LONG-TERM THINKING IN UK FAMILY BUSINESS

An IFB Research Foundation Working Paper

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An IFB Research Foundation Publication, 2018

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LONG-TERM THINKING IN UK FAMILY BUSINESS

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ABSTRACT: This working paper explores long-term thinking in family businesses based in the United Kingdom. The objectives of the paper are: to investigate the emergence and impact of long-term orientation (LTO) within family business; to explore the fit between LTO and specific types of family business; to investigate the balance between short-term and long-term orientations in these firms; and to explore the associated risks that may attach to both types of orientation. The data collection process for this research project comprised two stages: first, data were collected via surveys of senior members of family businesses; secondly, to help clarify the findings from the first stage, three individual family business case studies were conducted in order to provide a deeper account of family firms' experience of LTO. The research findings offer new insights into UK family businesses in terms of their long-term objectives and strategies, non-economic goals, and LTO in the context of continuity, perseverance and legacy. The paper concludes with practical recommendations for consideration by both family and non-family stakeholders, pending further research on the subject.

ACKNOWLEDGEMENTS

The authors would like to acknowledge the support of the Institute for Family Business (IFB) and the Confederation of British Industry (CBI). Both organisations assisted in the data-gathering process, helped identify the case studies and provided insights during development of the survey instrument. The IFB Research Foundation also played an important role as the commissioner of the study and we would like to recognise the contribution of Dr. Martin Kemp, Head of Research at the Foundation for his counsel, particularly during the later stages of the project, including the drafting of this working paper. We also wish to thank Simon Perry, who helped to manage the project commissioning process and reviewed the final text of this working paper.

1. INTRODUCTION

THE CONCEPT OF LONG-TERM ORIENTATION

Many family firms manage for the long run and have a long-term orientation (LTO). LTO is defined as the tendency of a firm to prioritise important parts of their business that arise only after an extended period of time (Lumpkin and Brigham, 2011). LTO is apparent in firms with a clear organisational mindset and can be observed in the firm's strategic decision-making.

Time considerations significantly influence how firms make decisions and take subsequent action (Mosakowski and Earley, 2000). A short-term perspective implies that strategic decisions focus on present conditions and near-term financial gain (Jacobs, 1991), while LTO suggests prioritisation of long-range implications (Le Breton-Miller and Miller, 2006). Although long- and short-term perspectives may not be mutually exclusive, they typically follow different strategic priorities and require different organisational processes (Hamel and Prahalad, 1994).

In this working paper, LTO is presented as a multidimensional concept comprising three dimensions – futurity, continuity and perseverance (Lumpkin and Brigham, 2011) – as depicted in Figure 1:

- **Futurity** involves evaluating the long-term consequences of decisions and actions with the belief that planning and forecasting for the future is valuable to the firm (Lumpkin and Brigham, 2011). Firms exhibiting futurity typically focus on achieving goals or outcomes that have been predetermined (Venkatraman, 1989). This futurity mindset is expected to be more common in family firms than in their non-family counterparts (Brigham *et al.*, 2014), in part because of their attention to succession planning (Davis and Harveston, 1998), intentions for family control across generations (Chrisman *et al.*, 2012) and focus on other long-term outcomes.
- **Continuity** refers to the importance of decisions and actions that are long-lasting. It is a key component of LTO because it emphasises the constancy needed to pursue an enduring mission and the value of preserving a reputation for the longevity of a business. Continuity is important to family firms because it takes into account the possibility that a family's legacy will affect future decisions and may impact on the family's decision to keep the business within the family (Lansberg, 1999).
- **Perseverance** concerns the belief that efforts made today will be valuable in the future because of their importance in generating long-term rewards (Brigham *et al.*, 2014). While perseverance is needed for the day-to-day survival of a firm, its effect creates value over time (Lumpkin and Brigham, 2011). Relative to non-family firms, perseverance and long-term rewards are common in family businesses, as reflected in their attitude towards professionalisation of management (Moores and Craig, 2008) and their willingness to make longer-term capital investments (Zellweger, 2007).

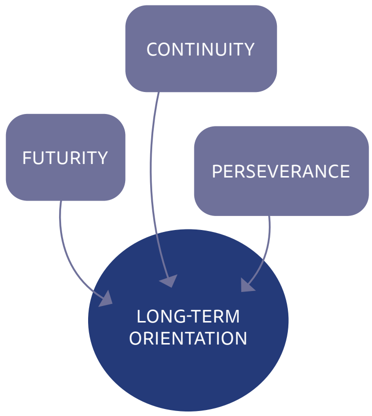

Figure 1. Theoretical model of long-term orientation
Source: Adapted from Lumpkin and Brigham (2011)

The relationship between innovation and these three dimensions of LTO is an important one. First, futurity is aligned closely with innovative behaviour because such behaviour may generate value in the long term. Secondly, the need for continuity can motivate family business owners and managers to engage in innovation for the sake of firm longevity. Thirdly, perseverance can help firms to persist with long-term innovative initiatives.

LTO can also lead to tensions that permeate family firms' strategic decision-making, arising from competing yet complementary systems of family and business. These tensions may involve conflicting feelings between "what used to be" and how things presently function (Habbershon and Williams, 1999). Moreover, they can either promote or hinder strategic behaviour in family firms based on how family goals are safeguarded. Acknowledging these paradoxes is important for family business owners and managers.

LONG-TERM ORIENTATION AND FAMILY FIRMS

The unique governance circumstances in family firms can typically foster LTO (Lumpkin and Brigham, 2011). This is commonly recognised as a source of competitive advantage (Habbershon and Williams, 1999) and may result in family businesses outperforming non-family firms (Lumpkin, Brigham and Moss, 2010). Consequently, the concept of LTO has been introduced as one way to capture the potential advantages and benefits enjoyed by families in business, resulting from how they perceive time (Miller and Le Breton-Miller, 2005). Although not all family firms embrace LTO, some family businesses are more likely to be long-term oriented than non-family firms (König, Kammerlander and Enders, 2013).

LTO is fostered by two characteristics of family firms: first, the ability of family owners to make independent decisions; and, secondly, the connection to the next generation (Delmas and Gergaud, 2014). The first characteristic relates to the fact that often family firms are owned and managed by family members and, therefore, are more able to make unilateral decisions than non-family firms where ownership is usually more dispersed (Carney, 2005). The second characteristic refers to the generalised aim of family firms to ensure business sustainability across generations, which extends the time horizon beyond the current generation controlling the firm. Long-term oriented family firms seek to protect long-lived assets such as the family name, reputation and legacy (Dyer and Whetten, 2006).

ADVANTAGES OF LONG-TERM ORIENTATION

Furthermore, LTO may be of great help to family firms in achieving non-economic goals because it encompasses the planning, patience and drive needed to realise such goals (Lumpkin and Brigham, 2011). Non-economic goals are of primary consideration in family firms' strategic decision-making (Gómez-Mejía et al., 2007). For instance, a defining feature of many family firms is the intention to pass on the business to future generations (Chua, Chrisman and Sharma, 1999) – an intention that brings long-term considerations more to the forefront of strategic decision-making. Thus, family firms are likely to exhibit LTO because they prioritise non-economic goals that require considerable time to enact (Lumpkin and Brigham, 2011). In addition, they may incur lower capital costs (Anderson and Reeb, 2003) and provide higher-quality products and services, leading to greater returns on investment (Tagiuri and Davis, 1992).

STEWARDSHIP AND CONCERN FOR THE FUTURE OF THE FAMILY BUSINESS

In this paper, family business stewardship is defined as "the active and responsible management of entrusted resources now and in the longer term, so as to hand them on in better condition"[1]. Stewardship is concerned with demonstrating human kindness, generosity, loyalty and devotion, usually towards a social group or institution (Le Breton-Miller, Miller and Lester, 2011). The stewardship view proposes that executives within businesses are not simply self-interested individuals, but are often dedicated to the collective benefit of their firm. Stewards are motivated by the objectives of the organisation. An example of stewardship behaviour is the emphasis on opportunities for organisational growth, achievement and affiliation. Stewards are not simply self-serving economic individuals and, therefore, non-economic behaviours should also be considered.

It has been argued that stewardship behaviours are particularly common in family firms (Miller, Le Breton-Miller and Scholnick, 2008). Due to their long tenure and relationship with the firm, controlling family members are thought to act more like stewards (Le Breton-Miller and Miller, 2006). Stewardship characteristics include high levels of family identification with the firm, commitment to the business, shared and aligned values between the family and the firm, and an orientation towards the long-term success of the business. A family business stewardship approach involves the notion that goals will be more fitting between the owners and managers in family firms than in their non-family counterparts. This is because executives are often family members or linked to the family, and because there are psychological factors (e.g. motivation, identification and use of power) and situational factors (e.g. management philosophy, culture and power distance) at work in family-owned businesses (Davis, Allen and Hayes, 2010). The question remains as to whether or not these factors lead to the alignment of the goals of managers (stewards) with the goals of shareholders.

Findings that family firms have non-economic goals as well as economic aims are often cited in support of the existence of stewardship behaviours in family business. For example, in addition to wealth creation and financial performance metrics, family firm leaders will often use measures such as ownership transition and efficiency of the family business system (the importance of values, culture and reputation) as performance indicators (Westhead and Howorth, 2006). Therefore, family managers use their firm to satisfy their need for security, social contribution, belonging and standing within the family, arguably providing a powerful motive for family owners and executives to act in the long-term interests of the firm and all its stakeholders.

1 The definition cited in IFB Research Foundation and Tomorrow's Company (2011).

2. RESEARCH DESIGN AND DATA COLLECTION

The methodology for conducting the research reported in this working paper comprised three elements:

- published academic, practitioner and print media on long-term strategic behaviour;
- a survey administered to UK family firms; and
- case study research involving three UK family firms.

LITERATURE REVIEW

A review of the published literature on long-term strategic behaviour was undertaken. For example, an understanding of the current state of knowledge on LTO was gleaned through a review of academic articles, conference proceedings, working papers and theses published in recent decades. In addition, practitioner and print media were consulted regarding long-term strategic behaviour in firms.

SURVEY

A survey was designed to measure the constructs of continuity, futurity and perseverance among family businesses (derived from the work of Professor Tom Lumpkin), and to collect descriptive information pertaining to each business, including the number of staff employed and geographical location. The survey was compiled from previously validated question sets, and a series of new questions measuring family business governance and corporate social responsibility. The focal concept – long-term orientation – was developed into seven-point Likert scales based on the prior scholarly work of Professor Tom Lumpkin.

In order to be included in the survey, firms had to meet the following criteria:

- to perceive itself as a family firm;
- to aspire to pass on to future generations;
- to have annual turnover of at least £25 million.

These criteria were also used in selecting the case study companies discussed later in this section.

The sampling frame for the survey was created using four sources, which were merged and filtered for duplicates according to the research objectives and criteria outlined above. The use of multiple sampling sources of varying population sizes has featured in prior family business research (Morris et al., 1997). The four sampling sources were as follows:

1. The FAME database (Bureau van Dijk), which provided a stratified random sample of independent unquoted UK family and non-family businesses. The database includes comprehensive financial accounts of public and private companies in the UK (as filed at Companies House). By extracting firm details from FAME, the Dublin City University (DCU) research team also gained access to detailed corporate structures, director contact details, the corporate family, shareholders and subsidiaries, market research and company-related news. Secondary data from this sample was based on quotas by industrial categories (UK SIC Codes), shareholder characteristics (percentage of family ownership) and by location (England, Scotland, Wales and Northern Ireland). Companies were selected based on their engagement in the four dominant sectors for family firms in the UK, namely manufacturing, business services, retail and construction.
2. The Institute for Family Business (IFB) membership database, with only firms that met the first criterion (i.e. perceives itself as a family firm) and featured in the random sample from the FAME database selected for participation.
3. Dublin City University's database of UK businesses, with family firms identified through family ownership and family presence on the board of directors.
4. The Confederation of British Industry's membership database, which was used to enhance the research study's sample population.

These four sources combined to generate a total target population of 2,500 family firms.

Qualtrics research software was used to conduct the survey. From the database of UK family firms, the DCU research team administered the survey via email to the chief executive officer or senior family business manager in the firm. Two rounds of reminder emails were sent to all those who did not respond to the invitation to participate in the survey. In addition, follow-up phone calls were conducted with some 200 family businesses by the DCU research team. Finally, a further 160 hard copies of the survey were distributed to attendees of the IFB National Conference held in York on 6–9 June 2017. A total of 31 complete responses were received from family businesses in the sample, 20 from the online survey and 11 from the paper survey. This represents a response rate of 1.24 per cent.

LTO is typically associated with firms that have lasted over time, and family members in such businesses sometimes talk of feeling the burden of history and expectation on their shoulders. Therefore, investigating the importance of business age/longevity for LTO is critical. The survey collected data on age, size, generation, industry and location of businesses (see Figures 2–5).

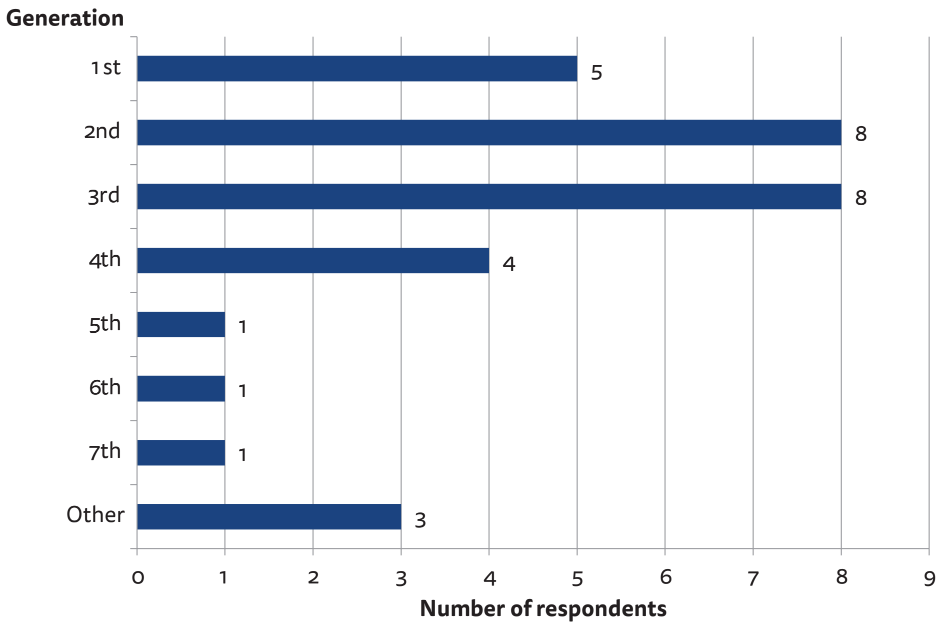

Figure 2. Generational distribution of family businesses that responded to the survey

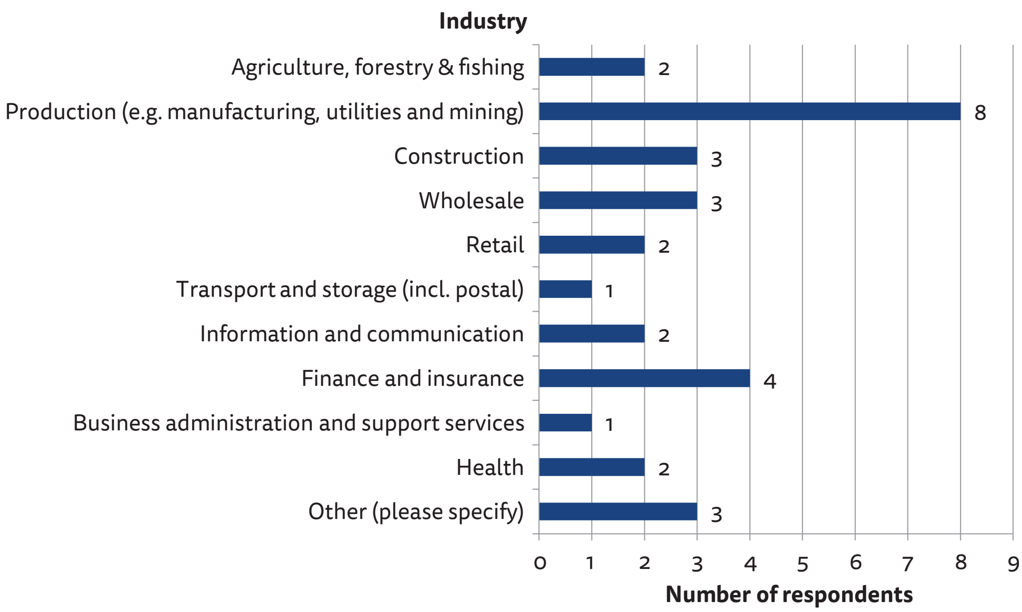

Figure 3. Industries of family businesses

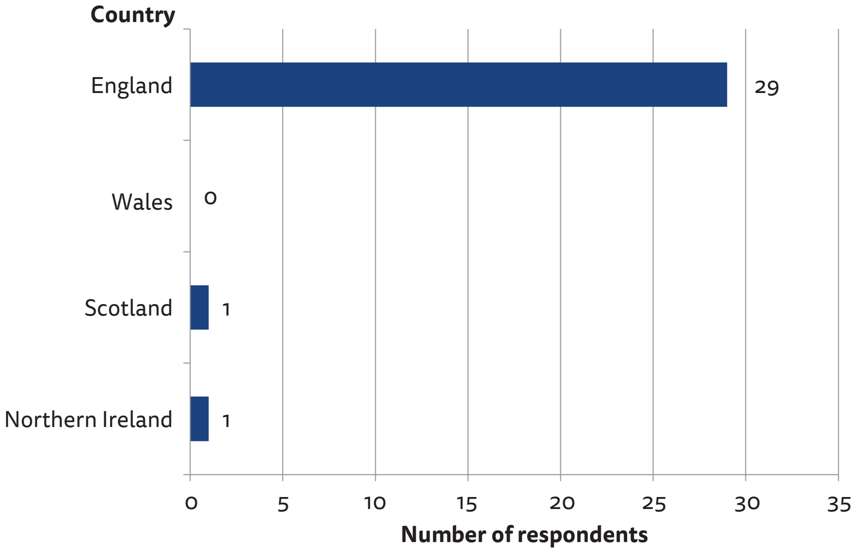

Figure 4. Locations of family businesses participating in the survey – UK country

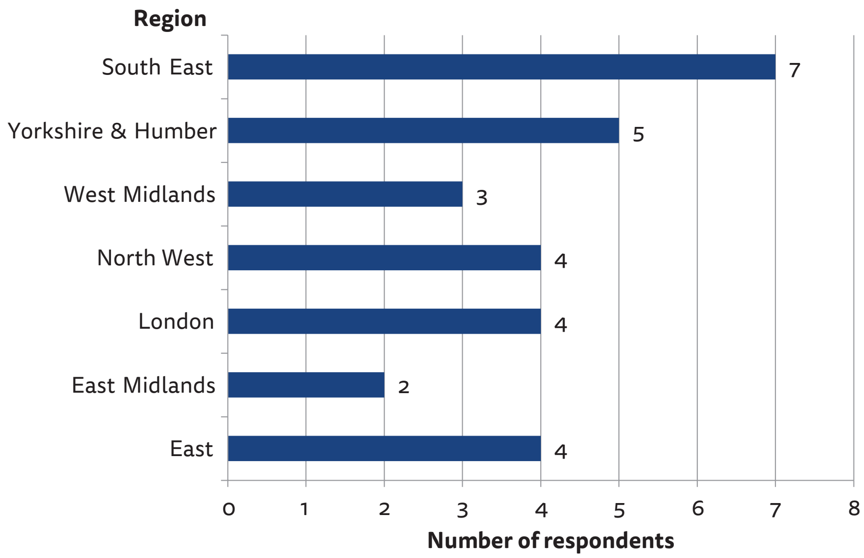

Figure 5. Locations of family businesses participating in the survey – English regions

CASE STUDIES

In addition to the survey of UK family businesses, the DCU research team carried out case study research involving three UK family firms – The Entertainer, Dickson's Butchers and Thorlux Lighting – selected from the IFB membership database using the following four criteria:

- Each case demonstrated a unique element of LTO, be it continuity, perseverance or futurity.
- Each firm varied according to age, industry, size and region, enabling the research study to account for elements of family firm heterogeneity.
- Each firm had a senior family member who was available and willing to participate in the interview.
- Each firm agreed to have their firm name and details feature in this working paper.

In-depth interviews were conducted via telephone with senior members of family staff from the three family firms. The interview guide was informed by the Ph.D. research of Dr. Vanessa Diaz (see the Appendix for the interview schedule) and was split into two main segments: historical development of the firm and LTO within the firm. Following transcription, the data were analysed in relation to the three themes of futurity, continuity and perseverance under the overarching theme of LTO in family business. The analysis and supporting data are presented in case study format in Section 4 of this working paper, and an overview of each case study family business is shown on the right.

CASE STUDY 1: The Grant family

The Entertainer, a second generation family business operating in the toy retail industry, is run and owned by the Grant family. The toy retailer has 130 stores nationwide and 6 international stores, employing a total of 1,360 people. The company was founded in 1981 by husband and wife team Gary and Catherine Grant, who opened the first store in Amersham, Buckinghamshire. The second generation of Grants are heavily involved in the firm, with sons Duncan Grant as Deputy Chairman and Stuart Grant as Global Sourcing Director.

CASE STUDY 2: The Dickson family

Dickson's Butchers, a second generation family business operating in the food sector, is run and owned by the Dickson family. The business has over 24 stores across the UK and employs approximately 350 people. Dickson's was founded in 1953 by Irwin and Helen Dickson in South Shields, Durham. Following the death of Irwin Dickson in 1966, his two children, Michael and Christine, became co-owners. Managing Director and steward of the family legacy, Michael Dickson, intends for the business to remain family owned but not necessarily family run.

CASE STUDY 3: The Thorpe family

Thorlux Lighting, a third generation family business operating in the manufacturing sector, is run and owned by the Thorpe family. Founded in 1936 by Frederick William Thorpe, the business began as a modest factory in Small Heath, Birmingham. The present-day business employs 435 people and has expanded to include an in-house photometric laboratory and a 16,882-square-metre, self-contained factory in Redditch, Worcestershire. Third generation family member, Andrew Thorpe, is at the helm.

3. RESEARCH FINDINGS

WHAT DOES STRATEGIC PLANNING AND GOAL-SETTING IN FAMILY BUSINESSES LOOK LIKE?

As discussed in Section 1, evaluating the long-term consequences of decisions and actions under the belief that planning and forecasting for the future is valuable to the firm is known as futurity (Lumpkin and Brigham, 2011). Family firms are believed to possess high levels of futurity, which is mirrored by the findings of this survey. Thirty of the 31 respondents agreed that long-term goals and strategies took precedence over those that are short term.

Eighteen of the 31 respondents agreed that increasing profitability in the immediate future was a primary goal of their organisation. However, seven respondents disagreed to some extent with this statement, suggesting that some of the family businesses surveyed are less motivated by immediate wealth creation and shareholder return, and more motivated by long-term profit rewards.

The research team analysed case study interviews with family members from three family businesses, and all three cases cited the benefit of private family ownership in terms of reducing pressure on investment returns. As third generation Managing Director, Andrew Thorpe (Case study 3), explained:

"The ability of private money to manage its own situation and not feel that they have shareholders breathing down their necks with regards to return on investment is nice."

The evidence from this interview suggests that some family businesses may feel less pressure to generate immediate wealth creation than their non-family counterparts.

It is not enough that family firms engage in future planning and forecasting, they must also persevere based on the belief that efforts made today will be valuable in the future because of their importance in generating long-term rewards (Brigham *et al.*, 2014). The majority of the family businesses surveyed in this research persevere through lengthy payback periods in order to achieve long-term goals. Twenty-two of the 31 respondents agreed that goals that take years to achieve are regularly pursued.

Nineteen of the respondent family businesses disagreed with the statement that projects with longer-term outcomes would be abandoned to focus on projects that are achieving targets. This highlights the inherent persistence and patience of these family businesses, and their suitability for pursuing long-term goals and strategies.

THE CONTINUITY PARADOX IN FAMILY FIRMS

That the next generation of the family must balance the legacy and tradition of the past with the concern and need for change in the future is known as the continuity paradox, and cannot be resolved, only managed (Handy, 1995). Continuity focuses on the importance of decisions and actions that are long-lasting. The legacy of multi-generational family businesses can greatly influence the current and future direction of the firm, as evidenced in the survey findings.

Twenty-eight of the 31 respondents agreed that the family legacy has a bearing on strategic decisions. This theme was salient in Case study 2, as second generation owner, Michael Dickson, asserted the need "... to do it right and do it professionally and live up to your parents' standards." Thus, some family firms are more likely to rely on their family legacy and mission when planning for the future.

Family businesses are known for their strong ties with various stakeholders. In the case of multi-generational family businesses these ties are nurtured and sustained over decades. Ensuring that these relationships are preserved is very important to the family firm, as highlighted by 29 of the 31 participants who agreed that enduring relationships with customers, suppliers and/or other businesses were key to their success.

Respondents considered it crucial to preserve stakeholder relationships and their family legacy. The challenge with the continuity paradox is that the need of family businesses to preserve family legacy and goals may be put before business logic. According to second generation Managing Director, Duncan Grant (Case study 1):

"Apart from protecting our values, which we do at the expense of profit if we need to, everything else we do is about maximising the commercial success of the business."

Nonetheless, change and breaking from tradition were also deemed priorities among the companies surveyed. Most respondents were willing to explore emerging opportunities, with 25 of the 31 confirming that they experiment with new products and services in their market.

As shown in the survey findings, this family business sample was largely tolerant of the demands that arise from opportunity-seeking and exploring. Twenty-three of the 31 respondents agreed that demands that go beyond existing products and services are acceptable. As demonstrated from these data, the families were willing to manage the continuity paradox by continuing differently, which involved retaining elements of the past while engaging change. This form of thinking was exemplified by Andrew Thorpe (Case study 3):

"We're quite a forward-looking company and I'm very like my dad, on the basis that dad's not interested in history, he's more interested in developing the company from here on in. Of course, we learn from history, but aside from the values, I'm not interested in what my great grandfather would have done: it's too far gone."

HOW DOES FAMILY FIRM LONG-TERM ORIENTATION AFFECT FIRM INNOVATION?

Innovation can range from creating new products and services to developing novel production processes and marketing techniques. Figure 6 provides a breakdown of the innovative activities within the family firms surveyed. As evident from these data, upgrading existing products' appearance and performance, developing new products and innovation in marketing techniques were the most prevalent forms of innovation among respondents to the survey.

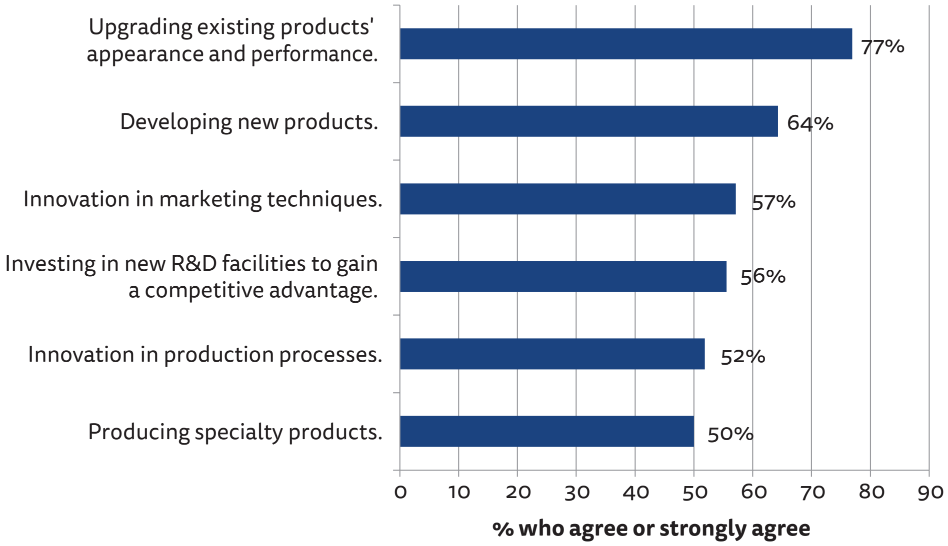

Figure 6. Innovation – "Our company is concerned with …"

HOW IMPORTANT ARE NON-ECONOMIC GOALS TO FAMILY FIRMS?

Certain non-economic goals (goals not motivated by financial return) were prevalent among the family businesses who took part in the research, namely the perpetuation of family values, promotion and preservation of the family legacy, maintaining family unity and harmony, and social responsibility. These non-economic goals were closely associated with the family and their long-term aspirations.

Figure 7 shows that the majority of respondents agreed with the importance of a number of emotional and non-economic considerations. Two goals in particular attracted a high level of agreement, namely, emphasising the importance of social responsibilities (81 per cent) and drawing on the founder's guiding values for the future of the firm (81 per cent). Some family firms may develop a sense of responsibility for their locality and those they employ, as Michael Dickson (Case study 2) explained:

"There is that responsibility to keep it going because it means something not only to you but to the local community. We've got about 350 people here now and in an area of high unemployment that does count for something."

A key finding in this study was that the presence of these non-economic goals showed that stewardship behaviour (e.g. the family identifies with the firm; the family and the firm share values) was common among these family businesses.

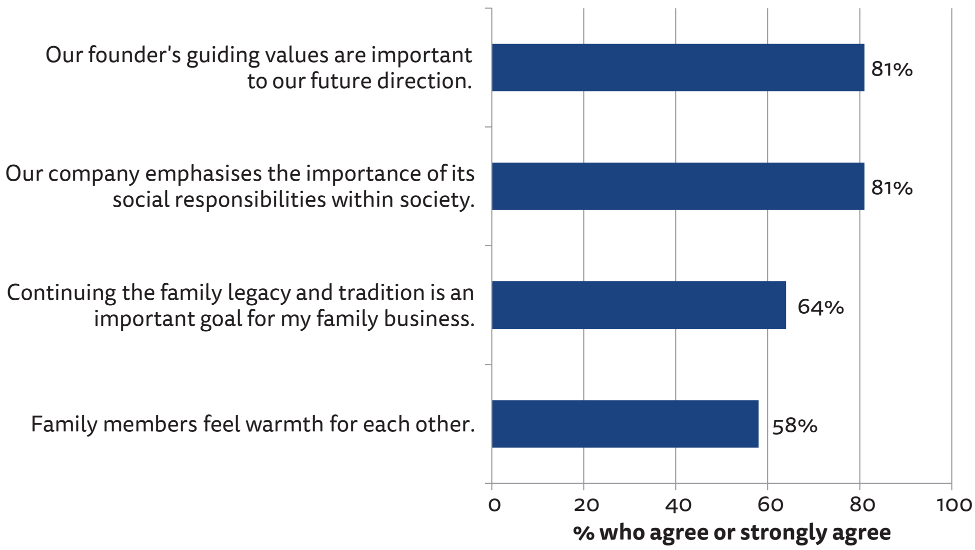

Figure 7. The non-economic goals of family businesses

4. LONG-TERM ORIENTATION: THE LIVED EXPERIENCE CASE STUDIES

To help clarify the research findings, this section presents three real-world case studies that illustrate LTO in practice. Exemplar quotes feature in each case to demonstrate how the family firm applies principles of long-term thinking in its daily operations.

CASE STUDY 1 | THE GRANT FAMILY

COMPANY: The Entertainer

INDUSTRY: Retail

FOUNDED: 1981 by Gary and Catherine Grant

HEADQUARTERS: Amersham, Buckinghamshire

STAFF EMPLOYED: 1,360

Background

The Grant family's mission to become the nation's best-loved toy manufacturer spurred them to open their first toy store in 1981. Over 35 years later, The Entertainer has become a multiple award-winning toy retailer with over 130 stores nationwide and 6 international stores. Traditionally a bricks and mortar retail store, the turn of the century saw The Entertainer venture into online retailing, a process that proved seamless, and a testament to the overriding reputation and goodwill surrounding the brand.

Despite the company's rapid expansion, the family has always had a pervasive influence on the business. Founded by husband and wife, Gary and Catherine Grant, the business is now run by their son Duncan Grant, who is now Deputy Chairman. Duncan initially trained and worked as an accountant in London. However, a year's hiatus, coupled with the near-infectious passion present in his family's business, led to a move in a different direction: "After a year working there [in the family business], I quickly realised that I couldn't really imagine working anywhere else." Now approaching the tenth year of his tenure, his enthusiasm and devotion to the brand, its stores and their employees is as unmistakable as ever.

His brother Stuart has been involved in the business from its foundation and, having initially joined in a junior role, has worked his way up through the buying department to become Global Sourcing Director: "He sources all of the products that we sell," explains Duncan, "and he's adding a global flavour to the business". Much of the success of the business is attributed to Duncan's parents, whom he fondly remarks "are a real team". His father is a passionate entrepreneur with a keen eye for unmet needs, while his mother, although never formally employed by the company, has been "instrumental in the success of the business".

On his own talents, Duncan maintains that it is his penchant for leadership that has proven most useful: "I think what I brought to the business is a sense of how you create processes and structures, in turn allowing the business to grow and expand." Each member of the family and the diversity of their respective skillsets are paramount to the continued success of the business according to Duncan. That said, while the family dynamic is the cornerstone of the business's success, it is not reserved only for those bearing the Grant surname: "We don't care so much what someone's surname is, the important thing is that we've got great people that run the business."

LTO within the family business

Preserving the founding values of the firm is important to the family. As Duncan explains, the ethos developed by the founders is carried forward by the second generation: "There's a set of values that run through the business very strongly, which my parents are very passionate about and our family are very committed to protecting." These key values of honesty, integrity and kindness permeate interactions with staff, customers and charities. In fact, The Entertainer donates 10 per cent of its net profit to charity each year – a gesture as ingrained in the business as the Grant family itself. As Duncan asserts: "Charitable giving is a core part of our business." The family firm is also characterised by longevity as it approaches 40 years in business. "Long service really does get recognised" according to Duncan, who acknowledges the value in cultivating relationships with important stakeholders such as customers and staff:

"We have a ten-year club where we celebrate staff who have been in the business more than ten years, and that's about thanking them for giving their time and career to The Entertainer and to the Grant family."

Autonomy and LTO are often regarded as two of the main functions of owning your own business, and this is no different for Duncan. While short-term trading is the lifeblood of a business, they "always keep at least one eye on the long term". The past nearly 40 years has seen the business grow incrementally. This, he maintains, is easier to do in a family business than in a non-family firm:

"When you're around people in the family that support you and you don't have to explain as much of what you're doing, you have that longer-term patience to see things through. Often changes in business take 5–10 years to come through."

The family are willing to ask the tough questions, as Duncan explains: "On a regular basis we will question, are we the best owners for the business? Are we the right people with the right skills?" In turn, the family are willing to make and persevere with decisions that are best for the company's future. As Duncan says: "We have, over the years, changed our roles and brought in people where we feel it's the best decision for the business." At present, however, Duncan and his family feel no such pressing need to alter the make-up of the company, seeing themselves there for many years to come. This is something that has had a major effect on the day-to-day running of the business:

"If you don't think about the short term as well, then you don't stay in business long enough to worry about the long term."

CASE STUDY 2 | THE DICKSON FAMILY

Dicksons

COMPANY: Dickson's Butchers

INDUSTRY: Food

FOUNDED: 1953 by Irwin and Helen Dickson

HEADQUARTERS: South Shields, Durham

STAFF EMPLOYED: 350

Background

For generations, pork butchers have been satisfying the demanding tastes of the north-east of England, none perhaps more so than Dickson's Butchers. Set against the humble backdrop of the Nook in South Shields, Dickson's Butchers, founded in 1953, has grown to become one of the jewels in the Tyne and Wear food industry, fending off intense competition from large supermarkets and chains such as Greggs.

At the time of his death in 1966, the business's founder Irwin Dickson and his wife, Helen, owned two bustling stores in this close-knit community. Fast forward to the present day and the business, which is now in its second generation, boasts over 24 stores across the UK. This indicates the quality of their meats and pies, which are made using time-honoured traditional techniques that have remained largely unchanged over more than half a century. This sense of familiarity is something that customers of Dickson's Butchers deem significant, with their produce seen as a community staple.

Despite the company's impressive growth, family involvement has always played a huge role within the business. Following the death of the founder, Irwin Dickson, in 1966, his son and current owner, Michael Dickson, found himself co-owning the business at the tender age of 19, alongside his eldest sister Christine: "At the time we had two retail shops, one of which had a little kind of bakery built into it. The typical sort of thing you used to see a lot of in those days." Michael's engagement with the family business was far from set in stone, as he had originally intended on going to university and furthering his career outside the family enterprise. Michael's youthful aspirations have certainly materialised within the family business, with 2017 marking the opening of their 24th store.

Michael attributes the success of the chain to the unique camaraderie and teamwork that working alongside family lends to a business, a dynamic Michael says he first witnessed between his parents: "They were very much a team ... he was hugely experienced, hard-working and was very entrepreneurial. Still, somebody has got to stand around and make sure that things actually happen, and that was my mum." This ethos is something that he later aimed to replicate in running Dickson's Butchers alongside his sister.

LTO within the family business

While constantly looking to innovate and move the business forward, Michael and Christine let the values that their parents instilled in the business many years ago guide them. According to Michael, those values revolve around integrity and respect: "That idea of treating people with basic respect is important to us and is an ethic that we passed on to our kids." Michael embodies his father's entrepreneurial spirit, which he acknowledges has helped him navigate through tough business decisions. Some of these decisions required short-term sacrifice for long-term reward:

"About four years ago we put a bakery extension on the building here. I was the lone voice that wanted to spend the money on the extension. We certainly suffered for spending this money. Anyway, I went along and persuaded them and I think within 18 months we got a real influx of additional business."

While it is clear that the forefathers of the business have left an indelible mark on Dickson's Butchers, Michael admits that more of an emphasis could be placed on how the business considers the effects of present-day decisions on its future. When questioned on how far ahead they look to the future, Michael responded:

"Do we have a very broad-brush desire for a long-term future for the business as opposed to cashing in our chips when I leave? That said, we're in a situation where we need to be planning further ahead."

Michael also spoke about the freedom family businesses might experience in future planning, due to an absence of constraints traditionally applied by external shareholders: "I'm not a slave to a guaranteed 12 per cent return to shareholders every year at the expense of results." With a recent move to a purpose-built head office in Middlefields, Dickson's does not seem to be in any danger of slowing down. This expansion has been coupled with the addition of the third generation, with Michael's eldest son and daughter joining the business. Conversely, the South Shields businessman recognises that retaining a family presence within the firm's management and operations may not always be possible as Dickson's matures. This issue, he posits, could prove problematic:

"There is the knowledge that the business would remain family owned but not necessarily family run. For the long-term survival of the business I would suggest that family presence would have to continue at some level. Once the current generation [leave], if there was no involvement from those following them, we would see real problems appear as the family becomes more and more distanced and a lack of familiarity appears."

CASE STUDY 2 | THE THORPE FAMILY

COMPANY: Thorlux Lighting

INDUSTRY: Manufacturing

FOUNDED: 1936 by Frederick William Thorpe

HEADQUARTERS: Redditch, Worcestershire

STAFF EMPLOYED: 435

Background

In 1936, Frederick William Thorpe and his son Ernest started Thorlux Lighting in a modest factory in Small Heath, Birmingham, where they set about designing and manufacturing enamelled steel reflectors. By 1939, the company's popularity and quality of work were such that they struggled to keep up with orders. This prompted the first factory move to Hall Green in Birmingham. Fast forward to the present and the Thorpe manufacturing site, which they have called home since 1989, boasts an in-house photometric laboratory and an impressive 16,882-square-metre, self-contained factory – a far-cry from the firm's humble beginnings. Now in its third generation and led by Managing Director, Andrew Thorpe, Thorlux Lighting continues to grow, bearing testament to the innovative ways of its founding fathers.

Even as the company has expanded its operations, family involvement continues to exert a huge influence on the business. Andrew's father, a second generation Thorpe, made the business 100 per cent family owned in 1965. Since then the company has moved from strength to strength, all the while refusing to abandon the family values that have been synonymous with Thorlux since its days in Small Heath. This, Andrew maintains, is the key to keeping employee morale high: "I think that they feel that they are an extension of the family. We often see this in the employee surveys that we do." It is not just employees that feel the positive effects of being involved in a family firm, however. For many customers and suppliers, the honesty and familiarity of a family-owned business is something that cannot be bought from a commercial chain:

"There is an inherent belief that you are dealing with somebody that is linked to the company in a way that is so personable. The chances are, then, that they are going to behave in a way that is honourable and with integrity."

LTO within the family business

Having been in business for over 70 years, it is clear that Thorlux undoubtedly reflects on its long-term prospects. When asked to what extent his firm considers the future when making decisions, Andrew responded:

"I think there are two aspects. A lot of my management work is taken up dealing with the here and now. That's how we measure immediate success. Then there's the subtle switchover. I'm quite happy to look at the further-out time horizon because I know I'm going to be here."

With the recent acquisition of Lightronics, Thorlux found itself venturing further into the European market. This, coupled with the invention of its own in-house circuit board printing system, would suggest a company that is only now reaching the peak of its powers:

"We're quite a forward-looking company and I'm very like my dad, on the basis that dad's not interested in history, he's more interested in developing the company from here on in. Of course, we learn from history, but aside from the values, I'm not interested in what my great grandfather would have done, it's too far gone."

The key to this long-term vision, Andrew says, is patience, which sometimes means sacrificing short-term benefits for long-term reward. According to Andrew, this patience requires "the ability to say let's just wait and see how this goes because we understand the market behind it, we understand that it's going to take time to develop." Patience, he acknowledges, is slightly easier to maintain in a family business setting:

"I'm not looking to go anywhere else, and that stability of outlook automatically allows you to consider things which you never normally have time to consider."

It is clear then that while always trying to move forward, innovate and grow, the legacy of the business is central to the Thorpe family. This outlook, Andrew believes, has been heavily shaped by his father: "He took over a business that was failing and made it a success." Indeed, Andrew and his pioneering father have enabled Thorlux to be the first to market with a range of advances within the industry. In 1963, the introduction of discharge and floodlight lamps helped satisfy growing demand for exterior lighting. More recently, Thorlux founded a daughter company, TRT Lighting, with the goal of entering the street lighting market. While customer demands change year-on-year, Thorlux has consistently found a way to answer the demand. In expanding the business to the size it is now, Andrew has undoubtedly put his own stamp on Thorlux, leaving a legacy of his own for future generations to look up to, and scrutinise:

"In 20 years' time when they're old enough to judge my performance as a managing director, they're going to judge my sustainability performance far more harshly than the current generation. They will expect me to do certain things and if I don't they'll turn around and say, 'Dad, that was disgraceful'."

While Andrew believes that continued family involvement is important to the long-term success of the business, he is aware that passion for the business, and not just the Thorpe name, will provide the platform from which the company will continue to grow:

"The way I'll approach the next generation will be through the IFB guidelines of involvement, teaching them about it, but by no means pressurising them to take it over."

5. CONCLUSIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The research findings detailed in this working paper have important implications for owners and advisers of multi-generational family firms. By gaining a deeper understanding of LTO thinking within family businesses, this research study sought to develop new knowledge that can inform family business owners and managers. Key conclusions are set out in this section, structured into the three LTO categories of futurity, continuity and perseverance, and the section concludes with practical recommendations and implications for further research into LTO in family businesses.

LONG-TERM ORIENTATION THROUGH FUTURITY

With an LTO mindset centred around futurity, the family businesses surveyed prioritised long-term objectives and strategies over those that are more short term in nature. Their long-term focus on the future may reveal families' intentions for longevity, sustainability and continuity as they pass on the business to the next generation.

The research offers insights regarding non-economic goals in multi-generational family firms and their tendency to be long term and family-oriented. These insights include how two particular non-economic goals – namely social responsibilities and the founder's guiding values for the future of the firm – have been revealed to be especially important to the families and their long-term aspirations.

The non-economic goals identified in this study are family-centred and require a long-term horizon to be implemented. These goals include, for example: retaining the business within the family; perpetuating family values; promoting and preserving family reputation; maintaining family unity and harmony; and promoting social responsibility. In other words, to achieve these goals, family businesses need to assume a long-term orientation. The goals would not be pursued if the family was not managing for the long term. For instance, promoting and preserving the family reputation or the perpetuation of family values are goals that implicitly involve adopting a long-term orientation.

LONG-TERM ORIENTATION THROUGH CONTINUITY

Continuity was important to the family firms surveyed because it takes into account the possibility that a family's legacy will affect future decisions and may impact the family's intentions to keep the business within the family. As a result of this, the continuing family legacy can greatly influence the current, as well as future directions of how the business will progress in the long term.

The key to continuity for the surveyed family businesses was balancing the desire to retain the core elements of the family tradition with the need to adapt and innovate, and the research findings show how family firms considered both issues to be vitally important. Although it was crucial for them to maintain their stakeholder relationships and the essence of the family legacy, change and breaking from tradition was also a top priority as family businesses explore new opportunities.

The desire of family businesses for continuity may drive them to become more actively involved in innovation, with a view to ensuring longevity for the company. For this reason, the family businesses surveyed were largely tolerant of the demands associated with finding and exploring new opportunities. In these cases, the families were willing to continue differently, as their more flexible approach meant that certain aspects of the past were retained, whilst elements of change were implemented.

The ability to see LTO as a critical part of understanding strategic behaviours within family firms is an important conclusion of this study. The research findings highlight that the continuity of the family businesses (i.e. their pursuit of a long-lasting mission and reputation, whilst keeping the business within the family and valuing past influences) has been vital to their strategic decision-making. Understanding continuity in terms of family goals and priorities may help family owners and advisers to identify the reasons behind strategic decisions that are taken by multi-generational family firms, and the consequences of those decisions in the long term.

The findings of this study demonstrate that tensions are created by the surveyed family firms' strategic decision-making as they strive to honour family traditions (in terms of values and heritage), whilst also staying open to business change. These tensions can either help or hinder firms' strategic behaviour, depending on how the family goals are protected. Recognising these tensions is the first step in learning to live with them and manage them, whilst driving the business forward.

LONG-TERM ORIENTATION THROUGH PERSEVERANCE

Many of the family businesses surveyed (73 per cent of respondents) persevered through extended payback periods in order to achieve their long-term goals. A particular challenge for these firms, as demonstrated in Case study 1, was that their desire to preserve the legacy and the goals of their family might overrule business logic. Despite this, these family businesses showed signs of persistence and patience, thus demonstrating their ability to pursue long-term strategies and goals.

The evidence from Case study 2 in particular supports the study conclusion that the perseverance of these family firms and their support for long-term objectives demonstrate how they have adopted a long-term orientation mindset. Owners and managers within family firms should ensure that they recognise situations where introducing more professional management processes and structures – for example, more formalised governance strategies – would be to the firm's long-term benefit. By enhancing their knowledge of these key features, their chances of staying successful into the next family generation increase.

PRACTICAL RECOMMENDATIONS

Based on the findings and conclusions of this research study, the following sub-sections include practical recommendations for consideration, pending further research on the subject.

Understanding the consequences of LTO

Multi-generational family firms need to recognise and understand the long-term consequences of their current decisions. Having a long-term orientation is a fundamental element underlying many of their strategic decisions, especially when family firms intend to remain family owned or family managed. Current leaders in family businesses are faced with making investment decisions that reflect their interpretation of the current and future needs of the business and the family. Their strategic decisions are guided by their long-term vision that, subsequently, impacts upon the fate of current and future family and business stakeholders.

Examples of these decisions include succession planning, governance, divestment and debt financing. LTO has been introduced as a way to theoretically capture competitive advantages that are potentially enjoyed by families in business. While family business managers have frequently alluded to long-term mindsets in family firms, this research explored each of the LTO dimensions and identified its characteristics in multi-generational family firms. Family businesses that can successfully understand and manage their LTO can work more effectively in achieving their long-term goals.

Understanding LTO behaviours

Seeing LTO as a critical element to understanding strategic behaviours in family firms is an important advancement for their management. The findings summarised in this paper highlight that the continuity of family firms – which is concerned with pursuing a long-lasting mission and reputation, keeping the business within the family and valuing influences of the past – is vitally important to the strategic decision-making of these firms. Understanding continuity and family goals and priorities would help family business owners and advisers to recognise important factors behind strategic decisions taken by multi-generational family firms, and the consequences of those decisions in the long term.

These research findings show that tensions exist throughout family firms' strategic decision-making, as they try to respect family traditions (in terms of values and heritage) whilst also embracing business change. These tensions can either promote or hinder strategic behaviour in family firms based on how their family goals are managed. Family firms battle with the challenge of managing the legacy and tradition of the past with the need for change in the future. Therefore, a suggested response to deal with these tensions is to acknowledge the challenges and learn how to live with them whilst driving the business forward (Poole and Van de Ven, 1989). Family firm owners and managers who are aware of and understand LTO will be able to manage family firms more effectively.

Understanding non-economic goals

Strategic decisions in family firms might not always be supported by rational economic assumptions. Family firms have non-economic goals and the pursuit of those goals may lead to decisions and outcomes that differ greatly from the decisions and outcomes expected in non-family firms (where non-economic goals are less important). This study offers insights regarding non-economic goals in multi-generational family firms and their tendency to be long term and family-oriented.

All of the non-economic goals identified in these research findings (i.e. retaining the business within the family, continuing family values, promoting and preserving family reputation, maintaining family unity and harmony, and fostering social responsibility) are family-centred and require a long-term outlook to be implemented. In other words, these goals would not be pursued if the family was not managing for the long term. For instance, promoting and preserving family reputation or the persistence of family values are goals that involve a long-term orientation and would be difficult to achieve without it. A long-term orientation places value on extended time periods and gives greater importance to the future. The family leaders in the firms studied expressed a high level of concern for the long-term future of the family business, as reflected in their family-centred, non-economic goals. Non-economic goals require implementation of a long-term orientation and, thus, have an influence on the decisions made by family businesses. They influence the firm to engage in long-term thinking.

Understanding how to be professional

In this working paper, management and governance professionalisation is reflected in the perseverance of the family firm and in its support for long-term objectives. Managers in family firms should ensure that they understand situations that require professionalisation of processes and structures for the long-term benefit of the firm. Professionalisation involves putting into practice new management and governance processes, and in family firms this also implies the involvement of non-family professionals. By professionalising its management, a family firm can improve its ability to compete, which underlines the importance of perseverance in ensuring the effective and long-term survival of the business.

SUGGESTIONS FOR FUTURE RESEARCH

To complement this study, it would be interesting to investigate whether adopting a long-term orientation has a positive effect on the performance and competitive advantages of family firms. While previous research supports this view (Miller and Le Breton-Miller, 2005), additional empirical investigation is needed. Future research might examine questions such as: What is the relationship between LTO and family firm performance? What are the performance implications of a short-term versus a long-term orientation?

Another route could be the development of longitudinal studies that explore how LTO-related practices evolve as a family firm's long-term perspective changes over time. Such studies could contribute further by providing insights into the impact that LTO has on the entrepreneurial orientation of family firms at different points in time, or in different firm life cycle stages. To what extent does it differ across generations and between family and non-family managers? Does the LTO of firms controlled by later generations of a family vary from those controlled by the founding generation?

Future research could also explore whether it is the LTO of the family, the individual LTO of key members (such as the founder or the incumbent family CEO) or the LTO of the top management team that has the greatest influence on the firm.

APPENDIX: INTERVIEW SCHEDULE FOR LTO RESEARCH

A. HISTORY

1. Describe the historical development of your business or business group with a focus on the family members' role and involvement.

The answer should cover, if relevant, the following issues:

a. When was the firm founded – by who, and how?
b. Information on the ownership/shareholder succession(s)?
c. Information on the ownership involvement, i.e. number of shareholder family members and changes in this over time?
d. Information on the number of family members working in the business, in leadership/ management?
e. Who were the family member and non-family actors who have been most influential and what roles they played and why it was significant?

B. LONG-TERM ORIENTATION

1. To what extent the company considers the future when making current decisions?

The answer should cover, if relevant, the following issues:

a. How far ahead the firm looks when planning its strategies and operations?
b. Does the firm consider the consequences in the long-term future of the actions taken today?

2. To what extent forces from the past, such as long-term aspirations, affect future decisions?

The answer should cover, if relevant, the following issues:

a. Is the firm strongly influenced by the past when making decisions?
b. Does the company consider time-honoured values and traditions to guide future decisions?

3. Does the company sacrifice short-term benefits for long-term results/rewards?

The answer should cover, if relevant, the following issues:

a. Is the company patient for results or rewards?
b. Is there a belief in the organisation that the efforts made today will pay off in the future?

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Published by the IFB Research Foundation

ISBN 978-0-9570327-1-2