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Heterogeneity in Family Firms: exploring governance configurations and their effect on strategies

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Abstract
This research explores in greater depth the importance of considering the heterogeneity between family businesses so as to better understand the differences in their strategic behavior, performance and business results. With this, we attempt to contribute to the theories on the relationship between corporate governance and strategic management in the field of family business research.

Our study identifies the different configurations that may be adopted in the ownership structures and the management and governance bodies of family firms, analyzing how these configurations are related to the firm's strategic outcomes. Using a sample of 111 family firms, we perform a cluster analysis that allows us to determine distinct types of family businesses based on a set of dimensions regarding the characteristics of their governance bodies, both in business and in the family, as well as their ownership structure and degree of family involvement in management tasks. We then link the different types found with the profiles of managers, the repertoire of strategies used by these companies, and the differences in obtaining results in recent years.

Key words
Family firms; heterogeneity; configurations; strategy; business results.

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1. Introduction

The study of family businesses has often been approached through the comparison of family-owned and non-family firms, assigning different characteristics to each one (Sharma and Nordqvist, 2008). Nevertheless, despite the growing volume of research that has tackled the enormous heterogeneity in family firms' characteristics, it is still necessary to delve deeper into how this significant variability in ownership structures, governance systems, as well as in the degree to which families are involved in the company, should be taken into account to better understand the behavior and decisions of family firms.

In this paper, we address this challenge by pursuing two related objectives. First, we analyze the different features of a sample of family businesses to seize this heterogeneity by means of typologies (governance configurations) that are not only comprehensive (i.e., that capture the main dimensions and sources of diversity in family firms) but also manageable and easy to recognize in the practical world. Secondly, we explore how the different types of family businesses identified are useful for understanding their differences in performance and strategic behavior.

To date, research on the heterogeneity of family businesses has mainly considered variables, such as the degree of family involvement, the developmental stages, or the degree to which firms' governing bodies are structured, but few studies have linked these features with the repertoire of strategies that family firms actually use.

Thus, in this paper, we start by reviewing the literature on the multidimensional nature of family firms, in order to identify the main dimensions that could be helpful for examining their heterogeneity. Next, by means of grouping methods (cluster analysis), we use the dimensions considered to be the most relevant by the literature to establish the groups of family firms that share similar features (within each group) but also differ significantly from the other groups. Finally, we analyze the differences in strategic behavior and performance that can be observed among the firms belonging to each identified cluster and discuss the possible relationships between their configurations and the resulting strategic decisions. The purpose of all this is to expand the existing research with evidence of typologies of family businesses and show how they are connected with the study of family firm strategic behaviors.

2. The heterogeneity of family firms: Determining the relevant variables

Family businesses are a complex phenomenon where different spheres of influence interact. Therefore, our first step was to examine the different types of conceptual contributions in the family business literature to obtain a set of dimensions with which to characterize the different types of family firms and their evolutionary stages that can serve to explain the different realities within the full range of family businesses and can have important implications for their strategic behavior.

We reviewed the main existing models in the literature to identify the common elements that would enable us to characterize the types of family businesses, with the purpose of determining

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their relevant variables. On the basis of this analysis, we then selected a set of models, identifying the most cited ones and those that had received more attention from researchers, also including models proposed by highly recognized studies on the Spanish context. The models reviewed were the following:

Table 1.

Principal models reviewed (10)

Tagiuri and Davis (1996)	Identifying which factors characterize family businesses	> 1700 citations in Google Scholar (GS)
Amat (2002)	Understanding family business dynamics	> 400 citations in GS (Spanish context)
Gersick et al., (1997)	Creating structures that facilitate the development of family firms within the timelines of each stage	> 2900 citations GS
Ward y Aronoff (1991)	Different priorities of the owners of family businesses	> 100 citations GS
Lane, Astrachan, Keyt and McMillan (2006)	Understanding the complexity of corporate governance	> 200 citations GS
Melin and Nordqvist, 2002	Corporate governance processes and skills for effective strategic management	> 300 citations GS
Perkins (1992)	Understanding the roles that should be performed by family members	Spanish context
Gallo (1997)	Understanding the roles that should be performed by family members	Spanish context
Dyer (1986)	Understanding the roles that should be performed by family members	> 500 citations GS
Gallo and Amat (2003)	Describing the development patterns of family businesses	> 100 citations GS

Source: Authors' compilation.

Each of these models provides a set of dimensions that are useful for depicting and categorizing different types of family businesses, but none of them has been linked to the strategic behavior that could be associated with them.

The most frequently aspect taken into account in these models is the degree to which family members are involved in the firm's governance and management (Tagiuri and Davis, 1996; Gersick et al., 1997; Lane et al., 2006; Melin and Nordqvist, 2000; Perkins, 1992; Gallo, 1997; Dyer, 1986; Gallo and Amat 2003).

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Other aspects which have also been frequently considered in the models of analysis studied are the following: the developmental stage, or the generation in charge of the business (Amat, 2002; Gersick et al., 1997), the degree to which the firm's governing bodies are structured (Tagiuri and Davis, 1996), and the firm's size or level of development (Ward and Aronoff, 1991; Melin and Nordqvist, 2000; Perkins, 1992; Gallo, 1997; Gallo and Amat 2003). The first of these aspects concerns the characteristics of the business family, as indeed its influence on firms' strategic behavior is related to the differentiated and entrepreneurial character of the founding generation (Amat, 2002; Gersick et al., 1997), the consolidation challenges usually faced by the second generation (Tagiuri and Davis, 1996), or the potential divergences of opinion regarding business objectives between the different family branches interacting after the third generation (Ward and Aronoff, 1991; Melin and Nordqvist, 2000; Perkins, 1992; Gallo, 1997; Gallo and Amat 2003).

Similarly, the greater or lesser degree to which firms' governing bodies are structured has generated different approaches and frameworks for reflecting on decision-making, which also provide us with a basis for distinguishing between business decisions and family ones (Ward and Aronoff, 1991; Melin and Nordqvist, 2000; Perkins, 1992; Gallo, 1997; Gallo and Amat 2003). However, in addition to the degree of governance structure, it should also be stressed that the extent to which owner families are involved in the governing bodies has an important role to play. This aspect is included, nonetheless, in the first dimension considered above (degree of family involvement). The last of the aspects studied, related to company size or its degree of strategic development, is also a determining factor when it comes to strategic behavior, in that it influences both the organization's capacity and ability to equip itself with the necessary professional support and the level of competence demanded to take appropriate and rational business decisions (Ward and Aronoff, 1991; Melin and Nordqvist, 2000; Perkins, 1992; Gallo, 1997; Gallo and Amat 2003).

In addition to the aforementioned aspects, other factors that are considered here to characterize the types of family firms are, at the family level, the extent to which the governance systems in the family-firm relationship are structured (Tagiuri and Davis, 1996; Gersick et al., 1997; Melin and Nordqvist, 2000; Gallo, 1997; Dyer, 1986; Gallo and Amat, 2003) and, at the ownership level, the number of shareholders (Gersick et al., 1997; Gallo and Amat, 2003). The way in which the owner family decides to govern or manage the relationship between the family and the company will shape the possible relationships between the different spheres of influence (Arbesú, 2016; Arosa and Maseda, 2006; Camisón and Ríos, 2014) and, consequently, the influence it may have on the strategic decisions taken. Likewise, the dispersion or concentration of a company's capital is a key element in how power is distributed and in the greater or lesser importance that consensus or mediation could have in decision-making.

Thus, after reviewing the existing conceptual models and examining the ten most relevant ones (Table 1), we identified a set of frequent or common variables that can be useful for explaining the complexity and heterogeneity of family firms (Figure 1). These variables will then serve to define the three clusters of our research model, subsequently linking them to the firms' repertoire of strategic actions and behaviors, which, to date, have not been explored in more depth.

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Table 2

Models studied and their determining variables

	MODELS OF ANALYSIS / VARIABLES	FAMILY: Degree of family involvement	FAMILY: Degree of structuration in governing bodies	FAMILY: Effective management control systems used by the family	FIRM: Generation in charge of the family firm	FIRM: Number of business operations and firm size	OWNERSHIP: Number of shareholders
1	Three-Circle Model of the Ownership-Family-Firm System developed by Renato Tagiuri and John Davis (1996)	X	X				
2	Five-Circle Extended Model by Joan Amat (2002)				X		
3	Model of Developmental Stages (Gersick et al. 1997; Gallo et al. 2004; Ward and Aronoff, 1991)				X		
4	Three-Dimensional Developmental Model by Gersick et al. (1997)	X	X	X	X	X	X
5	Four-Field Matrix of Family Firm Governance; Market control and dimensions (Lane, Astrachan, Keyt and McMillan, 2006)	X				X	
6	Model of Corporate Governance and Strategic Change (Melin and Nordqvist, 2002)	X	X	X			
7	Matrix Model: Family Size-Firm Size (Perkins 1992)	X				X	
8	Model of Labor Relations (Gallo 1997)	X	X		X	X	
9	Matrix Model: The Role of Families-Professional Management (Dyer 1986)	X		X			
10	Developmental Path Model (Gallo and Amat, 2003)	X	X	X	X	X	X

Source: Authors' compilation.

By means of this identification, we decided on the following variables to be able to determine the types of enterprises found in the landscape of family firms in Spain.

Table 3

Variables used to identify the types of family firms in Spain

FAMILY			FIRM	OWNERSHIP
Degree to which governance is structured regarding the family-firm relationship	Degree of family involvement in governance and management	Developmental stage/generation	Degree of structuration in governance and management bodies	Ownership structure
Experience with family councils/protocols Experience with external consultants	The owner family is present in the governing bodies Family CEO Percentage of members of the management team from the owner family	Developmental stage	Existence and size of the board of directors The Board includes independent directors	Independence indicator Number of shareholders
Source: Questionnaire	Source: Questionnaire	Source: Questionnaire	Source: Questionnaire	Source: SABI

Source: Authors' calculations.

We decided not to include company size in the set of variables because we consider this aspect as being, primarily, the result of the strategic action we are trying to explain. In addition, the great majority of firms in our sample are small or medium-sized.

3. Types of family firms found in the Spanish context

Based on the relevant variables, we went on to perform a cluster analysis to be able to group together the types of family businesses that are similar to each other and considerably different from other groups.

For this purpose, we created a sample of family firms obtained from a questionnaire whose characteristics are described in Annex 1. The sample included 111 family firms with a minimum of 20 employees so as to rigorously exclude microenterprises and guarantee that at least some kind of organizational structure existed in the firms selected.

The ultimate objective of this analysis is to recognize the diversity of existing realities, in order to link these realities to the different types of strategic behavior in family enterprises. Therefore, when it comes to identifying the different types of family firms, this should not be based on their results or strategic behavior (the subject of the second part of the analysis), but rather on factors related to the ownership and company's characteristics (governance and management), as well as to what role the family has to play in these areas of governance or management.

Table 4

Sample characteristics

		Total		Founder-centric firms		Structured firms		Evolved firms	
		No.	%	No.	%	No.	%	No.	%
Size of the board of directors	Total	114	100%	47	100%	47	100%	20	100%
	No Board of directors	55	48.20%	45	95.70%	10	21.30%	0	0%
	Small Board of directors	32	28.10%	0	0%	26	55.30%	6	30.00%
	Large Board of directors	27	23.70%	2	4.30%	11	23.40%	14	70.00%
Percentage of family members on the Board of directors	Total	114	100%	47	100%	47	100%	20	100%
	Minority	12	10.50%	0	0%	2	4.30%	10	50.00%
	Majority	14	12.30%	0	0%	4	8.50%	10	50.00%
	Single Majority	88	77.20%	47	100%	41	87.20%	0	0%
Degree to which independent directors participate	Total	114	100%	47	100%	47	100%	20	100%
	No independent directors	107	93.90%	47	100%	47	100%	13	65.00%
	Incl. independent directors	7	6.10%	0	0%	0	0%	7	35.00%
Is the Board chairperson also the general manager? Yes/No	Total	114	100%	47	100%	47	100%	20	100%
	No	29	25.40%	0	0	16	34.00%	13	65.00%
	Yes	85	74.60%	47	100%	31	66.00%	7	35.00%

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Years of accumulated experience with external consultants	Total	114	100%	47	100%	47	100%	20	100%
	No experience of external consultants' participation	87	76.30%	42	89.40%	30	63.80%	15	75.00%
	Recent experiences	13	11.40%	0	0%	12	25.50%	1	5.00%
	Vast experience	14	12.30%	5	10.80%	5	10.60%	4	20.00%
Years of accumulated experience in family councils	Total	114	100%	47	100%	47	100%	20	100%
	No experience	94	82.50%	46	97.90%	34	72.30%	14	70.00%
	New family councils	8	7.00%	1	2.10%	6	12.80%	1	5.00%
	Strong family councils	12	10.50%	0	0%	7	14.90%	5	25.00%
Percentage of top management members belonging to the owner family	Total	114	100%	47	100%	47	100%	20	100%
	<=20	46	40.40%	19	40.40%	13	27.70%	14	70.00%
	21-50	30	26.30%	14	29.80%	11	23.40%	5	25.00%
	51-80	9	7.90%	1	2.10%	7	14.90%	1	5.00%
	>80	29	25.40%	13	27.70%	16	34.00%	0	0.00%
In-laws involvement	Total	114	100%	47	100%	47	100%	20	100%
	No	84	73.70%	31	66.00%	36	76.60%	17	85.00%
	Yes	30	26.30%	16	34.00%	11	23.40%	3	15.00%
Number of shareholders	Valid No.	114		47		47		20	
	Mean	2.75		1.68		3.09		4.5	
	Median	2		2		3		2	
	Standard dev.	3.55		0.89		2.06		7.5	
	Valid No.	1.14		47		47		20	

Indicator of independence (SABI)	Mean	1.67	1.21	2.21	1.45
	Median	1	1	3	1
	Standard dev.	1.26	0.88	1.44	1.1
Founding stage	Valid No.	114	47	47	20
	Mean	1.8	1.65	1.9	1.9
	Median	2	1.5	2	2
	Standard dev.	0.78	0.9	0.56	0.91

Source: Authors' calculations.

In order to discern distinct and homogeneous groups of behavior, cluster analysis is an appropriate technique for finding these natural groupings in a data set, structuring the data into homogeneous groups to identify the different types of behavior. By applying this technique[1], we were able to form, with a good level of significance, three groups of family firms that shared similar characteristics and were sufficiently differentiated from those belonging to the other groups studied. Here, we call these firms *founder-centric*, *structured*, and *evolved:*

- *Cluster 1* (41.3%) includes the *founder-centric firms*. This group refers to "low complexity" companies that have not equipped themselves with the necessary means to govern their firm. In these firms, governance revolves around a center (usually the founder/CEO) where the three dimensions overlap: ownership, family, and firm (table 5).

Ownership is also highly concentrated in this type of company (1.68 shareholders implies that in most cases, there is only one shareholder, which is usually the founder). The rest of the family may be present to some extent in terms of capital, or in the management, but it is more in a symbolical way rather than involving any real power (table 6).

- *Cluster 2* (41.3%) is made up of *structured firms*. These companies fall into the category of "medium complexity" and have developed some formal procedures with which to govern their firm.

[1] Cluster analysis is a technique that allows us to find natural groupings in a data set and identify groups (or clusters), from which we can then obtain groupings or homogeneous typologies within each group that are significantly different from those belonging to other groups.

Table 5

Cluster 1. Founder-centric firms

FAMILY			FIRM	OWNERSHIP
Degree to which governance is structured regarding the family-firm relationship	Degree of family involvement in governance and management	Developmental stage/generation	Degree of structuration in governance and management bodies	Ownership structure
% of members of the management team who are from the owner family, polarized between <20% and >80%	No experience with family councils	1.65 Founding stage (founder and children)	No Board No independent directors on the Board Chairperson of the Board is the CEO No experience with external consultants	Sole presence of an owner family 1.68 shareholders

Source: Authors' compilation.

Table 6

Cluster 2. Structured firms

FAMILY			FIRM	OWNERSHIP
Degree to which governance is structured regarding the family-firm relationship	Degree of family involvement in governance and management	Developmental stage/generation	Degree of structuration in governance and management bodies	Ownership structure
(+)50% of the members of the management team are from the owner family	Some experience with family councils	1.9 Founding stage (children of the founder generation)	Small Board No independent directors on the Board Chairperson of the Board is the CEO Recent experience with external consultants	Sole presence of the owner family 3.09 shareholders

Source: Authors' compilation.

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In family firms following the structured model, we can see the beginnings of an evolution in the governance of the company, in that they do have a board (which is small in 55.5% of the cases and larger in 23.4% of the firms studied), although it is still controlled by the CEO and does not include independent directors. The number of shareholders stands at 3.09 on average, indicating that the next generations have entered ownership, which leads to a wider range of perspectives and preferences. This diversity has implications for management and family governance, where a high level of family involvement in management can be seen, as well as varied experiences regarding the introduction of measures such as family protocols or family councils.

- *Cluster 3* (17.4%) consists of the *evolved firms*, corresponding to "high complexity" companies which have developed more advanced strategies to govern their companies (table 7).

In the evolved firms, there is a clear focus on structuring and professionalizing the board of directors (all the companies have one, and in 70% of the cases, it is a fairly large one). Moreover, in 50% of these companies, family board members are in the minority, which denotes a certain openness and participation of other actors (minority shareholders) or of employees (managers), where 35% of these firms have independent board directors who provide them with a higher level of professionalism and objectivity.

Table 7

Cluster 3. Evolved firms

FAMILY			FIRM	OWNERSHIP
Degree to which governance is structured in the family-firm relationship	Degree of family involvement in governance and management	Developmental stage/generation	Degree of structuration in governance and management bodies	Ownership structure
(-)20% of the members of the management team are from the owner family	Strong family councils	1.9 Founding stage (children of the founder generation)	Large Board The Board includes independent directors Chairperson of the Board is not the CEO Vast experience with external consultants	Mixed presence of the owner family 4.5 shareholders

Source: Authors' compilation.

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Although the developmental stage is similar to that of structured firms, in this group, there is a larger dispersion of capital (with the average number of shareholders being higher), the degree to which the family-firm relationship is governed is greater, and the management team does not include as many family members. In fact, the role adopted by these families is more about controlling the company, as opposed to taking an active role in management.

The three groups identified demonstrate quite evidently that heterogeneity does exist among family firms. Nonetheless, through the configurations observed, we can also establish how their dimensions tend to merge and define the companies in such a way that it is possible to explore the relationship between their characteristics and their behavior or results. From this analysis, the following key aspects can be highlighted:

- A significant group of companies are structured around the figure of the founder or a main actor (generally a family member), who has an overriding influence on decision-making, and the company's evolution will depend on his/her personal characteristics and preferences.
- On average, structured and evolved firms are at similar developmental stages, which seems to indicate that how evolved the entrepreneurial perspective is may well be more related to attitudes and orientations rather than following a more sequential or evolutionary path. In other words, it is not necessary to go through a structured stage to reach an evolved one.
- The degree to which the configuration adopted has evolved is closely tied to the structuring of the governance systems, both of the company and of the family-firm relationship.
- The experiences with external consultants allow us to conclude that these actors can play a role in activating change. In the firms following the structured model, 25.5% have had recent experiences with external consultants, while in evolved companies, 20% had a consolidated experience in this regard. The use of external professionals as a means to accelerate the structuring and evolution processes of the governing bodies and the professionalization of the family firm can therefore be viewed as being positive.
- Not all family businesses have a family council. In firms with a founder-centric model, the founder takes on this role (97.9%), which is found to be the case in 72.3% of the structured firms and even in the evolved ones, 25% of them do not have a family board.
- The percentage of family owners who are part of the management team is lower in firms following the evolved model, it being less than 20% in 70% of these companies and less than 50% in another 25%; in other words, 95% of the evolved firms have a management team with a majority of non-family owners.
- Moreover, in evolved companies, more women are promoted into CEO positions, and the number of university graduates is also found to be higher. In addition, the percentage of CEOs who are members of the owner family is lower in that model, and the average age of the management team is younger.

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4. Differences in the strategic behaviors of the types of family firms

The question that follows after identifying the various types of governance configurations in family firms, is what the strategic implications of the observed differences are. In other words, does this classification serve to explain the differences in family business behaviors?

To answer this question, we analyzed a repertoire of 19 strategic behaviors or actions displayed by companies in two distinct periods: the period corresponding to the hardest years of the 2008-2013 financial crisis, and the subsequent period of economic recovery (between 2014 and 2016, given that data was collected during 2017).

Table 8

Repertoire of strategic actions considered

A. Actions related to geographical markets	B. Actions related to competitive products	C. Actions related to market segmentation strategies and distribution channels	D. Arguments used by the firm to compete with other companies	E. Modes of strategic development
In each period	**P 1 (2008-2013) / P 2 (2014-2016)**	**P 1 (2008-2013) / P 2 (2014-2016)**	**P 1 (2008-2013) / P 2 (2014-2016)**	**P 1 (2008-2013) / P 2 (2014-2016)**
A.1. Consolidating its position in the markets it operates in. A.2. Withdrawal from some of the markets it was operating in. A.3. Entering new markets.	B.1. Improvement of the firm's products/services. B.2. Development and launching of new products/services into current markets. B.3. Development and launching of new products/services into new markets. B.4. Elimination of or disinvestment in products/services currently offered.	C.1. Greater focus on specific market segments. C.2. Opening up to new market segments not considered before. C.2. Using new distribution channels. C3. Withdrawal from market segments or reduction of distribution channels currently used.	D.1. Reduce costs to be more competitive and to set lower prices than competitors. D.2. Products or services with higher quality than competitors (high value added products/services and technological advantage). D.3. Provide customers with better services than competitors (better support, faster, more efficient and flexible services, customized services).	E.1. Mergers and acquisitions of other companies. E.2. Sales/settlements of assets, division of the company. E.3. Strategic alliances with other firms (joint ventures, partnerships...) E.4. Externalization of low value-added activities (outsourcing, subcontracting, offshoring...) E.5. Investment in new assets & resources (facilities, equipment and machinery, new recruitments, R&D&I programs...)

Source: Authors' compilation.

Table 9

Factor analysis. Categorization of the strategic options identified in the 2008-2013 period

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Entering new markets	0.616				
Opening up new market segments	0.644				
Using new distribution channels	0.728				
Developing new products/services and launching them into current markets	0.768				
Developing new products/services and launching them into new markets	0.79				
Withdrawal from markets		0.73			
Disinvestment in products/services		0.742			
Reduction of distribution channels		0.792			
Sale of assets			-0.615		
Improving products/services			0.538		
Focusing on specific market segments			0.566		
Consolidating market positions			0.704		
Strategic alliances				0.626	
Outsourcing				0.798	
M&As					0.742
Investing in new assets & resources					0.522
Variance explained by the factors (with eigenvalues < 1)	61.37%				
KMO test Bartlett's test for sphericity	0.710 Chi^2= 478.755 sig. 0.000				

Source: Authors' calculations.

To be able to work with these nineteen strategic options in a meaningful way, we categorized them into factor groups using factor analysis. This yielded five factors for the first period analyzed (2008-2013) and four for the second one (2014-2016).

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For the first period, we observed a variety of strategic behaviors exhibited by family businesses, which were grouped into the following factors:

- FACTOR 1: EXPANSION. This factor includes strategies for entering new markets and distribution channels, the creation of new market segments, and developing and launching new products and services both in current and new markets.
- FACTOR 2: RETRENCHMENT. This factor incorporates strategies such as the firm's withdrawal from certain markets, disinvestment in some of the products and services it offers, and plans to reduce the number of distribution channels used.
- FACTOR 3: CONSOLIDATION. This strategic option includes the sale of assets, improving products and services as a defensive strategy, as well as focusing on specific market segments in which the firm is better positioned, and consolidating the market where it is stronger.
- FACTOR 4: INTER-ORGANIZATIONAL COLLABORATION. This component brings together the strategic options that refer to entering into strategic alliances and outsourcing agreements for activities carried out within the company up until then.
- FACTOR 5: CORPORATE GROWTH AND DEVELOPMENT. This factor dimension involves strategies that lead to the merger or acquisition of companies, as well as to investing in new resources.

In the second period, however, the strategic behavior of family businesses could be categorized into only four differentiated behaviors, which correspond to the following factors:

- FACTOR 1: THE INCREMENTAL FACTOR. This strategic option comprises business plans to consolidate the company's current markets, enhance its products and services, and develop and launch new products and services in existing and emerging markets. Strategies within this option also include concentrating on certain market segments, creating new niches in the market, in addition to investing in new resources.
- FACTOR 2: RETRENCHMENT. This factor involves withdrawing from certain markets, disinvesting in less profitable products and services, and reducing the number of distribution channels.
- FACTOR 3: CORPORATE TRANSACTIONS. This component gathers actions related to companies' mergers or acquisitions, sale of assets, strategic alliances, and the outsourcing of activities.
- FACTOR 4: EXPANSION INTO NEW MARKETS. This factor dimension clearly focuses on expanding the business to new markets.

An interesting point of our analysis is that the strategies used by family businesses vary depending on the characteristics of the period analyzed. The analysis of the crisis period (2008-2013) revealed several nuances in the strategic repertoire used, which is more diverse than the set of strategies identified in the growth period. In periods of crisis, expansion efforts can be more clearly distinguished from consolidation strategies, while in growth periods, these aspects are combined in an incremental approach. Nevertheless, the set of factors making up the repertoire is remarkably similar and consistent between the two periods.

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Table 10

Factor analysis. Categorization of the strategic options identified in the 2014-2016 period

	Factor 1	Factor 2	Factor 3	Factor 4
Consolidating market positions	0.794			
Improving products/services	0.739			
Developing new products/services and launching them into current markets	0.651			
Developing new products/services and launching them into new markets	0.542			
Focusing on specific market segments	0.59			
Opening up new market segments	0.535			
Investing in new assets & resources	0.577			
Withdrawal from markets		0.74		
Disinvestment in products/services		0.813		
Reduction of distribution channels		0.858		
M&As			0.727	
Sale of assets			0.51	
Strategic alliances			0.789	
Outsourcing			0.592	
Entering new markets				0.847
Variance explained by the factors (with eigenvalues < 1)	55.45%			
KMO test Bartlett's test for sphericity	0.725 Chi^2= 493.924 sig. 0.000			

Source: Authors' calculations.

Yet, regarding the differences in the strategic behaviors observed among the three different types of family firms (founder-centric, structured, and evolved), our factor analysis of the strategic repertoire shows some noteworthy differences, as can be seen in Figures 1 and 2.

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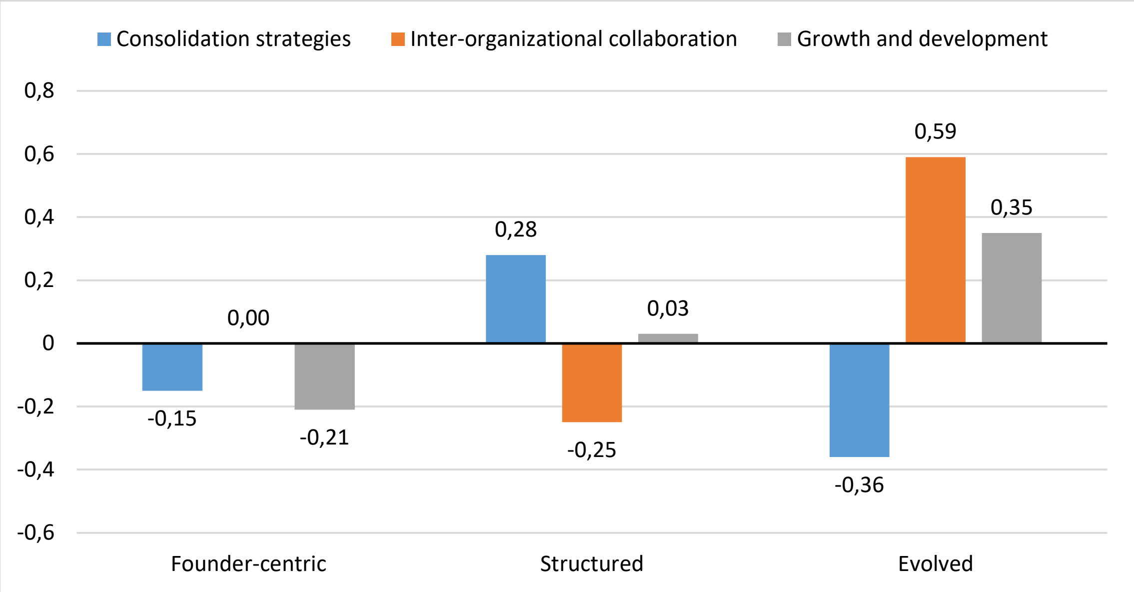
Figure 1

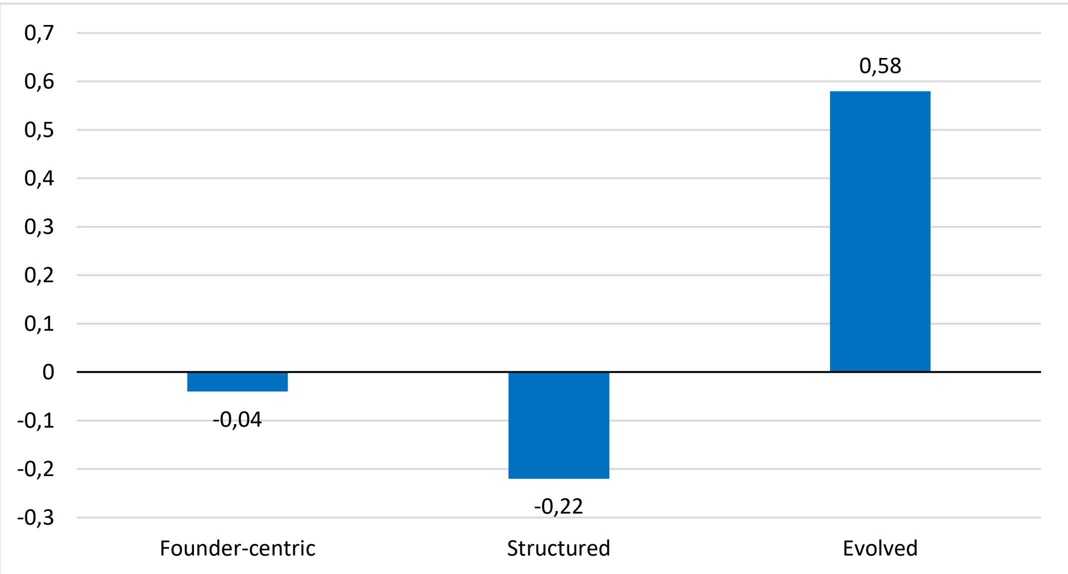
Factors by type of firm. 2008-2013 period



Source: Authors' calculations.

Figure 2

Corporate transactions by type of company



Source: Authors' calculations.

In times of crisis, structured companies choose to develop consolidation strategies, i.e., they adopt more conservative and position-oriented approaches. In contrast, more evolved companies typically explore the strategic possibilities of inter-organizational arrangements and corporate growth as a means of coping with these complex periods.

Some differences in behavior can also be observed in the growth period, in which evolved companies, as compared to other types of companies, are more likely to enter into corporate transactions as a formula for growth. Evolved companies also tend to follow inorganic growth strategies (M&As). They generally, too, have a greater capacity and more resources, and the structure of their capital and governance bodies seems to be oriented towards more ambitious and faster growth targets.

5. Discussion and conclusions

This research aims to reveal the nuances which can be found in the different profiles of family firms, providing a practical overview of corporate heterogeneity. Our results bring to light three types of family businesses according to the composition of the family characteristics (degree of family involvement, developmental stage, and the degree to which governing bodies are structured regarding the family-business relationship), the firm's characteristics (structure of its governing bodies), and the ownership characteristics (degree of concentration of capital and variety of perspectives).

We characterized these three groups and called them *founder-centric firms*, *structured firm*s, and *evolved firms*. We also analyzed the relationship between the type of family firm and the strategic behaviors adopted by these companies in different time frames.

The classification made here contributes to expanding and refining the conceptual models put forward by other studies in the literature. This study has shown that even the most advanced conceptual models, such as Gersick's (1997) model of the three family-business developmental stages, have their limitations when it comes to capturing their actual heterogeneity. In fact, the last two stages of this model (sibling partnership and cousin consortium) do not efficiently capture the nuances which we have been able to observe in our classification of family firms, and which can be better seized when the different models of structured and evolved companies are characterized. By means of this analysis and the resulting classification, a more detailed description is provided on the large number of dimensions (and even attitudes) that interact in the definition of the business models.

In this sense, the patterns identified are better at capturing the complexity of corporate governing bodies and families as well as the nuances regarding their consideration of external support. It should also be noted that these patterns need not to be sequential, especially once the founder's stage has been overcome.

Thus, among the conceptual models proposed, Gallo's (2003) development path model is perhaps the closest to our results since, in his model, the three paths of development or stages (founder, fast development, and balanced development) are not described as a clear sequence of evolution either. However, our study shows that growth strategies, such as the diversification of products, business agreements, or markets, are not elements by which models or types of companies can be differentiated and, therefore, we consider that they can be problematic as classification criteria.

On the other hand, in addition to determining the different configurations with which to characterize the heterogeneity of family businesses, we studied the ways in which this heterogeneity could influence the strategic behaviors of firms.

To analyze the extensive repertoire of strategies used by family businesses, we considered nineteen strategic options that were categorized into groups using factor analysis. The first relevant finding of our analysis is that the repertoire's strategic behaviors cannot be grouped together in exactly the same way in the two periods, which opens up an opportunity for further research on the repertoire's adaptation to the environmental conditions. Second, we found some significant differences in the strategic behaviors of companies corresponding to the various typologies. Moreover, through the results of the factor analysis, we have been able to discern the complexity of the patterns in the strategic repertoire of family businesses, which exceeds the simplified conceptual models developed so far in the literature.

Indeed, both Gersick's (1997) three-dimensional developmental model and Gallo's (2003) developmental path model, despite being the most evolved ones, do not reflect the actual variety of strategies used by the different types of family businesses which have been identified in this field work.

Our results show that the more complex a company is, the more sophisticated are the strategies it develops. Thus, in periods of crisis, structured firms are more inclined to use strengthening strategies, whereas evolved firms are more likely to explore strategic options related to organizational arrangements and corporate growth. Likewise, the latter are more proactive in their use of corporate transactions as a formula for growth in the post-crisis period.

In evolved family firms, family members are not usually responsible for the company's effective management, but rather they play a more control-oriented role. If we take a look at today's market competition trends, we can observe that in recent years, there is an evolution towards processes of diversification and a search for new business models in the form of family investment companies, where family members, for the sake of growth and diversification, make new investments in other business activities that are not always 100% family (i.e., with external partners). Family members with these profiles are more likely to sell their shares or holdings, go into business with third parties, etc.

Today, more and more companies are considering the adoption of inorganic growth strategies (through M&A), and hence, investment activities, such as the acquisition of shares, are augmenting, and it is quite common for firms to invest in funds and also to own investment companies and corporate industrial holdings. Furthermore, with competitive dynamics clearly affecting the markets, we have seen traditional business models evolving at an increasingly faster rate in recent years. Consequently, ownership models and business cycles are, generally speaking, also evolving, and this is particularly true for family firms.

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6. Limitations and future research questions

This study, like any other research work, is not without limitations. The first one is the relatively small sample size (111 family businesses), and evidently, a larger and more representative sample would have better validated the classification obtained through the analysis. Thus, we encourage replicating this effort with different and more comprehensive samples in order to extend the knowledge about the heterogeneity of family firms and its implications.

Second, future research could look at many other aspects that may contribute to better understanding the implications of the different configurations observed: founder-centric, structured, and evolved firms. More specifically, we should pose the question as to what aspects, attitudes, or conditions determine the way a firm develops as it is handed on to the second or subsequent generations.

According to data from a recent study by the Instituto de Empresa Familiar (2018), *Factores de competitividad en la Empresa Familiar* ('Competitiveness Factors in Family Businesses'), family protocols were only used by 11.3% of the companies, while 74.3% did not consider them even necessary. It also drew attention to the loose structure of corporate governance bodies (61.2% of the companies had a sole manager, whereas only 35% of the firms had a board of directors) and of family governance bodies (barely 11.3% had a family council). Thus, how can the structuration of governance bodies (family or corporate) be encouraged in contexts where family businesses start out with such a loose governance structure? Currently, the potential for improving the structure of governing bodies in family businesses is great and represents a huge professional challenge.

For all the above reasons and bearing in mind the low degree to which governing bodies of family businesses are structured today, we believe there is considerable potential for improvement in this aspect, and therefore, an interesting challenge for future research would be to characterize further the three family business typologies and their evolutionary paths.

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Annex 1: Research technical data sheet

Our sample frame is limited to small and medium-sized family businesses. We took into consideration, however, a minimum size of 20 employees to guarantee an adequate framework for the effect analysis of the factors that encourage, limit, or facilitate the existence of certain governing bodies and a minimum of complexity in the companies' strategic repertoires (Sánchez and Escribá-Esteve, 2010). This sample size requirement was established for the year 2008 (at the beginning of the financial crisis) and was maintained up to 2016 (the end of the crisis).

The sample was selected from the SABI Database (Bureau Van Dijk and Dun and Bradstreet Informa), and questionnaires were sent out to the chosen companies, from April to September 2017, following Dillman's (2000) survey method.

We started with a random selection of 2,000 companies, of which 1,484 were family firms (74.23%), and 516 non-family ones (25.77%). We eliminated 89 companies from the sample since they never received the questionnaire, and thus, the total sample was 1,911 companies, i.e., those who did receive the questionnaires. The sector to which these businesses belonged was chosen at random. Moreover, the random sample was made up of firms with between 20 and 250 employees, so that they were within the range of SMEs, i.e., between small enterprises (with more than 10 employees) and what are considered as medium-sized enterprises (with less than 250 employees).

In the first mailing, 37 questionnaires (1.9%) were answered, while in the second one, 113 firms (5.9%) responded. Of these, 36 companies did not meet the requirements for being a family business and thus had to be removed. Also, 3 questionnaires with incomplete information were discarded. As a result, a total number of 111 answered questionnaires (5.19%) were validated. In this respect, Hambrick et al. (1993) pointed out that the typical response rate for questionnaires sent to senior executives by mail in the United States is between 10% and 12%. Our response rate was 5.9%, somewhat lower than the percentage indicated by these authors, although normally, it could be considered as a valid sample with respect to other studies of similar characteristics, as we may conclude from Nielsen's (2010) study[2]. Regarding the sectoral distribution of the companies of our sample, 14% were from the primary sector, 53% from the secondary sector, and 33% belonged the tertiary sector.[3]

We also checked whether there were any biases in the companies that answered, comparing their characteristics with those that did not respond, but the statistical comparison did not show any significant differences as regard to their size, structure of the governing bodies or sector. Likewise, to avoid any biases in the sample, a t-test was used to compare the firms that had answered the

[2] Nielsen (2010) concludes that out of 60 articles reviewed over a period of 22 years (1984-2005), the sample used for quantitative studies with objectives similar to ours (Top Management Team characteristics and strategy), ranged from 27 to 402 companies.

[3] By way of reference, in 2010, the primary sector's contribution to the Valencian Community's GDP was 2.3%, the secondary sector's was 26.6%, and the tertiary sector's stood at 71.1%, according to the Valencia Chamber of Commerce, Industry and Navigation. In this regard, the figures obtained for our sample are dissimilar from those of the GDP distribution, which could be due to the fact that the participating companies are better matched to the criteria established in our study frame.

questionnaires quickly and those that only responded when the questionnaire was sent to them a second time, and no significant differences were found as to the general descriptive characteristics.

The questionnaire included three basic parts. The first one consisted of questions mainly related to the company's corporate and competitive strategies in the two distinct periods, 2008-2013 and 2014-2016. For this we asked them to rate the degree of relevance for each strategic action in each period using a score of 1 for, "not relevant at all", to 5, for "key action" regarding their company during that period (Hambrick et al., 1993; Sánchez and Escribá-Esteve, 2010). We then asked them to select three of the strategic changes introduced that they considered to be the most significant, indicating how many years they had spent implementing them and stating approximately from which year to which year this implementation took place.

The second part referred to questions about the company's ownership and governing bodies.

The third part (section 7 and following ones) contained questions related to the management team. In this section, as proposed by Sánchez and Escribá-Esteve (2010) citing Papadakis and Barwise (2002), a definition of *management team*[4] is provided. Boeker (1997) also defined the top management team as the individuals who report directly to the CEO of the company.

Figure 3

Questionnaire design

Parts	**Questionnaire design**		
First	Strategic actions	Period 1: 2008-2013	Period 2: 2014-2016
	Speed of change	Implementation time frame (years)	First and final year
Second	Family firm *versus* non-family firm		
Third	Management teams	In 2008	From 2009

Source: Authors' compilation.

The limitations of research based on a survey are well known (Hambrick et al., 1993), and for this reason we tried to reduce these limitations by following certain steps, such as those described above, in order to improve the reliability of the responses.

[4] Where the management team consists of the General Manager and those who report to her or him and participate in key decisions affecting the company.

Figure 4

Questionnaire

Questions regarding family governance mechanisms		
Is it a majority family-owned company?		Yes ____ No ____
What family generations are currently holding top management positions?	Founder Second generation Third generation Fourth generation In-laws (spouses, brother/sister-in law) of: Founder Second generation Third generation Fourth generation	
Does your company have a family council?		Yes ____ No ____
If yes:	Since when (year)?	
Does any external family business consultant participate in the council?		Yes ____ No ____
Does your company have a family protocol?		Yes ____ No ____
If yes:	Since when (year)?	

Questions regarding firm governance mechanisms				
Does your company have a board of directors?				Yes ____ No ____
If yes:	How many members did the board of directors have in 2008			And in 2016?
Is the Board's chairperson also the general manager?				Yes ____ No ____
Please state the approximate number of Board meetings which take place each year	One	Two	Less than six	More than six
Please state the number of board members holding one of the following positions in both years:	2008		2016	
Number of shareholders which are also members of the owner family (if applicable)				
Number of non-shareholder family members (if applicable)				

Number of (non-family) shareholders or their representatives			
Number of top managers/executives			
Number of external consultants/independent directors (state below their profile)			
Law/Finance experts	Family business/governance experts	Market/Industry experts	Others

Questions regarding external support	
Does your company have an official and permanent advisory board in which external consultants participate?	Yes ____ No ____
If yes, since when (year)?	

Variables considered for the analysis of the CEO and management team within the cluster typologies:

How many people (including the general manager) made up the management team of your company in 2008?	
And at the end of 2016?	

As well as the characteristics of the management team, both CEO and top management team.

Gender		Age in 2016	
Questions regarding your personal development in the management team:			
Approx. year in which you entered the management team			
Approx. year in which you changed your management position or left the management team.			

Questions regarding area of responsibility	
Governance/Management	Production/Operations
Sales/Marketing	Human Resources/Staff
Finance/Accounting	R&D/Product Engineering
Other	

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Questions regarding qualifications		
Non-university education	University degree	
If you do hold and university degree, please state subject:		
1. Business Management/Economics	4. Engineering/Technical degree	
2. Health	5. Others	
3. Social Sciences, Law or similar		

Questions regarding family firm’s characteristics		
1. Owner	Yes ____	No ____
2. Member of the owner family	Yes ____	No ____
3. Previous management experience at another company	Yes ____	No ____
4. Key person in strategic decisions	Yes ____	No ____
Have there been any new recruitments in the management team since 2009?	Yes ____ (answer next question)	No ____ (end of the questionnaire)
Please characterize any new management team members since 2009 (using the same variables as above).		

Variables considered in the analysis of the strategic behavior of the clusters of types of family firms over the last 10 years

Here, we were interested in finding out which strategic actions were carried out by companies to face the challenges and environmental conditions in each of the two periods:

- Period 1. During the international financial crisis (2008 to 2013).
- Period 2. The most recent period (2014 to 2016).

Table 11

Repertoire of strategic actions considered

A. Actions related to geographical markets	B. Actions related to competitive products	C. Actions related to market segmentation strategies and distribution channels	D. Arguments used by the firm to compete with other companies	E. Modes of strategic development
In each period	**P 1 (2008-2013) / P 2 (2014-2016)**	**P 1 (2008-2013) / P 2 (2014-2016)**	**P 1 (2008-2013) / P 2 (2014-2016)**	**P 1 (2008-2013) / P 2 (2014-2016)**
A.1. Consolidating its position in the markets it operates in. A.2. Withdrawal from some of the markets it was operating in. A.3. Entering new markets.	B.1. Improvement of the firm's products/services. B.2. Development and launching of new products/services into current markets. B.3. Development and launching of new products/services into new markets. B.4. Elimination of or disinvestment in products/services currently offered.	C.1. Greater focus on specific market segments. C.2. Opening up to new market segments not considered before. C.2. Using new distribution channels. C3. Withdrawal from market segments or reduction of distribution channels currently used.	D.1. Reduce costs to be more competitive and to set lower prices than competitors. D.2. Products or services with higher quality than competitors (high value added products/services and technological advantage). D.3. Provide customers with better services than competitors (better support, faster, more efficient and flexible services, customized services).	E.1. Mergers and acquisitions of other companies. E.2. Sales/settlements of assets, division of the company. E.3. Strategic alliances with other firms (joint ventures, partnerships…) E.4. Externalization of low value-added activities (outsourcing, subcontracting, offshoring…) E.5. Investment in new assets & resources (facilities, equipment and machinery, new recruitments, R&D&I programs…)

Source: Authors' compilation.

We assessed the degree of relevance given to the strategic actions carried out in both periods using a scale of 1 to 5, where 1 meant that the action was NOT RELEVANT AT ALL for the company's strategy in the period indicated; 2 meant it was SLIGHTLY relevant; 3, MODERATELY relevant; 4, VERY relevant; and 5 meant it was a KEY action in the company's strategy.

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