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Ritch L. Sorenson

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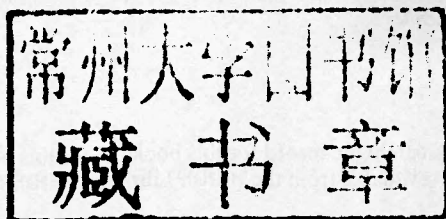


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Ritch L. Sorenson

University of St. Thomas, Minnesota, USA



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Family Business and Social Capital

Contributors

Carol J. Bruess, PhD Professor Carol Bruess has been teaching for over ten years at the University of St. Thomas, Minnesota in the Communication and Journalism department and has recently become Director of Family Studies. Professor Bruess is committed to the understanding of the communication patterns of couples and families through her research on family and couple ritual and construction of family co-culture through language and ritual. As an active researcher in the area of family communication, Professor Bruess has presented her work at dozens of national, regional, and international conferences and has published in national and international journals and professional books. Some of her co-authored works include *Contemporary Issues in Interpersonal Communication* (with Mark P. Orbe), *What Happy Couples Do*, *What Happy Parents Do*, and *What Happy Women Do* (all with Anna Kudak). In addition, she has been quoted and interviewed in a variety of national media outlets, including PBS, *The Chronicle of Higher Education*, *American Health*, *Cosmopolitan*, the *Early Show*, and a local CBS affiliate.

Jon C. Carr, PhD Dr. Jon Carr is currently an Assistant Professor of Management at the Neeley School of Business, Texas Christian University. His research interests include workplace attitudes and entrepreneurial cognition and their impact on well-being and performance. In 2001, he was a NASA-ASEE Faculty Fellow, where he worked on projects related to technology transfer, remote sensing applications, and organizational development. Dr. Carr has published research on entrepreneurship, family business, and organizational behavior in numerous journals including the *Academy of Management Journal*, *Organizational Behavior and Human Decision Processes*, *Journal of Management*, *Entrepreneurship Theory & Practice*, and the *Journal of Business Research*.

Margaret A.T. Cronin, JD Margaret Cronin obtained her Bachelor of Arts with high honors from the University of Notre Dame, Indiana and her Juris Doctor from the University of Minnesota, magna cum laude. Currently, Margaret is an attorney specializing in the representation of families of wealth, closely-held businesses, and entrepreneurs. Specifically, her practice focuses on business planning, estate and charitable planning, and cabin succession planning. Many of her clients are family enterprises,

including closely-held businesses and private charitable foundations. She works with these family enterprises at various stages of growth, from formation, partnership development, trademarks and branding to succession planning. Margaret is a qualified neutral under Rule 114 of the Minnesota General Rules of Practice for the District Courts. She is also a member of many professional organizations including the American Bar Association (Probate and Real Property, Tax Sections), the Minnesota State Bar Association (Estate Planning and Real Property Sections), the Hennepin County Bar Association and the Family Firm Institute. In addition, Margaret is presently enrolled in the Family Firm Institute's educational program to obtain Certificates in Family Business Advising and Family Wealth Advising. She is a founding member of the Board of Directors of Women Entrepreneurs of Minnesota, a member of the Board of Advisors of the University of St. Thomas Family Business Center, and a member of the University of St. Thomas Family Business Advisors Network. She is also chair of the Minnesota ND Women Connect chapter through the University of Notre Dame Alumni Association.

Sharon M. Danes, PhD Dr. Sharon Danes is a Professor in the Family Social Science Department at the University of Minnesota. In 2004, she was the Juran Faculty Scholar in the Juran Center for Leadership in Quality in the Carlson School of Management at the University of Minnesota. She has authored numerous refereed research articles, book chapters, and outreach publications emphasizing the intersection of economic and social decision-making, including at the family/business interface of family businesses. She has received over a million dollars of research and educational grants, including a recent one from the National Science Foundation. She is one of the developers of the Sustainable Family Business Theory. Short audio-streamed PowerPoint presentations and assessments of her family business work can be accessed on the Rural Minnesota Life website: www.ruralmn.umn.edu.

Kimberly Eddleston, PhD Professor Kimberly Eddleston is an Associate Professor of Entrepreneurship and Innovation at Northeastern University, Boston, where she holds the Tarica-Edwards Research Fellowship. She received her PhD from the University of Connecticut and her Master's Degree from Cornell University/Groupe ESSEC (IMHI). Professor Eddleston's research focuses on family businesses and the careers of entrepreneurs and managers. She has won multiple awards for her research including the Family Owned Business Institute Research Scholar Award, Journal of Small Business Management Best Paper Award, Emerald Citation of Excellence Award, Sage Best Dissertation Award and the Cason Hall and Publishers Best Paper Award. Her research has

appeared in journals such as the *Academy of Management Journal*, *Journal of Applied Psychology*, *Academy of Management Perspectives*, *Journal of Business Venturing*, *Entrepreneurship Theory & Practice*, *Journal of Vocational Behavior*, and *Journal of Management Studies*.

Kenneth E. Goodpaster, PhD Professor Kenneth Goodpaster earned his AB in Mathematics from the University of Notre Dame, Indiana and his AM and PhD in Philosophy from the University of Michigan. Professor Goodpaster taught graduate and undergraduate Philosophy at the University of Notre Dame throughout the 1970s before joining the Harvard Business School faculty in 1980. Currently, he is the David and Barbara Koch Endowed Chair in Business Ethics at the University of St. Thomas, Minnesota, where he has taught since 1989. He has published articles in a wide variety of professional journals, including the *Journal of Philosophy*, *Ethics*, *Environmental Ethics*, the *Journal of Business Ethics*, *Thought*, *Business Ethics Quarterly*, and the *Harvard Business Review*. His latest book is *Conscience and Corporate Culture*.

Katherine Hayes Katherine Hayes graduated from Carleton College, Minnesota in 1992 with a BA in Studio Art and is currently enrolled in the University of St. Thomas Minnesota Evening MBA program. She is a fifth-generation member of the Andersen Windows family. In 1996 Katherine's family formed an independent family office called HRK Group Inc., and in 1997 the members of HRK Group Inc. sold their ownership of Andersen Windows. HRK is a full-service family office comprising an investment partnership, a private trust company, and a private foundation. Katherine has served as the Portfolio Manager since 1998, participating in oversight of investment managers, tracking and rebalancing the portfolio, and long-range financial and estate planning for HRK clients. Katherine also serves as the HRK Trust Company Board chair. Before joining the staff at HRK, she worked as a metalsmith and jewelry designer. Katherine has served on numerous boards including the HRK Foundation Board, the Artspace Projects Board, and the Merce Cunningham Dance Foundation Board.

Tom Hubler Tom Hubler began his family business consulting practice in 1980. He integrates the notion of spirit in his work with family businesses and assists family business clients with succession planning, leadership development, business planning, board development, and wealth preparation planning. In addition to consulting, Tom has served as a professional in residence at the University of St. Thomas, Minnesota and served on the advisory board for the Family Business Center at the University of St. Thomas for ten years. Tom has worked as an adjunct instructor at the

University of St. Thomas where he co-taught a class on Family Business Management for ten years. He is also a founding member and Fellow of the Family Firm Institute (FFI) in Boston. Additionally, he serves as a member of the editorial board of the *Family Business Review*, and has authored articles on success strategies for family-owned businesses and has been widely quoted in publications such as *The New York Times*, *The Wall Street Journal*, *Business Week*, *Corporate Report*, *Nation's Business*, *Inc.*, and the *Minneapolis Star Tribune*. Tom is a frequent guest on the *NBC Weekend Today Show* and a periodic participant on Minnesota Public Radio's *Midmorning* and *Midday* programs. Tom also writes a bi-monthly column that appears in *Minnesota Business Magazine* and is the founder of the Minnesota Family Business of the Year Award, now in its third year of celebrating family business.

Terri McEnaney Terri McEnaney is the President of Bailey Nurseries, Inc., a family business started in 1905. Currently there are seven fourth-generation family members active in the business and two third-generation members act in advisory roles leading the Board of Directors. After graduating from the University of St. Thomas, Minnesota she worked for over eight years at 3M in accounting. The remainder of her career has been spent at her family's business in management positions. She has served as President since 2001.

William (Bill) Monson Bill Monson is the president of iManage, a consulting practice helping executive and owner teams manage alignment in their corporate strategies, structures, systems, and execution. iManage clarifies and speeds up how corporate leaders help each other learn to reinvent their management processes to improve the performance of their organization as a whole. Bill is also a member of the Board of Directors for Family Enterprise USA. Previously, Bill was the director of the Family Business Center at the University of St. Thomas. His job was to take innovative ideas in family enterprise and translate them into practice. Before leading the Family Business Center, Bill directed the university's Executive MBA program for 16 years. The distinctive positioning of that program was to help mid-life, experienced managers hone their capabilities to run an organization and to optimize the whole system rather than their function. He was also Associate Dean of Graduate Programs in Management at the College of St. Thomas during the start-up phase of its evening MBA program and Manager of Corporate Management Development at Medtronic.

Allison W. Pearson, PhD Dr. Allison Pearson is a Giles Professor of Management in the College of Business at Mississippi State University. She is also a Grisham Master Teacher and received the MSU Alumni

Association Graduate Level Teaching Award. She received her PhD in Organizational Behavior from Auburn University, Alabama. Dr. Pearson utilizes her background in organizational behavior to research team dynamics and individual differences in business organizations. Her research has been published in a variety of scholarly outlets including *Journal of Applied Psychology*, *Journal of Management*, *Decision Sciences*, *Entrepreneurship Theory & Practice*, *Journal of Organizational Behavior*, *Journal of Business Venturing*, *Journal of Business Research*, and *Family Business Review*. Her work has also been featured in *Worth Magazine* and on the *NBC Today Show*. She currently serves on the editorial board of four journals, including *Family Business Review* and *Entrepreneurship Theory & Practice*. She was selected as Entrepreneurship Research Exemplars by The Academy of Management and The Connecticut Center for Entrepreneurship & Innovation in 2009. She received the 2009 Best Reviewer award for *Entrepreneurship Theory & Practice*. She was named the Richard C. Adkerson Notable Scholar in the College of Business in 2009. In addition, she serves at the Vice-President for the Family Enterprise Research Conference (FERC), a global organization designed to bring together researchers to share research ideas to advance family firms. In 2009, Dr. Pearson was awarded the FERC Distinguished Service Award. She also serves on the MSU Entrepreneurship Center advisory board and is a founding fellow of MSU's Center of Family Enterprise Research.

Angela Pritchard Angela Pritchard serves as the Business Manager in the Fleet Division of Pritchard Family Auto Stores, representing the fifth generation of her family's owned and operated company. Upon joining her family's tradition in the automotive industry, Angela's personal goal was to expand a division within the company in order to diversify, and ultimately strengthen, the foundation on which the company stands. The company has always generated a steady amount of sales within the Fleet Division, and Angela was directed to capitalize on the opportunities available within their market. Since joining the family business full-time in 2007, she has assisted in landing and maintaining their largest fleet account. She has also diversified the services provided within their Fleet Division to include not only Fleet Sales, but also Fleet Management. Angela has also participated in obtaining the company's inaugural government contract through the General Services Administration in Washington, DC to further their national government presence.

Teresa J. Rothausen, PhD Dr. Rothausen holds a PhD in Human Resources and Industrial Relations with specialties in staffing, training, and development and organizational behavior/organization theory from the University of Minnesota; a BA in Economics from St. Olaf College,

Minnesota; and a CPA. She is Professor of Management at the Opus College of Business at the University of St. Thomas, Minnesota. She is the founding director of the full-time MBA program and currently has primary responsibility as Leader Development Professor in this program. She teaches, conducts research, and consults on leadership; job satisfaction; retention; human resource management; and diversity, cross-cultural, and career management with Fortune 100 companies, small- and mid-sized businesses, and not-for-profit organizations. Prior to joining UST in 1998, she was an Assistant Professor of Management at Texas A&M University and worked at Arthur Andersen & Co. She is the author of several articles and book chapters, one of which was nominated for the Rosabeth Moss Kanter International Award for Excellence in Work-Family Research given by Purdue University and Boston College, and another of which was runner-up for best article of 2009 in *Family Business Review*. In addition to scholarship, she writes guest columns for the *Minneapolis Star Tribune* and articles for practitioner journals.

Sylvia Shepard Sylvia Shepard is a fifth-generation member of the Smith family, which has owned Menasha Corporation, a Wisconsin-based manufacturing company, for 160 years. While serving on the Menasha Corporation Foundation board she was introduced to the idea of family governance. Over the past ten years Sylvia has been the driving force behind the development of family governance within the Smith family, beginning with the founding of a family council seven years ago. She is still active on the Smith family council, presently serving as its chair. Sylvia recently completed her MBA from Babson where she studied family entrepreneurship with Tim Habbershon, and in October, was awarded her certification as a family business advisor from the Family Firm Institute. Sylvia also holds a Master's in Psychiatric Occupational Therapy from Columbia University, New York and a BA from Smith College, Massachusetts. She spent 25 years in college textbook publishing as an editor at McGraw-Hill and then in a freelance capacity. She is the executive director of the Jane and Tad Shepard Family Foundation.

Trina S. Smith, PhD Trina Smith currently works as the research manager for the Family Business Center at the University of St. Thomas, Minnesota. She completed her PhD in Sociology at the University of Minnesota and her BA in Sociology and Psychology at the University of Nebraska. Her dissertation assessed how international non-governmental organizations work on gender and family issues. Trina and co-authors have published a chapter titled, "The rise of the child as an individual in global society," in the book, *Youth, Globalization, and the Law*. She worked as a site leader in the Twin Cities for the University of Minnesota's American Mosaic

Project examining neighborhood organizations and diversity issues. She has presented her research at numerous local and national conferences. She has taught sociology courses at the University of Minnesota, Hamline University, Inver Hills Community College, and St. Olaf, Minnesota and had her teaching materials published in two American Sociological Association teaching guides. Most recently, Trina worked as an ethnographer and qualitative analyst for the market research company Smart Revenue and as an enumerator in Minneapolis for the 2010 US Census. She is also an active member of Sociologists for Women in Society, the American Sociological Association, and the Midwest Sociological Society.

Ritch L. Sorenson, PhD Dr. Ritch Sorenson is a Full Professor, the Opus Endowed Chair of Family Business at the University of St. Thomas, Minnesota and the Director for the Family Business Center. Before joining St. Thomas, Dr. Sorenson was the Trinity Company Professor of Management at Texas Tech University, where he was recognized for excellence in teaching, served as Area Coordinator for Management (Department Chair) and directed the Centers for Entrepreneurship and Family Business and Managerial Communication. Dr. Sorenson was an early pioneer in establishing a family business education. He continues to develop new courses and established a new undergraduate major in family business at the University of St. Thomas. Dr. Sorenson is an associate editor for *Family Business Review*, the premier journal in family business, and he publishes research in top management journals including *Family Business Review*, *Entrepreneurship Theory & Practice*, *Journal of Business Venturing*, *Group and Organization Studies*, *The Leadership Quarterly*, and *Academy of Management Executive*. In 2008 he developed a unique series of conferences at the University of St. Thomas about “family capital” in family business. In addition to his duties at the university, he is an active participant in many professional organizations including the Family Firm Institute, the United States Association for Small Business and Entrepreneurship, and the Academy of Management.

Kathryn Stafford, PhD Dr. Kathryn Stafford is an Associate Professor at The Ohio State University in the Department of Consumer Sciences. She teaches graduate and undergraduate courses in management theory, family business management, and quantitative methods. She has studied economic analyses of employed wives' use of resources, managerial decisions of home-based workers, and managerial practices of family business owners. For over a decade she has collaborated with members of the Family Business Research Group to collect the first panel data from a national sample of family business owners and their families. From the results, they have proposed the first holistic model of family firms,

obtained reliable estimates of economic impact of family firms, and have begun to distinguish between beneficial practices for family firms in the short and long run. Currently, she and her colleagues are analyzing the effects of natural disasters and disaster policy on the survival and success of family firms in a study funded by the National Science Foundation. She has published in professional journals and her research has been featured in the *Wall Street Journal*, *Time*, and *Newsweek*.

An appreciation

Ritch L. Sorenson, PhD, the Editor

Ritch L. Sorenson and his family were third-generation owners of a bank. When the family patriarch and only family member employed at the bank passed away, the family decided to sell the business. During this time of transition in the family business, Ritch had just completed his PhD at Purdue University, Indiana and was an Assistant Professor in Organizational Communication at Iowa State University.

Currently, Ritch is Full Professor and the Opus Endowed Chair of Family Business at the University of St. Thomas, Minnesota, where he is the Director for the Family Business Center. Before joining St. Thomas, Ritch was the Trinity Company Professor of Management at Texas Tech University, where he was recognized for excellence in teaching, served as Area Coordinator for Management (Department Chair) and directed the Center for Managerial Communication and the Center for Entrepreneurship and Family Business. At Texas Tech, Ritch was an early mover in establishing a family business emphasis in management. At the University of St. Thomas, he developed a major in family business.

Ritch is an active researcher in family business and former associate editor for *Family Business Review*. He has conducted two national surveys in family business. His research interests include family business, leadership, conflict management, entrepreneurship, and organizational communication. His research has been published in journals such as *Family Business Review*, *Entrepreneurship Theory & Practice*, *Journal of Business Venturing*, *Group and Organization Studies*, *The Leadership Quarterly*, *Academy of Management Learning and Education*, and *Academy of Management Executive*. Ritch has received research awards and recognitions from the Academy of Management, Family Firm Institute, United States Association for Small Business and Entrepreneurship, and Western Academy of Management.

Ritch has served as the Program Chair and Chair for the Family Business Interest Group of the United States Association for Small Business and Entrepreneurship. He was Chair of a research symposium and editor for proceedings at the Family Firm Institute. Ritch has also

served in various service capacities for a variety of professional organizations including the Academy of Management.

In October of 2008, Ritch orchestrated the development of the first multi-stakeholder conference at the University of St. Thomas. The focus of that conference was Family Capital, Family Business, and Free Enterprise. Papers from that conference appeared in the fall 2009 issue of *Family Business Review*. This book contains papers and proceedings of the second multi-stakeholder conference focused on Social Capital in Family Business.

Trina Smith, PhD, Managing Editor

Trina Smith has a PhD in sociology and editing experience, which helped prepare her to be the Managing Editor for this book. As a Managing Editor, she corresponded with authors, organized and arranged content, obtained and edited biographies, consulted with the Editor about organization and development of the book, edited and organized endnotes, and interacted with the publisher. Trina's academic training enabled her to provide editorial feedback and guidance to help develop practitioner papers, to provide developmental feedback to the editor, to develop helpful summaries of transcripts from conference dialogues and breakout groups, and to write introductions for sections in the book. She has done all of these things with diligence and care, and deserves much credit for the completion of this book.

Preface

Family capital distinguishes family from other forms of business. Family capital includes human, financial, and social capital. Together, these three forms of capital account for a significant portion of family firm performance.¹ "Of the three types of family capital, family social capital best distinguishes family from non-family businesses . . . family social capital cannot be hired or imported; it exists within family relationships."² Any firm can secure financial and human resources outside the family. However, family social capital is available only in the family.

These comments were written in the introduction to a special issue of *Family Business Review* devoted to family capital. The source of the special issue was the first Conference on Family Capital, Family Business, and Free Enterprise sponsored by the Family Business Center at the University of St. Thomas, Minnesota.

In that conference and associated publications, it became clear that social relationships in families can be a form of capital or a liability to a business. When families have trust and work together well, relationships can be an asset. When they distrust one another and have considerable contention, family relationships can be a liability. The purpose of the second conference and this book is to examine business families through the lens of social capital to better understand how they build trusting, cooperative relationships that can be a source of capital for the business.

Thus, this second multi-stakeholder conference sponsored by the St. Thomas Family Business Center examined social capital in family business. The stakeholders who participated in the structured dialogue were family business scholars, family business owners, and advisors to family businesses.

The purpose of this book is to increase our understanding of social capital as it relates to business families in ways that can be understood and applied by practitioners. A structured dialogue process was used in developing the content of this book. As a result of the conference, scholars better understand whether and how social capital concepts apply to family businesses. They can ground theory, research, and teaching in the experience and perspectives of family business owners and advisors. Owners

and advisors develop a working understanding of social capital language and concepts that can be helpful in their practice. As a result of common understanding that is developed, scholars, owners, and advisors in different occupations and disciplines better understand one another.

Structured dialogue has been used in a variety of contexts to help multiple stakeholders understand and act on complex issues and problems. The rationale, foundation, and approach for the structured dialogue process used in the conference are described in more detail in Appendix B. Briefly, the process is described below.

First, scholars from a variety of disciplines were asked to write papers and give short presentations summarizing their papers at a multi-stakeholder conference. To provide a diversity of perspectives, scholars from a variety of disciplines were invited to participate, including family business, family communication, family social science, entrepreneurship, management, ethics, organizational behavior, human resources, and consumer sciences.

Second, family business owners and advisors from a variety of backgrounds were invited to read the papers, attend the conference, listen to presentations, and join in dialogue with the scholars about the elements of social capital. Family business owners represented a variety of industries including construction, manufacturing, agriculture, financial investment, sales, and service. Advisors had expertise in law, family systems, family office, and team development. Because their input was so important to this book, their biographies are included in Appendix A.

Third, the structured dialogue occurred in three two-hour sessions. At the beginning of each session, scholars gave two short presentations about social capital in family business. Following the presentations all participants joined in dialogue. The dialogue was structured so that all had an opportunity to participate. Each individual was given a block of wood with their name attached. To make a comment, the individual placed the block of wood on its end. A facilitator called on individuals for comment following the order in which blocks were set upright. An exception to the order could be made if someone had a comment relevant to the comment made by someone else.

Fourth, because each two-hour session was focused on a topic related to family social capital, participants developed a common body of knowledge about social capital. Before the second and third forum sessions started, participants were given a summary of the previous session.

Fifth, following the conference, selected practitioners at the conference were invited to write a commentary that applied social capital concepts from selected conference papers to their family firm or practice. This gave them the opportunity to look at their business or practice through the lens

of social capital. These papers add contextual richness to our understanding of social capital in family business.

Sixth, the dialogue that occurred during the conference was recorded. Transcripts of the conference audiotapes were made. Summaries organized around common themes were written from the transcripts, including quotations from individuals.

Seventh, an extended introductory paper was written, illustrating social capital concepts. The illustrations were drawn from the papers or comments made by conference participants. This paper titled "Social capital in family business" appears as Chapter 1 after a brief introduction to the book.

The summary and conclusion for the book (Chapter 18) reviews the basic elements of social capital that were discussed during the conference and suggests how these concepts apply to business families, which provides insights into the nature of *family* social capital. Finally, recommendations (Chapter 19) were drawn from a discussion led by a facilitator that synthesized what had been said during the conference and final comments given by the stakeholders at the conference.

NOTES

1. Danes et al. (2009a).
2. Sorenson and Bierman (2009, p. 193).