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FINANCIAL MANAGEMENT OF FAMILY COMPANIES

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ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΩΣ
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(περιλαμβάνεται ως ξεχωριστή (δεύτερη) σελίδα στο σώμα της διπλωματικής εργασίας)

«Δηλώνω υπεύθυνα ότι η διπλωματική εργασία για τη λήψη του μεταπτυχιακού τίτλου σπουδών, του Πανεπιστημίου Πειραιώς, στη Διοίκηση Επιχειρήσεων για Στελέχη : E-MBA» με τίτλο FINANCIAL MANAGEMENT OF FAMILY COMPANIES ………………………………………………………………………… έχει συγγραφεί από εμένα αποκλειστικά και στο σύνολό της. Δεν έχει υποβληθεί ούτε έχει εγκριθεί στο πλαίσιο κάποιου άλλου μεταπτυχιακού προγράμματος ή προπτυχιακού τίτλου σπουδών, στην Ελλάδα ή στο εξωτερικό, ούτε είναι εργασία ή τμήμα εργασίας ακαδημαϊκού ή επαγγελματικού χαρακτήρα.

Δηλώνω επίσης υπεύθυνα ότι οι πηγές στις οποίες ανέτρεξα για την εκπόνηση της συγκεκριμένης εργασίας, αναφέρονται στο σύνολό τους, κάνοντας πλήρη αναφορά στους συγγραφείς, τον εκδοτικό οίκο ή το περιοδικό, συμπεριλαμβανομένων και των πηγών που ενδεχομένως χρησιμοποιήθηκαν από το διαδίκτυο. Παράβαση της ανωτέρω ακαδημαϊκής μου ευθύνης αποτελεί ουσιώδη λόγο για την ανάκληση του πτυχίου μου».

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Αφιερώνεται στην αδερφή μου,

στον Θάνο,

και σε όλους εκείνους

που στάθηκαν στήριγμα

κατά τη διάρκεια των σπουδών μου

…..σας ευχαριστώ για όλα.

ΕΥΧΑΡΙΣΤΙΕΣ

Για την εκπόνηση της παρούσας διπλωματικής εργασίας θα ήθελα να ευχαριστήσω την οικογένεια μου, και όλους τους ανθρώπους που στήριξαν την προσπάθεια μου και χωρίς την συμβολή τους η ολοκλήρωσή της δεν θα ήταν δυνατή.

Στην συνέχεια θα ήθελα να ευχαριστήσω τον επιβλέποντα καθηγητή της παρούσας εργασίας, κύριο Παναγιώτη Αρτίκη, για την καθοδήγηση και την υποστήριξη κατά την συγγραφή της παρούσας διπλωματικής εργασίας, αλλά και για την συμβολή του στην εκπαιδευτική και προσωπική μου εξέλιξη, στην διάρκεια των μεταπτυχιακών σπουδών μου.

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CONTENTS

ABSTRACT

Key words: family business, three-circle business model, family corporate governance, family council, succession plan

Family businesses are the largest, steadily expanding and the most prevailing and successful firms across countries. Their form is out-of-the-ordinary and needs special management and treatment. First of all, the purpose of this master thesis is to present thorough analysis of the family business complexity and figure it out providing special handling methods for smooth business operations and relationships. Afterwards, succession plan, which is a burning issue, is studied and outlined, in order to analyze and implement the appropriate methodology in order to proceed to family firm succession selecting the most appropriate and qualified candidates to take on the leadership.

The structure of this master thesis is composed of 4 chapters:

In the first chapter, the family business present situation is analyzed through illustrating the family-owners confidence about the future the greatest challenges with which they must handle and their perspectives about the future.

The second chapter includes the analysis of two-circle business model and three-circle business model and the description of ownership, family and business developmental stages.

In the third chapter, the family business corporate governance is presented highlighting the significance of the inheritance of family values and the contribution of family councils and board of advisors in the family business. Moreover, the societal environment and PEST LE environment is analyzed in case of family organizations.

In the last part, succession process is constructed and implemented in a case study in order to emphasize the significance of being prepared and planning.

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1 INTRODUCTION

1.1 FINANCIAL MANAGEMENT FOR FAMILY-OWNED BUSINESSES (FOBS)

Family-owned businesses are equivalent to 60 to 80 percent of all worldwide business enterprises that are owned and managed by families in the conservative economies. They have a remarkable and out of the ordinary form which is difficult to understand and manage due to their enormous complexity. FOBs are the largest and most steadily expanding companies ending up to be the most prevailing and successful firms across countries. Conversely, there are many family businesses that stand still and never succeed in expanding or being passed from generation to generation. The European family businesses include small and medium sized companies which are weighty firms in most countries. In Asia, the model of family control diversifies in accordance with its nations and cultures.

According to an academic study, China has a few that have at least one hundred years of history, because of its disparate family system and culture. The traditional Chinese inheritance is dominated by patrilinear equal principles. In this equal inheritance system, family property is distributed more or less equally among sons, while daughters are excluded. Chinese companies are usually passed on to male family members, usually the eldest son of the family. This is still a common feature of Chinese family business-ownership succession. Chau wrote that “the tradition of coparcenary is alive and well-perpetuated”, but it is potentially damaging to the family business. (Xing 2018) In Chinese families, there is no business and people diversity and the absence of professional consultants to support the business operations make the Chinese family businesses decrease. Therefore, outsourcing consultants contribute to broadening of their business horizons, and perhaps being more agreeable to construct succession business plan and achieve to exceed the present existing 100 years business life cycle. They should follow the suit of Jewish, Japanese, American and European families. (Yiu 2017) Arguing over the succession of the family business is commonplace for FOBs globally, even for Chinese FOBs. Not only family members should manage the business, but also non-FOBs professionals should be enlisted and participate in the operations of the firm and support decision-making process. Whoever contributes to the family business operations is being influenced, especially among family members due to intimacy, emotions and non-business conflicts which can lead against their business relationship. Because of the form of family business, the special business management and treatment is necessary so that family roles not to be confused with the business roles. If the chairman happens to be father of the family, business communication will be completely different. Familiarity among the members will be deteriorating business operation and decision-making process, even more when family members disagree. It is essential to maintain the FOB's wealth and sustainability and the family health, as well; family members should have the same qualified level with other members and be equally hard workers like the non-family member employees. If the business is passed to the next under-skilled generation, this will erode the business credibility. The skilled staff will abandon the business; consequently the family business will lead to business and family destruction, too. (Gersick, et al. 1997)

FOBs adhere to accurate and rigorous managing and as a result they achieve to exceed the performance of non-FOBs. More particularly, the research conducted by N. Kachaner, G. Stalk, A. Bloch and S.Mignon on measuring the FOB performance, demonstrates that the FOBs do not earn as much money as companies with non-family members and ownership. Conversely, when there is economic plunge the family firms surpass the performance of non-FOBs. The following research compiled a list of 149 publicly traded, family-controlled businesses with revenues of more than $1 billion and included the following countries; the United States, Canada, France, Spain, Portugal, Italy, Mexico. They have created a comparison group of similar in size companies from the same countries and sectors, but not family controlled, for research needs. In the business cycle from 1997 to 2009, it can be noted that the average non-FOBs faced sharp alterations, when the economy was in collapse or recession. FOBs implement different strategic choices and plans in contrast to non-FOBs. Because of targeting in the long-term, 10-or 20-year horizon, they are reluctant to their actions in order not to affect negatively their business progression and this future-oriented tactic is transmitted from generation to generation. Their flexibility leads them to be cautious in their strategic choices in good times to adapt and survive during economy turnarounds. This is due to the fact that their flexibility makes them respond to the downsides of economy in an optimal manner than the most non-family corporations.

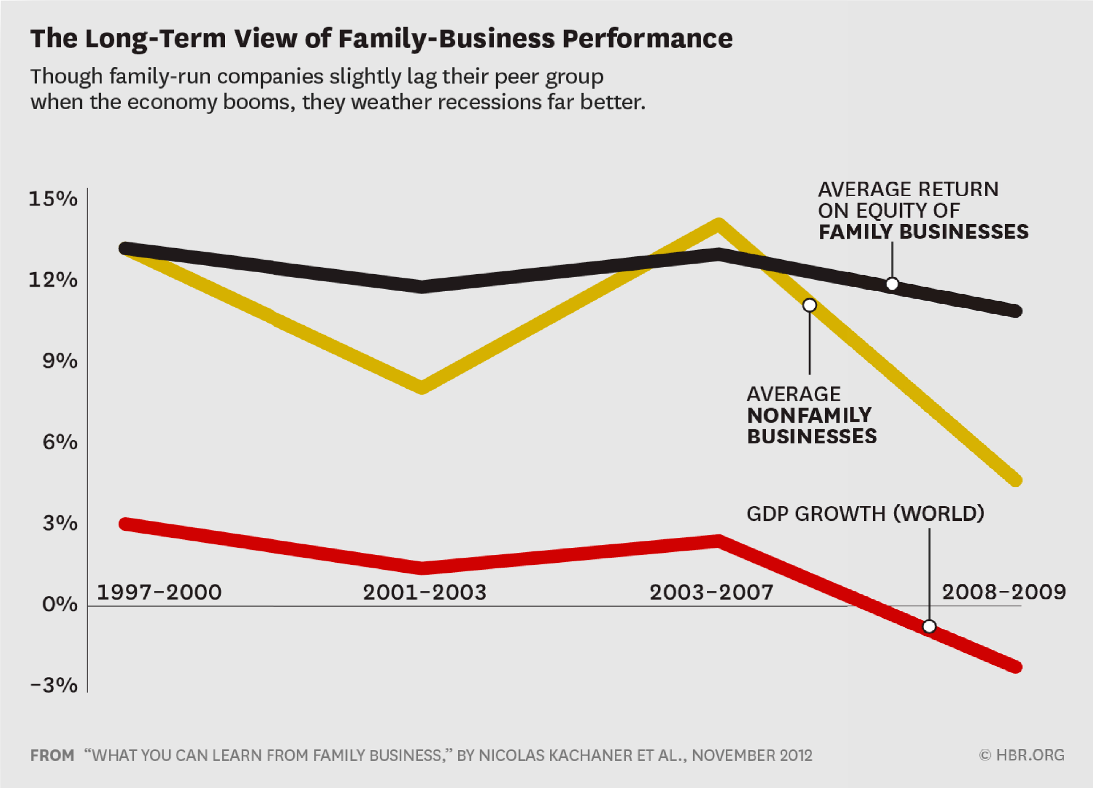


Chart 1 The Long-Term View of Family-Business Performance, (Kachaner, Stalk and Bloch 2012)

The FOBs resilience and sustainability through tough economic times, urges the non-FOBs with scattered ownership to pursue similar strategies of those family firms. For instance, Nestle, which is one of the world four food giants, operates like a family business while it is not. It adheres to the "golden rules of family firms". During the economic growth 1997-1999, it under achieves the non-FOBs performance, but it exceeds further the ones during the financial crisis in 2003-2007. They are prudent to their actions in order to weather when finances are under pressure. Some CEOs in FOBs claim that the money they earn is those which they do not spend. They operate under the belief that "the company's money is the family's money" and accomplish to control their expenses. As a result, they cultivate "a lean cost structure" in order to have an increasingly improved financial sustainability. The importance of constructing the business financial model is remarkable in order to identify insourcing essential activities and what can be outsourced to keep the fixed and variable costs under control. Fixed cost is the organization cost such as administrative cost, marketing cost and the cost of certain staff. (Coetzee n.d.) This needs due attention in adequate plan in order to avoid bringing the wrong people in the company, causing disruption to the organization or thoughtless expenditure. They operate under one of the golden rules that “we do not spend more than we earn”, unlike the executives who are not the owners. Therefore, maintaining the fixed costs as low as possible creates an adaptable organization which will find the way to move forward strategically. Consequently, the strategic financial plan contributes to financial reorganizing, business sustainability and successfully take-off. On account of this, family enterprises construct and apply the strategic plan analyzed; they do not ramble their employees to avoid massive layoffs. They hire the suitable talented staff which fits to job positions and responsibilities of the firm.

Furthermore, they concentrate on projects with an adequate return on investment and sometimes they lose opportunities to expand during economic welfare, but they survive in difficult economic crisis. Regarding the FOBs’ financial leverage, FOBs carry the debt in lowness and restrict the financial leverage. The family-controlled firms consider debts as a reckless action which puts the business at risk. It is studied that during 2001-2009, FOBs carried debt which is estimated at 37 percent on average of their capital, in contrast to non-FOBs at 47 percent of their capital. Therefore, the family did not have to handle financial requirements. One executive from family firm stated that family organizations are used to maintaining most of the cash in the firm and not depending on banks which could interfere in business operations. As proof, Nestle debt reaches 35 percent on average of its capitalization rather than 47 percent of its competitors.

One more key hallmark of FOBs is that they are reluctant in large business acquisitions due to high risks but sometimes high risks are related to high profits. However, FOBs would rather organic growth and partnerships or joint ventures than mergers and acquisitions. The organic growth takes years and decades and double the size of the company, but it is not so risky. Acquisitions are about businesses with relevant activity and culture, so there is danger of integration risk, which is a difficult task for these two companies. Furthermore, the corporate cultures of potential partners are so dissimilar and this acquisition transaction may fail. Consequently, they are favored of smaller acquisitions with similar activity and culture and boost in one or more potential markets from its original location. This is related to firms that cannot broaden their business activities maintaining their present location, but they believe that their products and services may be appealing to consumers in other markets. The acquisitions correspond to just 2 percent of the revenues each year for FOBs and only 3,7 percent for non-FOBs. The HR director of a leading family-owned luxury goods company claimed that FOBs do not prefer big acquisitions due to high integration risk, if they invest in wrong timing just before an economic downturn which may have negative implications to the business. In case of Nestle, it depends less in acquisitions and their revenues worth an average of 3.9 percent, versus an average of 7,8 percent of its competitors. Nestle is also the most diversified of the world's food giants, with regard to the geographical location, as 67 percent of its sales derive from outside home region, while 56 percent for its competitors and the product line ranges from pet food to beverages and from confectionary to pharmaceuticals. Diversification protects family and business in case of unexpected If the one industry faces a downhill, businesses in other industries can thrive and generate funds that motivate the company to future investments while the undifferentiated competitors are withdrawing. Michelin and Walmart are not diversified companies and maintain their focal point on the main business activities. On the contrary, the family businesses such as Cargill, Koch Industries, Tata and LG are more diversified than the average corporations. It is demonstrated that FOBs' revenues, on average almost 49 percent, evolve from outside the home region versus 45 percent of revenues at non-FOBs which lead to deducing that the FOBs are more international. As stated before, the FOBs are growing organically or through frugal small acquisitions without irresponsible capital expenditures. Organic growth demanded twice as long as being aspirational and persistent to the overseas boost.

What differentiates the family-run businesses is the high percentage of workforce retention. The family business leaders invest in the manpower by building a solid culture, within the employees with their co-workers, motivating them in taking part in decision making. The FOB are considered to be a "high reliability organization" because it is an organization that succeeds in recognizing and avoiding failures in an environment where normal accidents can be expected due to risk factors and complexity. (Lekka 2011) The FOBs manage the unpredictable in the way of the HRO, while their sensitivity and mindfulness strengthen their reaction to every sign that some kind of change or danger is approaching. As proved, the FOBs are reluctant to expand during economy thrive in order to steel themselves to survive during economy downturns. Their flexibility to deal with the change enables them to achieve and maintain their excellent safety records. In FOBs, the teams of specialists develop efficient team dynamics and build a collaborative mind-set which helps them to accomplish their goals. Some CEOs, in family firms, stated that the business has not the cleverest employees, but they know their responsibilities and job, being capable to respond to any difficult problem which might be occurred. The FOBs always invest in their employees and create a high level of commitment. They do not hire manpower uncontrollably when the economy goes up, to avoid massive layoffs during economy's turndowns. Family firms are not used to dismissing workforce to achieve the highest level of workforce retention comparatively with non-FOBs. The executives of family-controlled companies realize and accept the missing opportunities because of their meticulous attention to their actions, but they bring about high returns when the economy changes from good to bad. Family business is considered to be a role model which is imitated by non-family firms owing to their resilience to the upcoming changes and their survival achievements in economy bad times sacrificing great expansion opportunities and returns in good times. (Kachaner, Stalk and Bloch 2012) (Coutu 2003) (Wikipedia n.d.)

1.2 FAMILY BUSINESS IN THE CURRENT SITUATION IN EUROPE

1.2.1 CONFIDENCE AND POSITIVE OUTLOOK FOR THE FUTURE

Family businesses, which are considered to be “Europe’s economic backbone”, contribute for the European economy growth, and more than 14 million family businesses provide 60 million private sector jobs throughout Europe. According to the European Commission, 3/5 of the European companies are family businesses. They consist of small businesses to large international enterprises listed or unlisted. They possess a prominent position in the European Union economy and embody 40 or 50 percent of all jobs. Approximately, they represent 55-90 percent of all businesses. Over 54 percent of respondents said that they have increased their staff complement over the past year, compared to 41 percent in 2017. They highlighted significant contribution of government in order to foster their success. Despite the recession, occurred by the debt crisis, 71 percent of all family businesses unleashed their confidence of their family business growth and their optimism for the future. 57 percent of respondents underlined that they gathered momentum in annual turnover, 27 percent referred to stable level, while only 13 percent observed decrease. The highest turnover increase level recorded in Netherlands (73 percent), in Austria (71 percent) and the UK (70 percent). Increased demand, favorable competitive landscapes, innovation and investment entails the success and the aforesaid raised turnover. Moreover, new products and services introduction (23 percent), strong sales techniques (16 percent), intelligent marketing (10.5 percent), effective internal operations (14 percent) and new pricing policy (7.5 percent) are considered to be fundamental factors for their business evolution. Taking into account the previous economic data, the family business owners are future-oriented, seeking new opportunities for expanding their success, reinvesting their profits and growing their workforce in a war of searching for talents. The proficient workforce competition is considered to be the greatest challenge, while economic conditions are getting improved constantly, and the average unemployment rate in Europe has been declined by 9 percent. Continuous innovation, new products and services development as well as good customer service will lead to promising positive outlook for their future progression. As indicated, the European family business owners relished even more economic growth and political stability, which contributed to their positive outlook, and increasing confidence about the future. Furthermore, the confidence results from continuous success, continuous response to environmental challenges, new opportunities and innovation pursuit. J. Lavender, Global Chairman at KPMG Enterprise described family businesses as resistant the last 5 years, which illustrated by stable positive results and their future perspectives.

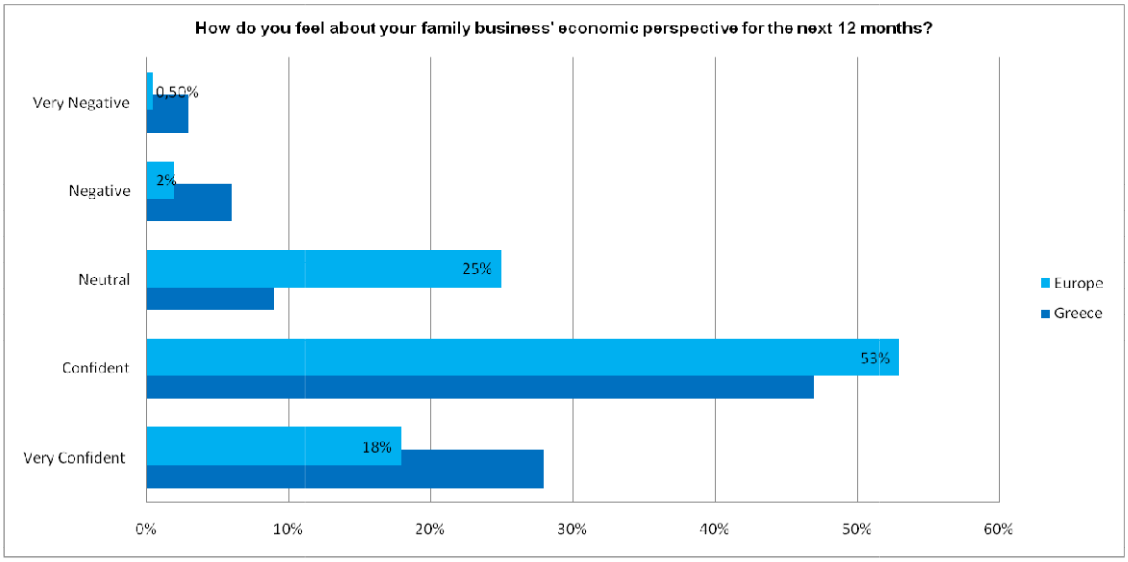


Chart 2 Economic Perspectives of Family businesses, (KPMG 2017)

As it emerges from KPMG research around Europe for Family Businesses, 18 percent declared strongly optimistic for their family business economic outlook for the next 12 months, particularly 28 percent in Greece. 53 percent of respondents sensed confident about their business economic perspective, specifically 47 percent in Greece. One-quarter remained neutral for their business prospect and 9 percent of Greek Family business owners were indifferent. Only 2 percent had negative business attitude and only three fifths in Greece data. The strongly negative percent reached 5 percent and only 3 percent had the same viewpoint in Greece. The above economic data mentioned, has grievously and steadily improved over the last 5 years. Regarding the profit reinvestment, business infrastructure, manufacturing and marketing are the top spending priorities which recorded in the UK and the Netherlands. 28 percent of respondents had as priority human resources reinvestment through hiring and employee education, which already applied in German and the Netherland. The willingness of family business-owners to redeem their loans and increase their savings is remarkable. The remaining 7 percent claimed that its aim is to divide the profits to shareholders. It is proved that European family businesses are the source of creating new job opportunities, which is reflected by 44.7 percent plan hiring in order to raise employee levels over the coming year. The rest 39 percent intended to sustain the employee levels. (KPMG 2017)

1.2.2 HANDLING WITH CURRENT CRUCIAL CHALLENGES

Evangelos Apostolakis, Deputy Senior Partner in KPMG Greece, advocates that the most difficult challenge for family businesses is to seek for and identify talents. However, current Greek Family Businesses suffer from high taxation and cash flow problems, occasioned by devastating economic crisis.

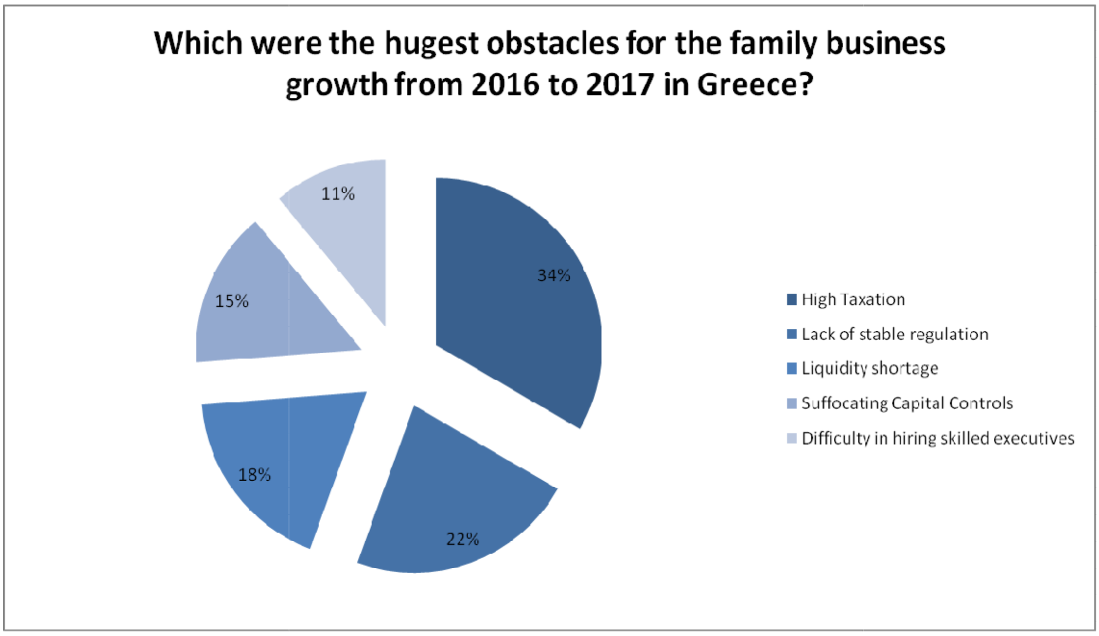


Chart 3 Hugest Obstacles for Family Businesses, (KPMG 2017)

The main concerns of family business owners incorporate higher and higher competition and profit decrease. In the case of Greece, the hugest obstacles for the family business growth from 2016 to 2017 were high taxation as 75 percent answered, lack of stable tax regulation (50 percent) , liquidity shortage (41 percent) , suffocating capital controls (34 percent), and the difficulty in hiring skilled executives (25 percent). The unemployment rates have been reduced substantially; consequently family businesses are confronted with hiring and retaining talented manpower. Based on KPMG survey, 43 percent of respondents indicated that the “war for talents” is their biggest concern which they have to handle. According to 32 percent of respondents claimed that the labor availability along with increasing cost put family businesses under pressure. Family businesses maintain their employee rates stable and they do not proceed to redundancies, while other businesses are not familiar with this policy. The family business dedication to the employees and their training investment are parts of family corporate culture, as a consequence job seekers find it really appealing. As a result of this policy, 41 percent of family organizations claimed for more flexible labor market regulations as one of the top two changes that would boost the growth prospects of their business. Eric Thouvenel, Head of Family Business, KPMG Enterprise in France, advocates that an “intrapreneurship” culture in family businesses would lead to attract and maintain new talents which contribute to develop new internal projects and business entire success.

KPMG survey in 2017 examined the main concerns for the family business nowadays. A major challenge is the war for talent/ recruiting skilled staff as 43 percent stated (Greece 28 percent) for a family corporate today. The following equally important issue is the increased competition as 37 percent selected (Greece 19 percent). Declining profitability, which is fundamental factor for their business sustainability; strongly worry 36 percent of family business owners (Greece 28 percent), attributed to increasing labor cost and the competition. The increased labor cost and the cost investment which have a great impact on the business profits, burden 32 percent of family business owners. (Greece 6 percent) Therefore, they call for more flexible regulations in the labor market. One more crucial issue which prevents 30 percent of family businesses from stability (Greece 53 percent) is the political uncertainties. Political concerns especially arise in the UK, where fear dominates about the Brexit impact in Euro and British pound. Consequently, the British pound value variances might cause currency instability and important market concerns.

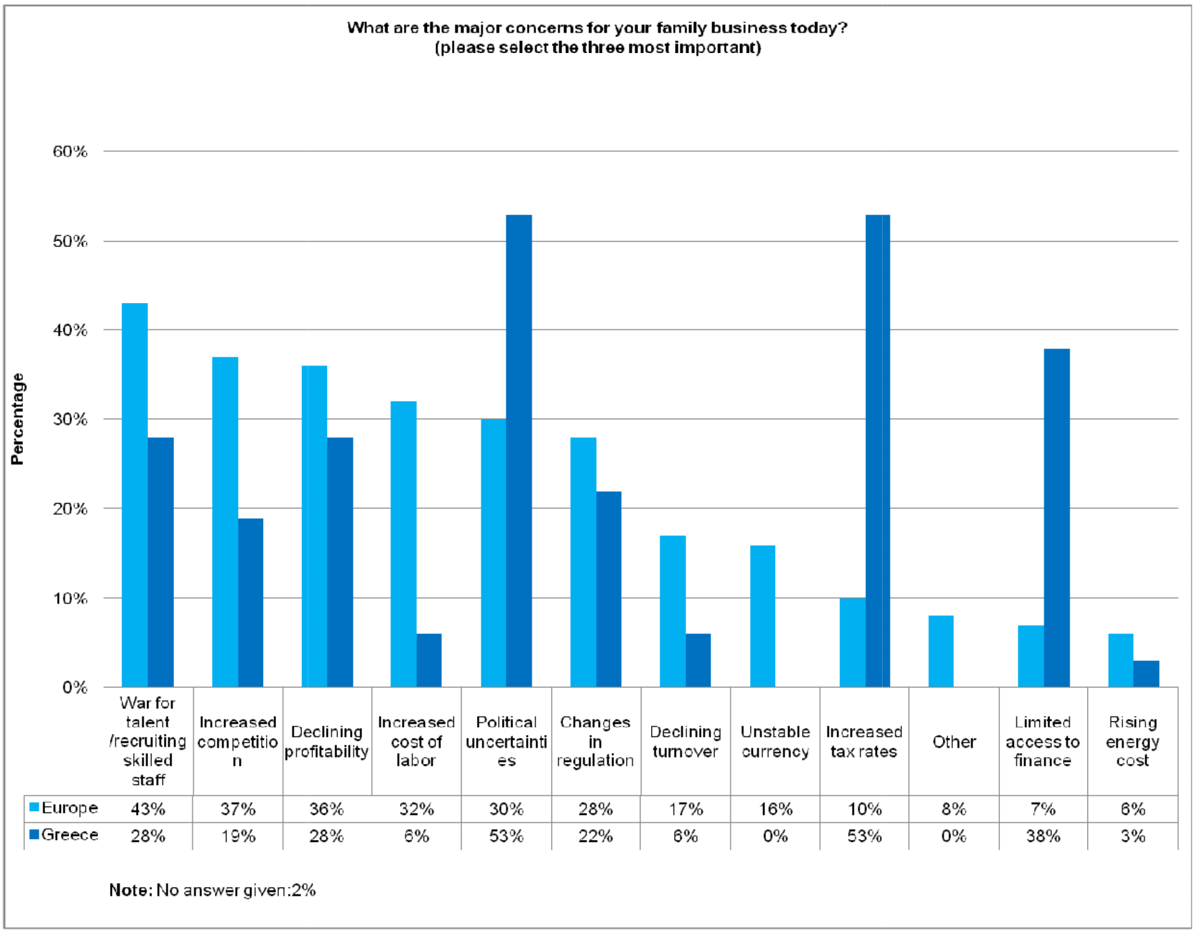


Chart 4 Major Concerns for family business, (KPMG 2017)

1.2.3 STRONG GOVERNANCE FOR FAMILY BUSINESS SUCCESS PREPARATION

Every family business is different and there is no “one-size-fits-all” approach for governance and family business. Each one has its own infrastructure, different characteristics, needs, and people. Consequently an adaptable kind of governance is essential for family business to thrive. The specifically business governance fit empowers the family businesses long-term success and facilitates them to evolve.

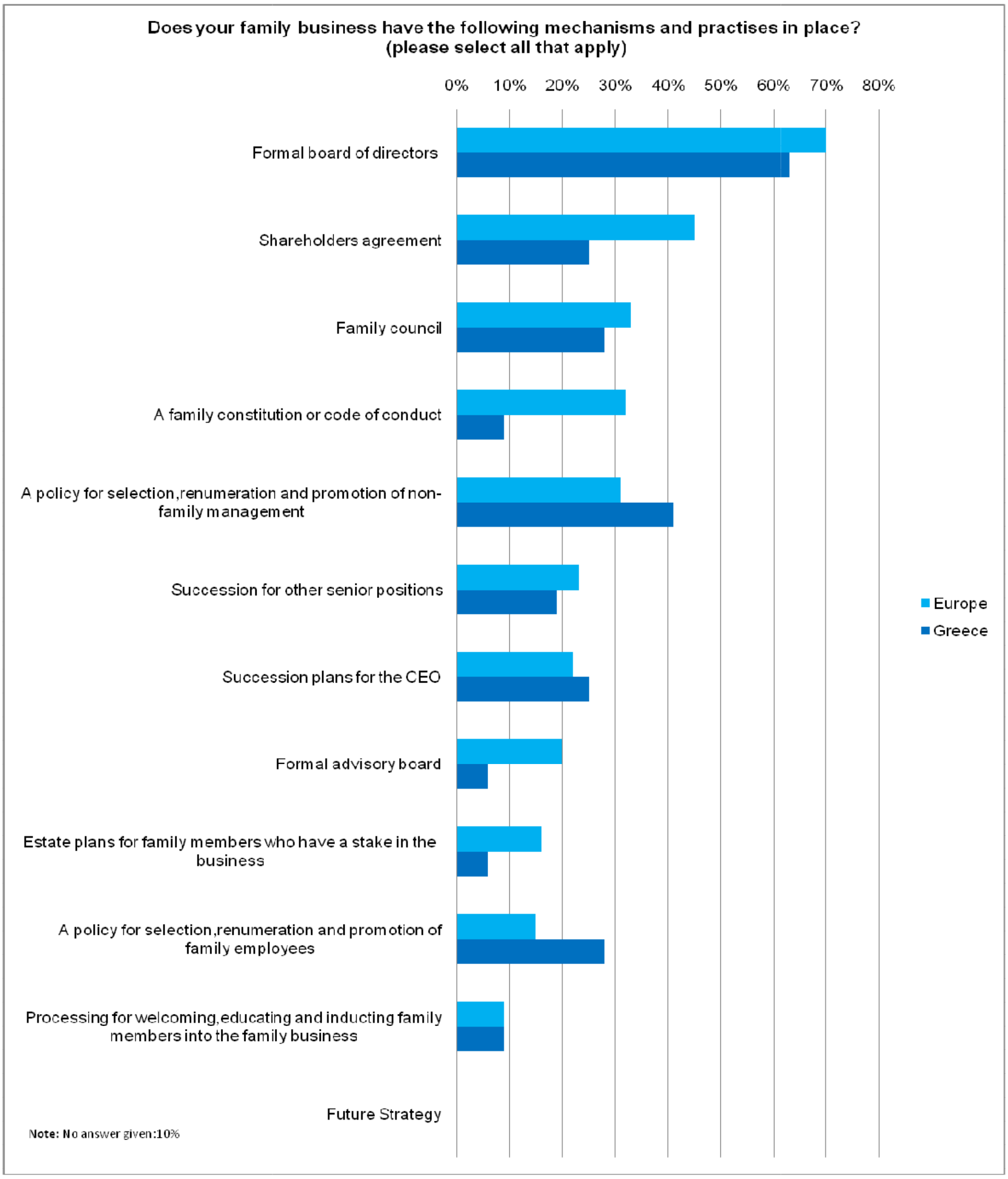


Chart 5 Mechanisms and Practices of Family Businesses, (KPMG 2017)

In KPMG research, it is demonstrated that the FOBs implement a different formal governance mechanisms. More specifically, the contemporary family business governance model is structured by formal board of directors (70 percent-Greece 63 percent), a policy for selection, remuneration and promotion of non-family management (31 percent-Greece 41 percent) and a policy for welcoming, educating and inducting family members into the family business (15 percent-Greece 28 percent). Equally significant to this family business structure is the family council, as it defines the rules for taking part in the family ownership, the administration bodies and operational positions in the company. Moreover, it determines the training process, the prerequisites, motivations and experiences. It is apparent that family councils strengthen the family and business join. Moreover, the shareholders agreement (45 percent-Greece 25 percent), succession plan for the CEO (22 percent-Greece 25 percent), succession for other senior positions (23 percent-Greece 19 percent), estate plan for family members who have a stake in the business (16 percent-Greece 6 percent), processing for welcoming, educating and inducting family members into the family business (9 percent-Greece 9 percent) are other business practices which contribute to the proper business operation and as a result to success. 32 percent of family businesses (Greece 9 percent) has their own family constitution or code of conduct in order to be more precise and transparent in case any conflicts occur. These constitutions play an important role in family's integrity. Last but not least, 20 percent of the family businesses (Greece 6 percent) have formal advisory boards for their business coaching. While the families are growing and the businesses are inherited from generation to generation, the complexity created lurks the danger of family conflicts. These conflicts have a crucial impact on business balance. For this reason, it is vital to balance family and business interests, needs and expectations so as to ensure family and business harmony. This concern about the balance need has significantly increased over the last five years, running to 59 percent in 2014 and reaching 87 percent of respondents.

Ken McCracken, Head of Family Business Consulting, KPMG Enterprise in the UK, argued that there should be a balance between family and business discerning personal concerns and interests from the business operations and interests. This has lead family businesses to clarify roles principals between family members and business. 50 percent of respondents in Greece, the compound of family executives and non-family executives in a family business in Greece is one of the most grievous characteristic of a board of directors. Creating faith (38 percent), precise rules and definite procedures (38 percent) for the operation of the board of directors, tech-savvy board members (31 percent), substantial part of making decisions (28 percent), board members independence (19 percent), only family members' and family's close friends' involvement (3 percent) assumed worthy characteristics for the board of directors. Interestingly, family firms concentrate on long-term culture of commitment, reinforcing employee skills, avoiding layoffs during economic deterioration and devoting to their people. Noteworthy is the fact that training money investment is twice more expensive per employee in family firms rather than non-family-firms. They spend 885€ a year per employee on average in comparison to non-family firms which spend 336€. 83 percent of respondents emphasized the family members' financial awareness as important or very important. The employee expertise is considered to be important increasingly since 2015. Family firms get used to hiring non-family-members in order to handle "company skills gaps". As part of KPMG survey, 77 percent of respondents agreed that non-family executives boost the benefits of family enterprises and suffices employee specialization.

Dr Vera-Carina Elter, Head of Family Business, KPMG Enterprise in Germany, contend that family businesses are growing which origins from larger families and more family owners who might follow their own dreams and ambitions outside of the family business and maintaining a responsible ownership role. Further to the family firm's mechanisms, the success originates from "open communication". The insights must be formulated and evaluated so as to communicate effectively and eliminate any family or business conflicts. Consequently, the family constitutions, shareholders agreements, promotion and salary policies for family members and non-family members have been adopted for building strong communication mechanisms and enhance the communication performance, foster unity and peace. Half of the respondents claim that communication between generations is very important to their business. This point of view is steadily increased over the years since 2013 when it was 29 percent. (KPMG 2017)

1.2.4. PREPARING NOT ONLY THE NEXT GENERATION TRANSITION PROCESS BUT ALSO THE ESTABLISHED GOVERNANCE EXIT

If the family business is going to be transitioned either to the next generation or to a new ownership, it is indispensable for a suitable strategic plan in order to be prepared for the next step. Only 12 percent survival rate beyond the third generation has been observed in family businesses. In family corporations, the family dynamics and the emotional considerations throw a spanner in the family business works and hinder the business thriving and succession plan. Therefore, it is necessary a strong governance for the business survival and crisis management. Family businesses can accomplish smooth transition to the next generation through building a strong succession plan. Family business owners concern if the new successor is sufficient and well-prepared for business management and ownership. Additionally, they have to consider that the succession plan has to chart two separate parameters; one refers to ownership succession and the other concerns to management succession. The younger generation must reassure that they would like to be part of the family business. It is noticed that some potential successors are not willing to take on the business leadership and follow their own career path. In KPMG survey 2017,84 percent of respondents declared that preparing and training a successor was important or very important for their business. More than half of the respondents affirmed that they proceed to succession process by inducting a member of the next generation in management roles within the company. As stated above, everything has to be clarified to the family members regarding their agreements and their business roles. Moreover, family business owners have to specify who will be the successor and think about the role of non-bloodline family members such as adopted children or relatives. If their roles as well as their future roles and perspectives are unambiguous and clear, the possibility of business and family disruption is low. Almost 34 percent of respondents is coping with the above burning issues this year, when they are getting prepared to pass the management or ownership of their business to the next generation within the next 12 months.

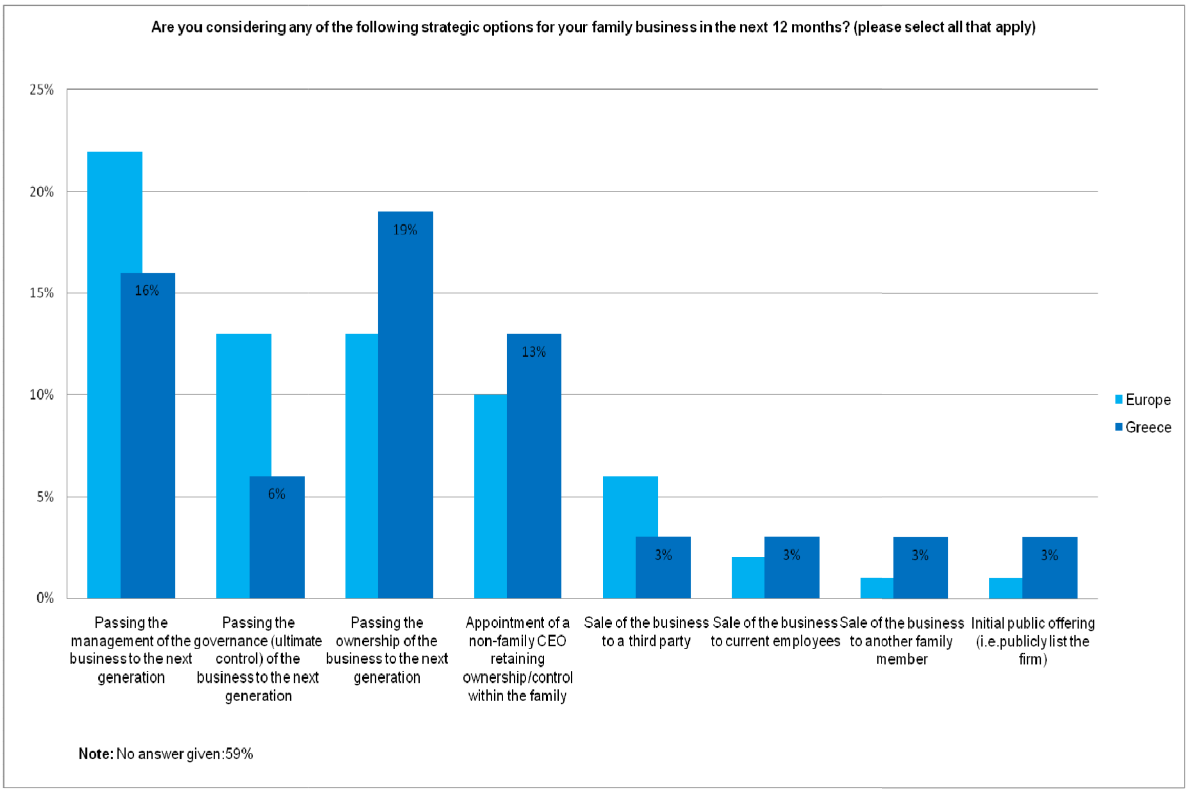


Chart 6 Strategic Options for Family Business, (KPMG 2017)

Chart 7 Preparing & Training a successor before Leadership, (KPMG 2017)

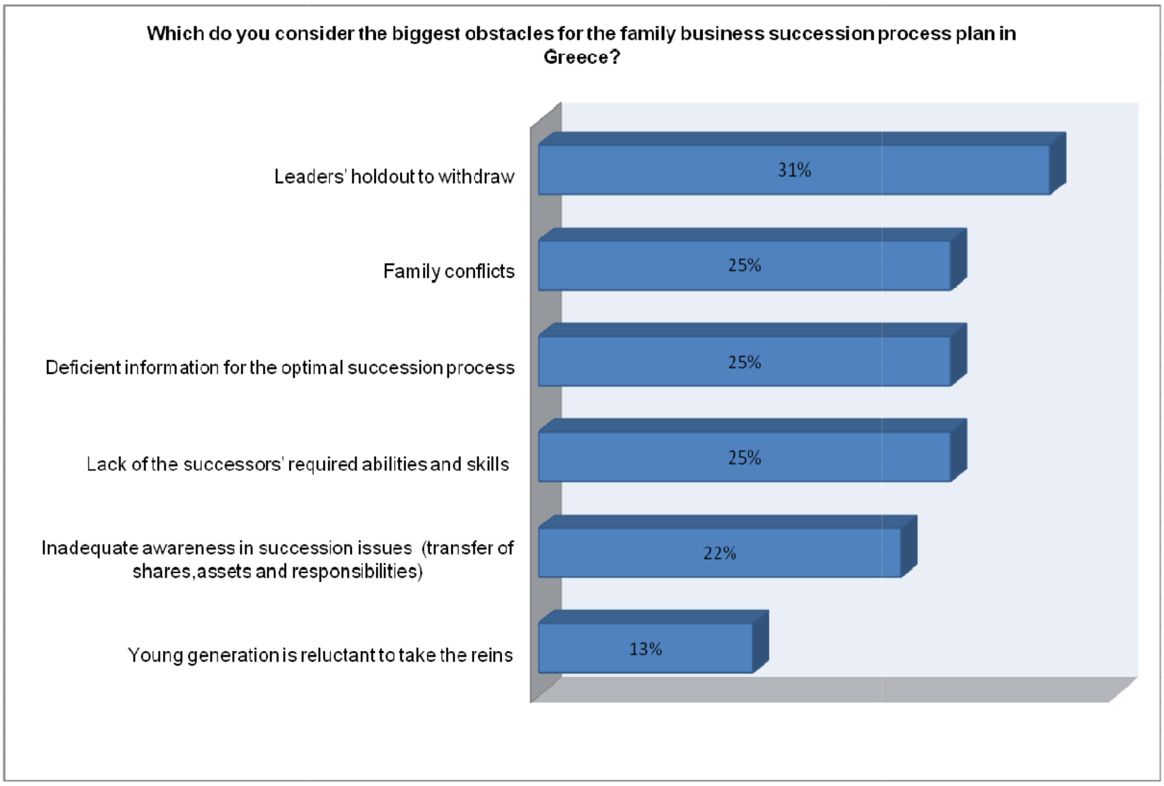
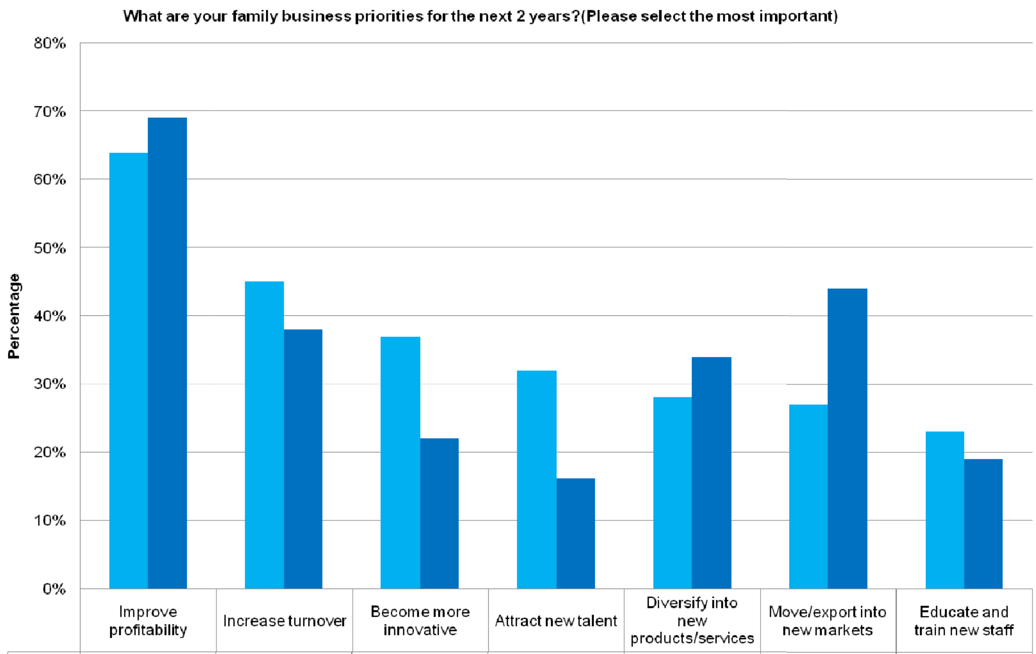


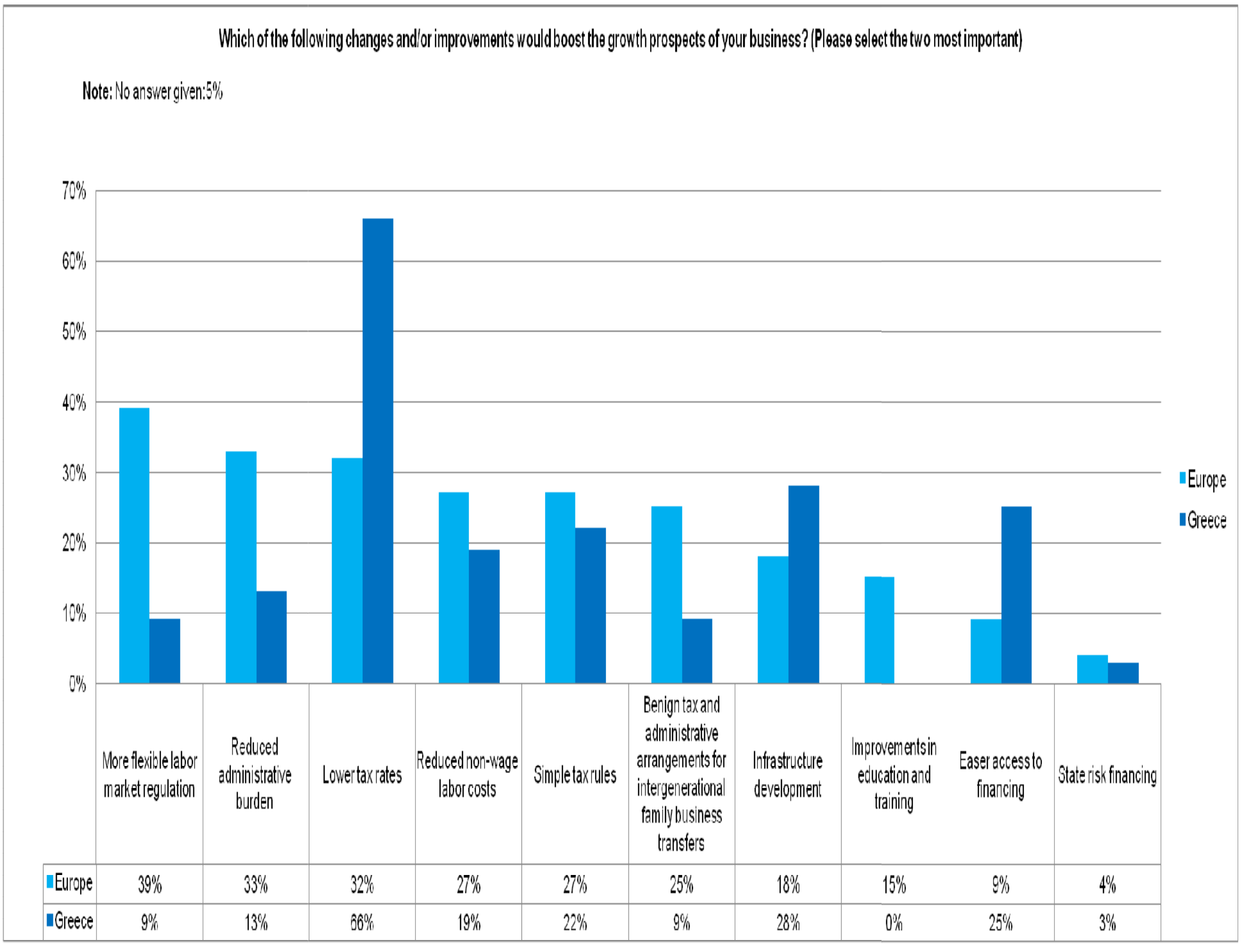
Chart 8 Biggest Obstacles for family business succession process, (KPMG 2017)



	Improve profitability	Increase turnover	Become more innovative	Attract new talent	Diversify into new products/services	Move/export into new markets	Educate and train new staff
Europe	64%	45%	37%	32%	28%	27%	23%
Greece	69%	38%	22%	16%	34%	44%	19%

Chart 9 Priorities of Family Businesses, (KPMG 2017)

Family businesses have an enduring vision and perspectives while they prepare the ground for their heirs. What discerns them from the rest of the businesses is that they focus on innovation investment leading to product and service differentiation so as to insure sustainability and profitability. They attend bestowing a wholesome business in more perspectives and the minimum risk for the younger generation. Regarding the family business priorities, the majority of respondents, almost 64 percent, consider that profitability improvement is of the greatest importance (Greece 69 percent). Turnover increase takes secondly precedence as 45 percent of respondents claimed (Greece 38 percent). Additionally, 37 percent of respondents prefers business innovation enrichment for turnover raise and profitability growth (Greece 22 percent). The attractiveness of talented manpower staff classified fourth in the rank with 32 percent (Greece 16 percent), as the business needs the suitable workforce to be succeed and sustain. 28 percent of respondents prioritizes the import of new product and service differentiation which originates from valuable, rare and inimitable resources so as to assure competitive advantage and consequently the profitability (Greece 34 percent). (Wheelen, et al. 2018) The need for entering new exportable markets concerns 27 percent of respondents, rendering their products and services distinct so as to be competitive. This urge is attempted to be achieved by Greece, as 44 percent of respondents stated. The perpetual staff education and training is catalytic for the business structure and organization in order to build this competitive advantage as 23 percent of respondents declared (Greece 19 percent). Katerina Polyzoi, Senior Manager, Family Business KPMG Greece, stated that Greek Family Businesses focus on profitability improvement seeking for new markets exports through differentiating their products and services.



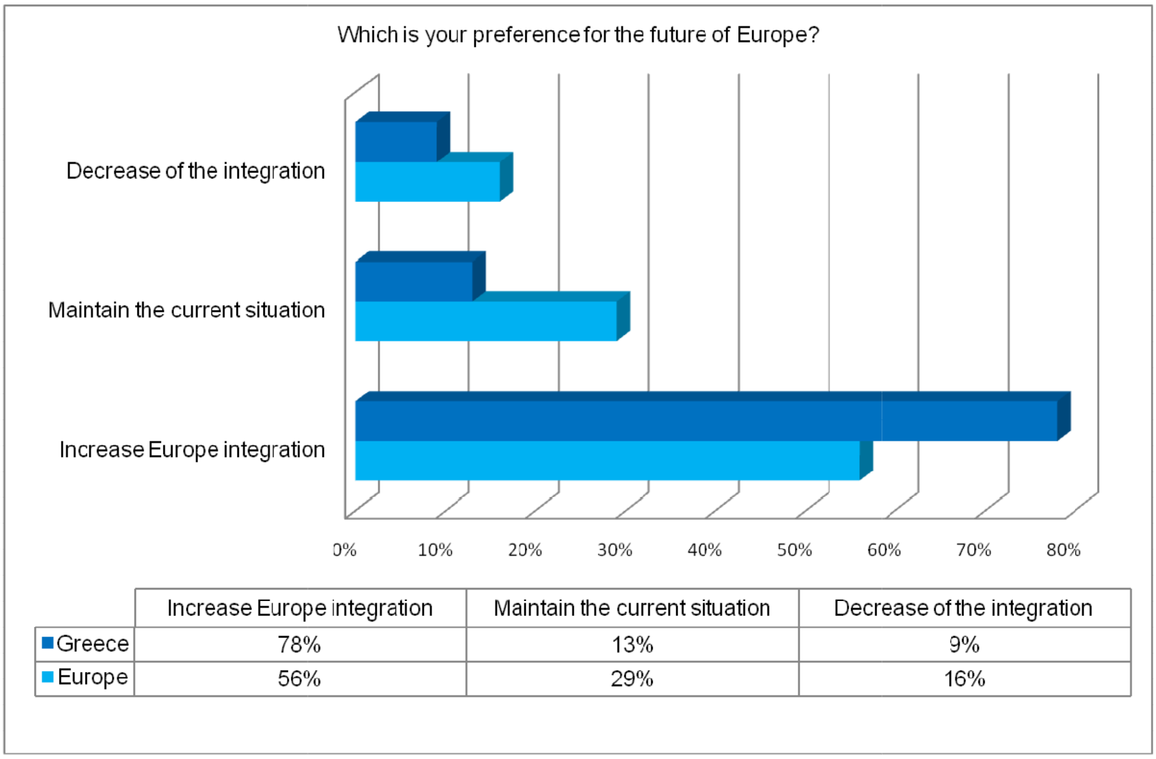
	More flexible labor market regulation	Reduced administrative burden	Lower tax rates	Reduced non-wage labor costs	Simple tax rules	Benign tax and administrative arrangements for intergenerational family business transfers	Infrastructure development	Improvements in education and training	Easer access to financing	State risk financing
Europe	39%	33%	32%	27%	27%	25%	18%	15%	9%	4%
Greece	9%	13%	66%	19%	22%	9%	28%	0%	25%	3%

Chart 10 Changes and/or improvements which would boost family business growth, (KPMG 2017)

Family businesses request government support for their sustainability and evolution in the long-term horizon. The survey participants request governmental interference and encouragement so that their businesses endeavor to new investments and the taxation decreases downwards. In addition, new permanent job opportunities will be created for the young generation as a result of softer labor market legislation. 39 percent of respondents demand more flexible labor market regulation, as appeared to be reluctant in recruiting and investing in new constant personnel. The increasing insurance labor cost, such as sick leave and further amenities deter the businesses from hiring new talented manpower. In the case of Greece, 9 percent claims that more flexible labor legislation is essential to invest again in talented employees.

The administrative barriers make it difficult and unpleasant for the entrepreneur to proceed in some operation and have a really negative impact in the entire economy. 33 percent of respondents set the government strategy urgent necessity in order to constantly reduce the administrative burden. 13 percent of Greek respondents advocates this further bureaucratic burden elimination and simplification of the processes. Bureaucratic burden incorporates administration burden and other costs incurred as a results of changes in legislation. More particularly, these include a whole range of other costs that are not obvious at first glance. For instance, some intolerable costs such as waiting in long queues, filling and gathering too many documents, the long delays of waiting the government decisions and confirmations.. (Fanta 2019) The reduction of tax rates is a major issue as 32 percent of respondents in Europe declared and especially 66 percent of respondents in Greece where suffer from severe economic crisis, as well. This indicates the need for facilitating the tax rules and processes which increased constantly since 2015 and this need reaching 27 percent in Europe and 22 percent in Greece. Going further, it is observed that 27 percent of the respondents insist on decreasing the labor cost, non-related with the salary but with the insurance costs (Greece 19 percent). The government has a dominant role in family business growth, as primary requested by 25 percent (Greece 9 percent) more conducive arrangements for motivating the family business transition to the next generations. One more main factor, which contributes to the business evolvement, is better access to the financing in order to fund their enduring development plans. Every business, even the family business needs funding to sustain and expand. More specifically, Greek businesses are concerned about their business funding not only in the short-term, but also in the long-term. More precisely, the organic growth happens in the existing markets in the short-term, but the strategy, which is relevant with long-term plans, focused on the wide expansion into the new geographical markets.

European integration is a controversial issue that the United Kingdom has to deal with. Even after 2016 elections about the country's leaving the European Union, this burning issue cannon be solved. The 51,89 percent voted to leave the European Union, but the Britain is yet under negotiations with it. While the negotiations is in progress, even in now 30 percent of British respondents insist on deeper integration, when 23 percent of respondents choose the least integration. Generally in Europe, 56 percent of those who answered prefer further integration with European Union, included Portugal, Austria, Germany, Greece 78 percent, Italy and Spain and only 16 percent stand for the opposite (Greece 9 percent). Family businesses stand in favor of this increasing integration and stronger political bondings.



	Increase Europe integration	Maintain the current situation	Decrease of the integration
Greece	78%	13%	9%
Europe	56%	29%	16%

Chart 11 Preference for the future of Europe, (KPMG 2017)

Olaf Leurs, KPMG Enterprise EMA Network and Tax Partner, Meijburg & Co, KPMG in the Netherlands, claimed that the tax rules are significantly increasing in European Union, especially for trading corporations of which their activities are international. BEPS (base erosion and profit shifting) is referred to strategic plans used by multinational companies that exploit gaps to avoid taxpaying. For instance, these companies relocate their firms to tax havens, such as Bermuda and Cayman Islands where they have not any economic or business activity. Therefore, OECD; Organization for Economic Cooperation and Development is an international organization which works along the developing countries and supports the anti-BEPS international standards in order to ensure that profits are taxed in the country where there is economic or business activity. These regulations include the control of foreign companies, limitation on interest deduction, country by country reporting and transfer pricing. (OECD 2019) However, these new regulations might increase the pressure and administrative burdens to the companies.

Considering all the above, the family business is the predominant ownership business model and has a great influence in the global economy. The global GDP is over 70 percent because of the family business impact. Their resilience, adaptability and sustainability throughout economic tough times are remarkable leading non-family corporations imitate their strategy and actions. However, FOBs handle with great challenges such as high taxation, liquidity shortage, difficulty in hiring talents and capital controls in case of Greece. Success prerequisites to build strong governance such as composing board of directors, family council, board of advisors, and succession plan. (KPMG 2017) (KPMG 2017)

2 FAMILY BUSINESS MODELS

2.1 TWO-CIRCLE FAMILY BUSINESS MODEL

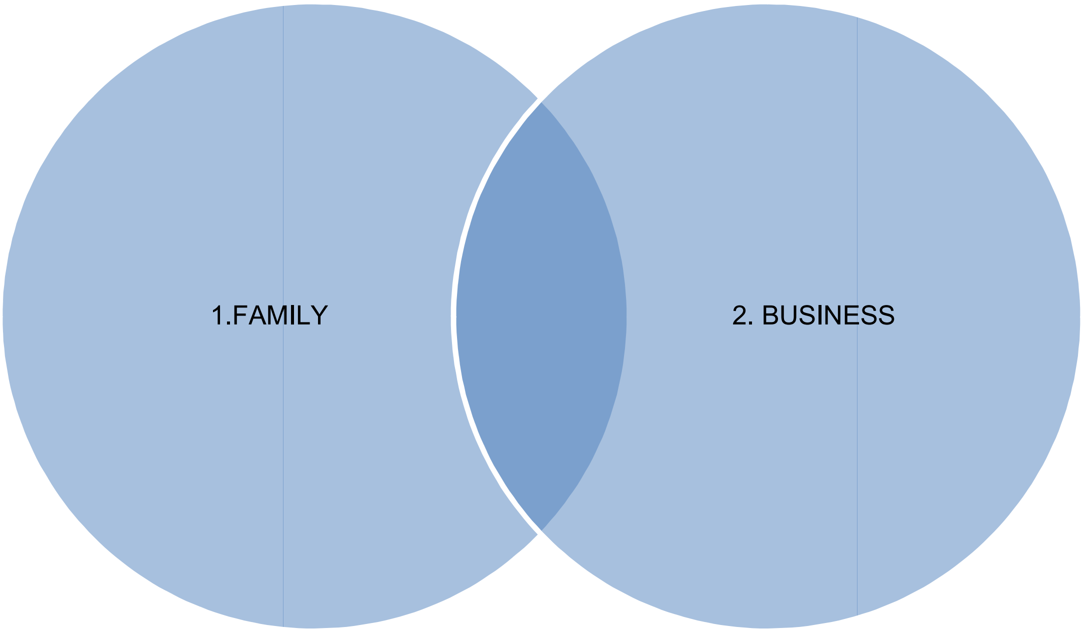


Chart 12 Two-Circle Model of Family Business, (Gersick, et al. 1997)

Venn diagram was used as guidance for the family business advisors to understand family and business structure. The advisors placed each family member on this diagram on the left circle, and the business members on the right circle. Family members, who participate in business operations, are placed in the intercept point. In this diagram illustrated the mutually affected relationships between family and business members and the balance urgency of family and business goals. In the middle, it presents the interdependence of family and business each one having its own values, criteria, regulations and infrastructure, as well. It clarifies this relationship and facilitates to comprehend the source of the conflicts and the behavior between the individuals.

A family member who is the father and the CEO of the business has to handle with two roles, those of the family and the business. His position is situated in the middle of the model, where the crosspoint is. It is necessary to align the family and business needs simultaneously. More particularly, he must work under the business rules and principles, while as the father of the family has to satisfy family requirements such as ensuring children as participants and employees in the business. It is obvious that running a family business is a great challenge for the family members, which demands a solid blueprint for the family and business management.

The two-circle model is the foundation for the further family business analysis and the complications and rivalry might arise from the family business owner dilemma during his decision-making procedure for the succession plan. For instance, the business owner has to determine family business distribution plan to family members. As a parent, he would like to implement a rational and equitable succession strategy to his children, sharing the fortune equally to his descendants. As a business owner, he would prefer to proceed to the most fair succession plan by choosing the most capable and worthy successor in order to continue operating the family business efficiently and effectively. This dilemma forces the family business owner and is the foundation for further business analysis.

R.Tagiury and J.Davis made an effort to analyze and separate the family from business and realized that it is essential to complement this two-circle business model with one more subsystem which will aid to divide the ownership. There are owners, but they are not associated with the business operations, they are just shareholders. Others are family members that are not family business employees. Therefore, the two-circle business model completed with one more subsystem, the ownership and from now on the model is compiled of three circles. The three-circle business model is composed of three parts, the Family, the Ownership and the business; as a result, it facilitates the clarification of family business structure complex. (Gersick, et al. 1997)

2.2 THREE-CIRCLE MODEL OF FAMILY BUSINESS

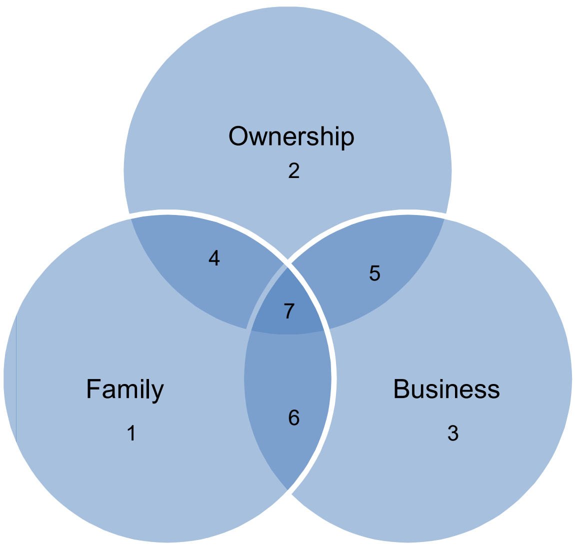


Chart 13 Three-Circle Model of Family Business, (Gersick, et al. 1997)

The renewed three-circle family business model includes the three compositional parts of the family business structure: family, ownership and business. To penetrate the study, it is essential to specify the business roles of each individual. The business owners who are only owners and do not participate in the business operations and decision-making are situated in the second circle on the top. They cannot be placed at the fourth or fifth circle, if they are not family or business members. If a family member belongs to the ownership, but he is not a business employee, he is placed to the fourth circle where the family and ownership intercept point is. Conversely, if a family member is both owner and worker in the family business, he is placed at the seventh circle. If a family member is also an employee in the business, but not member of the ownership, he is turned up at the sixth circle of the business model. A family member who is not yet part of the ownership and business will be located at the fourth circle. This three-circle business model can be easily understandable and implemented in order to delve deeper the family business analysis and investigate the members' roles in the business, any conflicts, the priorities rank and the borders in the family firm. This model enables the family to proceed to the succession plan, considering all the members of the three-circle business model.

By this detailed model, any conflict origin and the relationship between the opponents can be detected. If the source of the problem can be find out and the relationship between them, it will be shaped the rational process to encounter the conflict. To illustrate this conflict, imagine two relatives, the one who is placed at the fourth category of the three-circle business model and the other at the sixth category. The first is a family member, part of the ownership, but not a business employee. The other is a family member, business employee, but not an owner. These two relatives can be siblings or cousins, or uncle and niece. The one party would like to obtain more profits by raising his dividend remuneration which may conflict with the interests of family business employee. The business employee would prefer to invest in research and development and increase his career business opportunities, interrupting the distribution of the dividend. Furthermore, when it comes to the family relatives' recruitment in the business, each member in the three-circle model has different opinion about this burning issue. A family business-owner declared willingness to give to the family members all the opportunities might need to expand their career in the business. A business employee, placed at the third circle, has his own point of view and considers that the relatives should be hired only if their qualifications exceed those of the other candidates. Regarding their business future, their career perspectives and promotions will be based on their performance, as those of non-family members.

The three-circle business model is modified over time while the family is increasing. As usual, the family business is established by the parents; a marriage couple. In the beginning, the majority of family businesses has only one individual owner. Their family becomes bigger with their children, who they are brought up and make their own families. While the family is becoming bigger, the family business is growing, as well. New family members are inducted into the business and their family's ancestors withdraw it. Every change is illustrated in this family business model in order to reflect the current business members and their position in the business. Family cycle includes many stages from marriage, birth to divorce and death. Therefore, the ownership may belong to one individual, a married couple or two partners. The relative merge in the ownership complicates more this model; consequently, the three-circles are discussed further for this complexity simplification. (Gersick, et al. 1997)

2.3 DEVELOPMENTAL STAGES

2.3.1 OWNERSHIP STAGES

Chart 14 Ownership Developmental Dimension, (Gersick, et al. 1997)

This ownership development is divided in three stages, beginning from controlling owner firms, proceeding towards to sibling partnership, as the family is growing and sometimes concluding to cousin consortium over the years. The founder, who is the controlling owner, might distribute his legacy to his descendants building a Sibling Partnership. Afterwards Sibling Partnerships might pass the ownership down to the next sibling generation or to a Cousin Consortium. However, there is the possibility a family individual to gather the entire shares of the company and control the family firm by himself. In this case, the business moves from Sibling or Cousin Partnership to controlling owner stage again. The ownership stages are not mandatory to follow this particular progressive path which illustrated on the chart above.

Every family business is placed in one of these three developmental stages, and in the course of time, it moves toward to relative partnership or an individual business-owner. The ownership defined by the majority of shares which an individual or more owners have. The three-circle business model arose to discern the ownership and the management and facilitate to comprehend how the ownership is modified and affects the business system. The controlling-owner business has one individual or a married couple as founders. The first generation has to handle with the greatest challenges which might be sufficient funds acquisition for their business foundation, individual ownership confrontation and the ownership distribution for long-term vitality of the company. The founders seek for business establishment funds which origins from family relatives such as spouses, parents, siblings. Relatives are willing to fund and invest in a family relative business because of the family bonds which they have. If the company succeeds, they will have a return on their investment in the firm such as a high percent of dividend, while they do not participate in the business operations. Rarely do non-family members invest in a family firm without controlling it, in which the founders are against. Nevertheless, it is common for some businesses to be funded by non-family partners who may take part in the business operation or not. These kinds of partners withdraw the FOB by selling their shareholdings to either the first generation or the second generation. There are a few times those shareholdings buy-out is impossible, ending up to the business distribution to the family of each shareholder.

Family firms rarely acquire financing from banks, as they are not willing to share the business control with them. The family business growth increases organically and steadily avoiding any bank debt which accelerates business development. If the individual possesses the majority of the business authority and manages the company in its own way without taking into consideration the other family member's interests, the family is in controlling owner stage. Regarding the entire concentrated control to an individual leader, it is indispensable to find the harmony between the controlled owner and the business internal partners. In one-person family business controlling, there are accurate instructions to its internal partners which ease in making decisions regarding the business environment and operations. For instance, those decisions may incorporate bank settlements, customer service and cooperation, instructions for collaboration with suppliers and other crucial resolutions in which concerns internal and external partners. Moreover, the leaders feel that they have to be involved in every business operations and decisions, without letting the responsible managers determine. In decision-making process, psychological factor is crucial and lurks danger and may harm the business harmony. If the owner has to encounter serious diseases which affect the body and mind or any psychical tiredness, the determinations, during the decision-making process about the business future, may cause business disruption. Because of its business domination, they are not used to asking for other family members' aid in order to ensure self-government.

The owner's decisions have a great influence on his or her family and significant value for the family which is interested in its family wealth and honor. When the controlling owner completes his or her tenure, he or she has to decide about the business future. There are two potential options, the one is to maintain the family business and pass it to the next generation and the alternative to determine to proceed to trade in it to a non-family member. If he or she decides to pass on to the next generation, he or she has to decide if the business distribution will be equal to his or her successors or towards to one individual owner. When he or she constructs the succession plan, he or she has to value economic factors such as tax, any obligations which is related with his retirement and any financial responsibilities to their partners. In case of owner's incapability to participate and handle the estate plan, a trust plan is possible to be constructed under specific instructions which the owner has determined. The owner transfers the succession plan responsibility to the succession trustee who could be his or her spouse or a trusted family member. This provides a smooth continuous way to be ensured that the business assets or generally the fortune will be managed and bequeathed to his descendants as he or she desires. This strategy prevents the descendants from any crucial rivals concluding to the court and spending money on legal fees. The fortune distribution will be transmitted gradually to his or her heirs. This trust has many tax benefits, because there is not any fortune transition yet, and the business is controlled by the successor trustee, concluding to avoid any transfer taxes temporarily. After his or her death, the successor trustee takes on the responsibility to distribute the assets and the business, as well, according to the written terms of the deceased.

When the majority of owners conclude to make a decision about the succession, it is affected by cultural ethics, as it is said that the family's fortune should be distributed equally to its children. This equality may provoke descendants' rivals to gain more power and influence. It is common that the parents are used to sharing the fortune equally to their children. Every family business has a different business leader in each generation, and sometimes family members are not willing to follow their parents' career. If the business owner is interested in individual business management and avoiding confusion in the business operations, he or she has to pursue and find the following controlling owner for his or her business. Otherwise, if the business leaders are interested in equity and family peace and unity, then he or she has to prepare the succession plan, taking into consideration their interests and proceed to the sibling partnership stage. The sibling partnership constructed by two or more siblings who may or may not participate in the business operations. Sometimes, the business is located in the middle between the controlling ownership and sibling partnership, as the parent is still an active member in the business process and the ownership belongs to the siblings. Some family members are willing to participate in the family business operation, while some others follow their own career beyond the family business. The family members employment mismatching may lead to family conflicts and harm family harmony and unity.

This kind of FOBs should deal it with three below principles. All the siblings have to trust the future business leader who will be an active business member. Therefore, it is necessary the business owner's willingness to keep this leader responsible position and manage the FOB under the interest of all siblings. Last but not least, it is vital the rewards, bonus, and any return on investment be determined for the members who work in the company and for those who do not work. Either the family members have an active role in the business or not, they have to find a way to control the business. There are certain times when one of the siblings assumes control of the business as a parent through concentrating more than 50 percent of the stocks. He or she takes this responsibility because of the absence of one of his or her parents. This kind of ownership is a feature of individual controlling ownership and happens when the parents died and the older brother or sister took on managing the business. The older sibling can proceed to decision-making without taking into consideration his or her siblings' interests, attitude and consent, as he or she has the majority of shares, afterwards his or her parents' death.

However, FOBs should incorporate to their principles the indispensible participation in the decision making process, even the members are not active in the business. The older leader can concentrate on the ownership by buying off his or her siblings shares and avoid any conflict with them and his or her next generation. The other siblings may not accept this proposal and demand their own business share, concluding to conflicts in the business and in the family. There is an alternative form of Sibling Partnership, in which some of the siblings assign to one of their siblings to manage the business and decision-making and be the "first among equals". Nevertheless, there should be a balance in the given leadership, as it lurks the danger of business management without considering all of the siblings' interests. Therefore, if the siblings' leader acts and manages the business effectively and adoringly to his or her siblings, then they have a good cooperation. They can benefit from this option, only if the suitable sibling leader is elected. The leader must be a skilled professional with business insights, who respect and be honest to his or her siblings. This leadership choice prerequisites the siblings' support, cooperative spirit, family members respect, harmony in their relationship, and honesty among them. Furthermore, it is essential for the roles to be determined such as the other siblings' contribution in the business, the government and the rewards in order to be prevented from crucial arguments in the future. Unfortunately, this is not usually happened, as the there are siblings have not the strong authority to engage in governing the company and the sibling leader may come to a decision which is opposite of their interests.

In the real life, the siblings advocate "egalitarian" rules for the firms operations. The siblings rivals for the business authority and honor and achieve to overcome these conflicts through switching the leadership every financial year, while the combined decision making process is not changing. Other business leaders share the company management or their parents determine their position of business control duration. More particularly, the first leader runs the firm for 20-year-term and then resign and the other leader take on the company's chair role for another 20-year-term and so forth. Sometimes the chair roles are undertaken by a non-family member who is a board member. Based on these succession policies, the family members might avoid rivals among them, as there is the evidence of business and family equality and they can be contented and work efficient. Roles accuracy of family members, who do not operate in the family firm, is a great challenge for a feasible and effective relationship between family owners and employees and those who are not employees. The controlling owners distribute the business to their descendants who work in the family company, because the profits come from their own hard work and efficiency and they must be rewarded. They divide other assets to non-employed family members, in which the company employed owners' rights are confined. This solution may be the equal and fair, but the family members will be hardly satisfied with this distribution. The majority of families shares the ownership to all heirs in order for them to gain rewards, honor, and high returns from the successful family company which their siblings run. On the one hand, the employed owners are interested in fulfilling their career ambitions and gain high financial earnings and social reputation through their attendance in the family firm. On the other hand, the non-employed owners consider that they have the same rights and benefits as their employed siblings through just minimum contribution.

Prosperous family company, which is in sibling partnership stage, requires effective collaboration with the siblings, either employed or non-employed. All the siblings have to support the business through having an active presence and assistance in the family firm. The greatest challenge for the sibling partnership is to investigate the bridge in which the siblings have a collective spirit and effective communication, and respect the interest of each individual in the company. The employed owners have to consider the non-employed rights and interests and attempt to deliver effective financial outcomes through effective company control and governance. The active members should jump at the chance so as to attract new business shareholders and increase profits and delight the non-employed owners. Otherwise, non-employed owners will resist siblings' business management and blame them for financial abuse, concluding to critical disputes which may cause business damage. The family business and the sibling partnership necessitate particular attention and solid company construction.

Every FOB is unique and has different structure, as a conclusion it is a necessary completely different governance and strategy for each one. As the family is growing, new members are inducted in the family company and the interests and needs are altered. When the family firm was a Controlling owner, they were more trustworthy and consent debtors for their debts. At the next generation, which includes more owners, either employed or not with same priorities and interests, the non-employed owners might demand high dividends for funding their reckless investments. The high dividends may bother the employed owners who consider it money overuse and is opposed to business interests. Business sustainability and financial liquidity is the first priority and all the family members should comprehend it. When the business passes from controlling ownership to sibling partnership, the business owners are the siblings. As the siblings make their own families, the number of owners is increasing and every owner wants to protect, promote his or her children in the company and give them all the opportunities for their career. Every spouse and child is influential because of their own interests and needs. These conflicting interests may cause decisive issues, disputes, and a court battle concluding to business destruction. Therefore, before passing the business down to the next generation, it is necessary to redefine the business structure and prevent their children from fighting with their cousins for the ownership.

The dilemma, which concerns the siblings, is to transit the business to the next generation and pass to the cousin consortium stage or sell the business and share the profits to their children. The cousin consortium stage is included from many cousins by each sibling's family. The common FOBs incorporate more than ten owners, which make the business structure complicated and difficult to manage. Every sibling has a different succession plan for his or her heirs, causing perplexing situation and conflicts for the ownership. This kind of companies embodies tight relatives and relative with not so close relationships. The sibling joints are disparate from the cousin joints, as the siblings have the same parents and more strong ties than the cousins. There are cousins that they do not meet in the lifetime, thus they have not any family bonds. Consequently, because of the remotely related, they get professionals and business oriented. Sometimes, the cousin association might be created by one sibling, because the other siblings pursued different career path and were not involved in the family business or their children, too. The families have to separate and clarify the roles in the ownership and in the family. In cousin firms, the employed owners and non-employed owners have different interests and needs. The non-employed owners want to be heard in leadership and decision-making about potential investments among many owners. The employed owners acquire more benefits, rewards and some other facility bonuses and enjoy expensive habits, contrary to the non-employed owners who consider them unacceptable waste of business money. The non-employed owners can acquire only dividends, which depends on the business profits. For this reason, they ask from the employed owners to account for their investment decisions, while they concern about their suitability to determine about the company investments, operations and future. The non-employed owners have limited access to the business information, so the employed owners have to updates them regarding any business alterations and decisions in a formal paper and asking for their approval.

In every business, there is a board of directors which decides the business direction and strategy and other significant issues. In FOBs, it is necessary the board of directors existence with the participation of outside executives. The majority of family boards is to discuss personal issues and do not concentrate on more significant business issues such as funds and financing issues, strategic direction and ownership structure. Because of the equal FOB distribution, the family members have the same rights regarding the business decision, even if they are business qualified employed or not. The most appropriate ownership should be reliable and respect the family members. It should be business goal-oriented without selfish interests. Its priority should be the business and the individuals' interests which need fulfillment. The ownership needs to make all-out effort and support the business in the most effective way. The contribution of the external director in the family business board will make the family members comprehend the company's needs and desired business direction.

The business goals, priorities and roles should be determined and discerned. The family members may understand that only if they are interested in business benefits and priorities, they can accomplish their own objectives. Unfortunately, this may not happen as the shareholders are not in favor of the business management, cannot be heard and influence the decisions because of the limited shares they have. In this case, there is the possibility of generating serious rivals and disputes which impede the business function and spend enough money to lawyers to figure out this issue, limiting cash liquidity. Generally, the liquidity makes the business capable of meeting the current liabilities and operation process and basically making profits. The owner, who does not want to continue in the company due to his or her displeasure, may want to disengage and sell all of his or her shares. Selling the shares will eliminate the negative results and the conflicts among the family members. The family businesses want to maintain their identity and the family components, thus they would prefer the shares to be sold to the family members. They create an in-business market avoiding the public offers (IPO-Initial Public Offering) in the stock market which alters the family business identity. The stock price is not given; it should be evaluated by external neutral experts ensuring the impartial value, following the legal and tax rules for this process. In general, the businesses should prevent the risk and take initiatives and be able to response when the problem arises.

Public offering (IPO) in the stock market will disperse the ownership control to family and non-family members. Family businesses are attractive to the investors, as they have business wealth and enough potential growth. The outside investors might aim to different industries expansion which requires high capital investment. If the family business is private, the control is kept in family without accounting for the operation and be supervised by the public board. The FOB protects its identity and the firm culture organization. The public offering benefits the business growth and capital earnings by attracting a large number of investors. Using those funds can expand the business through investing in research or product development and increasing the business publicity and opportunities. The IPO can help the increasingly growing business to create career opportunities and attract new talents. If the family business is not pleased with the business efficiency during its participation to stock market, it can reconsolidate the dispersed ownership with stock buy-out of outside investors. (The Motley Fool 2019) (Gersick, et al. 1997)

2.3.2 FAMILY STAGES

Young Business Family ⇨ Entering the Business ⇨ Working together ⇨ Passing the Baton

Chart 15 Family Developmental Dimension, (Gersick, et al. 1997)

The figure above, illustrates the family stages into the business. As stated before, as the family grows and changes, it is necessary to outline the family in order to comprehend the family business complexity. More particularly the members who composed it, the members who operate in the family firm, as well as, the family evolution phases must be identified. It is common a family business to be established by a married couple who wants to pass down on to its own next generation. However, the family system is converted into a more intricate when a divorce happened and step-siblings, as well. This business model sheds light on the factors which influence the family business function and the relationship among the family business members either blood relatives or not.

The young business is set up by a married couple partnership which its age ranged from thirty-five to forty years old and their children are underage. The couple should determine who will be the business manager and the spouse role in the business and the family. The family type should be established, particularly if the family is united or not. If the family is united, the authority is balanced among the family members. The family members are emotional-merged and keep close relationships. In contrast to the non-united family, in which the family members are distant from each other, act as individuals and independents. Despite the united family, the family members seek for career opportunities move him away from the whole family to be independent and create family borderline. This independence necessity may distort the family business integrity, family relationships inducing serious issues and conflicts. Conversely, distant relatives may try to create more narrow relationships through engaging in the business. Unambiguous family and business roles and authority share should be determined between the couple. There should create family and business role hierarchy, in which the spouses and children's roles are illustrated. For instance, the husband or father manages the company and has the power for decision-making without considering his wife's aspect. The spouse and mother will take on the responsibility of raising the children and be a supportive member in the business. The children will not be family business members until they reach adulthood. The increasing divorces and rivals make it necessary to construct this roles grading among the members and more equal authority distribution, anticipating negative consequences. Frequently, the couples share the business management and become co-managers with same authority and rights. This management structure enlarges the couple disputes which they may carry those business and couple conflicts at home ruining the relationship. Therefore, the couples should divide responsibilities in the business avoiding the collaboration and as a result the rivals, even they have the equivalent power and chair job position.

Being part of the business requires enough time from the family business managers, beyond in-business activities. Many sacrifices and ample support are needed by both spouses during the business' first steps. If the business manager, who happens to be the father of the family, achieves to dedicate as much time needed to business and family obligation as it ought to be. However, this rarely happens, as starting a young business with development prospects needs business manager devotion which signifies hardly working, dynamism, desire and passion. On the contrary, the wife who holds the fort to raise the children, she plays the supportive role in business, even if she is not an active member and head of household in family. Family expansion includes couple business partners who established the company and its children who brought up and built their own families. Hence, the spouse business involvement is inevitable, thus requires special and attentive handling. The spouses could be inducted into the business with no exception, for instance, the oldest son's wife participates into business operation, but the younger daughter's husband does not. In this case, the younger business managers will be locked in battle concluding to put an end in conversation among them and prevent the business smooth function.

When the next generation starts entering the business, this is not a simple process as the roles are not defined and parents do not determine the family business progression yet. The parents, having set up and run the business, must decide on the family business future existence, the successors who will be inducted to the business, and if they maintain its family identity. Though the business future is based on parents' decision, the younger generation is called to resolve if it agrees to join the business or not. One parameter which plays an important role in the succession plan is the age and gender of the children. In traditional businesses, the parents implemented this tactic regarding the succession, more particularly; the first child will acquire the majority of shares and power or male family member will be the business leader. Nevertheless, this approach is not meritocratic for other successors who may be more qualified and mature to carry this weighty responsibility. This is an obvious and inevitable reason for the siblings' conflicts which parents only can solve by forming the most fair and equal succession plan for everyone. The parents must reconstruct the business course considering if the descendants are willing to endure the family business, their business roles, the career opportunities and the time needed to enter the business. The younger family members must determine regarding their willingness to make their career step in the family business. All the above considered, in order for parents either to build business succession plan for the next generation, those who decided to enter, or to proceed to business selling. Afterwards, descendants, who decided to enter the business, move forward to family members involvement in business operations. Two or more generations are involved in the family business, between the ages of twenty to sixty-five.

Fostering the family and business unity demands effective collaboration and communication among the members. As the family is increasingly growing and new members are inducted, communication is becoming more complicated and hard. If effective communication is absent, the business integration and function will deteriorate. Work collaboration to be effective needs definite features which must be implemented. Communication quality requires the members to express their opinion and emotions openly across the business, and never gets negative responses from every member in the business. In families, even in business, the members should not be reluctant to share their ideas and points of view, thus parents who have manager roles in the business should accept fresh ideas and methods from the younger generation and take a careful look on them. This "generation gap" hinders the young to be more outgoing personalities, and express ideas, opinions and feelings without limits. For instance, the father, who happens to be the business manager and other business members and employees take part in an annual meeting where many issues are analyzed and discussed and they express their attitude towards future business operations and progression. The younger member who are involved in this business event, are not asked for his or her views. They are reluctant to get involved in this serious discussion, and for this reason, they are just discussion observers. Parents should take into account their views and evaluation, even they are juniors. Career advancement is a perpetual procedure with plenty of challenges and trials, yet the active and unlimited participation in these attempts is necessary. Moreover, family members have to combine their behavior in family and in business. The roles are completely different, as you behave differently to your father, who is your business manager when you present business P & L reports at the business board, and when you discuss a family issue with your parents. If those prerequisites are adjusted, managing disputes will be simple and have painless outcome.

Unfortunately, this rarely happens, as the parents are not honest to their descendants, and after the younger, as well. Conflicts are a usual issue with which many family businesses have to deal, but the problem resolution process will be smoother if family business members have grown listening and communication skills. Frequently, the conflicts make the family and business more integrated and willing to manage crucial issues. Mishandling possible arguments might deteriorate business and family relationships deterring any conversation which may solve the problem partly. The real causes have to be recognized and solved through constructive dialogue, intercomprehension, mutual respect and trust are needed, avoiding long-term fights and legal disputes. Therefore, family councils are constructed to ease this procedure and resolve potential conflicts. While new members are inducted in the family business, the effective co-existence is necessary between old and young generation. The older generation possesses managerial roles or administrative roles and the younger, who is new business entrant, must be junior executives, having career progression gradually. The older generation tends to be overprotective to their descendants, and as a result the following generation is not economically independent and cannot take initiatives for business decision-making and control. Every decision must be controlled by older generation, and as a result they discourage the incoming generation to be business engaged. Sometimes it happens for their successors to withdraw their family business career and make a new career rotation, conveying their disappointment of their family business career and influencing their family business career decisions negatively. In the last stage, the new generation is still inducted in the business and prepared to take on responsibilities and specific roles in the family business, while the older generation must be ready to depart. In this transition point, the business faces a great challenge which demands attentive handling operations. This happens due to the older generation, whose age exceeds the sixty, is unwillingness to get retired, withdraw and completely pass the reins to their young successors. Perhaps they feel that the young may not be yet ready and mature to take on the business reins and may deteriorate business progression. Some founders combine retirement with their health psychological deterioration and death transition.

However, the succession process may cause strong anxiety to older generations who on the one hand, it would like to pass the business to adequate-skilled family executives and on the other hand, it would like to distribute the responsibilities and roles equally to its family. The transition process needs enough time to be prepared and implemented, while the older leaders must devolve all of their power, skills and experience to their heirs before departing. Unprepared and deficient successors might decline the business progress and efficiency; lose expansion opportunities concluding to blaming one another for these negative results and deteriorating business and family integrity. When the elders are in succession plan process and must take crucial and catalytic decisions, they should take into account what they were when they began, how they had a successful career, in what way they had these accomplishments. Even the junior generation looks forward to their leaving, it should be patient as this procedure takes long. It is necessary to identify and comprehend the stakeholders' different perspectives. Every family member has different goals such as high identity profile and strong financial status which make him or her enjoy an expensive life-style.

On the contrary, those, who have managerial roles in the business, may expect personal and professional growth through expanding the business size and its profits. In the last stage, the leaders must be ready to transfer the business control and responsibility to the next generation whose should be prepared to take on it. Families should be prepared to pass the business control to the next generation, in case of unexpected events such as serious health illnesses which interfere business control and handling by the older leaders. Therefore, in the early stage, the older leaders should have the role of mentor through encouraging the family member trainees and giving them initiatives in order to gain power, career opportunities and development in the business. The generation, who is ready to depart, maintains a discreet role in the family business, as a consultant confirming the business function effectiveness. (Gersick, et al. 1997)

2.3.3 BUSINESS STAGES

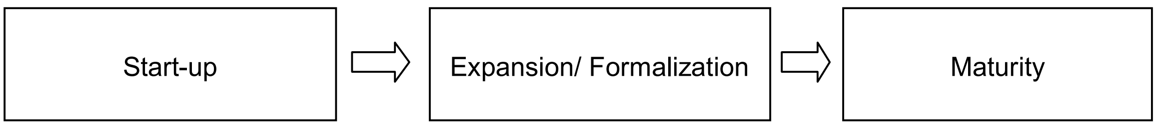


Chart 16 Business Developmental Dimension, (Gersick, et al. 1997)

Composing the three-circle family business model and analyzing above parameters, we move forward to the business development stage in order to recognize current business stage. In the beginning of a business, the main business goal is survival for all firms. The second goal in sequence is business growth which is fundamental for its survival. Businesses should consider the external factors and be flexible to environmental changes, being adjusted rapidly, and pursuing new opportunities in order to survive and develop. The external environment requires perpetual monitoring such as observing the market trends, competitors' responses, consumer trends, vendor costs. Otherwise, business comes to maturity and sudden death which is impossible to change if business does not respond immediately to the continuously variable environment. While the business is growing, the business management is more complicated than it was before the growth. For small business the structure is simple, as there are not many leader to control and manage the business, everything is under control of an individual leader. On the contrary, large businesses have higher production level and a complex organizational structure. More employees, more leaders, more stakeholders compose the large perplexing organizational structure. Increasing sales may lead firms to differentiate their product through research and development, but also through innovation. However, all of the above demands human resources, engines and equipment which mean increasing number of employees and expanding facilities.

The CEO should be concerned about six significant parameters on business sustainability and growth which are the Net Cash Flow and business liquidity, profit margin, inventory speed, return on investment, business growth and clients. Net cash flows are the difference between the firm's cash inflows and outflows for a given period and refer to business liquidity. In the balance sheet, current assets represent resources which can be converted into monetary value. Inventories, receivable accounts and cash equivalents are included in current assets. The long-term cash can be used to cover overdue billings and confine business obligations. Cash should be used for short-term business needs such as employee payroll, and raw materials. Investments require high and immediate capital needs which cannot be covered by cash by current business funds. Therefore, businesses seek alternative funds, such as bank loans for new industrial facilities. Business growth depends on the cash inflows subtracting the cost of goods sold, operational expenditures and taxes. If the income statement is positive, the business has profits, otherwise the loss must be covered.

One more important parameter is the inventory cycle, how often the inventories are emptied. If this cycle is perpetual and common every day, these products are in consumption every day, increasing the cash and cash equivalents of the business. However, cash and cash equivalents are not increased immediately after the inventories distribution. All the businesses have given credits to their clients for short-term period, afterwards if they cross the credit deadlines will be charged with an interest rate for non-consistency on purchases. However, businesses should not estimate their profits only by decreasing inventories; they should observe the cash and cash equivalents, liquidity of the business and their capability to satisfy current liabilities. The inventories speed can be estimated by this formula:

$$\text{INVENTORIES SPEED} = \frac{\text{COST OF GOODS SOLD}}{\text{INVENTORIES}}$$

One more significant factor for business investment analysis is the return on capital with which CEO can value its efficiency. Investing in resources and equipment, such as engines, industrial plants and manpower, should be valued for its efficiency. The return on capital can be estimated by this formula:

$$\text{RETURN ON CAPITAL} = \frac{\text{NET PROFIT MARGIN}}{\text{TOTAL ASSETS}}$$

Business growth is one more important factor and the principal goal of all enterprises. Enterprises go through growth when they have a constant increasing sales volume, which gives to the enterprises a profitable financial status. The entrepreneurs should take advantage of this business phase and expand their production and business activities. This growth depends exclusively on constantly satisfied customers whom the enterprise should maintain interest for their needs and build solid relationships and cooperation.

The last part of business development consists of three phases: business establishment (Start-Up), business growth and advancement (Expansion/ Formalization) and sales and business efficiency decline (Maturity). The enterprises are founded by an idea or a dream; they create one product or service and finally expect to gain a long-term leading market position. They have not a particular organizational structure; owners have exclusive enterprise management and control. In this phase, businesses aim to their survival which means competitive products and competitive prices. In Start-Up stage, enterprises should create a guide for their actions, a business plan, which is not only a financial plan for funding, but also a business success measurement. Business plans are necessary to conduct a market survey for market trends, industry current situation and perspectives, social trends and PEST analysis. Afterwards, they proceed to determine product or service description, features and product lines, market targeting, B2B or B2C, demographic and psychographic analysis, and competition analysis. It is necessary to define and describe fierce and less-strong competitors, and marketing mix (4P: Product, Price, Place, Promotion), as well. Moreover, marketing strategy is important to gain a long-term competitive advantage through promoting a competitive and unique product or service which satisfies customers' needs in a competitive price.

Business operation plan and financial forecast are fundamental for idea or dream success and funding, too. If the business plan is sustainable, perhaps there are many sources of funding, such as self-financing, venture capital, factoring, leasing, lending and subsidies. One crucial factor which must be considered in business plan is the risk assessment. There are a few enterprises whose business plan is viable, but they do not consider investment risk. For instance, those risks could be external factors; economic crisis which limits the liquidity of businesses and imposes capital controls. In the agriculture industry, firms should take into consideration the most important factor for their production, weather conditions, as a hurricane may destroy products and the business has to handle high level of loss. If the risk was considered in the business plan, the producers would choose a different geographical location with higher temperature which favors the production. If the potential economic instability was considered through recognizing low Gross Domestic Product (GDP) and limited bank liquidity, the businesses would invest in a foreign financial healthy country with advantageous tax regime.

The start-up period takes many years and long time in this phase to stabilize and then comes the need of business expansion. Business expansion demands more external professionals, more employees and more potential investors. Business development can consider product expansion, machinery and equipment purchase or extend into new facilities which require more standard organization structures. The ownership control is dispelled due to the business operation complexity and movement which is impossible to business distance control. Therefore, it is necessary to hire new specialists to control the business and operations. In this second business phase, organization structure is fundamental in order to define business operation and professional staff needs. The organizational structure will support to analyze business roles, define business hierarchy and establish the operations in order for the business to achieve its goals. In the expansion stage, product or service should be always differentiated and meet customers' needs gaining increasingly stronger position in the market. Product or service should have four features, valuable, rareness, inimitable and organization to take advantage of sustained competitive advantage. Strategy should be formulated in Start-Up phase, before proceeding to business development stage. Strategy formulation incorporates the procedures for determining the organization strategies which are necessary to recognize challenges and pursue future opportunities. In strategy configuration, unambiguous vision and mission should be determined in order to be recognized business perspectives. If mission is narrowed, the business has limited future opportunities. Otherwise, if it is broad, the business has not main interest field.

Determining mission benefits to investigate and value future opportunities in the market and products. Goals and objectives orientation are the final results of this activity and may be the current assets or sales volumes increase, shareholders' enrichment, effectiveness increase and profits or higher percent of market share. To fulfill those objectives and mission, strategies should be designed and implemented. Strategy implementation determines the business activities, budgeting, and the standard operations procedure (S.O.P) for completing activities. Budgeting is a crucial issue for the business in the Start-Up phase as the business needs funding to its function. Therefore, if owners have not adequate funds, they should investigate potential external investors to invest in the business, presenting them adequate returns on investment. In this case, business plan is necessary to convince them for the business investment. (Γεωργόπουλος 2013)

Family wealth considered to be financial and material assets, for instance, other companies, homes, shares and cash in hand and bank, cash equivalents. Business prosperity is created by the founder generation and passes to the second generation reaching the peak. As indicated, only 30 percent of family businesses are owned by the same family by the end of the second generation and only 15 percent by the end of third generation. The family wealth path is increasingly dropping after the second generation till the end of fourth generation when family wealth has no existence. When family prosperity reaches its peak, family members waste uncontrollably on extravagant lifestyle, expensive cars and houses, expensive schools for their kids and expensive vacations. Those expenses deteriorate business liquidity so the company cannot survive. Sometimes, they spend enough money on new costly buildings and offices which family business cannot afford to preserve. Furthermore, the undue increasing dividends to maintain shareholders into the business, it may hold business operations and liquidity back and cannot cover any short-term and long-term liabilities. Moreover, family firms should respond to the changing environment and follow different direction through investing capital in new business opportunities like new products and innovation technology to regain sustained competitive advantage before business maturity comes.

The last phase, which the majority of businesses faces, is the maturity when the sales volumes and customers are stable or begin declining, too many competitors are inducted in the market and the product or service is not differentiated anymore. There is not specific time period when maturity happens; therefore the businesses should be able to respond and keep their market position remaining stable for a long period of time. Some mature family firms have social responsibility and consciousness, engaging in charity activities. Those businesses have a strong reputation and influence to the society through offering money and other resources which benefit the society, community and the environment. Meanwhile, charitable organization establishment may attract the non-employed family members to be engaged in family enterprise charity activities. However, maturity is not considered to be business death, but a business opportunity to change. Some companies handle with maturity through seeking for new business opportunities, new technology for innovated products and services and investigating market gaps to be inducted. When firm is in maturity stage, strategic adjustment is necessary for business renaissance, redefining dynamic strategic plans, long-term vision and mission, which might be changed, and operations. Maturity firms offer more career opportunities for family and non-family members, as at the business beginning, the owners keep the managerial and controlling positions for themselves. When maturity comes, businesses usually pursue and invest in new business growth opportunities such as innovation technology, new products or in different industry and products which demands more human resources. Therefore, seeking professional workforce creates more business career opportunities rather than investing in mergers and acquisitions.

When unpredictable events happen, they might influence business operations negatively. The loss of the business founder and leader suddenly without next generation being ready to take on the reins, business wealth curve will decrease dramatically. Furthermore, fire, which destroys a huge quantity of inventories, business facilities and equipment, may deteriorate business operations increasing business loss which must be covered by personal assets. Long lasting family battles in the court after divorce or siblings' fight about legacy surely deteriorates business thrive and family relationship and prosperity, too. On the other hand, there are few cases in which business and families continue to thrive over generations. Seeking for new successful opportunities and investments, which are partly risky, but they are profitable. (Gersick, et al. 1997) (Κεφαλάς and Γεωργίου 2015) (Davis 2018)

3 FAMILY BUSINESS CORPORATE GOVERNANCE & STRATEGY

3.1 CORPORATE GOVERNANCE

Corporate Governance is defined the harmony relationship among shareholders, board of directors and management team satisfying expectations of shareholders, their investment efficiency and business operations' performance. Sometimes, there are conflicts among these three groups of different interests, consequently in family businesses, as well. Family members are engaged in the ownership and in the board of directors; either they participate in business operations or they do not. Therefore, there are crucial conflicts which could prevent smooth business function. On the one hand, family members who are business executive members have their own interests ensuring more career opportunities in the family business and outstanding business efficiency. On the other hand, family members, who have not executive role in the business, argue about their own interests ensuring high returns and dividends, in which the family executives might be opposed. Therefore, it is necessary to formulate strategies to assure interest and business harmony.

Family businesses which want to be passed over generations should be based on their strategy, vision, values and performance. Business survival and thrive demands independent consultants in board of directors by adding value and building trust to the investors, who may be family members but not executive business members. As referred above, executive members are focused on serving management interests and non-executives on serving shareholders' and stakeholders' interests. Therefore, independent consultants assure the financial statement accuracy eliminating any misdirection regarding business efficiency. Boards of directors have not specific structure and goals, so they must handle with different and complicated challenges. In the last few years, corporate governance is controversial issue, because every country has its own corporate governance system, thus there is no single global governance principals. For this reason, every business must be conformed to its country regulations.

Furthermore, family firms have their own different structure and complexity, size, resources, maturity and culture. They incorporate active business family members and those who are just ownership members with no active role in the business. Strong and solid governance is empowered through transparency of roles, responsibilities and decision-making process. It is also based on comprehension of the culture which is the business values and vision and their influence in decision-making process and implementation. Communication is fundamental for the board of directors operation. Family business executives should provide all information needed enabling executives to comprehend environmental challenged and opportunities so as to formulate business strategy. (Gersick, et al. 1997)

3.2 GOVERNANCE FRAMEWORK

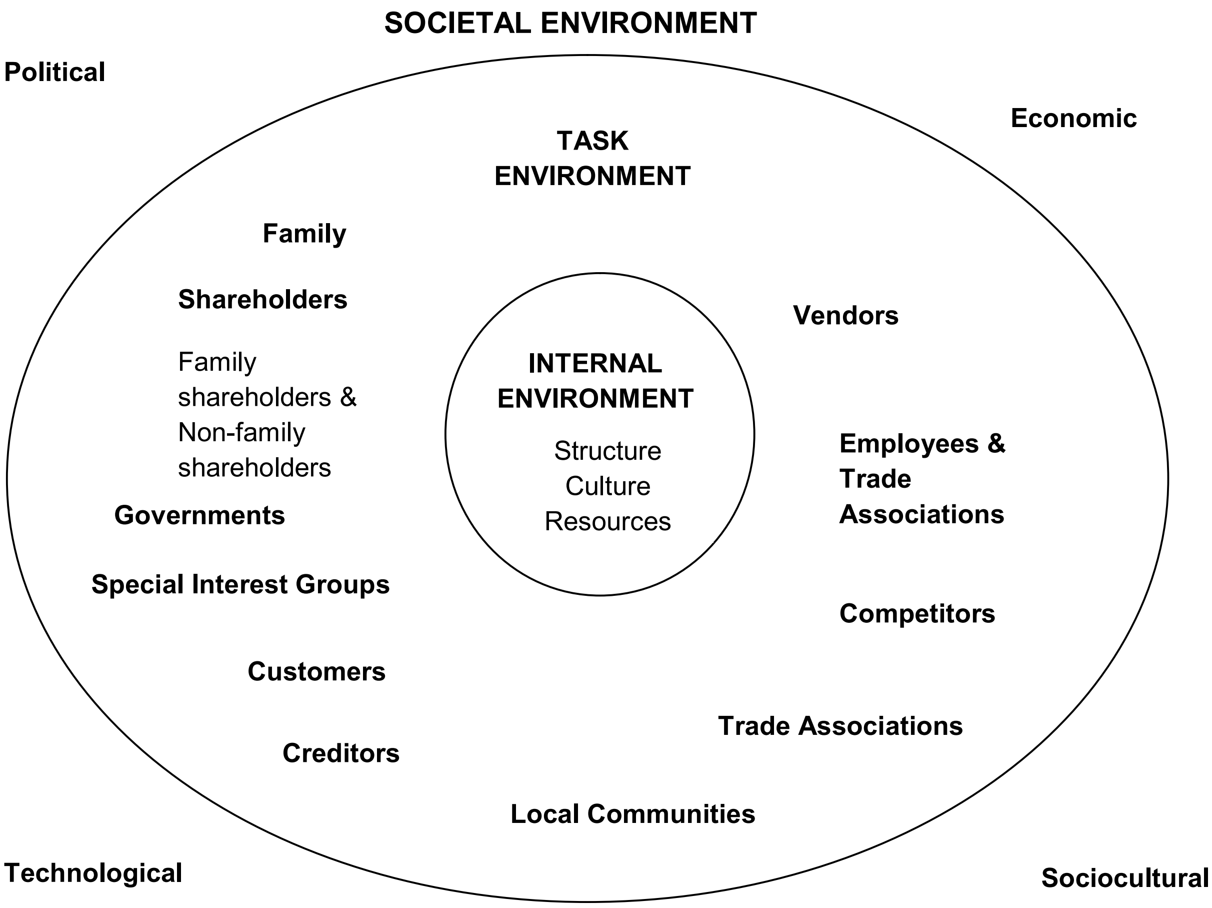


Chart 17 Societal Environment, (Wheelen, et al. 2018)

The societal environment includes all the external variables which affect the business decisions and its efficiency. The organizations must consider the external constantly variable environment, so as to be adjusted. Otherwise, if they do not take into consideration the external factors, the business survival might be at risk. The natural, societal and task environment should be examined how they contribute to the corporation, if they contribute to success or failure. Therefore, businesses should consider these factors and it needed, they must change their strategy. The constantly variable environment is due to market globalization, so as the business cannot be protected by external threats, technological innovation opportunities and their operation size. The external environment is different for each company regarding its change and complexity of the environment. When the natural environment is constantly changing, the environment is considered to be dynamic, it cannot be expected and technological advances are significant for the industry and business expansion. Otherwise, if the external changes are not insignificant, the environment considered to be stable, which means that there are not new-entrants competitors and technological advances are not important for the industry. However, environmental uncertainty is a huge threat for the corporations and the executive should aim to eliminate it.

PEST LE analysis examines all these factors which affect the business through analyzing macro-environment; Political, Economic, Sociocultural, Technological, Legal and Ethics Environment. Political environment includes the political situation in a country, where the organization operates and government attitude for the firms. Sometimes, company giants may influence the political situation in a country. Each company must concern for each country political situation where it operates, even the political situation in its country is stable. In UK, Turkey, Lebanon, Syria and North Macedonia, there is political instability and the business executives must predict the upcoming political modifications. Brexit may harm business operations and cause pound sterling depreciation. The change of government may lead to significant alterations for the businesses, such as high taxes enforcement and insurance levy. Therefore, the companies should monitor all the political parties' attitude in the countries they operate, the agreements regionally, nationally and globally and government relationship with the corporations. For instance, multinational enterprises must consider each country's social insurance contributions which are different for each one.

One significant factor which has a great influence in corporation is the economic, because if the income of buyers is reduced or if the unemployment rate will increase, the buyers may put buying goods and services on hold, thus the business revenues might be significantly decreased. Therefore, corporations must consider all these significant factors which may dramatically influence the business profits and operations. The organizations should monitor the socio-cultural environment, more particularly the lifestyle changes, business ethics and social responsibilities or demographic changes. Nowadays, women have as equal rights as men; they have the same career opportunities, as well. Therefore, the corporations must adopt programs in which women have the opportunity to work in managerial positions. Even they have children; companies should develop nursery places at the company where the kids can be occupied. Furthermore, people has increasing environmental awareness, thus business must conform and reduce significantly disposal from firm's operations. Companies should adopt technological innovation ensuring sustainable competitive advantage such as latest engines and business software decreasing the cost of production and blazing a trail for new products and markets. However, technological innovations is a constantly threat, as automations replace human resources increasing the unemployment rate significantly. (Wheelen, et al. 2018)

3.2.1 PEST LE ANALYSIS

Table 1 PEST-LE ANALYSIS, (Wheelen, et al. 2018)

POLITICAL-LEGAL ENVIRONMENT	• Anti-trust regulations • Environmental Protection Laws • Global Warming Legislation • Immigration Laws • Tax Laws • Special Incentives • Foreign Trade Regulations • Attitudes toward foreign companies • Laws on hiring and promotion • Stability of Government • Outsourcing Regulation
ECONOMIC ENVIRONMENT	• GDP trends • Interest Rates • Money Supply • Inflation Rates • Unemployment Levels • Wage/Price controls • Devaluation/ Revaluation • Energy alternatives • Energy availability and cost • Disposable and discreationary income • Currency Markets

SOCIOCULTURAL ENVIRONMENT

- Lifestyle changes
- Career expectations
- Consumer Activism
- Rate of family formation
- Growth Rate of population
- Age distribution of population
- Regional shifts in population
- Life expectancies
- Birthrates
- Pension Plans
- Health Care
- Level of education
- Living wage
- Unionization

TECNHOLOGICAL ENVIRONMENT

- Total Government spending for R & D
- Total Industry spending for R & D
- Focus on Tecnhological efforts
- Patent protection
- New products
- New Developments in Tecnhology Transfer from lad to marketplace
- Productivity improvements through automation
- Internet availability
- Telecommunication infrastructure
- Computer hacking activty

ECOLOGICAL ENVIRONMENT

- Environmental Protection Laws
- Global Warming Impacts
- Non-governmental orgaizations
- Pollution Impacts
- Reuse
- Triple Bottom Line
- Recycling

Generally, the organizations and particularly family businesses should monitor the macro-environment and be able to recognize opportunities and threats. The societal environment is made up by stakeholders who have direct impact and in turn on business organization and external environment PEST. Family businesses must be oriented to constantly variable environment and adapt to changes rapidly. **(Wheelen, et al. 2018)**

3.2.2 TASK ENVIRONMENT

Stakeholder analysis is the recognition and evaluation of corporate stakeholders which in a family organization are the family members, family member business executives, family owners, owners, board and management. Primary stakeholders, who are known as task environment, include those who have direct influence to the family company and its operations. Task environment are the groups which have great impact on the corporation and get influenced by it. Those groups might be family, shareholders, governments, customers and suppliers, creditors, local communities, trade associations, competitors, employees and special interest groups. It is necessary the micro-environment recognition; stakeholders for organization thriving through monitoring and balancing the needs of these groups which compose the task environment. Therefore, strategic executives should take into consideration the interests of stakeholders; and desires before proceeding to strategic decisions. Otherwise, if these groups are not contented, they will force the organization to satisfy their needs. (Wheelen, et al. 2018)

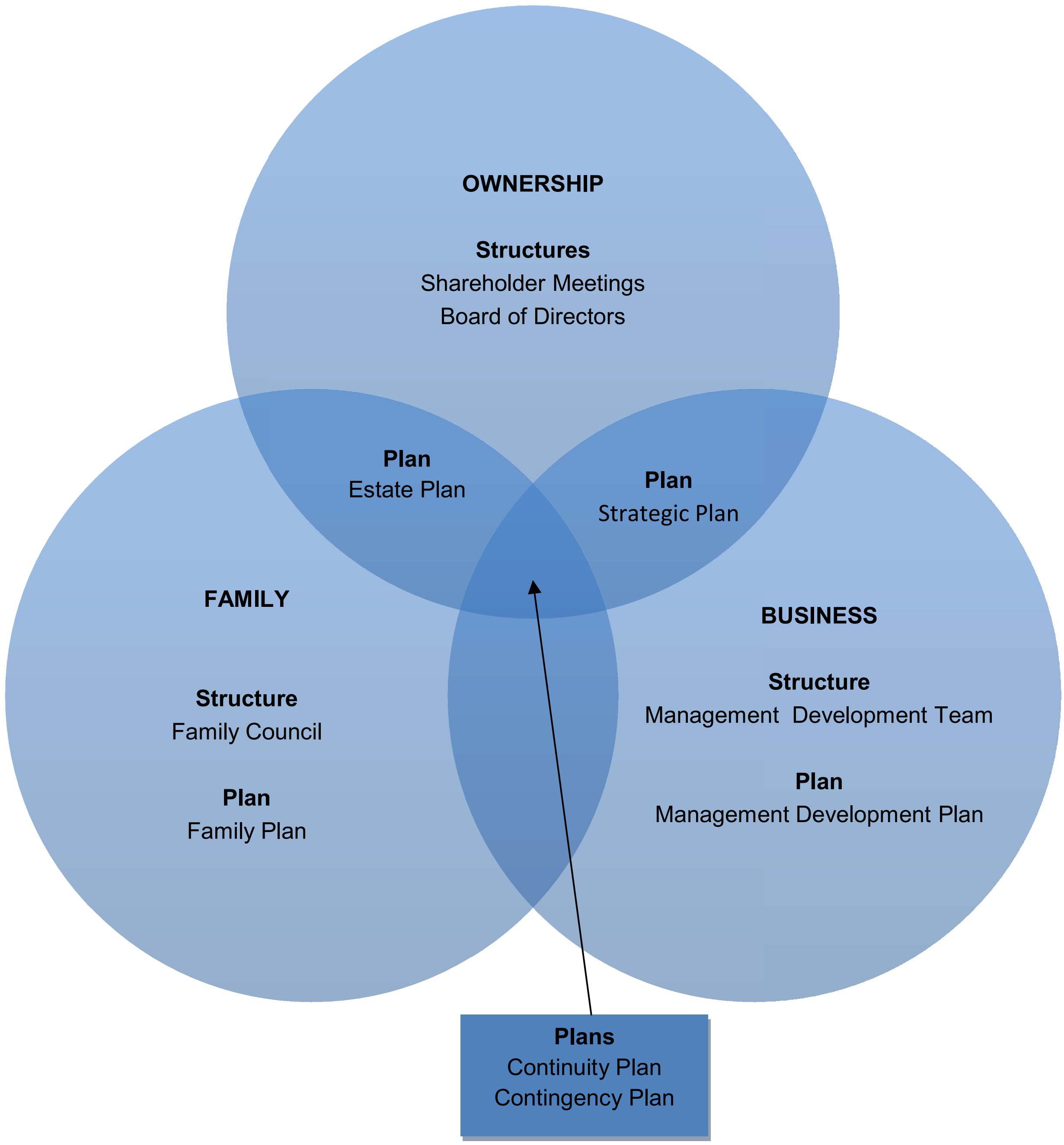


Chart 18 Structures & Plans in the Three-Circle Model, (Gersick, et al. 1997)

3.3 SHAREHOLDER COUNCIL

Shareholder council in a family business is incorporated by shareholders who might be family member owners, spouses and siblings. In a bigger size family business in which cousins have taken on the reins, the shareholder group is included by more shareholders who are not all family members. If family business is listed, shareholder councils in family businesses are almost the same with non-family businesses. The shareholders are updated about financial status and results and returns on their investments. The frequency of these councils are not so regular, they are conducted once or twice per year. In these annual meetings, board of directors is elected and business future perspectives are discussed. Shareholder meetings are not for solving family issues and conflicts and decide about business policy and strategy. They only discuss financial issues and investment decision and elect the board of directors which control if the top management actions are effective and served their interests. In small companies, which are sibling partnerships, shareholder council is small in size and there is the possibility the board of directors and shareholder council to be the same. However, it is necessary to separate the responsibilities of the board of directors and shareholder council; even they include the same people and the shareholder council-family business owners-should be determined only for decision-making process for their own personal interests. (Gersick, et al. 1997)

3.4 BOARD OF DIRECTORS

Board of directors is responsible to represent the interests of owners and shareholders; effective board leadership; take initiatives and risks and in cooperation with strategic executives, especially the CEO, to configure the organization strategy and afterwards, subordinates executives to implement the defined strategy. They also decide regarding public share issue, mergers and acquisitions or company selling. It is also responsible to top management succession plan; business sustainability and hire the appropriate CEO for effective business function. The degree of board of directors' involvement in designing strategy is ranged from "Phantom role" to "Catalyst role". This means that if the board of directors has phantom role, it is not involved in strategy making process at all. On the other hand, if the board of directors has a catalytic role, it is active in strategy making process; the smaller the company is, the less involvement of board of directors in strategy determination. In small-sized companies, CEOs overlap business owners and board of directors is included by relatives and friends with minority shareholdings. However, while the business is growing and proceeding to public offers, the board of directors must be incorporated by more active and professional members.

Family owners-managers are reluctant to construct a board of directors due to their fear of losing their exclusive business control and trusting confidential business information with other directors. It is necessary for the board of directors to be composed by trustworthy partners who serves shareholder interests. In controlling owner companies, the role of the board of directors is not to satisfy the owners' interests, but rather keep a consulting role to the controlling owner. When it comes sibling partnerships, the ownership is divided to new family members, so the board of directors should not be incorporated by majority of family members. Therefore, the board should consist of external directors and family representation should be maximum 30 percent. Ideally, non-family directors should be individuals with no conflict and argument background with the business or family. They should have solid equivalent experience in family succession, strategy and business development. The board should act respecting family values and principles, and keeping the mission and vision of the company in mind. External partners such as accountants, lawyers should not be engaged in the board, as they are paid by the owners for their services and may act in order to satisfy owners' interests occurring further conflicts. Every partner, who cooperates externally with the family firm, should not be part of the board and may create conflicts of interests. For instance, vendors may interfere and prevent decision-making process regarding their payment methods and policy in which they may be opposed.

When it comes to sibling partnership, the family members who are not engaged in the company have to be represented by capable and objective partners who will protect their interests in the board council. When family business is in development stage, issues, which are discussed, concern development objectives and strategy regarding market expansion and organizational structure. These specialized issues demand proficiency management by expertise members of the board of directors. As long as the family is growing, family members pursue to be inducted in the board of directors and weigh in decision-making, taking the place of other more expertise directors. Therefore, the board of directors should not be incorporated by the majority of family members. Family members, who are not adequate qualified, should have limited access to decision-making process due to the lack of experience and education. Because of this, cousin partnerships have embraced some requirements for those family members who are willing to participate in the board of directors. The prerequisites include work experience in the family firm, outstanding business and academic records. The appropriateness of the members should be valued by the shareholders and the CEO. Moreover, one more board's responsibility is to determine the process to choose the appropriate candidates supervising their progression and deciding about the business successors. Board of directors with outstanding records and experience, is able to recognize the real needs of business regarding human resources, so it is able to hire the most professional executives, which is vital for the sustainability of the organization. (Gersick, et al. 1997) (Wheelen, et al. 2018) (Γεωργόπουλος 2013)

3.5 BOARD OF ADVISORS

Except for board of directors, some family companies are adopted an advisory board, a board of external experts, who bring professional skills, participate in decision-making process and do not have legal rights, contrary to the board of directors. Its advice is not mandatory to be implemented, as it has not executive and legal role and its participation frequency depends on family's or firm's needs and desires. It is considered to be "valuable asset for both management and the board" (Women Corporate Directors & KPMG 2015). Board of advisors is responsible to support the business in crucial issues such as growth strategy, market orientation and business operations. They are able to value business strategy and assess if the firm has the right direction. Advisory boards have limited access to decision-making process; they just advise and foresee the business future and opportunities, suggesting expansion in specific markets and pointing out the way of handling the expansion of customers and vendors.

Some family big-sized companies, which have more than one operating firms under the parent company, have created boards of each operating company only by external directors. The parent company shares belong to the family members and this company is the dominant shareholder of the operating companies. The parent company board is incorporated by large number of family members. All the profits and the risk are dispelled to the family members through conveying them to the parent company. Thus, if a company is not profitable and the other one is, the entire profits or loss are conveyed to the parent company and distributed to the family shareholders.

The advantages of having a board of advisors are your growing network in case you need new employees or suppliers; it may select for you the perfect executive or supplier to be part of your team. Their constantly focus on the future, while the business executives are concentrated on day-to-day business operations and feel unrelieved that business advisor experts take on the responsibility looking for the future and recognizing opportunities. The wrong decisions blames can be assigned to the third party of board of advisors avoiding a beloved employee dismissal. Prior to meetings, the business executives and owner have to be prepared with all financial records the board needs. This preparation process makes business executives more responsible and disciplined and the business can be assessed on a regular basis. The business achieves to expand in new markets and survive thanks to advisors' contribution. If the business owner is not able to manage the business due to a serious illness or an accident, the board of advisors is able to take on this responsibility because of its proficiency and familiarity in these crucial issues. They can continue operating the business effectively with the business employees and family members. During meetings, business owners can ask family members or business executives to take on the presentation of the meetings regarding data analysis, financial reports or results. Thus, the business owner can understand who the most appropriate is, to be promoted and take on the leadership. (Gersick, et al. 1997) (Francis 2017)

3.6 FAMILY COUNCIL

Families should discuss family issues which might arise in business environment, thus a family council should be built in order to preserve their family thrive. Family council considered to be a group of family members in which values, interests, needs and expectations could be discussed and reviewed so as to protect interests of the family and ensure family and business wealth. Family members usually discuss family and business issues on family gatherings with unexpected and negative results. Family councils give the opportunity to family members, non-executives to be heard and divide family and company through clarifying their roles, rights and responsibilities. They are useful to investigate and solve any conflicts and personal goals and interests to be engaged in a shared frame. In family councils, issues discussed concern the succession plan, current or future owners and employees. This group incorporates a married couple, a husband who is the owner-manager and his spouse and their children.

Afterwards, when next generations are inducted in the family business, the family councils are included by siblings, cousins, parents and grandparents and other relatives. In the first few meetings, the members should comprehend the significance and the purpose of this board and schedule the meetings frequency. In these meetings, only issues which concern both family and business should be discussed avoiding overwhelming meetings. Families should determine policies regarding estate plan, financial issues, relatives hiring or dismissal and future generation preparation and entering the family business or exit plan preparation. Family members should be same qualified with other family and non-family employees, thus those qualifications should be defined in order to get prepared to be inducted in the family business. Regarding succession plan, in case of not willingness to continue family business, family members should decide what to proceed; if they are willing to purchase the business and what procedure will be.

Family Councils' efficiency is based on frequent and prearranged meetings attending the majority of family members, the ideal would be everyone to participate in it. They should arrange 4-5 meetings per year, and in case of urgency, more meetings should be organized. Every family member is entitled to the same specific adequate time to express their opinion, emotions and any argues which may arise. External director may help this process be conducted through teaching family members to respect each other, sharing their emotions and arguments in an effective way under constructive communication. The family council director does not participate in every family meeting but he coordinates the meeting process regularly and suggests any modifications needed. (Gersick, et al. 1997)

3.7 MANAGEMENT TEAM

Successful businesses are the outcome of effective management team and its actions. Business expansion demands the punctual identification of human resources needs during the business life-cycle. Business success is based on its executives, thus appropriate executives should be selected and trained in each stage of the business. Family businesses are used to engaging family members in the management team which creates a more complexity system and needs special treatment. Family members, who are part in the management team, are more favored than non-family managers. However, it is irrational to leave the business continuity and success to the family members exclusively. Therefore, management team is necessary for handling these situations through planning and monitoring the talents advancement to the management positions and, of course, the progress of family members specially.

The management team should be comprised the owner-manager and high professionals of the corporation with managerial and recruitment skills for the succession plan implementation and staffing the talented people to managerial positions gradually. The ownership must decide about the succession process, the roles and the entry to the managerial positions and the prerequisites for the leadership. Nevertheless, there are family owner-managers who promote their own children for the management and leadership roles undermining the management team's review process. When the families are more sophisticated in size, more particularly in cousin partnerships, the monitoring of this process is assigned to management team composed of non-family members exclusively, avoiding any process undermining. It has advisory role to the owner manager, as he or she determines finally. Therefore, if the three parts of the family business, ownership, family and business cannot reach a consensus, the owner must determine to rediscuss any issue and reach to an agreement. (Gersick, et al. 1997)

3.8 OWNERSHIP BLUEPRINT

In family businesses, the objectives of the board of directors are to be engaged in business direction plans and lead business function. The board usually formulates four significant plans for the business and ownership. The board defines the business strategy in consultation with the management team. In some firms, the board is responsible to formulate strategic plan, contrary to other firms in which the board has a supervising role to the management team which determine the strategy. Furthermore, the board is adhered to family ownership team's guidance which is developed by family council and brought it to the board council. The board with the management team is responsible to evaluate the business needs when it comes manpower needs and internal manpower potential, either family or nonfamily. Moreover, the board is responsible for three significant blueprints in all three circles, the continuity and contingency plan.

Continuity plan concerns the family business leadership succession which is responsibility of the board of directors, which is instructed by the family. They along with the family determine the prerequisites and rules for each family member in order to be part of the leadership. Finally, family businesses are not prepared for unexpected events which may deteriorate and disintegrate the business. Therefore, one of the board's most significant responsibilities is to prepare the business for unpredictable events, economy or business crisis. Of course, the board has second blueprint in case of these certain and urgent situations. (Gersick, et al. 1997)

3.9 FAMILY BLUEPRINT

As the business has its own plans, family has its own plans and vision for the future. Each family has its own past which should be passed to the next generation. The family leaders must pass their family's story, vision and mission to the younger generation. To create your family's history is necessary to recall the past and memories emphasizing the strong family identity. Family leaders should clarify their vision with regards to dreams about the family and business future. The mission which incorporates family's values and ethics, should be passed to the succession leaders in order to adopt them and continue running the family business under the family's philosophy. In big-sized family businesses, in which there are family members who are not engaged in the family council, this family attitude should be shared and reviewed by all family members. (Gersick, et al. 1997)

3.10 MANAGEMENT BLUEPRINT

The management team is to conceive and enforce the business future plan and each manager career future in the family business. This system may help clarify workforce needs and build career future of family and non-family managers. The management team should consider given and growth strategy and anticipate the demand of management recruitment. Also, it must take account of unexpected events which may decelerate the corporation growth and how it should respond to these unforeseeable situations. After considering these important issues for the enduring family business activity, the management team along with the board of directors outlines the business development direction.

To outline this framework demands examining the career expectations and ambitions of the managers, their ages and then organizing their training procedure in order to get qualified for particular roles in the family business. Family owner-managers are reluctant of this blueprint, as the business operates under a constantly changing environment which cannot be planned. However, planning helps predict these changes which may be losing new business opportunity because of the lack of management team's talent. Therefore, performance evaluation of the executives is crucial to be conducted.

Moreover, significant executive members may withdraw and meet better career opportunities outside of the family business. This resilient plan is constructed in order to anticipate and be prepared for the future. In this particular framework, the management team must strike a balance between non-family employees and family successors. It must also define and clarify the career opportunities and prospects of all executive family and non-family members. Family members gain more support and special handling during the learning process and are being promoted in higher positions in management hierarchy rather than non-family employees and managers. Furthermore, family-member performance assessment, in contrast to the non-family managers', might be different. For this reason, these rules should be clarified to parties, both family and non-family employees.

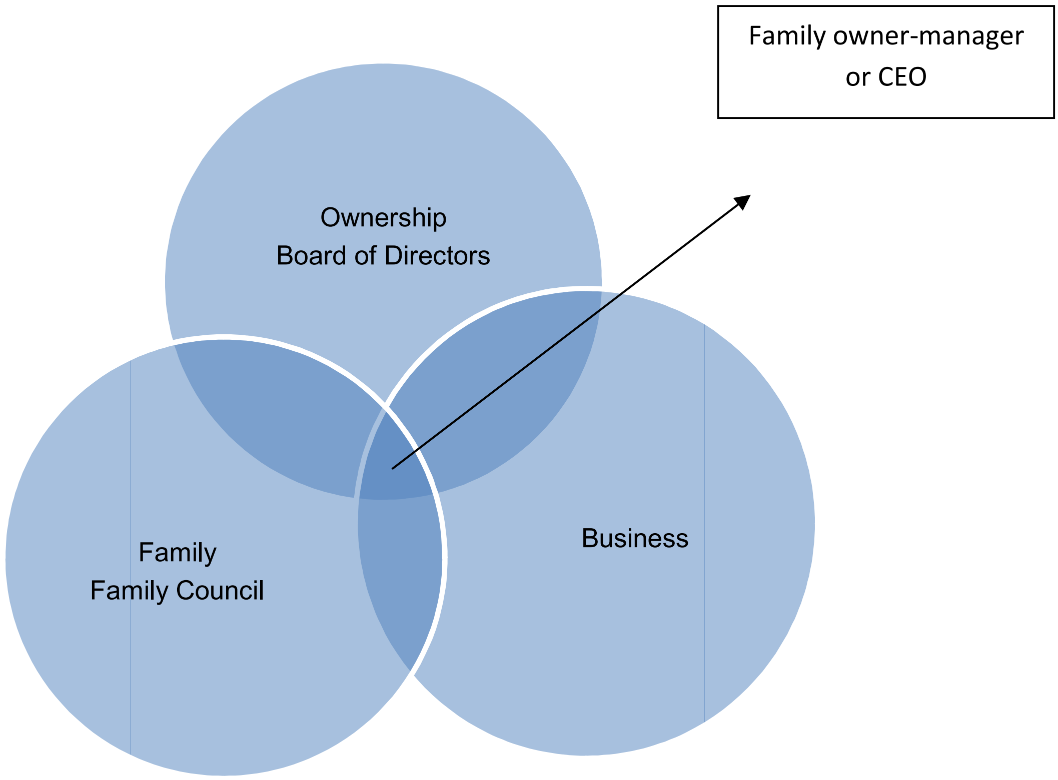


Chart 19 Three-Circle Business Model, (Gersick, et al. 1997)

The family owner-manager, who happens to be the CEO of the family business, is located in the intercept point of all three circles. Therefore, he or she must have strong communicational skills in order to be an effective coordinator among these three groups. Sometimes, the CEO happens to be part of the head of the board of directors and of the family council. Therefore, it demands to be a strong and effective communicator and be impartial through communicating information.

Family directors could represent the family council at the board meetings and inform the family council about the board's actions, as well. Senior managers must not be part of the board of directors due to their disparate interests which might cause significant conflicts. Therefore, CEO could be the key person for joining the family council and the board of directors. Otherwise, if there family members in managerial roles, they can be the missing link between these two groups. Under no circumstances, the family members must not be engaged in management issues skipping the communication channels between the family council and management. The leader must be the communication link between them and responsible to convey information to the council through reporting, for instance, the new business and social activities.

Finally, the information filtering and sharing to the board and council and in turn is necessary due to special handling on issues which may affect significantly the two groups such as succession plan, retirement issues or employment prerequisites of family members and details about reinvesting profits and not distributing. Therefore, information is vital and must be delivered without any misconception especially in family businesses in which the members might have conflicting interests. (Gersick, et al. 1997)

3.11 GROWTH

Family businesses prefer organic steady growth ensuring safety and eliminating risk. Profit-oriented family businesses' goals are firstly customer service and then family service. FOBs face difficulty in perpetual business growth and success due to wrong strategy plan, talents shortage, and unstable political environment. Therefore, effective decision-making for strategy and growth demands professional and talented executives assuring stable business evolution. Organic growth may be decelerated, thus family firms should investigate new ways of reaccelerating it. Therefore, family business owners should determine if they want to expand and in which field they should. They should implement appropriate growth strategies for their business. Each family business is unique and needs different kind of strategy. SWOT analysis is part of strategic plan recognizing the external and internal environment which is necessary for finding the appropriate growth strategy.

When a company differentiates and expands its business activities further from its main principal activity, we refer to corporate strategy. This kind of strategy is referred as synergic effect to be expanded in new field of activities gaining competitive advantage. Family businesses can be enlarged either internally, through broadening their activities overseas and nationally or externally through mergers and acquisition or strategic alliances. Merges happen when two companies integrate their functions creating a new corporation to gain competitive advantage. In addition, acquisition occurs when a company purchases another company and the acquired is modified into subsidiary company. Furthermore, strategic alliance is an important composition part of international competition, as it can be defined the cooperation of two companies in order to gain mutual advantage. Concentration is the product or service specialization makes the business leader in this particular field avoiding strategic mistakes. This specialization makes the business gain continuous competitive advantage, but there is not high profit margin and many investment opportunities. There is the risk of product or service maturity, thus businesses find it difficulty in diversification due to their specialization. (Picardo 2019) (Hargrave 2019)

Last but not least, there are few career opportunities in this kind of business strategy, as executives, who seek for better career opportunities to achieve managerial positions; they do not find interest in routine business operations with no future career business perspectives. Horizontal and vertical integration strategies will help businesses to grow faster and faster. Horizontal integration strategy is the merge of similar companies who were competitors increasing the business size, creating economies of scale and decreasing the market competition. In addition, the merged companies have access to the other companies' customers and markets and growth will be continued overseas. The new merged company can reduce the cost by sharing it through using technology or investing in research and development and production process. Vertical backward integration strategy is caused when a company buys another company which operate in the inputs production for the acquiring company's product, decreasing vendor dependence and boosting profits. Vertical forward integration strategy happens when firms want to buy ahead companies which are closer to the customers, more particularly distribution channels. This strategy helps companies to have easier access to customers, avoiding any transfer cost and delay, and increasing revenues. (Tarver 2019)

Diversification is another kind of strategy in which companies are introduced in new related or unrelated markets and products from the main business activities. Businesses, who choose this strategy, achieve to increase their value and surviving when other field fails. (Γεωργόπουλος 2013) (Wheelen, et al. 2018)

4 CASE STUDY (SUCCESSION PLAN)

The greatest expectation for family businesses is the FOB continuity from generation to generation, which is the ultimate challenge as fewer than 50 percent of FOBs survives from generation to generation. The integration of younger generation to the business operation is complex enough and needs action plan for preparing the future leaders timely. The punctual success plan may prevent families from family and business conflicts ensuring smooth business succession and meeting business needs. Preparing the success plan, it is necessary to clarify the intentions of the successors. If they are willing to take on the reins, which the most effective plan is and how the older generation should motivate them to participate in business operations. One more crucial issue should be considered, is the management and ownership roles in the business.

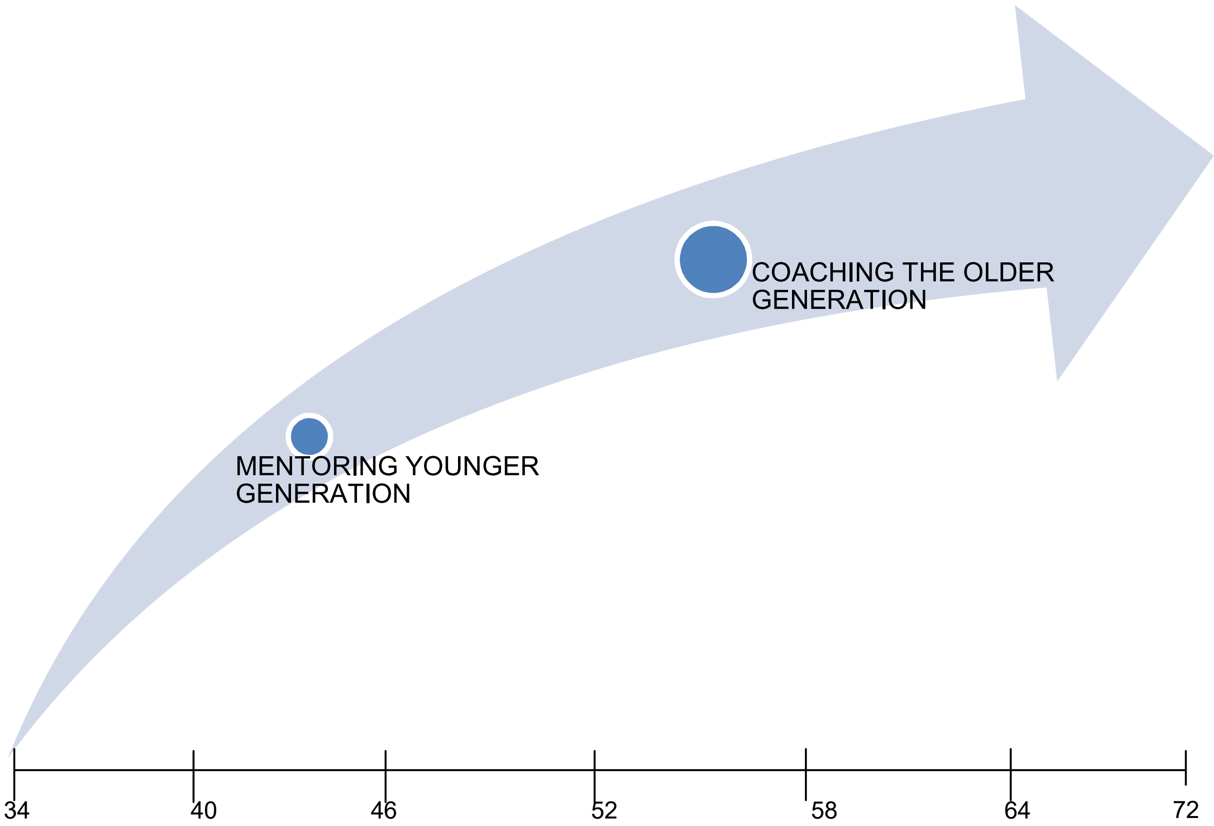


Chart 20 Succession Process, (Κεφαλάς and Γεωργίου 2015)

During the succession process, it is necessary both older and younger generation to prepare themselves mentally and professionally for this change. The one party, the older generation, should be ready to mentor and guide the successors until it departs. On the other hand, the younger generation must decide if it is willing to build its career to the family business and get prepared for the leadership.

BUSINESS PRESENT SITUATION

In this stage, the desires of the family should be identified and declared so as for the success plan to proceed. Afterwards, organization structure is necessary to clarify the business roles and recruitment or dismissal and reward policies and training programs for the employees, family and non-family members.

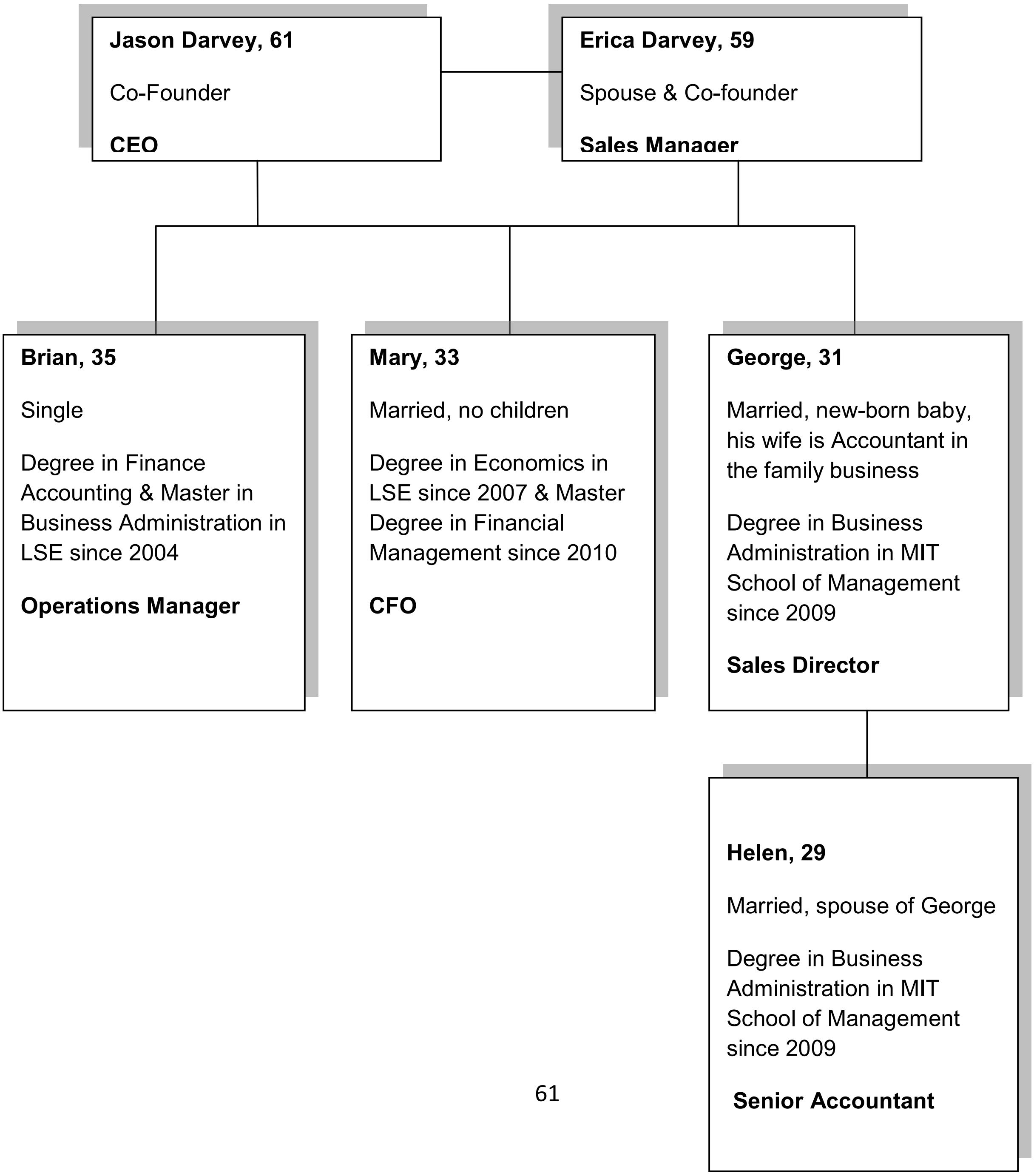


Chart 21 Darvey Family Chart

This family chart describes a family which has its own family business with two founders, Darvey G. and Darvey E. Their family has 3 members, the older is Brian who is 35 years old, single and Operations Manager in the family business. The second member is Mary who is 33 years old, married and CFO; Chief Financial Officer; in the family business. The third member is George who is 31 years old, married with one new-born baby and Sales Directors in the family business. His wife, Helen, is 29 years old and accountant in the family firm. Obviously, the family members are active members in the family enterprise and their business roles are clarified. However, the family members should clarify their desires regarding their personal vision, their future dreams and career. Also, parents should express their own vision regarding the business future, if they are willing to pass the family corporation to the next generation.

Jason Darvey claimed that after 20 years as manager of this successful family business, he is willing to pass it to the next generation through long-term coaching and mentoring in order for them to be prepared to take matters in hand.

Erica Darvey stated that it is high time to prepare the next generation to take on the reins, but she was reluctant if they can achieve smooth transition plan and suggested to ask for consultation and build a board of advisors.

Brian, who has an active executive role in the business, is willing to continue working in the family firm and build his career in it. He would like to take on managerial role as his father. He believes that he is more qualified and works hardly than his siblings.

Mary, who is Chief Financial Officer, believes that there are no future career opportunities in the family business and she would like to withdraw and build her own career.

George, who is Sales Director, is willing to continue working in the family firm with his wife and afterwards his children. He considers that he has more future career perspective in the family business rather than in another company.

Helen, who is spouse of George, is accountant in the business and willing to continue working in the family firm as her husband. She wishes to have more career opportunities in the family business, even a managerial role due to her strong academic and experience records.

ORGANIZATIONAL CHART

The family business is a medium-sized commercial company and its function included operations, financial and commerce department. The functional organizational structure is hierarchical structure wherein people are classified based on their area of specialization. They are supervised by their department manager and all of them help the organization achieve its goals. In this case, family business is incorporated by family and non-family members. The CEO; Chief executive officer; is the father of the family, George Darvey. Moving forward to this hierarchy, CEO supervises three separate departments, the operations, financial and sales departments.

Whatever is being outsourced is not part of the organizational structure. In this case Human Resources Department was being outsourced. In-house activities are mandatory to be integrated to the organizational structure. The operations department includes one operation manager who happens to be Brian Darvey, the first son of the family, two operations directors and each of these two directors oversees thirty people in each operation team. The second department is the financial department, in which there are the Chief financial officer, who is Mary Darvey and manage two senior accountants and each one of them oversees five junior accountants. One of two senior accountants is the spouse of the younger son George Darvey. The last one is the commercial department in which the Sales Manager, who is Erica Darvey, has the control of sales director and marketing communication department. The sales director, who is the younger son of the family George Darvey, is the manager of Sales and Commerce team. Marketing & Communication department has the management of the marketing team.

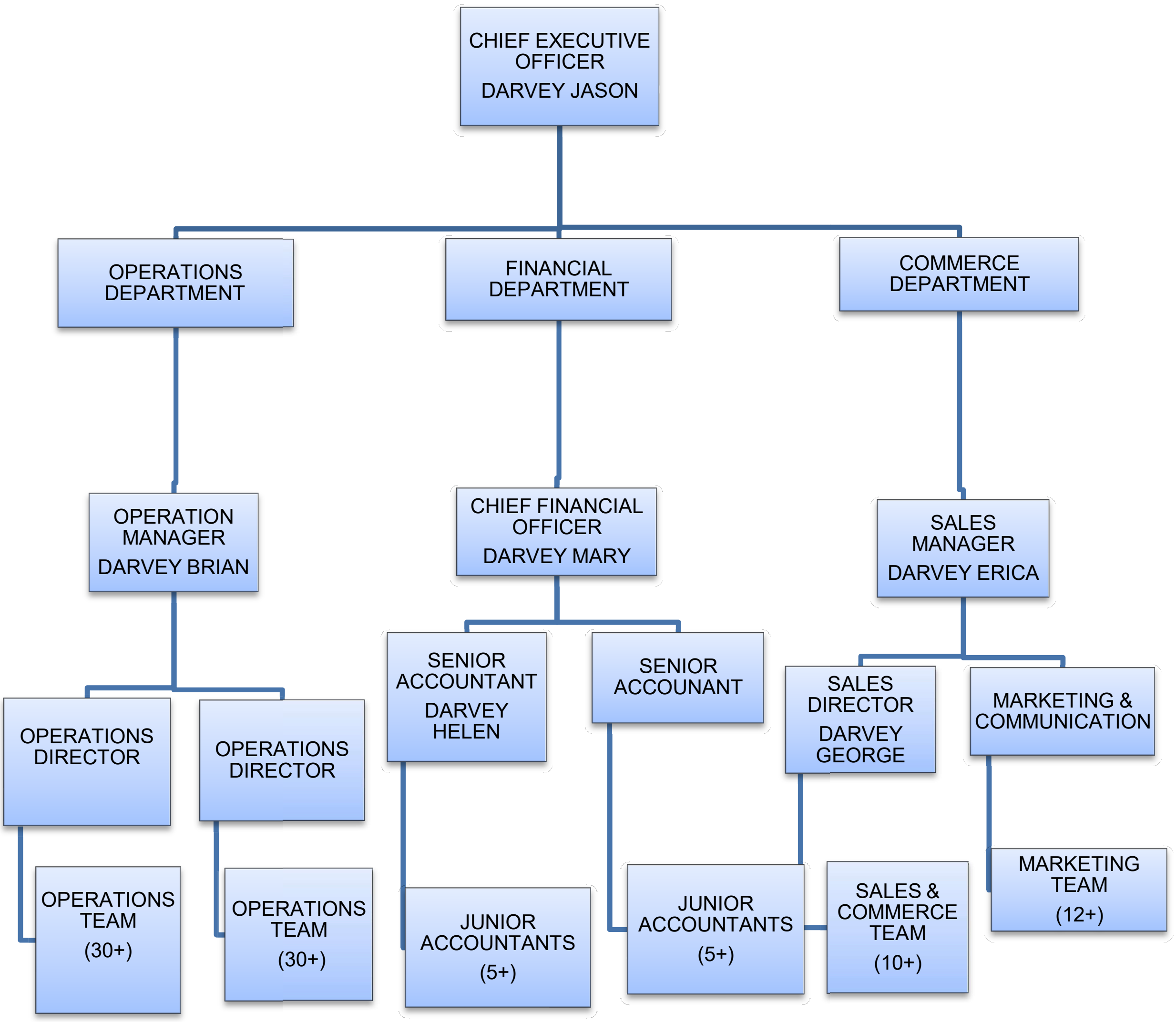


Chart 22 Darvey S.A Organizational Chart

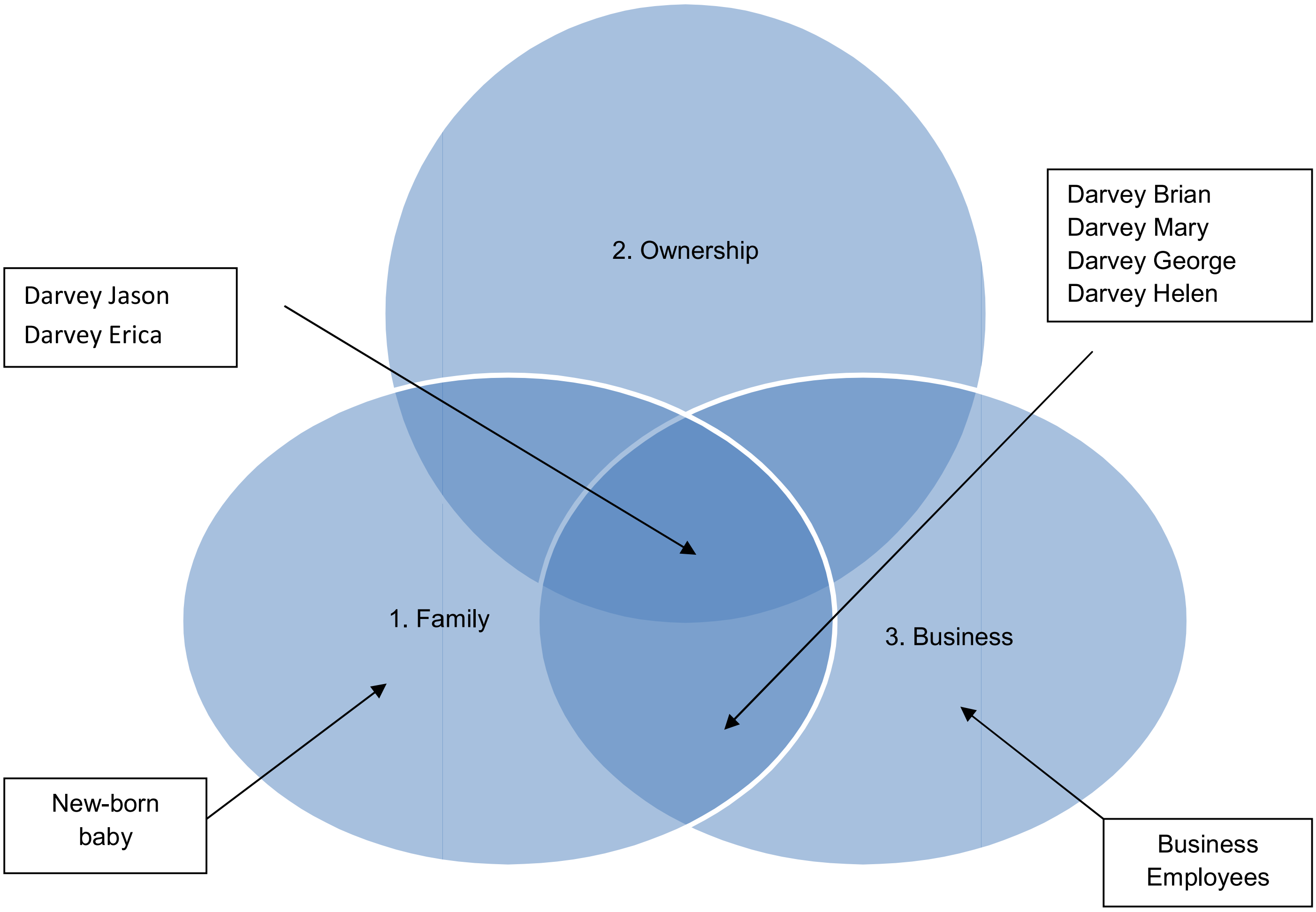


Chart 23 Three-Circle Darvey Family Business Model, (Gersick, et al. 1997)

This Three-Circle Family Business model will help clarify the family business complexity through classifying each family, owner and business member.

Darvey Jason and Erica who are a marriage couple, co-founders of the family business, located into three circles, as they are family members, co-owners and business members. Darvey Brian who is the oldest son of the family, located in both family and business circle, because he is a family member and business employee. He is not part of the ownership yet. Darvey Mary who is the only daughter of the family, located in both family and business circle, because she is also a family and business member. Darvey George who is the youngest son of the family, is located at the same point as his siblings and his spouse, as well.

Whilst the family proceeds to succession process, which is a great challenge for it, it needs professional consultation. Therefore, it asks for advice professional and expertise consultants. The consultants suggest redefining the organizational structure and clarifying the roles and responsibilities of each member. The consultants examine all the business parts, shareholders, board of directors and family and non-family employees. As the family business is a listed-company, the ownership is incorporated by shareholders and owner-managers. The younger family members which are also employees in the business are not part of the ownership, yet. Family businesses need to separate family and business in order not to be entangled. Family conflicts must not be integrated into business, and in turn.

FAMILY BUSINESS COUNCIL STRUCTURE

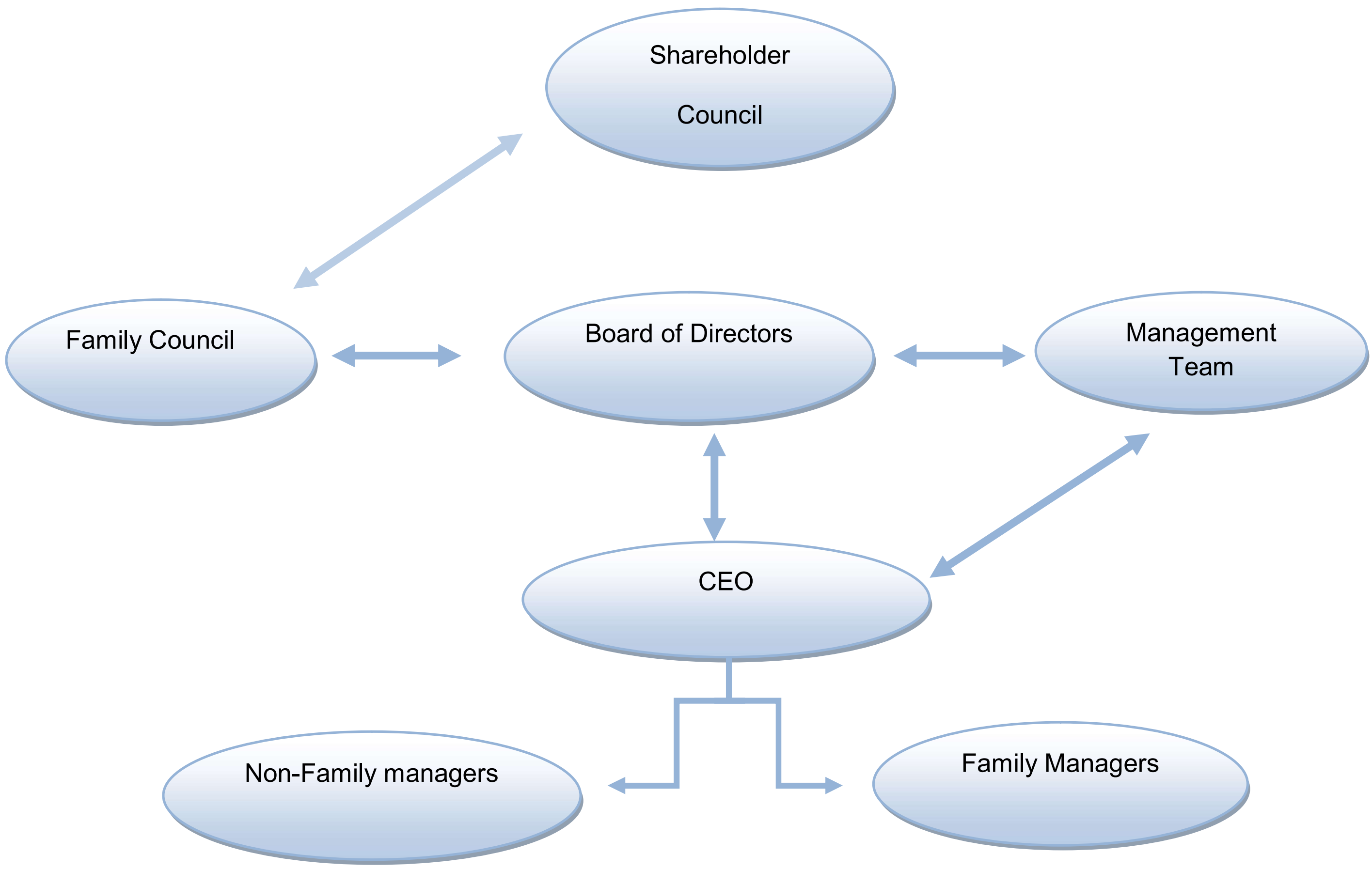


Chart 24 Family Business Three-Circle Structure

This family business is two-controlling-owner; a marriage business partnership, which might be sibling partnership. Shareholders assembly only includes family and non-family owners, more particularly Jason and Erica Darvey and all the external shareholders who are not family members. Shareholders do not incorporate the future owners, the future successors as they are not ownership members yet. In our case, the family business is public and there are one hundred and two shareholders in the family business ownership. Family council is intimately related with shareholder group, as family council is made up of family owner-managers and discusses about family values, needs, anticipations, and policies in order to protect the family interests. In no case, the members of family council should integrate family issues with business issues. The board of directors is to represent the interests of shareholders, in our case, in family business the board is incorporated by 20 percent of family members optimizing the efficiency of the board.

Furthermore, the family council and the board interchange family requests and issues. The management team along with board of director is to plan family business future strategy and needs in the aid of shareholders and business. The CEO accounts for their actions and selections to the board of directors, and controls the management team and decide about the alternative options of the business direction, such as business growth strategy, new staff recruitment. The board plays a catalytic role in FOB decision process and decides with the management team about the business direction, as well. Finally, the CEO who happens to be father of the family is the business director over the family and non-family managers.

Mary is not willing to continue her career in the family business, as she might withdraw and build her own career whilst she will be part of family business as a shareholder. The other two siblings would like to continue operating their family business as the family begins growing with new family members; the new-born baby of the family. Indeed, George made his own family with his spouse, Helen, and Brian might make his own, as well. Brian is opposed to his brother's taking on managerial role, as he considers as older and more experienced brother, he deserved the highest managerial role in the hierarchy; CEO. George, in turn, believes that he is responsible and over-qualified to take on the reins of the FOB business, as he deserves more to take on CEO role in the business due to his and his spouse's devotion to the family business. The family business was a controlling-owner business, now it is in the stage of being a sibling partnership. However, it needs special handling in order to avoid the family and business conflicts.

Mary is reluctant to be part of the family business, so she decided to withdraw and keep a shareholder role in the family business. The other siblings would like to have managerial roles, but it is preferred not to manage the same departments in the business avoiding siblings' rivals. Mary will not be engaged in the family business, which might occur her siblings' opposing regarding her dividends. The parents should take into consideration to assign in a trustee the succession process in case of unexpected events such as parents' death. Unfortunately, the parents decided to begin the succession process behindhand, the roles and their vision about the family business should have been clarified before their successors is inducted in the business. If the succession process would have been begun timely, Mary might determine to be engaged in the business and build her career inside the business. Mary might be disappointed of her older sibling's competitive behavior throughout their cooperation and select to withdraw. There is no possibility of Mary's changing decision regarding their choices. Therefore, the parents should consider and decide about the most appropriate successor to operate the family business. The new three-circle family business model will be modified, as Mary is going not to be engaged in the business operations.

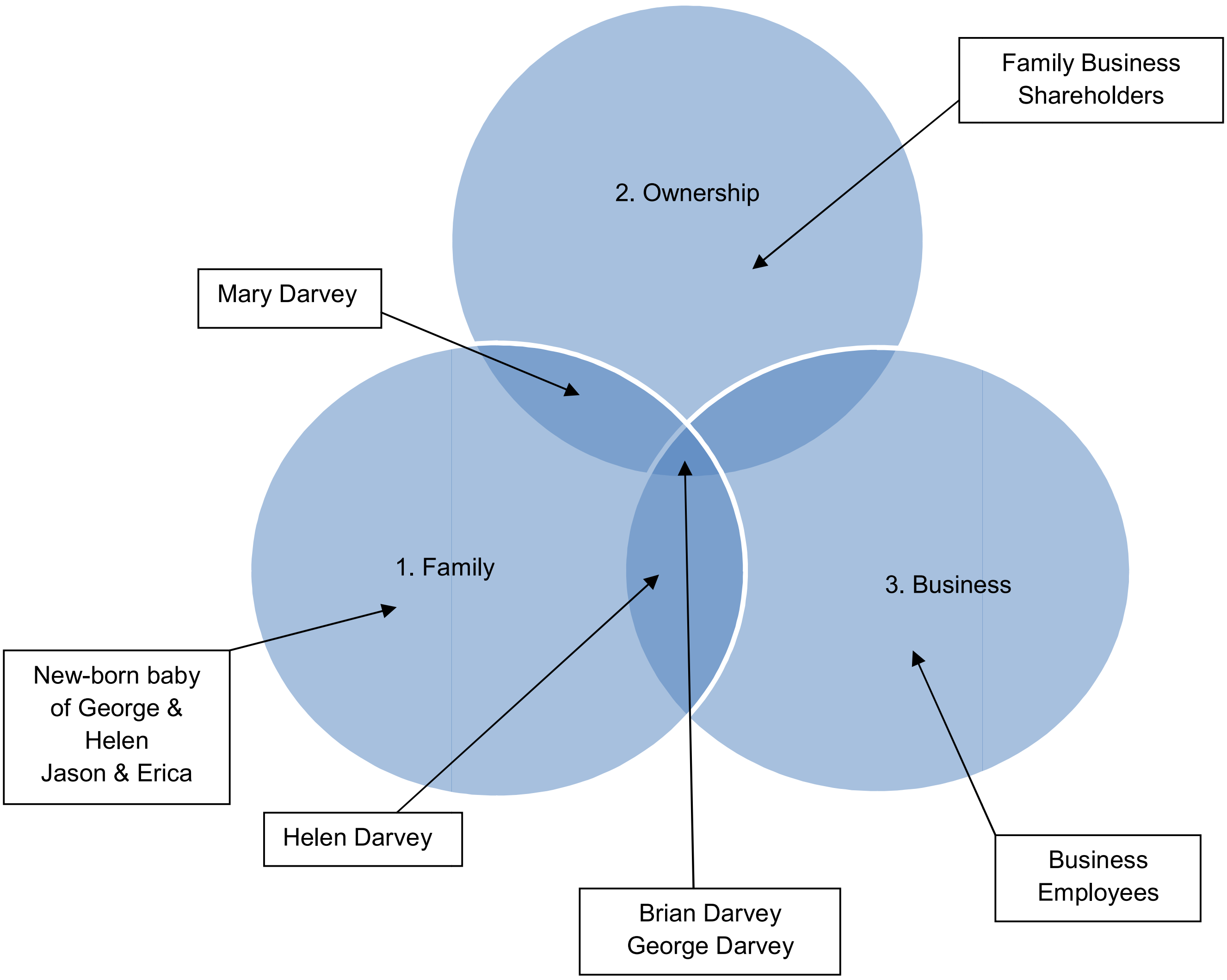


Chart 25 Three-Circle Darvey Family Business Model

1. Completely Disagree

2. Disagree

3. Neutral

4. Agree

5. Completely Agree

Table 2 Succession Readiness Self-Assessment, (Κεφαλάς and Γεωργίου 2015)

Succession Readiness Self-Assessment of managerial capabilities of Successors		
1.	Do I have education or technical specialization?	1. 2. 3. 4. 5.
2.	Do I know the production processes or the business operations?	1. 2. 3. 4. 5.
3.	Do I have organizational skills?	1. 2. 3. 4. 5.
4.	Am I organized and responsible in my work?	1. 2. 3. 4. 5.
5.	Will I be responsible for financial results of the family business?	1. 2. 3. 4. 5.
6.	Do I comprehend that business development equals to family prosperity?	1. 2. 3. 4. 5.
7.	I will not discriminate among the family and non-family business members.	1. 2. 3. 4. 5.
8.	I will adapt family business philosophy and share the family values with my colleagues.	1. 2. 3. 4. 5.
9.	In many cases, I agree with the decisions of the present manager or I am capable to comprehend the reasons for his or her making these decisions.	1. 2. 3. 4. 5.
10.	I will respect my responsibilities and be objective representative in the family business.	1. 2. 3. 4. 5.

If the average of the answers is among the following:

From 3.75 to 5 the successor is excellent but he or she needs to be encouraged.

From 2.75 to 3.74 the successor is moderate and needs education.

From 2 to 2.74 the successor's average is under the average, therefore he or she is not appropriate.

Table 3 Succession Readiness 360° Assessment, (Κεφαλάς and Γεωργίου 2015)

Succession Readiness 360° Assessment		
1.	Does the successor have education or technical specialization?	1. 2. 3. 4. 5.
2.	Does the successor know the production processes or the business operations?	1 2. 3. 4. 5.
3.	Does the successor have organizational skills?	1. 2. 3. 4. 5.
4.	Is the successor organized and responsible in his or her work?	1 2. 3. 4. 5.
5.	Will the successor be responsible for financial results of the family business?	1. 2. 3. 4. 5.
6.	Does the successor comprehend that business development equals to family prosperity?	1. 2. 3. 4. 5.
7.	Will the successor discriminate among the family and non-family business members?	1. 2. 3. 4. 5.
8.	Will the successor adapt family business philosophy and share the family values with my colleagues.	1. 2. 3. 4. 5.
9.	Does the successor agree with the decisions of the present manager most often or is the successor capable to comprehend the reasons for his or her making these decisions.	1. 2. 3. 4. 5.
10.	Will the successor respect his or her responsibilities and be objective representative in the family business.	1. 2. 3. 4. 5.

Self-assessment questionnaire is completed by the successors in order for them to reflect their honest opinion regarding their readiness to take on managerial roles. 360° assessment is completed by parents and the non-family management team members in order to objectively evaluate appropriateness and readiness of the potential successors.

Brian has 3.72 score in the first questionnaire, compared to George who has 4.5 score.

In 360° assessment of readiness, Brian has score of 3.25, compared to George who has 4.1.

Even Brian is older and more experienced than George; he is not yet appropriately prepared to take on the reins, compared to George who is younger and less experienced. However, the age is not evaluation measurement for being successor, even sometimes the parents prefer to pass the family business to the older siblings or older son, who might be more responsible and mature to protect the family business thriving.

FAMILY BUSINESS HEALTH MEASUREMENT

Financial health measurement depends on the results of Profit and Loss statement, a financial statement which quantify business earnings and expenses in a particular period of time and specifies the business capability to produce profits by increasing sales or revenues and decreasing specific cost, or both. (Reiff 2019) In this case, family business has steady net earnings 100.000 € for the last two fiscal years, while the sales revenues and the cost has increased by 2.000 € and 14.000 €, respectively.

Table 4 Darvey S.A. Profit & Loss Statement

DARVEY S.A.
Kennedy Avenue 250, London, 16598
PROFIT & LOSS STATEMENT December 31,2019
In Euro €

		2019	**2018**
Total Sales Revenue		216.000	214.000
Cost of Goods Sold		-30.000	-30.000
Gross Profit		186.000	184.000
Expenses			
	Total Sales and Marketing Expenses	6.000	7.000
	Total Research and Development Expenses	10.000	3.000
	Total General and Administrative Expenses	30.000	30.000
	Total Other Operating Expenses	10.000	2.000
	Total Expenses	56.000	42.000
Earnings before Interest, Tax, Depreciation, Amortization (EBITDA)			
	Depreciation & Amortization	-12.000	-12.000
Earnings before Interest & Tax			
Earnings before Taxes			
	Income Taxes	18.000	30.000
Net Earnings		100.000	100.000

Balance sheet is a financial statement which declares the business' assets and liabilities and shareholders' equity in specific period of time. It provides clarified report of the business, of its belongings and obligations and the invested capital by shareholders. (Hayes 2019) In Darvey S.A, cash and cash equivalents has significantly increased and the inventories have decreased by 30.000 € as they are sold and increased the family business' revenue. Moreover, the business' investment has dramatically increased by 50.000 € for Research & Development for innovated products. The retained earnings are 200.000 € more than in 2018. Finally, the short-term liabilities have increased by 68.000 €, while long-term obligation have been decreased by 50.000 €.

Table 5 Darvey S.A Balance Sheet

DARVEY S.A.
Kennedy Avenue 250, London, 16598
BALANCE SHEET December 31, 2019
In Euro €

ASSETS	2019	2018	OWNER'S EQUITY & LIABILITIES	2019	2018
Current Assets			**Owner's Equyity**		
Cash	130.000 €	100.000 €	Equity	192.000 €	192.000 €
Accounts Receivable	120.000 €	50.000 €	Retained Earnings	200.000 €	100.000 €
	10.000 €	20.000 €			
Inventory	30.000 €	60.000 €	TOTAL OWNER'S EQUITY	392.000 €	292.000 €
TOTAL CURRENT ASSETS	290.000 €	230.000 €			
			Current Liabilities		
Fixed Assets			Accounts Payable	80.000 €	50.000 €
Long-term Investments	70.000 €	20.000 €	Short-Term Loans	110.000 €	60.000 €
Property, Plant & Equipment	282.000 €	294.000 €	Income Taxes Payable	18.000 €	30.000 €
Less: Accumulated Depreciation	-12.000 €	-12.000 €	Accrued Salaries & Wages	10.000 €	30.000 €
Intangible Assets	80.000 €	60.000 €	Unearned Revenue	50.000 €	30.000 €
TOTAL FIXED ASSETS	420.000 €	362.000 €	TOTAL CURRENT LIABILITIES	268.000 €	200.000 €
			Long Term Liabilities		
			Long-term Loans	50.000 €	100.000 €
			TOTAL LONG-TERM LIABILITIES	50.000 €	100.000 €
TOTAL ASSETS	**710.000 €**	**592.000 €**	**TOTAL LIABILITIES & OWNER'S EQUITY**	**710.000 €**	**592.000 €**

Cash-flow statement illustrates the net cash-in and cash-out of the business for its operations. By this measure, the company can be assessed of how it is capable to meet debt obligations in a particular period of time. This measure is crucial, as defines the shareholders' value in the business. Cash-flow is being increased through increasing revenues by increasing prices or sales, selling assets, decreasing operation and administrative cost, customers' payment consistency or debt settlement paying gradually and taking loan. Darvey S.A has net cash flow 30.000 € at the end of year 2019 which allows it to cover its expenses or short-term liabilities.

Table 6 Darvey S.A Cash-Flow-Statement

CASH-FLOW STATEMENT
INDIRECT METHOD
DARVEY S.A.
Kennedy Avenue 250, London, 16598
BALANCE SHEET December 31, 2019
In Euro €

Operating Activities	
Net Income	100.000 €
Add: Depreciation	12.000 €
Decrease in Account Receivables	-70.000 €
Changes in Products	10.000 €
Changes in Inventories	30.000 €
Taxes	18.000 €
Net Cash provided by operating activities	**100.000 €**
Investing Activities	
Change in Long-Term Investments	-50.000 €
Change in Intangible Assets	-20.000 €
Net Cash from investing activities	**-70.000 €**
Financing Activities	
Change in Long-Term Loans	-50.000 €
Change in Short-Term Loans	50.000 €
Net Cash from financing activities	**0 €**
Net Cash Flow for Month Ended December 31,2019	**30.000 €**

Table 7 Darvey S.A Financial Ratios

DARVEY S.A. FINANCIAL RATIOS	2019	2018
Debt Ratio (Total Debt/Total Assets)	0,45	0,51
Current Ratio (Current Assets/Current Liabilities)	1,08	1,15
Net Working Capital (Current Assets-Current Liabilities)	22.000 €	30.000 €
Assets-To-Equity-Ratio (Total Assets/Total Equity)	1,81	2,03
Debt-to-Equity-Ratio (Total Liabilities/Total Equity)	0,81	1,03

The debt ratio is a financial ratio which illustrates the leverage of the company, the entire debt to total assets. The debt ratio was almost 0.45 in 2019 and 0.51 in 2018. The ratios are under 1, so the total assets of the family company were funded more by owner's equity rather than by loans or other funds. Therefore, the family corporation has more assets than debt and its financial leverage is regularly. The current ratio measures the liquidity of the company to cover its obligation within a year. In our case the current ratio is 1.08 in 2019 and 1.15 in 2018 which indicates that the company is capable to cover its liabilities, because its assets are greater than debt due to ratio is greater than 1, so it can over cover its debts within a year through liquidating in case of emergency.

Working capital measures company's liquidity and efficiency and its short-term financial health for covering its liabilities, investing capital for growth and expansion. In 2019 and 2018 the Darvey S.A. is capable for covering its liabilities as it has positive working capital 22.000 € and 30.000 €, respectively. If the company's current assets are less than its current liabilities, it might be in danger of non-capability of paying its liabilities and lead to bankruptcy. Furthermore, the assets-to-equity-ratio measures the owner's equity invested for total company's assets and shows its leverage to creditors and investors. In Darvey S.A., this ratio is 1.81 in 2019 and 2.03 in 2018 which illustrates that for each asset was funded 1.81 of owner's equity in 2019 and 2.03 in 2018.

Finally, the debt-to-equity ratio measures the company's financial leverage if business operations are funded by owned equity or funded by debts. The family company's debt-to-equity ratio indicates the proportion of equity and debt to finance its assets and obligations. In Darvey S.A .,the debt-to-equity-ratio was 0.81 in 2019 and 1.03 in 2018, which means that it had 0.81 of debt for each euro of equity and 1.03 of debt for each euro of equity, respectively.

The family business health requires a healthy family, more particularly the family members respect each other, would like to be engaged in the family business and help it to expand and the older generation is willing to step aside and pass the family company to the next generation.

Darvey Family is not a healthy family because of the rivals among the siblings. Mary is not engaged anymore to the family business due to constantly conflicts with her older brother Brian, who is always imposing himself, even in responsibilities which were none of his business. In this case, family handles with a greater challenge among the older sons of the family who both want to take on managerial roles. George is more appropriate to take on managerial roles despite his age rather than Brian who is not ready yet despite his attitude. The succession process is a long-term procedure which needs constantly training and assessment of all successors. Mary, who will withdraw and keep a shareholder role in the business, can occupy with social activities such as charities, business blood donation, or social identity of the family business avoiding any siblings' opposition regarding her dividends. They may be opposed to her non-engaging in the family business operations and might be injustice to participate in dividends. The parents must have personal interviews with the family members in order to agree together for their decisions.

Brian and George must remain their particular managerial roles in the business and parents should assign the succession process to trustees because of the age and there is the possibility of parents death or one of them health incapability to handle with this challenge. Trustee should not be a family member, one of the descendants or George's spouse, but a trusted external partner who will manage and share the business according to the written terms of the parents. Jason Darvey (trustor) has a trustworthy friend; Athos Stranger, who is a family friend and has his own family. Athos Stranger is a Deputy Senior Partner in an accounting organization and takes on the responsibility to implement the estate plan to his friend's family in five-year-horizon. He has great relationship with the three siblings, thus the succession process will be smoother with his contribution. He takes on the trustee responsibility which is legally related with the business management trust, as the trustor; Jason Darvey; desires. The five-year-trustee is obliged to manage the family business and handle the succession process according to the written terms of the five-year-trust in which incorporated the official business ownership distribution. The trustee; Athos Stranger; must be objective and trustworthy and act only in the interests of the business and family throughout his CEO tenure in the business. The potential family successors should be evaluated twice a year regarding their performance on which their promotion will be based.

Table 8 Equity Capital

Surname/Name	Portion	Shares	Value €
Darvey Jason	51%	1.530.000	1.530.000
Darvey Erica	20%	600.000	600.000
Public Shares	29%	870.000	870.000
Total	100%	3.000.000	3.000.000 €

Family Business Value: 3.000.000 €

Table 9 Equity Capital Distribution in five-year-horizon

Surname/Name	Portion	Shares	Value €
Darvey Brian	25%	750.000	750.000
Darvey Mary	25%	750.000	750.000
Darvey George	25%	750.000	750.000
Athos Stranger (Trustee)	5%	150.000	150.000
Public Shares	20%	600.000	600.000
Total	100 %	3.000.000	3.000.000 €

Family Business Value: 3.000.000 €

NEW ORGANIZATIONAL STRUCTURE

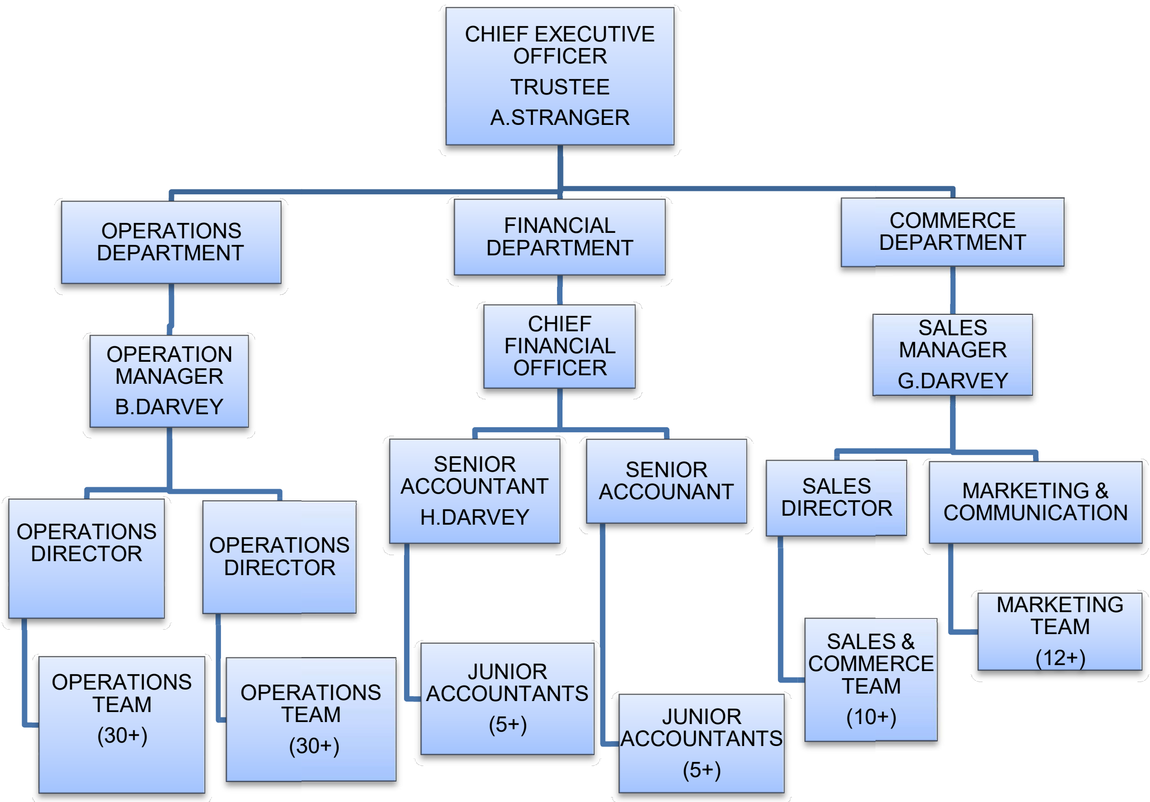


Table 10 New Organizational Structure

The new organizational structure has not many modifications, as Brian has remained in the same job position, while George is prepared to take on more responsibilities on his department. The older generation had well-determined to have assigned different responsibilities to their children and having placed them in different non-relevant departments, eliminating the role entanglement and members' conflicts. Throughout the succession process, the assessment of the members should be based on financial results and the efficiency of business operations.

Table 11 Corporate Councils

SHAREHOLDER COUNCIL	FAMILY COUNCIL	BOARD OF DIRECTORS
•Darvey Brian •Darvey Mary •Darvey George •Athos Stranger •Public Shares	•Darvey Jason •Darvey Erica •Darvey Brian •Darvey Mary •Darvey George •Darvey Helen	•Darvey Brian •Darvey George •Darvey Mary •A.Stranger •Representatives of Public Shares

In this five-year-horizon, the shareholder council includes everyone in the family who belongs to family business shares and the non-family members; public stockholders. The meetings of the shareholder council could be once or twice per year when the board of directors is elected. The main discussion in these meetings concerns the family business future perspectives and investment decisions. Under no circumstances, the family issues should be discussed in these meetings displaying a negative snapshot of the family business. In the family council, which is made up only by family members, the parents maintain a consultant role for the family and the business. In this council, the family members should discuss significant issues which might concern about any conflicts or determining rules about succession and preparing the family member for the forthcoming events.

Finally, the board of directors is being represented by the family business owners, the representatives of the stockholders and the trustee. The family members do not exceed 30 percent of the board members. They must discuss about strategy plan issues, organization plan or business development plan. However, family conflicts and issues must not be conferred with the board as it makes the trust among the family members and shareholders lose faith.

After five-year-horizon, the family members should be responsible and prepared and professionals to take on the reins. Assessment appraisals will lead to the most capable successor according the rules and policies which are predetermined in family councils. In five years, there is the possibility the parents will be deceased, so the trustee must continue the succession process, according to the written terms and desires of them. It is necessary to predict the future and be prepared for the forthcoming events and issues. Finally, the trustee is obliged to handle equally these two siblings impartially without personal interests.

PLAN A: Brian is the most appropriate successor for the administration of the family business.

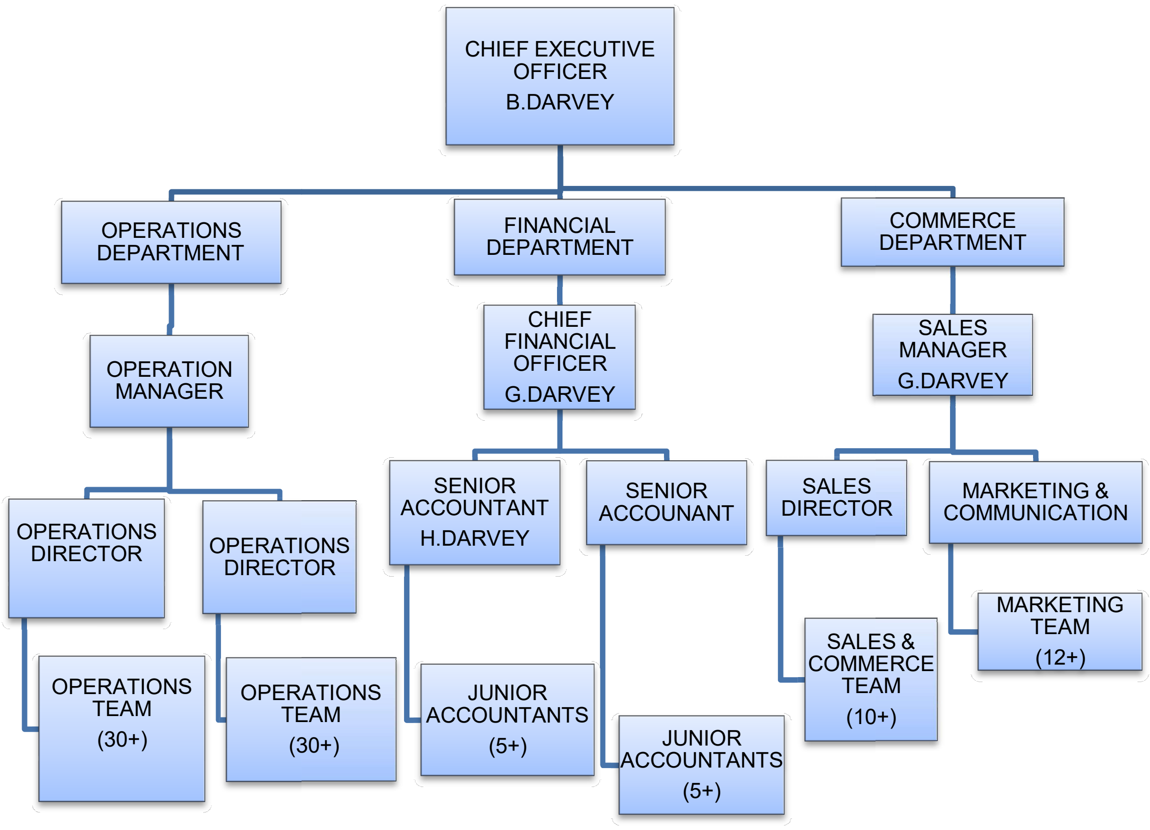


Chart 26 Plan A-Potential Organizational Structure

In this scenario, Brian will be inherited the CEO role; Chief Executive Officer in the family business, while George will be manager in two departments having the role of CFO; Chief Financial Officer and Sales Manager avoiding any conflicts regarding the role succession. However, George should prove that he is suitable and well-prepared to take on these multiple responsibilities. Nevertheless, both siblings will be in high levels in the business hierarchy and they have the same rights, responsibilities and shares in the family business. They must act in the interests of their family business and not act in personal advantage ensuring family and business harmony.

PLAN B: George is the most appropriate successor for the administration of the family business.

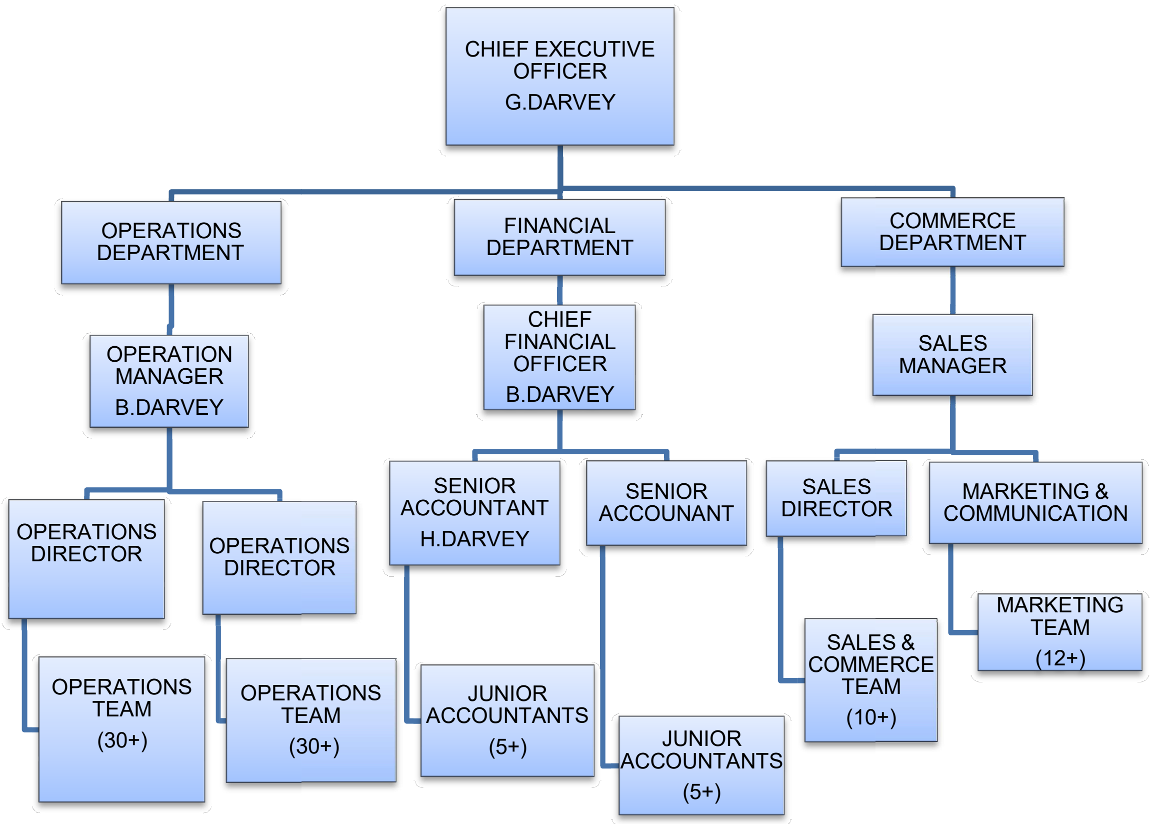


Chart 27 Plan B-Organizational Structure

In this scenario, George will be inherited the CEO role; Chief Executive Officer in the family business, while Brian will be manager in two departments having the role of CFO; Chief Financial Officer and Sales Manager avoiding any conflicts regarding the role succession. Also, Brian must prove that he is suitable and well-prepared to take on these multiple responsibilities.

If both will be qualified and suitable for the leadership, they can share the leadership. Every fiscal year the leadership can change so as every successor to be the CEO and manage the family business for a year. Otherwise, the one successor could manage the business for 10 or 20 years and afterwards, the other successor could take on the leadership for another 10 or 20 years.

PLAN C: If the siblings cannot cooperate during the succession procedure and there are always conflicts regarding succession and they conclude to the court spending extortionate amounts of money, the optimum solution is the sale of the family business at the stock price, as the business is a listed company. The sale revenue will be distributed equally to these three siblings.

All of these three plans above will be recorded to the family trust constitution, in which the trustee will implement.

CONCLUSION

Taking into consideration all the above analysis, family business is not a common business because of his complexity. As the family is growing, the family business and its complication are growing, as well. Family-owned businesses are the predominant business enterprises worldwide. They have a remarkable and out of the ordinary form which is difficult to understand and manage due to his enormous complexity. New members are inducted in the family business such as siblings, cousins and half-siblings which increase the rivals and conflicts among the members. Therefore, the family business owners should create family harmony to the younger generation before it is inducted to the business.

Family business incorporates many developmental stages from controlling ownership, in which the family control in one or two owners; a marriage couple, the most common ownership, to cousin partnership in which business control is dispersed to more family owners. The successors pass a long-term learning process until they are qualified to take on the leadership reins.

One important characteristic of the family companies is their resilience as they respond better in economic plugs due to their different strategic choices and plans in contrast to non-family-controlled companies, concluding non-FOBs to imitate the strategy of FOBs. FOBs are concentrated on organic steady growth through investing with the existing capital investment from profits withholding some profits in case of emergency.

Corporate governance is necessary in order to ensure family and business harmony. Family issues and conflicts must not concern and influence the business operations. Therefore, shareholder councils, family councils, board of advisors and directors should be separated; their roles and responsibilities must be clarified, thus family and business issues not to be entangled.

Finally, they should take care of the succession timely and make the younger generation be prepared in order to avoid unexpected events and family business disruption. Succession is a long-term process which demands considering many factors such as the willingness of descendants to continue and take on the family business leadership in which some parents do not consider.

It is necessary to identify the family and business structure using three-circle family business model and outlining the organizational structure of the business clarifying each member role and responsibilities. The potential family business successors should be evaluated through frequent assessments regarding their efficiency and capabilities. However, family business health basically depends on family health and on business health measures regarding its profits, liquidity and financial ratios such as debt ratio, current ratio, new working capital, assets-to-equity-ratio and debt-to-equity-ratio.

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