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Professionalization in family firms versus non-family businesses in Italy

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Abstract

This paper investigates the characteristics of professionalization in a group of Italian small-medium family firms (FFs), appraising similarities and differences compared to non-family firms (NFFs). The research focuses the implementation of formal Strategic Planning (SP), Management Control Systems (MCSs), and features thereof. Literature review has been combined with research findings of a questionnaire submitted to a sample of North Italian FFs and NFFs.
Professionalization is a relevant issue either at theoretical or practical level as it suggests a direction of managerial innovation for competitiveness Managerial mechanisms are believed to generate benefits, especially in terms of support to the decision-making processes of the various functions of the firm.

Keywords: Family Firms; Non-Family Firms; professionalization

1. Introduction

Professionalization is a topical aspect of research in family and non-family studies (Chua et al., 2009), even though the term is not defined anywhere in popular or scholarly discourse (Hwang and Powell, 2009; Von Nordenflycht, 2010). In family business investigations, professionalization is generally defined as “the process through which professional managers become involved in the family business management or ownership. This process includes adequate formal training and education of individuals, i.e. professional managers, possibly also

resulting in increased adoption of formal mechanisms and systems within the family firm to support the business" (Giovannoni et al., 2011). Professional managers are supposed to be "expert" in management and know what is "good for the organization" (Songini and Vola, 2015), as they are academically qualified and/or have specific previous experience in business administration.

Although the literature considers professionalization in FFs mainly as an added subject external to the family, it also happens that family members or employees become more "professional" owing to specific educational processes (Dyer, 1989; Hall and Nordqvist, 2008) and the adoption of managerial tools (Stewart and Hitt, 2011).

However, the literature has highlighted the fact that when non-family members enter a family business, "greater use is made of more formal and professional styles of management, including outside consultants, advisers and professional services, and more sophisticated financial methods" (Sonfield and Lussier, 2009). Accordingly, this work focused on the incidence of formal Strategic Planning (SP) and Management Control Systems (MCSs) to guarantee greater professionalization in the running of businesses. Salvato and Moores (2010) suggested giving emphasis to drivers, process, characteristics and effects of the implementation and development of these tools in family firms (FFs), as particular evidence of the relevance of professionalization. Some authors observed that family firms typically resist the process of professionalization, including formalization of organizational structures and strategic planning systems (Geeraerts, 1984; Leon-Guerrero et al., 1998; Reid et al., 2000).

Although the literature points to professionalization as a critical issue in family businesses, topics on how SP and MCSs influence or could be affected by professionalization, have been largely overlooked by researchers, with few exceptions (Amat et al., 1994; Giovannoni et al., 2011). Based on such suggestion, this project aimed at investigating and explaining the drivers and characteristics of professionalization, using a sample of small and medium sized companies in Italy, focusing on implementation of formal SP and MCSs and their features. The study began with family businesses, followed by a comparison against non-family companies, with headquarters in the same regional area, i.e. Piedmont in northwest Italy. According to the deductive and inductive approach (mixed approach) adopted, the insights of the literature on professionalization were combined with the findings of a questionnaire-based survey.

This issue was deemed relevant for both practitioners and to the literature, especially in a situation of economic downturn, as it gives a perspective of managerial innovation for competitiveness and, above all, in view of the observed gap in current frameworks concerning the role of managerial mechanisms in FFs relative to NFFs (Bresciani et al., 2013; Songini et al., 2013). Firstly, the theoretical background of FF professionalization is reviewed, with particular attention to the main issues under scrutiny, i.e. the role of SP and MCSs. This is followed by an outline of the research method used and its findings, with a discussion of results and conclusions drawn. Finally, implications of the study are offered, together with limitations and further scope.

2. Literature review

When internal assets (tangible and intangible) (Ferrando, 1998a, 1998b, 2009) are insufficient to support the growth of a firm, especially companies in the early stages of development (Daily and Dalton, 1992), founder-managed businesses may decide to transfer control to professional managers (Zahra and Filatotchev, 2004; Zahra et al., 2008), i.e. to full-time salaried staff given managerial authority (Galambos, 2010).

With professionalization processes in place, the company then becomes a Professional-Managed Firm (PMF) (Gedajlovic et al., 2004) with a professional manager entering the business as manager or owner (Giovannoni et al., 2011). Professional managers have fiduciary powers in trust; consequently, they need to justify their decision-making process (Ferrando, 1981). To this end, professional managers need formal training and education, as the adoption of formal mechanisms and systems within the company may become necessary (Songini, 2006; Parada et al., 2010; Tsui-Auch, 2004). Thus, the professionalization process concerns a holistic transformation of the firm (Hung and Whittington, 2011). In addition, adequate patterns between ownership and professional management must be developed (Nelson and Winter, 1982). Also, professionalization requires changes in company hierarchical relationships, order of legitimacy and incentives. Typically, the authority in a PMF is widely distributed across the managerial hierarchy, and associated with function rather than individuals. Professional managers are made to cover certain functions and rewarded based on merit. Researchers consider rewarding systems for professional managers both an advantage and a disadvantage, depending on characteristic capabilities and disabilities (Gedajlovic, Lubatkin and Schulze, 2004).

For effective professionalization, founder and/or owners must communicate formally and informally with each other on an on-going basis, and the same applies to the founder and professional managers. This makes for development and integration of new knowledge and skills (Caselli, 1990; Sbrana and Torre, 1996; Torre, 2005), as well as improved performance (Allison et al., 2014; Cantino, 2007; Cantino et al., 2015).

The founder derives several benefits from both ownership and leadership of the company, which with conversion to PMF may be adversely affected or disappear altogether. Diminished founder property rights may cause the dilution of company's values (Stinchcombe, 1965). Therefore, a balance must be struck between the founder's opportunity costs and professional managers' benefits (Burkart et al., 2003). Moreover, the ability to combine entrepreneurship with professionalization, especially in a small and medium enterprise (SME), is crucial for the long-run value creation and development of family businesses (Sciascia and Mazzola 2008).

This issue is particularly relevant when the firm grows, and is often related to distributed formal managerial mechanisms such as SP and MCSs (Songini et al., 2015). Many studies highlight how FFs, compared to NFFs, exhibit limited use of SP and MCSs, as in SMEs social and individual control prevails over bureaucratic-administrative governance (Moores and Mula, 2000). Some authors have also

observed that FFs typically resist the process of professionalization (Geeraerts, 1984; Leon-Guerrero et al., 1998; Reid et al., 2000). However, when an FF becomes more complex in structure following success and growth, the enterprise often adopts managerial mechanisms that can be considered a typical manifestation of professionalization (Moores and Yuen, 2001).

According to Dyer's framework (1989), there are three different ways to professionalization, i.e. *i.*) professionalization of family members through formal education and/or adoption of managerial mechanisms, *ii.)* professionalization of non-family members through formal education and/or adoption of managerial mechanisms, and *iii.*) employment of external professional managers who normally prefer implementation of formal mechanisms. The literature offers a wide range of considerations on each solution, with advantages and disadvantages (Perez-Gonzales, 2006; Sciascia and Mazzola, 2008; Villalonga and Amit, 2006).

Combining the above studies shows how FF professionalization usually relates to one or more of the following elements: *i.*) admission of non-family members, i.e. professional managers, to the Board of Directors or Company Management, *ii.*) formal training and education of existing employees or family members, *iii.*) implementation of formal SP and management systems (MCSs, management accounting, performance measurement systems, rewarding systems, information systems, etc.).

Focusing on the latter aspect of professionalization, in recent years increasing attention has been paid to SP and MCSs in enterprises, both family and non-family owned. Researchers found that companies do not consistently adopt these managerial systems, and management control structure is influenced by internal and external factors (Chenhall, 2003; Otley, 1980). An assessment of the literature on implementation of formal SP and management systems in FFs regarding drivers, the need and effects of this process, shows that there are two main groups of theories (Songini, 2006), i.e. *i.*) one group which consider as positive the implementation of formal systems in FFs, *ii.*) and another which considers as negative the implementation of formal systems in FFs, explaining the reasons why it should be avoided.

The first group comprises the "agency theory" and the "company growth theory". The former argues that formal SP and management systems can be considered as agency cost control mechanisms, as they are specifically aimed at increasing the economic performance of FFs (Gnan and Songini, 2003; Montemerlo et al., 2004; Shulze et al., 2001, 2003). Strategy maps, budgeting, reporting, enterprise resource planning (ERP), reward systems and incentives are considered capable of reducing the opportunistic behavior of agents, motivating them to achieve organizational goals, which are the principals' objectives. Through the adoption of these systems, FFs can avoid some typical negative aspects implicit in being a family business. The latter suggests that as FFs become more complex, especially in organizational terms, there occurs a step-up in professionalization, whereby formal control mechanisms are adopted in order to better decentralize decision-making processes (Moores and Mula, 2000). Usually, FFs become more complex when they grow to in size or reach a certain stage in their life cycle whereby organizational complexity increases.

Two theories consider as negative the implementation of formal managerial systems in FFs. These are the "stewardship theory" and the "organizational control theory". The former argues that in FFs managers can be considered as stewards, as they tend to pursue the owner's goal, reducing agency costs (Jensen and Meckling, 1976). For this reason, less formalized managerial systems are to be preferred, as they replace control mechanisms (Whisler, 1988). With similar consequences the latter theory considers "familiness" as a specific feature of family businesses and affirms that social control and the clan are more effective than formalized systems of control (SP and MCSs), especially when decision-making and power are in the hands of a few people (Mintzberg, 1983; Uhlaner and Meijaard, 2004).

An inconclusive picture emerged from analysis of the theories, pointing out both advantages and uselessness of professionalization in FFs. Furthermore, the literature review brought to light a lack of knowledge on the role and features of SP and MCSs in FFs; in fact, current studies do not focus on SP drivers, management control and professional managers, such as the CFO (Songini et al., 2013) in FFs. For this reason, research to analyze the spread, features, objectives and role of control mechanisms in FFs (Songini, 2006), especially compared to NFFs, is encouraged.

3. Research method

The next paragraphs focus on aim and research questions, as well as research methodology, reflecting the sample.

3.1 Purpose and research questions

The aim was to understand the drivers and features of professionalization in a sample characterized by FFs and NFFs, focusing on implementation and use of SP and MCSs. Concerning research objective and literature review, the following research questions were asked:

RQ1: *What are the diffusion and main features of professionalization in a sample of family and non-family firms?*

The purpose of RQ1 was to understand the characteristics of professionalization in small and medium family businesses, especially by individualizing differences and similarities between FFs and NFFs. In Italy, as in Europe, the FFs phenomenon is very widespread and the economic environment is such that there are many family-controlled companies (AUB Observatory - AIDAF 2015). As outlined in the literature section (par. 2), professionalization was

studied also considering the level of adoption and implementation of SP and MCSs in the companies surveyed.

RQ2: *Is there a correlation between the level of professionalization, organizational complexity and the benefits of SP and MCSs adoption within the sample?*

Here the aim was to verify both the existence of multiple correlation and similarities and/or differences between FFs and NFFs of the sample regarding:

1. Level of professionalization, measured in terms of both presences of "professional managers" and increased adoption of formal mechanisms and systems to support the business (Giovannoni et al., 2011). In particular, graduate employees represent a proxy variable of "professional managers". For family businesses, the literature mainly considers professionalization resulting from the addition of external professionals with specific educational qualifications, and also the fact that the same members of the family or employees become more "professional" through a specific educational process (Dyer, 1989; Hall and Nordqvist, 2008). We identified two clusters, measuring the incidence of graduates on the total number of employees. When this ratio is equal to or higher than 5% (first cluster), the dummy value is one, whereas when lower than 5% (second cluster), it is zero. Also, we measured the development of SP and MCS tools, considering the cluster of firms which adopted only the most traditional tools, i.e. Variance Analysis, Budgeting, Cost Accounting by Centers, and ERP (dummy value = 0), as well as firms which implemented the most innovative and strategically oriented tools, i.e. ABC, Benchmarking, Co-design, Customer satisfaction analysis, Productivity analysis, Process costing, Target costing, Boston Consulting Group matrix, Strategy Maps, Balanced Scorecard or BSC, and BSC integrated with Risk Management (dummy value = 1). Companies which implemented managerial mechanisms were considered professionalized (Moores and Yuen, 2001; Cascino et al., 2010) and the more developed the tools the higher the professionalization.
2. Organizational complexity of the firm, measured by the chosen typology of organizational structure. The company growth theory (Moores and Mula, 2000) states that when a company grows (in terms of both employees and revenues), its organizational complexity increases through a process of delegation and decentralization of authority, and people are grouped according to different and varied criteria. The effect is the presence of more articulated organizational structures (many hierarchical levels, decentralization in new businesses, in new products, in new countries, in new projects, etc.). Thus, when firms grow, complexity increases, and the need for professional roles becomes relevant in order to guarantee long-run value creation (Songini et al., 2015). Based on this variable, we identified two clusters, depending on the criterion by which people are grouped under top management (Brusa, 2004). Elementary structures (no middle managers reporting to the top) are considered not complex compared to other organizational structures, which are multifunctional,

multidivisional, process- and project-driven. When firms adopt an elementary structure, the dummy value is zero, whereas when they adopt other more complex organizational structures the dummy value is one.

3. Declared benefits of adopting SP and MCSs, especially those related to improvement in managerial decision-making ("decisional support"). The literature confirms that formal control mechanisms have been adopted by "complex" enterprises in an effort to improve the results of decentralization and support managers in their decisional process (Moores and Mula, 2000). So, adopting formal managerial mechanisms favors delegation of authority and improves the informational process leading to decision-making (Songini, 2006; Parada, Nordqvist, and Gimeno, 2010; Tsui-Auch, 2004). Based on the literature, two clusters were identified. The first included companies that considered the adoption of SP and MCSs to bring benefits in terms of either "Correct and timely information" or "Making employees responsible", deeming both relevant in improving the decision making process of employees. The other cluster comprised companies which did not include such benefits in their replies. The dummy value for the first cluster was one, and for the second cluster was zero.

3.2. Method and sample

An empirical analysis by survey was conducted using randomly selected companies in Piedmont, north-west Italy. Quantitative and qualitative data were collected by on-line questionnaire using Monkey Survey software, and statistically processed by means of tools such as mean, standard deviation and Pearson correlation ratio. The questionnaire was meant to enable researchers to collect a significant amount of data for statistical analysis and generalizations (Zimmerman, 2001). The approach adopted was both qualitative - analysis of empirical evidence - and quantitative - measuring of information. It was designed in June 2014 and subsequently sent to companies during July, August and September of the same year. The questionnaire consisted of two sections. The first collected company general data, i.e. corporate title, number of employees, revenues, business sector, legal form, year of foundation and whether FFs or NFFs. The second section collected data on organizational structure, SP and MC tools, employees involved in SP and MCSs, aims and scope of SP and MCSs, costs and benefits of SP and MCSs. Annexes provided explanations about the content of SP and MC tools in order to ensure correct compilation.

The original sample numbered 3,900[1] companies (including only "active" businesses, i.e. not in liquidation or in settlement procedures), with legal headquarters in Piedmont and with revenues of €2 million to €250 million. In classifying companies as SMEs the revenue criterion was adopted as prevalent,

[1]Data provided by Chamber of Commerce of Turin (2014, June).

on account of the reliability of data provided by respondents on a sample basis, through AIDA database and Chamber of Commerce of Turin database. Other standards based on European classification were not verifiable with the tools available. Companies were from different business sectors (manufacturing, services, trading, crafts, agriculture and livestock farming). Subsequently, the questionnaire was sent to 1,800 companies selected according to a software-generated random and casual process. The response deadline was about 3 months. Some 309 companies (18%) returned the completed questionnaire using the same software.

Respondents were asked to indicate whether they were FFs or NFFs, based on a specific criterion explained in the guide to the questionnaire, drawn from the literature by Chua et al. (1999)[2] and used by the authors to classify companies as FFs and NFFs. Thus, researchers considered both percentage of control of shares and perception of CEO about the business, thereby gaining the benefits of a mixed classification criterion. Only 276 companies indicated whether they were FFs or NFFs and findings concerned only these, 132 or 47.8% of which declared to be FFs, while 144 or 52.2% declared not to be FFs (see Table 1).

Table 1 - FFs versus NFFs

FFs versus NFFs		
Answer Options	Response Percent	Response Count
FF	47.8%	132
NFF	52.2%	144
Total	100%	276

Source: personal elaboration

The sampling frame for revenue is shown in Table 2.

[2] A company is classified as family business if (Chua et al., 1999): *i.*) the family owns at least 50 per cent of shares, and the company is family-run; or *ii.*) the family owns at least 50 per cent of shares, the company is not family-run, but the CEO perceives it as a family business; or *iii.*) the family owns less than 50 per cent of shares and the rest is owned by a venture capital or investment company. The company is family-run and the CEO perceives it as a family business.

Table 2 - Class of revenue

Class of Revenue			
Answer Options	Total sample	Response Percent in FFs	Response Percent in NFFs
€2 million to €5 million	6.3%	4.5%	8.2%
€5 million to €10 million	36.8%	42.9%	32.8%
€10 million to €20 million	29.6%	23.2%	35.2%
€20 million to €50 million	19.0%	21.4%	15.6%
€50 million to €100 million	5.1%	5.4%	4.9%
€100 million up to €250 million	3.2%	2.7%	3.3%

Source: personal elaboration

The highest percentage per revenue grouping (data declared for tax year 2013) is, for the whole sample, between €5 million and €20 million (66.4%). Over €20 million percentages gradually decrease to a 3% of companies exceeding €100 million.

The number of employees is shown in Table 3.

Table 3 - Number of employees

Number of employees			
Answer Options	Total sample	Response Percent in FFs	Response Percent in NFFs
Less than 10	8.8%	9.3%	8.5%
10 to 49	48.5%	48.0%	49.0%
50 to 249	34.6%	35.7%	33.5%
More than 249	8.1%	7.0%	9.0%

Source: personal elaboration

4. Findings

Companies were asked to indicate the number of graduate employees (see Table 4).

Table 4 - Number of graduates

Number of graduates		
Answer Options	Response Percent in FFs	Response Percent in NFFs
None	17.9%	13.7%
1 to 5	53.1%	50.0%
More than 5	29.0%	36.3%

Source: personal elaboration

For FFs, the average number of graduates per company was 9 and the average incidence of graduates on the total number of employees was 8.8%. For NFFs, the average number of graduates was 15, and the average incidence of graduates on the total number of employees was 15.35%. NFFs exhibited a higher number of graduates than FFs.

Also the organizational structure was appraised (see Table 5).

Table 5 - Organizational structure

Organizational structure		
Answer Options	Response Percent in FFs	Response Percent in NFFs
Elementary	26.8%	12.5%
Functional areas	45.3%	47.5%
Process oriented	18.6%	20.0%
Project oriented	9.3%	20.0%

Source: personal elaboration

As regards organizational structure, 26.8% of FFs and 12.5% of NFFs had a relatively simple structure, known as "elementary", without center of responsibility reporting to top management. In these firms the decision-making process was centralized and not normally delegated to other employees. On the contrary, in the more complex companies the rate was 73.2% for FFs and 87.5% for NFFs: these companies were relatively decentralized toward intermediate organizational units, reporting to top management by function, process or project. NFFs showed a higher incidence of more complex organizational structures than FFs.

The table below (see Table 6) shows the incidence of SP and MCSs in FFs and NFFs.

Table 6 - Adoption of SP and MCSs

Adoption of SP and MCSs		
Answer Options	Response Percent in FFs	Response Percent in NFFs
Yes	79.6%	89.7%
No	20.4%	10.3%

Source: personal elaboration

As regard the SP and MCSs, 79.6% of FFs and 89.7 of NFFs declared to adopt these tools. Note: only 74% of FFs and 81% of NFFs responded.

Periodic use of SP and MCSs was also reviewed (see Table 7).

Table 7 - Periodic use of SP and MCSs

Periodic use of SP and MCSs		
Answer Options	Response Percent in FFs	Response Percent in NFFs
Monthly	57.6%	63.6%
Two-monthly	2.4%	0.0%
Three-monthly	22.4%	18.7%
Four-monthly	4.7%	1.9%
Six-monthly	1.2%	3.7%
Yearly	3.5%	3.7%
As needed	8.2%	8.4%

Source: personal elaboration

As regard SP and MCSs, a good proportion of FFs and NFFs adopted these tools continuously and consistently: 57.6% of FFs and 63.6% of NFFs, plus a monthly control.

As shown in Table 8, companies mentioned various reasons for not adopting SP and MCSs.

Table 8 - Reasons for not adopting SP and MCSs by FFs and NFFs

Reasons for not adopting SP and MCSs		
Answer Options	Response Percent in FFs	Response Percent in NFFs
Not aware of them	22.2%	13.3%
Too expensive	50.0%	33.3%
Too difficult to use	11.1%	13.3%
Not useful	5.6%	26.7%
Other	22.2%	13.3%

Source: personal elaboration

Companies that did not adopt SP and MCSs gave as the main reason the cost of implementing and maintaining these tools (50% of FFs and 33.3% of NFFs). FFs also did not know the meaning and aims of the systems themselves (22.2%), and NFFs thought that the systems were not useful (26.7%).

The extent to which each SP and MCSs tool were used by FFs and NFFs is shown in Table 9.

Tools were used more by NFFs than FFs, especially for budgeting, reporting, balanced scorecard, benchmarking and responsibility centers cost accounting.

SP and MCSs were handled by internal personnel in 74.7% of FFs and 79.1% of NFFs, whereas in 2.4% of FFs and 3.6% of NFFs external consultants were used and 22.9% of FFs and 17.3% of NFFs used both internal and external personnel.

Table 9 - SP and MCSs tools in FFs and NFFs

SP and MCSs tools		
Answer Options	Response Percent in FFs	Response Percent in NFFs
Activity Based Costing	19.3%	19.8%
Reporting	41.0%	50.0%
Financial Analysis	74.7%	71.7%
Balanced Scorecard	10.8%	17.9%
Balanced Scorecard and Risk Management	2.4%	0.0%
Benchmarking	10.8%	16.0%
Budgeting	69.9%	85.8%
Co-design	3.6%	2.8%
Elementary Cost Accounting	22.9%	18.9%
Responsibility Centers Cost Accounting	60,2%	66,0%
Customer Satisfaction	28.9%	21.7%
Productivity Analysis	38.6%	42.5%
Strategy Map	0.0%	0.0%
Boston Consulting Group Matrix	1.2%	0.0%
Process Costing	4.8%	1.9%
ERP	36.1%	24.5%
Target Costing	6.0%	8.5%
Others	4.8%	2.8%

Source: personal elaboration

Table 10 shows the list of reasons given by respondents for preferring internal resources to external consultants.

Table 10 - Reasons for preferring in-house SP and MCSs in FFs and NFFs

Reasons for preferring in-house SP and MCSs		
Answer Options	Response Percent in FFs	Response Percent in NFFs
Use of internal competencies and professionals	45.1%	55.2%
Higher privacy, accuracy, reliability and responsiveness	29.4%	18.8%
Lower costs	21.6%	10.1%
Strategic decision made by top management	9.8%	15.9%
No fund for external consultants	2.0%	0%

Source: personal elaboration

The most important reason in terms of incidence was, both in FFs and in NFFs, correlated to the presence of internal competencies and skills (especially in NFFs) outperforming external consultants.

The administrative area was involved in handling SP and MCSs in 57.3% of FFs and 61.3% of NFFs, whereas only 34.1% of FFs and 37.7% of NFFs had their own controlling area (see Table 11).

Table 11 - Internal functions handling SP and MCSs in FFs and NFFs

Internal areas handling SP and MCSs		
Answer Options	Response Percent in FFs	Response Percent in NFFs
Ownership	40.2%	18.9%
Controller	34.1%	37.7%
Administration	57.3%	61.3%
Finance	13.4%	1.3%
Other	6.1%	6.6%

Source: personal elaboration

Both in FFs and in NFFs, the number of employees involved in SP and MCSs was on average 2.5 per company and 1.2 of them were graduates. Companies answered this question considering only full-time personnel involved in SP and MCSs activities, excluding resources with multiple tasks including SP and MCSs.

To the direct question as to whether these tools were used to improve the decision-making process, increasing employee responsibility, response was mainly positive, higher from NFFs than from FFs (see Table 12).

Table 12 - Importance of SP and MCSs for increased employee responsibility in FFs and NFFs

Importance of SP and MCSs for increased employee responsibility		
Answer Options	Response Percent in FFs	Response Percent in NFFs
Yes	61.4%	72.8%
No	38.6%	27.2%

Source: personal elaboration

In most FFs (61.4%) and NFFs (72.8%), SP and MCSs were used to increase employee responsibility, not only as tools for business and financial simulations.

96.4% of FFs and 95.1% of NFFs using SP and MCSs confirmed securing important benefits from implementation of these tools. Table 13 shows the benefits identified as relevant.

Table 13 - Benefits of SP and MCSs for FFs and NFFs

Benefits for SP and MCSs		
Answer Options	Response Percent in FFs	Response Percent in NFFs
Correct and timely information	78.8%	86.0%
Reducing weaknesses	61.3%	62.0%
Reinforcing strengths	31.3%	30.0%
Increasing employee responsibility	46.3%	59.0%
Process improvement	36.3%	42.0%
Improving products and services	21.3%	13.0%
Improving production capacity	20.0%	21.0%
Reducing costs	65.0%	56.0%
Others	0.0%	0.0%

Source: personal elaboration

Important benefits included the possibility of obtaining correct and timely information for decision-making (78.8% for FFs and 86% for NFFs), improving operating efficiency (65% for FFs and 56% for NFFs), reducing weaknesses (61.3% for FFs and 62% for NFFs), as well as increasing effectiveness of decentralization of decision-making (46.3% for FFs and 59% for NFFs).

The Pearson correlation ratio (see Tables 14 and 15) for both FFs and NFFs was used to correlate:

1. Extent of graduate employees
2. Level of SP and MCS development
3. Typology of organizational structure
4. Benefits of SP and MCS implementation, especially in terms of "decisional support".

Table 14 - Correlation of graduates, organizational structure, SP and MCS development and benefits in terms of "decisional support" in FFs

Pearson Correlation Ratio for FFs	Organizational Structure	Decisional Support	Graduates	SP and MCS Development
Organizational Structure	1			
Decisional Support	,040	1		
Graduates	-,038	,026	1	
SP and MCS Development	-,086	,111	,341**	1

*** Significant at 0.01 level*

Source: personal elaboration

Table 15 - Correlation of graduates, organizational structure, SP and MCS development and benefits in terms of "decisional support" in NFFs

Pearson Correlation Ratio for NFFs	*Organizational Structure*	*Decisional Support*	*Graduates*	*SP and MCS Development*
Organizational Structure	1			
Decisional Support	,174	1		
Graduates	,090	,123	1	
SP and MCS Development	,054	,029	,085	1

Source: personal elaboration

Both FFs and NFFs exhibited weak correlation for each combination of variables, with the exception, only for FFs, of correlation of graduates to SP and MCS development, considered moderate.

5. Discussion and conclusions

According to the findings of the research covering RQ1, both family and non-family firms showed moderate involvement of graduate employees relative to total workforce, pointing to a tendency to hire employees with specific academic and professional qualifications and skills. Based on size of firms, 53% of FFs had 1 to 5 graduates, with average incidence relative to total number of employees at 8.8%. For 50% of NFFs the number of graduates was 1 to 5, with average incidence on total employees at an increased 15.35%. NFFs exhibited a higher number of graduates than FFs, even though the latter made efforts toward professionalization. This reflected the opinion of the literature, which considers external professionals with specific educational qualities as drivers of professionalization, in addition to family members or employees becoming more "professional" through a specific educational process (Dyer, 1989; Hall and Nordqvist, 2008).

Moreover, small and medium FFs and NFFs showed to be relatively "complex and articulated" in organizational terms, adopting organizational structures favoring decentralized decision-making. Although NFFs showed a higher incidence of more complex organizational structures than FFs, the result was interesting also for small and medium FFs, according to the company growth theory, which states that when FFs become more complex they exhibit increased professionalization (Moores and Mula, 2000).

SP and MCSs are increasingly popular with FFs and NFFs, in spite of the fact that some companies still fail to come on board. This is particularly evident for companies where implementation and management costs are perceived to be higher than potential benefits. However, according to the literature, when a firm

becomes more complex, thanks to successful growth, it increases its tendency to adopt more managerial mechanisms, which are considered to be a typical manifestation of professionalization (Moores and Yuen, 2001). SP and MCSs are doubtless gaining ground in financial analysis, budgeting and cost accounting systems by cost centers in both FFs and NFFs, in spite of data pointing to a higher incidence in NFFs than FFs, especially as regards budgeting, reporting and responsibility centers cost accounting. According to Moores and Mula (2000), results show that the more strategic tools are yet not very popular with FFs, being perceived as difficult to use and suspect in terms of excessive formalization.

In most cases, SP and MCSs were the prerogative of internal personnel, believed to be more competent and reliable, more responsive and cheaper, compared to external consultants. SP and MCSs were allegedly able to generate more benefits than costs by the majority of respondents, especially in terms of support to the decisional processes of the various organizational units to which power had been partially delegated. The information required to support decision-making was provided to organizational units responsible rapidly and effectively.

To answer RQ2, we measured the correlation of professionalization, typology of organizational structure and benefits perceived by firms regarding SP and MCS implementation, especially in terms of "decisional support". FFs exhibited a moderate correlation of graduates to level of development of SP and MCSs, proving that hiring employees with academic qualifications is an important factor of professionalization, especially as regards the adoption of managerial systems to support strategically oriented decision-making processes. Training and education allowed implementation of formal in-house mechanisms and systems, as highlighted by many authors (Songini, 2006; Parada, Nordqvist, and Gimeno, 2010; Tsui-Auch, 2004).

On the contrary, correlation was not significant for NFFs. Also, other correlations were not particularly relevant, failing to produce any new theory owing to the weakness of the associated results.

Although FFs yielded interesting results as regards the adoption and implementation of SP and MCSs, increased use of these systems necessitates hiring graduates to boost professionalization.

The next step in popularizing managerial systems in FFs, especially the more strategic tools, depends on the capacity of firms to bring in new professionals. This conclusion does not apply to NFFs, on account of the weak correlation of graduates to SP and MCS adoption, possibly due to professionalization being more advanced, and a higher incidence of graduates and strategic tools compared to FFs.

In conclusion, this preliminary investigation shows that, although SP and MCSs are widespread in family and non-family businesses, FFs are more reluctant than NFFs to increase professionalization, as highlighted in the literature (Geeraerts, 1984; Leon-Guerrero et al., 1998; Reid et al., 2000). The FFs of the sample exhibited a lower incidence of graduates, less sophisticated organizational structures and fewer managerial and strategic planning systems, the latter being frequently justified as they bring benefits which offset costs and possibly

strengthen decentralization of decision-making processes, also supporting and motivating organizational units reporting to top management.

6. Implications, limitations and further research

This paper is a contribution to research studies about the professionalization phenomenon and family business management, supplementing the literature concerning drivers and benefits of professionalization, especially in terms of implementation of SP and MCSs. The aim was to prove that formal SP and MCSs are relatively widespread in both FFs and NFFs in Italy, and that they can be adopted with advantage in the decision-making processes of companies, especially the more structured and complex. These tools make for competitiveness, as stated by the company growth theory.

A possible limitation in the scope of this contribution is the sample including companies from different sectors and generational stages: it would help to distinguish between them, in order to identify typical trends, which could make results more meaningful. Further research could evaluate this distinction, according to the contingency theory.

Also, findings may have been influenced by the method used for data collection, although questionnaire annexes were included to provide explanations about terminology and content of SP and MC tools. Some respondents may not have answered questions because they did not understand them, thereby detracting meaning from the sample.

Another limitation could have to do with the method used for statistical data classification: future research will include proper statistical tests to support the significance of the sample and the robustness of the conclusions.

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