FAMILY BUSINESS MANAGEMENT

Rodrigo Basco

"This is a relevant and timely book that deals with the complex dynamics of family businesses. It showcases an in-depth intellectual analysis of family business insights alongside a comprehensive collection of cases, examples and questions that stimulate discussion and debate. It is a must read for anyone interested to understand more about how family firms function, why they matter and what makes them unique worldwide."

Dr. Allan Discua Cruz, *Director, Centre for Family Business, Lancaster University, UK*

"*Family Business Management* is an essential book that provides a rare insight into the dynamics of family businesses in the Arab Gulf region and beyond. A significant part of the material is dedicated to fundamental matters, such as succession planning, that are often overlooked in the Arab Gulf region. As family businesses continue to gain prominence in local and regional economies, this book offers business family members, economists, and academics a clearer guide to understand these important institutions."

Sultan Sooud Al Qassemi, *Lecturer, Bard College Berlin and Fellow at Wissenschaftskolleg zu Berlin – Institute for Advanced Study*

"Being a third-generation family business executive, I have benefited from Prof. Dr. Rodrigo Basco's advice on numerous occasions regarding succession, governance, and conflict management. I believe this book will help different generations of family members navigate their unique journeys and reflect on the most important issues, such as governance, succession planning, and family transparency, among others."

Saud Majid AlQasimi, *CEO, Al Saud Co.*

"A world-renowned scholar coming from a family business background, Rodrigo Basco curates a thoughtful journey to greatly inspire family business leaders, practitioners, and all other learners. Gradually moving from managing family dynamics to governance and succession, the text demystifies complexities of family businesses and offers critical and actionable insights into planning and strategizing for families in transition. The global selection of real cases, coupled with carefully themed discussions and learning activities, is of enormous benefit to the family business community. This text has my highest recommendation."

Jeremy Cheng, *Researcher, The Chinese University of Hong Kong; Founder, GEN + Family Business Advisory & Research, Hong Kong SAR*

Family Business Management

Family Business Management provides an accessible overview of the core aspects of family business, with an international, practice-based perspective.

Structured in four parts, the book covers key topics such as family firm goals, conflict management, human resources, strategy, financial management, family and business governance, and succession planning. A wide variety of cases and examples are used throughout the book to highlight cultural and institutional differences between family businesses in contrasting contexts. Each chapter offers a detailed case study and boxed examples, illustrating real-life family business situations and stimulating students' critical thinking and decision-making. Readers are further supported by learning objectives, discussion questions, and further reading suggestions. Digital supplements for instructors include lecture slides, a test bank, and additional case studies.

This textbook is an ideal companion for family business courses, catering to both undergraduate and postgraduate students. It offers valuable insights and practical guidance for business families, as well as professionals working in family businesses.

Rodrigo Basco is Professor and the Sheikh Saoud bin Khalid bin Khalid Al-Qassimi Chair in Family Business at the American University of Sharjah, UAE.

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Family Business Management

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Preface

This textbook that you are going to read contains basic ideas to understand the fundamentals of owning, governing, and managing family businesses. My intention was to share what I have learned from being part of a business family, working with family businesses, researching family businesses, and teaching family business courses around the world. Consequently, this textbook is an attempt to organize ideas, personal experiences, research discoveries, and reading materials in a coherent and structured way, making this knowledge accessible to anyone who is interested in family businesses.

This textbook invites readers to navigate the uniqueness of family businesses by learning new concepts, reflecting on ideas, applying models and information to family business challenges, evaluating and judging real family businesses, practicing decision-making in the context of family business, and creating and tailoring solutions for family businesses. Additionally, the journey readers are about to begin is intrinsically marked by my own cross-cultural perspective to understand the specificities of culture, geography, history, and institutions that affect family businesses' ownership, governance, and management.

This textbook is ideal for students who have to approach the family business world for the first time. It contains the basic elements to develop their knowledge and complement it with their own experiences. This textbook can be a reading reference for any family business course at the undergraduate and graduate levels. Consequently, for instructors and professors, it is a unique textbook for creating, organizing, and preparing their classes with concepts, models, examples, case studies for discussion, and classroom exercises.

Business family members can also use this textbook as an introduction to the world of family businesses. This textbook can help family members interpret, understand, and put into perspective their experiences as owners, managers, and/or family members and project them into the future. For senior generations, this textbook can help them navigate the challenge of maintaining cohesive families while running sustainable and profitable businesses. For younger generations, this book can help them develop the ownership, governance, and managerial skills and abilities needed to build the future of their family businesses. Finally, for family business consultants and practitioners, this textbook is a perfect reference to help them structure, complement, and organize their knowledge and extend their vast experience.

This textbook would not have seen the light of day without the professional, educational, and emotional support of hundreds of friends, colleagues, students, scholars, and family business leaders who have inspired me in different ways, extended their hands with generous stories, and shared ideas and discussions with me. I also thank those who intentionally or not put some stone on my path and locked the wheels of my journey due to their own limitations or incompetence; they helped me reinvent myself and double my efforts to keep my curiosity and free mind alive.

I also acknowledge all my own failures that ultimately shaped my ideas, experiences, and mind to perceive and understand the universe of family businesses in my own way.

With this textbook, I wanted to make sense of those talks I had with my mother Ana Maria, who has believed in my personal and professional journey; Pilar; and Mamama to quench their bitterness of not having their Tata to find answers to their questions. I hope this book helps others play their roles in family businesses. My unconditional gratitude to Inga, who loves my limitations and makes them trivial and sharper at the same time. To Une, Vetre, and Balys, who inspire my understanding of being a father and are responsible for, and to some extent suffering from, helping me perform my role as a father every day. To Florentina, Ana Rita, and Lisandro, who have shaped my concept of brotherhood in a unique way. To my father, Hugo, who unveiled the fragile world of being a human. To Ali, for her generosity in editing my ideas in a foreign language, and to Joana, for opening the Vilnius University Library's doors so I could find a den for my desperate inspirations. And to Arpita, for her support during the process of collecting information, reading material, and drafting ideas.

Rodrigo Basco
Sharjah, March 3, 2023

Part I

Introduction to family business

1 Approaching the concept of family business

Learning objectives

- Recognize the differences and similarities between family and nonfamily businesses.
- Understand the sources of family business heterogeneity.
- Classify family businesses based on different types of family involvement.
- Describe the complexity of family businesses across generations.
- Identify the competitive advantages of family businesses.

1.1 Introduction

Our journey starts by differentiating between two main categories of firms in today's economy: private and public companies. A privately held company is a firm that is privately owned, meaning the owners (i.e., the founders, managers, or private investors) own the firm but their shares are not traded publicly. The most common types of privately held companies are sole proprietorships, limited liability firms, and corporations with shareholders but whose shares are not traded on the stock market.[1] On the other hand, a publicly held company is a firm whose ownership is fully or partially formed of shares freely traded on the stock exchange. This initial distinction between the two categories—privately and publicly held companies—is important because both categories differ in ownership structure, governance complexity, tax regulations, transparency, and obligation to disclose financial information, among other attributes. There is a common belief that family businesses are private and small, but empirical evidence shows that family businesses can be private (e.g., Grupo Barilla in Italy, Mars Inc. in the United States, and Mercadona S.A. in Spain) or public companies (e.g., Wal-Mart Inc. in the United States, Roche Holding AG in Switzerland, and Groupe Auchan S.A. in France).[2] So, *what makes a business a family business?*

Another important aspect to understand the nature of any firm is the relationship between ownership and management. Figure 1.1 shows a continuum with two well-known classical relationships between ownership and management. The right side of the figure captures a firm whose owners (i.e., those who have the right to possess the tangible and intangible property of the firm) do not manage the firm. Namely, the owners and managers have different rights and responsibilities. While the owners have the right to invest their money into the firm, receive returns for such investments, and are responsible for the firm's long-term vision and goals, the managers are responsible for implementing the best strategy to achieve the owners' goals and maintain the firm's long-term competitiveness. Wal-Mart Inc. is a good example of this type of firm as the Walton family is still the major shareholder of Wal-Mart Inc. According to public information, the children of Wal-Mart founder Sam Walton own about half of all Wal-Mart

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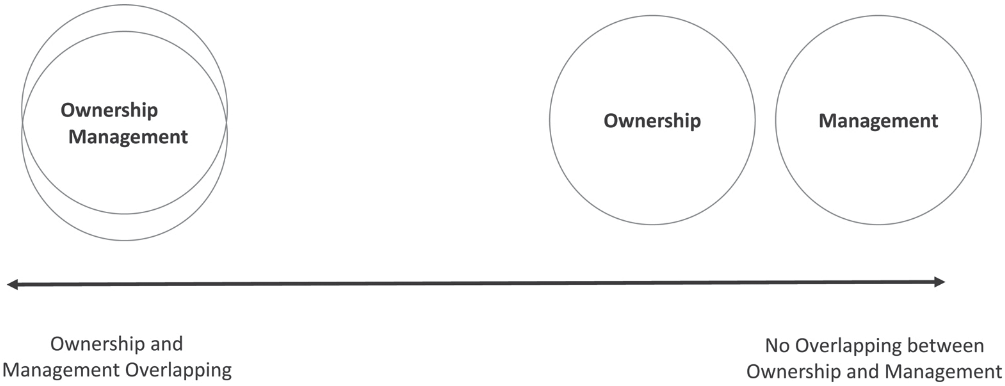

Figure 1.1 Graphical representation of common ownership and management structures.

shares. Doug McMillon is president and CEO of Wal-Mart Inc. "Under Doug's leadership, Wal-Mart is making life easier for busy families and building trust with customers. It is investing heavily in associate wages, benefits, and education—including a debt-free college program and an expanded parental leave policy."[3]

The left side of Figure 1.1 captures a firm in which the ownership and management roles are filled by the same individuals. In other words, the ownership and management roles overlap in one or more individuals, giving them the authority to strongly influence the firm. For instance, in the case of the family-owned firm Emi-G Knitting, Gina took her father and mother's business to a new entrepreneurial level by creating two new brands: Zkano and Little River Sock Mill. Both use organic cotton and sustainable manufacturing processes. Little River was selected as a 2015 American-Made Award Winner by Martha Stewart American Made, which honors American entrepreneurs. The family business defines themselves as follows: "We're a small family business with a passion for making socks. Located in the Sock Capital of the World, Fort Payne, Alabama, we blend years of manufacturing know-how with U.S.A. made craftsmanship to achieve the highest quality products possible."[4]

In between the extremes, there are multiple degrees of overlap. Overlapping ownership and management is more in line with today's entrepreneurial organizations: typically, individuals who own a firm and manage the firm as well. For instance, Meta Platforms, Inc. (informally known as Facebook) is an excellent example as Mark Zuckerberg is co-founder, chairman, CEO, and a controlling shareholder.

Family businesses come in the form of both privately and publicly held companies across all possible ownership and management structures. Family presence in a business makes that business a family business. In simple terms, this book uses the following general definition: a family business arises when two or more family members own and/or manage an organization. In Figure 1.2, family businesses are graphically represented with the addition of a new circle for the family entity alongside the existing ownership and management entities.

On the left side of the continuum, family members are owners and managers at the same time. An example of this type of family business is a "co-preneur" firm—that is, when a couple starts a firm and both family members share ownership and managerial responsibilities. For instance, Beau's Pint Club is a plant-based gelato company founded and owned by spouses Joseph Eyre, who serves as the chief operating officer (COO), and Amber Fox-Eyre, who serves

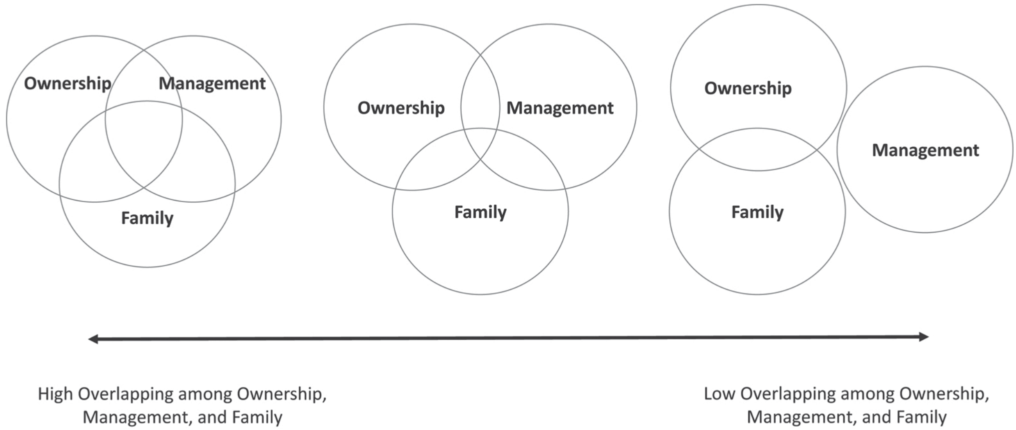

Figure 1.2 Graphical representation of ownership, management, and family structures.

as the chief customer officer.[5] At the other end of the continuum (right side), family members own part of a business, but no family members work in the firm. This is the case in the pharmaceutical group Roche, founded by Fritz Hoffmann-La Roche in 1896. André Hoffmann and Jörg Duschmalé, members of the founding family,[6] are part of the board of directors and are the representatives for the shareholder group with pooled voting rights. The family shareholder group holds a 45.01% stake in Roche AG.

In between the extremes of Figure 1.2, there are multiple degrees of overlap among the three ownership, management, and family entities. The overlapping of the three circles in the middle of Figure 1.2 represents the three levels of overlap in family businesses where family members take on roles as owners and managers. Additionally, on the right side of the overlapping, family members are managers but do not have shares (are not owners yet). On the left side of the overlapping, family members are owners but do not work in the firm.

Family businesses are the most common form of organization in developed, emerging, and transitional economies.[7] Family businesses exist in different sizes, from small companies to big conglomerates, and in different industries, from extractive industries to manufacturing and service industries. It is estimated that family businesses account for a significant portion of the gross domestic products and employment in all types of economies around the world.[8]

The aim of this chapter is to explore, analyze, and understand the fundamentals of family businesses, from recognizing differences and similarities between family and nonfamily businesses to classifying family businesses based on different types of family involvement in firms.

1.2 Family business definition

The introduction of this chapter provided a first, general approach to the concept of family business. However, there are specificities of the family business phenomenon that require attention in order to unveil the different types of family businesses. To define family business in simple terms, we need to consider two different entities: the family and the business. The overlap of these two entities forms a family business. The business entity is composed of individuals who organize and integrate a set of economic activities to achieve specific economic and social goals within the boundaries of a profit-oriented organization. The family entity is formed by individuals who are related to each other by blood or affinity and who develop social and economic activities to care for each other. Family businesses are the result of entrepreneurial family members who together own and/or run a business, with both entities influencing each other.

What causes the family and business entities to overlap? The overlap of the family and business entities occurs when one or more family members participate in the ownership, governance, and/or management of the firm. Family participation influences decision-making in the firm and shapes the intention to pass the firm from one generation to another. In other words, a firm can be defined as a family firm when a family (via its family members) owns, governs, and/or manages the firm, imposing the family view on the firm's decision-making. A family firm can have single or multiple family generations working together with the intention to preserve the family involvement in the firm.

Having defined family business, we can explore the dimensions of family involvement in a business. There are different dimensions of family involvement in a business that determine the familiness of a family business as the specific result of the structural coupling of the family and the business[9]:

- *Family involvement in ownership*. This dimension refers to when a family owns a firm and the family, through its family members, controls the firm. When defining a firm as a family business using ownership dimensions, it is important to differentiate privately held and publicly held family businesses. In the case of a private firm, family members have to have at least 51% of the ownership to control the firm. For instance, Bacardi Limited[10] originated in Cuba; is headquartered in Hamilton, Bermuda; and is one of the largest completely (100%) privately family-owned spirits firms in the world. In the case of public family firms, the family or a group of family members needs to have enough shares to become a blockholder to influence the firm's decision-making through their voting rights. Wal-Mart is a good example of a listed family business as the Walton family owns less than 50% of the shares (through different family members, such as Jim C. Walton, Alice L. Walton, and S. Robson Walton, and a trust called John T. Walton Estate Trust) but still controls the firm because the rest of the shareholders own small fractions of the firm (not organized to pool their decisions into one voice).
- *Family involvement in governance.* This dimension refers to when a family controls a firm's governance and can thus alter its long-term and critical strategic decision-making. Family involvement in ownership gives the family the possibility to participate at the governance level of the firm by appointing their representatives (family or nonfamily members) to the board of directors. The board of directors is a group of individuals representing shareholders' interests with the responsibility of leading the firm and advising and controlling the managerial team. For example, Mars Inc. is one of the largest American multinational food companies and has gained popularity mainly for its chocolate bars. The organization was founded by Frank C. Mars in 1911 and now is owned equally by his grandchildren John Mars (one-third), Jacqueline Mars (one-third), and late Forrest Jr.'s four daughters: Victoria, Valerie, Pamela, and Marijke (one-12th owned by each daughter). The family business is privately owned. Victoria (Forrest Jr.'s daughter) served as the chairperson of the board for three years (2014–2017) followed by Stephen Badger (Jacqueline's son), who served as chairperson until 2021, and now John Franklyn Mars. Jacqueline, John, Stephen, Victoria, Valerie, and Marijke also currently serve on the family business's board of directors.[11]
- *Family involvement in management*. This dimension refers to when there is active family participation in the top management team of a firm. In this case, the family, through one

or more family members, influences the firm's day-to-day decision-making. For instance, Reliance Industries Limited is a multinational conglomerate company with a market capitalization of more than $200 billion and is headquartered in Mumbai, India.[12] It was founded by Dhirubhai Ambani in 1973, but in 2002, he passed away without leaving a succession plan, which triggered a problem between his two sons, Anil and Mukesh. The mother intervened and separated the firm into two parts. Since 2002, Mukesh, the eldest son, has been CEO of the oil and chemical portion of the business. Isha, Akash, and Anant Ambani—the third generation and Mukesh's children—are also actively involved in the business. In 2022, Mukesh Ambani announced that his children Isha and Akash have assumed leadership roles in Reliance Retail and Reliance Jio and that his youngest son Anant has joined the company's new energy business. Anil received parts of Reliance Group with interest in communication, entertainment, financial services, and construction.

- *Generational involvement in the business.* This dimension refers to when family members from different generations (founder and subsequent generations) own, govern, and/or manage a firm. What matters for this dimension is generational involvement in ownership and/or management. For example, Dot Foods Inc.,[13] the largest foodservice redistribution company in the United States founded by Robert and Dorothy Tracy in 1960, is currently managed by the family's second generation. Eleven of Robert's 12 children have worked full time for the family business. Joe Tracy, who is the 11th child of the founder, serves as the firm's CEO and member of the board of directors. His brother, Dick Tracy, who is the 12th child of the founder, is the president of the Mount Sterling—headquartered food industry distribution and Dot Food's board of directors.
- *Family intention to preserve the family as a family firm.* This dimension refers to the family intention to pass the family involvement at ownership, governance, and/or management level from one family generation to the next generation. For example, Guittard Chocolate Company, which defines itself as maintaining a 150-year family tradition of craft and innovation, was founded by Etienne Guittard in 1868. Now, 154 years later, the family business is heading forward with its fifth generation actively involved in the business.[14]

All of the aforementioned dimensions can be used individually or in combination to define what a family business is and to recognize different types of family businesses. Some dimensions are more restrictive than others because they require multiple manifestations of family–business overlapping, whereas other dimensions are less restrictive such that one manifestation of family–business overlapping is enough to consider a firm a family business.

How many manifestations of family–business overlapping does a firm need to be considered a family firm? This is an excellent question to further explore the concept of family business. The answer depends on how restrictive the definition used to define family business is. Specifically, the demographic characteristics underlying the overlap of the family and business entities in terms of ownership, governance, and management distinguish a family business from a nonfamily business and differentiate different types of family businesses. For instance, one may wonder if Ford Motor Company is a family business. By 2015, the Ford family was ranked the 129th richest family in the United States. Through its super-voting B stock, the extended Ford family controls the voting power of Ford Motor Company.[15] Although the family meets the dimension of family involvement in ownership, controversy remains as to whether Ford Motor Company is a family business. One can argue that a listed firm wherein the business family is a simple blockholder is not a real family business because listed firms are subject to the market logic (e.g., profit maximization and short-term orientation), so families cannot impose their own logic (the family logic may be driven by other principles beyond profit maximization). This debate opens a new perspective to interpret what a family business is through a behavioral lens.

How do the family and business logics manifest in decision-making? It is important to reflect on the fact that the demographic characteristics underlying the overlap of the family and business entities may have different effects on firms' decision-making at the ownership, governance, and management levels. To define family business, the behavioral lens focuses on the coexistence of the family logic and the business logic. Table 1.1 shows two types of family businesses with different logics. The overlap between the family logic and the business logic emerges in key decision-making areas, such as human resources, finances, strategy, governance, and succession. The family logic alters decision-makers' focus of attention by introducing specific family business goals, including economic goals (profit and long-term survival), social goals (image, tradition, and social recognition), and emotional goals (family kinship relationships and family cohesiveness). Therefore, the behavioral lens helps define family business when the family logic interacts with the business logic in key decision-making areas.

Table 1.1 Family and business logics applied to family businesses

	Family Business with Business Logic	*Family Business with Family Logic*
Logics based on interactions		
Emotions	Aggressiveness—opportunity driven	Submission
Cognitive	Firm as a means to raise entrepreneurs' image, money, visibility	Firm as a means to care for family members, extending the relationship to different stakeholder
Normative	Speculation	Tradition
Rule of justice	Equity	Equity is mixed with equality and needs
Model of communication	Hierarchical communication (written and oral communication) to address specific organizational task issues	Horizontal communication, mainly oral communication, to address specific task issues as well as the emotional, psychological, and physiological needs of individuals
Interaction	Task, function, and chain of command	Kinship and friendship in combination with task, function, and chain of command
External interactions		
Higher-order institutions	Venture capitalist, professional managers, business associations	Family, related social classes, related economic actors
Internal decision-making		
Human resources	Merit	Merit, nepotism, and altruism
Financial	Risk	Conservative
Strategic	Growth	Stability
Governance	Separation of the family and the business with different governance structures	Informal governance structures
Succession	Best candidate (internal or external)	Intra-family succession—nepotism

Source: Adapted from Basco, R. (2019). What kind of firm do you owner-manage? An institutional logics perspective of individuals' reasons for becoming an entrepreneur. *Journal of Family Business Management*, 9(3), 297–318.

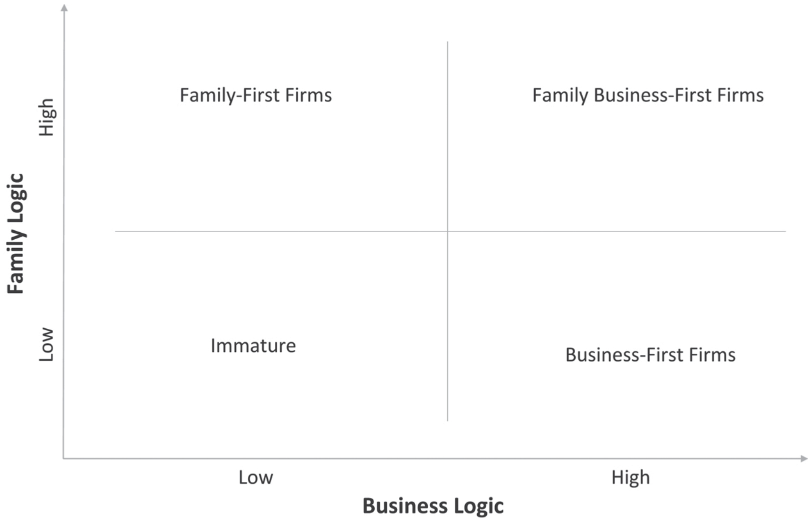

Figure 1.3 Types of family businesses by combining the family and business logics.

1.3 Types of family businesses

Family businesses are not a homogenous group. There are different types of family businesses. The demographic dimensions of family involvement as well as the lifecycle stage of each of the entities (ownership, governance, and management) determine the different types of family businesses. There is a consensus among scholars and practitioners to differentiate family businesses based on how the business and family logics are combined. As shown in Figure 1.3, the intensity of both the family and business logics creates four general configurations of family businesses with specific strategic behavior, governance structures, and performance. Even though these four configurations may not exist in pure form in reality, they help visualize patterns of behavior in family businesses and better clarify the heterogeneity among family businesses.

The family and business logics compete with each other to define owners', managers', and family members' general focus of attention. Key decision-makers' focus of attention determines the essence of a family business—that is, the meaning of the family business for members who occupy different positions across the ownership, management, governance, and family entities. Family owners' and managers' focus of attention defines the family business's priorities, goals, and reference points, thereby influencing the firm's decision-making. For instance, if key family decision-makers prioritize the well-being of family members and the continuity of the family business across generations, the decision-making will be oriented to preserve family harmony and to guarantee the survival of the firm at the expense of decisions to ensure superior short-term performance.

Next, we summarize the most important characteristics for each configuration of family businesses in terms of human resources, strategic decision-making, corporate governance, succession, and performance.

1.3.1 Family-first family firms

Family businesses in the family-first firm group show strong family orientation. The family logic prevails over the business logic, and family values are embedded in the firm. Therefore, these family businesses prioritize family members' interpersonal relationships and well-being as well as nonfamily employees' interpersonal relationships. The family business becomes an instrument for the family to achieve family-oriented goals. The most common family-oriented goals are often to have money available for family members to cover their needs, develop a cohesive family, and establish a good reputation and respected name in society, among others. Business decisions are subject to the family's needs as the business is a means to offer privilege to family members in the form of extensive perks and benefits.

In family-first firms, some family members are involved in the firms' daily operations, and because of this, the governance structure and decision-making are often supplanted by informal procedures. A board of directors may not exist, and shareholder meetings are the most important governance arena. In this context, shareholder meetings cover tasks related to business governance (e.g., defining the firm's growth strategy or having the final say on decision-making, which can affect the long-term survival of the firm) and family governance (e.g., controlling family interests and advising on family topics affecting the firm as a family employment practice). For example, Picchiotti is a globally recognized jewelry brand founded in 1967 by Giuseppe Picchiotti along with his sister. According to Giuseppe, his family is the company's greatest asset, and each family member plays a unique and integral role in the company's day-to-day operations. Giuseppe's wife is an essential part of the business as she is the pillar of the Picchiotti family. Maria Carola, Giuseppe's daughter, also plays a vital role in handling the company's public relations and marketing the brand to a larger audience. Giuseppe's sons, Filippo and Umberto, have worked on procuring gemstones from around the world, which is another key part of the family business's operations. The Picchiotti business model relies on the individual aptitudes and skills of each family member and the role each plays within the context of Picchiotti as a whole. As Giuseppe stated,

> The success of the Picchiotti brand has been due to good communication and that we have always emphasized a family-first mentality. It is a great point of pride to us that we are able to work together so well across generations.[16]

In decisions related to human resources, kinship relationships and length of service are typically the basis for entry, promotion, and compensation policies, with nepotism being the basic principle for decision-making. Human resource decision-making is carried out to increase individual competency (supporting family members' competency development). According to this orientation, people are more important than the business or the focal position. The chairman of Crane & Co, a successful paper mill family business that has had a contract to produce the United States' currency since the 19th century, reflected on this orientation as follows:

> I didn't think when I was growing up that I would play a significant role in the business. I worked in the company when I was young, growing up as a teenager. But, I had a career outside of Crane. However, every generation before me was an active part of the business. My father was involved, my uncles, my grandfather and great-grandfather worked in the business too. Crane & Company was who we were and is who we are. I came to the business from the top, you might say, as I was asked to be on the Board at some point. I stayed on the Board for a while, then I became Chief Executive Officer and now I am Chairman.[17]

Regarding strategic decision-making, in family-first firms, families play an important role in supplying financial (e.g., investments), human (e.g., knowledge and nonpaid family work), and social (e.g., social and economic connections) resources for their businesses. The competitiveness of family-first firms comes from these unique resources, which are difficult to imitate by competitors. Alejandro Diaz Carlo, owner of Carabalí Rainforest Park in Puerto Rico, which is a premier tourist destination, reflects on the resources his family invested to ensure the business family remains resilient across generation. Specifically, talking about tacit knowledge, Alejandro noted the following:

> We have learned from our grandparents and parents how to prepare for severe and extreme weather, and drawing off the experience and support of other family members, both past and present, is one of the main advantages we have as a family business.[18]

Finally, in these firms, management and ownership succession decisions are not explicitly defined until something occurs because of the number of family members involved, directly or indirectly, in the business. In this sense, the continuity of family involvement in the business depends on how the family organizes around the business to remain competitive. Hence, succession is the result of internal activities/actions designed to groom the future successor and accommodate the rest of the family members in different positions by maintaining family harmony. For instance, this is the case of the first ownership and management transition in Mitchells clothing store, a family business founded by Edwin William Mitchell and his wife in 1958 in Westport, Connecticut. The brothers Jack and Bill came into the family business in the late 1960s and assumed ownership and leadership in the 1970s.[19]

In terms of firm performance, although family-first firms are frequently not as profitable as their competitors (regarding business performance), sunk costs (family assets such as time, lower agency costs, communication, and loyalty) often keep these businesses alive. For example, Levant is a manufacturing family firm in Morocco that is in its second generation. During the peak of the COVID-19 pandemic, the company's turnover had dropped by around 50%. Despite a significant decline in revenue and the pandemic's negative impact on profits, the Levant family firm did not reduce its labor costs, and none of the employees were made redundant, ensuring their salaries were paid in full. The message that the family sent was "employees are considered as family members and solidarity is our intrinsic family firm value."[20] In turn, the employees' loyalty will have a long-term impact for the Levant family—survivability is the key performance measure.

1.3.2 Business-first family firms

Family businesses in the business-first family firm group show a strong business orientation. The business logic prevails over the family logic. A business-first family firm makes decisions based on what it needs to do to compete successfully in the marketplace. The role of the business is to achieve competitiveness and sustainability. Business-oriented goals are important in terms of financial and economic performance, productivity and innovation, and stakeholder relationships. The family brings significant assets into the business, but the assessment and use of these resources are based on parameters of merit, productivity, and competitiveness.

In business-first family firms, family members may or may not be involved in daily firm operations. The top management team of such a firm, regardless of whether it comprises family and/or nonfamily members, is responsible for implementing the firm's strategy, which may respond to the owners' goals. In this context, the firm's governance structure plays an important role as this is the arena in which the family and business entities confront their differences and tie their destiny. The board of directors exercises the traditional business roles of control (overseeing the functioning of the firm), support (assisting and advising the top management team), and connection (linking the firm with its environment to get strategic resources). Depending on the complexity of the family, the family governance structure can also play an important role in influencing how family and business issues affect each other. For instance, Alessi, a family-owned Italian design and manufacturing firm founded in 1921 by Giovanni Alessi, has its own charter defining the conditions under which family members can join the firm. At age 18, Matteo Alessi, a member of the fourth family generation, signed the charter to explicitly recognize and adhere to the rules that any Alessi member has to meet to join the firm. He also adhered to other conditions to work in the family business such as have a master's degree, speak a second language, and have at least two years of external experience. After achieving these requirements, Matteo joined the family business and is now the chief commercial officer.[21]

Regarding human resource decisions, the skills, abilities, and capacity of both family and nonfamily members are important in defining entry, promotion, and compensation policies. Another important characteristic in the human resource area is the freedom that managers have in decision-making. Nepotism is less evident in business-first firms because there are typically few family members working in these firm, and those family members who are employed are surrounded by nonfamily members who are professionals, thereby increasing competition and equal treatment across all organizational levels. The S.H. Kelkar Group[22] is one of the largest family businesses in India and is a good example of a business-first firm. The company, a manufacturer of fragrances, was founded in the 1920s. The third-generation member Kedar Vaze worked in various departments to prove his capabilities and then assumed the position of COO. Kedar could have assumed the position of CEO. However, he believed he did not have execution capabilities to manage the business, so he and his father Ramesh (managing director until 2019 and then nonexecutive director and chairman of the board) brought in an experienced nonfamily member professional, B. Ramakrishnan, to manage and lead the group in 2010. After working as COO for four years, Kedar succeeded Ramakrishnan as CEO in 2015. Meanwhile, Ramakrishnan took up a consultancy role.[23]

Regarding strategic decisions, the complexity of their businesses and the business orientation of business-first family firms make the competitive advantages of their businesses less dependent on family resources (financial, human, and social resources). However, the family still provides fundamental resources, such as family legacy, stability across generations, social networks, and long-term vision, among others, which make business-first family firms competitive and different from nonfamily firms. These family businesses are generally run by professional nonfamily members, while family members manage the family brand and wealth via the family office, such as the case of the Walton family as a blockholder of Wal-Mart.

In terms of succession, family influence in the business makes the transfer of ownership and management an important issue for business-first family firms. Regarding ownership succession, even when it could be constrained by the legal context, the concentration or dispersion of family ownership across generations could affect the future development of the family business and the way the family executes control over the business. Intra-family management succession is not as important as in other types of family businesses. The family accepts nonfamily leadership within an adequate family and business governance structure. Therefore, in business-first family firms, succession is understood via a broad perspective, which requires preparing the next generation of family members to assume different responsibilities within the family, ownership, and/or management entities. For example, Marta Ortega Pérez is the daughter of Spanish tycoon Amancio Ortega, founder of Inditex, the parent company of world-renowned fashion brands like Zara, Massimo Dutti, and Pull & Bear. Marta has always been a part of the company, working different roles in the background. She worked her way up to becoming chairwoman of the board of directors in 2021. She decided not to assume the CEO position, leaving it instead to a nonfamily member.[24]

In term of business performance, business-first family firms tend to be more successful in terms of economic and financial performance than other types of family businesses. However, their likelihood of failure is higher than family-first businesses. Since business families in business-first family firms tend to have diversified wealth, their commitment to family business survival could be less important than for business families of family-first businesses. If the traditional family business is no longer profitable, they are able to pivot across their multiple investments.

1.3.3 Family business–first family firms

Family businesses in the family business–first family firm group show a strong intention to balance business and family orientations and preserve both the business and family logics within the family business system. Family business–first family firms make decisions based on both family and business goals. When making decisions, leaders recognize what the family and the firm bring to each other and what they need from each other to keep both entities healthy—a competitive firm and a cohesive family.

In a family business–first family firm, corporate governance comprises the family governance structure and the business governance structure. Both governance structures are linked to support the firm's strategy. The aim is to formalize family and business corporate governance—namely, to coordinate their activities, needs, and mutual support. The family develops its own governance structure (e.g., family meetings or family council) to address family issues that emerge from family involvement in the firm. Then, the family uses the corporate governance channel (e.g., shareholder meeting and board of directors) to influence the firm. Governance mechanisms reduce the probability of nepotism and other risky family practices (e.g., favoritism toward some family and nonfamily employees) and minimize family conflicts that can affect the competitiveness of the firm. At the same time, however, family governance helps the family preserve the unique resources and capabilities that provide a competitive advantage for the family firm. Mitchell Stores in the United States moved from a family-first business in the first two generations to a family business–first business from the third generation on. The family council plays an important role in achieving family harmony and reaching consensus while maintaining their customer-oriented business strategy.[25]

Human resource decisions in terms of entry, promotion, and compensation are based on a combination of person-based characteristics, such as trust, tenure, and loyalty, and position-based characteristics, such as capabilities and the ability to accomplish the tasks required by the focal position. Nepotism pervades human resource decision-making, but its influence is attenuated by the business logic. Meaghan Thomas, the co-owner of Pinch Spice Market founded 2012, summarized the idea of hiring family members as follows:

> You've worked really hard to get your business where it is today. You need to be able to trust that your family member takes it as seriously as you do. If you hire a family member that ends up being a bit of a mooch or a slacker—or, on the flip side, you end up being a mean, unsupportive boss to them—you're going to have problems that could seriously hurt your relationship.[26]

Family business–first family firms take a holistic perspective when it comes to succession and are committed to ensuring ownership and management succession. Succession decisions involve a mixture of direct and indirect practices ranging from grooming future management successors to developing responsible owners and family members who understand the balance between the family and the firm. An example is the leading global beauty brand Estee Lauder,[27] which was founded in 1946 by the visionary woman Estee Lauder. Family members see themselves as a family in business rather than a family business.[28] Estee Lauder could be considered a family business–first family firm because the company attempts to keep a balance between the family and business logics by carrying forward the founder's legacy and vision to have the most inclusive and diverse beauty company in the world. It maintains a high family influence in the business as family members are actively involved in firm operations.

1.3.4 Immature family firms

Immature family firms are those without a dominant family or business logic. These firms are typically traditional "mom-and-pop" businesses, which have a very specific niche of local consumers. Family members act in their own interests, providing their skills and knowledge to keep the business alive. There is no formal structure or governance mechanisms. Informal relationships, personal communication, and commitment and loyalty among family members and among family and nonfamily members are key elements to maintaining the ownership, family, and management entities. These businesses are small and profitable only if family members are engaged in the day-to-day operations. Succession is generally a consequence of social norms to transfer the business from one generation to another. Several of today's leading family businesses started as immature family businesses. For instance, Karl and Theo Albrecht took their mother's small grocery shop in Essen, Germany, and converted it into ALDI supermarket, one of the largest supermarket chains in the world.[29]

However, succession can also be triggered by the collapse of the relationship between the family and the business because of the complexity of the family (new participants are incorporated into the family business). In this context, for instance, the family business could go bankrupt, it could be sold, or one family branch could acquire the power to restore meaning to the family business.

1.4 The importance of studying family business governance and management

Family involvement in a business creates conditions for the business to behave in a particular manner and, consequently, has implications for its performance. Therefore, the aim of studying the fundamentals of family business is to understand how family affects the way a firm is owned, governed, and managed. Understanding the nature of family businesses, we can create knowledge and tools to improve their productivity and competitiveness while keeping the associated families cohesive.

The particular behavior of family firms emerges from two unique effects from family involvement in businesses: family goals and family resources. First, the family alters business goals. In general, firms are conceived as economic organizations that define their own strategies and structures to maximize economic (e.g., return on investment) and noneconomic goals (e.g., sustainable development). However, family involvement in businesses imposes additional goals related to the family—namely family-oriented goals, such as having money available for the family, creating job opportunities for family members, and maintaining the family legacy across generations, among others. Combining business and family-oriented goals implies that family businesses have a different reference point when evaluating their decision-making. Depending on the importance of the business- and family-oriented goals, family business decision-making may or may not differ from that of nonfamily businesses.

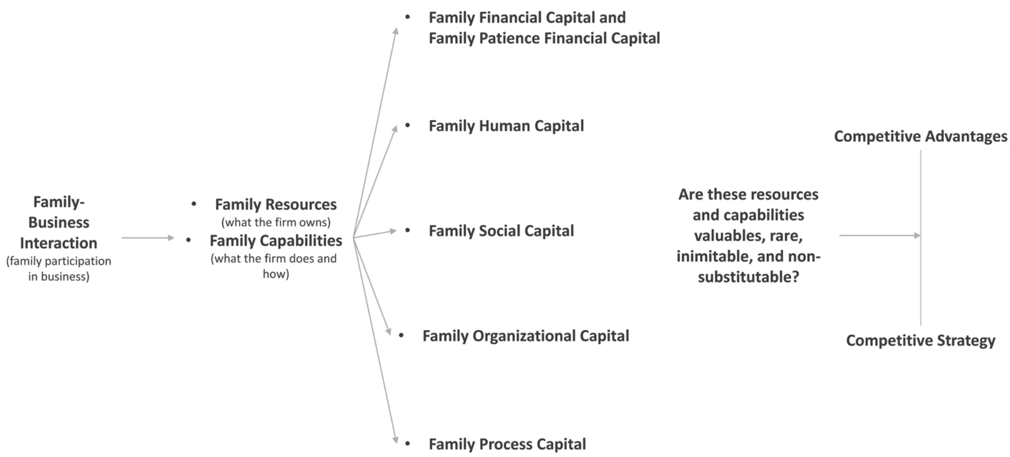

Figure 1.4 The origins of family business competitive advantages.

For instance, a new investment or strategic movement in a nonfamily business is analyzed from an economic perspective by considering the return of investment for shareholders and the economic implications for the firm. However, in the context of a family business, the same investment could have different evaluation criteria because of the reference point, which includes business- and family-related goals. The final decision related to a new investment or strategic movement should satisfy (not maximize) both the economic return and the family-oriented goals, for instance, ensuring that the final decision will not jeopardize family control over the firm.

In addition to the family-oriented goals imposed by the family that affect firm decision-making, the family also supplies resources (assets, knowledge, and skills) and creates capabilities (e.g., processes to effectively use resources). A firm's possession and creation of strategic family resources and capabilities can provide a competitive advantage over its rivals and superior performance. In the case of family businesses, this happens when the family resources and capabilities are valuable (help exploit opportunities and minimize threats), rare (competitors cannot possess them), difficult to imitate (hard to copy), and non-substitutable (no equivalent alternatives). Family resources and capabilities emerge from family participation in the firm (see Figure 1.4) and include *family financial capital*, such as family savings; *family patience financial capital*, such as less pressure to maximize the return on investment; *family human capital*, such as the loyalty and commitment of family employees and managers; *family social capital*, such as family members' network relationships that enable access to critical resources and the family's name in society and their specific location; *family organizational capital*, such as family stewardship toward the family, employees, and the community, the family business culture, and the family governance structures; and *family process capital*, such as knowledge transfer from one generation to another, family communication, and family leadership.

1.5 Additional activities and reading material

1.5.1 Classroom discussion questions

1 What is your perception of family businesses?
2 What are the most common dimensions that define a firm as a family business?

3 Are family businesses homogenous? What are the most common types of family businesses?
4 Do you think all types of family businesses are successful organizations?
5 What are the competitive advantages of family businesses?

1.5.2 Additional readings

1 Chiesi, G. (2022). La Famiglia: Family values that drive business success. *Fortune*. Article retrieved from https://fortune.com/2022/04/02/chiesi-group-family-business-values-success-leadership-pharma-health-corporate-culture-giacomo-chiesi/
2 Kachaner, N., Stalk, G., & Bloch, A. (2012). What you can learn from family business. *Harvard Business Review*. https://hbr.org/2012/11/what-you-can-learn-from-family-business
3 Family Capital. (2022). The world's top 750 family businesses ranking. Information and dataset retrieved from www.famcap.com/the-worlds-750-biggest-family-businesses/

1.5.3 Classroom activity

Aim: Have students reflect on the family and business entities.
Material: White A4-sized paper, colored pencils, and Post-it Notes.
Running the classroom exercise:

- Step 1: Ask students to make a graphic representation of the meaning of family on the white A4-sized paper, giving them enough time for their creativity. After five to seven minutes, ask students to describe the meaning of family in one word.
- Step 2: Ask students to turn the piece of paper over and make a graphic representation of the meaning of business. After five to seven minutes, ask students to describe the meaning of business in one word.
- Step 3: Initiate a discussion about the meaning of family and business while allowing students to share their creativity.

Discussion: Before starting the discussion, create three columns on the whiteboard: (1) At the top of the left column, write "family"; at the top of the right column, write "business"; and at the top of the middle column, write "family business" (this column should not be filled with information until the end of the discussion). Ask students who would like to share and explain their drawings on the meaning of family and business. Start with the family. Let students explain their drawings and stick the words (on Post-it Notes) on the whiteboard. Repeat this step with the business drawings and words by sticking students' Post-it Notes on the business side of the whiteboard.

Takeaways: From the discussion, the different logics governing the family and business entities will emerge—that is, how students perceived the meaning of the family and business entities! This is a good opportunity to recognize similarities and differences in the goals, processes, and decision-making of each entity. These two perspectives are part of the family business (middle column). Therefore, it is time for students to reflect on family business. Open the discussion and let students explain their interpretations of family business. Family business means managing the paradox between these two entities!

1.6 Case for analysis I: Birla—An entrepreneurial family[30]

The Birla family has been an entrepreneurial family since 1857, when Shiv Narayan laid the foundation for the House of Birla and started trading in cotton. In 1919, he formed

Kesoram Industries Limited, which had three major divisions (tires, cement, and rayon). In 1947, Shiv Narayan's grandson Ghanshyam Das Birla carried forward the family legacy by founding Grasim, a textile manufacturer. In 1956, he acquired Indian Rayon Corporation, which is known as Aditya Birla Nuvo, and later, in 1958, he established Hindalco, which took metal production in India to another level of success. Ghanshyam Das Birla also tapped into the education sector by founding the Birla Institute of Technology and Sciences (BITS) in 1964. As time passed, Ghanshyam Das's other sons, Krishna Kumar Birla and Besant Kumar Birla, took over the leadership of other firms in the group. The family's entrepreneurial spirit continued into the fifth generation (see Figure 1.5) with Aditya Vikram Birla (son of Besant Kumar Birla), who was an ambitious and visionary businessman. He joined the family firm at the age of 24, having responsibility for Hindalco, Grasim, and Aditya Birla Nuvo firms, which formed the basis of the family business's global conglomerate, Aditya Birla Group. Aditya Birla fulfilled his dream of transforming his Indian business group into a global business empire under his leadership. His companies ranked as the world's largest producer of viscose staple fiber, the largest refiner of palm oil, the third-largest producer of insulators, and the sixth-largest producer of carbon black. Unfortunately, Aditya Birla was diagnosed with cancer and died in 1995 at the age of 51. Given the untimely death of his father, Kumar Mangalam Birla, a sixth-generation family member, took over his position. Kumar Mangalam then consolidated all the companies under the umbrella Aditya Birla Group. Kumar Mangalam has taken his father's endeavors a notch higher as today the Aditya Birla Group has grown into a global powerhouse in a wide range of sectors—metals, pulp and fiber, chemicals, textiles, carbon black, telecom, cement, financial services, fashion retail, and renewable energy. Over 50% of the group's revenues flow from overseas operations that span 36 countries in North and South America, Africa, Asia, and Europe. Kumar Mangalam states that the Aditya Birla Group is professionally run, and he is happy that his children are working to follow their own passion and dreams.

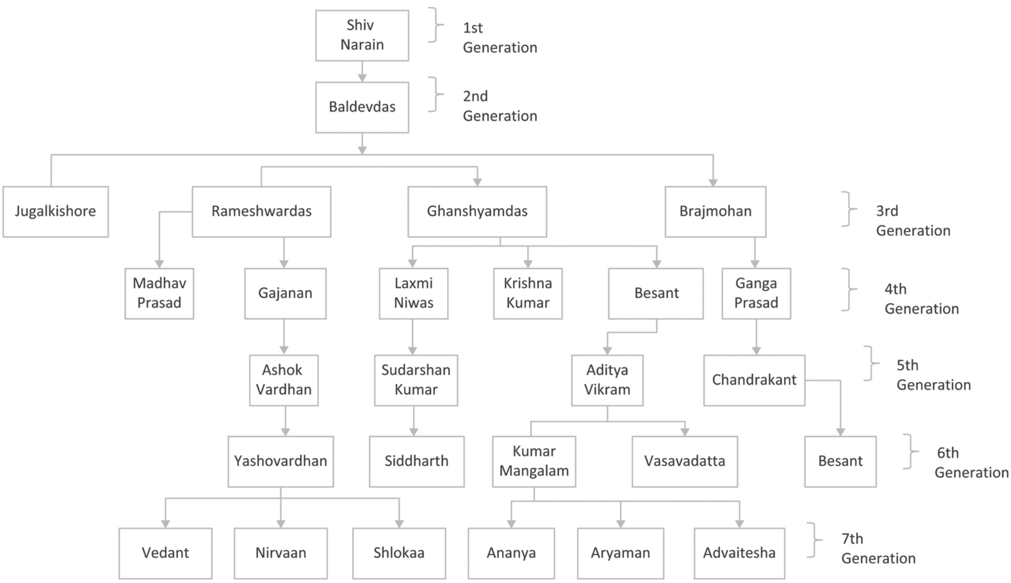

Figure 1.5 Birla family tree.

Discussion questions:

1 Why is Aditya Birla Group a family business?
2 What type of family business is Aditya Birla Group?
3 What do you think makes Aditya Birla Group unique?

1.7 Case for analysis II: Chick-fil-A—A family serving quality and tradition[31]

Chick-fil-A is a popular family-owned fast-food chain that runs across the United States, selling its famous fried chicken sandwiches. The fast-food chain was founded by S. Truett Cathy in 1967 at a mall in Atlanta, Georgia, and since then has grown to more than 2,700 independent restaurants across 47 states, Washington DC, Puerto Rico, and Canada. The family business was successfully taken over by Truett's three children—Dan T. Cathy as chairman, Donald (Bubba) M. Cathy as executive vice president, and Trudy Cathy White as ambassador—after his death in 2014. Dan's son Andrew, a third-generation family member, is also actively involved in the family business. Andrew serves as the CEO. The Cathy family has been in business for more than 70 years, and like Andrew, other third-generation family members are also carrying forward their grandfather's (Truett's) legacy. To name a few family members, Mark, the eldest son of Don (Bubba) Cathy, operates a Chick-fil-A in California, and Angela White, the daughter of Trudy Cathy White, operates a Chick-fil-A with her husband in Birmingham. To join the Chick-fil-A family business, family members have to fulfill two main requirements: (1) have a college degree and (2) have two years of external working experience. Chick-fil-A is willing to embrace family members and to embed them in the firm tradition. For instance, when Cathy family offspring are in school or college, they are welcome to work part time at Chick-fil-A restaurants. The fast-food chain is privately owned, and the family has no plans of making an initial public offering as the founder, Truett, agreed to a contract with his children stating that the family business could be sold if required but could never go public. The Cathy family has a strong foundation of preserving family values, which is also reflected in the way they run their successful business and in their mission to be America's best quick-service restaurant. The Cathy family believes in giving back to the community, which they do by increasing employment opportunities and supporting employees' education and personal emergencies by means of their fast-food chain Chick-fil-A.

Discussion questions:

1 Why is Chick-fil-A a family business?
2 What type of family business is Chick-fil-A?
3 What do you think makes Chick-fil-A unique?

1.8 Case study: Wal-Mart[32]

Walton family history. A little boy named Samuel (Sam) Moore born in Kingfisher, Oklahoma, in 1918 was the first born of the Walton family followed by his younger brother, James Lawrence (Bud) Walton. The Waltons had a lower-class family background and managed to make ends meet financially. During the course of his academic journey (high school and college), Sam worked several jobs, including selling and delivering milk, eggs, and newspapers to support his parents. This work made him learn the true value of earning money. Upon graduating from the University of Missouri in 1940, Sam was hired in the retail industry at a J.C. Penney store in Iowa as a sales trainee. He was a good salesman but not the best at paperwork as he did not believe in making customers wait during the paperwork process. He always was a man of customer service.

In 1942, he served in the US military during World War II. After the war, Sam had a wife, Helen, and a son to support, which is when he put his entrepreneurial and leadership skills to use and purchased the first Ben Franklin franchise store in Arkansas with his $5,000 savings and a $20,000 loan from his father-in-law. The first Ben Franklin franchise store was a success for Sam. He also employed his brother Bud at the store, who also served in the military during World War II. Gradually, the Ben Franklin store became a huge success for Sam, so he went from owning 1 to 15 Ben Franklin franchise stores, which generated over a million dollars annually. In 1950, Sam went on to open another franchise store named Walton's Five and Dime in Bentonville, Arkansas, where Sam introduced the concept of customer self-service, saving customers time because they did not need to seek assistance from a clerk.

How it all began. Sam knew that the future prospects for variety stores were limited. He wanted to expand his stores to rural areas by offering products at affordable prices. Sam thought that being a franchise company would not enable him to have full control over the business, and as a result, he gave up the Ben Franklin franchise. In 1962, with his brother Bud Walton, Sam established Wal-Mart, which is one of the largest retailers in the world today. As a co-founders, Sam Walton served as chairman and CEO, while his brother, Bud, served as senior vice president.

The first Wal-Mart opened as Wal-Mart Discount Center in Rogers, Arkansas. The concept of discount stores was new and Sam Walton did not have a vision, as he stated, "I had no vision of the scope of what I would start. But I had confidence that as long as we did our work well and were good to our customers, there would be no limit to us." The launch of the first Wal-Mart store was received with skepticism toward its discount store concept, as evidenced in the candid impression of David Glass (who joined Wal-Mart 14 years later) when he attended the launch of the Wal-Mart Discount Center in 1962: "It was the worst retail store I had ever seen."

Rise of the Wal-Mart empire. Seeing the success of Wal-Mart Discount Center, two years later, in 1964, Sam expanded Wal-Mart chains to other cities with the hub in Bentonville. Wal-Mart managed to give underserved, rural communities access to products at affordable prices. One newspaper reported, "Cost of living goes down in Claremore, Oklahoma!" indicating that Wal-Mart contributed to lowering the cost of living in the state. As years passed by, the company officially incorporated as Wal-Mart Stores, Inc.

By 1970, Wal-Mart's success was skyrocketing, with 38 stores opened across the United States and more than $44 million in annual sales. However, in order to expand the Wal-Mart chain of stores, Sam and Bud Walton had heavy liabilities as they had debts to pay to almost every bank in Arkansas and southern Missouri. The Walton brothers decided to offer public stock as this was the only option they thought would enable them to repay their debts. In October 1970, Wal-Mart was taken public, offering 300,000 shares at $16.50 per share. In less than two years, the Wal-Mart stock had quadrupled in value, and in August 1972, the company was listed on the New York Stock Exchange. Wal-Mart opened its first pharmacy and established the Wal-Mart Foundation to fulfill philanthropic priorities in 1978 and 1979, respectively.

Chasing rapid growth and success, in 1980, Wal-Mart reached $1 billion in annual sales, faster than any other retail store at the time. Wal-Mart had 276 stores employing 21,000 associates. There was no looking back for the Waltons as they kept reaching new heights of success by always improving and upgrading the Wal-Mart chain. In 1987, Sam and his wife

Helen Walton inaugurated the Walton Family Foundation, which is a family-led foundation dedicated to giving back to the community.

By 1990, Wal-Mart was America's number-one retailer, and the company was taken global in 1991 through a joint venture with a Mexican retail company, Cifra. In 1992, Sam wrote a book *Made in America*,[33] in which he stated,

> The larger truth that I failed to see turned out to be another of those paradoxes—like the discounter's principle of the less you charge, the more you'll earn. And here it is: the more you share profits with your associates—whether it's in salaries or incentives or bonuses or stock discounts—the more profit will accrue to the company. Why? Because the way management treats the associates is exactly how the associates will then treat the customers. And if the associates treat the customers well, the customers will return again and again, and that is where the real profit in this business lies, not in trying to drag strangers into your stores for one-time purchases based on splashy sales or expensive advertising. Satisfied, loyal, repeat customers are at the heart of Wal-Mart's spectacular profit margins, and those customers are loyal to us because our associates treat them better than salespeople in other stores do. So, in the whole Wal-Mart scheme of things, the most important contact ever made is between the associate in the store and the customer.

Death of the Walton brothers. In 1992, Sam Walton passed away, leaving his eldest son Robson Walton to take over as chairman until 2015. A few years later, in 1995, Bud Walton also died. The two brothers' relationship was very loving and loyal, instilled in them since childhood as their mother Nancy Walton always encouraged them to stay close to each other. When the brothers reflected on their relationship, they said it was a great professional and family relationship where the key element was respect for each other.[34]

Leadership

- *Chairman.* Following the death of Sam Walton, his son Robson Walton served as the Chairman until 2015. The same year Gregory B. Penner was elected as chairman of the Wal-Mart board of directors. He is the third person to serve in this position, following his father-in-law Rob Walton and founder Sam Walton.
- *CEO.* David Glass, who was named CEO in 1988, worked his way up from the time he joined Wal-Mart in 1976 as executive vice president and was elected to be on the board of directors a year later in 1977. He was then promoted to become the president of the retailer in 1984. He retired from the CEO post at Wal-Mart in 2000 but remained on the company's board of directors, where he chaired the executive committee until 2006. In 2000, H. Lee Scott, Jr. succeeded David Glass as CEO followed by Mike Duke, who became the next CEO in 2009. In 2014, Doug McMillon succeeded Mike Duke as CEO, and he currently holds the position.
- *Walton family members today.* The Walton family is one of the richest families in America with a net worth of $212 billion according to *Forbes* magazine. Sam Walton had four children (see Figure 1.6): Samuel Robson (Rob), John Thomas, James (Jim) Carr, and Alice Louise. Unfortunately, John passed away in a plane crash in 2005. Bud Walton had two daughters: Ann and Nancy. Today, to name a few Walton family members, Rob, Jim, Alice, Christy (John's wife), Lucas (John's son), Ann, and Nancy own almost half of Wal-Mart's shares according to the Bloomberg Billionaires Index. The Walton family members who serve on the Wal-Mart Inc. board of directors are Rob, Steuart (Jim's son), and Gregory B. Penner (Rob's son-in-law). As mentioned previously, the Walton family has other

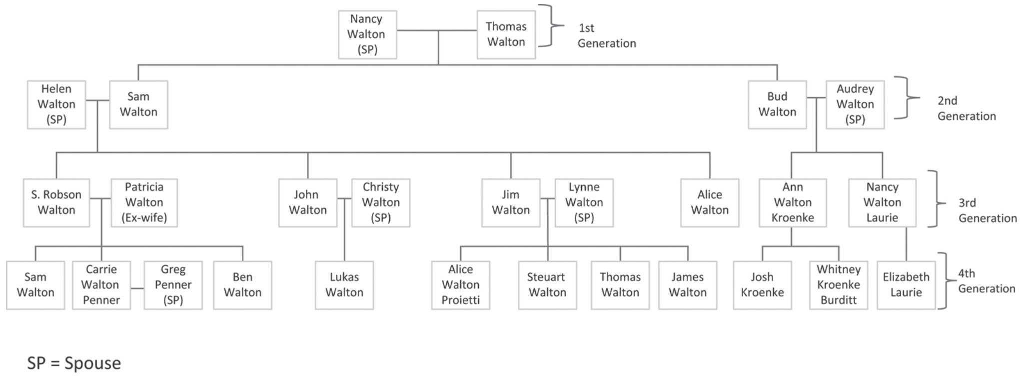

Figure 1.6 Walton family tree.

established ventures to take care of: Jim serves as chairman of Arvest Bank, and a few third-generation family members—Annie Proietti (Jim's daughter), Carrie Walton Penner (Rob's daughter), Lukas (John's son), and Thomas (Jim's son)—sit on the board of directors of the Wal-Mart Family Foundation.

Discussion questions:

1 Why has the Wal-Mart family business succeeded?
2 What are the family resources and capabilities that Wal-Mart has possessed across generations?
3 How difficult could it have been for Wal-Mart competitors to replicate Wal-Mart's competitive advantages?
4 Considering the different types of family businesses, how has the Wal-Mart family business evolved across generations?

Notes

1 The classification presented here is general and could vary from one country to another based on the legal system.
2 More information about the world's top 750 family business ranking can be found in Family Capital. Information retrieved from https://www.famcap.com/2022/08/the-worlds-top-750-family-businesses-ranking-2022/
3 Wal-Mart website. Information retrieved from https://corporate.walmart.com/leadership/doug-mcmillon
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6 More information about the board members can be found on the Roche's website: www.celebratelife.roche.com/explore/culture/moment-with-hoffmann-duschmale/

7 Basco, R., Stough, R., & Suwala, L. (Eds.) (2021). *Family Business and Regional Development*. Retrieved from https://library.oapen.org/bitstream/id/d815531f-58f4-4cb3-9493-ad4e795525b0/9780429058097.pdf

8 For more information about family business impact at regional and national levels the reader can explore the following publications: (1) Basco, R. (2018). Family Business in Emerging Markets. In R. Grosse & K. E. Meyer (Eds.), *The Oxford Handbook of Management in Emerging Markets* (pp. 527–546). Oxford: Oxford University Press. (2) Pieper, T., Kellermanns, F. W., & Astrachan J. H. (2021). Update 2021: Family businesses' contribution to the U.S. Economy. Family Enterprise USA. Report retrieved from https://familyenterpriseusa.com/wp-content/uploads/2021/02/Family-Businesses-Contribution-to-the-US-Economy_v.02202021-FINAL.pdf. (3) Bjuggren, C. M., Johansson, D., & Sjögren, H. (2011). A note on employment and gross domestic product in Swedish family-owned businesses: A descriptive analysis. *Family Business Review*, 24(4), 362–371. (4) Basco, R., Ghaleb, F., Gómez Ansón, S., Hamdan, R., Malik, S., & Martínez García, I. (2020). Ownership Concentration in Listed Firms in the Gulf Cooperation Council: Implications for Corporate Governance. *Family Business in the Arab World Observatory*. American University of Sharjah, Sharjah, UAE. Report retrieved from https://familyfirmblog.files.wordpress.com/2020/09/ownership-concentration-report.pdf

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