in theory, research and practice, form the non-family business. For this reason it was decided in this study to harness the essence approach by using the Central Statistics (C.S.) variable for this study, which is: simply ask the respondent if they consider themselves to be a family firm. Many different models to define a family firm were explored for example the F-PEC model (Astrachan, 2000) which is an operational model built on power, experience and control but it was decided that the C.S. model was best suited to the target audience, which were predominantly small to medium sized enterprises.

It is acknowledged that until agreement can be reached over what constitutes a family business, researchers will find it difficult to build on each other's work and to develop a usable knowledge base (Lansberg et al., 1988).

To explore how family firms differ there is a need to clarify their importance in the broader business dimension and the source of distinctiveness of the field.

2.3 Family Firm Distinctiveness

Not only do researchers continue to disagree over the definition of a family firm but also on the object of research; researchers differ on whether the firm or the family should be the unit of analysis (Chrisman, Chua & Sharma 2005).   Ward (1998) argued that the strategy behaviour of family firms differs "because the family firm must incorporate family issues into its thinking".

Families are made up of people who have a shared history, experience, some degree of emotional bonding, sets of common goals for the future, and whose activities involve group issues as well as individual concerns (Ward 1998). Families can take many different forms. The intact nuclear family is the most familiar, although not the most common anymore in the developed world. Today dual families have become the norm and what is family is not as simple as it seems (Bengtson et al., 2003). Many are reconstituted families with one of the parents widowed or more likely divorced. Such families consist of a new spouse and children from one or both prior unions. The family social system now includes the relatives of current and ex spouses as well as parents in- law, children's' spouses and children, aunts, uncles and cousins. This may be far more complex than the traditional cousin's consortium. The complexity is mediated by degrees of cohesion, adaptability, flexibility, boundaries, shared values, and goals (Carsrud et al. 2009).

Within the body of family business literature, there have been some attempts to categorise such firms, so as to develop typologies. Do different types or groups of family firms exhibit significantly different characteristics and behave differently? Can such a categorisation lead to meaningful implications with regard to family firm management, research and assistance? Gersick et al., (1997) introduced the three circle model consisting of three subsystems; the family, the business and the ownership dimension. Olson et al. (2003) conclude from their household sample study that the effect of the family on the business is greater than the effect of the business on the family. Another family business categorisation has been a focus on generations (Sonfield & Lussier, 2004). Lansberg (1983) has pointed out how family values such as unconditional love and concern often conflict with business values of profitability and efficiency. The special characteristics of family firms could be the reason they have different strategy management behaviours to those of non-family firms.

2.3.1 Objectives of Family Firms

Lansberg (1983) states family firms come in many shapes and forms, ranging from the local "Ma and Pa" store to the huge multinational. In addition, family firms vary widely in their missions and strategies and in the markets in which they operate. Despite this diversity, however, one undeniable fact holds true for all family firms: these organisations exist on the boundaries of two qualitatively different social institutions, the family and the business. Each institution defines social relations in terms of a unique set of values, norms, and principles; each has its own distinct rules of conduct. These institutional differences between family and business stem primarily from the fact that each exists in society for fundamentally different reasons. The family's primary social function, on the one hand, is to assure the care and nurturance of its members. Thus social relations in the family are structured to satisfy family members' various developmental needs. The fundamental raison d'etre of the business, on the other hand, is the generation of goods and services through organised task behaviour. As a result, social relations in the firm are, on the whole, guided by norms and principles that facilitate the productive process (Kepner, 1983).

Irrespective of the conceptual perspective, individualistic or collectivistic (Braun 2006), the social influence of networks or organisations on goal preferences is enormous. The prioritising of objectives by family firm owners is likely to differ from that of the owners of non-family firms. A distinctive feature of family firms is that the goals underlying their decisions and actions are largely determined by the family and its agenda. In fact, this high degree of family influence in a company's decisions and actions, i.e. in the setting of major objectives, is the crucial characteristic stressed by many scholars in the field in order to distinguish family firms from other forms of business (Chua et al., 2003: Klein, 2000). It is often argued that in terms of overall goals family firms are usually confronted with an area of

conflict in aligning family goals on the one hand and firm goals on the other (Sharma et al. 1997). Therefore, the firm's total value for the family owner cannot only be assessed by its financial value, but also includes aspects of emotional value (Zellweger & Astrachan, 2008). Chua et al., (2003) states that family firm's specific structure implies a close nexus of the family firm's objectives and the family's very own goals (Chua et al., 2003). The owner of a family firm develops emotional bonds to his own business due to his personal involvement. He feels highly attached and has socio-emotional goals that are independent of the financial value of the firm and cannot be expressed in monetary terms (Zellweger & Astrachan, 2008).

In the general area of tension between family and firm, overall goals of the entire system have an important role since they determine the relationship between the two subsystems. Overall goals clarify where the family firm and hence the family as well as the firm are heading and provide a guideline for action. When family and firm related interests are integrated into overall goals, family firms might represent a unique system that manages to satisfy family needs best while not neglecting business needs (Basco & Pérez Rodríguez 2009). Ward (1987) proposes a three-stage development model of the family business. In the first stage, the needs of the business and the family are consistent; the owner-manager makes all decisions. In the second stage, the owner-manager remains in control, but the growth and development of the family's children are of primary importance to the family. As a consequence, the goals of the family firm are likely to change, reflecting the greater importance of finding a place and securing a future for sons and daughters. In the last stage, business and family needs can come into conflict. The business can become stagnant, in need of regeneration; the owner-manager can become bored or retire; and maintenance of family harmony can become the primary family goal.

McCann (2001) is of the opinion that the basic firm goals are more important than family goals, contrary to this Lee and Rogoff (1996) allege that the concatenation of family and firm goals leads to an often unintentional dominant position of the family's primary interests. Very often family goals, e.g. dictated by traditions or the aim for reputation, determine the firm's fate even though decisions taken seem suboptimal from an economic-rational perspective (Iliou 2004). Dyer and Whetten (2006) argue that in particular the image portrayed to the outside seems to be a vital objective of the family.

Above all these rather personal goals, there is one commanding objective of the family: To ensure the firm's survival. It is said that in family firms a long-term orientation is adopted, which also implies that short-term objectives, such as shareholder value, are typically given less attention (McCann et al., 2001) (Miller et al., 2008).

2.3.2 Importance of Family Firms

The economic landscape of most nations remains dominated by family firms (Astrachan & Shanker, 2003; Morck & Yeung, 2004). Several studies in many western developed economies have concluded that family firms account for over two-thirds of all businesses (Cromie, Stephenson & Montieth, 1995; Donckels & Frohlich, 1991; Kirchhoff, 1987). Family firms make a major contribution to wealth creation, job generation, and competitiveness. To encourage competitiveness, wealth creation, and job generation, policy makers would like to know whether family firms perform better or worse than non-family firms. In some instances, policy makers may consider that it is appropriate to provide special support that will encourage the survival and development of family firms (Westhead & Cowling, 1998).

Family firms are a subject of considerable interest in the United States (Daily & Dollinger, 1993; Reynolds, 1995; Morris; Williams; Allen & Avila, 1997). The issues facing contemporary family firms in the United Kingdom have attracted research attention from sociologists (Ram & Holliday, 1993; Fournier & Lightfoot, 1997). Research on the scale, nature, and economic contributions of contemporary family firm activity remains somewhat sparse in the United Kingdom and elsewhere in Europe, most especially in Ireland (Adendorff, 2005).

In 2004, in Ireland almost half of all small service enterprises were family-owned businesses. These enterprises employed almost 200,000 people and generated turnover in excess of €27 billion. More than one third (36.8%) of large enterprises were also family owned, employing more than one in four (27.1%) people working for large firms in the service sector and generated turnover of over €13 billion. Most particularly in the south and east region of Ireland 63,100 enterprises operate producing a gross turnover of €121,259 million compared to 20,400 units in the Border, Midland and Western region producing a gross turnover of €21,975 million (CSO Report, 2007).

Therefore the survival of family firms to all economies is a significant concern.

2.3.3 Survival in Family Firms

Researchers in the field of family business agree that succession is the most important issue that most family firms face. Succession is so central to the firm's existence that Ward (1987) chooses to define family firms in terms of the potential for succession. Succession in family firms is not simply a single step of handing the baton; it is a multistaged process that exists

over time, beginning before heirs even enter the business. Furthermore, the effectiveness of succession is not limited to whether a president has been designated; the ongoing health of the firm, quality of life, and family dynamics are critical to the success of the succession process (Farquhar, 1989; Handler, 1990; Longenecker & Schoen, 1975). Davis (1986) indicates the importance of ongoing personal skills, family, and organisational development in order for a family firm to progress from an early stage to a later stage in its growth.
Kets de Vries's (1985) study sets forth a fuller picture of the characteristics driving the entrepreneur. He found that these individuals aspire to run their own businesses as a result of a need to control, indicated by serious difficulties with issues of dominance and submission, and suspicion about authority and finally, the entrepreneur's overwhelming desire for applause. Many writers have concluded that it is in the nature of entrepreneurs to have difficulty giving up that which they have created and directed (Churchill & Lewis, 1983; Dyer, 1986; Kets de Vries, 1985; Schein, 1985). Danco (1982) faults the founder for committing "corporeuthanasia," which he defines as the owner's act of wilfully killing off the business he loves by failing to provide in his lifetime for a viable organisation with clear continuity. Danco (1982) believes this disaster occurs because the successful business owner, who had the ability, vision, and guts to build the business from nothing, does not have the courage to face the fact that at some point he must and will be replaced.

In summary, research shows that the leader's sense of immortality and indispensability contributes to problematic successions, particularly at later stages of psychosocial development, as time and retirement pressures are felt. Many have argued that the responsibility for providing for succession lies with the founder or owner (Danco, 1982; Schein, 1983; Levinson, 1974).

2.4 Strategy

A challenging task in most social sciences, for example, is the issue of definitions (Shane & Venkataraman, 2000). Markides (1999) states that there is surprisingly little agreement on what strategy really is, or how a good strategy can be developed. Lucy Kellaway in the Economist (1993) argues that consultants and theorists that compete for giving advice to companies cannot even agree on the most basic question: what is strategy?

The word strategy has long been used implicitly in different ways even if it has traditionally been defined in only one (Mintzberg, 1992). Glueck (1980) identifies strategy as a unified, comprehensive, and integrated plan designed to ensure that the basic objectives of the enterprise are achieved. Eden and Ackermann (1998) view strategy as a coherent set of individual discrete actions in support of a system of goals, and which are supported as a portfolio by a self-sustaining critical mass, or momentum of opinion in an organisation. Chandler (1962) describes strategy as the determinant of the long-term goals of the enterprise. Mintzberg (1994) states strategy is a pattern in a stream of actions over time.

Bernus et al., (2003) argue that strategy is generally related to time-consuming stages of planning, in a hierarchically planned system of objectives as well as goals, and linked to a preferred way of creating a fit among external environment, abilities and internal resources. Strategy is the outcome of combined group actions, a continuing development as well as characteristic in this core moreover should be recognised as the formation of an organisation's future, but not as a category. (ibid, 2003) Schendel (1994) in his writing says that strategic management is basically an interdisciplinary topic where the viewpoint will always shift with new researches and approaches; it is suspect that a single and globally

accepted theory of strategy will ever be established in the field of business (Bernus et al., 2003).

Mintzberg (1999) identified ten schools of thought about strategy formation: Design School, Planning School, Positioning School, Entrepreneurial School, Cognitive School, Learning School, Power School, Cultural School, Environmental School, Configuration School, and argues that these represent different approaches to strategy formation, as well as different stages of the same process. Nevertheless, they all help to gain a better understanding of strategic management as a whole. In his earlier work, Mintzberg (1987) offered five definitions of strategy, namely strategy as the five p's: a consciously and purposefully developed plan; a ploy to outmaneuver a competitor; a pattern in a stream of actions, whether intended or not; a position defined either with respect to a competitor, in the context of a number of competitors, or with respect to markets; and as a perspective, i.e. a certain mindset of how to perceive the world.

Markides (2001) reasons that regarding to the content of strategy, there are two main schools: the view of strategy that emphasises the positioning elements; and the more dynamic view which emphasises outplaying and out-maneuvering competitors. Furthermore Markides (2001) describes that regarding to the process of strategy there is also a lot of disagreement. Can a strategy be planned or does it emerge? Where do we start our analysis? Do we start the process by analyzing the market or by focusing on our existing competencies?

De Wit and Meyer (2004) as well as Davenport et al., (2006), reason that every real-life strategic problem has three dimensions, namely the strategy process, the strategy content, and the strategy context. Gluck et al., (2000) outline three sources of sound strategy

development. First strategic thinking: creative, entrepreneurial, insight into a company, its industry and its environment. Second formal strategic planning: systematic, comprehensive approaches to developing strategies and third opportunistic strategic decision making: effective responses to unexpected opportunities and problems. All three are different approaches and anyone can lead to a good strategy.

Chilcoat (1995) believes the planning and execution of strategy require a paradigm understood by military and civilian leaders alike. The strategy paradigm comprised of "ends, ways and means" which has almost universal applicability, defines objectives, identifies courses of action to achieve them, and provides the resources to support each course of action. The relationships among these elements of strategy allow for planning and the debating of alternative strategy visions, calculations and assessment of risk.

Porter (McCarthy 2000) and Grant (2002) argue that an analytical approach is best for strategy development, while Mintzberg (1993) counters that strategy formation is not about analysis, but about synthesis. Ohmae (1982) and Markides (2001) add that it is creativity, which gives great strategies an extraordinary competitive impact, while Liedtka (2000) favors strategy as design. Eisenhardt and Sull (2001) believe strategy, advantage comes from exploiting resources or stable market positions and from successfully seizing fleeting opportunities.

Chandler and Ansoff (1962 & 1965 respectively) both believe that strategy is a key factor for the competitiveness and profitability of a company. Success in strategy implementation will depend on internal factors (such as the way managers make decisions in the current

environment, the manager him or herself and the human resource capacities). Also on external factors such as the stage of the economic cycle, competition, and demand fluctuations (Thompson & Strickland, 1993). In order to compete, companies deliberately choose the appropriate strategy for their specific environment. After some time, successful firms develop an identifiable and systematic environmental adaptation system (Miles & Snow, 1978).

Despite these disagreements about what a strategy is or how to develop a good one there are certain similarities and shared beliefs. The purpose of strategy is to create sustainable competitive advantages that will lead to profitability and with it competitive advantage (Porter 1979). Strategy decisions are those decisions that border on the long-term thrust and direction of any organisation. Creating a vision, mission and values; developing corporate culture and climate; positioning in the dynamic market; setting corporate direction; reviewing and deciding key corporate resources; deciding implementation mode and processes are all part of the strategy activities or decisions that the board uses in driving or directing the thrust of an organisation's future (Garratt, 1996).

2.4.1 Family Businesses and Business Strategy

In family businesses, the process of formulating and implementing business strategy is influenced by family considerations (Harris et al., 1994). In that sense, Gallo & Sveen (1991) point out that family firms are less inclined towards a global strategy or globalisation due to their reluctance to make structural changes and their strong local orientation. Cohen & Lindberg (1974) find that family firms are introvert rather than extrovert; they stress efficiency instead of searching for new markets. Leenders & Waarts (2003) classify family firms, on the basis of their strategies; either family-oriented or business-oriented. In relation

to strategy in family firms, it is necessary to consider that the personal network of the owner manager is often a decisive resource for formulating and implementing strategy. Entrepreneurs differ in their networking activities according to the competitive strategy pursued by the firm. Furthermore, most family firms appear to follow multiple patterns of strategic behaviour (Ostgaard & Birley, 1994).

Family business researchers point to several unique characteristics of family businesses that allow them to strategically organise their business activities efficiently and effectively. According to Hoffman et al., (2006) the unique characteristic that distinguishes a family business from other businesses is the influence of the family relationships on the business. These relationships are revealed in the following characteristics. First, in family businesses there is a paternalistic relationship between the owners/managers and employees (Bertrand & Schoar, 2006), they have cohesive clan cultures in which employees are hired for the long-run and treated generously (Miller & Le Breton-Miller, 2005). Second, family businesses have unique capabilities which engender trust, inspiration, motivation, and commitment among the workforce. Moreover, there is a strong desire to develop customer relationships and the demonstration of flexibility in decision-making (Tokarczyk et al., 2007). Third, the reputation of family businesses are more trustworthy and experience a lower overall transactions cost (Tagiuri & Davis, 1996). Family businesses are apt to build social relationships and connections, and are known to have the integrity and commitment to keep those relationships (Miller et al., 2009). Finally, families may control their businesses by giving priority to family members in top management and other sensitive positions, and are also selective in their recruitment procedures (Bertrand & Schoar, 2006). This allows family businesses to have lower recruitment and human resource costs, and thus makes them more efficient than other labour-intensive businesses (Levring & Moskowitz, 1993). These

characteristics create a unique and flexible work environment that inspires employees to be motivated, committed and loyal to the business, and focus on the well-being of customers, in order for the business to implement an efficient and effective business strategy.

Strategy implementation is concerned with “making strategy happen” but before strategy can happen, strategy must be developed, involving the different processes of strategy development (Pettigrew, 1977).

2.5 Strategy Development Processes

Strategy formation is judgemental designing, intuitive visioning, and emergent learning; it is about transformation as well as perpetuation; it must involve individual cognition and social interaction, cooperation as well as conflict; it has to include analysing before and programming after as well as negotiating during; and all of this must be in response to what can be a demanding environment (Mintzberg, Ahlstrand & Lampel 1998).

Porter (1996) suggests that the most difficult decisions in strategy development are not deciding what to do, but rather deciding what you are not going to do. Your strategy builds on your understanding of the interdependence and relationship between your core values, your mission, and your vision. Everything you do should be based and identifiable in one or more of these three essentials. Strategy development then leads you into determining your objectives, setting goals, and determining what specific steps you will take to accomplish your goals. Once objectives are determined, they must truly become priorities. All of the firm’s resources should be committed to supporting the determined objectives (Porter 1996)

In order to accomplish successful strategy development, you must begin with "strategic thinking." Strategy development challenges you to think in a different way. One critical element in developing an effective strategy process is getting the right people involved (Rocklin, 1997).

Srategy expert Gary Hamel (2007) looks at strategy as a revolution. He believes that a strict top-down approach to the strategic planning process leads to rigidity and an inability to strategise appropriately within a firm's ever-evolving environment. Successful strategic planners include a breadth of people in their planning processes. Adding a broad range of perspectives into the planning process allows firms to capture the expertise of front-line and implementation-level staff while also capturing crucial competitor and client information from customers and suppliers. Strategic planning should not be a democratic process, but carefully designed participation and periodic input from all levels of company staff is valuable to the planning process.

There are three broad approaches to strategy development, strategic choice, social processes and environmental factors and from these it is possible to discern 7 discrete dimensions of strategy development (Bailey, 2003). In this study these are labelled: command; planning; incrementalism; political; cultural; enforced choice and resource allocation. In this study these 7 dimensions of strategy development have been researched in detail and a model developed. Table 2.1 below summarises the characteristics of these 7 dimensions, and cites studies examining each of the dimensions. These 7 dimensions build upon or are related to other models of strategy development (Bailey, Johnson & Daniels (2000) six dimensions. Most notably, five of the 7 dimensions are related closely to Hart's (Hart & Banbury 1994) five dimensions of strategy development, labelled: command, rational, transactive, generative and symbolic. These correspond most closely to the command, planning, incremental, political and cultural dimensions. However, the

7 dimensions presented here extend Hart's model, which emphasises managerial intention in all aspects of the strategy development process.

Table 2.1. Model developed for this study showing the characteristics of 7 dimensions of strategy development.

Process	Description	Key References
Command	A particular individual is seen to have a high degree of control over the strategy followed; for example the chief executive or a similar figure with institutionalised authority. Less commonly, such influence may relate to the power of a small group of individuals at the top of the organisation. Control and influence may be exercised in different ways, for example through personality, the rigid enactment of rules or through expertise. Alternatively, strategic aspirations and strategy may emerge from a vision associated with the powerful individual(s), which represents the desired future state of the organisation.	Bennis & Nanus (1985) Shrivastava & Nachman (1989) Westley & Mintzberg (1989) Kotter (1990) Farkas & Wetlaufer (1996) Hayward & Hambrick (1997)
Planning	An intentional process involving a logical, sequential, analytic and deliberate set of procedures. The organisation and its environment are systematically analysed. Strategic options are generated and systematically evaluated. Based on this assessment, the option is chosen that is judged to maximise the value of outcomes in relation to organisational goals. The selected option is subsequently detailed in the form of precise implementation plans, and systems for monitoring and controlling the strategy are determined. There is an assumption here that strategy is developed by top executives and implemented by those below.	Ansoff (1965) Mintzberg (1978) Steiner (1969) Argenti (1980) Rowe, Dickel, Mason & Snyder(1994)
Incremental	Strategic choice takes place through 'successive limited comparisons'. Strategic goals and objectives of the organisation are not likely to be precise but general in nature. The uncertainty of the environment is accepted and as such managers are not able to know how it will change: rather they attempt to be sensitive to it through constant scanning and evaluation. Commitment to a strategic option may be tentative and subject to review in the early stages of development.	Lindblom (1959) Mintzberg *et al.* (1976) Quinn (1980) Quinn (1982) Johnson (1988)
Political	Organisations are political arenas in which decision-making and strategy development is a political matter. Differences amongst stakeholders are resolved through bargaining, negotiation and compromise. Coalitions may form to pursue shared objectives and to sponsor different strategic options.	Cyert &March (1963) Pettigrew (1973) Hinings *et al.* (1974) Pfeffer & Salancik (1978) Wilson (1982) Feldman (1986)

	The level of influence these stakeholders are able to exercise is conditional upon the organisation's dependency upon such groups for resources. Further, information is not politically neutral, but rather is a source of power for those who control it.	Hickson *et al.* (1986)
Cultural	Strategy is influenced by taken-for-granted frames of reference shared amongst organisational members. These frames of reference help to simplify the complexity of situations, provide a ready-made interpretation of new situations, enable decisions to be made in a way which makes contextual sense and provide a guide to appropriate behaviour. Their usefulness increases as situations become more ambiguous and the efficiency of formal decision making processes decreases. These frames of reference are underpinned by routines, rituals, stories and other symbolic artefacts which represent and reinforce the organisational culture. These cultural artefacts embed frames of reference in organisational activities and provide a repertoire for action; but are in turn likely to be resistant to change.	Weick (1979) Deal & Kennedy (1982) Schon (1983) Gioia & Poole (1984) Trice & Beyer (1985) Johnson (1987) Spender (1989)
Enforced Choice	Factors in the environment encourage the adoption of organisational choice structures and activities which best fit that environment. These external constraints may take the form of regulative coercion, competitive or economic pressures or normative pressures as to what constitutes legitimate organisational action. These pressures limit the role organisational members play in the choice of strategy. So the strategies an organisation can follow tend to be common to organisations within their industrial sector or organisational field; with changes coming about through variations in organisations' processes and systems which may occur unintentionally or through imperfect imitation of successful structures, systems or processes.	Aldrich (1979) DiMaggio & Powell (1983) Hannan & Freeman (1989) Deephouse (1996)
Resource Allocation	Realised strategies emerge as a result of the way resources, both physical and intangible, are allocated in organisations. Resources are acquired, allocated, motivated and manipulated under the manager’s control in order to achieve an organisation’s purpose, vision or goal.	Porter (1996) Barney (2001) Churchman (2007) Bauer et al., (1991)

To incorporate past research and the differing views of strategy development processes, outlined in table 1 above, this study reviews 7 different organisational processes: leadership,

planning, logical incrementalism, political, cultural, externally imposed and resource allocation, that can explain how strategies come about, and applies them to family firms in order to investigate strategy development processes in family firms in the South East of Ireland.

2.5.1 Strategy Development Processes in Family Firms

The focus of this literature review will be to explore strategy development processes in family firms. The basic strategy development processes for both family and non-family firms is similar in the sense that a strategy, whether implicit or explicit, must be formulated, implemented, and controlled in the context of a set of goals. In this sense, even performance is similar, since it should be measured with respect to achieving a set of goals. The differences are in the set of goals, the manner in which the process is carried out, and the participants in the process. For example, in family firms, the owner-family is likely to influence every step of the process (Ward, 1994) whereas in non-family firms, family influences are at best (or worst) indirect. In family businesses, the process of formulating and implementing business strategy is influenced by family considerations (Harris et al., 1994). Leenders and Waarts (2003) classify family firms, on the basis of their strategies; either family-oriented or business-oriented. In relation to strategy in family firms, it is necessary to consider that the personal network of the owner manager is often a decisive resource for formulating and implementing strategy (Ostgaard & Birley, 1994).

The relationship between strategy and ownership structure has been researched by diverse authors. Donckels and Frohlich (1991), in their study of 1,132 European SMEs, suggest that family companies are risk adverse, less growth oriented and generally more conservative in their strategic behaviour than non-family companies. Reasons for not following a growth-

oriented strategy are associated with a lack of resources since family owners maintain a clear preference for avoiding external financing due to the risk of losing control of their company. In fact, the process of financing the growth of family firms is based on the accumulation of retained profits. Therefore, family firms often reject external funds, in preference for maintaining control and ownership and postpone growth to the future (Upton & Petty, 2000; Gallo et al., 2004; Romano et al., 2000). In support of this argument Zahra (2005) points out that conservatism can undermine the family firm's long-term financial performance and erode its competitive position.

A number of studies have concluded that family firms differ in terms of goals (Lee & Rogoff, 1996), ethics (Adams, Taschian, & Shore, 1996), size and financial structure (Tanewski, & Smyrnios, 2000; Westhead & Cowling, 1998), international structures and strategies (Tsang, 2002; Zahra, 2003), and corporate governance (Randoy & Goel, 2003). On the other hand, studies have also found little or no difference in strategic orientation (Gudmunson, Hartman, & Tower, 1999) for example Daily and Thompson (1994) did not find any statistically significant differences in family firm's strategy behaviour.

To summarise, this literature review sets out to explore the complexity and variety of strategy formation processes in family firms using the 7 dimensions outlined in table 2. 1, to form the basis of the new model. The different organisational processes reviewed are: leadership, planning, logical incrementalism, political, cultural, externally imposed and resource allocation, that can explain how strategies come about, and applies them to family firms in order to investigate strategy development processes in family firms in the South East of Ireland.

2.6 Leadership

Strategy aspirations and strategy may emerge from a vision associated with the powerful individual(s), which represents the desired future state of the organisation. Major General Chilcoat (1995 p.233) defined the strategy leader as "The Strategy leader provides vision and focus, capitalises on command and peer leadership skills, and inspires others to think and act". Whereas Hitt et al.(2000) definition of strategy leadership is a person's ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organisation. Likewise Johnson and Scholes (2001 p.401) state "Strategy development may be strongly associated with a strategy leader, an individual (or perhaps a small group of individuals) upon whom strategy is seen to be dependent".

The idea of strategic leadership style is derived from the work of Bass on transformational leadership. The basic premise of Bass's (1985) approach is that, in order to create a high performing organisation, leadership has to move from a more traditional, transactional view to transformational leadership. Transformational leaders, envision the organisation's future, articulate that vision to organisational members, and inspire and facilitate a higher level of motivation than those members have thought possible. Transformational leaders focus on the process of bringing about significant changes in the organisation by emphasising three distinct strategy leadership skills, visioning, focusing and implementing. The first skill is visioning, which is the leader's ability to see the organisation's future clearly and completely. The second skill is focusing; it involves the communication of vision to others, the formation of a powerful guiding coalition, the concentration on new priority areas and niches and the creation of the teams necessary for implementation. The third skill is implementing, which

involves the encouragement of various organisational members to proactively participate in carrying out the plans, inspiration of these members to achieve higher –order personal goals related to the vision, facilitation to realise the new goals in a timely manner by removing road blocks and obstacles, and the ability to provide timely feedback to individuals, teams and units as to how well they perform in relation to vision (Bass 1985).

Mintzberg (1996) outlined a type of strategy, where the condition of precise, articulated intentions are relaxed. Here, one individual in personal control of an organisation is able to impose his or her vision of direction on it. Because such strategies are rather common in entrepreneurial firms, tightly controlled by their owners, they can be called entrepreneurial strategies. In this case, the force for pattern or consistency in action is individual vision, the central actor's concept of his or her organisation's place in its world. This is coupled with an ability to impose that vision on the organisation through his or her personal control of its actions (e.g. through giving direct orders to its operating personnel) (Kiesler, 1971). Because the leader's vision is personal, it can also be changed completely. Visions contained in single brains would appear to be more flexible, assuming the individual's willingness to learn,' than plans articulated through hierarchies, which are comprised of many brains (Kiesler, 1971).
In family firms business goals are inseparable from the personal goals of the owners and reflect the personal needs, values, structure of beliefs, and philosophies of the owners. Since the personal goals of owner-managers are not necessarily optimal or economically rational, performance of their firms may not always be commensurate to those demanded by the economic system (O'Farrell & Hitchins, 1988).

2.6.1 Leadership in Family Firms

The involvement of family members as leaders of family firms has been a matter of interest for researchers and practitioners since the early 1970s (Danco, 1975). This interest has focused on a number of different topics, including legitimate leadership (Kehr, 1996), performance (Monsen, 1996), principal-agent theory (Aronoff & Ward, 1995), and governance structure (Neubauer & Lank, 1998).

In family firms decision making tends to be centralised among top family members, which decreases cost and increases the flexibility of the firm (Tagiuri & Davis, 1996). Generally reflective of the founder's beliefs and practices, family firms have been said to make greater commitments to their missions, have well-defined long-term goals, more of a capacity for self-analysis, less managerial politics with the ability to adapt to major changes without losing momentum (Moscetello, 1990). Growth is pursued with great caution (Upton et al. 2001) and risky activities avoided because business failure has more disastrous consequences for the family proprietor than for proprietors or managers of non-family firms with little or no ownership interest (Daily & Dollinger, 1993).

Schein (1983) points out how founders and professional managers analyse problems differently, occupy different positions of authority, and relate to others in very different ways. Founders of family firms tend to be driven by their particular vision of their product or service. They tend to be intuitive in their decision making, their power is based on ownership, and they motivate their followers through their charismatic behaviour. Van Maanen and Schein, (1979) state that those growing up in the family business learn skills and practices that tend to be idiosyncratic to that organisation and generally have had little or no experience in other types of organisations. These employees learn the importance of the family's values

and the role of the family and the firm in the community and recognise how to accommodate the needs of the family and top management. Their training is often informal, individual, and technical (not managerial) and is idiosyncratic to the particular work they perform. The informal nature of familial relations is frequently carried over into the firm, serving to foster commitment and a sense of identification with the founder's dream. In addition, during the early days the family often provides the firm with a steady supply of trustworthy manpower.

Perhaps the most powerful benefit associated with owner management derives from the stewardship motivations of the leader. Leaders who are “insiders”—whose names are on the business and whose past, present, and future are tied to the reputation of their firm may act as especially solicitous stewards (Bubolz, 2001; Miller & Le Breton-Miller, 2005). Their stewardship can manifest in lifelong commitment to the firm, assiduous management of organisational resources, and a host of competency creating investments (Davis et al., 1997).

Miller and Shamsie (2001) found that CEOs continue to learn on the job for many years, and that the financial performance of their firms only peaks after eight to ten years of tenure. This augurs well for the development of superior strategies and capabilities in family firms whose family CEOs tend naturally to be at the job for a very long time. Firms with more frequent executive turnover will find such capabilities hard to match. Family business literature recognises the influential position of founders. Due to their long tenures and the centrality of their position in their family and firm, founders exert considerable influence on the culture and performance of their firms during and beyond their tenure (Anderson et al., 2003). As compared to non-family executives, tenures of family business leaders have been found to be longer. In a sample of publicly traded American firms, McConaughy (2000) found the tenure of family business leaders to be almost three times longer than that of non-family executives.

Research conducted on publicly traded firms by Anderson and Reed reveals a positive role of founder on firm performance (Anderson & Reed, 2003). Controlling owner-CEOs may view their firms as personal fiefs. They have the discretion to act, or to resist acting, without board or top team intervention, and that can lead to risky decisions or, in the cases of lengthy tenures, strategic stagnation (Finkelstein & Hambrick, 1996), both of which may be hazardous. Emotional and financial attachments to the business make many family executives devoted managers, deeply concerned about the future of their enterprise. When family members collectively have a diversity of experience, their monitoring contributions can be especially valuable (Finkelstein & Hambrick, 1996). The fact that there are several such executives on the job allows them to make responsible, farsighted decisions in many areas of the company, and to socialise others to do the same. Moreover, family executives with common interests, mutual trust, and job security are in an ideal position to present frankly their points of view to the leader, thereby countering excesses or blind spots (Lansberg, 1999). Their family status lets them be honest without fear of adverse consequences to their careers (Bubolz, 2001).

Where there are rivalries, having multiple family managers will do more harm than good, especially given the difficulty of getting rid of incompetent owner-managers. Also, where the business lacks scale or resources, it may not be able to afford many family managers (Gersick et al., 1997). Another qualification is that there not be too many family members involved in the business, as that opens the door for conflict and can drain funds. A similar but even more common ownership distribution problem occurs when there are several contentious family block-holders whose votes enable them to cancel one another's initiatives (Claessens et al., 2002; Ward, 2004). Such factionalism may parochialise owner interests. It

may also give rise to factionalism among managers, making for an organisation in which counterproductive power plays muddle policies and stymie effective action (Davis et al., 2000). Stewardship over the company is replaced by personal interests. Succession problems arise, a plethora of family members may drain resources, and political skirmishes and agency problems become more likely. The behaviour of spouses/in-laws is an especially important factor that influences whether the sibling team will be able to work together successfully and in a manner that is reasonably harmonious (Aronoff et al*.,* 1997; Galbraith, 2003; Gersick et al.,1997; Lansberg, 1999; Schiff Estess, 1999). According to Van Auken and Werbel (2006), a spouse's willingness to contribute to the family business, directly or indirectly, can be seen as a core family variable, influencing financial performance. Regardless of a spouse's degree of direct participation in the business, spousal behaviour permeates family relationships and can affect business performance by influencing the entrepreneur's attitudes, resources, and motivation toward the business (Poza & Messer, 2001; Van Auken & Werbel, 2006). Davis and Harveston (1999) reveal that conflict is higher among second-generation family firms when the spouse remains active in the family business and lower when the spouse is no longer active in the family business.

As the family firm enters its second and later generations, it may be difficult to find a successor within the family. Relatives may not be competent, as the selection pool among them tends to be narrow (Le Breton-Miller et al., 2004). A bias in favour of family candidates, moreover, risks alienating other talented managers and degrading the calibre of management. Ownership succession is another significant problem as the generations proceed. Many jurisdictions mandate that estate taxes be paid on the death of a major owner. This can drain capital reserves, curb valuable investment, and cause the business to pass from family control (Ward, 2004). On the other hand, when ownership or control is too

concentrated or dispersed, when control is exercised without much ownership, and when too many family members clash or drain resources, financial performance suffers. Such conditions may apply mostly to family businesses in their second generation or beyond. These differences in governance drive agency costs and stewardship attitudes, which directly, or via their impact on capabilities, drive performance, and explain why some family firms do so well and others so badly.

Gersick et (1997) believe that the actual involvement of multiple generations of a family in a business may have some advantages. It can preserve tacit knowledge and family connections. However, there are many daunting challenges as the generation's progress and the number of family members multiplies. These include conflicts among family factions, succession problems, and a drain on resources, which collectively might well outweigh any multigenerational advantage. As a family business enters second and later generations, the number of involved family members often grows, children, children's children, and a host of cousins and in-laws. Sometimes, there is harmony and the possibility of new talent coming into the business, but as relatives proliferate, so, too, does the potential for conflict among those running the business, among owners, and between the two groups (Gersick et al., 1997). Schulze et al. (2003) argue that these conflicts are especially apt to occur when the distribution of ownership is balanced between competing blocs, as often occurs as later generations enter the business. Again, agency issues arise if those in control or running the business exploit other family or nonfamily owners, thereby serving not as stewards of the business, but of their own nuclear family. Such exploitation may be more common where rival ownership blocs among family factions have different interests and roles (e.g., extracting dividends vs. growing the business), and where there has been a turbulent family history (Miller et al., 2005).

According to Ibrahim et al. (2004) the strategy decision making process in family firms is different from non-family firms as a result of the dual identity of these firms and of the alignment of both ownership and management. The influence of owner managers' personal goals on strategy and performance is particularly strong. Business goals are inseparable from family goals. In family firms decision making tends to be centralised among top family members and is generally reflective of the founder's beliefs and practices, due to the centrality of the founder's position in the family and firm, founders exert considerable influence during and beyond their tenure. In the light of all the literature considered, the preceding discussion suggests the following hypothesis.

H1: A Strategy leader is influential in family firms.

2.7 Strategy Planning

Another component of strategy development is strategy planning: Once the manager/leader has defined the goals of the firm, these become the basis for planning future development.

Mitzberg (1985) defines planning as: planning suggests clear and articulated intentions, backed up by formal controls to ensure their pursuit, in an environment that is acquiescent. Haines (2004) outlines the process of planning in an organisation as: strategy planning is an organisation's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Once the manager has defined the goals of the firm, these become the basis for planning future development. In that sense, management planning and monitoring are crucial factors in not only guaranteeing the correct development of the company but also in generating profit.

The relationship between formal strategy planning and performance has been examined by several authors. Hahn and Powers (1999) present a positive relationship between performance and strategy planning. In contrast, Watts and Ornsby (1990) have concluded that a significant relationship does not exist. The latter studies suggest that the value of strategy planning is diluted by factors such as an uncertain environment, management expertise and the company's development cycle.

2.7.1 Strategic Planning in Family Firms

Ward (1987) points out that strategic planning in family firms need to incorporate the strategic plans of the family to insure that "family philosophies" regarding the family's role in the company's future are taken into account. The importance of the family mission to the company strategic plan differentiates strategic planning in family firms from nonfamily firms. Research on how family firms scan their environment, assess their capabilities, search for and evaluate alternative strategies, and how the strategy formulation process is influenced by family considerations and interests is necessary (Sharma et al. 1997).

As a result of their size and flat structure, operations and decision making in smaller firms are typically more informal. This means that ad hoc informal strategic planning is more prominent and can lead to reluctance to invest in formal planning systems, which may be viewed as sources of constraint and rigidity (Garengo et al,. 2005). Previous research provides a basis for asserting that the use of strategy planning in family firms is uncommon (Rue & Ibrahim, 1996; Silverzweig & D'Agostino, 1995). In the case of the family firms, research on strategy planning practices is sparse (Chrisman, 2010; Upton et al. 2001). According to Mintzberg, (1994) family companies prefer confidentiality and privacy and therefore strategy planning may be rejected because it implies sharing confidential

information. Dyer and Handler (1994) reported that management practices are informal and documentation minimal in family firms. Written policies and procedures are few as operations are based on the changing visions and ideas of the proprietors (Pascarella & Frohman, 1990).

Anderson and Reeb (2003) argue that concern for the long term survival of the family business may translate into more conservative financial strategies. This often takes the form of less debt, more liquidity, and sounder balance sheets. According to Birdthistle (2007) as the ownership of family firms is by its very nature concentrated in the hands of founding family members, family firms may not face the same pressures for increases in quarterly economic and financial performance measures as publicly owned non-family businesses. These face constant monitoring and pressures from block and institutional shareholders. Comparing family firms to non-family firms, Astrachan and Kolenko (1994) suggested that due to their limited organisational capability, family firms lag behind their non-family counterparts in implementing proactive management practices such as strategy planning. Proprietors of family firms are said to have a conservative management style (McConaughy et al. 2001) and to react slowly to environmental changes (Daily & Dollinger, 1993). They prefer strategies that enable the family to dominate the business system when the two are in conflict. Family considerations take prominence in strategy planning, and strategy plans incorporate family viewpoints (Cromie et al.1995). Ward (1998) argues that family owner-managers tend to view strategy planning as laborious and time-consuming rather than contributing to the running of the business or generating other benefits. Owner-managers may avoid strategy planning if it requires dealing with emotional issues like disciplining family agents.

Schulze et al. (2001) found a positive relationship between the use of strategy planning and the performance of privately owned, family-managed firms. Moores and Mula (2000) concluded from their study that relatively few family firms' CEOs use formal strategy-planning processes. Their results show that less than 50 per cent of CEOs in the study reported heavy to extensive use of long-term planning while 16 per cent indicated no use of long-term planning at all. Murphy (2005) suggested that family firms are aware of the need for family-management planning and development but struggle with more fundamental issues such as profitability and growth. They perform strategic planning decisions on issues such as succession, involving outside managers, and attracting outside money, and stress that family values are crucial factors to gaining competitiveness (Leenders & Waarts, 2003).

Previous research provides a basis for asserting that use of strategy planning in family firms is uncommon (Ward, 1997; Rue & Ibrahim, 1996; Harris et al., 1994). Fiegener et al. (1996) found that CEOs of family firms rate strategy planning less important in successor preparation than non-family business CEOs. Poza (2004) maintain that family firms avoid strategy planning because of the potential for conflict that it presents between the CEO and the rest of the family. Mintzberg (1994) explained that the desire for privacy deters family firms from planning as it requires sharing what might be considered confidential information. This again supports the suggestion that planning in family firms is a secretive process involving restricted delegation (Cromie et al. 1995). Colli (2002) states family businesses cling to the products, strategies or management styles of previous generations that had been successful. This prevents adaptation to new market challenges and opportunities, and management is largely paralysed by the backward-looking orientation of the family.

To conclude, family firms are known to make less use of strategic planning, than their non-family counterparts and are slow to implementing proactive management practices.

H2. Family firms make less use of strategy planning.

2.8 Logical Incrementalism

Quinn and Voyer (1998) defines logical incrementalism as a management philosophy of achieving broad organisational goals by making strategy decisions in small steps. Erdogan (2010) argues logical incrementalism is about achieving an organisation's goals by making smaller decisions and taking smaller steps, as opposed to the complex approach and bigger leaps of long-term strategy planning. According to Mintzberg (1999) incrementalism is rooted in the mysteries of intuition that shifted strategies from precise design, plans or positions to vague visions or broad perspectives, to be seen, in a sense often through metaphor.

Effective strategies tend to emerge incrementally and opportunistically as sub-systems of organisational activities (e.g. acquisition, divestitures, major organisations, even formal plans) are blended into a coherent pattern. Quinn (1980) explained how strategy decisions typically evolve in a part random or erratic and part logical way and coined the term logical incrementalism to capture this idea. Clearly strategy decisions had some logic to them; otherwise strategy action would be foolish. Logical incrementalism is about achieving an organisation's goals by making smaller decisions and taking smaller steps, as opposed to the complex approach and bigger leaps of long-term strategy planning. The small steps attempt to resolve conflicting views of participants and reduce risk by capitalising on knowledge that is gained during the process. Logical incrementalism says you don't have to plan everything;

instead, you can follow your instincts and base your actions on the circumstances surrounding you (Quinn, 1980). Logical incrementalism is like a sailing craft that sets out on a mission with a well-defined, well-articulated destination. The elements of the trip are, for the most part, unknown. And to a large degree, the success of the trip depends on planning for eventualities and the moment-by-moment decisions the captain makes to further the effort to the destination. This moment-by-moment, event-by-event decision-making model to reach successfully the destination is logical incrementalism (Moffit, 2010). Quinn (1978) argues that the process of strategy formation is typically fragmented, evolutionary, and largely intuitive and that firms' strategies evolve over time as a result of small incremental steps and decisions.

When the environment is very uncertain organisations may, at the very least, decide there is too much risk in making long-term investment decisions. They may reduce their planning horizons and only plan for a shorter term, with smaller incremental steps (Mintzberg, 1994). In fast-changing environments it may be unrealistic to effectively undertake the full strategic planning process. Instead it is more practical to develop a short-term strategy based on the consensus of opinion of major stakeholders. The strategy is then developed regularly using a series of small-scale changes as dictated by the changing environment (Harris 1994). It is worth emphasising that logical incrementalism does not have to mean that management is out of control, only that it is planning in the short term, step by step, incrementally and that the degree of deliberateness is not a measure of the potential success of a strategy (Mintzberg & Waters, 1985).

2.8.1 Logical Incrementalism in Family Firms

In general, management practices tend to be informal in family firms, with relatively low percentage of firms undertaking management processes (Kotey, 2005). Managing small

family firms is often a matter of a continuous striving aimed at evading unexpected external or internal events. It is a kind of muddling through (Limbloom, 1959) which very often does not allow for the pursuit of formal or conscious definition and planning of strategies. Olson and Gough (1996) states that in the last decade, there has been a growing trend of small family firms utilising formal business plans as a modelling tool, both in the start-up and further growth stages; a major reason for this phenomenon could be related to the fact that such a document is a pre-requisite to benefit by public financial grants. Quite often, however, many entrepreneurs have viewed drawing up their business plans as a bureaucratic constraint, rather than as a learning tool which may help them to be aware of the business formula that is going to be adopted. Such business plans are usually drawn up by professional accountants from outside the firm, mainly in order to get financial resources from banks, or public trusts (Winborg, 1996; Olson & Gough, 1996). In fact, a small business entrepreneur is more concerned with day-to-day operational problems of running the firm and has neither the time nor staff to invest in strategic planning. In contrast, Foster (1993) found that small firms who are engaged in formal planning perform better than others (Foster, 1993; Gibb & Scott, 1985).

Other authors remarked (Mintzberg, 1973; Quinn, 1980; Bhide, 1994) that, under conditions of environmental uncertainty, small business strategic processes are more indicative of incremental - rather than rational - decision making, so that business plans may be directed to achieving a modification of the current state, rather than some desired future state. A main reason of this phenomenon is due to resource constraints which prevent both small and growth-oriented entrepreneurial firms from using business plans as a control tool under conditions of environmental uncertainty. Rather than engaging informal planning, such firms focus on entrepreneurial intuition and “flair for business”.

According to Festervand and Forrest (1991), financial problems (e.g., undercapitalisation, cash flow management, and ability to control costs) are the first cause of small business failure. Management problems have been indicated as the second leading cause of crisis. In particular, lack of planning has been remarked as a significant small firm weakness and long range planning to anticipate future events has been suggested (O'Neil and Duker, 1986). At same time, the above mentioned authors have also recognised that many owners and managers are not willing to do or do not have the time and/or expertise to use business plans.

Ward (1987) and Harris et al. (1994) noted that family proprietors dislike confronting change and risk, thus they avoid strategy planning, and muddle through their business on a daily basis. Managerial behaviour of small and medium-sized family businesses was found to differ from non-family businesses (Murphy, 2005). Furthermore, most family firms appear to follow multiple patterns of strategy behaviour (Ostgaard & Birley, 1994).

According to Lumpkin and Dess (1996) conservative firms tend to employ less formalised procedures in the planning process. Therefore, a more informal or emergent process suffices. Many researchers reported that management practices are informal and documentation minimal in family firms (Dyer & Handler, 1994; Hoy & Verser, 1994: Lumpkin & Dess, 1996). Written policies and procedures are few as operations are based on the changing visions and ideas of the proprietors (Pascarella & Frohman, 1990). Management tends to be centralised with one or few individuals dominating a secretive decision-making process and discouraging dissention in order to maintain control. Family firms have direct involvement of family proprietors (with majority interest) in the firms' operations reducing the need for rigorous monitoring and reporting (Kotey, 2005). Mintzberg (1994) explained that the desire

for privacy deters family firms from planning as planning requires sharing what might be considered confidential information. This again supports the suggestion that planning in family firms is a secretive process involving restricted delegation (Cromie et al.1995).
To conclude family firms engage in risk averse, cautious, step by step, incremental strategy processes (Cromie et al.,1995) The strategy decision making process in family firms is different to non-family firms as a result of the dual identity and the desire for privacy deters them from formal documented planning (Ward 1988). It is important however to keep in mind that logical incrementalism does not mean changing course whenever the wind shifts. Perhaps even more so than the minutely-planned organisation, organisations that use logical incrementalism rely on having a unified, strong, and clear vision (Moffit, 2010). Everyone in the company needs to know where the ship is ultimately headed, even if its short-term direction is unclear.

H3: Family firms are more likely to adopt incremental strategy formation processes

2.9 Political

The study will now focus on the political element of strategy development processes. Just as culture influences the behaviour of organisational members, so also does politics. Drory (1993) explains organisational politics as: behaviours that occur on an informal basis within an organisation and involve intentional acts of influence that are designed to protect or enhance individuals' professional careers when conflicting courses of action are possible. Whereas Pettigrew (1973) described it as "the use of power to influence decision making". According to Johnson and Scholes (2001), the political view of strategy development is that strategies develop as the outcome of processes of bargaining and negotiation among powerful internal or external interest groups, stakeholders.

At many companies, a business unit's strategy plan is little more than a negotiated settlement—the result of careful bargaining with the corporate centre over performance targets and financial forecasts. Planning, therefore, is largely a political process—with unit management arguing for lower near-term profit projections (to secure higher annual bonuses) and top management pressing for more long-term stretch (to satisfy the board of directors and other external constituents). Not surprisingly, the forecasts that emerge from these negotiations almost always understate what each business unit can deliver in the near term and overstate what can realistically be expected in the long-term (Aronoff & Ward, 1994). Parker et al. (1995) point to Ferris' (1992) work which describes politics as an intentional social influence process in which behaviour is strategically designed to maximize short-term or long-term self interests. This definition allows for both functional and dysfunctional outcomes for individuals, groups, or organisations. Consensus building is a type of political behaviour which may allow beneficial decisions to be made. However, dysfunctional political behaviour may also be encompassed in this definition in the form of self-serving policies which have a long-term negative effect on the organisation. Ferris et al. (1989) proposed that organisations that are more centrally controlled are inherently more political. Most people perceive only the dark side of politics, and indeed there is a dark side, characterised by destructive opportunism and dysfunctional game playing. However, politics can be positive as well, for organisations and for individuals, politics are essential to the effective functioning of organisations. Trust may moderate the extent to which organisational politics is related to positive or negative attitudes. Individuals who become proficient at playing politics may realise greater job and career-related rewards. In fact, organisational politics perceptions were associated with higher (not lower) job involvement (Ferris & Kacmar, 1992).

Organisational politics in a company manifests itself through struggle for resources, personal conflicts, competition for power and leadership and tactical influence executed by individuals and groups to attain power, building personal stature, controlling access to information, not revealing real intents and building coalitions. Scarcity of resources can bring about conflict, as each department within the organisation seeks to secure for itself the scarce resources it requires for its survival; each department acts out of self interest. In order to secure these scarce resources, a department may block another department's access to the resources; this too contributes to the level of conflict. Furthermore, one party's opposition to the proposals or action of a second party may also result in conflict (Farrell & Peterson, 1982).

2.9.1 Political Influences in Family Firms

Social constructivist theories generally presume that social and symbolic processes produce patterns of shared cognition (understanding) among members of the same social group (Fulk et al., 1990). To the extent that this is true, closely-knit networks, such as families, are key sources of social learning (Bandura, 1986). Generally it is believed that one benefit of social interactions among group members can be shared learning (understanding, consensus) that may reduce conflict among group members (St. John & Rue, 1991). Social interactions among family members who are in some way "involved" in the business, should lead them to experience closeness and reduced levels of conflict. Since families usually seek to avoid conflict at all costs (Ward & Aronoff, 1994), the drive for family members to maintain ties of kinship and get along well with each other should mean that social interaction will reduce the overall level of substantive conflict present in family firms.

Generally reflective of the founder’s beliefs and practices, family firms have been said to make greater commitments to their missions, have more of a capacity for self-analysis, and less managerial politics (Moscetello, 1990). Family objectives and business strategies are

said to be inseparable, creating a more unified long-run strategy and commitment to fulfil it (Aronoff & Ward, 1994). They are also less likely to have a formal code of ethics and more likely to use role modelling to communicate acceptable conduct (Adams & Shore, 1996). They tend to emphasise personal and family values over corporate values and are known for their integrity and commitment to relationships (Lyman, 1991). The family's reputation and relationships with suppliers, customers, and other external stakeholders are reportedly stronger and more value laden (Lyman, 1991).

In the case of family firms the consequences of conflict can be high, resulting in behaviours destructive to both the firm and the family. Indeed, it has been said that conflict within the family "frustrates adequate planning and rational decision making" (Levinson, 1971). The literature suggests that family members exert a differential impact on decision processes in family businesses (Astrachan, 1988). One obvious reason why family members' views may diverge is differences in familial distance. For example, in-laws' views may differ from those of blood relatives. Some family members remove themselves from management and become absentee owners, others prefer to be actively involved in managing the firm (Beckhard & Dyer, 1983). Family members who are working in the firm may see things differently from those family members who are not active in the business's day-to-day operations (Ward & Aronoff, 1994). Family firms are based on "families" and "feelings". Therefore, they usually treat non-family members differently. Specifically, they may resist, be against, and confront the outside people. In addition, "outside managers" usually occupy important positions in family firms. They can govern some family members, which indirectly or directly impacts on family members' interests. Family members worry about the betrayal of "outside managers", which will harm family firms' interests (Peisi & Jingliang, 2009).

In short, family firms have a “family language” that allows them to communicate more efficiently and exchange more information with greater privacy. Sibling rivalry and family conflicts are more characteristic of family firms behaviour than political behaviour. Family and business objectives are inseparable.

H4: *The political view of strategy development is more prevalent in family firms.*

2.10 Cultural

The next element of the strategy development focuses on cultural processes. According to Schein, (1992) culture is a human invention; it is a way of perceiving and thinking - of judging, evaluating, and feeling; it is a way of acting in relation to others and a way of doing things and solving problems. Culture deals with the problems of internal integration and social survival and, as such, it tends to be passed on as a preferred set of solutions to successive generations. The pattern of culture that has been adopted

or inherited serves to reduce anxiety by providing a set of guidelines as a basis for action; it gives purpose, value, and meaning to what might otherwise be experienced as overwhelming or confusing events. Pistrui et al. (2000) believes that organisational culture refers to the coherent pattern of beliefs and values that represent acceptable solutions to major organisational problems. Organisational culture is a tightly connected system of artefacts, espoused values, and underlying assumptions. Organisational cultures reflect a wide range of political, ideological, sociological, experiential, economic, and psychological factors. Johnson and Scholes (2001) state a cultural explanation of strategy development is that it occurs as the outcome of the taken- for –granted assumptions and behaviours in organisations. According to the resource based view, organisational culture can be a strategy

resource that generates a sustainable competitive advantage by promoting learning, risk taking, and innovation (De Long & Fahey, 2000).

Minztberg (1989) describes an ideological strategy in which a consensus forms around a system of beliefs or norms, the culture, thus reflecting intentions widely accepted in the organisation. Ideology is rooted in the past, in traditions and precedents (often the institutionalisation of the vision of a departed founder, charismatic leader) one person's vision has become everyone's ideology. The taken for granted nature of culture is what makes it centrally important in relation to strategy and the management of strategy. Because it is difficult to observe, identify and control that which is taken for granted. Organisations can be "captured" by their culture and find it very difficult to change their strategy outside the bounds of that culture (Johnson & Scholes, 2005). Dyer (1986) emphasizes the importance of culture to strategy by arguing that strategy arises from guiding beliefs which are why the organisation wants to accomplish the strategy.

2.10.1 Cultural Influences in Family Firms

Corbetta and Montemerlo, (1999) state family firms' cultures develop over time reflecting the dynamic interplay between owners' values, organisational history and accomplishments, the competitive conditions of the firm's major industry, and national cultures (Pistrui et al., 2000). The family organisation is unequalled in the transfer of culture between generations (Gersick et al.1997).

Families' cultures are based on certain beliefs and assumptions that create a matrix of shared meaning and a perception of reality that is experienced by all system members. This can be influenced, for example, by parental attitudes about the meaning of life. The particular way in which the family's cultural dynamics are influenced by their relationship with a firm will vary depending on such factors as the management model adopted by the firm (which may be a royalist, competency-based, or mixed model), the clarity with which boundaries and opportunities presented by the firm to family members are communicated, and the particular family culture that develops independent of the firm's influences. Families develop rules to enforce their culture; these rules are usually covert, but can be inferred from behaviour and communications. Families can be described in cultural terms by the way in which they manage differences and conflicts, individuation, emotional expressiveness, the congruence of their perception of reality, and separation and loss (Schein, 1992).

According to Kepner (1983) the family as a system derives some of its sense of belonging, influence, and social identity from being related to a successful enterprise and a successful entrepreneur. This is a mixed blessing because certain costs and consequences -for example, a heavy social and travel calendar in the service of the firm-may put time and energy constraints on the intimate relationships in the system. The family may feel responsible for protecting and projecting their image of being a well-functioning and cohesive family, and masking or ignoring the ordinary conflicts and strains of family life. Willingness to acknowledge difference and appreciate deviance from cultural norms varies, of course, from family to family, but the pressure on a family-firm family to maintain an image of cohesiveness may suppress family conflicts. Furthermore, the economic interdependence between family and firm makes it difficult for people to tell each other when their needs for belonging, influence, and intimacy are not being met. Although the business may be

perceived as an intrusive “third party” in the family’s life, it is problematic to bite the hand that feeds you. Furthermore, the family frequently views father as a powerful or heroic larger-than-life figure. The children may find the normal testing of authority boundaries as too threatening (Kepner 1983). Schein (1992) states often the institutionalisation of the vision of a departed founder; one person's vision has become everyone's ideology.

Schein (1985) argues that an organisation's culture is a form of integrating mechanism as it helps regulate the behaviours of organization members. In that sense, the family system part, of the family business, as it has an organisation and culture that "overlaps" the business system (Lansberg, 1983; Kepner, 1983), serves as an additional integrating mechanism that is unavailable to nonfamily firms. Much of the business activity that needs to be managed can be handled informally within the family system through the mutual adjustment processes of family members, such that the firm's reliance on formal administrative structures and systems is greatly reduced (McCollom, 1988).

In particular, a family firm’s culture can act as an important strategy resource that can lead to a distinct advantage (Zahra; Hayton & Salvato, 2004). Resource management is critical to managing a family firm and gaining a competitive advantage (Chrisman, Chua & Zahra, 2003). In a family firm, the family’s values become the company’s cultural values. An inimitable culture can be a resource which leads to sustained competitive advantage (Barney, 1986). The interconnectedness of family firms' intangible and tangible assets also inhibits the imitation of their cultures. Family firm cultures are difficult for rivals to imitate because of the ambiguity about their origins and their embeddedness in family history and dynamics (Gersick et al.1997). In the context of family firms, scholars have observed that national and

regional cultures exert a unique influence on key family firm processes such as succession (Howorth & Ali, 2001).

Organisational mechanisms, including the use of family charters, family meetings, and councils, play a crucial role in fostering the distinctive familiness that promotes its unique culture. Family meetings offer an opportunity to strengthen and share the basic cultural values among family members active in the business (Corbetta, 1995). Several characteristics unique to family firms increase the significance of organisational culture as a strategy resource (Rogoff & Heck, 2003). Owners and managers are often one and the same, mitigating the problem of alignment of goals of principal and agent (Daily & Dollinger, 1991). This alleviates concerns about opportunistic behaviour by agents (Chua, & Litz, 2002), reducing the need for contractual controls and monitoring, and increasing reliance on social controls such as trust. Reduced reliance on formal controls and coordination increases the importance of a firm's culture as a key determinant of its behaviours (Steier, 2001).

Both family and company cultures often have unique characteristics in different countries. National cultures might moderate the relationships between family firm attributes and entrepreneurship. Some national cultures encourage risk taking, whereas others reduce managers' willingness to pursue entrepreneurial activities (Hayton; George; Zahra, 2002). In their study of Swedish family firms, Hall et al., (2001) found that family firms' cultures are an important influence on an organisation's ability to adopt radical changes. Pistrui et al., (2000) identify how individual, organisational, and cultural characteristics in East and West German family firms interact to influence entrepreneurial orientation. Family firms, cultural dimensions that facilitate rapid and effective responses to environmental change and new

opportunities will have a greater effect on entrepreneurial activities than in non-family firms. Schoenenberger (1997) states that firm strategy has its origins in firm culture. Family goals and family-firm business strategies tend to be closely aligned, allowing commitment to a more successful long-run strategy (Aronoff & Ward, 1994). In a study conducted by Denison et al., (2004) the results indicate that there are several cultural advantages associated with family-owned firms and that family-controlled firms do have a distinct, performance enhancing culture.

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The unique nature of social networks within family firms may influence opportunity recognition (Barney et al. 2003), which suggests a need to understand the extent to which different forms of family network ties might moderate culture's influence on entrepreneurship (and vice versa). Given that family businesses are typically characterised by an emphasis on social control and the centrality of their founder, organisational cultures may be of even greater strategy significance.

H5: *Cultural processes are more influential in strategy development, in family firms.*

2.11 Externally Imposed Strategies

The focus of this section is the effect of externally imposed strategies on family firms. The elements of strategy discussed so far have derived in part at least from the will (if not the intentions) of actors within the organisation. But strategies can be imposed from outside as well; that is, the environment can directly force the organisation into a pattern in its stream of actions, regardless of the presence of central controls. Mintzberg and Waters (1990) describes externally imposed strategies as; sometimes the environment rather than people per se impose strategies on organisations, simply by severely restricting the options open to them. Whereas

Johnson and Scholes (2001) argue there may be situations in which managers face what they see as the imposition of strategy by powerful external stakeholders while according to Shaffer (1995) the effects of Government policy on the competitive position of businesses represent, in turn, important determinants of firm's performance.

Externally imposed strategies occur when an external individual or group with a great deal of influence over the organisation imposes a strategy on it. Many planned strategies in fact seem to have this determined quality to them—pursued by organisations resigned to co-operating with external forces (Mitzberg, 1985). According to Johnson and Scholes (2001) external strategies can be imposed by powerful external stakeholders; such as, government regulation/deregulation, international requirements for joint ventures / alliances and imposition from parent to operating unit.

In the strategy literature, it is almost universally agreed that the environment 'matters' in firms' business strategy formulation process (Johnson et al., 2001). The environment bounds what the organisation can do; therefore virtually all strategies have environmental boundaries (Mitzberg 1985). The environment is such a 'dustbin' concept that "captures the whole world outside the organisation" (Witteloostuijn, 2002 p 3227). Environments seldom pre-empt all choice, just as they seldom offer unlimited choice. The partially imposed strategy might be the most realistic reflection of environmental influence.

According, to Weick (1979) the strategy choice perspective claims that decision makers 'enact' the environment in a strategy development process. On the one hand, it "allows for the objective presence of environment" (Child, 1997 p.58). On the other hand, the strategy

choice theory emphasises “various possibilities allowing for choice on the part of organisational actors” (Child, 1997 p.56). According to the theory, decision makers, or the ‘dominant coalition’ members , have power as well as responsibilities to evaluate the environment and their organisation’s position, to set the goals and objectives for the organisation, to allocate resources and sometimes to move into and out of an environment. They bring their ‘prior ideology’ into the strategy choice process. According to the business strategy perspective, a firm’s competitive advantage lies in its ability to develop or obtain organisational resources and capabilities, take a strategic position in a market and implement a competitive strategy that takes into consideration the opportunities and threats in the external environment (Porter, 1980; Miller & Friesen, 1986).

When perceiving a high uncertain environment, firms tend to pursue business strategies featured with innovative, proactive, and risk-taking behaviours (Buchko, 1994; Tan, 1996). For example, increasing diversification is a likely response for firms perceiving high environment uncertainty to buffer the effects (Milliken, 1987). It is argued that “managers try to anticipate events and adopt preventive measures rather than merely react to events that have already occurred” (Chan, 2005 p 633).

2.11.1 Externally Imposed Strategies in Family Firms

External factors are mainly associated with competitors, customers, financial institutions and other outside actors which interact with the firm. Perceptions about external factors are a key linking mechanism between internal and external factors. Lack of understanding industry “rules of the game” and difficulty to provide financial or human resources to sustain growth are among main external factors of small business failure.

One of the defining characteristic of family businesses is their affinity to establish enduring and committed social connections or networking relationships with external stakeholders such as community leaders, political leaders, religious leaders and government bureaucratic officials (Acquaah, 2007). Thus the social networking relationships family firms develop with external stakeholders build social capital and enable them to obtain the critical resources in the form of information, knowledge acquisition and exploitation, financial capital, human capital, and marketing and technological opportunities. This creates a high level of organisational dependency on the government for valuable resources and favourable regulations for the strategic organisation of business activities (Miller et al., 2009). A family business strong sense of loyalty, identity, unique social system, integrity, commitment to building enduring relationships and "familiness" (Habbershon, Williams & MacMillan, 2003; Miller et al., 2009) can significantly impact the type of social networking relationships they develop with different external constituents to secure resources. Carney (2005) observes that family firms may enjoy long-term relationships with internal and external stakeholders and through them develop and accumulate social capital. While the fixed costs of creating and maintaining social capital is high, social capital can contribute to economies of scope because the different units of a large diversified family firm can use it advantageously. This could give the family firm a competitive advantage in expanding its scope.

In addition to family members, outsiders or non-family members are an important stakeholder group, and often make a vital contribution to the success and growth of the family business (Fishmen, 2009; Sharma, 2004; Ward, 2004; Zellweger & Nason, 2008). Relationships with non-family members include relationships with non-family employees, the directors of the board, and professional advisors or mentors, amongst others. The biggest challenge for sibling partners, especially successor partners, is to develop good working

relationships, characterised by cooperation and trust, with key non-family employees (Lansberg, 1999). The relationship between family and non-family members lends a unique dimension to a family business; poor relationships could cause conflict and spell disaster for the business (Maas et al., 2005). Zellweger and Nason (2008) assert that family harmony, trustful relations, cohesion and a sense of belonging are performance outcomes that satisfy the demands of family stakeholders

A negative side to family businesses desire to create enduring and committed social relationships with external stakeholders, political leaders and others are more likely to request family businesses to reciprocate the benefits they may obtain from their social networking relationships with favours in the form of providing gifts, offering perks, and hiring unqualified family members. There has been relatively little attention devoted to the business strategic activities of family businesses and how they use social networking relationships developed with external entities to bolster their business strategy and build competitive advantage (Acquaah, 2007). This is especially relevant to family businesses because of their desire to develop enduring social relationships to create social capital with a wide variety of external entities that could provide them with critical resources and capabilities (Arregle, Hitt, Sirmon & Very, 2007; Miller et al., 2009).

Reputational resources and enhanced organisational legitimacy may also be built by these family firms by fostering good relationships with the community, for example, via charitable investments in civic and social institutions and exceptionally generous political contributions (Morck & Yeung, 2003).

To summarise, the unique characteristics of family businesses predispose them to the development of enduring and committed social connections with external stakeholders. The social networking relationships family businesses create with different external stakeholders interact with business strategy to influence their performance differently. The environment bounds what the organisation can do and there is reluctance by family firms, due to their risk averse, conservative attitudes to embrace new opportunities and challenges.

H6: The environment impacts strategy development processes in family firms.

2.12 Resource Allocation

The next element of strategy development on which the study will focus is resource allocation routines. As with the logical incremental view of strategy development, the resource allocation processes explanation acknowledges that it may be unrealistic to determine strategy in a top-down, prescriptive, detailed manner across an organisation (Bower, 1970). According to Johnson and Scholes (2001) the resource allocation process (RAP) explanation of strategy development is that realised strategies emerge as a result of the way resources are allocated in organisations. Barney, (2001) identifies resources as both physical and intangible assets, individual and corporate skills, organisational processes, firm attributes, information, knowledge, and the like. Porter's (1996) work on strategy advantage focused primarily on the firm's position in relation to the external environment, rather than the firm's internal processes leading to strategy development. Currently in the field of strategy management a counter emphasis, focusing on a firm's internal attributes as a source of advantage, has evolved. A firm's internal idiosyncrasies are identified as a critical component of its potential advantage (Barney & Zajac, 1994; Mahoney & Pandian, 1992).

According to Churchman, (2007) management is responsible for allocating resources in order to achieve an organisation's purpose, vision or goal. In organisations, the decision-making function is the responsibility of management. In order to execute its responsibility, an organisation's management requires information about the resources available to it and their relative effectiveness for achieving the organisation's purpose. Resources are acquired, allocated, motivated and manipulated under the manager's control (Churchman, 2007). They include people, materials, plant and equipment, money, and information. An important question then is, how does an organisation rationally allocate its resources in order to achieve its goals? (Mason & Swanson, 1979). It is important to focus on what needs to be done when allocating resources and what the consequences of a rational, systematic resource allocation methodology can be. Making tradeoffs is a fact of organisational life, especially in an era of doing more with less. So priorities have to be set. But those priorities must be determined on the basis of the enterprise's overall objectives. Resource decisions need to be made holistically, that is, with their consequences to the entire enterprise and all its parts in mind (Bauer et al., 1991).

Firms are heterogeneous and it is the idiosyncratic, immobile, inimitable, sometimes intangible bundle of resources residing in the firm that gives the firm an opportunity for competitive advantage and superior performance. The collection of resources are idiosyncratic because no two firms have the same set of experiences, acquired the same assets and skills, built the same organisational cultures, or the same collection of resources in the same competitive arena at the same point in time (Collis & Montgomery, 1995).

2.12.1 Resource Allocation in Family Firms

In family firms, the family unit, the business unit, and individual family members influence the resource pool that is at the disposal of the organisation (Williams & MacMillan, 2003).

In fact, a family firm's resources and capabilities can be regarded as the outcome of systematic influences of an enterprising family system that needs to be managed carefully to achieve positive performance outcomes (Habbershon et al. 2003).

Family firms often have intangible assets such as family dedication and commitment towards the company and these aspects imply a more diligent protection of company traditions and values (Perez, 2001). The family business's unique features (commitment, shared values, culture, trust, reputation, and so on) give it certain strategic resources and capabilities that could account for its long-term success (Habbershon & Williams, 1999). Tacit organisational knowledge is skill or know-how that resides in individuals and working groups and is not easily codified or communicated (Knott, Bryce, & Posen, 2003) Habbershon et al (2003) point out that the interaction of different subsystems (the family, the company and the family members) give rise to a synergy effect that improves performance. Further, Harris et al., (1994) maintained that the formulation of strategy is significantly influenced by the family. Family firms suffer less from agency costs because ownership and management are in the hands of the family, and agent and shareholder have the same goals (Maury, 2006). Intangible assets (like trust and unity), found at high levels in family firms, can induce superior performance. It is the 'kith-and-kin involvement' in family firms which marks them out from other types of business organisation and is a potential source of strength. It is the family commitment to building up a profitable enterprise that gives the family firm its competitive edge (Habbershon & Williams, 1999). Family members have been described as being more productive than non-family employees (Anderson, & Johnson, 1985). They have a "family language" that allows them to communicate more efficiently and exchange more information with greater privacy. Family relationships generate unusual motivation, cement loyalties, and increase trust (Tagiuri & Davis, 1996). Family can add resources to the business in various ways, through financial, labour, intellectual, cultural, and trust capital

facilitating the decision making and governance processes, thereby providing family business with an edge over its competitors (Milton, 2008).

Contrary to this view Yusof and Aspinwall (2000) believe that a significant majority of SMEs are family-run and they are characterised by lack of financial stability and face difficulty in resolving costly mistakes. They lack the resources to exploit advanced technology resulting in low efficiency, not following best practices, not collecting sufficient relevant data for analysis and face legal constraints on their operations. For these reasons it is important for SMEs to measure and understand their own performances (Yusof and Aspinwall, 2000) using cost saving methods. Lansberg (1985) believes that contradictions between the norms and principles that operate in the family and those that operate in the business frequently interfere with the effective management of human resources in family firms. Typically, relatives feel entitled to claim their share of the family business; they flock to the firm demanding jobs and opportunities regardless of their competence. The rationale rests on the family principle that unconditional help should always be granted to relatives who are in need. From a business standpoint, however, the founder knows that the firm cannot be allowed to become a welfare agency. The hiring of too many incompetent individuals (whether they are family or not) would certainly threaten the effectiveness and possibly even the survival of the business (Lansberg, 1985). Founders often find themselves in the difficult situation of having to choose between either hiring (or firing) an incompetent relative or breaking up their relationship with some part of the family.

In the area of compensation, Davis (1983) argues remuneration of the relatives who work in the firm also creates difficult problems for the founder. The conflict here again is structural in nature many founders have difficulty discussing terms of compensation with their relatives.

This is particularly the case with their children who work in the firm. As a result, compensation for relatives is often based on ambiguous principles deriving from a hybrid of family and business criteria and they generate all sorts of dysfunctional processes in the firm. For instance, contrary to commonly held beliefs about nepotism, studies have shown that founders tend to under reward their relatives who work in the firm. While this practice is relatively harmless during the formative stages of the firm, it creates considerable problems in the mature family business. Under rewarding relatives, regardless of their competence, may lead to a situation in which incompetent family employees are retained while competent family employees are driven to seek employment elsewhere. Founders repeatedly justify such under-compensation by arguing that family members have an obligation to help out in the business. Moreover, founders frequently feel that rewarding relatives in terms of market rates would be perceived as favouritism by nonfamily employees. Clearly, both of these rationales reflect some confusion about principles of exchange that should operate in the context of the firm (Fox, Nilakant & Hamilton 1996).

Perhaps one of the most difficult problems, created by the institutional overlap of family and business, faced by the founder stems from the fact that family and firm are regulated by different norms of fairness. In the context of the family, two dominant norms of fairness operate. In vertical family relationships—that is, the relationship between parents and their children— the dominant norm of fairness is the concept of need. Parents have a moral obligation to allocate their resources so that the children's needs are met. In horizontal family relationships, such as the relationships among siblings, equality is the dominant fairness norm. Thus it is assumed that in allocations among siblings, each individual is entitled to an equal share of resources and opportunities. However, the norm of fairness that operates in the firm is based on the concept of merit. Ideally, the level of rewards an employee receives is

determined by his or her competence in accomplishing organisational goals. Given the fundamental task orientation of the business, it is more functional in this context to allocate resources so that those who are most productive receive proportionally larger shares of the resources available in the system. The mixed nature of family business makes it difficult for founders to resolve allocation problems in a way consistent with both the norms of fairness that operate in the firm and the norms of fairness that operate in the family.

Lansberg (1983) believes the institutional overlap between family and firm also interferes with the appraisal process. Frequently, founders experience many difficulties when trying to evaluate the performance of a close relative who works in the firm, particularly when it comes to objective evaluation of their own children. First of all, the very concept of appraisal (that is, objective assessment of an individual's contribution and worth) in the context of a family system seems a preposterous idea. In a family system individuals are, by definition, seen as ends in themselves. The standing of an individual in a family is determined more by who the individual "is" than by what the individual "does." Applying a set of objectively derived criteria to evaluate a family member's performance goes against the very principles that regulate and define social behaviour in the family. Moreover, the founder's difficulties in making such appraisals are frequently compounded by informational problems. These problems emerge when nonfamily employees cover up a relative's incompetence, either to curry favour or to avoid "crossing" the founder. Moreover, founders are frequently willing to invest organisational resources in ventures that, while being risky or even outright incompatible with the organisation's core mission, are intended to provide their offspring with an opportunity to grow and develop (Lansberg,1983).

Stalk and Foley (2012) argue that employees, who are neither owners nor family members, will have similar concerns to the external investors over the threat of nepotism. Generally this translates into an unspoken promise that “there’s always a place for you here,” which can lead children to treat the business as a fallback option. Stalk et al., (2012) state that they have encountered many companies that are populated by next-generation members who failed in other businesses or spent their 20s (and sometimes their 30s) as aspiring athletes, artists, or musicians before signing on to the firm as unprepared 40-somethings. Despite their lack of experience, these offspring may ascend to leadership positions because of the family connection, increasing the chances that the business will fail (Stalk & Foley 2012).

Possessing resources may not be enough to achieve a competitive advantage. Strategy planning and the environment may affect the degree to which resources are able to contribute to performance. Family firms must manage their resources and plan for the future in order to succeed in today’s competitive landscape (Sirmon & Hitt, 2003). Evaluating resources is not easy, since the relationship between resources and a subsequent competitive advantage is causally ambiguous (Reed & DeFillippi, 1990). Furthermore, resource evaluation decisions are subject to a variety of opinions (King & Zeithaml, 2001) and are complicated by the psychodynamics specific to family firms (e.g. ownership dispersion among family members, family employment, and succession) (Chrisman et al., 2004). These potential biasing factors can be especially troublesome, since objective information is needed to make sound evaluation decisions (Kellermanns & Eddleston, 2004). Another component characterising family involvement is the wish to transfer ownership from one generation to the next (Sharma & Chrisman, 1999). This desire to create transgenerational wealth makes these firms highly entrepreneurial (Habbershon et al. 2003). Indeed, this desire will lead to adding resources if they are perceived to positively affect transgenerational values and to divesting resources if

they are believed to negatively impact transgenerational sustainability (Habbershon et al., 2003). Sharma and Manikutty (2005) maintain that family structure and individualism/collectivism moderate the length of time required to make divestment decisions.

The community family is the most likely to add resources to the organisational resource base. Families with these structural characteristics are very close-knit, with children expected to work in the family business generation after generation (Tagiuri & Davis, 1992). Hence, the organisation needs to stay viable beyond the current leader's tenure. Employing multiple family members is a further indication that resource accumulation is part of a growth strategy. Not surprisingly, family ownership profoundly impacts how resources are valued and allocated (Habbershon et al., 2003). Family firm chief executives generally influence decisions more than their number of shares justifies (Schulze et al., 2003), and they have an incentive to influence the resource evaluation process according to their families' preferences and needs. Furthermore, controlling owners' decisions are often characterised by a strong desire for leadership and control (Harvey & Evans, 1994). Thus, resource evaluation decisions and subsequent resource accumulation and divestment are strongly influenced by the controlling owners' preferences (beyond financial benefits), which dictates the developmental paths of the organisation (Schulze et al. 2003).

Family firms have been described as unusually complex, dynamic, and rich in intangible resources; it is how that intangible bundle of resources residing in the firm are allocated that gives the firm an opportunity for competitive advantage and superior performance (Churhman, 2007) Additionally, many of the advantages family firms are said to possess are found in their family and organisational processes.

H7: Family firms engage more in the resource allocation process.

2.13 Conclusion

To summarise, strategy aspirations and strategy may emerge from a vision associated with the powerful individual(s), which represents the desired future state of the organisation. Strategy development may be strongly associated with a strategy leader, an individual (or perhaps a small group of individuals) upon whom strategy is seen to be dependent. The characteristics of the leader in a family firm are often consumed into the business identity, the leader is the business.

Relatively few family firm CEOs use formal strategy-planning processes. Due to their limited resources and unique structure, family firms may be slow to implement proactive management practices such as strategy planning. Family considerations take prominence in strategy planning, and strategy plans incorporate family viewpoints.

Logical incrementalism is about achieving an organisation's goals by making smaller decisions and taking smaller steps, as opposed to the complex approach and bigger leaps of long-term strategy planning. In the case of the family firms, their scarce resources, their conservative and risk averse attitudes makes step by step short term planning more attractive, most family firms appear to follow multiple patterns of strategy behaviour, relatively few family business CEOs use formal strategy-planning processes. The strategy decision making process in family firms has to incorporate their dual identity, with a myriad of conflicting objectives and a desire for privacy which deters them from planning.

Generally reflective of the founder's beliefs and practices, family firms have been said to make greater commitment to their missions, have more of a capacity for self-analysis, and less managerial politics. The drive for family members to maintain ties of kinship and get along well with each other should mean that social interaction will reduce the overall level of substantive conflict present in family firms.

The multiplicity of the variables that influence family firm cultures makes them distinct and difficult to imitate. Family firm cultures are difficult for rivals to imitate because of the ambiguity about their origins and their embeddedness in family history and dynamics. Family goals and family-firm business strategies tend to be closely aligned, allowing commitment to a more successful long-run strategy. It is the 'kith –and- kin involvement' if family firms which marks them out from other types of business organisation and is a potential source of strength.

Externally imposed strategies occur when an external individual or group with a great deal of influence over the organisation imposes a strategy on it. Family firms face pressures for formalised economic and financial documentation from external stakeholders such as lending institutions and suppliers, thus not always having the opportunity of adapting to new markets and opportunities. The environment and the community bounds what the organisation can do, virtually all real-world strategies have environmental boundaries.

Family firms have been described as unusually complex, dynamic, and rich in intangible resources; it is how that intangible bundle of resources residing in the firm are allocated that gives the firm an opportunity for competitive advantage and superior performance. Not surprisingly, family ownership profoundly impacts how resources are valued and allocated due to the competition of family and business objectives.

The goal of the literature review was to establish a foundational understanding of strategy development as well as a familiarity with the current literary discourse. The review of current literature richly interacts with the varying studies of family firms, their performance and idiosyncrasies. The research contained herein contributes to the body of knowledge by providing insight into family firms' strategy development processes. In the light of all the literature considered, the preceding discussion suggests the following hypotheses:

H1: A Strategy leader is more influential in family firms.

H2. Family firms make less use of strategy planning.

H3: Family firms are more likely to adopt incremental strategy formation processes.

H4: The political view of strategy development is more prevalent in family firms.

H5: Cultural processes are more influential in strategy development, in family firms.

H6. The environment impacts on strategy development processes in family firms.

H7: Family firms engage more in the resource allocation process.

Chapter 3:

Methodology

3.1 Introduction

The purpose of this chapter is to outline the research methodology and procedures employed to examine the research problem. It is divided into two parts. Firstly, methodological issues in the social sciences, and how this study relates to those issues, will be discussed. Secondly, details on the specific research processes, data gathering, and analysis will be given.

The methodology chapter in a research project is a crucial component for several reasons. It facilitates the replication of the study and this will allow for the findings of the work to be further validated. The method and rigor employed in the research can to a large extent determine the robustness of the findings and thus the contribution of the research to the area of study. Research design is concerned with making our problem researchable by setting up our study in a way that will produce specific answers to specific questions, according to Oppenheim (1996). Good research design should above all make it possible for us to draw valid inferences from our data in terms of generalisation and causality (Thomas et al., 2009).

3.2 Research Philosophy

When entering the literature of the social science research it becomes clear that there is no one true, clear-cut definition or approach on how to conduct research in social settings. This may be exemplified by the various dichotomies described in the literature, such as; qualitative quantitative (Kvale, 1996), inductive-deductive (Baker, 1999), verification-discovery (Gherardi & Turner, 1999) and exploratory-descriptive (Mutchnick & Berg, 1996) research. As important as the selection of appropriate methods is, first and foremost, effective research requires the selection of an appropriate research paradigm suitable for the issues being studied: "Questions of method are secondary to questions of paradigms, which…guide the investigator, not only in choices of method but in ontologically and epistemologically fundamental ways" (Guba & Lincoln, 1994 p. 105). Hence, the underlying paradigm

employed in a study plays a fundamental role as it outlines the researcher's view of the world, what he or she considers as real, the degree to which this reality can be understood, as well as the most appropriate research methods to further knowledge and understanding of reality. According to Guba and Lincoln (1994) a research paradigm can be viewed as a set of basic beliefs or a worldview.

According to Enderton, (2001) the paradigm of quantitative and qualitative methodologies is often portrayed as being based on different assumptions about the world (ontology) and what kind of knowledge one can develop of it (epistemology). Philosophy embraces the issues of what exists (ontology) and how we can know what exists (epistemology). Epistemological problems are concerned with the nature, scope and limitations of knowledge. Epistemology may also be described as the study of knowledge.

According to Kval, (1996) there seems to be some expected core concept of the meaning of science. It is understood that science should produce knowledge, and that this knowledge should be new, systematic, and obtained methodologically. However, this may seem simple on an abstract level, but depending on the researcher's ontological viewpoint this will influence how he or she views knowledge, and how he or she will retain this knowledge. One's ontology will also influence which methodologies are deemed to be appropriate for research. Using actual knowledge help us to solve, understand real life problems. The ontological view is: what exists in the world; the epistemological view is: what an intelligent entity believes about the fact.

3.3 Inductive and Deductive Approach

In research, we often refer to the two broad methods of reasoning as deductive and inductive approaches. Deductive reasoning works from the more general to the more specific, sometimes this is informally called a "top-down" approach. Conclusion follows logically from premises, available facts. Gummesson (2000) argues that inductive research starts with real-world data, and categories, concepts, patterns, models, and eventually, theories emerge from this input. Baker (1999) points out that in practice, the distinction between these two notions is difficult to fully separate. Induction is usually described as moving from the specific to the general, while deduction begins with the general and ends with the specific. Historically, many researchers believe that logical reasoning is an essential part of human thought process and this dominates in scientific and technological research and development. However humans are not natural logical reasoners (Trochim, 2006). The main division between forms of reasoning that is made in philosophy is between deductive reasoning and inductive reasoning. Formal logic has been described as the science of deduction.

3.4 Positivist and Post- Positivist Approach

Using scientific method and language to investigate and write about human experience is supposed to keep the research free of the values, passions, politics and ideology of the researcher. This approach to research is called positivist, or positivist-empiricist (Ryan, 2006). Positivist researchers believe that they can reach a full understanding based on experiment and observation. There are objective social facts about the social world and these can be expressed in statistics (Durkheim, 1938) These facts are not influenced by the researcher's personal opinion or values, thus empirical data can be measured accurately and precisely, and is independent of the researcher's own ideas, thoughts and biases (epistemological assumption).

Within modernist ways of knowing the world, only certainty and empirical knowledge are valid, and the rational is valued over other ways of knowing, such as intuition. The ideas, assumptions and beliefs associated with positivism and modernism constitute what is called an epistemological base (Ryan, 2006).

In postpostivist design, it is the problem under investigation that determines the methodologies needed for its resolution, which can only be as exacting as allowed for by the topic under consideration (Popper, 1956). Much work in the natural sciences could now be said to be post-positivist. Insights about the limitations of positivism imply that you have to understand your own place in the world and what you are bringing to the research by way of assumptions about knowledge. Investigating your own epistemologies and understanding how they affect you as a researcher is an essential part of post positivist approach (Ryan, 2006). The post positivist stance asserts the value of values, passion and politics in research. Research in this mode requires an ability to see the whole picture, to take a distanced view or overview. But this kind of objectivity is different from 'just the facts' devoid of content, it does not mean judging from nowhere (Eagleton, 2003). It requires a great deal of passion, especially passion for justice and the ability to subject one's own assumptions to scrutiny. The post positivist social researcher assumes a learning role rather than a testing one (Agar, 1988). Post positivist researchers do not see themselves as inevitably solving the problems they set out to research.

3.5 Quantitative Methods

Quantitative methods originally developed in the natural sciences to study natural phenomena (Myers, 1997). Quantitative researchers attempt to collect facts and study the relationship that one set of facts has with another, with the aim of producing statistically significant and

generalisable conclusions (Zikmund, 2000). Although quantitative research methods are generally correlational in nature, in social psychology, social research and business research, they are often experimental in nature in other disciplines, and are used in verifying or dismissing the existence of explanatory relationships (McDaniel & Gates, 1993). Some researchers have found greater acceptance of quantitative methods in corporate marketing departments (Ooslveen & Wouters, 1991). Quantitative analysis is a more positivistic mode of inquiry and offers a more independent approach to testing verifiable hypotheses (Sekaran, 2003).

Bryman (2008) states that a range of research methods can be employed to collect data and a variety of approaches exist to the analysis of data. Hakim (1987) states that the methods and the procedures used can be made evident and accessible to other parties, so that the implementation as well as the overall research design can be examined. However, in this choice between the different data collection techniques it is also important to reconcile the research purpose and the research questions underlying the academic investigation. Different kinds of research questions call for different research strategies.

Berdie et al., (1973) assert that, a questionnaire is best described as a device for securing answers to questions by using a form, which the respondent fills in himself / herself. There are conflicting results on the merits of using various questionnaire design methodologies. These results are based on different surveys being used for a myriad of different purposes. In essence there appears to be no “one best way” of questionnaire methodology. Consequently, Berdie et al. (1973) affirm that each study using a questionnaire is unique and must be tailored to fit the individual circumstances of that study.

From the discussion above, this research has a deductive approach as an extensive literature review was performed to develop a pre-understanding, and both concepts and measurements were derived from this understanding. Hammersley (1996) distinguishes facilitation, a method used to assist or develop the use of another method. Using facilitation as a method, in-depth interviews were conducted to capture the dynamic of the subject, to aid in understanding the characteristics of family firms and lastly to develop the questionnaire used in the quantitative research. This approach has been adopted in an effort to reduce the limitations associated with using only one methodology.

3.6 The Research Process

This section will move from a general discussion about qualitative and quantitative methods to the specifics of this study, by describing the logical path from the development of research questions to data collection. From the literature, research questions were developed in order to address the purpose of this study. These were then operationalised and the empirical investigation was started. A survey was conducted, in the South East area of Ireland, on family businesses, to find out how the theories in the literature fitted with the real world.

3.6.1 Concept to Research Questions

At the outset of the research process a broad area of interest must be identified. The interests of strategy development emerged during wider readings in the area of strategy management and through many years of employment in family firms. Once the broad area of interest had been defined, an extensive literature search on the subject was conducted. Literature on family and non-family firms were explored as were any relevant comparative studies. A gap in the literature was found to exist on the strategy development process in family firms. As according to Einstein (1921) it is the theory that decides what can be observed.

The research core concept stems from a range of approaches, such as literature search, personal experience of the researcher and in-depth interviews with successful family business owners and stakeholders such as accountants and business bank managers. The research question was developed in light of these findings. To answer the research question, a set of sub-questions was developed which also served to provide a suitable structure for the rest of the thesis. This study follows a deductive approach as the research purpose and especially research questions were developed from the literature and the empirical study was completed after these questions had been operationalised.

3.6.2 Research Questions

More specifically the research will set out to answer the following key questions and to prove or disprove the hypotheses.

Table 3.1. Research Questions and Hypotheses

Research Question	Hypothesis
Is the strategy leader influential in family firms?	H1: A Strategy leader is more influential in family firms.
Do family firms make less use of strategy planning?	H2: Family firms make less use of strategy planning.
Are family firms more likely to adopt logical incremental strategy formation processes?	H3: Family firms are more likely to adopt logical incremental strategy formation processes.
Is the political view of strategy development prevalent in family firms?	H4: The political view of strategy development is more prevalent in family firms
Are cultural processes more influential in strategy development in family firms?	H5: Cultural processes are more influential in strategy development in family firms.
Does the environment impact on strategy development processes in family firms?	H6: The environment impacts on strategy development processes in family firms.
Do family firms engage more in the resource allocation process?	H7: Family firms engage more in the resource allocation process.

The 7 hypotheses outlined in table 3.1 captures the 7 perspectives of the strategy development process in family firms.

3.6.3 Operationalisation of the Research Questions

It is impossible to provide a brief overview of quantitative methods: the literature in this area is too abundant (Jupp, 2006), but Tacq (1997) describes an approach which involves an analysis of the research question to establish relevant concepts and how they are related to one another. Suppose the research question contains two concepts and a simple relationship connecting them. When the constructs are operationalised into variables the measurement level has to be decided. It then becomes appropriate to decide which statistical technique could be used. In essence this approach is looking for underlying concepts and their connections. It then compares these with the predetermined relations in specific statistical techniques. This specific technique requires the researcher to collect a substantial amount of data from a large number of respondents. It was therefore felt a questionnaire was the best instrument to achieve this.

Operationalisation refers to the process whereby the abstract theoretical concepts are translated into measures suitable for empirical investigation; often in the form of different hypotheses to see if different relationships exist (Bryman, 1989; 1990). It is important that we define the concepts appropriately; by conducting a solid literature review which defines the underlying dimensions, aspects and research-question, as these are set on a priori grounds (Bryman, 1990) and cannot be changed after the data has been collected.

Defining a research problem provides a format for further investigation. A well-defined problem points to a method of investigation. There is no one best method of research for all situations. Rather, there are a wide variety of techniques for the researcher to choose from. Often, the selection of a technique involves a series of trade-offs. For example, there is often a trade-off between cost and the quality of information obtained. Time constraints sometimes force a trade-off with the overall research design. Budget and time constraints must always be considered as part of the design process (Walonick, 1993). Family business researchers may encounter additional difficulties achieving suitable response rates, because family businesses have a preference for privacy (Litz, 1997). It was found that time constraints on the part of key business personnel to commit to a solely qualitative survey was a limitation and for this reason a quantitative, questionnaire approach was adopted in the main, supported by a qualitative approach. Key personnel from four successful family firms, and two stakeholders, were interviewed initially, one in the hospitality trade, one in manufacturing, one in financial services and one in retail. The two stakeholders were an accountant and a business bank manager. This exercise aided in the understanding of the dynamic of the family firm and the questionnaire.

The questionnaire was designed on models of strategy development processes developed by Hart & Banbury (1994) and Johnson & Scholes (1993). The Johnson & Scholes model was operationalised by Bailey, Johnson and Daniels in 2000, “Validation of a Multi-Dimensional Measure of Strategy development processes”. In Bailey’s et al. (2000) study and in their questionnaire model, only six perspectives of strategy development are explored. The questionnaire from this study was adapted and Likert statements to investigate the Resource Allocation perspective of strategy development were developed and included, in an attempt to add to the body of existing research.

3.7 Research Questions

Defining the goals and objectives of a research project is one of the most important steps in the research process. Clearly stated goals keep a research project focused. The process of goal definition usually begins by writing down the broad and general goals of the study. As the process continues, the goals become more clearly defined and the research issues questions are narrowed.

The overall objective of this research project was to conduct an analysis of the strategy development processes in family firms in the South East area of Ireland. In achieving this it is hoped to develop a greater awareness and insight into the uniqueness of family firms.

3.8 Survey Instrument

Questionnaires are one of the most popular methods of conducting scholarly research. They provide a convenient way of gathering information from a target population. Berdie et al.,(1973) state that designing a questionnaire must be undertaken in a diligent manner and Openheim (1996) describes the process as a prolonged and arduous intellectual exercise, throughout the course of which, we are continuously trying to clear our minds about our goals. Robson (2000) concludes that there are advantages and disadvantages in using questionnaires as a survey tool as illustrated in the table 3.2:

Table 3.2. Advantages and disadvantages of the survey model

Advantages	**Disadvantages**

The responses are gathered in a standardised way, so questionnaires are more objective	Questionnaires are standardised so it is not possible to explain any points in the questions that participants might misinterpret.
Generally it is relatively quick to collect information using a questionnaire	Open-ended questions can generate large amounts of data that can take a long time to process and analyse.
Potentially information can be collected from a large portion of a group	Respondents may answer superficially especially if the questionnaire takes a long time to complete.

According to De Vaus, (1996) a survey has two distinguished features: the data are in the form of variables and the method is structured and systematic. Herzog (1996) claims that it is important to have structure when the aim is to have consistency across situations. The same questions may therefore be asked to numerous respondents, which will allow us to make comparisons between respondents, which is one of the aims of this study. The quantitative data facilitate statistical manipulation which helps the process of analysis.

A Likert scale measures the extent to which a person agrees or disagrees with the question, they are easy to construct, administer and score. The most common scale is 1 to 5 (Munshi, 1990). Likert (1932 p.27) himself, in his original paper, did not consider the number of choices to be an important issue stating only that "If five alternatives are used, it is necessary to assign values from one to five with the three assigned to the undecided position." It is implied that the actual number of choices may be left to the tastes of individual researchers. In practice, researchers often do assign the number of choices arbitrarily according to personal taste or past convention (Munshi, 1990). It has long been recognized that the precision (reliability) and the accuracy (validity) of verbal instruments are determined to a large degree by the design and construction of the scales (Thurstone, 1928). In a broad sense, the quality of a scale describes its ability to faithfully reflect the attitude or opinion to be measured. Using split-half and Cronbach Alpha reliability as measures of consistency,

Komorita and Graham (1965) found that when the number of items is large, the intensity component (degree of agree or disagree) was unimportant. This implies that the internal consistency is not affected by the number of choices beyond the minimum of two needed to establish the polarity. A significant part of this construction involves the semantics of the scale - the adjectives, words, phrases, and sentence construction that will elicit the correct internal response in the subject (Munshi, 1990). The mainly Likert scale model was adapted for these reasons, with five items per scale and 1- 5 scale points.

The questionnaire translates the research issues into specific questions. The answers to those questions provide the data for testing the research hypothesis. Questions must also interest the respondents enough that they will provide the information. Having specified the research philosophy, process, objective, questions and survey instrument, the next step is to design the overall format of the questionnaire.

As this study employs a survey methodology consideration was needed on levels of structure. The survey needed to be highly structured. Firstly, structured answers are most likely to be completed by the respondent; (Baker, 1999) secondly; it is easier in the process of analysing the results, and thirdly, they can help by clarifying questions for the respondent (Bryman, 1989).

When designing the questionnaire the company demographic questions were arranged first for both family and non-family firms. Second, based on pre-test and sample population the questions were rephrased with help of questionnaire construction literature (Baker, 1999), so that they were unambiguous, clear, and simple (Bryman, 1989). Third, the layout was put

into a suitable format, to increase the credibility of the investigation and increase the response rate.

3.9 Electronic Survey

The technological revolution has given researchers the ability to design and collect survey data in new ways. Computer-based and web-based surveys have been developed that make the electronic collection of data easier than ever. There are numerous advantages of a computer-administered survey, many of which are due to the greater ability to present or record information. Questions can be written with more complete descriptions because a computer survey is not space-constrained, as with a printed one. The fundamental problem with collecting data of any kind with a survey is the challenge associated with capturing the attention and time of respondents. Because we live in a dynamic world where much of the population is enthralled with their electronic gadgets, electronic surveys offer an opportunity to capture attention in creative ways (Boyer & Olson, 2001). They are also less time consuming, quicker and more economical to distribute with the use of broadband freely available to all businesses.

However, there are disadvantages as well associated with electronic surveys; probably the biggest downside is that people are often not completely comfortable with computer technologies. A paper survey offers a quick, obvious look at its contents, whereas a computer survey is more hidden. Another concern is the issue of computer viruses many respondents are wary of transmissions from people they do not know and researchers must be cognisant of the risk of receiving a virus in return (Boyer & Olson, 2001). Unwanted or spam mail can also be a problem. In short, there are many potential problems with electronic surveys, yet many of these problems are limited by good careful study design.

3.10 Questionnaire Development

The questionnaire was divided into two sections namely:

Section A : A series of 5 questions defining what category the firm is operating in, when it was founded, what constitutes a family and a non-family firm, total number employed and percentage of family members employed. These questions gave an overview of the demographics of the respondent firms.

Section B: 35 Likert scale statements measuring the 7 dimensions of strategy development processes were used; these were an amended version of the Bailey's et al. (2000) measures and included Likerts to ascertain the resource allocation processes. Five likert statements were included on each of the 7 dimensions in an effort to ascertain the different approaches, if any, of family firms.

The Literature is operationalised through the questionnaire as follows: The first five concerning the demographics of the firms. Question 1: Collects information on the different categories of business. The categories included were thought to give enough detail as this was not the main analysis of the study. Question 2: The year the company was founded. This was included as the decision making process is thought to change over generations according to Alderson (2011). Question 3: What constitutes a family business? To date, there is "no widely accepted definition of a family business" (Littunen & Hyrsky, 2000 p. 41). Instead, various definitions are reported in the literature. Astrachan's (2002) view is, there are three important dimensions of family influence that should be considered: power, experience, and culture. These three dimensions, or subscales, comprise the F-PEC, an index

of family influence. This index enables comparisons across businesses concerning levels of family involvement and its effects on performance as well as other business behaviours. This F-PEC model was used in the pre-test but because of comments and questions for clarification by each respondent, on either one or all of the relevant questions, for example if a family member holds the majority of shares, are they managing the business and if a family member is managing the business, do they have ownership in it. The author for fear of ambiguity decided to follow the essence approach. Ownership, management, governance and succession permit inferences about the vision (and whether a firm is or is not a family business) but their mere summation does not necessarily equal the vision, for example is the business perceived to be a family business and is it managed with that intent. The CSO version as used in the Annual Services Report (2004) was supplemented for this reason. Do you consider your business to be a family business?

It was noticed during the interview stage that businesses go through different stages, firstly when a young entrepreneur starts a business as a sole trader he does not consider it a family business, but when the entrepreneur moves on in life and has a family he then considers his business to be a family business. Also it was noticed that depending on the power of the individual manager a family business can often be run with the sole intention of his or hers immediate benefit and not the extended families long term benefit. This is often of course the opposite as well. Therefore in order for a business to behave as a family business it was felt the best method to use was the model that captured the intent and thus the behaviour of a family business, and for these reasons the essence model was felt to be best for the target audience.

Question 4: number of people employed. This was modelled on Storey's categorisation (1994) where he describes 'micro-firms' as having less than 10 employees, 'small firms' with 10 but less than 100 employees and finally 'medium-sized companies' with between 100 and 500 employees. This categorisation was felt to be suitable to our sample. Also size is thought, by some, to be a factor in comparative studies (Gumbus & Lussier, 2006; Lussier 2011).

Question 5: Percentage of total employees that are family members. This question illustrates the C (culture) of the F-PEC model and was included to add knowledge to the understanding of the dynamic of family firms.

Questions 6 to 40 were presented in the form of Likert statements used to test the hypotheses. These were an adaptation of the Bailey's et al. (2000) model for the six perspectives. The adaptation included slight word changes cognisant of the sample frame and to cause less ambiguity. Five items to a scale were used instead of Bailey's et al., seven. It was felt that the seven made the questionnaire unnecessarily long which would lead to less questions being answered or discarded and as some of the questions were a duplication presented in a different form, it was decided to omit them. Also a seventh perspective, to research resource allocation processes, was developed and included, after a thorough trawl of the literature was conducted. From this exercise five relevant items for the scale were decided upon to test H7: The resource allocation process is different in family firms.

H1: A Strategy leader is more influential in family firms.

1. The strategy we follow is directed by a vision of the future associated with a senior figure in the business
2. Our strategy is closely associated with a particular individual

3. The senior figure determines our strategy direction
4. Our strategy direction is determined by powerful individuals or groups
5. A senior figure's vision is our strategy

H 2: Family firms make less use of strategy planning.

1. We have definite and precise strategy objectives
2. We have precise procedures for achieving strategy objectives
3. We have well defined procedures to search for solutions to strategy problems
4. Our strategy is made explicit in the form of precise written plans
5. We make strategy decisions based on a systematic analysis of our business environment

H3: Family firms are more likely to adopt logical incremental strategy formation processes.

1. To keep in line with our business environment we make continual small scale changes to strategy
2. Our strategies emerge gradually as we respond to the need to change
3. We tend to develop strategy by experimenting and trying new approaches in the marketplace
4. Our strategy develops through a process of ongoing adjustment
5. Our strategy is continually adjusted as changes occur in the marketplace

H4: The political view of strategy development is more prevalent in family firms.

1. The information on which our strategy is developed often reflects the interest of certain groups involved in the business
2. Our strategy develops through a process of bargaining and negotiation between groups or individuals

3. Our strategy is a compromise which accommodates the conflicting interests of powerful groups and individuals involved
4. The decision to adopt a strategy is influenced by the power of the group supporting it
5. Our strategies often have to be changed because certain groups block their implementation

H5: Cultural processes are more influential in strategy development in family firms.

1. Our strategy is based on past experience
2. There are beliefs and assumptions about the way to do things which are specific to this organisation
3. The strategy we follow is dictated by our culture
4. The strategies we follow develop from "the way we do things around here"
5. There is resistance to any strategy change which does not sit well with our culture

H6: The environment impacts on strategy development processes in family firms.

1. We are severely limited in our ability to influence the business environment in which we operate
2. Our freedom of strategy choice is severely restricted by our business environment
3. We are not able to influence our business environment; we can only buffer ourselves from it
4. Many of the strategy changes which have taken place have been forced on us by those outside this organisation
5. Forces outside this organisation determine our strategy direction

H7: Family firms engage more in the resource allocation process.

1. We have an analytical process involved for allocating resources to strategies

2. We have a series of steps between proposal and allocation of resources to strategies
3. The strategies proposed go through a process before being allocated resources
4. We have a selection process for allocating resources to strategies
5. Our organization has specific resource allocation criteria (i.e. Return on Investment)

3.11 Pre-Test

The next step was to pre-test the questionnaire, to revise, and to conduct a pilot test of how the questionnaire was to be used. Moser et al., (1972) stated the questionnaire should be administered to a small number of people who resemble or are drawn from the population of interest, but it did not have to be a random sample. Also measure how much time it took to complete each questionnaire and utilise the information provided to clarify directions, question wording, or response categories where necessary. Revise as needed (Moser et al., 1972)

For a critique of the questionnaires and the questions therein, members of the academic staff, in the business faculty of The Institute of Technology Carlow were consulted. The members were chosen as the greater percentage of them had worked in the private business sector previously and the extended families of a number of them were members of family firms and the questionnaires were completed off campus with their input. It was felt in this way both the academic and business perspectives were covered in the pre test, therefore making the utmost effort to capture all the teething problems at this stage, with the intention of minimum or no changes at the pilot stage.

After careful consideration of the pre-test feedback and in cognisance with the target audience it was decided, in favour of clarity and unambiguousness to amend parts of the questionnaire. To assist in the meaning becoming more relevant to the sample some word changes were made. Also it was decided to use 5 Likert choices instead of 7. The CSO model to assess a family firm, simply “Do you consider your business to be a family business”? was preferred. It was also concluded that a smaller number of statements were needed, as the major critique from the respondents was the length of the questionnaire. The layout of the questionnaire was also reconsidered to make it easier for respondents.

3.12 Pilot Study

Oppenheim (1992) states pilot studies of some size, frequency and complexity are needed. The purpose is not the collection of findings but the testing out of questions and procedures. A pilot study is a dress rehearsal of the full project, including the questionnaire, the interviewers, and all other aspects. Questions that are not providing useful data are discarded, and the final revisions of the questionnaire are made. Even questions that are borrowed from other surveys need to be piloted to ensure that they will work as required with our kind of respondents. Pilot studies tend to be small. In principle respondents in pilot studies should be as similar as possible as those in the main enquiry that is they should be a judgment sample.

Both hard and electronic copy versions of the revised questionnaire were piloted to a small but diverse sample of businesses in the sampling area by the author, ten in number, to establish credibility. A few respondents completed the questionnaire in just five minutes, and for one respondent it took 18 minutes. The final questionnaires took an average of 10 to 12 minutes to answer. The feedback on the questionnaire was positive. Therefore no changes

were made at this stage. The pilot respondents were not included in the final sample as the survey was totally electronically administered.

3.13 Data Collection Procedure

The general advantages with a questionnaire survey are that, it is economical, generates a great deal of information in short periods of time, can be dealt with when the respondent finds it suitable and may provide more trustworthy accounts compared to other studies (Mutchnick & Berg, 1996). It may be less time-consuming and irritating for the respondents, it is easy to quantify the results and there is little personal involvement by researchers compared to interviews (Bryman, 1989). However, questionnaire surveys have some main drawbacks; it lacks depth compared to other data collection techniques, and no deviation from the questions is possible (Mutchnick & Berg, 1996). Furthermore, one can never be certain who has answered the questionnaire and perhaps most important they yield low response rates, especially when sent to firms (Bryman, 1989).

After developing the questionnaire sample frame, the businesses of the South East of Ireland, were chosen. The database of the chamber of commerce for the South East of Ireland was used and 1,400 companies were included in the survey. This number was chosen because both time and resources were limited, as such; the number is based on economic and feasibility considerations. It is generally accepted that, depending on the heterogeneity of the population, the larger the sample, the greater the accuracy of the study. Mutchnick and Berg (1996) argue for a minimum sample size of 150, but if greater statistical reliability is needed, then a sample size of up to 1,500 subjects should be used.

The sampling technique and methodology of this study are consistent with those of other family business researchers who have been constrained by the lack of a national database on family firms (Sonfield & Lussier, 2004; Van Der Merwe & Ellis, 2007; Venter, 2003). No comprehensive list of independent family businesses in Ireland is currently available (Birdthistle, 2003) and this problem was again voiced by Denison (2004) when he stated there are no national statistics or data bases solely on family businesses; maybe because there is no uniformly accepted definition of a family business. Therefore, empirical research on family business has had to rely on convenience samples such as membership lists of professional associations. This study is no exception and therefore as the country's largest and most local business network, the chamber of commerce data base was chosen and permission received. Other databases were considered such as "The Small Firms Association but this was a problem as it was not available to non members and also did not represent as broad a base as the chamber of commerce. Other reasons in favour of the database used were that as it was specifically representing the local areas it was felt to be more inclusive of a mix of businesses and also in was accessible. One of the key functions of the mission statement of chambers of commerce throughout Ireland is to represent the views of Irish business and to supporting SMEs;. Therefore if a database of family firms only was not available, a database of the representative audience SMEs was the next best alternative and the respondents were divided into family and non-family by the responses. Another advantage of using the chamber of commerce database was, as it was an electronic survey the email addresses of the CEO's were available and thus could be targeted directly. In most other databases a general company telephone number, address or contact email is all that is available but with the actual CEO's direct contact available, it meant they could be contacted directly thus helping to overcome one of the most common problems with questionnaires, which is not knowing who actually completed them.

The result was 112 family firms to 114 non-family out of 226 respondents. This is pretty reflective of some other researcher findings. In 2004, in Ireland almost half of all small service enterprises were family-owned businesses (CSO Report, 2007). Hickie (1995) and Smiddy (2002) estimated that between 40 per cent and 50 per cent of the private sector workforce are employed in family-owned businesses. The Small Firms Association (2000) stated that the majority of small and medium-sized enterprises (SMEs) in Ireland are comprised of family businesses.

The sample frame was developed by accessing the South East Chambers websites of membership, with the exception of Kilkenny as it was not available - due to members' unwillingness to distribute their e-mail addresses. The areas included from the South East Chambers database were, Wexford, Carlow, Waterford, New Ross, Gorey, Enniscorthy, Dungarvan and Clonmel. Still, the database may contain minor bias due to the time lag between database construction and the date of sample selection, because some companies may end up in bankruptcy, being merged or acquired especially in the present recessionary climate (Scheafer et al., 1990).

A link for the final questionnaire (see appendix 1) was emailed to the sample companies during the first week of December 2010. A reminder (including a new questionnaire) was sent out to the sample companies again on the first week of January 2011, it was not possible to target the non-respondents as the survey was anonymous. The data was collected by survey monkey. The response rate was 12% (167 responses) on the first distribution, the response rate on the second round was 4.25% (59 responses). The effective response rate is thus 16.2 per cent.

The questionnaires were sent out electronically along with a cover e-mail. The cover e-mail introduced the respondents to the purpose of the research project and to the researcher as a way to make the study legitimate. It explained that no sensitive data would be required and that the answers would remain anonymous and confidential, no specific company's details could be identified. Furthermore, a logo of Carlow Institute of Technology was used to increase the credibility of the investigation and a donation of €1 to charity, "Hospice Home, Care for Children Campaign" for every survey returned was vouched as an extra incitement for the respondent to complete the questionnaire (see appendix 2)

3.14 Reliability and Validity

Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability, and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are (Joppe, 2000). According to Bryman, (2004) measurement validity concerns whether something really measures what it claims. The definitions of reliability and validity in quantitative research reveal two strands: Firstly, with regards to reliability, whether the result is replicable. Secondly with regards to validity, whether the means of measurement are accurate and whether they are actually measuring what they are intended to measure (Golafshani, 2003).

Cronbach's alpha is the overall reliability of the scale, and values in the range of .7 to .8 indicate good reliability (Field, 2009). The reliability of Likert scales will drop if the number

of options is reduced. Considering the two psychometric properties, i.e. reliability and validity, the best number of options for Likert scale is between 4 and 7 (Lozano & Muniz, 2008; Kline, 1999). Hence a test to find Cronbach's alpha coefficient of each of the scales in the survey was carried out. (see table 3.3) It may be noted that H2, planning and H7, resource allocation have the highest alpha, hence the greater reliability.

Table 3.3 Cronbach's alpha[1] of the 7 scales

Cronbach's Alpha	Scales
.57	H1: Leadership
.74	H2: Planning
.53	H3: Incrementalism
.53	H4: Political
.50	H5: Cultural
.65	H6: Externally Imposed
.75	H7: Resource Allocation

3.15 Limitations

In general, the gathering of information was not a difficult process. However, there were some constraints experienced in conducting the study: access to the full database of the Chamber of Commerce in the South East, did this database capture the target audience, was the database current where all businesses were concerned and did the right person fill out the questionnaire.

The definition of what constitutes a family in the study, may have distorted the results as the definition may have been too narrow. Although the components of family involvement may be used operationally to delineate a population for study, a further distinction must be made to capture the intent. Without such a distinction, and until some universal agreement on what constitutes a family business is decided upon, statistics and research findings on family

[1] Note: Cronbach's alpha (a) is a measure of how well a set of items consistently measures a single construct (reliability).

business may be inconsistent, unrealiable and irreconcilable. As a result, there will be little scientific understanding, explanation or prediction. The conflicting results lend credence to this summation as secondary research show Hickie (1995) and Smiddy (2002) estimated that between 40 per cent and 50 per cent of the private sector workforce are employed in family-owned businesses and Mac Feely et al., state the percentage as approximately 80% family firms (Mac Feely and O'Brien (2008).

Age may have been another limitation as business goals can change as a result of family needs or a desire to achieve a turnaround in the firm's economic performance. Family firm's goals may differ and change at different stages of their life cycle. The lumping together of such firms for study may in fact represent none of the firms.

There were some limitations on the work carried out. The field of strategy development is an extensive one, and it addresses many different issues in seeking to understand its progress. Researchers recognise that there are certain relevant variables that could be considered in depth, and which all contribute to understanding the strategy process. There has to be boundaries drawn in order to comprehend exactly the depth and range of the study. Accordingly, the study is bounded by the framework identified in the research questions. A further limitation to the study, there was no ultimate control over who completed the questionnaire, despite targeting theCEO directly there was no method to ascertain exactly who filled out the survey.

3.16 Conclusion

This chapter started with a discussion of research in the social sciences which helped lay the foundation for the chosen research approach. The choice of approach depends on factors such

as the researcher's perspective of reality, the amount of pre-understanding of the subject studied and the type of research questions. Considering these factors, the deductive approach seems to be the most appropriate for investigating the subject of interest, and was the major approach of the study.

The second part of this chapter went on to discuss the specifics of the research, and the logical sequence from operationalisation to data collection. In short, this study follows mainly a deductive approach as an extensive literature review was conducted in the area of strategy development processes and using facilitation as a method, interviews were conducted to develop the questionnaire. The research questions were operationalised and the empirical investigation started. A survey was then conducted to find how theories in the literature fitted with the real world. The following chapter will present the results and analysis from the survey.

Chapter 4:

Presentation of Findings

4.1 Introduction

The purpose of this chapter is to analyse and present the empirical information gained from the strategy development perspective questionnaires on family firms. The findings will be presented and discussed, which will enable the reader to clearly see the outcome of the research.

In this chapter the characteristics of respondent firms will be discussed first. The findings relating to the 7 perspectives of strategy management processes in family firms are then outlined and analysed. The hypothesis, is outlined stating support or otherwise. Lastly the influences of size, age, percentage family employed and business category on strategy development processes are explored. The chapter concludes with a summary of the main findings of this part of the study.

4.2 Questionnaire Response Rate

The data was collected by survey monkey, an electronic survey tool, using the Chamber of Commerce's database. The response rate was 12% (167 responses) on the first distribution. A second round of distribution was then implemented to the same respondents; and the response rate on the second round was 4.25% (59 responses). The effective response rate is thus 16.2 per cent, which is a reasonable response rate according to Schonlau et al., (2001) for electronic surveys.

4.3 Data Preparation

Before the data was analysed it was essential to check the data set for errors. It is very easy to make mistakes when entering data and unfortunately some errors can completely distort the results. So it was important to spend the time checking for mistakes initially, rather than

trying to repair the damage later. The researcher has made every possible effort to ensure correctness in the validation data. The data was checked for errors and exported to Microsoft Excel and checked for errors again. The variable labels were defined and then imported into SPSS, where further comprehensive checking for errors was carried out. The data was checked for errors, primarily for values that fell outside the range of possible values for a variable i.e. if the choice of reply was within a 1 to 5 range, then a 6 appearing in the data was an obvious mistake. The minimum and maximum values were found to be within the correct range.

Some analysis is very sensitive to what are known as 'outliers' that is, values that are well below or well above the other scores, an observation very different from most others. Outliers can bias statistics such as the mean. A measure of central tendency gives a description of the 'average' score or response in the distribution; however, the mean and standard deviation are affected by 'outliers'. Tests to investigate the 5% trimmed mean (cases with values well above or well below the majority of other cases) gives an indication of how much of a problem these outlying cases are likely to be (Field, 2009). Therefore, according to Field (2009) it is necessary to examine the mean, median and mode together (for a normal distribution they are the same). SPSS removes the top and bottom 5% of the cases and recalculates a new mean value. If the two mean values are very different, you may need to investigate these data points further. All questions were tested and the results indicated that outliers were not an issue. In addition, a visual examination of box plots to identify outliers was carried out and satisfactory results were found.

Next the measurement errors in categorical variables were investigated, which are usually termed classification errors. Categorical variables are bounded from below and above and

according to Kristensen (2006) the possibility of measurement errors should be taken much more seriously by those who analyse survey data.

Descriptives provide some information concerning the distribution of scores on continuous variables (skewness and kurtosis). The skewness value provides an indication of the symmetry of the distribution. Kurtosis, on the other hand, provides information about the 'peakedness' of the distribution. If the distribution is perfectly normal you would obtain a skewness and kurtosis value of 0, rather an uncommon occurrence in the social sciences (Gelfand , Smith & Lee, 1992).

Tests showed positive skewness values, indicating positive skew (scores clustered to the left at the low values, i.e. .158 - .175). Negative kurtosis, values < 0 as displayed in this survey indicate a distribution that is relatively flat (too many cases in the extremes). With reasonably large samples, skewness will not make a substantive difference in the analysis (Tabachnick & Fidell, 2001). Kurtosis can result in an underestimate of the variance, but this risk is also reduced with a large sample, 200 + cases (Tabachnick & Fidell, 2001). Fields (2009) states that from the central limit theorem that in big samples the sampling distribution tends to be normal anyway – regardless of the shape of the data actually collected and will tend to be normal regardless of the population distribution in samples of thirty or more. The issue is that a statistically significant departure from normality is not necessarily a practical departure from normality. Tabachnick and Fidell (2001) recommend inspecting the shape of the distribution. In this case, there was five items to each scale, with a range of 1 to 5, therefore the mean of a scale would be 12.5 (between 5 and 25. 5 items by 5 = 25). The resulting means for the 7 scales ranged between 9.13 to 14.44 and the mean of the items ranged between 3.43 to 5.00. Even when a distribution may not be exactly normal, it may still be

convenient to assume that a normal distribution is a good approximation (Tabachnick & Fidell, 2001), therefore normality is assumed in the population the sample of respondents is drawn from.

4.4 Research Findings

In this section we will describe and analyse the results from the survey research. The findings are divided into; firstly the characteristics of the respondent firms are presented followed by the finding for the seven hypotheses.

4.4.1 Respondent Characteristics

All 226 respondents answered the first five demographic questions. The split between family and non-family respondents was very close with 112 answering yes to being a family business and 114 answering no, (see table 4.1 below) reflecting the reality of the importance of family businesses in our economy. This is in agreement with the findings of some other researcher findings (CSO Report, 2007; (Hickie, 1995; Smiddy, 2002) however Mac Feely and O'Brien (2008) and Martin (2008) would put the figure between 75 and 80 %. This disparity may be down to the fact, of there being no specific database for family firms, and of course the age old problem of a family firm definition.

Between the years 2000 to 2009 a large number 32% (see table 4.1 below) of companies were started, whilst the number of companies started in any other 10 year period, pre 1980, 1981 to 1989 and 1990 to 1999, are in the 18% to 20% range.

There were more respondents in the services industry by a large percentage, 53% (see table 4.1) in services in comparison to construction 12%. Services included retail, finance, hospitality, training etc. This compares favourably with MacFeely & O'Brien (2008) who found that family businesses made a significant contribution to the services sector, accounting for more than 46% of all non-financial traded service enterprises. When the employment figures are examined the largest number, the mode, of companies (45.6%) fell into the category of employing 0-4 employees whilst the next two categories of 5-10 and 11-24 employees, make up 33.7% of the companies, with 11% employing more than 100. When Chi-Square tests were conducted, there was found to be a significant association between the family and non-family firms employing between 0-9 employees and 10-100 + employees x^2 (1) = 11.14, p <.001. Results showed 83 family firms and 59 non-family firms employing 0-9 employees, showing that a greater number of family firms tend to be smaller and employ less people. This trend was also apparent in the 10-100+ bracket, a smaller number of family firms (29), than non-family (55) employing ten or over. A number of companies (47.3%) employ no family members and between 1 and 25% of employees are family members in 32.7% of companies. In 11.5% of companies, between 76 and 100% of the employees are family members. When Chi Square tests were conducted, there was found to be a significant association between family and non-family firms employing family members $x^2(1)$ = 89.61, p < .001. The results showed that out of 112 family firms, 95 employed some family members while 17 employed none. Out of 114 non-family firms 90 employed no family members whilst 24 firms did. .

In Table 4.1, the characteristics of the firms sampled are presented. There are no missing cases and the valid categories are 226.

Table 4.1 Characteristics of firms

Family / Non-Family Respondents	FF No.	Mean FF	S.E FF	NFF No.	Mean NFF	S.E. NFF	%
Family Firms	112						49.6
Non-Family Firms				114			50.4
Year of Foundation							
Pre-1980	23	2.91	1.32	23	2.92	1.31	20.7
1980-1989	23			19			18.9
1990-1999	18			23			18.5
2000-2009	37			34			32
2010	11			11			9.9
Numbers Employed							**%**
0-4	57	1.94	1.24	46	2.82	1.93	45.6
5-10	26			13			17.3
11-24	17			20			16.4
25-50	6			7			5.8
51-100	3			6			4.0
100 +	3			22			11.1
Business Category							**%**
Manufacturing	7	3.79	1.07	8	3.78	1.11	6.6
Comp. & Software	6			8			6.2
Building & Const.	15			13			12.4
Services	62			58			53.1
Other	19			26			19.9
Combination	3			1			1.8
Family Members							**%**
None	17	2.66	1.37	90	1.31	.84	47..3
1-25	56			18			32.7
26-50	10			0			4.4
51-75	6			3			4.0
76-100	23			3			11.5

FF= Family firm. NFF= Non family firm. SE= Standard deviation. % = percentage

4.4.2 Strategic Management Processes Analysis

By bringing the responses together under the 7 different perspectives, this analysis produces evidence of the degree of influence each one has upon the strategy development process in family firms. The dominant perspective is identified. This in turn allows the research to identify any unique patterns that may exist in the process. The seven perspectives of the strategy development process are leadership, planning, incrementalism, political, cultural, externally imposed and resource allocation, and are analysed in table 4.2, to highlight the research outcomes.

Table 4.2. The 7 Perspectives of Strategy Development

Strategy Development Processes	M	SE
1: Strategy Leadership	13.33	4.41
2: Planning	13.25	5.22
3: Logical Incrementalism	9.13	3.43
4: Political.	15.25	4.16
5: Cultural	13.06	4.12
6: Externally Imposed	14.44	4.97
7: Resource Allocation Process	13.12	5.31

M = mean. SE = standard deviation.

This section outlines the seven perspectives of the strategy development processes. The dominant perspective is logical incrementalism for all firms; this indicates that more firms engage in step by step planning, which may be a result of economic conditions, changing environment or other factors. The other perspectives in order of dominance are cultural, planning, resource allocation, strategy leadership, externally imposed and political respectively. There is a noticeable majority of respondents agreeing with adopting logical incrementalism.

The seven scales of strategy development processes, presented in the table 4.2, above show the mean and standard deviation, of all the respondents whether family or non-family. The lower the mean the greater the number in agreement and the higher the mean the smaller the number in agreement. More respondents agree than disagree that a strategy leader is closely associated with an organisations strategy direction that planning is important, and that environment impacts on planning. The larger number by far, with a mean of 9.13 agrees in small step incrementalism as a form of planning. More agree than disagree with the resource allocation process and that culture is influential. However a larger number disagree that the political process is influential.

4.5 Family and Non-Family Analysis

This section presents the detailed findings for each strategy development perspective in the context of the generic model. Within each perspective, the focus is entirely on issues relating to the management by family firms compared to non-family firms. By bringing the responses together under the 7 headings, this analysis produces evidence of the degree of influence which each differing perspective has had upon the strategy development of both family and non-family firms, thus identifying the most characteristic and strongest. This allows the research to highlight any pattern in the process that may differ between family and non-family firms.

Independent – sample t-tests were conducted on seven scales of the hypothesis, to compare family and non-family firms. A table of responses showing the mean results and standard deviation for each likert statement and the scale result will be presented for family and for non-family firms and a t-test presented after each table for each scale.

4.5.1 Strategy Leader

The first perspective of the strategy development process is presented in the table below showing the five items in the scale, and the valid mean of the scale result in bold, to determine if Hypothesis 1: A Strategy leader is more influential in family firms, could be proven or disproven when analysed (see table 4.3)

Table 4.3 The influence of the strategy leader - Family firms – Non family firms

	FF No.	FF M.	FF S.E.	NFF No.	NFF M.	NFF S.E.
1.The strategy we follow is directed by a vision of the future associated with a senior figure in the business	99	2.23	1.41	95	2.34	1.29
2.Our strategy is closely associated with a particular individual	95	2.48	1.40	96	2.96	1.47
3.The senior figure determines our strategy direction	97	2.46	1.43	96	2.67	1.39
4.Our strategy direction is determined by powerful individuals or groups	89	3.08	1.60	88	3.18	1.45
5.A senior figure's vision is our strategy	89	2.54	1.42	87	2.75	1.62
A Strategy leader is more influential in family firms.		**12.79**	**4.25**		**13.90**	**4.52**

M= mean. S.E= standard deviation. FF= family firms NFF = non family firms. No = number of valid responses.

Family firms agree in greater numbers than non-family with every item of the scale. This strongly suggests that the leader's role in family firms is all important. Items 2, 3 and 5 in particular suggest the leaders and their vision is seen to have a strong impact on the influence of strategy. Because the one-tailed test provides more power to detect an effect and the t-test tells us if the variation between two groups is "significant" a one tailed t- test was conducted on each hypothesis. There was a significant relationship between the two groups, ($p < .05$, 1-tailed) and the size effect is small ($r = .13$). The difference overall was, family ($M = 12.79$,

SE = 4.25) and non-family (M = 13.90, SE = 4.52, t (167) = -1.68) the results suggest that the strategy leader in family firms is more influential that non-family proving the hypothesis (see table 4.3). The leaders role in firms in general (see table 4.2) was the fifth most dominant perspective but in family firms it is the second dominant, this is an indication of the importance of the role of leader in family firms and it permeates all aspects of a business.

4.5.2 Strategy Planning

The second perspective of the strategy development process, planning and the five items used to ascertain these are presented below, with the valid mean of the scale in bold, for both family and non-family firms. H 2: Family firms make less use of strategy planning. (see table 4.4).

Table 4.4 The influence of planning - Family firms- Non family firms

	FF No.	FF M.	FF S.E.	NFF No.	NFF M.	NFF S.E.
1.We have definite and precise strategy objectives	88	2.34	1.46	88	2.19	1.32
2.We have precise procedures for achieving strategy objectives	98	2.86	1.54	96	2.43	1.44
3.We have well defined procedures to search for solutions to strategy problems	91	3.00	1.53	88	2.83	1.53
4.Our strategy is made explicit in the form of precise written plans	91	3.21	1.51	89	3.09	1.57
5.We make strategy decisions based on a systematic analysis of our business environment	89	2.19	1.40	89	2.17	1.40
Family firms make less use of strategy planning.		**13.60**	**5.37**		**12.71**	**5.04**

M= mean. SE= standard deviation. FF= family firms NFF = non family firms. No = number of valid responses.

A larger number of non-family firms than family firms agree on each item of planning as can be seen by the mean of each statement. Planning appears to be of greater importance in non-family firms. It is interesting to note that the mean of statement 4 is the smallest of all 5 statements suggesting, suggesting that even when definite, precise objectives exist they may not always be in written form. Using a t-test to compare there was no significant difference ($p > .05$, 1 tailed). The magnitude of the differences in the means was very small overall ($r = .10$) family ($M = 13.60$, $SE = 5.37$) and non-family ($M = 12.71$, $SE = 5.04$, $t(171) = -1.30$) but the results did show that a much larger number (26.52%) of family firms that non-family firms (20.94%) do not engage in planning. Family firms (38.08%) are slightly less inclined to engage in planning than non-family firms (42.4%) agreeing with the hypothesis (see table 4.4). This result however may be associated with the leader in family firms as in statement three of the leadership scale (see table 4.3) a greater number of family firms agreed with this statement "The senior figure determines our strategy direction"

4.5.3 Logical Incrementalism

Next the logical incrementalism perspective of development was explored.

H3: Family firms are more likely to adopt logical incremental strategy formation processes. The five items of the scale to ascertain this were in the form of statements as presented in tables 4.5 below, and the valid mean and standard deviation of the scale is in bold.

Table 4.5 The influence of logical incrementalism - Family firms – Non family firms

	FF No.	FF M.	FF S.E.	NFF No.	NFF M.	NFF S.E.
1.To keep in line with our business environment we make continual small scale changes to strategy	99	1.63	.89	96	1.68	.94
2.Our strategies emerge gradually as we respond to the need to change	99	2.09	1.40	95	2.16	1.41
3.We tend to develop strategy by experimenting and trying new approaches in the marketplace	90	2.00	1.19	89	2.18	1.35
4.Our strategy develops through a process of ongoing adjustment	90	1.57	1.09	89	1.76	1.22
5.Our strategy is continually adjusted as changes occur in the marketplace	89	1.71	1.15	88	1.61	1.06
Family firms are more likely to adopt logical incremental strategy formation processes.		**9.0**	**3.53**		**9.39**	**3.32**

M= mean. SE= standard deviation. FF= family firms NFF = non family firms. No = number of valid responses.

A larger number of family firms than non-family agree with the first four items. A smaller number overall neither agree nor disagree with this scale. Incrementalism is the most influential of all the perspectives. The largest number being in agreement for all the scales. Using a t-test to compare there was no significant difference. ($p > .05$, 1- tailed) The differences in the means were very small overall. ($r = .08$) family ($M = 9.0$, $SE = 3.53$) and non-family ($M = 9.39$, $SE = 3.32$, $t(172) = -1.01$). Both agree with incremental changes but family firms are more likely to adopt incremental processes than non-family which is in agreement with the hypothesis.

4.5.4 Political

The next perspective of strategy development was, H4: The political view of strategy development is more prevalent in family firms. The five items of the scale to ascertain this were in the form of statements as presented in tables 4.6 below, and the valid mean and standard deviation of the scale in bold.

Table 4.6 The political influence - Family firms – Non family firms

	FF No.	FF M.	FF S.E.	NFF No.	NFF M.	NFF S.E.
1.The information on which our strategy is developed often reflects the interest of certain groups involved in the business	98	2.30	1.29	95	2.33	1.38
2.Our strategy develops through a process of bargaining and negotiation between groups or individuals	98	3.05	1.42	94	2.95	1.54
3.Our strategy is a compromise which accommodates the conflicting interests of powerful groups and individuals involved	91	3.34	1.32	89	3.11	1.38
4.The decision to adopt a strategy is influenced by the power of the group supporting it	91	2.90	1.63	88	2.80	1.44
5.Our strategies often have to be changed because certain groups block their implementation	89	3.91	1.32	88	3.83	1.33
The political view of strategy development is more prevalent in family firms.		**15.50**	**3.99**		**15.02**	**4.33**

M= mean. S.E= standard deviation. FF = family firms NFF = non family firms. No. = no of valid responses.

More non-family firms than family firms agree with the items of the scale. No definable pattern was obvious. Using a t-test to compare there was no significant difference, ($p > .05$, 1tailed). The magnitude of the differences in the means was very small overall ($r = .04$) family ($M = 15.50$, $SE = 3.99$) and non-family ($M = 15.02$, $SE = 4.33$. $t(171) = .48$), but both

categories of firms suggest that the political view is a factor, with family firms being less political than non-family firms, hence supporting the hypothesis. (see table 4.6).

4.5.5 Cultural

The next perspective of strategy development was, H5: Cultural processes are more influential in strategy development, in family firms. The five items of the scale to ascertain this were in the form of the questions as presented in tables 4.7 below, and the valid mean and standard deviation of the scale in bold.

Table 4.7 The cultural influence – Family firms – Non family firms

	FF No.	F.F. M.	F.F. S.E.	NFF No.	N.F.F. M.	N.F.F. S.E.
1.Our strategy is based on past experience	99	2.00	1.26	96	2.29	1.38
2.There are beliefs and assumptions about the way to do things which are specific to this organization	99	2.25	1.48	96	2.34	1.50
3.The strategy we follow is dictated by our culture	90	2.41	1.34	89	2.22	1.44
4.The strategies we follow develop from "the way we do things around here"	91	3.34	1.30	87	3.25	1.49
5.There is resistance to any strategy change which does not sit well with our culture	89	3.06	1.61	88	2.81	1.44
Cultural processes are more influential in strategy development in family firms.		**13.06**	**4.07**		**12.91**	**4.20**

M= mean. S.E= standard deviation. FF= family firms NFF = non family firms. No = number of valid responses.

The mean of family firms is greater than that of non-family firms showing that culture is more important in non-family firms. This is a surprising result as the literature leads us to believe that culture is a distinctive feature of family firms. Using a t-test to compare there

was no significant difference ($p > .05$, 1- tailed). The magnitude of the differences in the means was very small overall($r = .02$) family ($M = 13.06$. $SE = 4.07$) and non-family ($M = 12.91$. $SE = 4.20$. $t(172) = .199$). The hypothesis was not supported (see table 4.7).

4.5.6 Externally Imposed

The sixth perspective of strategy development, externally imposed, and the five items used to ascertain this is presented in tables 4.8 below with the valid mean and standard deviation of the scale in bold, for both family and non-family firms. H6: The environment impacts on strategy development processes in family firms.

Table 4.8 The influence of externally imposed strategy – Family – Non family firms

	FF No	FF M	FF SE	NFF No	NFF M	NFF SE
1.We are severely limited in our ability to influence the business environment in which we operate	88	3.02	1.54	88	2.94	1.46
2.Our freedom of strategy choice is severely restricted by our business environment	99	2.89	1.59	95	3.11	1.54
3.We are not able to influence our business environment; we can only buffer ourselves from it	89	3.15	1.62	88	3.30	1.48
4.Many of the strategy changes which have taken place have been forced on us by those outside this organisation	89	2.83	1.50	90	2.42	1.55
5.Forces outside this organisation determine our strategy direction	89	2.81	1.55	88	2.50	1.47
The environment impacts less on strategy development processes in family firms.		**14.70**	**5.44**		**14.27**	**4.47**

M= mean. SE= standard deviation. FF= family firms NFF = non family firms. No = number of valid responses.

The mean of family firms is higher than non-family firms. This suggests that family firms are less reactive to the environment and new challenges, this may be associated with the vision or lack of it in the family firm leader as in statement one of the leadership scale (see table 4.3) a larger number of family firms agreed. Using a t-test to compare there was no significant difference ($p > .05$, 1- tailed). The magnitude of the differences in the means was very small overall. ($r = .04$) family ($M = 14.70$, $SE = 5.44$) and non-family ($M = 14.27$, $SE = 4.47$, $t(171) = .49$). Family firms (33.18%) tend to be less influenced by environment than non-family (33.9%). However the difference is not significant (see table 4.8).

4.5.7 Resource Allocation

The last perspective of the strategy development process was, H7: Family firms engage more in the resource allocation process. The five items of the scale to ascertain this were in the form of the questions as presented in tables 4.9 below, the valid mean and standard deviation of the scale is in bold.

Table 4.9 The influence of resource allocation - Family firms – Non family firms

	FF No	FF M.	FF S.E.	NFF No	NFF M.	NFF S.E.
1.We have an analytical process involved for allocating resources to strategies	98	2.83	1.45	96	2.65	1.49
2.We have a series of steps between proposal and allocation of resources to strategies	90	2.46	1.50	89	2.38	1.59
3.The strategies proposed go through a process before being allocated resources	91	2.42	1.48	88	2.32	1.47
4.We have a selection process for allocating resources to strategies	87	3.13	1.50	87	2.82	1.53
5.Our organisation has specific resource allocation criteria (i.e. Return on Investment)	88	2.55	1.43	88	2.66	1.52
Family firms engage more in the resource allocation process.		**13.39**	**5.13**		**12.83**	**5.50**

M= mean. SE= standard deviation. FF= family firms NFF= non family firms. No = number of valid responses.

A larger number of non-family firms than family firms agree with the first four items. There was no significant difference overall, ($p > .05$, 1-tailed). The differences in the means were very small overall. ($r = .06$) family ($M = 13.39$, $SE = 5.13$) and non-family ($M = 12.83$, $SE = 5.50$. $t(169) = -.79$). It would appear family firms engage less in resource allocation than non-family firms, disproving the hypothesis (see table 4.9). If the planning process in family firms as already stated is associated with the influence of the leader so also will the resource allocation process as this also requires planning.

To summarise, hypothesis 1, indicating the influence of the leader as being more influential in family firms is supported; hypothesis 2, family firms make less use of strategy planning is in agreement; hypothesis 3, incrementalism in family firms being more prevalent was not significant; hypothesis 4, politics being less prevalent in family firms was in agreement but not significant. hypothesis 5, cultural processes being more influential in family firms was not supported hypothesis 6, the environment impacts on family firms was not supported; and hypothesis 7, family firms engaging more in resource allocation was not supported. H1: was the only significant difference out of the 7 perspectives. H1: A strategy leader is more influential in family firms. There was a significant difference between the two groups.

4.6 Conclusion

In conclusion, the findings do not reveal any statistical differences in the way family (112 respondents) and non-family businesses (114 respondents) engage in strategy development processes. However examining the slight differences that exist, (see table 4.10 below) the results suggest that the strategy leader in family firms is more influential, family firms are

less inclined to engage in planning than non-family firms and family firms tend to be less influenced by environment than non-family firms.

Statistically there is no difference, however the results suggest that family firms are more likely to adopt incremental strategy development processes than non-family firms, family firms engage less in resource allocation processes; slightly more non-family firms agree that cultural processes are influential; and family firms are less political.

Table 4.10 Summary of results from the hypothesis testing

Hypothesis	Family Agree %	Non Family Agree %	Supported/ Not Supported
H1: A strategy leader is more influential in family firms.	41.56	33.94	Statistically Significant Difference
H2: Family firms make less use of strategy planning.	38.08	42.4	No Statistical Difference
H3: Family firms are more likely to adopt logical incremental strategy formation processes.	69.7	67.02	No Statistical Difference
H4: The political view of strategy development is more prevalent in family firms	26.68	28.78	No Statistical Difference
H5: Cultural processes are more influential in strategy development, in family.	40.26	41.1	No Statistical Difference
H6: The environment impacts on strategy development processes in family firms.	33.18	33.9	No Statistical Difference
H7: Family firms engage more in the resource allocation process.	37.7	42.64	No Statistical Difference

4.6.1 Consideration of other factors

There was one statistically different perspective shown in the 7 researched and for this reason the family firm data was further investigated to see if any other variable showed a difference.

Tables 4.11 to 4.18 look at size, age, business categorisation, percentage family employed and their influence on the strategy development process.

4.11 Numbers employed in Family Firms

	Family Firms					
Size	0-4	5-10	11-24	25-50	51-100	100+
No's employed	57	26	17	6	3	3

There are 57 family firms that employ 0-4 employees, compared to 26 family firms that employ 5-10 employees and with a decreasing number of firms employing bigger numbers. This suggests that the majority of family firms (over 50%) employ up to 4 people and are small firms.

4.12 Percentage Family Employed by size

% Size	0-4	5-10	11-24	25-50	51-100	100+
None	10	1	5	1	0	0
1-25%	16	17	12	5	3	3
26-50%	5	5	0	0	0	0
51-75%	4	2	0	0	0	0
76-100%	22	1	0	0	0	0

In 22 small family firms (0-4 employees) 76-100 percent of their employees are family. This trend is not replicated as the firms grow, but the 1- 25 percent of family employed is still evident as the firms grow. This suggests that a core group (up to 25%) of family firms are family, thus retaining the family influence and objectives.

4.13 No's Employed by size and age

Age Size	0-4	5-10	11-24	25-50	51-100	100+
Pre 1980	5	7	4	4	2	1
1980-1989	10	7	5	1	0	0
1990-1999	12	4	1	0	0	1
2000-2009	21	7	6	1	1	1
2010	9	1	1	0	0	0

The larger number (7) of oldest firms employs 5-10 people, but from the data the numbers employed by the oldest firms are still very small. The second youngest firms (2000-2009) still show that the greater numbers of family firms are small firms.

4.14 No's Employed by size and Business Category

Category / Size	0-4	5-10	11-24	25-50	51-100	100+
Manufacturing	4	0	2	1	0	0
Computer & Software	3	2	1	0	0	0
Building & Construction	8	4	2	0	1	0
Services	33	16	8	2	0	3
Other	8	3	4	3	1	0
Combination	1	1	0	0	1	0

Services dominate the business categories and again it is noticeable that the greater number of service firms are in the small business category. This is in agreement with secondary research.

4.15 Influence of Strategy Development Processes by Size shown as a percentage

Size	0-4	5-10	11-24	25-50	51-100	100+
The leader is influential	39.6	29.23	32.9	50	13.33	0
Influence of planning	26.66	29.23	34.12	43.33	60	46.66
Logical Incrementalism	60.70	42.30	40	56.66	66.66	26.66
Political	24.56	20	22.35	16.67	13.33	26.66
Cultural	34.74	34.62	27.06	46.67	46.67	20
Externally Imposed	25.26	21.54	32.94	40	40	26.66
Resource Allocation	28.07	29.23	29.41	36.66	80	33.33

When size is a factor in the strategy development process the leader's influence is still obvious with almost 40 percent in the smaller firms and increasing to 50 percent in the (25-50) bigger sized firms. However as the firm grows (100+) it is not influential at all, this may be for two reasons, one there are only 3 firms in this category in the data (the sample is too small) and two as the firm grows bigger the families influence may decrease as the percentage family employed also decreased sharply.

The influence of planning is very interesting as it obviously increases as the firm grow which suggests that more planning is done as the firm gets bigger and when a more formal structure is needed, for example the owner/ manager can no longer keep all procedures and information in their heads. However it decreases again at the 100+ mark which may suggest diseconomies of scale.

When size is considered incrementalism is still the dominant perspective in strategy development processes in family firms and the majority (60.70%) in the small firm category engage in it, increasing (66.66%) even more in the larger firm (51-100). A sharp decline in incrementalism appears in the 100+ group, this may be indicative of more formal long term planning being necessary as the business grows and possible has more resources to plan long term with.

Political influences remain fairly constant whatever the firm size suggesting that political influences are not dominant in most family firms regardless of size.

Cultural influences appear to increase in the size range of 25 up to 100 with almost half of the firms in agreement. This suggests that within that size range cultural influences in family firms do make a difference. This indicates that size is a factor to be considered in researching the strategy development processes in family firms.

Externally imposed influences are strongest in the size range of 11 up to100 employee firms. In the 0 to 10, and 100+ size range the influence is less, this shows that this influence differs depending on the size of the firm suggesting that size should be a factor in any comparable research.

Resource allocation is fairly constant in all the size ranges except for the 51 to 100 firm sizes, where a sizable increase is noticeable, more than double. This could be accounted for by, the larger the firm the more important the resource allocation, or possible the more resources available the more the differing objectives of family firms comes into contest making the allocation more influential. However this theory is negated when the 100+ size firm is examined. This also strongly suggests that the size of a firm cannot be ignored when researching family firms strategy developments processes.

4.16 Influence of Strategy Development Process by Age of Firm shown as a percentage

Age / Percent	Pre- 1980	1980-1989	1990-1999	2000-2009	2010
Leader	34.78	27.83	36.67	40	30.91
Planning	40	25.22	34.44	24.32	18.18
Incrementalism	57.39	41.74	61.11	53.51	45.45
Political	21.74	20.87	27.78	23.24	16.36
Cultural	41.74	33.04	31.11	34.05	25.45
Ext Imposed	36.52	34.78	21.11	24.32	9.09
Resource All	33.04	28.7	36.66	28.65	25.45

Age was another factor worth exploring in the strategy development process. The leader influence is pretty consistent throughout the differing age groups of firms. Planning seems to be more important to the older firm; possible suggesting this is why they are still in existence. Incrementalism has no defining pattern either with the age of the firm. The political influence is also pretty consistent. Cultural however is greater in the older firms, this is in agreement with the concept of culture as it is built upon and becomes more embedded over time. The older the firm the more important the external influences are it seems. This is understandable as the community and environment played a bigger part in all walks of life in earlier years in Ireland. Again there is no real particular pattern for resource allocation where age is concerned.

4.17 Influence of Strategy Development Process by Categorisation of Firm shown as a percentage

Business/ Percent	Manufacturing	Computers & Software	Building & Construction	Services	Other	Combination
Leader	14.29	13.33	26.67	41.61	37.89	13.33
Planning	20	16.67	20	36.77	27.37	40

Ext Imposed	28.57	0	37.67	21.74	21.05	33.33
Incrementalism	42.86	43.33	52	56.13	47.37	46.67
Resource All	22.86	20	26.67	34.84	24.21	40
Cultural	31.43	16.67	29.33	35.81	36.84	46.67
Political	5.71	20	18.67	27.42	15.79	26.67

Incrementalism is still the dominant factor when the data is analysed by categorisation of family firm and other than this there is no immediate visible difference visible except six of the perspectives are more influential in services in family firms. Services were also the largest category but as the results in table 4.16 are percentages this is not a factor. This suggests that maybe different categories of firms behave differently.

4.18 Influence of Strategy Development Process by % family employees shown as a percentage

	None	1-25	26-50	51-75	76-100
Leader	32.94	36.43	36	32.50	30.43
Planning	18	33.42	30	53.33	23.48
Incrementalism	39.05	50	60	70	53.04
Political	15.24	25	22	26.67	18.26
Cultural	23.81	37.86	30	50	26.09
Externally Imposed	20	30.71	16	23.33	25.22
Resource All	19.04	31.43	28	40	32.17

There is no discernible difference in the influence of the leader when the percentage of family employee's are examined, however planning is less in the firm with no family employees and is greatest in the firm with 51 to 75% family employment. External influences are greater in the 1 to 25 percent family employment firm and resource allocation is greatest in the 51 to 75percent group. Incrementalism is by far the dominant perspective in the firm with 51 to 75 percent family employment Political and Cultural is also greater in this group as is resource allocation. This all suggests that when a certain percentage of family are employed in a firm the behaviour changes. Therefore this factor when considered may also product different results to research not considering it.

4.6.2 Conclusion

The majority of family firms and are small firms employing up to 4 people with the greater number giving up to 25 percent of family employment. The size of the firms does not seem to increase with age. Small service firms dominate the business categories.

The influence of the leader changes over different sizes of firm and planning increases up to the 100+ firm when it decreases. Incrementalism is still the dominant perspective over all the firm sizes except the 100+ size shows a sharp decline. Political stays constant, cultural influences increase in some size range and the external influences differ with the size of the firm. Resource allocation increases noticeably in some of the size ranges. The results show size is an important factor in the behaviour of family firms and possible should be considered in further research.

Planning, culture and external influences all increase with the age of the firm but the other perspectives remain constant suggesting that age could be a factor for consideration even if not a noticeable as size.

Chapter 5:

Discussion

5.1 Introduction

This chapter discusses and interprets the findings from chapter 4. It compares and contrasts primary research and secondary findings for strategy development processes in family firms. It looks at the hypotheses, the main body of research, and highlights the outcomes.

The structure of the chapter is, firstly the seven strategy development processes in family firms are interpreted. The main body of research is then addressed, including the definition of a family firm and if the size or age of a firm makes a difference in the analysis of strategy development processes in family firms. The chapter concludes with a summary of the conclusions of the quantitative, and to a lesser extend qualitative, analysis.

5.2 Perspectives of Strategy Development

Using the model of the seven perspectives of strategy development processes a discussion of family firms is outlined below, showing the degree of influence which each differing perspective has had on strategy development and thus identifying the dominant characteristics.

5.2.1 Leadership

H1: A strategy leader is more influential in family firms.

The survey confirms that there was a significant difference between family firms and non-family firms in the influence of the leader, supporting the hypothesis that strategy leaders are

more influential in family firms (see table 4.3). This is in agreement with family business literature as it recognises that the leaders in family firms have greater influence over the objectives of the firm. First, leaders of family firms are described as having "authoritarian management styles" (Birley, 1986) and as propagating "paternalistic cultures" (Dyer, 1988). Owner-managers show a marked preference for maintaining direct and personal control (Handler, 1990), and this preference is reflected in their supporting management systems (Dyer, 1988), supervisorial style of leadership (Longenecker & Schoen, 1978), and unwillingness (or inability) to delegate (Lansberg, 1988). These characteristics are particularly strong when the family firm leader is the founder of the company. The founder's desire to personally oversee, coordinate, and control organisational activities is a common theme in the literature of organisational lifecycles (Mintzberg, 1984; Schein, 1985; Tagiuri & Davis, 1996). Founders establish management systems and styles that enable them to centralize power and control (Mintzberg, 1984; Seymour, 1993). Decision making tends to be centralised among top family members and is generally reflective of the founder's beliefs and practices, the use of outside consultants and advisors is limited (Lussier, 2006). For example, founders tend to utilise frequent, informal communication rather than formal policies as the predominant means of giving direction (Miller & Simmons, 1992). Leaders of family firms are often motivated to build a lasting legacy for their children, they often become conservative in their decisions because of the high risk of entrepreneurial ventures (Morris, 1998) and their fear of losing family wealth (Sharma, et al., 1997).

It must be remembered however that the leaders influence is often directed by the family as Olson et al. (2003) concluded from their household sample study that the effect of the family on the business is greater than the effect of the business on the family and a distinctive feature of family firms is that the goals underlying their decisions and actions are largely

determined by the family and its agenda. Thus the ownership structure of the firm affects who exercises control of the firm and the positive or negative growth strategies.

The influential role of the leader in family firms is not surprising, as the stability of family managerial leadership and control stands in sharp contrast to non-family businesses with shifting management personnel (Baskin, 2001). However the leaders influence can grow or stagnate an organisations progress, as managers of small and medium sized firms have been accused of being strategically myopic and lacking the long term vision as to where their company is headed. If a leader is entrepreneurial and operates growth strategies, research on the efficacy of growth-oriented strategies indicates that growth-oriented small businesses survive at twice the rate of non-growing firms (Mazzarol, 2004; Phillips & Kirckhoff, 1989).

5.2.2 Planning

H 2: Family firms make less use of strategy planning.

The difference for planning was not found to be significant and did not support the hypothesis (see table 4.4). Previous research however has differing results on planning in family firms, Jorissen (2001) believes that there is no significant difference between family firms and non-family firms in short term planning, but significantly more long term planning is undertaken by non-family firms (Jorissen, 2001) whereas numerous other researchers provide a basis for asserting that the use of strategy planning in family firms is uncommon and research is sparse on strategy planning practices in family firms (Klein, 2006; Upton et al. 2001; Rue & Ibrahim, 1996; Silverzweig & D'Agostino, 1995) .

The results did show that the larger proportion of family firms do not make use of planning. Family firms' cautious characteristics may be a reason for this, preferring confidentiality,

privacy, secrecy, ambiguity, risk minimisation and aversion to conflict; therefore strategy planning may be rejected because it implies sharing confidential information (Ward, 1997; Daily & Dollinger, 1992). Planning is shown in this study to be not important to a majority of firms, therefore this would indicate that successor planning is also going to be of less importance to family firms (Ward, 1997; Mintzberg, 1994; Fiegener et al.1996). The concern is that by neglecting strategy planning, performance, growth potential and even survival is compromised. Those that do engage in the planning process have proven to be more productive and experienced more growth. The long-term prosperity of a family business is dependent upon implementing a formal strategy planning process that encompasses both the business and the family strategy plans (Harvey, 2004; Schwenk & Schrader, 1993; Ward, 1988). The formulation and implementation of these plans however is dependent upon the leader, and often businesses thrive on the energy of founders who make no plans for the future, so operations written policies and procedures are few, and are based on the ideas and vision of the leader (Pascarella & Frohman, 1990).

5.2.3 Logical Incrementalism

H3: Family firms are more likely to adopt logical incremental strategy formation processes.

The results of the survey showed there was no statistical difference between family and non-family firms engaged in logical incrementalism and did not support the hypothesis (see table 4.5). This result, showing that a greater number of family firms adopt logical incrementalism is in agreement with the literature, incrementalism may be most suitable to family firms as they are more likely to have multiple, complex, changing and often conflicting objectives, not necessarily financial, having to encompass both family and business. Each family member has a different vision of the business and different goals (Jorissen, 2001; Sharma et al.1997; Westhead & Cowling, 1997). Also their conservatism, need for secrecy and aversion to risk

are other reasons why a gradual (step by step) approach is adopted by family firms (Harris et al., 1994).

However if family firms are to survive from generation to generation, their strategies need to involve some long term planning especially succession planning. Many researchers have cited lack of succession planning as a major cause of the high mortality rate in family firms (Poutziouris, 1995; Kets de Vries, 1993; Handler, 1990). Succession planning, or the lack of it, lies firmly in the hands of the leader and the founder's reluctance to plan for succession is attributed to a number of factors including fear of retirement, lack of other interests, a strong sense of attachment to the business and their own mortality (Lansberg, 1991; Hanlder, 1990; Dyer, 1986).

5.2.4 Political

H4: The political view of strategy development is more prevalent in family firms.

The study findings showed that the difference between family and non-family firms was not statistically significant and did not support the hypothesis (see table 4.6). This is surprising as one would expect that the differing objectives co-existing in family firms would lead to negotiation and bargaining in order to realise different interest groups' desired objectives. The control and flow of information is power and this is a strong force in family firms and is often very secretive and selective (Aronoff & Ward, 1994).

Another perspective on this may be that the close family relationships generate unusual motivation, cement loyalties, and increase trust and it is the 'kith-and-kin involvement' in family and the fact that they have a "family language" that allows them to communicate more efficiently and exchange more information with greater privacy that leads to less political activity (Tagiuri & Davis, 1996).

The result showing a greater number of firms not engaging than engaging, in the political process may be a beneficial result for family firms as the higher the perception of politics the lower the sense of fairness and equal treatment, and vice versa, because people with more power are in a better position to satisfy their interests and needs at the expense of others who have less political resources and influence (Vigoda-Gadot et al., 2003). However all behaviour in an organisations is political, and perceived political activity may differ to the actual political activity, depending on who is making the observation. Again the leaders / founders beliefs and practices affect the political perspective; family firms tend to have more of a capacity for self-analysis, and less managerial politics (Robbins, 1983; Moscetello, 2004).

5.2.5 Cultural

H5: Cultural processes are more influential in strategy development in family firms.

The results of the study did not find the cultural process to be more influential in family firms than non-family firms (see table 4.7). This finding does not support the hypothesis. Given that family businesses are typically characterised by an emphasis on social control and the centrality of their founder, one would expect organisational cultures to be of even greater strategy significance than for non-family firms (Gersick et al.1997). Most other researchers did find a difference (Swinth & Vinton; Gersick, 1997). Ward et al., (2004) however did state that the focused, purposeful cultures found in many family businesses often go unrecognised as a source of competitive advantage. The study did show, however that culture plays a part in the strategy development process of a number of firms.

There is concern over family firms' survival in a dynamic global economy. They must strive for a culture that is explicit and open. Too often a family firm's management team is sourced from the family clan, and they can become insular, constrained by history and tradition, resistant to change and lack exposure to alternative business paradigms (Hall et al., 2001; Gersick et al., 1997). Contrary to this view Ward et al., (2004) indicates that family-controlled firms do have a distinct, performance enhancing culture. This cultural uniqueness, if understood and nurtured, can be one of a corporation's greatest advantages (Barney, 1986). One advantage however, is that customers and markets often choose family firms over non-family firms for the values and loyalty that they portray, and are more able to overcome national cultural barriers when dealing with other family firms located overseas. Culture defines a firm; habits and routines over time become the norm and as the leader's control, or even set, these norms, due to their long tenures and the centrality of their position in their family and firm, they exert considerable influence on culture and performance (Anderson et al., 2003; Swinth & Vinton, 1993). The role of the founder is crucial to establishing an organisation's identity, core beliefs, and purpose.

5.2.6 Externally Imposed

H6: The environment impacts on strategy development processes in family firms.

The results of the study showed there were no significant difference between family and non-family firms and did not support the hypothesis (see table 4.8). The results show that a minority, of family firms, are impacted by external influences, this is in agreement with the views of Denison (2004) who states that the behaviour of family companies emanates not from external pressure but from a deeply ingrained, learned at- the-dinner-table sense of history and morality. Contrary to this view however Dyer (2003) believed that family could impose its agenda on business strategy and management and this "outside" influence often

results in greater emphasis on altruism and an inclusive stance toward stakeholders that makes family firms different.

The advantages for family firms Acquaah (2007) states, is that the social networking relationships family firms develop with external stakeholders build social capital and enable them to obtain the critical resources in the form of information, knowledge acquisition and exploitation, financial capital, human capital, and marketing and technological opportunities. However as the objectives of family firms are not solely economic, family harmonies, trustful relations, cohesion and a sense of belonging are performance outcomes that satisfy the demands of family stakeholders (Zellweger & Nason, 2008).

The environment however, offers the same opportunities and threats to all businesses but the conservative attitude of family firms may be a hindrance to grasping the opportunity, clinging to the products, strategies or management styles of previous generations that had been successful (Colli, 2002; Ward, 1987). Hamyln (1994) states non-family firms were markedly more likely to have looked overseas for market opportunities than family firms. Ward (1987) says family firms may be less reactive to short-run economic downturns, aware of the cyclical nature of their businesses when making longer-term strategy decisions.

However there are consequences of this reactive approach to the environment, it prevents adaptation to new market challenges and opportunities, and management is largely paralysed by the backward-looking orientation of the family. As markets change, family firms' strategies need to change; they need to embrace globalisation, new products and new markets (Colli, 2002). The most commonly accepted reasons for family business stagnation are, again connected to the leader, the inflexibility and resistance to change of entrepreneurial

leadership, disparate family goals, values and needs, and conflicts among sibling successors (Ward, 1998).

5.2.7 Resource Allocation

H7: Family firms engage more in the resource allocation process.

There was no statistical difference and the hypothesis was not supported. The results show that family firms engage in the resource allocation process less than non-family firms (see table 4.9). One of the most marked differences between family and non-family businesses concerns the management of people. Leach (1991) argued that senior managers in family businesses are often torn between the demands of family values and business principles. Business maxims demand that organisations should only employ competent performers but jobs in family businesses may be found for family members regardless of their ability (Birdthistle, 2003). Several other researchers found that family firms have a more efficient allocation of resources (Gallo & Vilaseca, 1996; Aronoff & Ward, 1995; Monsen, 1969).

The consequences for those firms not engaging in the resource allocation process or the efficient allocation of resources are bleak as winners in the global marketplace have been those firms that possess the managerial capabilities to effectively coordinate and redeploy internal and external competencies (Pisano, 1997). As family firms have a unique set of resources, the need to manage them efficiently is even greater. The leadership role in managing these resources is vital and the transfer of the intangible resource, tacit knowledge, from one leader to the next is important for preserving and extending competitive advantage, because the continued success of a family business often rests upon the success of the leader to efficiently employ and deploy the firm's resources (Cabrera-Suárez et al. 2001; Dorta & Perez, 2001; Teece, Pisano & Shuen, 1997; Tagiuri & Davis, 1996).

5.3. Strategy Development Processes of Family Firms

The main aim of the present study is to analyse the strategy development process in family firms: "An Examination of Strategy Development Processes in Family firms".

The study found that six out of the seven perspectives showed no statistical difference between family and non-family firms in the strategy development processes. However the results did show a significant difference, with a small effect, between family and non-family firms on the leadership perspective, suggesting that in family firms the strategy leader is more influential than in non-family firms.

The findings of the study therefore show, there is a difference in the strategy development processes between family and non-family firms because of the influence of the leader. The role of the leader in family firms is more influential. This is not be surprising because family firms are often identified by their leaders. The leader is the business; family and stakeholders alike acknowledge this. The influence of the leader may be the pivotal point for all the other six perspectives of strategy development especially in family firms. The strategy decision making process in family firms is different from non-family firms as a result of the dual identity, and owner-managers have the greatest influence over the objectives of the firm because of their influence within the family, ownership structure and the business (Ibrahim et al., 2004; Davis, 1992).

When the characteristics of family firms are considered, it may shed some light on the results showing the influence of the leader as the only difference. The characteristics show family firms are tightly controlled, centralised, risk averse, secretive, informal control, conflict, altruism, independence and with a combination of family and business objectives and values

(Daily & Dollinger, 1992; Kets de Vries, 2004; Levinson, 1986; Mintzberg, 1978). All of the above characteristics can be directly traced back to the leader; or group of influential family members that the leader represents, as the leaders have often melted their identity into the business, and mostly he or she has control over the management practices of the firm. The results therefore, indicating the influential control of a leader, may directly impact on the other perspectives of strategy development as the leaders role is omnipresent in all six.

Planning is controlled by the leader; Fiegener et al.(1996) found that CEOs of family firms rate strategy planning less important than non-family firms. Incrementalism is a planning style which is again controlled by the leader and politics are generally reflective of the founder's beliefs and practices (Moscetello, 1990). Culture and performance is influenced by the founder's long tenures and the centrality of their position in their family and firm (Anderson et al., 2003) Externally imposed strategies and the consideration of other stakeholders are embraced or rejected by the leader/ centralised control. Colli (2002) states family businesses cling to previous management styles preventing adaptation to new market challenges and opportunities.   The resource allocation process is also influenced by the leader as resources are acquired, allocated, motivated and manipulated under the manager's control according to Mason (1991).

Some of the results of the study were conflicting with other literature outcomes, as outlined earlier in this chapter under the analysis of each perspective, therefore the data was examined further to explore the variables used to define family firms, and to explore if size and age of a firm were a factor.

There may have been only one difference in strategy development processes between family and non-family firms, which is at odds with the literature, but it may be necessary to take other factors into account, i.e. a key issue that any family business study must address is the question 'what is a family business?' Based upon an extensive review of the family business literature, some definitions solely used one characteristic while others used a combination i.e. control, experience and family employees. Of particular concern is the difficulty in interpreting family business research when different definitions have been employed. Over two decades ago, Handler (1989) identified the issue of defining the term 'family business' to be one of the major challenges facing family business researchers. Despite the research conducted since then, the definition of a family business remains one of the key challenges in family business research where a single, agreed upon definition remains elusive (Astrachan, Klein & Smyrnios, 2002; Westhead & Cowling, 1997).

The size of the firms was investigated further because Daily and Dollinger demonstrated that there were differences between family controlled and non-family controlled firms with respect to firm size (Daily & Dollinger, 1993). Age was investigated because over generations the leaders in family firms change and hence maybe the influential impact of the leader might change as well. Furthermore Upton (2004) believed the decision making process of family firms changed over generations.

5.3.1 Defining the Family Firm

An issue when comparing family business research studies is the numerous definitions used by authors and researchers. The concept of 'family business' is itself highly contentious. Many writers have explored the meaning of the term and offered interpretations and typologies based upon variables such as the involvement of other family members (Davis &

Tagiuri, 1982; Lansberg et al. 1988), concentrating on ownership and/or management within the family (Alcorn, 1982; Barnes & Hershon, 1976; Welsch, 1991) succession issues (Ward, 1987) and power, experience and culture (Astrachan, 2002). The essence approach, on the other hand, is based on the belief that family involvement is only a necessary condition; family involvement must be directed toward behaviours that produce certain distinctiveness before it can be considered a family firm. Thus, two firms with the same extent of family involvement may not both be family firms if either lacks the intention, vision, familiness, and/or behaviour that constitute the essence of a family business (Chrisman, Chua & Sharma 2005). Results from a study by Chua et al., (1999) suggest that the components of family involvement typically used in operational definitions are weak predictors of intentions and therefore are not always reliable for distinguishing family firms from non-family ones.

Addressing the family business definition dilemma (Astrachan, et al, 2002) is crucial for the advancement of this field (Chrisman, et al., 2003). There has been considerable debate on whether family firms can indeed be properly delineated from non-family firms given the diversity and abundance of family business definitions in the literature. The definitions used to distinguish family businesses from other enterprises are often ambiguous or nonexistent (Mroczkowski & Tanewski, 2004). The Westhead and Cowling (1998) studies demonstrated how the percentage of firms classified as family firms varied from 15 percent to 78.5 percent when seven different definitions were used, which clearly demonstrates there is a problem and questions the validity of all research on family firms. However, while the precise definition varies from author to author, common to most working definitions is the understanding that the family business is different and family dynamics play a significant role in the business decision-making process; it is a complex system of interactions between the family as an entity, individual family members and the business itself.

The survey therefore may have produced different results depending on the criteria used to define a family firm. To explore this, the data was examined further. The original definition used in the study was the same as used in the CSO: "Do you consider your firm to be a family firm?" To investigate this, the number of businesses that employed family members was used as a variable, to define a family firm: it showed 119 firms classified as family firms and 107 as non-family firms which concurs with the Westhead and Cowling (1998) studies. A different result was produced, when t-tests, mean values, standard deviation and size effect tests were conducted, the results in: two of the perspectives, the influence of the leader [2]and incrementalism[3] showing a significant difference, although the size effect is small, when using this definition. This result confirms the concern of researchers. Using a different definition changed the result considerably; a difference was found in leadership and incrementalism from family to non-family firms instead of just leadership. Therefore using a broader definition incorporating a combination of variables to define a family firm may result in yet again a change in the number of firms classified as family and as non-family. This complexity can raise confusion and can call into question the credibility of family business research (Habbershon & Williams, 1999).

Just as in Westhead and Cowling's studies, the results from this study suggest, if a different single characteristic or a combination of characteristics to define a family firm were used, a difference result may have been identified in strategy development processes between family and non-family firms.

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[2] $p < .05$. $r = .17$ (Mean family = 14.10. SE =4.88. Mean non-family 12.58. SE = 3.80)
The influence of the leader was more influential in non-family firms than family firms

[3] $p < .05$. $r = .14$ (Mean family = 9.62. SE =3.64. Mean non-family 8.65. SE = 3.13)
Logical Incrementalism was more influential in family firms than in non-family firms

5.3.2 Firm Size

Size may also be a relevant factor in the comparison of family and non-family firms. Lussier (2006) indicated in his study that firm size may be a relevant factor in the analysis of family and non-family businesses and various other researchers believe that size differences in firms affect the scale of opportunities, resources, behaviour, performance and the methods of accomplishing objectives (Chaganti, 1999; Watson, 1996; Ettlie & Rubenstein, 1987).

Using size as a variable, the data was examined to explore if a difference existed in the strategy development processes of family and non-family firms. The data was split between firms employing 1 to 100 people and those firms employing 100 + persons (see table 4.16) The result of t-tests, size effect and descriptive tests showed there was a significant difference, with a small to medium effect size, in four of the strategy development processes, namely Leadership[4], Planning[5], Incrementalism[6] and Resource Allocation[7]. When cross tabulations (see table 4.16) was performed on the data it was found that the influence of the leader changes over different sizes of firm and planning increases up to the 100+ size firm and then it decreases. Incrementalism is still the dominant perspective over all the firm sizes except the 100+ size shows a sharp decline. Political stays constant, cultural influences increase in some size range and the external influences differ with the size of the firm. Resource allocation increases noticeably in some of the size ranges. The results indicate, which is in agreement with several other researchers, already named, that size, is a relevant

[4] $p <.05$. $r = .20$. (Family: M= 12.66. SE= 4.07. Non-family: M= 14.47. SE= 4.78)
[5] $p <.05$. $r = .25$. (Family: M= 14.22. SE= 5.11. Non-family: M= 11.56. SE= 5.02)
[6] $p <.05$. $r = .17$. (Family: M= 8.68. SE= 3.42. Non-family: M= 9.92. SE= 3.34)
[7] $p <.05$. $r = .29$. (Family: M= 14.28. SE= 5.27. Non-family: M= 11.03. SE= 4.77)

The leader and incrementalism in strategy development processes are more influential, in family firms while planning and resource allocation is more influential in non-family firms.

factor in the behaviour of family firms and possible should be considered in further comparative research on family and non-family firms.

5.3.3 Age

The study found the leader in family firms is influential and Alderson argues that leaders and the decision making process, changes over time and generations (Alderson, 2011), therefore age was explored as a factor. The data was therefore further examined, to explore if the age of a firm made a difference, in the strategy development processes of family and non-family firms. The data was split into firms of up to 10 years in existence and those in existence longer than ten years (see table 4.17) There was no statistically significant difference in any of the seven perspectives. However when cross tabulation was performed on the data, it showed that planning, culture and external influences all increase with the age of the firm but the other perspectives remain constant suggesting that age could be a factor for consideration even if not as noticeable as size.

The planning process must change over time to incorporate the future generations of family and business. Research indicates that family business failures can essentially be traced to one factor: an unfortunate lack of family business succession planning (Lansberg, 1994; Aronoff, 1998; Donckels, 1991).

To summarise the results of the study show that there is a difference in the strategy development processes of family and non-family firms. The leader is the key to this difference as; the influence of the leader, be it one individual or family group, is more influential in family firms than non-family firms and the influence of the leader is

omnipresent in all other aspects of strategy development. However the study also indicates that strategy development processes cannot be examined just as family versus non-family firms but other considerations such as size and the family firm definition also need to be considered.

The number of firms classified as family firms changes when different definitions are used, be it a single or a combination of variables, therefore the results vary. The study indicates that the size of a firm should also be taken into account when comparing family and non-family firms. Four perspectives of the strategy development process changed; leadership, planning, incrementalism and resource allocation when comparing different size family and non-family firms. The age of a firm did not make as much of a difference when comparing family and non-family firms.

5.4 Conclusion

To conclude, the strategy development process in family and non-family firms is different, and the difference is due to the influence of the leader which also affects the other six perspectives of the process. The value of these findings is not that they provide definite conclusions about the nature of family business, but rather that they lay some ground work for further research and theory development in this area.

When comparing family and non-family firms, a key challenge is defining the family firm, different definitions produce different numbers classified as family firms, from the same sample. A single, agreed upon definition remains elusive. Also when comparing family and non-family firms, it may not be enough to just use the structure as a basis of comparison, the size of the firm is important and possible age needs to be taken into account.

The study found the dominant perspectives, most people agreeing, of strategy development processes in family firms was incrementalism, followed by leadership, resource allocation and planning. Cultural and political processes were not as influential as the literature suggested.

The leader's role in planning is critical as operations are based on the changing visions and ideas of the proprietors.

The conservative attitude of family firms may prevent adaptation to new market challenges and opportunities, therefore family firms need to adopt a global perspective to compete in changing markets. One of the most commonly accepted reasons for family business stagnation are the inflexibility and resistance to change of the leadership.

Incrementalism was the dominant perspective with a majority of all firms engaging in the process. There was no difference between family and non-family firms. This step by step approach may be the most effective perspective for family firms because of the differing objectives of some family members and the business, except for succession planning as cited by many researchers. Succession planning lies firmly in the hands of the leader, who is often reluctant for various reasons.

The resource allocation process has many conflicting variables that introduce biases, which in turn influences the way resources are allocated in family firms. The transfer of tacit knowledge is important for the continued success of a family business and often rests upon the unique experience of the predecessor.

They must strive for a culture that is explicit and open if they are to survive in a dynamic global economy. The leader exerts considerable influence on culture and performance.

The political process was least evident in firms. There was no difference between family and non-family firms. This was felt to be a lower than expected result but may be because perceived politics and the actual occurrence of politics may be two different things, depending on who is making the observation. The leader’s beliefs and practices affect the political perspective and the lower the perception of politics, the higher the sense of fairness and equal treatment.

Succession planning is severely lacking in family firms and may affect the future generations of a business. This is directly attributed to the founder’s strong sense of attachment to the business, fear of retirement, lack of other interests and their own mortality.

Chapter 6:

Conclusions and Recommendations

6.1 Introduction

The objective of this chapter is to conclude on the key issues and research findings that underpin this study, which in turn, may have an influence on the nature and direction of further studies and policy in the field of family business and assist family firms in developing strategy. The overall purpose of this explanatory research study is to contribute to and expand the existing body of theory on family business and the strategy development process. It is envisaged that this study will add new knowledge to the area of family business and also assist in developing and broadening the scope of any future studies in this area.

Firstly, the conclusions to the seven perspectives of strategy development, the seven hypotheses, leadership, planning, incrementalism, political, cultural, externally imposed and resource allocation are discussed respectively. Secondly, the main research aim is discussed and the theoretical and empirical contributions to knowledge derived from this study are identified. Lastly the recommendations, identifying the directions for further research and policy gives a concluding statement to the study.

6.2 Strategy Development Processes in Family Firms

This study is about the complicated world of corporate strategy and family firms. As today's business environment provides challenges to all organisations, a vision for the future has been argued to be paramount for its survival (e.g. Lipton, 1996; Nanus, 1992) most especially for family firms. This vision must be implemented by formulated plans. However, research on family firms and how they develop strategy is still in its beginning. This study therefore aims to give somewhat of a clearer picture. The literature review shows that theories and definitions of strategy development are diverse, and there is no such thing as a single theory on how strategies are developed. However, in order to investigate the process of developing

strategy Hart's (Hart & Banbury 1994) five dimensions of strategy development model and the Bailey's et al. (2000) questionnaire instrument was adapted and modified. The resulting model which was used for this study divides the process into seven perspectives, starting with Leadership.

6.2.1 Leadership

H1: A strategy leader is more influential in family firms.

Leadership was significantly more influential in family firms than non-family firms, supporting the hypothesis (see table 4.3). Running the family business is often more about managing family relationships than managing any other aspect of the business (Mount, 1996; Ward, 2004; Zbar, 2004).

Family firms have simple and flat structures with the owner-manager at the centre of all decisions and authority (Mintzberg et al., 1995). The implications of this result is therefore that the future direction and success of family firms lie solely in the hands of the leader/ influential family circle, and as research indicates, family business failures can essentially be traced to one factor: an unfortunate lack of family business succession planning. This is in agreement with family business literature as it recognises that the leaders in family firms have greater influence over the objectives of the firm and that the use of outside consultants and advisors is limited (Lussier, 2006; Tagiuri & Davis, 1996).

6.2.2 Planning

H 2: Family firms make less use of strategy planning.

There was no difference between family and non-family firms (see table 4.4). This is not in agreement with previous research that found the use of strategy planning in family firms is uncommon but overall research is sparse on strategy planning practices in family firms (Klein, 2006; Upton et al. 2001; Rue & Ibrahim, 1996; Silverzweig & D'Agostino, 1995). The consequences of neglecting strategic planning may be that performance, growth potential and even the survival of family firms are compromised. The long-term prosperity of a family business is dependent upon implementing a formal strategic planning process that encompasses both the business and the family strategic plans. The formulation and implementation of these plans however is dependent upon the leader.

6.2.3 Logical Incrementalism

H3: Family firms are more likely to adopt logical incremental strategy formation processes.

Incrementalism was the dominant perspective with more firms engaging in the process. There was no difference between family and non-family firms (see table 4.5). This is in agreement with the literature, where no difference was found in short-term planning between family and non-family firms (Jorissen, 2001). Their conservatism, need for secrecy and aversion to risk are other reasons why a gradual (step by step) approach is adopted in family firms and in fast-changing environments it may be unrealistic to effectively undertake the full strategy planning process (Harris et al. 1994). The result of engaging in incrementalism is that family firms survival from generation to generation may be put at risk as their strategies need to involve some long term planning especially succession planning. Succession planning, or the lack of it, lies firmly in the hands of the leader.

6.2.4 Political

H4: The political view of strategy development is more prevalent in family firms.

There was no difference between family and non-family firms (see table 4.6). The result may be surprising because the differing objectives co-existing in family firms may lead to negotiation and bargaining in order to realise different interest groups' desired objectives, and the flow of information is power. This is a strong force in family firms and is often very secretive and selective. However in times of economic recession, which applies today, and thus with scarce resources, the political view may not be as strong as when there is competition for the allocation of resources (Aronoff & Ward, 1994; Mintzberg, 1985). The higher the perception of politics the lower the sense of fairness and equal treatment, and vice versa, therefore the low incidence of political behaviour in family firms may be beneficial for harmony and motivation of the workforce. The amount of political behaviour in family firms may be down to the strength of the individual leader, in some family firms the leader may be in name only with the actual decisions being made by some of the extended family members.

6.2.5 Cultural

H5: Cultural processes are more influential in strategy development in family firms.

There was no difference between family and non-family firms (see table 4.7). This is contrary to the literature; most other researchers have found a difference in cultural processes in family and non-family firms. Family firms in general are often characterised as having a strong culture, due to the traditions of the family and firms; it tends to be inward looking, and resistant to change (Dyer & Handler, 1994; Gersick et al. 1997; Swinth & Vinton, 1993). There is concern over family firms' survival in a dynamic global economy. Family firms must strive for a culture that is explicit and open as there is a concern for their survival in a

dynamic global economy. Too often a family firm's management team is constrained by tradition, and resistant to change.

6.2.6 Externally Imposed

H6: The environment impacts on strategy development processes in family firms.

There was no difference between family and non-family (see table 4.8). This is at odds with the literature. However it may be that the external influences themselves differ for family firms, the extended family members, outsiders such as professional advisors or mentors and non-family employees are an important stakeholder group for family firms.

The environment of course offers the same opportunity and threats to all businesses but the conservative attitude of family firms may be a hindrance to grasping the opportunity, clinging to the products, strategies or management styles of previous generations that had been successful. Family firms may be less reactive to short-run economic downturns, aware of the cyclical nature of their businesses when making longer-term strategy decisions (Colli, 2002; Ward, 1987). The concern for family firms would be that their reactive approach to the environment, prevents adaptation to new market challenges and opportunities which will in turn affect growth.

However one must be cognisant of the fact that the objectives of family firms are different, family harmony, trustful relations, cohesion and a sense of belonging are performance outcomes that satisfy the demands of family stakeholders. The relationship between family and non-family members lends a unique dimension to a family business; poor relationships could cause conflict and spell disaster for the business.

6.2.7 Resource Allocation

H7: The resource allocation process is different in family firms.

There was no difference between family and non-family firms (see table 4.9). This is contrary to the literature which explains that family relationships generate unusual motivation, cement loyalties, increase trust, dedication and commitment, have a better managed capital structure, and efficient allocation of resources (Dorta & Pe´rez, 2001; Tagiuri & Davis, 1996; Gallo & Vilaseca, 1996; Aronoff & Ward, 1995; Monsen, 1969). However the literature on the resource allocation process is sparse and concentrates instead on the Resource Based View (RBV) so comparisons were limited. The consequences for family firms not engaging in the resource allocation process are many as success in the global marketplace had been achieved by firms that possess the managerial capabilities to effectively manage their resources. Family firms have a unique set of resources and the continued success of the business is often dependent upon the leader efficiently employing and deploying these resources.

6.3 Main Research Question

Do Family Firms and Non-Family Firms differ in Strategy Development Processes?

Yes, the strategy development process in family firms is different to that in non-family firms because of the influence of the leader. The study found that six out of the seven perspectives showed no difference. However, a significant difference, with a small effect, between family and non-family firms, was found on the leadership perspective, suggesting that in family firms the strategy leader is more influential than in non-family firms. This is borne out in the literature. Because of the dual identity of these firms and of the alignment of ownership and management, the decision making process is different, and owner-managers have the greatest

influence over the objectives of the firm because of their influence within the family and the business (Ibrahim et al. 2004; Davis, 1992).

In family firms the leader influences and controls planning, externally imposed strategies, incrementalism, resource allocation, culture and politics. Leaders in family firms have often melted their identity into the business, and their characteristics can be directly attributed to the business (Kets de Vries, 2004; Anderson et al., 2003; Colli, 2002; Fiegener et al., 1996; Daily & Dollinger, 1992; Mason, 1991; Moscetello, 1990; Levinson, 1986; Mintzberg, 1978). The behaviour of spouses/in-laws is an especially important factor that influences whether the sibling team will be able to work together successfully and in a manner that is reasonably harmonious (Aronoff et al., 1997; Galbraith, 2003; Gersick et al., 1997; Lansberg, 1999; Schiff Estess, 1999). According to Van Auken & Werbel (2006), a spouse's willingness to contribute to the family business, directly or indirectly, can be seen as a core family variable, influencing financial performance. Regardless of a spouse's degree of direct participation in the business, spousal behaviour permeates family relationships and can affect business performance by influencing the entrepreneur's attitudes, resources, and motivation toward the business (Poza & Messer, 2001; Van Auken & Werbel, 2006). Davis & Harveston (1999) reveal that conflict is higher among second-generation family firms when the spouse remains active in the family business and lower when the spouse is no longer active in the family business.

The unfortunate lack of family business succession planning has consequences for businesses and economies both nationally and globally as family firms make up on average 65 to 85 percent of all enterprises in Ireland, and in the United Kingdom, Scotland, Europe and USA.

They are responsible for a large percentage of GNP and employment in every country in the developed world (Lansberg, 1994; Aronoff, 1998; Donckels, 1991).

As some of the results of the study were conflicting with other research outcomes, the variables used to define family firms, size and age were explored. Of particular concern is the difficulty in interpreting family business research when different definitions have been employed. The definition of a family business remains one of the key challenges in family business research where a single, agreed upon definition remains elusive. Using the number of businesses that employed family members as a variable to define a family firm; a different result was produced. It showed 119 firms classified as family firms and 107 as non-family firms. Two of the perspectives, the influence of the leader and incrementalism, showed a significant difference, although the size effect is small, when using this variable. The results suggest, if a different single characteristic or a combination of characteristics of a family firm were used, a difference result may have been identified in strategy development processes between family and non-family firms (Astrachan, Klein & Smyrnios, 2002; Westhead & Cowling, 1997; Handler, 1989).

The size of the firms was investigated as Daily and Dollinger demonstrated that there were differences between family and non-family controlled firms when size was used as a factor in the comparison. The result showed there was a significant difference, with a small to medium effect size, in four of the strategy development processes, namely leadership, planning, instrumentalism and resource allocation. Size therefore is a relevant issue in the comparison of family and non-family firms (Daily & Dollinger, 1993).

The third variable to be investigated was age. Over generations the leaders in family firms change and the decision making process of family firms may also change over generations (Upton, 2004). There was no significant difference in any of the seven perspectives of strategy development processes using age as a factor. The findings of this study therefore indicate that strategy development processes cannot be measured just as family versus non-family firms but as a combination of family, non-family, size and family firm definition.

To conclude, family firms give less importance to activities related to strategy planning. This is a disadvantage that they should try to overcome. Family businesses should realise that the dynamic and uncertain environment in a globalised context calls for continuous and permanent anticipation. This responsibility rests on the leader. In fact, the best way to ensure the survival of the family firm would be to improve the leader's management skills, outlook and characteristics.

The results of the study therefore show that there is a difference in the strategy development processes of family and non-family firms and does support the main research question. The results also indicate that the family firm definition is a factor, with differing definitions, be it a single or a combination of variables, producing a difference in the number of firms that are classified as family firms in the same sample. When size was a factor in the comparison different results were shown in leadership, planning, incrementalism and resource allocation when comparing different size family and non-family firms. Age did not prove to be a significant factor in comparing family and non-family firms in the strategy development processes. The value of these findings is not that they provide definite conclusions about the nature of family business, but rather that they lay some ground work for further research and theory development in this area.

6.4 Recommendations

This section outlines the implications of the study for theory and policy. Implications for theory are presented first, followed by suggested recommendations in policy and support by Government agencies for family firms going forward.

6.4.1 Implications for Theory

Family firms are generally considered as an understudied unit of analysis in managerial and organisational studies. Consequently family firms have largely remained omitted from rigorous conceptual and empirical studies (Litz, 1997). However, it is nowadays recognised that family firms have a large macroeconomic impact and they will remain as a viable enterprise form in the future (Riehle, 2003). Although family business research is young as a field of inquiry, it is gaining increasing interest among a diverse group of researchers. This study contributes to the growing body of research on family business by developing and testing hypotheses on family firm's decision making process, an area where the research has been particularly sparse (Klein, 2006; Upton et al. 2001).

This study has contributed to the development of an understanding of the family firm. The literature review, in Chapter Two, presented a discussion on the importance of family businesses in the global economy (Kets de Vries, 1993; Mintzberg, 1979; Ward, 1988; Dyer, 1983.) Furthermore, family firms were analysed in comparison to non-family firms. Other researchers' studies reveal significant differences between these two business structures (Daily & Dollinger, 1993; Dyer, 1986; Kets de Vries, 1993; Leach, 1991; Mintzberg, 1979; Ward, 1987). The field of family business research is still in its infancy in Ireland and through the synthesis of the literature conducted in Chapter Two this study provides a setting

for future academic study of the family business in Ireland. Furthermore, the study broadens the base of data that have been used in strategy development research. Past research on strategy development has mostly studied large companies. The data set used in this study contributes to empirical research on family firms, which predominantly represent small and medium-sized businesses.

Further studies should be cognisant of the influence of the leader in family firms and the fact that they play a prominent part in the other six perspectives of the strategy development process; in fact the leader's influence permeates the whole process.

This study shows clearly that a key challenge in family firm research is the family firm definition. A single agreed upon definition of the family firm must be found in order to compare research studies and progress the field.

Another issue revealed in the study which has implications for future research is that size is a factor that must be considered when comparing family and non-family firms. The decision making process in firms differs in comparison to the size of the firms. Age may be also a factor worth considering in future studies.

The resource allocation process in small and medium sized firms, family and non-family is under researched. Bailey's et al. (2000) model did not include resource allocation; the model used in this study was adapted to include resource allocation. The five statements used to make up the scale were formulated by the researcher to research this. Most, if not all, of the secondary research concentrates on the resource based view (RBV) of strategy or very large corporations.

To conclude, whereby this study has made a valuable contribution to the body of research on family firms and the understanding of same, future research undertaking comparative studies on family and non-family firms must seek to include more variables in the comparison. It is not enough to just compare family and non-family firms, family firm definition, size and age are factors in the equation that should be considered. Further research is necessary on the resource allocation process in small and medium sized firms, both family and non-family.

6.4.2 Implications for Policy and Practice

The influence of the family business sector on the economy extends beyond its contribution to output and employment, which in itself is highly proportional. Family firms also provide a launch-pad for entrepreneurial start-ups, contribute to tax revenues and potentially boost both the performance and stability of the corporate sector (Institute for Family Business 2008). Additionally, and most especially the study identifies the crucial role of the leader to the success and existence of family firms. The influence of the leader/influential family circle, in family firms plays a prominent role in the strategy development process; the leader's influence permeates the whole process, therefore the leader's skills, knowledge and vision are crucial. Hence Government agencies need to seek out better ways to up-skill and educate leaders to accomplish strategy goals, business growth and even survival. This study broadens the base of data that educationalists and Government agencies can access when devising support programmes specifically for family firms and will therefore be aware of issues and concerns that family firms have when they are contemplating seeking support.

It is also expected that the results of the study will help policy makers to make further efforts facilitating the progress of family firms. The recommendations arising from the study for policy makers are as follows:

An Institute for Family Business to be established in Ireland (IFB) as an independent, not-for-profit organisation supporting a dynamic family-owned business sector in Ireland through advocacy, education and research. This structure already exists in the UK since 2001 and IFB Advocacy promotes greater awareness of the sector and highlights policy areas that are of special importance in underpinning the growth and entrepreneurial development of family firms. IFB Education, which includes a national conference, seminars and educational events, offers programmes that seek to increase understanding with respect to the unique challenges and opportunities that family firms face. This support structure could greatly assist in educating leaders, as they are the key to future success and the survival of family firms. It could also assist in broadening their views, helping to change the conservative attitude of family firm leaders making them more adaptable to change and new markets in a now globalised economy. No similar association or support structure in Ireland specifically for family firms could be found.

The findings indicate that there are different managerial behaviours between family and non-family firms, but the basis of such differences is the influence of the leader. In order to address the practical implications of this, family firms need to focus on management development, which should be understood as the general enhancement and growth of management skills through a learning process.

Measures to improve strategy planning, and therefore succession planning, in which the Government could improve succession rates, productivity and growth, would simply be to provide more information and raise awareness about the need for more long term planning. As the leader is the key to the success and survival of family firms, some education and training should be provided for choosing a successor with the right skill set or an education

programme to equip the next successor with the right skill set. It could even go one step further and provide actual assistance with business transfer planning or even help to match potential buyers and sellers.

Seminar events or/and workshops should be available as a learning tool for the leader or management of family firms on the efficient accumulation and divesting of resources in order for them to use their unique resources to create competitive advantage. The leader in family firms is solely in control of these valuable assets and therefore it is critical to educate him/her in the most efficient manner to employ or deploy them, the success of the organisation is dependent on this.

With approximately every two in three businesses owned or run by families, (Institute for Family Business 2008; MacFeely & O'Brien,2008) family firms are a linchpin of the Irish economy. Without them, the Irish economy would be a poorer, slower growing and less entrepreneurial place. Family firms are a key component of the private sector, helping drive the creation of wealth and deliver benefits for society through employment and the support that family firms provide to our local communities. It is intended that this report will provide policy makers and other stakeholders with valuable insights into the sector (MacFeely & O' Brien, 2008).

6.5 Conclusion

Academics and the research society should have much to gain from this study; it shines fresh light on the gap between theory and practice. The model developed proved to be useful to systematise strategy development, but has, as with any research of a deductive approach, some drawbacks. The study cannot paint the full picture of the phenomena of strategy

development, but it does provide an important step towards developing a fuller understanding. To further our knowledge and understanding of strategy development, other research approaches like case studies and qualitative studies may prove to be useful, as they may gain insight into the deeper underlying factors or settings that influence organisations in strategy development, and in particular the dynamics of the family firm. This study also provides a wider picture of strategy development in family firms and has shown that the use of strategy and how it is developed varies depending on size. This opens up further opportunities for research. The study contributes with new empirical evidence about the management function in family businesses. Some weaknesses that family firms should correct have been found. The study found, the fact that family firms give little importance to the improvement of detailed and rigorous strategic planning, is due to the influence of the leader. These results support the call for family firms to focus on management development. The empirical evidence is not conclusive.

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Appendix: 1.

Pre-test Questionnaire

The following survey is being undertaken to ascertain the difference, if any, between different categories of firms in their strategy development processes. All responses are totally confidential and no person or company will be identified.

Section A.

	Yes	No
Q1. Does a family member (s) hold majority ownership of the business.	☐	☐
Q2. Does a family member (s) manage the business.	☐	☐
Q3. Do you consider your business to be a family business.	☐	☐
Q4. Are there more than one generation of family either controlling or managing the business	☐	☐

	Services	Manufacturing	Computer & Software	Building & Construction	Other
Q5. Please indicate which category your business is in.	☐	☐	☐	☐	☐

	0-25%	26-50%	51-75%	76-100%
Q6. What percentage of employees are direct family members	☐	☐	☐	☐

	0-10	11-50	51-250	250+
Q7. How many people are employed in the business	☐	☐	☐	☐

	2000-2010	1990-1999	1980-1989	Pre- 1980
Q8. When was your company founded	☐	☐	☐	☐

Section B.

Please indicate by ticking the relevant box, your level of agreement with the statement below, on a scale of : 1 to 7.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
Q9. Do family values influence the business decisions	☐	☐	☐	☐	☐	☐	☐
Q10. To keep in line with our business environment we make continual small scale changes to strategy	☐	☐	☐	☐	☐	☐	☐
Q11. We have an analytical process for allocating resources to strategies	☐	☐	☐	☐	☐	☐	☐
Q12.The influence a group or individual can exert over the strategy we follow is enhanced by their control of resources critical to the organisation's activities	☐	☐	☐	☐	☐	☐	☐
Q13. The strategy we follow is directed by a vision of the future associated with the chief executive (or another senior figure)	☐	☐	☐	☐	☐	☐	☐
Q14. Our strategy is based on past experience	☐	☐	☐	☐	☐	☐	☐
Q15. We evaluate potential strategic options against explicit strategic objectives	☐	☐	☐	☐	☐	☐	☐
Q16. We keep early commitment to a strategy tentative and subject to review	☐	☐	☐	☐	☐	☐	☐
Q17. Our organisation's history directs our search for solutions to strategic issues	☐	☐	☐	☐	☐	☐	☐
Q18. The information on which our strategy is developed often reflects the interest of certain groups	☐	☐	☐	☐	☐	☐	☐

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
Q19. Our strategy is closely associated with a particular individual	☐	☐	☐	☐	☐	☐	☐
Q20. Our freedom of strategic choice is severely restricted by our business environment	☐	☐	☐	☐	☐	☐	☐
Q21. We have precise procedures for achieving strategic objectives	☐	☐	☐	☐	☐	☐	☐
Q22. Our strategies emerge gradually as we respond to the need to change	☐	☐	☐	☐	☐	☐	☐
Q23. There are beliefs and assumptions about the way to do things which are specific to this organisation	☐	☐	☐	☐	☐	☐	☐
Q24. Our strategy develops through a process of bargaining and negotiation between groups or individuals	☐	☐	☐	☐	☐	☐	☐
Q25. The chief executive determines our strategic direction	☐	☐	☐	☐	☐	☐	☐
Q26. We have a series of steps between proposal and allocation of resources to strategies	☐	☐	☐	☐	☐	☐	☐
Q27.We have well defined procedures to search for solutions to strategic problems	☐	☐	☐	☐	☐	☐	☐
Q28. We tend to develop strategy by experimenting and trying new approaches in the marketplace	☐	☐	☐	☐	☐	☐	☐
Q29. The strategy we follow is dictated by our culture	☐	☐	☐	☐	☐	☐	☐
Q30. Our strategy is a compromise which accommodates the conflicting interests of powerful groups and individuals	☐	☐	☐	☐	☐	☐	☐

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
Q31. The strategies proposed go through a process before being allocated resources	☐	☐	☐	☐	☐	☐	☐
Q32. Barriers exist in our business environment which significantly restrict the strategies we can follow	☐	☐	☐	☐	☐	☐	☐
Q33. Our strategy is made explicit in the form of precise written plans	☐	☐	☐	☐	☐	☐	☐
Q34.Our strategy develops through a process of ongoing adjustment	☐	☐	☐	☐	☐	☐	☐
Q35.The strategies we follow develop from “the way we do things round here”	☐	☐	☐	☐	☐	☐	☐
Q36. The decision to adopt a strategy is influenced by the power of the group sponsoring it	☐	☐	☐	☐	☐	☐	☐
Q37. Our chief executive tends to impose strategic decisions (rather than consulting the top management team)	☐	☐	☐	☐	☐	☐	☐
Q38. Many of the strategic changes which have taken place have been forced on us by those outside this organisation	☐	☐	☐	☐	☐	☐	☐
Q39. We make strategic decisions based on a systematic analysis of our business environment	☐	☐	☐	☐	☐	☐	☐
Q40. Our strategy is continually adjusted as changes occur in the marketplace	☐	☐	☐	☐	☐	☐	☐
Q41. There is resistance to any strategic change which does not sit well with our culture	☐	☐	☐	☐	☐	☐	☐

Q42. Our strategies often have to be changed because certain groups block their implementation	☐	☐	☐	☐	☐	☐	☐
	Strongly Disagree	**Disagree**	**Somewhat Disagree**	**Neither Agree nor Disagree**	**Somewhat Agree**	**Agree**	**Strongly Agree**
Q43. We have a selection process for allocating resources	☐	☐	☐	☐	☐	☐	☐
Q44. A senior figure’s vision is our strategy	☐	☐	☐	☐	☐	☐	☐
Q45. We have definite and precise strategic objectives	☐	☐	☐	☐	☐	☐	☐
Q46. Forces outside this organisation determine our strategic direction	☐	☐	☐	☐	☐	☐	☐
Q47. Our organisation has specific resource allocation criteria (i.e Return on Investment)	☐	☐	☐	☐	☐	☐	☐
Q48. We are severely limited in our ability to influence the business environment in which we operate	☐	☐	☐	☐	☐	☐	☐
Q49. Our strategic direction is determined by powerful individuals or groups	☐	☐	☐	☐	☐	☐	☐
Q50. We are not able to influence our business environment; we can only buffer ourselves from it	☐	☐	☐	☐	☐	☐	☐
Q51. We engage in a thorough resource deployment assessment process when assessing new projects.	☐	☐	☐	☐	☐	☐	☐

Thank you very much for your time and your support in completing this survey, all information gathered is confidential and will only be used for the stated purpose.

Appendix: 2

Survey Questionnaire

A Survey of Strategy Development Processes

The following survey is to examine strategy development processes in firms. No sensitive information is requested. All responses are totally confidential and no person or company will be identified.

1. Please indicate which category your business is in

- ☐ Manufacturing
- ☐ Building & Construction
- ☐ Other
- ☐ Computer & Software
- ☐ Services (Retail,Finance,Training,Hospitality,etc.)

Other (please specify)

2. What year was your company founded

3. Do you consider your business to be a family business

- ○ Yes
- ○ No

4. How many people are employed in the business

- ☐ 0-4
- ☐ 25-50
- ☐ 5-10
- ☐ 51-100
- ☐ 11-24
- ☐ 100+

5. What percentage of employees are direct family members

- ☐ None
- ☐ 51-75%
- ☐ 1-25%
- ☐ 76-100%
- ☐ 26-50%

A Survey of Strategy Development Processes

6. Please read carefully the following statements and check the appropriate response to indicate how strongly you agree or disagree with each of them.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
To keep in line with our business environment we make continual small scale changes to strategy	○	○	○	○	○
We have an analytical process for allocating resources to strategies	○	○	○	○	○
The strategy we follow is directed by a vision of the future associated with a senior figure in the business	○	○	○	○	○
Our strategy is based on past experience	○	○	○	○	○
The information on which our strategy is developed often reflects the interest of certain groups involved in the business	○	○	○	○	○
Our strategy is closely associated with a particular individual	○	○	○	○	○
Our freedom of strategic choice is severely restricted by our business environment	○	○	○	○	○
We have precise procedures for achieving strategic objectives	○	○	○	○	○
Our strategies emerge gradually as we respond to the need to change	○	○	○	○	○
There are beliefs and assumptions about the way to do things which are specific to this organisation	○	○	○	○	○
Our strategy develops through a process of bargaining and negotiation between groups or individuals	○	○	○	○	○
The senior figure determines our strategic direction	○	○	○	○	○

A Survey of Strategy Development Processes

7. Please read carefully the following statements and check the appropriate response to indicate how strongly you agree or disagree with each of them.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
We have a series of steps between proposal and allocation of resources to strategies	◯	◯	◯	◯	◯
We have well defined procedures to search for solutions to strategic problems	◯	◯	◯	◯	◯
We tend to develop strategy by experimenting and trying new approaches in the marketplace	◯	◯	◯	◯	◯
The strategy we follow is dictated by our culture	◯	◯	◯	◯	◯
Our strategy is a compromise which accommodates the conflicting interests of powerful groups and individuals involved	◯	◯	◯	◯	◯
The strategies proposed go through a process before being allocated resources	◯	◯	◯	◯	◯
Our strategy is made explicit in the form of precise written plans	◯	◯	◯	◯	◯
Our strategy develops through a process of ongoing adjustment	◯	◯	◯	◯	◯
The strategies we follow develop from "the way we do things round here"	◯	◯	◯	◯	◯
The decision to adopt a strategy is influenced by the power of the group supporting it	◯	◯	◯	◯	◯
Many of the strategic changes which have taken place have been forced on us by those outside this organisation	◯	◯	◯	◯	◯
We make strategic decisions based on a systematic analysis of our business environment	◯	◯	◯	◯	◯

8. Please read carefully the following statements and check the appropriate response to indicate how strongly you agree or disagree with each of them.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Our strategy is continually adjusted as changes occur in the marketplace	◯	◯	◯	◯	◯
There is resistance to any strategic change which does not sit well with our culture	◯	◯	◯	◯	◯
Our strategies often have to be changed because certain groups involved block their implementation	◯	◯	◯	◯	◯
We have a selection process for allocating resources to strategies	◯	◯	◯	◯	◯
A senior figure's vision is our strategy	◯	◯	◯	◯	◯
We have definite and precise strategic objectives	◯	◯	◯	◯	◯
Forces outside this organisation determine our strategic direction	◯	◯	◯	◯	◯
Our organisation has specific resource allocation criteria (e.g. Return on Investment)	◯	◯	◯	◯	◯
We are severely limited in our ability to influence the business environment in which we operate	◯	◯	◯	◯	◯
Our strategic direction is determined by powerful individuals or groups	◯	◯	◯	◯	◯
We are not able to influence our business environment; we can only buffer ourselves from it	◯	◯	◯	◯	◯

Appendix: 3

Email with Link to Electronic Survey

Institute of Technology Carlow Research

Dear Sir or Madam,

I am sending this email to business owners and managers in the South East of Ireland.
I am a member of staff of the Wexford Campus of IT Carlow and am currently undertaking research for my Masters in Business Studies. The aim of this study is to examine the decision making process in firms in the South East of Ireland.

I know people get a lot of unwanted email's, but if I could ask you to make an exception in this case and please fill out the survey linked below.

The survey will take less than 10 minutes of your time to complete. I would greatly appreciate if you could please fill it out, you can access the survey by clicking on the link below.
http://www.surveymonkey.com/s/CarlowIT

For every survey returned I vouch to donate €1 to "Hospice Home, Care for Children Campaign"

I aim to have 200 surveys completed for my research.
The survey is anonymous. No sensitive or confidential details are required about your business and all information obtained will be used only for my Masters thesis. All information collected will be treated confidentially and no person or company specific data will be identified.
If you have any queries on the above please do not hesitate to contact me by e-mail or contact at me at the Wexford Campus of IT Carlow at

Thanking you,

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