The Usage of the Perspectives Comprising the BSC from the Family Firm’s Point of View

A Case Study Influenced by the Spirit of Gnosjö
Acknowledgement letter

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[Signatures]

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Abstract

Background: Even though family firms play a significant role in the economy, research regarding family firms is relatively new and is still an emerging field of study. Family firms possess specific characteristics distinguishing them from non-family firms. Moreover, there are other issues within the family firm research that has not been fully explored, and one of them is management accounting and control. Researchers have suggested that more research is needed on performance measurement focusing on both financial and non-financial information. A tool that includes both financial and non-financial measures is the Balanced Scorecard (BSC). As family firms are influenced by its location, the phenomenon known as the spirit of Gnosjö will be taken into consideration throughout the thesis.

Purpose: The aim of this thesis is to explore the usage of the perspectives comprising the BSC in SME family firms operating within the region of Gnosjö.

Method: In order to fulfill the purpose, a case study was carried out. The data was collected by conducting interviews. Further, the sampling process resulted in interviewing 13 participants in four companies.

Conclusion: The findings show that all four companies use the perspectives comprising the BSC, however, the findings also indicate that the usage is influenced by familiness and the companies’ location. Further, this study confirms that using stewardship theory in family firms is suitable, aligning with previous research, specifically in SME family firms. Finally, we can conclude that formalized management accounting systems are not fully prevalent among the family firms.
Abbreviations

BSC – Balanced Scorecard

SME – Small and Medium-sized Enterprise
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1. Introduction

The first chapter will provide the reader with a background and a problem discussion regarding management accounting and control within family firm research, and the identified research gap. Further, the purpose of the thesis will be presented.

1.1 Background

One of the world’s oldest family firms still operating is a Japanese hotel called the Hoshi Ryokan and was founded in 718 (The Economist, 2015), indicating that family firms are old. Despite this fact, research regarding family firms is relatively new and is still an emerging field of study (e.g. Bird, Welch, Astrachan & Pistrui, 2002; Chrisman, Chua, Kellermanns, Matherne III & Debricki, 2008; Craig, Moores, Howorth & Poutziouris, 2009; Kraus, Harms & Fink, 2011), as family firms play a significant role in the economic environment (e.g. Heck & Trent, 1999; Prencipe, Bar-Yosef & Dekker, 2014). In this thesis, a family firm will be defined “[...] as one in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time” (Miller, Le Breton-Miller, Lester & Cannella, 2007, p. 836). Family firms are the most common organizational form worldwide (Gedajlovic, Carney, Chrisman & Kellermanns, 2012), accounting for approximately 70-90 % of the global GDP annually (Family Firm Institute, 2016), and in Sweden, family firms contribute to 30 % of Sweden’s GDP (Statistics Sweden, 2017a). Moreover, according to Statistics Sweden (2017a), 89 % of all Swedish companies are family firms. Swedish companies such as H&M, Bonnier AB and Investor AB are well-known examples of family firms. It has been speculated that being a family firm could be a part of the explanation for H&M’s falling share price in December 2017 (Tuvhag, 2017). In an interview with SvD Näringsliv, Ethel Brundin, professor at the Center for Family Enterprise and Ownership (CeFEO) at Jönköping International Business School, claims that family firms, such as H&M, do not apply the mindset that other listed non-family firms have, indicating that there is a conflict between the stock exchange markets focus on quarterly reports and the family firm’s long-term orientation (Tuvhag, 2017). This time horizon conflict has also been observed by Senftlechner and Hiebl (2015). In addition to different time perspectives, family firms differ from non-family firms in the sense that family firms have a unique ownership structure, they also possess specific characteristics, such as an emphasis on non-financial goals and informal accounting systems (Senftlechner & Hiebl,
Research suggests that the characteristics distinguishing family firms from non-family firms are more pronounced among small firms than large firms (Hiebl, Feldbauer-Durstmüller & Duller, 2013; Speckbacher & Wentges, 2012), characteristics underlying the assumption of family firm research (Kraus et al., 2011).

Research regarding management accounting and control in family firms is in its infancy, thus more research is needed (Giovannoni, Maraghini & Riccaboni, 2011; Hiebl, Quinn, Craig & Moores, 2016). Senftlechner and Hiebl (2015) noted an extensive increase in research in management accounting and control in family firms over the last decade. As previously mentioned, family firms emphasize non-financial family goals since they are meaningful, of relevance and are of great importance for the family (Cenamo, Berrone, Cruz & Gomez-Mejia, 2012; Colli, 2012; Zellweger & Dehlen, 2012). In order to measure both financial and non-financial goals, a measurement tool must be applied (Craig & Moores, 2005). A tool that stresses both financial and non-financial perspectives is the balanced scorecard (Kaplan & Norton, 1992), henceforth referred to as BSC, which is a strategy scorecard (Kaplan & Norton, 2001a). Kaplan and Norton (1992) realized that no single measurement could provide an overall performance target on the firm’s critical areas. Thus, the BSC takes a multitude of dimensions into account providing a comprehensive view of the business. Moreover, Kaplan and Norton (1992) argue that the BSC forces the senior management to consider all aspects of the business, preventing them from improving one aspect at the expense of another, resulting in a protection against suboptimization.

As family firms are influenced by the region’s concentration of small family firms (Block & Spiegel, 2013) and its location (Basco, 2015), the link between family firms and the region they operate within requires further understanding (Baù, Block, Discua Cruz & Naldi, 2017). As such, the phenomenon known as the spirit of Gnosjö (Wigren, 2003), which is located in north-western Småland, Sweden, will be taken into consideration throughout the thesis. Ljungkvist and Boers (2015) state that the region is dominated by small family firms. In Gnosjö, the business traditions are heavily influenced by the numerous protestant free churches, promoting temperance and diligence in the culture as well as providing a social arena to establish and maintain relationships (Johannisson et al., 2007). The companies are also characterized by a bottom-up perspective, demonstrating how an entrepreneurial mindset affect the spirit, as explained by Johannisson et al.’s (2007, p. 542) quote:
“Religion, family and tradition jointly construct a shared value basis that guides firms as commercial agents. Shared values lead to trust, which in turn encourages cooperation, where creative tensions produce the energy needed to create a sustainable region”.

Moreover, Johannisson et al. (2007) argue that shared values are enhanced when managers and subordinates are related and live in the same area, which is the case in the region of Gnosjö. The region is also dominated by companies operating within the manufacturing industry (Ljungkvist & Boers, 2015). In 2017, the municipality of Gnosjö was appointed winner of “Best Growth” in the county of Jönköping, which was the fifth time they won since 2011 (Syna, 2017), indicating that it is a growing region.

1.2 Problem

Jorissen, Laveren, Martens and Reheul (2005) state that CEOs in family firms are generally older and less educated in comparison to non-family firms. This is an interesting aspect to consider when studying the region of Gnosjö, an area known for its high growth, infamous reputation for having a prosperous businesses environment (Wigren, 2003), prevalence of family firms (Ljungkvist & Boers, 2015), and high proportion of low-skilled workers (Statistics Sweden, 2016a). In the municipality of Gnosjö, 25 % of the inhabitants have no further education beyond elementary school, which is the highest proportion in Sweden (Statistics Sweden, 2016a). Moreover, as shown in table 1.1, only 28.8 % in the region of Gnosjö have a post-secondary education, which is low in comparison to the national average of 42 % (Statistics Sweden, 2016a). Because of this phenomenon, the region of Gnosjö is an interesting area to study. Furthermore, research suggests that SME family firms rarely have explicit and well formalized strategies and instead prefer trust based implicit strategies (Speckbacher & Wentges, 2012) and that the region of Gnosjö fosters a skepticism towards administration and management-oriented control systems (Ljungkvist & Boers, 2015). Thus, suggesting that an in-depth analysis might be needed to fully explore the local management accounting and control practices in the region of Gnosjö.

As mentioned, the interest of studying family firms has increased recently. However, there are other fields within the family firm context that has not yet been fully explored, for example management accounting and control (Hiebl et al., 2016; Songini, Gnan & Malmi, 2013; Speckbacher & Wentges, 2012). Songini et al. (2013) claim that accounting is the least
explored stream of research within the field of family firms, even though accounting represents one of the eldest business practices, indicating that there is a gap in the family firm research. The authors also present some aspects that should be studied more in detail, and one of them is “[...] performance measurement with a focus on financial and non-financial information” (Songini et al., 2013, p. 79). A tool that includes both financial and non-financial measures is the BSC, specifically, it is a tool that translates an organization’s mission and vision into a comprehensive set of performance measures providing a framework (Kaplan & Norton, 1996a) for a management control system (Malmi & Brown, 2008). Craig and Moores (2005) argue that family firms differ from non-family firms in several aspects, for instance, their goals are more “[...] multiple, complex, and changing” (p. 108) than those of non-family firms. Subsequently, for the differences to not be unobserved when studying family firms and the BSC, the authors developed an additional dimension to the four perspectives, called familiness. As such, it is relevant to study the BSC in family firms. In accordance with Craig and Moores’s (2005; 2010) studies, this thesis will add the familiness dimension when exploring the BSC in family firms. Hiebl et al. (2016) claim that more research on management control in family firms is needed. Furthermore, Senftlechner and Hiebl (2015) argue that the family influence on management accounting and control is an essential factor of family firms that has still not been sufficiently developed in the literature. Nor have the two academic fields of family firm research and regional science been adequately combined (Stough, Welter, Block, Wennberg & Basco, 2015), as such this is interesting to study.

### 1.3 Purpose

The aim of this thesis is to explore the usage of the perspectives comprising the BSC in SME family firms operating within the region of Gnosjö.
2. Literature Review

The purpose of this chapter is to provide the theoretical background on family firms and the BSC. It will start with a discussion on how to define a family firm, providing insights on the ongoing debate regarding that topic. Thereafter, characteristics of family firms will be presented. It will also present the stewardship theory, and why it is suitable for family firms. Moreover, the BSC will be discussed and explained in the light of familiness. Finally, the reader will be provided with an explanation of how location affects companies, specifically the spirit of Gnosjö.

2.1 Research on Family Firms

2.1.1 Defining a Family Firm

Since the first article was published in the first issue of the Family Business Review in 1988, defining a family firm has been debated (Deephouse & Jaskiewicz, 2013; Prencipe et al., 2014). In 1989, it was pointed out that “defining the family firm is the first and most obvious challenge facing family business researchers.” (Handler, 1989, p. 258). Almost twenty years later, there was still no explicit definition, even though family firm research is a broad field of study (Miller et al., 2007). Steiger, Duller and Hiebl (2015) point out that family firm research has been criticized since researchers have not agreed on a widely accepted definition of a family firm. Although there is no explicit definition, researchers have agreed on general characteristics a definition should include, such as the organization should be owned and controlled by several family members (Chua, Chrisman & Sharma, 1999; Shanker & Astrachan, 1996), preferably by multiple family generations (Anderson & Reeb, 2003; Bjuggren, Johansson & Sjögren, 2011; Chua et al., 1999) with the intention of retaining the business within the family across generations (Chua et al., 1999; Zellweger, 2007). Also, family membership is not limited to blood ties but also includes marriage ties (Carsrud, 2006). Furthermore, Habbershon, Williams and MacMillan (2003) state that the family firm should be viewed as a metasystem consisting of three components, the family unit, the family firm and each individual family member that are interrelated with each other in a perpetual feedback. Thus, changing one component will have an impact on the other two components as well (Habbershon et al., 2003). However, research suggests that it is the family involvement that makes family firms truly distinct from non-family firms (Chua, Chrisman & Steier, 2003). Chrisman, Steier and Chua (2006) imply that:
any useful theory of family business must include relative statements of how family firms will behave, the conditions that lead to that behavior, and the outcomes of behavior vis-à-vis both family and nonfamily businesses that possess different sets of fundamental characteristics (p. 719).

As such, a definition of a family firm should be based on the assumption of what distinguishes a family firm from a non-family firm (Chrisman, Chua, Pearson & Barnett, 2012; Chrisman, Chua & Sharma, 2005a).

When researchers have sought to define a family firm, two different approaches have emerged, the involvement- and essence approach (Prencipe et al., 2014; Steiger et al., 2015). The involvement approach implies that family involvement is the only necessary component for defining a company as a family firm (Chrisman et al., 2005a; Prencipe et al., 2014; Steiger et al., 2015). Zellweger, Eddleston and Kellermanns (2010) state that family involvement is measured by the family influencing the firm through ownership, management and control. Studies have criticized the involvement approach as it does not consider how family involvement affect behaviors and strategic processes, and whether or not those behaviors and processes differ from non-family firms (Chrisman et al., 2005a; Chrisman et al., 2012). Due to the criticism of the involvement approach, the essence approached was evolved, which is concerned with the role of the family and the family seeking to be a family firm (Chrisman et al., 2005a; Prencipe et al., 2014; Steiger et al., 2015), and that family involvement must be associated with specific behaviors that produce outcomes (Chrisman et al., 2005a). Hence, Chrisman et al. (2005a) argue that with family involvement being identical, the firm’s aspiration to be a family firm is what distinguishes two firms to be a family firm. Researchers criticize the essence approach since it is challenging to interpret because the approach is based on self-evaluation and that the essence of a company is difficult to determine since behavior is not easily measured (Basco, 2013; Mazzi, 2011).

As an attempt to solve the family firm definition problem, Astrachan, Klein and Smyrnios (2002) developed the F-PEC scale. The scale is used to measure the level of family’s influence on behavior and decisions through three dimensions; power, experience and culture (Steiger et al., 2015). As such, the scale is not used to determine whether or not a company is a family firm, but rather to what extent it is a family firm (Rutherford, Kuratko & Holt, 2008). In their study, Steiger et al. (2015) found when reviewing family firm definitions from 238
articles published in family business leading journals during the period of 2002 to 2011, that 44 % of the articles used definitions that are grounded in the involvement approach, whereas 21 % of the articles are rooted in the essence approach, and 33 % of the articles used a combination of the two approaches in order to define a family firm. Moreover, they found that only 5 % of the reviewed articles used the F-PEC scale (Steiger et al., 2015). Due to the low percentage of usage among leading family business journals, the F-PEC scale will not be used in this thesis. Basco (2013) concludes that a combination of the involvement approach and the essence approach is complementary, and when used together, “[...] a holistic picture is represented” (p. 43). However, the essence approach requires analyzing specific behaviors, making it difficult to identify companies beforehand. Furthermore, since the essence approach requires more in-depth data about the specific companies, the companies must be studied more in detail before determining whether they can be classified as family firms or not (Steiger et al., 2015). Because of these reasons, the involvement approach will be used in this thesis. More specifically, Miller et al.’s (2007) definition will be used, stating that a family firm is defined “[...] as one in which multiple members of the same family are involved as major owners or managers, either contemporaneously or over time” (p. 836). Miller et al.’s (2007) definition is included in the involvement approach (Basco, 2013).

2.1.2 Characteristics Distinguishing Family Firms

Political scientists, such as Joseph Schumpeter and Karl Marx, predicted that the family firm would have succumbed to the publicly held companies not existing beyond the 20th century (Salvato & Aldrich, 2012). However, family firms’ contribution to the world economy is still significant (IFERA, 2003). Furthermore, family firms have proven to be superior in profitability, resilience and more enduring than their non-family firm counterparts (Miller & Le Breton-Miller, 2006).

One of the differences that distinguishes a family firm from a non-family firm is that family firms focus on unique family-centered goals (Berrone, Cruz & Gomez-Mejia, 2012; Zellweger & Astrachan, 2008; Zellweger, Nason, Nordqvist & Brush, 2013), as well as on financial goals, such as profitability, growth and liquidity (Holt, Pearson, Carr & Barnett, 2017). Although small non-family firms also emphasize non-financial goals (Walker & Brown, 2004), family firms stress those types of goals more than non-family firms (Chrisman et al., 2005a; Sharma, 2004). These family-centered goals are difficult to measure with traditional market-based indicators (Holt et al., 2017). They are challenging to measure
because they are non-financial in nature with the intention of creating socioemotional wealth for the family (Cabrera-Suárez, De La Cruz Déniz-Déniz & Martín-Santana, 2014). One of the family firm’s motivation to focus on non-financial goals is due to the family’s pursuit of legacy (Jaffe & Lane, 2004; Miller, Steier & Le Breton-Miller, 2003; Zahra, 2005). Legacy is what the individual will be remembered for once retiring (Baker & Wiseman, 1998), wishing that the family will remain a permanent component of the firm (Zellweger et al., 2013). Legacy endures through biological legacy, for instance by name and bloodline (Zacher, Rosing, & Frese, 2011) as well as through material legacy by transferring ownership and managerial control to their family members (De Massis, Chua, & Chrisman, 2008). When family members make up the majority of the top management team it is argued that non-financial goals increase in relevance (De Massis et al., 2008). Non-financial goals can affect various stakeholders through internal goals, such as, employee satisfaction and process efficiency, as well as through external goals, such as, customer loyalty and firm reputation (Berrone et al., 2012; Holt et al., 2017). These goals benefit the firm, the family and various stakeholders simultaneously (Holt et al., 2017). However, research also provides situations where non-financial goals are hazardous, for instance when a family member is given responsibility despite insufficient qualifications resulting in nepotism (Holt et al., 2017). Lwango, Coeurderoy and Giménez Roche (2017) add that some family members within the family firm can protect their own family at the expense of the firm. If this condition lingers across generations, the organization will grow arithmetically while the number of family members who are dependent of the firm will grow geometrically (De Massis, Chirico, Kodar & Naldi, 2014; Miller, Le Breton-Miller & Scholnick, 2008). Meaning that the firm’s growth is constant, whereas, the family grows exponentially, which will eventually become unsustainable for the firm resulting in a Malthusian situation (De Massis et al., 2014; Miller et al., 2008). However, this problem is only present in multigenerational SME family firms (Lwango et al., 2017).

Another characteristic distinguishing family firms from non-family firms is altruism, which is an attribute that combines the welfare of an individual and others (Bergstrom, 1995). Studies have pointed out that altruism can be something negative in family firms, creating agency costs, for instance freeriding (Schulze, Lubatkin & Dino, 2003; Schulze, Lubatkin, Dino & Buchholtz, 2001). Gersick, Davis, Hampton and Lansberg (1997) state that family members benefit from this behavior in ways they otherwise would not, as they are provided with secure employments. As such, altruism can create self-control issues (Schulze et al.,
What further complicates the issue is that factors such as the extent of ownership control, the generation managing the firm, corporate and business strategy as well as industry can alter whether or not altruism has a positive or negative effect on the firm (Chrisman et al., 2005a). As such, altruism can also be seen as positive (Bergstrom, 1995). Altruistic behavior creates a relation within the family that in turn results in a unique history, language and identity for the family firm (Schultze et al., 2001). Additionally, the authors argue that such behavior fosters loyalty. Altruism explains why family members are willing to suffer short-term hardships for the firm’s long-term prosperity, giving family firms a competitive advantage over their non-family firm counterparts (Carney, 2005). Furthermore, Carney (2005) notices that family firms skillfully embrace long-term relationships that they develop with their various stakeholders, enabling them to exceed their non-family firm counterparts in establishing and accumulating social capital. The cost for establishing and maintaining this capital is fixed, however, the benefits are increased through economies of scope, which gradually gives family firms a competitive advantage over non-family firms as they grow (Carney, 2005).

Moreover, through succession, the family firm’s time horizon is not limited to one single individual’s lifespan (Zellweger, 2007), giving family firms the ability to operate with the intention of passing on the business to succeeding generations and can therefore pursue operations with longer time horizon than their non-family firm counterparts (Miller et al., 2008; Zellweger, 2007). Additionally, their CEOs generally serve longer tenures (Jorissen et al., 2005) and once retiring, they still tend to have an interest in the firm’s financial performance, indicating a lifelong interest in the firm’s longevity (Zellweger, 2007). Moreover, family firms generally have a large proportion of their personal wealth invested in the company (Bianco, Bontempi, Golinelli & Parigi, 2012), prefer longer investments (James, 1999), and are thus more cautious with the firm’s capital before investing (Sirmon & Hitt, 2003). Due to this behavior, family firms have a strong desire to preserve their wealth rather than endangering the capital in overambitious expansionist projects with uncertain outcomes (Lumpkin, Brigham & Moss, 2010), giving a conservative perspective that allows the firm to bargain for a lower cost of debt (Anderson, Mansi & Reeb, 2003) and protects the family firm’s legacy from failures more than non-family firms, but also limits the ability for future entrepreneurship (Lumpkin et al., 2010). The risk aversion occurs due to that risk might endanger the firm’s survivability in which the next generation will be the successor of (Hiebl, 2012), and is further increased once generations who succeed the business becomes
managers themselves (Hiebl, 2013). Moreover, the family firm’s fear of losing control further encourages lower debt levels than their non-family firm counterparts resulting in a tradeoff for slower growth (González, Guzmán, Pombo & Trujillo, 2013). However, in the long-run, family firms are more risk willing considering that they have the ability to undertake innovative and creative ventures that would pose a too high risk for non-family firm’s short-term results to undertake but could bring greater long-term benefits once achieved (Sirmon & Hitt, 2003).

2.2 Family Firms in the Stewardship Theory Setting

In the past, research has been influenced by agency theory (e.g. Davis, Schoorman & Donaldson, 1997; Muth & Donaldson, 1998), a theoretical framework characterized by a principal-agent dilemma explaining the conflicts of interest appearing due to the separation of ownership and control (Eisenhardt, 1989; Jensen & Meckling, 1976). The idea of the agency theory is that people are self-interested and eager to maximize personal economic gain (Corbetta & Salvato, 2004; Eisenhardt, 1989). Thus, Donaldson and Davis (1991) developed the stewardship theory as a criticism to the model of man underlying the assumption of the agency theory. Moreover, Donaldson and Davis (1991) argue that the model of man can be derived from organizational psychology and sociology instead of organizational economics, resulting in managers that are motivated to obtain intrinsic satisfaction by having a challenging work, responsibility and a need of recognition from others at the workplace. Thus, the manager’s, or steward’s (Muth & Donaldson, 1998), motivation is characterized as non-financial (Donaldson & Davis, 1991). Stewardship theory is defined as “[...] situations in which managers are not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their principals” (Davis et al., 1997, p. 21).

The stewardship theory assumes that the manager, instead of being an opportunistic agent, is a steward whose goals are aligned with the company. More importantly, in circumstances where the interests are not aligned, the steward values those of the organization higher (Davis et al., 1997). Hence, there is no inherent problem regarding the separation of ownership and control between the manager’s motivation and the firm’s objectives (Donaldson & Davis, 1991). For this reason, the stewardship theory does not focus on how to motivate the manager, rather it strives to facilitate and empower the administrative structures of the firm in order to enhance the organization’s performance (Donaldson & Davis, 1991), occurring
since the objectives are aligned (Davis et al., 1997). Muth and Donaldson (1998) state that the complexity of companies might be facilitated by the reallocation of control, resulting in that managers are controlling the company which in turn empower the managers to increase the bottom line. Furthermore, Muth and Donaldson (1998) argue that the stewardship theory assumes there is no strife between the shareholders and the management team. The stewardship behavior is not limited to those managers with authority and control but is also prevalent across the whole organization (Hernandez, 2012). There are more things than the separation of control and ownership distinguishing agency theory from stewardship theory. The type of motivation is a major distinction. According to Davis et al. (1997), there are two types of motivations, extrinsic and intrinsic, where the former is more concerned with agency theory, and the latter with stewardship theory. Intrinsic motivation occurs when performing something because of interest, whereas extrinsic motivation refers to situations carried out in order to obtain a separable outcome (Ryan & Deci, 2000).

The stewardship theory depicts organizational members as collectivist, pro-organizational and trustworthy (Davis et al., 1997; James, Jennings & Devereaux Jennings, 2017; Madison, Holt, Kellermanns & Ranft, 2016). Pro-organizational behavior will lead to increased firm performance, satisfying not only the steward and the organization, but also the various stakeholders (Davis et al., 1997). Furthermore, the stewardship culture promotes the transfer of tacit knowledge, skills and professional contacts to the organization’s younger members through the utilization of apprenticeships (Miller & Le Breton-Miller, 2006). In non-family firms, this behavior is rare due to that managers need to protect their position from potential rivals, however, this type of learning suits family firms because of the high level of trust and long-term focus existing within family firms and further cultivates a resilient organizational culture (Miller & Le Breton-Miller, 2006). Several researchers have noted that stewardship behavior is a significant factor for the competitive advantage of family firms (Eddleston & Kellermanns, 2007; Zahra, Hayton, Neubaum, Dibrell & Craig, 2008). Moreover, Fama and Jensen’s (1983) initial research on agency theory acknowledged that “[…] family members have many dimensions of exchange with one another over a long horizon and therefore have advantages in monitoring and disciplining related decision agents… that do not separate the management and control of decisions” (p. 306) indicating that there would be low, if not an absent amount of agency cost in family firms.
Due to these reasons, stewardship theory is suitable for research regarding family firms (Brundin, Florin Samuelsson & Melin, 2014; Miller & Le Breton-Miller, 2006), whereas the agency theory would be more preferable for research concerning non-family firms as they require more monitoring (Neubauer, Mayr, Feldbauer-Dürstmüller & Duller, 2013). Furthermore, Roberts, McNulty and Stiles (2005) propose that it is not whether the agency theory is more valid than the stewardship theory nor the converse, but rather that each may be more valid under some phenomenon but not for others. Therefore, it is vital for the organization to understand what factors causes the individual to make responsible long-term decisions for the well-being of the community and what will engender a desire for their own personal success (Hernandez, 2012). Lee and O’Neill (2003) state that when analyzing managers’ behavior, it is of great importance to identify if they are agents or stewards. Using the wrong governance mechanism can lead to hazardous consequences, for example using stewardship governance mechanisms for an agent, which Davis et al. (1997) resemble as “[…] turning the hen house over to the fox” (p. 26).

Although stewards are pro-organizational, they have, as well as agents, personal survival needs in terms of income. However, agents and stewards differ in how the needs are met (Davis et al., 1997). Additionally, monitoring- and incentive costs are reduced because of the alignment of goals, thus, less resources are needed to preserve pro-organizational behavior (Davis et al., 1997). This is supported by Miller and Le Breton-Miller (2006) who state that family management can reduce agency costs promoting a pro-stewardship attitude within the organization. Furthermore, agency problems cannot exist in circumstances where the family firm owners and the family managers are the same individuals (Chrisman, Chua, Kellermanns & Chang, 2007; Miller & Le Breton-Miller, 2006). Although Chrisman et al. (2007) acknowledge that in circumstances where family mangers are not owners of the firm, agency costs could arise which would require control mechanisms.

Family firms often have the intention for future generations to inherit the firm. This forces the managers to make more altruistic and long-term oriented decisions, which innately motivates the family firm to adopt a stewardship approach (Miller & Le Breton-Miller, 2006). However, Chrisman et al. (2007) state that there are several factors affecting family involvement and conflicts, such as how many children the managers have and whether the family members are children, cousins or in-laws, causing an asymmetric incentive for future generations. There is also the issue whether non-family members can be stewards as well, or
if that role is limited to family members. Verbeke and Kano (2012) propose that professionalization divides family and non-family members as two distinctive classes within the firm where only family members are treated as stewards. However, this view is challenged by Jennings, Dempsey and James (2018) who argue that it is situation- and organization dependent. Several other scholars argue that non-family members can be stewards (Corbetta & Salvato, 2004; Davis, Allen & Hayes, 2010; Vallejo, 2009). Additionally, James et al. (2017) found that although non-family members are less emotionally attached to the family firm, their performance is often superior to family member’s, which runs counter to the idea that non-family members would be self-interested agents.

2.3 Family Firms’ Usage of the Balanced Scorecard

What type of measurement system a firm uses can have an extraordinary impact on managers’ behavior within an organization (Kaplan & Norton, 1992). During the industrial era, organizations focused on the financial performance, such as return on investment, however, it was no longer applicable for the modern era (Kaplan & Norton, 1992), due to the growing importance of intangible assets (Kaplan & Norton, 1996b). By focusing on improving operational measures, Kaplan and Norton (1992) argued that financial results would subsequently follow. However, by adding more measurements for consideration, more decisions must be made where one measurement increases at the expense of another, which further complicates the decision-making process (Kaplan & Norton, 1992). To facilitate this problem, Kaplan and Norton (1992) introduced the BSC, which would provide managers with the most vital information (Kaplan & Norton, 1992), which is advocated by many of the world’s most successful companies (Craig & Moores, 2010) and dominates the research on performance measurements in the management accounting literature (Neely, 2005). In the same way as the pilot needs to consider detailed information concerning various aspects where reliance on one single instrument can have catastrophic consequences, the manager of a modern organization must have an instrument that can provide an aerial view (Kaplan & Norton, 1992). However, Nørreklit (2000) criticizes the BSC for not including all the firm’s stakeholders which can be hazardous to ignore for its business network.

In order to provide an overview, the BSC measures organizational performance through four perspectives: financial, customer, internal business processes and innovation and learning, providing many aspects to consider but does not overwhelm the user with too much information (Kaplan & Norton, 1992). Kaplan and Norton (1996a) argue that both financial
and non-financial measures must be communicated to all employees in order to increase the understanding of how their decisions and actions affect the company’s financial performance, which is facilitated by only having one system. By expanding the firm’s management control system beyond financial performance, which only benefits the short-term, other perspectives can help the manager achieve long-term strategic objectives (Kaplan & Norton, 1996b). Additionally, the intangible perspectives complement the financial perspective as it is concerned with future performance, whereas the financial perspective is limited to the company’s past accomplishments (Kaplan & Norton, 1996a). Moreover, the BSC enables the company to improve their intangible assets, such as developing customer relationships, producing innovative products and deploying information technology in the form of data systems (Kaplan & Norton, 1996a). However, the BSC is only valuable as long as the strategic control is based on relevant information and the space amidst the existing and the planned strategic actions must be abridged (Nørreklit, 2000; Nørreklit, Nørreklit, Mitchell & Bjørnenak, 2012). Also, as the model does not consider competition nor technological development, strategic uncertainty and risk is not present in the scorecard (Nørreklit, 2003).

Speckbacher, Bischof and Pfeiffer (2003) divide the evolution of the BSC into three categories when analyzing previous research, type I, type II and type III, with each evolution being somewhat more advanced than its predecessor. The first developed scorecard, type I, is a multidimensional framework for strategic performance measurement, integrating financial and non-financial strategic measurements (Malmi, 2001; Speckbacher et al., 2003), which prior to the BSC was challenging to measure due to the complexity of separating tangible from intangible assets (Speckbacher et al., 2003). However, several researchers argue that the core of the BSC was not limited to the perspectives, but rather how the perspectives impact each other and thereby how they are interrelated (Atkinson, Balakrishnan, Booth & Cote, 1997; Hoque & James, 2000; Nørreklit, 2000). Thus, subsequently during its evolution, type II contributes by describing how the measures interrelate and thereby creating a cause-and-effect relationship (Speckbacher et al., 2003). Over time, Kaplan and Norton (1996a) stated that the true advantage of the BSC materializes once it transforms from a measurement system to a management system. As such, the fully developed type III BSC further expands the strategic scorecard by defining objectives, action plans, results as well as attaching incentives to ensure that the BSC is not only present in the planned activities, but also undertaken in the firm’s day-to-day activities (Speckbacher et al., 2003). Considering that the
BSC depends upon the firm’s culture, as the business’s culture evolves over time, so will the BSC find new goals and measurements, becoming more effective in the future (Chavan, 2009). However, Nørreklit (2000) argues that this interrelated cause-and-effect is problematic as the factors must follow a logical relationship in order to be profitable. Furthermore, Kaplan and Norton (1996a) acknowledged that more perspectives could be needed in the future, which would further complicate how these perspectives should be arranged in order to fulfill the logical relationship (Nørreklit, 2000).

Three crucial obstacles for a family firm’s survival is the insufficient planning for whom will succeed the firm (Allio, 2004), insufficient operational planning due to lack of planning instruments (Hiebl et al., 2013) and an inadequate usage of management accounting instruments (Feldbauer-Durstmüller, Duller & Greiling, 2012). Giovannoni et al. (2011) state that a family firm, by using accounting practices such as the BSC, can preclude the previous mentioned issues on the grounds that the BSC compels the family to codify their strategies into distinct goals and measurements. Furthermore, Senftlechner and Hiebl (2015) stress that the family influence is an important factor that should be closely integrated in management accounting and control studies regarding family firms. However, many family firms have limited resources (Sirmon & Hitt, 2003) and may therefore view a management accountant as an extra labor cost with no apparent output in revenue (Hiebl, 2013), thus tending to be less formalized and relying more on flexibility (Sirmon & Hitt, 2003). Initially this can be a competitive advantage (Hiebl, 2013), however, as the firm grows, it will eventually overwhelm the managers (Giovannoni et al., 2011).

It is also important to point out that the family’s and the business’s goals are not always aligned and are often changing, due to complexity (Sharma, Chrisman & Chua, 1997), making it difficult for the family firm to align their goals (Craig & Moores, 2010). Thus, by balancing financial and non-financial goals, it facilitates the possibility to incorporate family-centered goals into the management, either as a fifth perspective or by familiness as an additional dimension to the traditional four perspectives (Hiebl, 2013). However, it has been argued that whether or not the family firm adds family-centered goals as a perspective or as a dimension, it allows the family to integrate the metasystem into one consistent measurement system for the firm (Hiebl, 2013). Due to familiness being an intangible asset, which by nature is complicated to measure, the familiness dimension enables the family firm to improve its operational efficiency through the BSC (Craig & Moores, 2005). The concept of familiness
was coined by Habbershon and Williams (1999) to better understand family firm behavior and how the unique characteristics of being a family firm shape both competitive advantages and disadvantages and is defined as “[...] the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business.” (p. 11). Thus, by understanding familiness one can better understand how the family can contribute to the firm’s success (Habbershon et al., 2003). Chrisman, Chua and Steier (2005b) state that familiness is used to describe how and why family firms succeed or fail. Minichilli, Corbetta and MacMillan (2010) add that familiness is what differentiates family firms from non-family firms in terms of resources and capabilities. Familiness is a competitive advantage aiming at describing how family involvement influences the firm (Pearson, Carr & Shaw, 2008). Habbershon and Williams (1999) point out that not all resources can result in a competitive advantage, rather the resources need to be rare. Moreover, familiness must be managed in the right way in order to not be a burden for the company, hence it must continuously be maintained and further developed (Habbershon & Williams, 1999). To understand how familiness impact the firm’s management tools, Craig and Moores (2005) incorporated a familiness dimension to the BSC, as it is a suitable instrument for depicting the strategic complexity of the family firm (Hermann, Laeger, Nosé & Suchy, 2010). Several quantitative researchers of family business have used family involvement as a substitute for familiness (Craig & Moores, 2010). However, Chrisman et al. (2005b) remark that familiness is a distinct element rather than just a minor component of family involvement.

Craig and Moores’s (2005) BSC identifies the family firm’s soul which serves as a basis for the translation of the mission and vision by linking them to performance measurements. An interpretation of their model is shown in figure 2.1. Consequently, as the BSC is based on individual companies’ vision and mission, each BSC is unique (Craig & Moores, 2005). The measures should be a mix of external and internal measures. As such, the measures should represent the financial- and customer perspective while simultaneously providing a balance to the internal business process- and innovation and learning perspective (Kaplan & Norton, 1996a).
2.3.1 **Financial Perspective**

The financial objectives depict the company’s long-term goals and aim to measure “[...] whether a company’s strategy, implementation, and execution are contributing to bottom-line improvement” (Kaplan & Norton, 1996a, p. 25). Financial measures are often related to profitability and can be measured through operating income, return on assets, sales growth and changes in cash flow, but also through cost reduction (Kaplan & Norton, 1996a). Moreover, the goals of the financial perspective can be linked to shareholder value (Kaplan & Norton, 1992). It should be noted that any cost reduction objective should not interfere with the other perspectives, hence, the perspectives should be balanced (Kaplan & Norton, 1996a). Llach, Bagur, Perramon and Marimon (2017) also found in their study that the perspectives must balance, and that all perspectives are equally important. Family firms do not strive for the same financial goals as non-family firms (Craig & Moores, 2005). Whereas non-family firms push for further wealth creation, family firms are prioritizing ownership
transition and efficient family business systems (Habbershon & Pistrui, 2002; Sharma et al., 1997; Sorenson, 2000). Additionally, Craig and Moores (2005) note that family firms are debt averse causing them to reinvest the entity’s profit to fund future growth. Furthermore, the familiness dimension results in family firms using its capital to provide secure retirement for the generation who passes the firm to their descendants, ensuring that the firm’s interests will remain viable for the succeeding generation and the continuation of business development for future opportunities (Craig & Moores, 2005), which persuades the family firm to promote the preference of long-term over short term financial goals (Anderson et al., 2003). As a result of this mindset, Craig and Moores (2010) divide the financial perspective into three objectives, return, growth and sustainability, providing the family firm with a tool to measure the value both for the current as well as the future generation. Due to these reasons, family firms have a unique financial perspective compared to non-family firms (Craig & Moores, 2005).

2.3.2 Customer Perspective
The customer perspective calls for identification of the company’s value proposition as well as customer and market segments (Kaplan & Norton, 1996a). It is vital for the company to understand the customers’ needs in order to survive on the market (Kaplan & Norton, 1996a) and be able to differentiate themselves from their competitors (Craig & Moores, 2005). Furthermore, the identification of market segments must include existing as well as potential customers (Kaplan & Norton, 1996a). Kaplan and Norton (1992) argue that customers’ expectations can be divided into four categories; time, quality, performance and service, and cost. As such, customer measures can be related to delivering time, number of products returned, pricing strategies (Kaplan & Norton, 1992), market shares and customer satisfaction (Malina & Selto, 2001). Research suggests that an increased customer satisfaction generates higher revenues and decreases costs, resulting in stronger financial performance (Anderson, Fornell & Lehmann, 1994; Behn & Riley, 1999; Rust & Zahorik, 1993). Family firms often try to position themselves as a family firm towards the customers (Craig & Moores, 2005). Due to this, Craig and Moores (2005) suggest that family firms value their brand since the reputation is interlinked with the family name and standing within their community.

2.3.3 Internal Business Perspective
The internal business perspective answers the question “what must we do to professionalize our business?” (Craig & Moores, 2005, p. 117). Even though customer-based measures are
important, it is even more important to translate them into measures and objectives that describe what the company must do internally in order to meet customers’ demands (Banbury & Mitchell, 1995; Bayus & Putsis, 1999; Kaplan & Norton, 1992; Kekre & Srinivasan, 2002), since it determines how the firm will achieve a higher value proposition which consequently improves financial objectives (Anderson et al., 1994; Behn & Riley, 1999; Kaplan & Norton, 2001b; Rust & Zahorik, 1993). The measures within the internal perspective should be based on the internal processes that impact customer satisfaction the most (Kaplan & Norton, 1992). The measures can be skills, processes and technology that influence current and future success in terms of customer satisfaction and financial performance (Atkinson, 2006). Additionally, Craig and Moores (2005) argue that it could be in terms of employee friendliness, including the right of employee entitlements and incentives. By recruiting external non-family members to the board of directors, hence professionalizing (Chittoor & Das, 2007), diverse perspectives and experiences will be provided, further enhancing the management, which is beneficial for family firms (Hatum, Pettigrew & Michelini, 2010). Moores and Barett (2003) propose that managers of family firms should embrace management systems that are customized for their internal and external environment as well as for their development. Also, the management system should be internally consistent, expand dynamically as the business matures, develop professionalism and establish an explicit succession plan to ensure that the professionalism is not suppressed (Moores & Barett, 2003). Thus, the characteristic that is the most distinguishable for family firms from an internal business perspective, is preparation for the succession (Craig & Moores, 2005; 2010).

2.3.4 Innovation and Learning Perspective

Being innovative requires the business to constantly improve value by launching new products, penetrating new markets, increasing operational efficiency as well as strengthening their margins which is a necessity for surviving on an intense and competitive global market (Kaplan & Norton, 1992). The learning perspective composes employees’ capabilities and skills as well as technological and corporate climate needed for the firm to pursue its strategy (Kaplan & Norton, 2001b), which is correlated with increased financial results (Delaney & Huselid, 1996; Huselid, 1995). Thus, Craig and Moores (2005) claim that innovation and learning are the base of any strategy. Consequently, the innovation and learning perspective underlies the previously described perspectives (Atkinson, 2006). The perspective is concerned with how the company can continue to improve and create value for the different
stakeholders (Kaplan & Norton, 1992). Family firms pay a lot of attention on their innovative strategies because of its importance for future survival (Justin, Craig & Moores, 2006). This attention is not static, but rather adapting aspects over time, not only affecting the innovation but also the acquisition of information within the firm (Justin et al., 2006). When applying the familiness dimension for the innovation and learning perspective, one might wish to implement a culture attracting and retaining employees (Craig & Moores, 2005) or by enabling the management of employee feedback, providing the management with information to align the workforce’s interests with the firm (Craig & Moores, 2010). Hiebl (2013) supplements by adding a family centered goal to provide suitable jobs for family members.

2.4 The Impact of Firm Location

Family firms are usually entrenched with their home region which can both be beneficial and a disadvantage simultaneously for the firm (Bird & Wennberg, 2014) as the cultural context has major implications on how family firms operate (Ljungkvist & Boers, 2015). Even though the global economy is diminishing the role of where a company is located, geographical clusters of interconnected firms exist everywhere (Porter, 2000). Peculiarly these clusters are more prevalent in modern economies (Porter, 2000), and play a crucial role for the competitive advantage of the region they are located within (Porter, 2003). Their strong local roots can display localized capabilities providing competitive advantages to the region (Johannisson et al., 2007). The local institutions have had a major systematic impact on manufacturing firms, causing them to adopt the same type of norms, attitudes, values, expectations and practices (Gertler, Wolfe & Garkut, 2000).

Furthermore, due to each region’s uniqueness, differences such as industry concentration (Porter, 2000), population density, structural diversity (McCann & Ortega-Argilés, 2015), resources (Florida, Mellander & Stolarick, 2008; Korsgaard, Ferguson & Gaddefors, 2015), information spillovers (Shaver & Flyer, 2000), social interactions (Basco, 2015), geographic distance, and dissimilar levels of growth (McCann & Folta, 2008), geographic factors have a major impact on the local family firm’s development (Baù et al., 2017). As family firms incorporate a thorough attachment to the local community (Berrone et al., 2012), location-based social factors also impact the region. Such as the unemployment rate, interregional migration (Decressin & Fatás, 1995), local roots (Baù et al., 2017), educational level of the workforce (Overman & Puga, 2002) as well as the integration of immigrants (Wigren, 2003).
These clusters are not necessarily confined within a single nation state nor a specific region, but can transcend neighboring borders (Porter, 2000). However, it should also be noted that location is not the only factor for firm performance, as both local and non-local factors have an impact (Korsgaard et al., 2015). Additionally, Cooke (2001) argues that regions with a trusting and cooperating attitude towards their laborers with welfare-oriented policies and openness to external knowledge further promotes regional innovation. Due to family firms being more long-term oriented (Le Breton-Miller & Miller, 2006) and show a strong level of local roots (Baù et al., 2017; Block & Spiegel, 2013) in comparison to non-family firms, family firms have the plausibility to lower coordination as well as their transaction costs resulting in further longevity and increased productive innovation (Becker & Dietz, 2004; Okamuro, 2007).

The region of Gnosjö is a region consisting of many small family firms (Ljungkvist & Boers, 2015), and is characterized by collectivism with a community interlinked through shared values, business traditions and cooperation (Johannisson et al., 2007). This does not mean that Gnosjö is not individualist like the rest of Sweden, but rather that the individualism and collectivism co-exist (Johannisson et al., 2007; Tiessen, 1997). Moreover, the region is also characterized by a flexible business environment (Ljungkvist & Boers, 2015; Wigren, 2003). As the region lacks natural resources, possess an underdeveloped infrastructure, have few academically educated citizens and is isolated due to its peripheral location (Wigren, 2003), the prosperous business life must have been influenced by the local cultural traits (Ljungkvist & Boers, 2015). Because of its peripheral location historically isolating Gnosjö from the Swedish estates, the inhabitants had to take care of themselves, creating a culture influenced by self-sufficiency, initiative and a sense of independence (Ljungkvist & Boers, 2015). Due to employees and managers being either related or neighbors, similar skills, values and education level are shared, resulting in the region exhibiting a homogenous culture with a flat hierarchy (Wigren, 2003). Family firm owners often participate in the production, which minimizes hierarchical roles, shortens the decision-making process and increases socialization with employees, resulting in the owners having a high degree of control (Ljungkvist & Boers, 2015). Furthermore, research argues that simplicity and decisiveness are considered ideals in the region, thus there is a preference towards practical solutions and a skepticism towards higher education, administration and management-oriented control systems (Ljungkvist & Boers, 2015), further, many of the regions business meetings are informal in nature (Johannisson et al., 2007). Moreover, Overman and Puga (2002) state that
regions with low education tend to be less successful economically. Wigren (2003) claims that many inhabitants, even managers, cannot understand why some people educate themselves for several years as skills required to perform many of the jobs, even more advanced jobs, can be acquired tacitly as youth begin to work during holidays and weekends and hence socializing and gaining experience from the older workforce, resulting in the community transferring a lot of tacit knowledge across generations. Additionally, since a majority of the owners have worked in the production themselves prior to becoming managers, respect from the subordinates have been gained (Wigren, 2003). Moreover, due to the region’s low wages making it difficult to attract skilled labor from outside the region, immigrants have been attracted to the region making up roughly a quarter of the region’s population supplying the region’s constant demand for additional laborers, however, the tacit nature of transferring knowledge in the manufacturing industry and the inability of deciphering Swedish documents has been problematic, due to poor Swedish language skills (Wigren, 2003).
3. Method

The purpose of this chapter is to inform the reader how the study is conducted, describing the research philosophy, strategy and design. Further, a detailed description of the data collection process will be provided. The reader will also be informed of how the collected data will be processed and analyzed. Finally, the authors will critically discuss the trustworthiness of the study.

3.1 Research Philosophy

In this thesis, constructivist ontology and interpretivist epistemology will be applied, meaning that our study is based on the perception of the people interviewed. In order to gain theoretical understanding that is based on other people’s worldview, an abductive research approach will be applied, implying that our data is based on subjective rather than objective facts and that reality is an interpretation of our participants (Bryman, 2016).

3.2 Research Strategy

Since the study applies constructivism, interpretivism and abduction, this is a qualitative research strategy which is concerned with words rather than numbers when collecting and analyzing data (Bryman, 2016). A qualitative study is also suitable for understanding the why and how of certain phenomena, and thus fit our purpose of exploring how SME family firms within the region of Gnosjö use the perspectives that comprise the BSC. Moreover, since we want to find out the how of the usage, we focus on the behavior of our participants, which is an element of a qualitative research strategy (Bryman, 2016).

3.3 Research Design

In order to fulfill our research strategy, we will use case study as a research design. Case study is a research design providing a detailed and in-depth analysis of a case (Bryman, 2016). Furthermore, a single case study will be carried out. A case is defined as “[...] a phenomenon of some sort occurring in a bounded context” (Miles & Huberman, 1994, p. 25). Furthermore, a case study is concerned with how and why as a focus of the study (Baxter & Jack, 2008). The case in this thesis is how SME family firms within the region of Gnosjö use the perspectives that comprise the BSC, and thus, will be analyzed. Furthermore, the units within our case are four companies, which will be described further down in section 3.4.2.
Baxter and Jack (2008) argue that using units within a case is important since that increases the ability to analyze data both within, between and across the units.

3.4 Data Collection

3.4.1 Sampling Method

When conducting a case study, the sampling process is vital, as each unit within the case must be carefully selected (Bryman, 2016). For our data collection, a purposive sampling method was applied, meaning that it is a non-probability form of sampling and that the units are strategically decided (Bryman, 2016). A consequence of purposive sampling is that it is not possible to generalize to a whole population (Bryman, 2016), thus, the results of our study is only applicable to the chosen companies. Moreover, in a purposive sampling, the sample is selected with the research question in mind, resulting in that only relevant units will be involved in the study (Bryman, 2016). Hence, specific criteria are used when sampling. For our study, we required the companies within our sample to be SME family firms in accordance with the European Commission’s recommendation (2003/361/EC) second article, stating that a SME “[...] is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.”. Also, they must identify themselves as a family firm, have information concerning the management team on their website, be located in the region of Gnosjö, and according to Miller et al.’s (2007) definition, be defined as family firms. All of this information was to be found on the internet, specifically on the company’s website and on www.allabolag.se, making it possible for us to select companies that fit our criteria.

We used www.gnosjoregion.se when searching for companies, a website gathering all companies within the region of Gnosjö. When we found a company that was suitable in accordance with our criteria, we contacted them by phone describing who we were and why we were interested in interviewing them for our master thesis. It should be noted that during the phone call, we did not require the companies to determine whether they wanted to be involved in our study or not, since we did not want to force them to answer. However, there was one company declining our request immediately. If the company did not decline our request, we sent them an email with more details regarding the topic of the thesis, how the interviews were going to be conducted and stated that they had one week to consider our request. One week later, we contacted the company by email to get the final answer. In total,
we contacted eight companies, and four of them said yes to our enquiry. The reason for why the companies declined our invitation was due to time constraints.

When our final sample was selected, we had to select people to interview within each company, also referred to as participants. In order for our participants to be valuable for our study, snowball sampling was conducted. A technique used when researchers sample a small group of people that all are relevant to the research question (Bryman, 2016). Moreover, snowball sampling implies that participants are chosen by recommendation of other participants (Bryman, 2016). For our study, this means that one person was contacted in each company, most often the CEO or someone responsible, depending on who received our first phone call and email, providing us guidance regarding suitable participants. This process began when the company accepted our invitation. In order for the first participant in each company to help us find relevant participants, we sent an email with information concerning what areas we want to cover, and thus, he or she knew who to recommend. Thereafter, we contacted each participant and booked an interview. This was done by suggesting different dates and times, but still remaining flexible. At the same time, we provided the participants with information concerning our thesis and the purpose of it. The snowball sampling approach resulted in 13 participants, 9 family members and 4 non-family members. Our participants have different specialization, such as finance, production and management, by combining the participants’ knowledge, multiple perspectives will arise, providing us with deeper insight of each company. This would not be possible if our sample consisted of one participant in each company.

3.4.2 The Sample

A problem of qualitative research, and specifically interviewing, is how big the sample size should be, meaning how many participants to involve (Bryman, 2016). Bryman (2016) argue that, as a rule of thumb, the broader the scope of the research is, the more interviews must be conducted. Moreover, when using purposive sampling, the sample size varies depending on the situation. Researchers present diverse argumentations on how big or small a sample should be for interviewing, ranging from 12 to 150 interviews, indicating that relying on previous research is inconsequential since the setting of the research is more important (Bryman, 2016). As the purpose of our sample is not to provide heterogeneity of the population, a smaller sample is more appropriate (Bryman, 2016). Due to these reasons, we decided that 13 participants are a suitable sample size for our study.
A summary of our sample is presented in table 3.1. The companies are presented in terms of industry, generation, turnover, ownership structure and number of employees.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Industry</th>
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<th>B</th>
<th>C</th>
<th>D</th>
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<td></td>
<td>Manufacturing</td>
<td>Manufacturing</td>
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<td>Wholesaler within the manufacturing industry</td>
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<td><strong>Wholesaler within the manufacturing industry</strong></td>
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<td><strong>Turnover in 2016</strong></td>
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<td><strong>94 Msek</strong></td>
<td><strong>16 Msek</strong></td>
<td><strong>59 Msek</strong></td>
</tr>
<tr>
<td><strong>Ownership structure</strong></td>
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<td>Albert 16.67%</td>
<td>Bea 40%</td>
<td>Carl 50%</td>
<td>David 24%</td>
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<td></td>
<td></td>
<td>Anders 50%</td>
<td>Bianca 10%</td>
<td>Cecilia 50%</td>
<td>Douglas 52%</td>
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<tr>
<td></td>
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<td>Family member 16.67%</td>
<td>Family member 10%</td>
<td>Family member 40%</td>
<td>Family member 24%</td>
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<td><strong>Number of employees in 2016</strong></td>
<td></td>
<td>41</td>
<td>55</td>
<td>12</td>
<td>15</td>
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</tbody>
</table>

**Table 3.1 - Summary of the Sample**

A more detailed picture of our participants is presented in table 3.2. Since the companies are given anonymity, both companies and interviewees are presented with an alias.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Industry</th>
<th>Alias</th>
<th>Family member</th>
<th>Position</th>
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<td>Manufacturing</td>
<td>Adam</td>
<td>No</td>
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<td></td>
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<td>Albert</td>
<td>Yes</td>
<td>Production manager</td>
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<td></td>
<td></td>
<td>Anders</td>
<td>Yes</td>
<td>CEO</td>
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<td>B</td>
<td>Manufacturing</td>
<td>Bea</td>
<td>Yes</td>
<td>CEO</td>
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<td></td>
<td></td>
<td>Bianca</td>
<td>Yes</td>
<td>Sales</td>
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<tr>
<td></td>
<td></td>
<td>Billy</td>
<td>No</td>
<td>Production manager</td>
</tr>
<tr>
<td>C</td>
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<td>Carl</td>
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<td>Cecilia</td>
<td>Yes</td>
<td>CFO</td>
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<td></td>
<td></td>
<td>Christer</td>
<td>Yes</td>
<td>Marketing &amp; Sales</td>
</tr>
<tr>
<td>D</td>
<td>Wholesaler within the manufacturing industry</td>
<td>Daniel</td>
<td>No</td>
<td>Purchasing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>David</td>
<td>Yes</td>
<td>CEO</td>
</tr>
<tr>
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<td></td>
<td>Diana</td>
<td>No</td>
<td>CFO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Douglas</td>
<td>Yes</td>
<td>Sales</td>
</tr>
</tbody>
</table>

**Table 3.2 - Description of the Participants**
Company A was founded in the 60s and operate within the metal industry acting as a major player within their field. Nowadays, the company is a subsidiary to a parent company with several subsidiaries in the region, which is also owned by the family. Currently, the second and third generation are managing the business. Anders is the son of company A’s founder, holding the position as CEO. Anders is in his 60s, and has worked for the company since his sabbatical year in upper-secondary school. He is owning the company with three of his nephews, one of them being Albert. Albert is in his late 30s and started to work at the company after graduating upper-secondary school. He is the production manager of company A. Adam is the CFO of the company and has worked there since late 80s and is not a family member. Prior this employment, he has worked with finance within other companies.

Company B was founded in the 40s, however it was sold to the current owning family in the 70s. They are a subcontractor to the automotive industry. Today, the second generation’s two sisters are managing the company, however, their father and mother are still active in the firm’s day to day activities. Bianca is, together with her husband, the acquirers of company B. She is currently working with sales and purchasing, but was former CEO before her daughter Bea succeeded her. Bea is in her mid-40s and is an engineer and has been CEO for approximately 5 years. Billy is in his mid-50s and has been employed since late 70s, he is working as a production manager.

Since 1960s, the family have experience within the plastic industry as Cecilia’s father started his company. After selling that company, he founded company C in the 80s. After he died, Cecilia succeeded the company changing the company name to its current name. Today, the company is managed by the second and third generation. Cecilia is 60 years old and studied 1.5 years at Jönköping University when she was younger. Cecilia is married to Carl, which is the CEO of the company. Carl is in his 60s and has been working for company C since late 80s. Together, they have a son called Christer who is in his late 20s. He has a bachelor in business administration, but focused his studies on engineering as he wanted to work for company C.

Company D was founded approximately 100 years ago and today, they are a major local player as a B2B wholesaler managed by the third and fourth generation. Douglas is the majority owner of Company D and started to work for the company during his sabbatical
year at upper-secondary school. He succeeded the company in the early 80s, but sold 49% of the shares for approximately 10 years ago to a non-family member employee. During that time period, the external partner became CEO of the company. However, Douglas’s sons were not interested in managing the company with him, resulting in Douglas buying back the shares. One week prior to our interviews, Douglas stepped down as CEO in favor of his son David. David is in his late 20s, and has worked for the company for 7 years. He has studied business management in Gothenburg. Diana is CFO and has been employed for 12 years, having around 30 years of experience within finance. Daniel is of the same age as David and has been employed for approximately two years. One year ago, he got promoted as a purchaser. Daniel is, along with Diana, not a part of the family.

3.4.3 Semi-structured Face-to-face Interviews

Interviewing is the most commonly used method in qualitative research (Bryman, 2016) and is beneficial when finding out the worldview of other people (Qu & Dumay, 2011). This study will use semi-structured interviews as it provides more flexibility during the interview, allowing us to ask follow-up questions. Moreover, semi-structured interviews follow an interview guide, meaning that the interviewers have a list of questions or topics that will be covered, resulting in that all interviews will follow the same thematic approach, which is the aim of interview guides (Qu & Dumay, 2011). Due to the nature of the interviews, the questions may not be asked exactly as they are phrased (Bryman, 2016). Also, questions that are not included in the interview guide can be asked. Our interview guide is presented in appendix 3.1.

The questions asked were chosen to comprehend the participants’ point of view regarding several aspects. The interview guide is divided into five general topics: (1) the participant, (2) family firms, (3) the spirit of Gnosjö, (4) financial objectives and measures, and (5) non-financial objectives and measures. It should be noted that the majority of the questions are focused on financial- and non-financial objectives and measures. Following sections will illuminate our reasoning for the questions posed.

The initial questions were designed to ease the participants as well as giving a comprehensive view of their background and role within the firm. The key aspects we were concerned with was whether or not they were family members, their position and level of education. This was of interest due to the regions skepticism towards higher education, administration and
management-oriented control systems (Ljungkvist & Boers, 2015). In some of the interviews, we did also bring up the question whether the low unemployment rate made it difficult to recruit qualified employees as the region has difficulties in attracting labor from outside the region (Wigren, 2003).

Subsequently, we continued inquiring information regarding family firms. We asked questions regarding ownership structure, family involvement and general information regarding how the companies operate, such as their vision and mission, in order to get a comprehensive view of the company’s governance. To confirm if our participants where stewards or agents we asked if they considered their personal goals aligned with the company. We were also interested in finding out if the participants considered the family name to be interlinked with the firm or if they considered them to be separate entities. Followed, questions regarding what the participants thought were the biggest differences between a family firm and a non-family firm and whether or not he or she believed that their work assignments would have been different if the company was a non-family firm, were posed since family firms possess different characteristics than non-family firms (Kraus et al., 2011).

Due to Gnosjö being a special region (Johannisson et al., 2007; Ljungkvist & Boers, 2015; Wigren, 2003), we asked the participants what they thought the spirit of Gnosjö insinuates, why they thought it has achieved a national reputation and if they thought the business would operate differently if it had been located somewhere else.

A majority of our questions asked were related to the four perspectives of the BSC based on Kaplan and Norton’s (1992; 1996a; 1996b; 2001a; 2001b) research. However, as family firms have unique family-centered goals (Berrone et al., 2012; Zellweger & Astrachan, 2008; Zellweger et al., 2013) we also supplemented our questions by adding a familiness dimension to the BSC inspired by Craig and Moore’s (2005; 2010) work. These familiness questions were related to whether the profit was reinvested or distributed as dividend, on customer satisfaction and perception of the company, corporate culture, the succession planning and whether investments where financed through equity or loans. We also asked if they thought the unique family firm resources was a competitive advantage or disadvantage. As Giovannoni et al. (2011) point out that family firms rarely codify their accounting practices, we asked if they used any management control systems.
3.4.4 Conducting Interviews

In order for us to ensure as high qualitative answers as possible, we sent our interview guide to each participant one week prior to the interview, giving them time to prepare their answers. All of the interviews were conducted on site of the businesses in Gnosjö, and thus were face-to-face interviews. Face-to-face interviews were decided to be suitable for our study as it made it possible for us to observe the body language of our participants, as well as material setting such as buildings, offices and people around (Bryman, 2016), providing us with multiple impressions of the companies. This would not be possible by conducting telephone interviews. In preparation for the interviews, comprehensive research about the companies was carried out, meaning that company reports and company websites were scanned for relevant information. This was done in order to increase our knowledge, making it possible for us to ask follow-up questions about certain topics that we read on their website. For example, company C wrote on their website that they worked in accordance with a specific mindset, which made it possible for us to ask questions regarding that mindset when Cecilia described components of it.

The interviews took place during week 11, 12 and 13, as seen in table 3.3, along with more detailed information concerning the interviews. All of the interviews began with light conversation in order to break the ice. One of the companies did even serve us breakfast, signaling a familiar atmosphere. Every interview followed the same structure beginning with us introducing ourselves and our study, followed by questions based on our interview guide. Before each interview, we asked each of our participants for his or her permission to record it, which all of them conceded. We also explained that there was no obligation to answer all questions, and thus, all questions were not answered by all participants. For example, questions concerning ownership structure were only posed to family members, as they are the owners of the company. Moreover, during the interviews, notes were taken on topics that we knew would emerge later on during the interview, which eased up to pose probing questions. We also allowed pauses, signifying allowance for the participants to reflect and amplify their answers. All of the interviews were conducted in Swedish, which is the native tongue of all people involved in this study, due to the importance of using a language that is understandable and relevant for the participants (Bryman, 2016). The interviews were recorded with two phones ensuring all interviews being recorded if one of the phones would stop recording. Recording interviews is useful as it does not divert the attention of the interviewee, which would be the case if the interviewer was occupied taking notes during the
interview (Bryman, 2016). It also simplifies the process of analyzing the data, since the recordings are transcribed.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Industry</th>
<th>Alias</th>
<th>Position</th>
<th>Type of interview</th>
<th>Date</th>
<th>Length</th>
</tr>
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<tbody>
<tr>
<td>A</td>
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<td>Adam</td>
<td>CFO</td>
<td>face-to-face</td>
<td>2018-03-14</td>
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<td>face-to-face</td>
<td>2018-03-14</td>
<td>1 h 33 min</td>
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<td></td>
<td>Anders</td>
<td>CEO</td>
<td>face-to-face</td>
<td>2018-03-14</td>
<td>0 h 40 min</td>
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<td>B</td>
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<td>Bea</td>
<td>CEO</td>
<td>face-to-face</td>
<td>2018-03-26</td>
<td>1 h 20 min</td>
</tr>
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<td></td>
<td></td>
<td>Bianca</td>
<td>Sales</td>
<td>face-to-face</td>
<td>2018-03-26</td>
<td>1 h 39 min</td>
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<tr>
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<td></td>
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<td>face-to-face</td>
<td>2018-03-15</td>
<td>1 h 48 min</td>
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<td>1 h 5 min</td>
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<td></td>
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<td>Marketing &amp; Sales</td>
<td>face-to-face</td>
<td>2018-03-26</td>
<td>0 h 49 min</td>
</tr>
<tr>
<td>D</td>
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<td>Purchasing</td>
<td>face-to-face</td>
<td>2018-03-20</td>
<td>0 h 40 min</td>
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<tr>
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<td></td>
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<td>face-to-face</td>
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<tr>
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<td></td>
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</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>2018-03-23</td>
<td>1 h 8 min</td>
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</tbody>
</table>

Table 3.3 – Summary of Conducted Interviews
* The interview was divided into two parts since Douglas had an important meeting.

3.5 Data Analysis

The process of analyzing the data began with transcribing all of the recorded interviews, resulting in 281 pages of raw data. This data was subsequently organized and simplified, facilitating the analysis. Before the data could be analyzed, the transcripts were sent to each participant, asking them if the transcribed information was correct, or if any information should be removed or corrected, increasing the credibility of our study. Thenceforth, the data was organized in accordance with our five topics, a process referred to as coding (Bryman, 2016), aiming at finding patterns and similarities. Since this thesis is not concerned with propositions, previous research and theory is used to steer our analysis and the interpretation of the findings. Our coding was divided as follows. First, the answers from each participant were classified into each of the topics. Second, the data from the participants from each company was compounded, since each company is a unit within our case. Third, the data from each company was analyzed in order for us to be able to analyze the data both within, between and across the units, which Baxter and Jack (2008) stress as important. However, some of the topics cannot be analyzed from the companies’ point of view, thus,
the findings concerning family firms and the spirit of Gnosjö are analyzed from the perspective of each participant. Our coding follows a thematic approach, implying that the data is divided into different themes (Bryman, 2016), and thus our five topics are our themes.

3.6 Research Trustworthiness

Trustworthiness is a concept for evaluating and assessing qualitative research. The concept consists of four criteria: credibility, transferability, dependability and confirmability.

Credibility aims at ensuring that the findings are accurate, and thus acquire acceptability from others (Bryman, 2016). In this study, credibility is attained through respondent validation, meaning that our participants have approved the transcripts before analysis, and thus our reality is the same as our participants.

Transferability implies that the data should be applicable in some other context, or in same context at another time (Lincoln & Guba, 1985), indicating that the data must be rich in details. Since the companies and participants in our study have been given anonymity, we have presented them in a way that their identity cannot be exposed. However, we have presented information to the extent that this study can be applicable to other contexts.

Dependability denote to what extent the findings are consistent and replicable and is attained by keeping an audit trail of the study, hence, complete records of the study must be kept in order for an external researcher to be able to replicate the study (Bryman, 2016). This has
been done through keeping records of the selection of companies and participants, interview transcripts and data analysis decisions. It should be noteworthy that, even though this study would be replicated with the same companies and participants, with the same questions being posed, the findings could be different since it is impossible to freeze a social context and thus the participants could provide different answers.

Confirmability is referred to the researchers being neutral to the findings, hence, the findings should not be characterized by personal values (Bryman, 2016). This was attained by asking open-ended questions that did not manipulate the answers.

As such, this study is trustworthy since credibility, transferability, dependability and confirmability is attained, and thus, quality can be assessed.
4. Empirical Findings

This chapter will present the empirical findings of the study, including how the participants view family firms and the meaning of the spirit of Gnosjö. Moreover, the chapter will also provide the reader with how the companies use the perspectives comprising the BSC.

The participants thought their companies would have behaved differently if not being family firms, although there was no unanimously reason for how, a majority of the participants thought that the current familiar soul would disappear, resulting in more formality and bureaucracy. Anders and David, both family members, believed that a non-family management would have been more concerned with the bottom line, extracting a larger proportion of the profit than a family firm would. On the following question, all of the participants deemed that their work tasks would have been different had their company not been a family firm. Non-family members figured that their work tasks would have been more uniformed, less flexible and the degree of freedom would have been somewhat restricted. Family members also agreed that their work tasks would be different and more bureaucratic. Although family members added that they doubted executives would be doing drudgery work in a non-family firm.

When the participants were asked if they thought it was important for the family’s name to be associated with the company’s name, a difference between family and non-family members was noticed. Non-family members thought that the only value the company’s name provided was that it was familiar among their customers. Diana concedes that the association in company D was important due to company D’s name being more than a century old, however, she did not think that would be the case if the name was five years old. Family members on the other hand, found the interconnection to be of high importance. Albert, Anders, Bianca, Cecilia and Douglas stated that it has an intrinsic value, providing pride and happiness to identify themselves with each company. Furthermore, Cecilia and Douglas claimed that the company receives several orders because of the family’s reputation. Due to company D’s name being Douglas’s mother’s maiden name, he decided to change his surname when becoming owner of company D, in order to ensure that the family name remained in the family. Anders and David said that as long as the company is named after
the family’s name, naturally, a family member must be in charge. Carl argued that it is important for the family’s name to be interlinked with the company, especially within the local community, he described it as a local feature. Christer confirmed this saying that when people ask how he is doing, he answers that company C has a lot to do. However, Bea pointed out that there must be no equal sign between the names, further she said that:

“[...] we [the family] are very passionate about this and it is important for us as apparent owners to have the will to engage and develop ... and to be able to do so we must show that we really mean it”.

When asked whether or not the participants considered their personal goals aligned with the company, all of the participants affirmed that indeed their interests were aligned. Several family members found the question very strange. For instance, Bianca said “of course the goals are aligned, we [the family] decide the goals”, something David expressed as well. Albert reasoned that it would be very difficult for him to imagine a situation where he was able to conduct an action that would be beneficial to him but not the firm or vice versa since he, the family and the company are so interlinked with each other. However, if he would be in a position where he would have to choose, he would prioritize the well-being of company A over himself. Moreover, Christer stated that “[...] I have always thought that everything you do must culminate into something better for the company ... everything you do, you do of a motivational force to make it better for the company”. Further, he claimed that he and the company is the same person, an opinion that Cecilia agreed upon. During the recession in 2009, Bianca told us that she stopped paying herself salary, consequently working for free. A sacrifice made in order to ensure that company B could continue paying their external directors sitting on their board of directors, as she valued their input. Bianca rationalized this behavior by saying that “it is typical behavior of a family firm that we ignore ourselves, the most important is that the others have it good and that is much easier to do once you are in charge”. Further, Carl confirmed this type of behavior by saying that he and his wife, Cecilia, sometimes refrained from dividend and reduced their wages in order to invest more money into the company. All non-family members did also claim that the goals were aligned, for instance, Billy explained that his goals are aligned with the company, but that the family’s goals sometimes are unattainable, resulting in him disillusioning them.

Most of the participants required an explanation of the term management control systems. After some thinking, company A and C explained that they did not use any budgets as they
found it to be irrelevant, however, they did consider financial ratios and were aware whether or not the companies performed well. Company A considered non-financial ratios as well. Company D used a budget and supervised various financial ratios. Company B used a budget and was the only company interviewed that actually used the BSC in their operations. Bea had implemented it after becoming CEO, adding an environmental perspective to the four traditional perspectives. However, Bianca and Billy were not aware of company B using a BSC. Company D described the situation in which Douglas sold 49% of the company’s equity to a non-family employee, which also became the CEO, and the conflict arising between the external CEO and the family. David found the situation irritating as they were constantly arguing about money. The family’s point of view was that the CEO tried to maximize profit, restraining the family from its own objectives. Hence, due to diverging interests, Douglas repurchased his equity. He said that, “I believe that non-financial goals are prioritized here, and that is probably a common characteristic of family firms. You cannot rationalize that way in a public company where the CEO should maximize the bottom line”.

When asked what type of financial goals the companies have, company B and D were the only companies with stated financial objectives. Company B focused on budgeting, including goals for debt ratio, turnover, total assets and profit margin, goals that the company follow up every month. However, the budget is only guidance, but is of importance when reducing expenses. Bianca argued that even though the company follow a budget, the goal has never been to earn as much money as possible. Instead, the major focus is to be a good employer, hence the last five years company B have granted their employees an extra month’s wage in December due to their financial results. Billy told us that company B had a budget with general goals for the company, but that he has a lot of freedom when making decisions and buying equipment. Company D used to have a financial plan with the ambition to reach a turnover of 100 Msek in 2020, however, they had modified this plan, replacing the goal of turnover for a 10% margin. It is noteworthy to mention that company D’s CFO did not know that the current CEO had modified the goal. They did also have an interest in long term relationships, David described:

“[...] it is not about making as much money as possible, I want a long term cooperation. You [the customer] should feel comfortable buying from me ... if you constantly raise the price, they [the customers] will stop buying from you, so that kind of behavior we do not find intriguing”.

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Company A and C did also have financial objectives, but they are not specified, rather the objectives are to be profitable, making enough money to survive.

When asked how the financial goals are influenced by them being family firms, all companies brought up gut feeling and time perspective. Gut feeling in this case implies that the participants did not feel that they needed to draft advanced calculations in order to advocate for an investment. For example, David mentioned how company D had decided to acquire the building next door:

“[…] we can sit saying that we will purchase a building. This time it was eerily fast even though it was a lot of money … we invest because we believe in it and it feels right, no one is spending three months to calculate whether or not it will be profitable”.

Bea stated that company B’s board of directors has specific investment plans, however, the plan were often changed due to the company making investments based on a feeling. For example, Billy described a situation where company B were going to invest in one machine, however, when the salesmen left, he bought two machines, all based on a feeling. Company A, B and D also believed that external investors would not invest as much capital on long term investments, instead preferring a shorter time horizon and focus more on maximizing each year’s profit. All four companies paid out dividend to the shareholders, however, a majority of the profit was reinvested back into the company to finance further investments. Company A and C tried to minimize loans as much as possible. Company B, C and D explained that their investments required more capital than was possible for the firm to extract in the present, resulting in supplementing their investments through bank loans and that the interest rate is historically low in Sweden, further encouraging loans.

All of the companies believed that reducing deficiencies to minimize reclamations was of great importance. Company C used monetary incentives, paying out a bonus each month if deficiencies were below an internal target, thus encouraging high quality. Company A had monthly meetings where all employees in question participate, discussing how they think each specific customer views company A and develop strategies to further improve. Albert told us that a sizeable amount of deficiencies occur due to the human factor, thus once a link in the production chain starts to underperform they focus on that individual link. Company B used robotic machines scanning each product and company D had installed a vertical storage lift facilitating the process of picking inventories. Hence, B and D prefer investing in
advanced robotics and machinery to minimize the impact of deficiencies caused by human flaws. Furthermore, all four companies reckoned it crucial, ensuring quick delivering times to assure customer satisfaction.

When asked how the participants wanted their customers to view their companies and whether them being a family firm somehow influenced their opinions, mixed answers were received. All companies wanted to be perceived as a safe, friendly and fiduciary business partner, and thought it was influenced by the familiar feeling existing within the company. Company B reasoned that their customers would probably not care whether they were a family firm or not, as long as they receive what they pay for. Moreover, Billy argued that being a family firm used to be more important than it is today. Company C and D considered being a family firm to be viewed as something positive in the region, benefiting them to acquire more customers. The participants in company A were divided, Anders believing it to be beneficial, whereas Albert and Adam found it to be irrelevant. As company D recently changed CEO, David mentioned that there was a local media storm during the succession indicating towards their customers that company D would continue to supply them, providing stability for the future. Additionally, company B, C and D emphasized the importance of long term relationships, Cecilia brought up that their first customer still is their largest customer.

All four companies proclaimed that that their companies did numerous things to improve internally. The production managers often focused on the issue of improving the production through employee meetings and technological improvements such as robotics and it-systems enabling larger quantities produced more cost efficiently. Company A and B declared that they in addition to improving their production considered environmental goals, reducing the usage of finite resources, such as company B using geothermal heating. Company B and D have external non-family members in their board of directors providing them with an additional level of expertise to further improve. Company C recently recruited an external board member, starting in April 2018, being their first external board member. Further professionalizing the company as currently Christer is too tied up with the firm’s daily activities, preventing him from analyzing long term strategies. Company A on the other hand, preferred several informal board meetings a day under less structured prerequisites, discussing what should be done. Company B and C explained the usage of monetary
incentives aiming at motivating the employees. In company B, the employees receives an extra month’s wage in December, if it has been a profitable year.

Company A and B expressed that they have an employee treasury where employees and the company contribute with a small fee in order to carry out various events, such as summer- and Christmas celebrations. Although company C and D do not have any employee treasury, different activities are carried out. For instance, company A invite their employees to a more remarkable event, occurring every fifth year, last time they visited Dubai. Company D were also in favor of more grandiose events, recently, the employees traveled to Stockholm visiting a musical, and this year, Douglas plans something extraordinary to celebrate their newest investment. Company B allow the employees to decide what activities to carry out, for instance, the company have been skiing and bowling throughout the years. Additionally, since several employees and family members at company B have dogs, they offer dog daycare center at the office. Bianca pointed out that several customers appreciate that. However, company C thought that one should respect the employees by not trespassing on their spare time, hence, company C was satisfied with ordinary summer- and Christmas celebrations.

On the issue of succession we were told that it was a question of high importance considered through many aspects transpiring slowly over time. In all of the companies it was already decided how the equity should be inherited. The senior family members of company B and D had transferred the CEO position, including the equity in company B’s case, although, they were still active and highly engaged in the firm’s daily operations. Company C and D brought up issues that could arise. David thought it was fortunate that he and his brother possess different traits resulting in his brother never wanting to become CEO of company D preferring administrative tasks, as that could have turned them into rivals instead of companions. Cecilia and Douglas brought up the issue of being parents, concerned contemplating how they should make the inheritance fair as some children did not want to succeed the business, and hence, they have to be compensated somehow. The younger generation brought up that they have always been somewhat interlinked with the family firm. In company A and D, they often discuss business around the kitchen table during dinners and celebrations. In all companies, the children have been working there during their summer breaks, in company A and C, in parallel with their studies. When Bea and her sister were children, the family lived in the same building as the company, Bea explained the impact of their living situation as “[...] we have learned what it means to run a business, it is 24 hours,
seven days a week”. While interviewing company C, Carl Cecilia were babysitting their
grandchild, Christer’s nephew, discussing that their second son in spite of not being
interested in managing company C, would inherit a minority share of the equity that could
be passed on to their grandchildren in case they would be interested once growing up.

All companies except company A, affirmed our question whether they operated in an
industry that requires a lot of innovation. Company B, C and D have invested heavily in
advanced automations and robotics enabling more efficient production. Bianca proclaimed
that company B had always been on the frontline concerning new pieces of technology and
innovative thinking, for instance, They started administration with computers in the 80s,
were concerned with sustainability in the 90s by choosing geothermal heating instead of oil,
invite customers for workshops aiming at refining the supply chain and frequently support
inventors. Douglas thought that their industry was shifting so rapidly that they had to be
even more innovative than the computer industry. Bianca agreed on this mindset, explaining
that today, the problem is not to not afford the machinery needed but rather that those pieces
of technology do not yet exist.

The education of the employees was in general low, with the exception of specialized
positions such as CFO and company B who require a special certification for their employees
as they operate with advanced machinery. All companies supplemented their employees
internally, by having new employees working together with a more experienced employee,
thus emulating similar characteristics to an apprenticeship. However, several participants
explained that they have been educated externally gaining specialized skills not available
internally and that they were confident that they would be allowed to take courses necessary
for their job if they wanted to, for instance, Diana said that “[...] you get what you ask for
and there have never been any issues due to stinginess”.

All of the companies witness a flat familiar environment with little emphasis on hierarchy.
This is argued by the participants to be an advantage as it enables flexibility and the ability to
make quick decisions as there are no barriers preventing the subordinates to discuss issues
directly with the CEO. Furthermore, the managers of the companies are not afraid to get
soiled. In company C and D it is common seeing family members cleaning the facility,
operating a machine or packing inventory. Furthermore, the two companies serve the
employees breakfast. At company D, Douglas makes breakfast for the entire staff each
morning, and on Fridays, he fries bacon and makes omelets. Douglas explained it to be highly valued among the employees and does not cost that much. Christer pointed out that all are equal at company C, saying that “[…] I do not believe that there are any differences between the management and the employees … both me and my father work in the production, contributing to the corporate culture”. In company A, the familiar presence encouraged by the family was appreciated by their customers as any customer, no matter size could personally call the CEO discussing whatever was on their mind, which they doubt a venture capitalist would do. Company B offer loans with a beneficial interest, furthermore, the employees can lend the company’s trucks. No company considered themselves to be good at confirming whether their employees were satisfied at work on a regular basis, claiming that their ambition was to improve. Company A hired a consultant to conduct interviews with the personal as they reasoned an external person would be more appropriate. In company B, C and D it did not occur regularly, usually, it was supplemented with the employees’ annual wage negotiation. Considering this aspect, Diana preferred when company D had a non-family member CEO as it was more formal, conducting interviews on regular annual basis.

Albert and David speculated that they might not have been able to advance to their current position, being CEO and production manager, if not being family members, arguing that despite being family members, they deserved it as they started at the bottom of the organization in their youth slowly working their way up. They argued that they were not unqualified for their given position as they had absorbed expertise tacitly. David also thought that the knowledge he acquired by starting at the bottom gave him managerial advantages, as he does not merely know what his subordinates roles are, he has done that work himself. Albert, Bea and Christer motivated the appointment of family members by reasoning that family members need an incentive for staying in the family business. Additionally, for each family to successfully manage the business, they require vital knowledge that can only be obtained through the experience of holding senior positions.

When asking what the spirit of Gnosjö mean to the participants, we received a multitude of varying answers. In order to describe the region of Gnosjö, David illustrated it as: ”imagine New York with all of its skyscrapers … and replace the skyscrapers with companies, they even exist among the residential areas”. Anders provided an explanation for why there are so many manufacturing companies in the region, saying that in the 70s and 80s many started their own business in the basement by acquiring their own equipment, something that is not
possible today since the start-up capital is too intensive for the business to be competitive. Nowadays, he argued that the spirit of Gnosjö is more concerned with cooperation between companies, as there is a common interest for the region to grow, which both Christer and David agree upon. A majority of our participants mentioned the collaborationism existing in the region. For instance, Bianca said that the cooperation is about borrowing, lending and recommending, meaning that companies borrow material from each other and if they must decline a job order, they recommend another company instead. Carl agree on that cooperation exist, however, he is unsure if that type of cooperation exist within the same industry, stating that company C never receive any request of doing a job for another company within their industry but that they help companies within other industries. Christer stated that the cooperation is based on networking, something Bea, Billy and Cecilia highlighted as well.

Moreover, many of the participants noticed the existence of the special mentality characterized by the mindset; if you can do it, I can do it as well. Carl argued that the mentality is concerned with problem solving. For instance, Carl’s friend moved from Gnosjö to Laxå, a city in the province of Närke, a couple of years ago, who noticed that “[…] there is a big difference, up here [in Laxå] we see a problem and say that it cannot be fixed. If you face a problem here [in Gnosjö], you say that this must be fixed”. Likewise, Albert explained further differences between Gnosjö and other regions, for instance, an acquaintance to him reckoned that the workers must be told to press the green bottom. Hence, they would continue pressing the green one until the manager told them to press the red instead, whereas in Gnosjö the locals had to reflect, taking their own initiatives. Bea speculated that this divergence of behavior was due to the lack of fertile soil, which hindered successful farming, forcing people in the past to be creative with the region’s limited resources, shaping the current mindset.

A vast majority of the participants used the words flexibility and adaptability as virtues which one should strive to achieve. For example, Anders and Cecilia described that the flexibility benefited the region through recessions since the companies were able to quickly change its day-to-day operational activities. Cecilia added that it is convenient to be located in the region as everything company C needs exist there. David agreed that the location is beneficial, adding that it is dependent on all companies being service minded. Carl argued that the flexibility and adaptability result in a quick decision-making process. For example, both Carl
and Cecilia told us about one example when a customer from Stockholm visited them discussing the cost for producing a specific product. Company C could not produce all parts of the product themselves, and thus needed to contact another company, the customer asked what that part would cost resulting in Christer visiting the neighbor receiving a price within five minutes, something that marveled the customer. Some of our participants argued that the flexibility and adaptability might depend on the large amount of small companies, rather than the region itself.

Many participants found it difficult imagining operating in a region where the local customs of Gnosjö are not the norm. Adam and Albert thought their company would only act different due to such a large proportion of their customer being in the local vicinity, however, Diana remarked that it is the inhabitants of Gnosjö that make the region unique, not the region in itself. Cecilia believed that the rare network of small businesses in the region facilitates business opportunities, bringing up a company that received subsidies when relocating from Gnosjö to Öland. However, the company moved back to Gnosjö, as its dependence on other businesses could not be substituted with money. In contrast with many other rural areas of Sweden, Diana described Gnosjö as self-sufficient in terms of industries, saying that if a company needs something there is always another company in the proximity who can do it. Hence, there was a unanimous consent that the spirit of Gnosjö had benefited each company, either directly through the spirit’s assistance, or indirectly by aiding local firms in the community who subsequently purchased products and services from the company in question.

Adam and Anders expressed that the unemployment was so low that company A struggled to satisfy their demand for labor. David deemed the region as a good place to settle down to create a family and that there was a lot of job opportunities, however, the wages are lower than the Swedish average, dissuading people to move to Gnosjö, besides, David uttered that “currently it is going bloody terrible for the region, besides the job opportunities there is nothing attracting anyone to move here.”. Moreover, Billy claimed that the lack of competence has its root in the school as the school does not keep up with the development of the companies, something that Adam concur as well. Adam was also grateful for the immigrant’s contribution to the workforce as it would not have been possible to find enough employees without them moving to the region. Cecilia thought that the shortage of labor aggravated their ability to grow, she said “perhaps it is a bit mean to say but there is no one
with competence to hire here ... there is no unemployed people [specific profession] in Gnosjö, we had some few applying but they were alcoholics”. Although, the county’s labor office pay half of the wage of some immigrants working at company C, their lack of Swedish language skills makes it difficult to instruct work orders, forcing company C to spare an employee instructing and supervising them, which becomes a burden for such a small firm.
5. Analysis

The purpose of this chapter is to analyze the empirical findings presented in chapter four. The analysis is made in conjunction to relevant research and theory.

Once combining our empirical findings, several similarities regarding the participants’ viewpoint and previous research regarding differences among family and non-family firms were uncovered. In accordance with Sirmon and Hitt (2003), family firms are viewed as less formalized than non-family firms, relying more on flexibility. Additionally, the participants thought there would have been a greater interest in maximizing the bottom line if being a non-family firm, coinciding with research as family firms also consider non-financial goals (Chrisman et al., 2005a; Holt et al., 2017; Sharma, 2004). Moreover, the findings indicate that all family members consider the interconnection between the family’s and the company’s name to be of importance. A majority of the family members deem its intrinsic value yielding pride and happiness to identify themselves with each company. However, non-family members think it is important solely to the familiarity among customers. Why family members appraise the intrinsic value could be due to the desire of remaining a permanent component of the firm, which is in line with Zellweger et al. (2013), preserving legacy.

As all family members consider their goals to be aligned with the company, they are, according to Davis et al. (1997), stewards. Additionally, all non-family members affirmed the goals to be aligned, indicating that they are stewards as well, coinciding with Hernandez (2012), stating that the stewardship behavior is prevalent across the whole organization. Moreover, our findings regarding non-family members being stewards correspond to the findings of Corbetta and Salvato (2004), Davis et al. (2010) and Vallejo (2009). Hence, proposing that stewardship theory is suitable for research regarding family firms, which is in accordance with Brundin et al. (2014) and Miller and Le Breton-Miller (2006). Research suggests that stewards are collectivist, pro-organizational and trustworthy (Davis et al., 1997; James et al., 2017; Madison et al., 2016), something our findings indicate as well, Bianca, Carl and Cecilia all suffered short-term hardships for the firm’s long-term prosperity. Davis et al. (1997) argue that stewards, as well as agents, have personal survival needs in terms of income, although differing in how the needs are met. Due to the pro-organizational behavior, less
resources are needed to preserve the behavior, and thus monitoring- and incentive costs are reduced (Davis et al., 1997). Hence, pro-organizational behavior could explain the participants’ motivation for suffering short-term hardships. All four companies have or will succeed the ownership and management, which encourage the family members to be more altruistic, ideas that are aligned with Miller and Le Breton-Miller (2006). Some family members found it difficult to separate their personal goals from the company’s goals since they are interrelated, resulting in a metasystem, as posed by Habbershon et al. (2003). Consequently, the family’s, the family members’ and the company’s goals are equal.

The findings indicate that two of the companies use formalized management control systems, whereas the other found it to be unnecessary. Sirmon and Hitt (2003) rationalize the lesser usage of formalized management accounting due to family firms’ limited resources, alternately relying more on flexibility. Although company B used the BSC, Bea did not integrate the BSC into the operation since Bianca and Billy were unaware of the usage, crippling the impact. Hence, implying the usage of a type I BSC in company B (Speckbacher et al., 2003). Furthermore, the conflict of interest originating when company D had an external CEO, might be due to that less amount of family members in the top management team culminating in less focus on non-financial goals (De Massis et al., 2008).

All four companies reinvested a greater proportion of their profit than was extracted as dividend, benefiting succeeding generations’ continuation of business development for the future, and further strengthening the solidity, which is in line with Craig and Moore’s (2005) research. Furthermore, Craig and Moores (2005) and James (1999) suggest that investments are carried out with a long term perspective and Sirmon and Hitt (2003) claim that investments financed through loans are viewed by caution, coinciding with our findings. Additionally, even though all four companies have financial goals, more or less explicitly stated, the goal has never been to maximize profit, instead, the objective has been to survive, hence preferring long-term over short-term financial goals, as suggested by Anderson et al. (2003). Moreover, the findings suggest that the four family firms’ priority was conducted elsewhere, hence, focusing more on non-financial goals. The studies of Chrisman et al. (2005a), Habbershon and Pistrui (2002), Sharma (2004), Sharma et al. (1997) and Sorenson (2000) coincide, suggesting that family firms do contemplate non-financial goals aside maximizing profit. Finally, the companies financial aspects were permeated by gut feeling rather than decisions made through extensive calculations. Several participants viewed this
as a strength as it increased the firm’s flexibility to rapidly implement or change decisions. The common attitude among the companies might be influenced by Ljungkvist and Boers’s (2015) findings that the region of Gnosjö is sceptic towards administration.

Kaplan and Norton (1992) stated quality and time to be of importance for the customers, which is in line with our findings. All of the four companies focused on reducing deficient products, hence, increasing the quality, and on ensuring appropriate delivering times. Additionally, the findings suggest that the family firms use monetary incentives, robotics and employee meetings to assure high quality products. Moreover, Craig and Moores (2005) argued that family firms focus on positioning themselves as family firms towards their customers within the community, however, the companies were divided on the issue. Two of our companies found it to be irrelevant, whereas the other two argued it to be positive in the region, hence, the findings cannot neither affirm nor reject Craig and Moores’s (2005) results.

An important element of the internal business perspective is to improve internally to meet customers’ demand (Banbury & Mitchell, 1995; Bayus & Putsis, 1999; Kaplan & Norton, 1992; Kekre & Srinivasan, 2002), which all of our companies proclaimed they did. The findings show that there are two major focuses when improving internally, technology and professionalism. All companies have made technological investments in order to be more efficient, in line with Atkinson’s (2006) research stating that technology being an internal business measure. Moreover, the results indicate the importance of having external non-family members in the board of directors, since a majority of the companies rely on external professionalism. This was motivated by the fact that professionalism provides additional expertise and enables the ability to analyze long-term strategies, as advocated by Chittoor and Das (2007) and Hatum et al. (2010). To further improve internal business processes, Craig and Moores (2005) suggest promoting employee friendliness. The findings show that the companies enhance employee friendliness through various types of extraordinary activities, expect for company C.

All firms had contemplated how future equity and managerial positions will be distributed during succession, which according to Craig and Moores (2005; 2010), is the most distinguishing characteristic of family firms’ internal business perspective and vital to ensure, so that the professionalism is not suppressed (Moores & Barett, 2003). Our findings confirm
Jorissen et al.’s (2005) findings that CEOs serve long tenures, and Zellweger’s (2007) proposal that once retiring, a lifelong interest in the firm’s longevity will be maintained. As not all family members in the younger generation were interested in managing the business, the risk of any Malthusian situation occurring among the companies, as cautioned by De Massis et al. (2014) and Miller et al. (2008) is unlikely.

The majority of the companies focus on improving their technological capabilities, which according to Kaplan and Norton (1992), is necessary for surviving on an intensive market. The investments made by the companies were highly capital intensive with a long life expectancy, supporting that family firms possess a long-term horizon (Miller et al., 2008; Zellweger, 2007), thus might influence the investments acquired by the firms. Furthermore, the internal education of having a senior employee teaching junior employees, thus tacitly transferring knowledge, is a typical phenomenon in stewardship setting (Miller & Le Breton-Miller, 2006), further supporting the usage of the stewardship theory. By using internal education the companies further cultivates a resilient organizational culture (Miller & Le Breton-Miller, 2006). Concerning corporate culture, all companies had unanimously a flat hierarchy among the employees, with a familiar environment, little emphasis on titles and the top management doing drudgery duties, coinciding with the findings of Ljungkvist and Boers (2015) and Wigren (2003), suggesting that the corporate culture is influenced by the spirit of Gnosjö. Hiebl (2013) suggests that family firms try to provide suitable jobs for family members, concurring with our findings. As the presence of nepotism requires the individual in question to be insufficiently qualified (Holt et al., 2017), and the family members possessing the required expertise of conducting their duties, there is not necessarily an occurrence of nepotism.

Despite of the geographical and demographical challenges the region possess (Ljungkvist & Boers, 2015; Wigren, 2003), a successful commercial life flourishes (Ljungkvist & Boers, 2015), findings in line with this study. The participants consider the region’s strength originating from cooperative practices developed over time. Promoting a business environment of networking, cooperation, flexibility, and a collective desire of benefiting the region, in combination with an enthusiastic can-do spirit, encouraging diligence and creativity over slothfulness, coinciding with Wigren (2003) and Ljungkvist and Boers (2015). As the spirit of Gnosjö is a mentality, anchored in the populations’ homogeneous traits (Wigren, 2003), it might not be impossible, though cumbersome to replicate elsewhere.
6. Conclusion

This section provides the reader with a summary of the analysis, and thus concluding the study of how SME family firms operating within the region of Gnosjö use the perspectives comprising the BSC.

As the purpose of this thesis is to explore the usage of the perspectives comprising the BSC in SME family firms operating within the region of Gnosjö, the study found several findings in line with previous research. This study confirms that using stewardship theory in family firms is suitable, aligning with previous research, specifically in SME family firms. The findings reveal that formalized management accounting systems are not fully prevalent among the family firms, as only half of the companies find it to be necessary. Furthermore, the study found that one of the companies use a BSC, but as the top management team were unaware of the usage, we can conclude that it is a type I BSC.

We found that the companies focus on financial objectives, such as financial ratios and budgets, however, the financial perspective was heavily influenced by familiness and locality, thus ensuring that a large portion of the profit being reinvested, reducing dependency of loans, thus benefitting future development. Additionally, the skepticism towards administration led to less formalized bureaucracy. The greatest finding in the perspective is that the intention has never been to maximize profit, instead emphasizing non-financial goals, in line with several studies (Chrisman et al., 2005a; Habbershon & Pistrui, 2002; Sharma, 2004; Sharma et al., 1997; Sorenson, 2000). Hence, we can conclude that the companies stress non-financial goals more than financial goals. Moving on to the customer perspective, the companies found it of great importance satisfying their customers through the reduction of deficient products. Depending on whether the participant being a family member or not, the interconnection between the company’s and the family’s name was valued differently, thus we can conclude the interrelation to be of importance. However, on the issue of positioning themselves as a family firm toward the customers, our findings are inconclusive. The internal business perspective was categorized by ensuring a stable gradual succession of managerial positions as well as the equity to the next generation, enhancing employee friendliness and relying on professionalism. The innovation and learning perspective was influenced by the family firm’s long-term horizon causing capital intensive
investments. Additionally, when transferring knowledge tacitly, the perspective is influenced by the stewardship theory. As a consequence of the spirit of Gnosjö, a flat hierarchy and little emphasis on titles affect the companies’ corporate culture. Finally, through this study, we can conclude that the regional mentality of the companies impact how they operate. However, we cannot state to what level of degree.

As such, we can conclude that all companies use the perspectives comprising the BSC and that familiness and locality have an impact on the usage.
7. Discussion

The purpose of this chapter is to discuss the study outlining its limitations, followed by suggestions for future research.

This study contributes to the current literature by combining family firm research with management accounting and control (Giovannoni et al., 2011; Hiebl et al., 2016; Senftlehner & Hiebl, 2015) and regional development (Baú et al., 2017; Block & Spiegel, 2013; Stough et al., 2015), thus combining three fields of research, which is in shortage. Moreover, this study also affirms the usage of stewardship theory in family firm setting.

Our work is with limitations due to the nature of the study. First, as it requires reliance on self-reporting, the participants might be prone to report their company as performing well. However, by giving the participants anonymity, the incentive for giving biased information has been limited. Also, by guaranteeing anonymity from the beginning, ethical implications of this study have been enhanced. Second, it should be specified that the participants did not consider explicitly whether they use a formal BSC or not, except for company B’s CEO, as the study is merely interested in how the specific perspectives are used. Moreover, previous research studying the BSC has included companies not formally using the BSC, for instance Llach et al. (2017) conducted a study investigating “[...] the mediation role the non-financial perspectives exercise on financial results.” (p. 2182) including companies in their sample that used non-financial measures, without using the BSC. Third, due to our sampling method, generalizing the findings is not possible. Instead, this study has been carried out to bring new insights on how family firms in the region of Gnosjö can use the perspectives comprising the BSC.

Numerous promising avenues for further research exist. First, because of the immense amount of aspects to consider when exploring all four perspectives from a familiness dimension and that only two prior studies can be found (Craig & Moores, 2005; 2010), further research is required to fully understand the familiness dimension’s effect on the perspectives. Second, most of the already existing research on the region of Gnosjö aim at explaining how the region is characterized (Johannisson et al., 2007; Ljungkvist & Boers,
2015; Wigren, 2003), however, our findings indicate that the special mindset affect how the companies operate and vice versa, hence, future research could examine that relationship, as posed by Bau et al. (2017). Finally, due to no previous research of the BSC’s perspectives combining both regional development and familiness has been found, our initial research has merely scratched the surface. Each perspective deserves its own thorough exploration.
8. References


### Tables

**Table 1.1** Proportion of Inhabitants with Post-secondary Education in the Region of Gnosjö

<table>
<thead>
<tr>
<th>Year 2016</th>
<th>Age 25-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in the region of Gnosjö</td>
<td>43 159</td>
</tr>
<tr>
<td>Number of people in the region of Gnosjö with post-secondary eduction or higher</td>
<td>12 412</td>
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</tbody>
</table>

**Percentage with higher education** 28.8%

(Calculations based on table 1.2 and 1.3)

**Table 1.2** Post-secondary Education in the Region of Gnosjö between the Ages of 25-64

<table>
<thead>
<tr>
<th>Year 2016</th>
<th>Gnosjö</th>
<th>Gislaved</th>
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<th>Värnamo</th>
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<tr>
<td>Age 25-64</td>
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<tr>
<td>Post-secondary education, &lt; 3 years</td>
<td>500</td>
<td>1 635</td>
<td>870</td>
<td>2 324</td>
</tr>
<tr>
<td>Post-secondary education, ≥ 3 years</td>
<td>522</td>
<td>1 841</td>
<td>1 136</td>
<td>2 854</td>
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<tr>
<td>PhD or higher</td>
<td>7</td>
<td>25</td>
<td>22</td>
<td>45</td>
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<td>N/A</td>
<td>120</td>
<td>205</td>
<td>82</td>
<td>224</td>
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<tr>
<td>Total</td>
<td>1 149</td>
<td>3 706</td>
<td>2 110</td>
<td>5 447</td>
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**Total in the region of Gnosjö** 12 412

(Statistics Sweden, 2016b)
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<th>Year 2016</th>
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**Total population in the region of Gnosjö**

43 159

(Statistics Sweden, 2016c)
Appendix 3.1 - Interview Guide for Master Thesis

- Please tell us about yourself (background, age, education, etc.) and your role within the company (family member or non-family member, position, etc.)
- How long have you worked within the family firm?

Questions regarding the family firm
- Could you please explain the ownership structure?
- Which generation is currently managing and owning the company?
- During your time at the company, have you experienced any succession process?
  - If yes, how did you experience the situation?
- How many family members are involved in the company?
- Are all of them involved during the decision-making/goal target setting process?
- Do you think that your work tasks would have been different if the company would be a non-family firm?
  - If yes, how?
- What is the vision, mission and business concept of the company?
- What are the company’s long-term and short-term strategies?
- Is it important that the family name is interrelated with the company’s name?
  - If yes, how and why?
  - If no, why not?
- Are your work-related goals aligned with the company’s goals?
- If you could speculate, what do you think that the biggest differences between a family firm and a non-family firm are?

Questions about the spirit of Gnosjö
- What does the spirit of Gnosjö mean to you?
- Do you think there are any reasons for why the spirit of Gnosjö is famous?
- Do you think that the company would have operated in a different way if it was not located in the region?
  - How?
- Has the spirit of Gnosjö contributed to the company’s growth?
  - If yes/no, how?

Questions concerning management control systems

Financial objectives and measures
- What are the company’s financial goals?
  - Short-term and long-term
- How are these goals measured?
- How are the financial goals affected by the company being a family firm?
- Is a major part of the profit reinvested or paid out as dividend?
- Are larger investments financed through loans or equity?
Non-financial objectives and measures

- How many customers does the company have?
- How important is it for the company to minimize deficiency reports and increase customer satisfaction?
- How do you want your customers to perceive the company?
- Do you think that the customers take into consideration that the company is a family firm?
- How does the company work internally for the company to improve and meet the goals concerning customer satisfaction and financial performance?
- What are your internal processes?
- Can you please describe the company’s corporate culture?
  - How is it affected by the company being a family firm?
- What do you think of having social recreational activities aiming to strengthen the relationship between the employees?
- Does your company operate within an industry that requires a lot of innovation?
  - If yes, what type of innovation?
- Does the company have internal education for the employees, or is the knowledge required prior employment?
- Do the employees conduct continuous surveys concerning well-being, job satisfaction etc. at work? Or do you have any performance review?
- What does the company strive for regarding learning and development of the employees?
  - And how is that measured?
- Do you think that the specific bundle of resources the company have because of being a family firm is a competitive advantage?
- Does the company use any type of management control system?