Bridging generations - A study of corporate value statements in family firms

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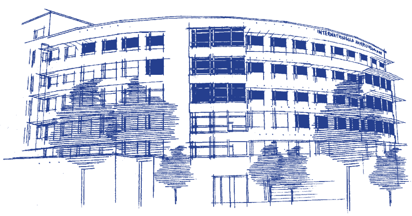

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BRIDGING GENERATIONS

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A STUDY OF CORPORATE VALUE STATEMENTS IN FAMILY FIRMS

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INTRODUCTION

Family firms are special! The jury still seems to be divided when it comes to family firms superiority (cf Andersson and Reeb, 2004 vs Miller et al., 2007), but most commentators agree that there is something unique about family firms as a group. This uniqueness is often referred to as the family firm culture, 'familiness' or values, thus a family specific resource (Schein, 1983; Habbershon and Pistrui, 2002). But how does this resource come about? And how is the resource bridged[1] over generations?

In his seminal work Schein (1983) highlighted the important process that takes place when the founder aims to transmit his/ or her ways of running the business. Schein lists ten mechanisms that facilitate the bridging. The most explicit mechanism Schein identify is formal statements such as corporate value statements. Hence, these formal statements of values represent an unique artifact mirroring the founder (or founding generations) view of the family firms unique resources. At the same time as the explicit formulation of a statement also provide insights on the founders view of how to manage the bridging process.

Building on Scheins observation that the bridging between the founder and the second generation is crucial for the transition of founding values, ***this paper discuss bridging activities in general and specifically the role of corporate value statements in such activities.***

We introduce two cases in the paper, PERRO and LIME[2]. PERRO is a second generation firm founded in 1982, that grew organically the first 15 years and then has grown both by organically and by acquisitions. Today PERRO employs 430 people and operate five factories in two countries. LIME is a first generation firm founded in 1975, that has partly grown organically but mainly by 15 rather unrelated acquisitions. Today LIME employs 1300 people and operate factories in five countries. In both these cases, we have been able to follow bridging activities in real time over the last three years, and retrospectively since the companies were founded.

Our aim has been to structure the paper in a discussion mode. After this short introduction we therefore proceed with the two cases, that are both centered on the role of corporate value statements in the bridging activities. In the discussion part of the paper we first introduce and apply the concept of founder centrality (Kelly et al., 2000). We believe this analysis is vital, as the role and importance of the founder is constitutive for any bridging activities (cf Garcia-Alvarez et al., 2002; Harris and Ogbonna, 1999; Ogbonna and Harris, 2001; Eddleston, 2008). In the second part we introduce and discuss contributions offered by three theoretical concepts (familiness, family firm identity and organizational imprinting) in order to enhance the understanding of the role of corporate value statements in bridging activities.

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[1] In this paper we use the concept "bridging activities as a broad label, including owner- and managerial activities that explicitly influence the persistence of founding values in the focal organization. Among other things, this means that we in our empirical studies include actions that are taken before the founder leaves the organization as well as actions taken to preserve founding values after the founder left the organization. By this we move beyond some of the most obvious focuses in main-stream succession research; such as the focus on the individual (the successor), on planning, on relationship issues and on an ownership perspective (cf Bagby, 2004 and Brockhaus, 2004). However we have to admit that we, at this stage, to some extent neglect recent developments in succession oriented research that are in line with our activity focus. Such as the literature on practice and succession practices (cf Johnson et al., 2003 and Haag, 20010).

[2] PERRO and LIME as well the names of the owners/managers are due to anonymity claims all pseudonyms.

The PERRO Case

PERRO AB was founded by two mechanical workers, Per Aberg and Roland Beberg (PERRO) in 1982. The company was soon established as a small but steady growing business with a focus on contract manufacturing of mechanical components. PERRO was early on systemizing its organizational control and development processes. Per and Roland introduced a sort of annual strategic meetings already in 1984. Although the company had no more than four employees (Per, Roland and their two oldest sons) and eight machines at the time, they were confident that conscious planning would enhance the company's development. Even though Per was the uncontested leader of the company, he declared that the meetings were important as he identified the need for reflections, dialogue, learning and social gatherings.

A second decision in order to systemize the management control was taken in 1989 and involved the work with the International Organization for Standardization's ('ISO') quality systems. PERRO had received indications from other major customers and therefore insistently pursued the work with quality system ISO 9000. PERRO's commitment to the work with ISO 9000 made it one of the first companies to be certified in Sweden.

In 1991 PERRO employed 18 and had a turnover of a million euro. During the deep recession of 1992-1993 however, a major customer temporarily stopped purchasing PERRO's products. Given that the customer generated around 80% of the turnover and that PERRO had invested a million euro in a new factory, the company was in a severe crises. Consequently, Per and Roland restructured the company, cutting the workforce by seven and reducing the wages of employees within the owner family (seven out of the remaining eleven employees).

PERRO drew conclusions from the crises to prevent similar occurrences in future, resulting in four key strategic objectives:

1. Reduce the dependency of individual customers – a single customer cannot exceed 20% of the company's turnover. *(Comment: the crisis made management aware of proactive marketing – often summarized as "customer orientation")*
2. Concentrate on manufacturing specific components – develop economies of scale by expanding operation on shafts, cogwheels and yokes.
3. Focus on quality and IT-solutions – develop more accurate quality systems with efficient and reliable IT-services.
4. Enhance long-term strategic work – building of resources and competences to achieve new opportunities.

Reviewing articles written on PERRO in the following years (appearing rather frequently, mostly in local newspapers) these four objectives was constantly repeated. The term "objective" is however somewhat misleading as in most articles the four bullet points were presented as a kind of guiding values (corporate values), explaining the success of PERRO after the crisis.

In 1995 PERRO had 52 employees (42 at PERRO Mekaniska and 10 at Q-Control (the consultancy service focused on quality management)) In 1996 all four sons (two each) occupied key positions within the company and the succession had been planned for three years. One step in this direction was the professionalization of the board. In 1996 an external chairman was appointed.

Patrik, the youngest of the four sons, managing Q-Control at the time, was appointed CEO after his dad, and in 1997/1998 Per and Roland left their positions within the company. Per maintained his membership at the board, and both of them continued as managers of the family owned Real estate company and as consultants to the PERRO Group. They also soon passed on the ownership of the PERRO Group to their four sons. At that time, the Group had grown to 67 employees with a turnover of approximately 5 Million euro.

Patrik soon announced that PERRO was going to expand even faster the coming years. In October 2000 the PERRO Group became the major stockholder in a company manufacturing generator equipment. The factory, situated in town about half an hour drive from PERROs home town, was divested from a multinational. As a result the turnover for the Group was nearly doubled at the end of that year.

During Patrik's first five years as CEO, the turnover increased with more than 300%. PERRO understood the customers' needs and was brave enough to invest in new markets that complemented their established business. In 2003, the Group included five subsidiary companies/factories (one in the Baltics) and employed around 220 people. Plans for the future were bold. The stated financial objective was summarized by the numbers '5-5-5', meaning that in 2005 the turnover should be MSEK 500 with profits of MSEK 50.

Two more factories were added in 2005 and 2007, and in 2008 the PERRO Group had become 19 times larger than it was ten years earlier. As illustrated above, PERRO achieved this expansion by taking over factories from customers but also by growing organically in existing factories. The Group had also further improved its production processes and were producing larger series. The ambition stated in 2007 was to maintain growth and to double the business by the year 2012. In 2008 the company turn-over was over a hundred million euro and 630 employees. In the first half of 2008 the Group invested heavily to meet the increased quantities demanded by the market.

But the unprecedented demand crises in fall 2008 forced management to revise their objective. In the period fall 2008 - spring 2009, volumes decreased with 60%. Compared to both customers and major competitors PERRO reacted fast and even if 2009 was the first fiscal year since 1992 that the company made a loss, the company was on track already in fall 2009. Divesting two of the recently acquired factories, and with a strong focus on profitability in all operations, the company managed to reach record high profits in 2010!

Today, Patrik is the CEO of PERRO. His brother and Rolands two sons occupy middle management positions in the firm. Together they own 90% of the company. None of their nine children (in the age 7-19) has entered the company.

Corporate values in PERRO

The transformation from a ”one company/one factory” in 1997 to ”one group/several companies, factories and local offices” in combination with ambitious plans for the future, made Patrik aware of the need to develop the group's management systems. He therefore listened carefully when a growth consultant in year 2001 argued that systematic work with values was as a way to run growth oriented companies. But why should they hire an expensive consultant when the work could be done within the company?

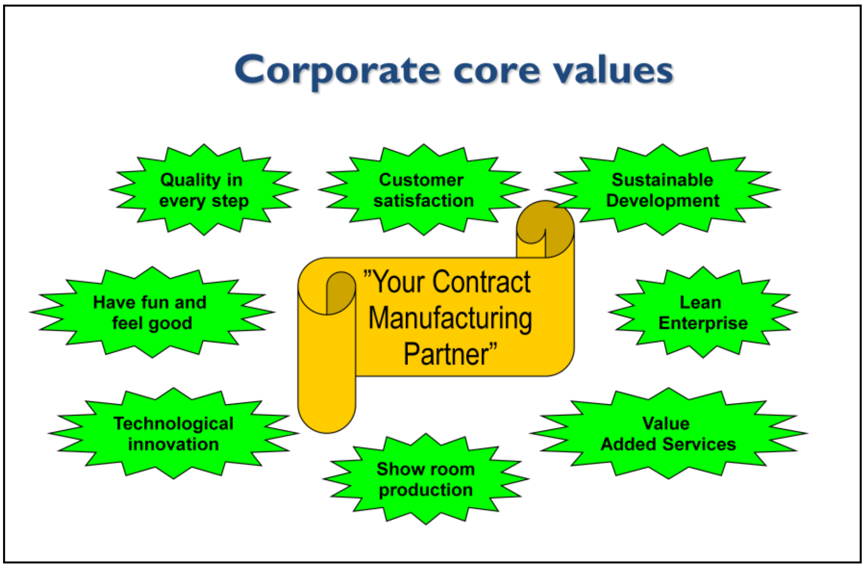
Patrik called for two recently hired senior managers, both with a background as management consultants, to initiate a value process. His argument was that they, as newly hired, were able to review the company culture from an outsider's perspective.

"It was when we acquired the second factory and initiated operations in the Baltics. At that time we realized that we had to explain to our new co-workers what kind of company PERRO was. Of course we had a quality policy and such, but that did not cover it all. We soon decided that I was not to be involved in the process, I was to close. Instead Jan and Gösta made some drafts that we together discussed. As we all had a background as consultants we knew it was essential that we included explanations and avoided corporate bull-shit! The uniqueness of PERRO had to stand out!

It took a long time before it was all decided and we started to produce boards. There were several reasons for that. Partly it was because the issue was not of top-priority the entire time. Partly because we had to test the content with a lot of people. And partly because this was not to be a campaign! We made no big thing of it and almost sneaked out the boards. It took a long time between the first draft and until the first boards was posted." (MD, Patrik, 2008)

Jan (who run the process) interviewied senior managers in the company (including the founders of the company). In an annual report from 1998 (a year after the succession) PERRO success recipe was formulated as a culture characterized by continuous improvements, customer orientation and long time horizon. Themes that are in line with the value like objectives formulated by the founders back in 1992. This was also themes that emerged in the early interviews.

At the annual strategy away days in fall 2001 the following sketch was presented. It can be described as "embryonic", ie., at this stage the process was only in its emergence.



This sketch indicates that most of the inspiration comes from the quality work in PERRO, concepts like customer satisfaction and quality in every step are clearly originating from the quality policy. However inspiration also came from the lean movement as PERRO at the time started to implement a lean production system. Jan also admits that IKEA was a major source of inspiration, especially the fact that IKEA includes a wordy explanation to all their corporate values.

The suggestions was processed, first in minor management groups and then in larger staff meetings. At a presentation in 2002 the following list was presented:

- Always re-examine changes and improvements
- Sustainable improvement (no half completed projects)
- Strive to learn
- Communicate change
- Clear management by objectives in an encouraging climate
- Simplicity with scarce resources

Compared to the broad headlines in the first sketch, these bullet points represent a second more precise step. Several of the statements was however still seen as overlapping and some areas were missing (there was for instance nothing on customer orientation). In the following several changes were made and the "final" version was decided by the board in 2004 (and launched in 2005). After this, only small changes have been made. The corporate values are now; (each followed by a half page of "explanations").

- The day we cease getting better, is the day we stop being good (also corporate slogan)
- Respect and mutual trust for each other
- We listen to our customer
- Our production facilities are our product
- Value for money

Reflecting on the process, MD Patrik, concludes that the process in which the corporate values emerged is a good example of how they live their values in PERRO. The expression; "The day we cease getting better, is the day we stop being good", emphasizes incremental improvements. No large campaigns that devour money and energy and then just disappear in nothing, no it is always a question about "value for money". Instead the PERRO way is a step-wise development work and step-wise anchoring in the organization. Further management stress the importance of leadership. Managers have to live the values otherwise they will never come alive in the organization. To always explicitly use the values as interpretative lenses when evaluating new information is both a way to evaluate what is right and wrong behavior and a way to illustrate how co-workers in PERRO should reason.

In 2011 the corporate values are posted on boards in all factories. The corporate values are also an important part of all recruitment processes. The norm is also that managers should discuss the corporate values with their subordinates twice a year. In 2008 the corporate values were discussed in several top management meetings. In the summer top-management meeting (14 top managers present) one entire day was used to evaluate behaviors and values. What was in line with the values and what was not in line with the corporate values? In 2009-2010 this value work has been less present. As management of the demand crisis in fall 2008 has been the dominating point on the agenda, value work has been less prominent in the organization.

The LIME Case

Lime Group is the name of a conglomerate encompassing a number of fully-owned subsidiaries; covering different industries. The company's history dates back to 1975, when Boris Limesey acquired his first business – a car dealership. Since then the group has experienced extensive growth, primarily through acquisitions. Over the years Lime Group has acquired 15 operating businesses.

The companies are today organized in seven divisions, each focused on a particular industry. At present, all but one division have a business-to-business market orientation. The exception is the original car dealership, which targets both consumers and businesses. By now it also includes car rental and full service and body repair shops. The division added next was the retail division, which is centered around sales of industrial machines and machine tools, and concurrent maintenance and services. The third division to be added was the LIME truck division, which markets trucks and buses.

This dealership includes customized solutions, insurance and service agreements. The fourth, fifth and sixth divisions are similar in that they are industrial manufacturing oriented; dealing with refinement of different metals into material for use by other industries. Currently, these six divisions all include several sites of operations in several countries. Each division, however, is based on a principle acquisition (one for each division). Finally, the seventh division is the LIME real estate division, which owns the properties of the LIME group operations. In 2010, the group had approximately 1300 employees and annual sales of 1 billion Euro.

Mr Boris Limesey is the CEO and president of the LIME group. He is described and also describes himself as an active owner. This implies in part that he has some problems to let go of control of the subsidiaries' operations. The CEOs in the subsidiaries describe how the relationship to headquarters (Boris) implies frequent contacts and reports. The aim of Mr Limesey is not primarily to make as much money as possible, his aspiration is that the LIME group will prosper and be maintained.

Mr Limesey and his children are all convinced that family-owned businesses are different from firms listed on the stock exchange or owned by investment firms. They believe that family-run businesses have an advantage in being long-term oriented, something that creates stability, trust and allows for long-term investments. The children as well as Boris also indicate that family-owned businesses have a special culture, guided by values rather than money. From meetings with Mr Limesey, his children, and CEOs of the subsidiaries it appears that Boris, both as a person and his approach to business, is very present in the group.

Until a few years ago, Boris was the sole owner of the LIME group. Now he owns 60 percent of the company while his two children, Liza and Emely, own 20 percent each. Both children are grown-up and have experience from the LIME group's board meetings. They have also articulated an interest in maintaining the ownership of the LIME group and Emely has also taken up a position within the company. While Boris does not want to force his children into running the company, his aspiration is that the children will take over the ownership of the firm.

Corporate values in Lime Group

The largest acquisition was made in 2007. It resulted in the addition of the third and (so far) final industrial manufacturing division and, moreover, more than tripled the group's turnover. In consequence, Boris, who adheres to a philosophy of active and visible ownership, concluded that he was not only facing the challenge of being a competent owner to a diversity of businesses but also that of learning to let go of certain parts of management. He realized that he could no longer participate personally in all board- and otherwise important division/subsidiary meetings. He was also getting older and realized that he would not be strongly involved in the business forever. There are also reports of some cultural clashes between divisions and between acquired companies and the group's (Boris') way of doing business.

During 2007, CEO of Lime group came to know a business school in the region. One outcome was that the company arranged a board meeting and a meeting for the group's top managers on the school premises. During this meeting, a lecture on branding was requested and afterwards Boris advertised an interest to work on this issue in the LIME group.

Together with the groups CFO he started to think about how to manage the business group's brand(s). At this time branding was complex, in several of the divisions there existed both a corporate brand (Lime), brands connected to acquired companies and brands of the products sold (for instance those of OEMs of industrial machines, trucks or cars). Early in the process the core values of the group also surfaced as an important issue; how the business had so far been realized and how Boris and his family's values could be maintained in all operations. A connection was identified between a strong corporate brand and common corporate identity was tied to the notion of a common set of corporate values. Mr Limesey announced his intentions to introduce a process of identifying and spreading common core values in the business group. Discussions were held with representatives from the business school about the challenges in such a process. Boris was at the time determined to follow through and identify common values.

In discussions about core values for the business group, Mr Limesey explains that values should not be rules, but rather norms and guidelines that crates a feeling of security in that everyone thinks alike. He believes that too many rules dictating in detail how employees should do things will discourage enthusiasm.

At this time, though, Boris already talked about certain core values for the LIME group. He explained in early discussions that he wanted to emphasize the family's values and clarified that this includes the family's interest in taking an active part of developing the business. Primarily, he said, the family represents long-term ownership. Also, both he and his children emphasized that societal responsibility is important. Rather than not following social rules the group would choose to lower profit demands. Boris explained that the family values included that the company's development and not you yourself comes first. *"Many people place themselves in the center, but my perception is that it is more important to develop the company"* (March 2008).

During spring 2008, students from the business school conducted an in-depth case study on the values and perceptions of brand strategy within the group. During the fall 2008 LIME decided to hire a communication agency to assist in the process. The demand crises at the end of 2008, however, resulted in less focus on the work with corporate core values in the group. The process was put on hold and the agency was primarily asked to redesign the business group's annual report as part of reshaping the group's branding. In the annual report for 2009 the following core values were included:

Long-term approach

- Value guided business
- A high degree of reinvestment
- Sustainable profitability
- Commitment to the environment

Business development

- Continuous development of the group's operations
- Product development in close cooperation with customers
- Development of value-adding processes
- Forward movement in the value-chain

Interaction

- Proximity to the customer - partner
- Knowledge as a shared resource
- Synergies between companies
- Social commitment

During late 2009 and 2010, the core values process was redefined. Analyzing the decision, the specific nature of the group must be taken into account. Several of the units acquired the last years already had developed value statements that was in operation (mainly values concerning flexibility, quality and customer orientation). The effort needed to integrate all values into a joint statement was considered to be a waste of time.

The alternative way of processing the core of values was to facilitate a way of doing things the LIME-way. By educating top-managers (current and new) together, and discussing the business approach of the LIME group, such a culture could be spread. An education for all divisional managers was introduced (in total more than 40 participants). When planning the education three overall aims were identified; Knowledge development in general, Knowledge sharing between divisions and Identification of synergies between divisions. The two last aims are clearly connected to values stated in the core value statement. The CFO of the company explained that the education grew from a realization of the difficulties in defining and spreading common values to 1300 people.

Today the education proceed and the satisfaction with the chosen path is high, even though all involved realize that this kind of work takes a long time. From time to time group management also reflect on the future of the group. How integrated should division be in the future? Synergies achieved through further integration have always to be balanced against the owners wanted strategic flexibility. It is naturally more difficult to restructure/divest a well integrated operation.

Discussion

The analysis of founder centrality is important, as we see the role and importance of the founder/leader as constitutive for any bridging activities (Sharma, 2004). Hence, in line with the reasoning in Kelly et al (2000) we assume that a high level of founder centrality increase the likelihood that the founders/leaders undertake bridging activities. Hence, we begin our discussion with what can be described as a “founder centrality test of key people in PERRO and LIME”. In the next part we proceed with a discussion of the content and process aspects of bridging activities.

Founder centrality

Building on the basic assumption that founder centrality and strategic behavior was highly related Kelly et al.,(2000) developed a framework of how to study this relationship. Founder centrality refers here to the centrality of the founders in the firm’s top management group. Three dimensions are introduced in order to determine founder centrality; betweenness, closeness and connectivity. In the following we will shortly introduce these dimensions and then discuss founder centrality in PERRO and LIME.

- Betweenness centrality refer to the control of the company’s agenda and the information flows. High control in this dimension indicate high power and thus a high founder centrality.
- Closeness centrality refer to direct access and hence the opportunity to directly influence people. If the founder has direct access to member of the top management group he/she owns a higher centrality in the company.
- Connectivity centrality refer to the ability to influence. This ability is highly dependent on the importance of the people to which the founder has direct access and controls information flows. Direct connectivity to important stakeholders in the company increase founder centrality.

In PERRO we divide the discussion in two parts; the founder centrality and the second generation centrality. In PERRO there were two founders (Per and Roland), both 50% owners of the firm from the start. However, Per soon became the uncontested leader of the company. Introducing annual strategy-away-days he signaled an interest in bringing in both his two sons as well as Roland and his two sons into the management of the company. In practice most decisions were made by Per, often after consulting his wife, who was employed as CFO of the company. Still in 1997 when Per passed on the CEOship to his youngest son, the board consisted of an external chairman (since 1996) the two founders and their four sons. The founders and their sons also all were in top management positions at that time. PERRO in the period 1982-1997 could thus be described as a very founder central company (if we regard Per as the founder), Per scored high on betweennness, dominating information flows and company agenda. The, at the time “one factory company with at the most 67 employees” was further characterized by fast decision-making and informal style. Per knew all important actors in the company well and few decisions were contested. Consequently he scored high on both closeness and connectivity.

PERRO in the period 1997-2011 is a different company. In this period Patrik the youngest son of Per was the CEO, and the three other sons of the founders gradually lost their importance in the company. The board was professionalized and in 2011 it is only Per who represent the founding families in the board. The company has also grown and operates five factories. But, our analyses is still the centrality of the CEO is high. All members of the management group are recruited by Patrik. Two of the members are long term personal friends of Patrik. Patrik has further come to dominate information flows as he has become the node connecting several important decision making bodies. By his personal charm, intelligence and energy he also tend to dominate most meetings. Hence Patrik scores high on all three dimensions in this second period.

LIME has been owned and run by Mr Limesey (Boris) since the foundation in 1975. Not until recently were the two children included as owners. As the company has grown mainly by acquisitions the founder centrality has both increased and decreased over time! Boris is the only one in the group that has knowledge of all operations. He is member of all boards in the group and participate on a rather detailed level in the daily operations. Further he prioritizes recruitment processes highly and personally interview all prospective members of the groups divisional top management team (about 50 people altogether). Boris has staffed his group board with external professionals, however he tend to complain that role of the board is vague as he is the only one that are able to take a holistic viewpoint. However, as the company is very diversified and operates factories in five countries Boris ambition to be operationally involved is impossible. In this respect his tight control of the company has diminished over the last years and a process in the Group headquarter increase from 2-3 to 7-8 people has taken place. In terms of founder centrality we conclude that Boris scores extremely high.

Altogether we can conclude that both PERRO and LIME are characterized by a high level of founder centrality. This will both increase the likelihood that the founders/leaders undertake bridging activities and that these activities will be regarded as of vital importance by the employees within the organizations. Consequently, following Schein (1983) we assume the likelihood is high in both these organizations that corporate value statement processes are initiated.

Discussion II

We are now extending our discussion on the role of corporate value statements in bridging activities and introduce two sets of theoretical concepts that emphasize the content of value statements (what is bridged?) and the process (how do the bridging activities proceed?).

What is bridged? - Familiness and Family Firm Identity

Traditionally, literature in business administration has often emphasized the potential negative consequences of being a family business, such as conservativeness and a low willingness to take risks (Nordqvist, Habberhon & Melin, 2008). However, more recently, the concept of familiness has been introduced to emphasize that companies can actually build a competitive advantage on the fact of being a family firm (Habbershon & Williams, 1999). Drawing on the resource based view of the firm (RBV) (Barney, 1990), Habbershon, Williams & MacMillan (2003) define familiness as "the idiosyncratic bundle of resources resulting from the interaction of the family and the business systems" (p. 451).

While many firms are family business, not all of them consider their linkage to a family as being a part of their identity. Zellweger et al., (2010) therefore claim that traditional characterizations of family firms based on ownership, control and behaviors is not sufficient to understand why certain companies develop familiness that contributes to a competitive advantage in the marketplace. They convincingly argue that only those firms that consider themselves as family businesses and thus have a family firm identity are likely to develop advantages that are based on the family firm dimension.
Reviewing our two cases we asked ourselves if we were able to identify aspects of the corporate value statements in LIME and PERRO that derive from a distinct familiness based resource?

In LIME the founder and the family explicitly refer to themselves as a family firm. They are also involved in family firm associations aiming to develop a family firm ownership strategy for the future. Probably due to the specific nature of LIME (conglomerate) the family firm ambitions are mainly executed at the ownership and top management level of the group. The family, and especially Boris, is known as owner in the group, but besides Boris family representatives are not visible at the operational level. It is argued that the family provides a distinct advantage to the group in the ownership dimension. This advantage is summarized in the first corporate value headline – long term ownership. In this headline and in many other settings it is argued that the family ownership, characterized by long term thinking, constant reinvestment of profits and a social commitment, is something that differentiates LIME both from previous owners of the companies in the group and from competitors at the market place.

We can thus conclude that Boris, LIME's founder and CEO has formulated an ownership oriented corporate value statement based on characteristics often found in familiness and family identity literature . The assumption is that this corporate value statement will provide the group with a competitive advantage in the future. The aim is thereby naturally that this authoring of a corporate value statement is an attempt to communicate the uniqueness of the group.

In PERRO, Patrik, the CEO, actively argues that PERRO is <u>not</u> a family company. The reason is partly the envy flavoring in the founding social milieu, and partly the founders experience from previous occupations in family owned businesses. As a result Patrik (and the two founders) have actively resisted any family favouring within the company, and PERRO is never referred to as a family company. Still however, several of the frequent characteristics that surface in the familiness literature are prevalent in PERRO. The long-term thinking is obvious (still PERRO for instance operates very close to the original mission of the company), as well as the emphasizes on fast decision-making and informality and the reinvesting of a high proportion of the profit. Lately the owners have also started to reflect on ownership strategies for the two families in the distant future.

However, if we return to the corporate value statements formulations most of these more family business oriented values do not appear in PERRO. Instead long term thinking is visualized in statements as “our production facilities are our products” and The day we cease getting better, is the day we stop being good”, the first signal that the company’s identity as a contract manufacturer. The second signal that company development is a step-wise phenomena that never ends. The remaining three values; Respect and mutual trust for each other, We listen to our customer, Value for money are all addressing behavioral aspects. In the extended explanations obvious connections are made to terms as informality, non-political milieu, honest behavior etc. Values that probably are more referable to the homogenous Swedish culture than to an unique family business identify.

An important sign of the difference between LIMEs and PERROs corporate value statements is also the communicative aspect. In LIME the corporate value statement is to be found in the annual report, nowhere else. In PERRO the corporate value statements are more operational, posted on large boards in all factories and present in promotion material.

How does the bridging proceed? - Organizational imprinting

Literature on organizational imprinting (e.g. Stinchcombe, 1965; Boeker, 1989; Johnson, 2007) suggests that the start-up of a firm is critical as it determines its characteristics. When a new firm is created, important characteristics like its goals, structure, its strategy, its resource configuration and overall identity are shaped for the first time (Albert & Whetten, 1985). As Stinchcombe (1965) found in his seminal work, *the founding context will leave imprints on the firm that continue prevailing over long periods of time.* More recent literature has put a stronger emphasis on managerial agency and particularly the role of founders in imprinting (Boeker, 1989; Schein, 1983). *Besides making decisions about products to make, markets to serve, and resources to acquire, founders also transfer their personal values to the new organization* (Schein, 1983). To understand the formation of these values, it is important to look at the pre-history of the organization (Kimberly & Bouchikhi, 1995).

One important question emanating from the discussion on organizational imprinting is *how founders’ imprints are actually reproduced and remembered over generations*. Social memory studies, some authors would prefer the concepts of collective or cultural memory (Erll, 2008), have pointed out how memory allows us to reuse and reinterpret the knowledge of past generations (Assmann, 2008). The concept of social memory goes beyond being a mere metaphor as individuals remember in a social context and social groups, such as companies, construct shared understandings of the past (Erll, 2008). Wertsch (2002) talks of systems of distributed memory, meaning that remembering often implies various individuals interacting, using help from cultural tools such as documents, films, museums or the internet. Constructed memories often need to fulfill the dual aim of providing historical accuracy, ensuring their trustworthiness, and providing a usable past in a more pragmatic sense (Wertsch, 2002).

Both in LIME and PERRO we can identify interesting aspects when we focus on imprinting. Reviewing the founding context and thus the institutional settings in which the companies were started we already noted the geographic specific “winding-belt” in which PERRO is embedded in. In interviews this non-business friendly culture is characterized by the same features as the more well-known all-Nordic culture, the “jante-lagen”. The culture can in brief be described as negatively portraying and criticizing success as unworthy and inappropriate. This founding context is an important explanation to why the two founding families in PERRO always have applied a low profile and resisted the identity as family firm. One indicator of the latitude of the problem is the fact that neither Per (founding CEO) and Patrik (present CEO) no more live in the founding region.

LIME on the other hand was started in a geographical context where business and family firms are regarded as the norm. In this context entrepreneurs are rather seen as heroes (cf., Wigren, 2003). Consequently, it is of no surprise that LIME both emphasizes the family firm identity as well as aspects that often characterize family firms in their corporate value statements.

When we relate the corporate value statements to the founders, it is apparent that Boris, the founder of LIME was very active in the formulation of the corporate values, and draws on his personal experiences. But even if there are parts of the corporate value statements that clearly refer to his accumulated experience there are other parts that clearly signals routes of how to develop the group from the present status. In LIME the long term approach represents an imprint from the early history of the company, however values that stress synergies, forward movement in the value chain and knowledge sharing all reflect the more present situation, after the latest large acquisitions just a few years ago.

In PERRO the founders did not formulate a corporate value statement. The direct reason to the initiation of a corporate value process was the control issue in a growing company, and not the preservation of a founding legacy. Even though there exist obvious links between the founder and the second generation when it comes to corporate values. These links partly exist because the process proceeding the formulation of the corporate value statement was broad and remains us of a cultural audit of the firm. Hence, the values expressed by the founders and owners became an important input in the formulation process.

Let us then continue with the formulation process. In the LIME case, a top-down process was initiated in 2007, shortly after the latest major acquisitions that more than tripled the size of the company. This process was abandoned due to both the demand crises in 2008 and to the realization that pay-back of such a process would take a long time. Instead the present statement was developed and formulated by Boris and a new implementation process, involving middle management, was designed. In this process the aim is to live the corporate values through a group-wide development program, and thus to transmit values in actions.

In the PERRO the first decision was to reject the consultant and go for a “home-made” process. This design lived the “value for money” value (one of the corporate values emerging in the process). The process was slow, but careful and encompassing. The result was not rushed as the belief was that a thorough development phase should enhance the implementation. And afterwards the process is often referred to as an example of the “*PERRO way-of doing things*”. It is further noticeable that the explicit referring to the corporate values evaporated in PERRO when the company entered the demand crises in 2008. It seems as a more direct management style took over as the company faced the demand crises.

Concluding discussion

In this paper we set out to explore and discuss the role of corporate value statements in bridging activities. In order to vitalize the discussion we have applied several theoretical concepts; founder centrality, familiness, family firm identity, social imprints and social memory, on our two cases.

We conclude that in both our cases we have a high degree of founder (or second generation) centrality. Hence, the two leaders that initiate the value processes are strong leaders in their organizations. Ie., they both live their leadership. This conclusion direct us to the process in which the value statements have been implemented. These processes seems to be of importance to both the leaders, as they realized that the way they organized the process will signal a management style. It is of no surprise that the CEO of PERRO use values from their value statement to describe the way the process was organized.

The concept of familiness and family firm identity make us emphasize the content in the corporate value statements. With our limited data bases on corporate value statements (under construction) it is difficult to conclude if the corporate value statements developed in PERRO and LIME can be characterized as typical family firm statements. At the time LIME seems to be most in line with the ideas proposed in the familiness literature when they in the more ownership oriented value statement emphasize long term ownership and reinvestment of profit. The fact that the owners of PERRO reject the notion of family firm support this conclusion.

The use of social imprints make us emphasize the roots of the two firms. Here we detect links between the pre-history of the two firms and their present identity, and hence some of the formulations in the corporate value statements. Our finding make us suggest that the founding milieu should be taken more into account in studies of idiosyncratic resources in the future. These two cases indicate that the pre-history, and early history, of the firm explain more about the present thinking and behaving in family firms than hitherto recognized.

Finally, a note on the purpose of this paper; ***to discuss bridging activities and more specifically the role of corporate value statements in such activities.*** Following Schein (1983) the implicit proposition in this paper was that corporate value statements play a role in bridging companies over generations. Our two empirical cases do, however, qualify this proposition. In LIME the corporate value statement seems to play a vital role as a bridging activity. Here the founders aim is to formulate a coherent family based ownership strategy, and the formulated value statement summarize and support this strategy. The ambition in LIME is further that the corporate value statement will (at least in the first stage) enhance the construction of a "top management culture" within the organization. Ie., the corporate value process is also a question of more explicitly infusing the founders values into the organization.

PERRO is another type of case. Here the founder did not explicitly formulate a corporate value statement. Instead it was the second generation CEO that initiated the value process. He was also explicit about the driving force. It was not a question about preserving family values over generations! The explicit aim was to develop a culture based control mechanism in the growing organization. Considering the CEO's dominating role, the values emerging in this process obviously was in line with the CEOs personal values.

This discussion make us review the meaning of the term "bridging"! In both cases the use of corporate value statements as a bridge between generations seems to be subordinated the aim of continuous social imprinting, ie., the bridging between the CEO/founder and the rest of the organization. To be frank, corporate value statements seems to be most important as a part of a 'cultural management' within the two organizations. Ie., in line with the assumption in the majority of the literature on corporate value statements (cf Blombäck et al., 2011)

Our final reflection, is however, that the uniqueness of the two empirical cases can offer an explanation to this. In both cases there have been no direct socialization of the following generation. This differentiate from most research on bridging activities (cf Garcia-Alvarez et al., 2002; Harris and Ogbonna, 1999; Ogbonna and Harris, 2001). In PERRO the third generation are teenagers or younger and in LIME the son and daughter have made their careers outside the family firm (and far from home). In both these cases there is thereby a need of indirect bridging! Instead of an explicit intention to develop value statements in order to bridge values between family generations, these family firms has to act as the bridge! In a three step process, corporate value statements are first developed in a founder/CEO initiated process, secondly infused in the (family) firm and thirdly, they will be instilled in family members as they (may) enter the firms.

This far, only we as authors have been discussing the role of corporate value statements in bridging activities. By these lines we hope you as reader has been inspired to continue the discussion at the IFERA summit. See you there!

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