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ETHICS OF PERSONAL BEHAVIOR IN FAMILY BUSINESS (III): BEHAVIORAL PATTERNS

Miguel A. Gallo*
Kristin Cappuyns**

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* Professor of Business Policy, IESE
** Research Associate, IESE

Research Division
IESE
University of Navarra
Av. Pearson, 21
08034 Barcelona - Spain

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Abstract

This paper is a continuation of two earlier papers, “Ethics of Personal Behavior in Family Business (I)” (Gallo, 1999) and “Ethics of Personal Behavior in Family Business (II): Differences in Perceptions” (Gallo and Cappuyns, 1999). All three use data gathered from a questionnaire sent in 1998 to a population of 1,800 owners and directors of Spanish family businesses, of which 253 valid copies (13%) were returned.

Detailed study of the correlations between different types of behavior, combined with knowledge and experience of the way family businesses work, leads us, in the first part of this paper, to propose a classification of general personal behavior in family businesses into four groups.

In the second part, cluster and factor analysis confirms and refines our classification, suggesting the following three types of unethical behavior in family business: 1) Using the company to further personal economic interests, 2) Acquiring power by fraudulent means and holding on to it by nepotism, manipulation, and resistance to change, 3) Running the company on the basis of personal preferences, without allowing others to intervene.

Our research also reveals the existence of a fourth, very important, type of behavior that is common in family firms, particularly in those that grow and develop, making a successful transition to the second and later generations. We have classified this type of behavior as: Ethical best practice in business.

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Anyone who works in the field of family business will agree that our knowledge of the field has grown considerably over the last 10 years. Witness the more than 40 issues of the *Family Business Review* and the contents of the *Family Business Sourcebook* (Aronoff, Astrachan and Ward, 1996). However, judging from the contents of these publications and the proceedings of the annual conferences of the Family Firm Institute and the Family Business Network, research into "ethics in family business" is still in its infancy (Riemer, 1994; Adams, Taschian and Shore, 1996; Hoover and Lank, 1997).

This study is basically exploratory and so does not start from any hypothesis. Rather, it aims to identify the areas where unethical behavior is perceived to be most common, possible differences in perceptions between groups of individuals, and, lastly, the different types of behavior exhibited by those who run family businesses.

The main findings are:

– The most common types of unethical behavior, according to our respondents' perceptions, have to do with: delaying succession in order to hold on to power; preventing the company's strategy from becoming a challenge to the owner-manager's abilities or wishes; and building an organization by "buying" people's loyalty.

– The average perceived frequency of unethical behavior is influenced by various characteristics of the company (the latest generation to join, whether any shareholder holds more than 50% of the capital) and of the person who answers the questionnaire (education, age, whether or not she is an owner, and relative share of ownership).

– The behavior of the people who run family businesses can be classified in four groups. From most ethical to least ethical, these are: Ethical best practice; Using the company for personal economic gain; Obtaining power by fraudulent means; Running the company on the basis of personal preferences causing harm to other people.

1. Behavioral patterns: analysis of correlations

Previous research results and extensive experience and observation of family business show that, in addition to what we can unhestitatingly classify as decent behavior, there are also, in the real world, less principled, frequently even unethical, behaviors.

As can be seen in the general table of correlations (Exhibit 2), some behaviors have considerably more statistically significant correlations than others. In analyzing the correlations, we can distinguish between the goal of a particular type of behavior, the means employed, and the consequences for the family business.

Thus, based on our observation and experience of family business and the results of previous research, before moving on to the factor and cluster analysis, we shall study the following four groups of behaviors:

- Behaviors that are “independent” of other behaviors.
- Behaviors directed toward obtaining personal advantages.
- Behaviors aimed at gaining power in the company.
- Behaviors to do with the way power is used.

1.1 “Independent” Behaviors

In this group we include behaviors that have no statistically significant correlation with any other behavior, or only one or two.

Table 1 below shows the only two behaviors that have no correlation at all to any other: “Transferring ownership in a way that gives rise to a capital structure that makes the company more difficult to govern” (1.2.2) and “Not devoting enough time to the company” (4.7). The perceived frequency of both of these is close to the average of the average frequencies of the 33 behaviors studied. In other words, neither can be said to be unusual.

Perceptions of the behavior “Transferring ownership in a way that makes governance of the company more difficult” (1.2.2) can be seen to be very sensitive to certain characteristics of the individuals and companies surveyed. It is perceived more frequently by people who are not shareholders, who are younger, and who have a higher level of formal education, and also in younger companies with a more concentrated capital structure. This sensitivity to personal characteristics is considerably less pronounced in the case of “Not devoting enough time to the company” (4.7).

The individuals in the sample do not relate “Transferring ownership in a way that makes governance of the company more difficult” (1.2.2) to any other behavior that would, in theory, be much more likely to become established if it were indeed possible to change the capital structure to “make governance of the company more difficult” (such as “Preventing necessary development” (3.1), “Nepotism” (4.1), “Delaying succession processes” (4.6), etc.). This may be an indication of:

- A lack of knowledge and experience of the influence that “governance” activities –as distinct from “management” activities– can have on a company.

– A belief that, in family businesses, governance –of whatever type– does not influence the behavior of those in power, as they are able to organize the system of governance to suit themselves.

If this is so, it is hardly surprising that many family businesses do not have a board of directors, or that the board of directors, if there is one, serves no useful purpose (Gallo and Cappuyns, 1997; Alvarez, Gallo and Ricart, 1999).

Contrary to what one might expect, there are no correlations between “Not devoting enough time to the company” (4.7) and other behaviors which would tend to involve devoting time to activities outside of the business such as “Using the company to boost personal status” (2.2.4), or which would suggest a wish to work less, such as “Putting the company on auto-pilot” (3.2). This leads us to suspect that not devoting enough time to the company is perceived –at least by those who answered the questionnaire– as a type of behavior that is independent of any other unethical behavior.

Table 1*

	Average level of frequency						
Behavior	**Total Sample**	**Are you a shareholder?**	**What percentage of equity do you own?**	**Age**	**Last generation to enter company**	**Is there any shareholder owning more than 50% of the shares?**	**Level of Education**
1.2.2. Creating an ownership structure that makes governance of the company difficult.	2.4	Yes 2.03 No 2.08	>50% – <50% –	<45 2.07 >45 2.02	1st and 2nd 2.06 3rd or more 2.03	Yes 2.03 No 2.07	University 2.06 Non-University 1.09
4.7. Not devoting enough time to the company	2.3	Yes – No –	>50% – <50% –	<45 2.04 >45 2.03	1st and 2nd – 3rd or more –	Yes – No –	University 2.04 Non-University 1.09
Mean of means (1) Lowest mean (2) Highest mean (3)	2.4 1.7 3.3						

* The first column in this table and in those that follow shows the means of the frequencies with which each of the 33 behaviors indicated in Exhibit 1 is perceived by the sample as a whole. The remaining columns show the mean frequency with which each behavior is perceived by each of the two groups into which the sample was divided, provided the difference between the two values was found to be statistically significant at a 95% confidence level, p< 0.005.
1) This figure corresponds to the “mean of the means” of frequency with which the behavior in question was perceived by the sample as a whole.
2) and (3) These figures correspond, respectively, to the mean frequencies of the two behaviors that were perceived to be least/most frequent.

In this group of “independent” behaviors, there are three that are related to only one other behavior, and one that is related to two others.

As can be seen in Table 2, “Transferring ownership by defrauding legitimate heirs” (1.2.1) and “Acquiring ownership by violating other people’s rights” (1.1.1) are rare compared with the average of the average observed frequencies of the 33 behaviors as a whole. In contrast, “Acquiring ownership by undervaluing the shares” (1.1.2) and “Neglecting the interests of the next generation” (3.4) are perceived by the sample as a whole to be roughly as frequent, or more frequent than, the mean of the mean frequencies.

There are hardly any significant differences in average perceived frequencies between the different categories into which the sample was segmented, except for level of formal education.

Given that the only correlation of “Achieving ownership by undervaluing the shares” (1.1.2) and “Transferring ownership by defrauding legitimate heirs” (1.2.1) is with “Acquiring ownership by violating other people’s rights” (1.1.1), we may conclude that these three behaviors are seen as aspects of the same problem: the fact of acquiring a larger share of the company’s capital at an artificially low price, or favoring some heirs over others by giving them a larger proportion of the shares, or restricting the voting rights attached to the shares. Here there is a statistically significant difference between the perceptions of the different age groups. Younger people appear to be more sensitive to unethical behavior, and to perceive more instances of it. Alternatively, it may be that older people are more tolerant on the issue of acquiring and transferring ownership, perhaps because they think they are entitled to do what they like with what belongs to them.

Lastly, the only correlation of “Neglecting the interests of the next generations” (3.4) is with “Delaying succession processes” (4.6). This suggests that those who answered the questionnaire realize that delaying succession is not in the interests of the shareholders or of the company’s managers, since it amounts to not caring what will happen when the inevitable occurs and the owner-manager dies or is unable to run the company any longer.

Table 2

Behavior	Average Level of Frequency: Total Sample	Are you a shareholder?	What percentage of equity do you own?	Age	Last generation to enter company	Is there any shareholder owning more than 50% of the shares?	Level of Education
1.1.2. Acquiring ownership by undervaluing shares	2.4	Yes – No –	>50% – <50% –	<45 – >45 –	1st and 2nd – 3rd or more –	Yes – No –	University 2.5 Non-University 2
1.2.1. Transferring ownership by defrauding legitimate heirs	1.7	Yes – No –	>50% – <50% –	<45 1.9 >45 1.5	1st and 2nd 1.8 3rd or more 1.6	Yes – No –	University 1.7 Non-University 1.4
3.4. Neglecting the interests of the next generations	2.5	Yes – No –	>50% – <50% –	<45 – >45 –	1st and 2nd – 3rd or more –	Yes – No –	University 2.6 Non-University 2.1
1.1.1. Acquiring ownership by violating other people's right of ownership	1.7	Yes – No –	>50% – <50% –	<45 1.9 >45 1.5	1st and 2nd 1.8 3rd or more 1.6	Yes – No –	University 1.7 Non-University 1.4
Mean of means Lowest mean Highest mean	2.4 1.7 3.3						

1.2 Behaviors aimed at obtaining personal advantage

Of all the behaviors studied, there are four that we can readily classify as "opportunistic" behaviors aimed at obtaining positions of "personal privilege". They are: "Demanding preferential treatment against the company's interests" (5.3), holding on to power and "Delaying succession processes" (4.6), benefiting financially from "Unjustified expenses" (4.10), and "Charging family expenses to the company" (5.6).

Table 3 shows that "Delaying succession processes" (4.6) is perceived as the most frequent type of unethical behavior (it has the highest average frequency, i.e. it is the behavior considered most common by those who answered the questionnaire). The frequency of the other three behaviors is also average or above-average. This means that these four types of behavior are regarded as common, or even very common.

These four types of unethical behavior are perceived more frequently by the more highly educated respondents and in companies in which there is one shareholder who owns more than 50% of the capital. It is also worth noting that "Unjustified expenses" (4.10) and "Charging family expenses to the company" (5.6) are perceived more frequently by younger and more highly educated respondents, and in younger companies with a more concentrated capital structure.

Table 3

	Average Level of Frequency						
Behavior	**Total Sample**	**Are you a shareholder?**	**What percentage of equity do you own?**	**Age**	**Last generation to enter company**	**Is there any shareholder owning more than 50% of the shares?**	**Level of Education**
5.3. Demanding preferential treatment contrary to the interests of the company	2.3	Yes – No –	>50% – <50% –	<45 – >45 –	1st and 2nd – 3rd or more –	Yes 2.2 No 2.5	University 2.4 Non-University 1.9
4.10. Unjustified expenses	2.5	Yes – No –	>50% 2.4 <50% 2.7	<45 – >45 –	1st and 2nd 2.7 3rd or more 2.2	Yes 2.3 No 2.8	University 2.5 Non-University 2
5.6. Charging family expenses to the company	2.9	Yes – No –	>50% 2.6 <50% 3.2	<45 2.9 >45 2.6	1st and 2nd 2.9 3rd or more 2.5	Yes 2.5 No 3.4	University 2.9 Non-University 2.7
4.6. Delaying succession processes	3.3	Yes – No –	>50% – <50% –	<45 3.4 >45 3.1	1st and 2nd – 3rd or more –	Yes 3.1 No 3.6	University 3.4 Non-University 2.7
Mean of means Lowest mean Highest mean	2.4 1.7 3.3						

Table 4 below shows the correlations we found between these four "opportunistic" behaviors and the other behaviors identified in the survey.

Table 4

	Demanding preferential treatment (5.3)	Unjustified expenses (4.10)	Delaying succession processes (4.6)	Charging family expenses to the company (5.6)
Demanding preferential treatment (5.3)	1	0.654		0.619
Unjustified expenses (4.10)	0.654	1		0.697
Delaying succession processes (4.6)			1	
Charging family expenses to the company (5.6)	0.619	0.697		1
Favoritism and discrimination (4.3)	0.610	0.619		
Buying and blackmailing managers (4.4)	0.627	0.620		
Blocking careers (4.5)	0.619		0.605	
Demanding unearned dividends (5.2)	0.703	0.629		0.616
Demanding disclosure of inappropriate information (5.4)	0.675			
Misusing company assets (5.5)	0.672	0.704		0.755
Neglecting the duty to exercise shareholder rights (5.7)	0.664			
Withholding or falsifying information (4.9)		0.701		
Unnecessary luxury (4.11)		0.769		0.623
Unjustified or unfair remuneration (4.2)		0.656	0.610	
Nepotism (4.1)		0.623		
Preventing the company from developing and evolving (3.1)	0.607		0.602	
Shutting out alternative opinions (3.3)			0.639	
Neglecting the interests of future generations (3.4)			0.612	
Threatening from a position of power (2.1.2)	0.609			
Promoting personal economic interests (2.2.1)	0.625			
Giving free rein to personal preferences (2.2.3)	0.627	0.611		
Boosting personal image and status (2.2.4)		0.603		

1. Delaying succession processes

As we said earlier, “Delaying succession processes” is the behavior that the 253 people who answered the questionnaire observed most frequently. It is correlated with five other types of behavior.

Four of them (4.5, 4.2, 3.1 and 3.3) may be causes of the behavior (i.e. the owner-manager acts in that way in order to delay succession), though they may also be consequences of delaying succession. The fifth (3.4), however, is less likely to be a cause of any delay in succession, or only in exceptional cases, as it is in human nature to be concerned for the welfare of one’s children.

General experience in family business would suggest that all these behaviors are motivated primarily by a wish to remain at the head of the organization. This is supported by the fact that younger people perceive them as being more frequent, the difference in frequency being statistically significant.

In either case, whether they are cause or effect, all these behaviors eventually damage the family business, as they run counter to the commonsense rule of seeking other people's opinion (3.3), stand in the way of development (3.1), prevent the company from building an effective management team (4.2 and 4.5), and reveal the lack of any genuine concern –in the sense of an effective practical effort– to protect the interests of later generations (3.4).

2. Charging family expenses to the company

If "Delaying succession" is normally the work of a single person, "Charging family expenses to the company" refers to the behavior of various groups of people, in most cases shareholders and family members who "take advantage" of their position as shareholders.

Interestingly, this is the behavior observed most frequently (Table 3) by the 125 respondents in the under 45 age group. The frequency is notably higher than among the 138 respondents in the over 45 age group, and the difference is statistically significant.

We found five correlations (with behaviors 5.3, 4.10, 5.2, 5.5 and 4.11), one of which ("Misusing company assets") is relatively high. As these correlations indicate, this "opportunistic" attitude to expenses consists basically of demanding unjustified personal advantages, as in "Demanding preferential treatment" (5.3), "Unjustified expenses" (4.10) or "Unnecessary luxury" (4.11); or of demanding something to which one is not entitled, not even as an owner, as in "Demanding unearned dividends" (5.2); or of exploiting for personal benefit something that, although the owner is partly entitled to it, ought rightly to be used for the benefit of all, as in "Misusing company assets" (5.5).

3. Unjustified expenses and Demanding preferential treatment against the company's interests

The last two behaviors in this group, "Unjustified expenses" (4.10) and "Demanding preferential treatment against the company's interests" (5.3), are not perceived to be so common as the previous two. The frequency is similar for the different age groups.

However, when we look more closely, we find that "Demanding preferential treatment against the company's interests" is statistically correlated to 13 other types of unethical behavior, and "Unjustified expenses", to 12 others. This suggests that these two types of behavior have a "knock-on" or "snowball effect" that, as we shall see later, is bound to lead the company into serious trouble.

In the case of "Demanding preferential treatment against the company's interests", three of the correlations (4.3, 4.4 and 4.5) are clearly detrimental to professional development and managerial excellence. Six correlations (4.10, 5.2, 5.4, 5.5, 5.6 and 5.7) are clear examples of shareholders acting against the common good. The remaining four correlations (3.1, 2.1.2, 2.2.1 and 2.2.3) show arbitrary use of power.

The situation is much the same with "Unjustified expenses". Six correlations (4.3, 4.4, 4.1, 4.2, 4.9 and 4.11) show a clear erosion of organizational quality and effectiveness.

Four (5.3, 5.2, 5.5 and 5.6) demonstrate shareholder behavior contrary to the common good. And the last two (2.2.3 and 2.2.4) point to the use of power for one's own benefit.

1.3 Behaviors aimed at gaining power in the company

The six types of behavior analyzed in Tables 5 and 6 may be considered as being aimed at gaining power and holding on to it by unethical means. For example:

– The person in power hinders the company's development, so that running the business requires no greater management skills than that person already has. Or, at least, so that it is easier to "hide" the need for greater management ability.

– The person in power gives preferential treatment to her "loyal supporters", offers "her" people better remuneration than those who oppose her, and "buys" or "blackmails" them with favors and promises, so that, at least for a while, various influential people in the company do not oppose her remaining in power.

– The person in power blocks the careers of capable managers or shuts out alternative opinions, so that no one can criticize her ability to run the company.

Clearly, these types of behavior will damage the interests of any company that wishes to fulfill its social responsibilities and become a genuine "community of persons" in which all members work together in harmony towards the common good (Gallo and Melé, 1998).

It is worth pointing out in Table 5 that, with the exception of "Buying or blackmailing managers" (4.4), all of these behaviors aimed at gaining power in the company are perceived to be frequent or very frequent compared with the mean of mean frequencies.

Also, there are statistically significant differences in perceived frequencies among most of the groups into which the sample has been divided. The differences follow the same pattern as before. Unethical behavior is perceived more frequently by the younger, more highly educated respondents with a smaller share in the ownership of the company, and in younger companies in which there are shareholders with an absolute majority of the shares.

Table 5

Behavior	Total Sample	Are you a shareholder?	What percentage of equity do you own?	Age	Last generation to enter company	Is there any shareholder owning more than 50% of the shares?	Level of Education
	Average Level of Frequency						
3.1. Preventing necessary development and evolution of the company	2.8	Yes – No –	>50% – <50% –	<45 3.1 >45 2.6	1st and 2nd – 3rd or more –	Yes 2.7 No 3.1	University 3.0 Non-University 2.3
4.3. Favoritism and discrimination	2.7	Yes 2.6 No 3.0	>50% – <50% –	<45 2.9 >45 2.6	1st and 2nd 2.8 3rd or more 2.5	Yes 2.6 No 3.0	University 2.8 Non-University 2.3
4.5. Blocking careers of capable managers	2.4	Yes 2.2 No 2.7	>50% 2.6 <50% 3.2	<45 2.6 >45 2.2	1st and 2nd 2.5 3rd or more 2.2	Yes 2.2 No 2.6	University 2.5 Non-University 1.9
3.3. Shutting out alternative opinions	3.0	Yes – No –	>50% – <50% –	<45 3.2 >45 2.8	1st and 2nd 3.2 3rd or more 2.9	Yes 2.9 No 3.3	University 3.1 Non-University 2.5
4.2. Unjustified or unfair remuneration	2.8	Yes – No –	>50% – <50% –	<45 3.0 >45 2.6	1st and 2nd 3.0 3rd or more 2.6	Yes 2.7 No 3.1	University 2.9 Non-University 2.4
4.4. Buying or blackmailing managers	2.2	Yes – No –	>50% – <50% –	<45 – >45 –	1st and 2nd – 3rd or more –	Yes 2 No 2.5	University – Non-University –
Mean of means Lowest mean Highest mean	2.4 1.7 3.3						

As can be seen in Table 6, the six behaviors we have grouped together under the heading of “Gaining power in the company” have very similar correlations with other behaviors. This indicates that they are complementary. That is to say, when a person opts for one of them, she tends also to adopt the others. For example, if a person gives “prefential treatment”, she is likely also to “buy” or “blackmail” managers, to “block the career” of anyone who thinks differently from her, to shut out alternative opinions, etc. Basically, it is the same “knock-on” or “snowball effect” we saw before, in the sense that certain types of unethical behavior tend to go hand in hand with other types of unethical behavior.

Table 6

	Preventing the company from developing and evolving (3.1)	Favoritism and discrimination (4.3)	Blocking careers of capable managers (4.5)	Shutting out alternative opinions (3.3)	Unjustified or unfair remuneration (4.2)	Buying or blackmailing managers (4.4)
Preventing the company from developing and evolving (3.1)	1	0.654	0.655	0.774	0.609	
Favoritism and discrimination (4.3)	0.654	1	0.642	0.633	0.732	0.647
Blocking the careers of capable managers (4.5)	0.655	0.642	1	0.671		0.684
Shutting out alternative opinions (3.3)	0.774	0.633	0.671	1		
Unjustified or unfair remuneration (4.2)	0.609	0.732			1	0.617
Buying or blackmailing managers (4.4)		0.647	0.684		0.617	1
Nepotism (4.1)	0.640	0.689	0.627	0.634	0.703	
Delaying succession processes (4.6)	0.602		0.605	0.639	0.610	
Demanding preferential treatment (5.3)	0.607	0.610	0.619			0.622
Unjustified expenses (4.10)		0.619			0.656	0.620
Disclosing confidential information (4.8)						0.602
Putting the company on autopilot (3.2)	0.695			0.693		
Giving free rein to personal preferences (2.2.3)	0.610	0.610	0.607	0.642		
Boosting personal image and status (2.2.4)		0.661		0.610	0.607	0.630
Adopting a strategy that entails risks for others (2.2.2)						
Preventing others from exercising power (2.1.3)	0.614					

1.4 Behaviors related to the way power is used

We shall now turn to the four types of behavior grouped together in the questionnaire under the heading of “General ways of using power”. Taking the sample as a whole, these behaviors have a frequency rating close to the average (see Table 7).

However, the perceived frequency is much higher among respondents with a university education, and the difference is statistically significant. Much the same is true of younger respondents (except with respect to behavior 2.2.1), even though the differences in frequency are less significant. That is to say that:

– People with a university education are much more likely to perceive lapses of ethics in the way power is used in family businesses. In their opinion, these four behaviors are much more frequent than in the opinion of the less highly educated respondents. The difference in frequency is statistically significant.

– Age is also a very important factor and influences the results in the same manner.

Table 7

Behavior	Total Sample	Are you a shareholder?	What percentage of equity do you own?	Age	Last generation to enter company	Is there any shareholder owning more than 50% of the shares?	Level of Education
	Average Level of Frequency						
2.2.3. Giving free rein to personal preferences	2.5	Yes – No –	>50% – <50% –	<45 2.5 >45 2.4	1st and 2nd – 3rd or more –	Yes – No –	University 2.6 Non-University 1.8
2.2.1. Promoting personal economic interests	2.3	Yes – No –	>50% – <50% –	<45 2.2 >45 2.4	1st and 2nd 2.5 3rd or more 2.1	Yes – No –	University 2.4 Non-University 1.8
2.2.4. Boosting personal image and status	2.8	Yes – No –	>50% – <50% –	<45 2.9 >45 2.7	1st and 2nd – 3rd or more –	Yes 2.6 No 3.1	University 2.9 Non-University 2.2
2.2.2. Adopting a strategy that entails serious risks for others	2.2	Yes – No –	>50% – <50% –	<45 2.3 >45 21	1st and 2nd – 3rd or more –	Sí – No –	University 2.3 Non-University 1.7
Mean of means Lowest mean Highest mean	2.4 1.7 3.3						

Table 8 below shows the correlations between these four "use of power" behaviors and the other behaviors included in the questionnaire.

Table 8

Exercise of power:	**Exercise of power:** Giving free rein to personal preferences (2.2.3)	Promoting personal economic interests (2.2.1)	Boosting personal image and status (2.2.4)	Adopting a strategy entailing serious risks (2.2.2)
Following personal preferences that can cause great risk (2.2.3)	1	0.784	0.729	0.769
Promote personal economic interest (2.2.1)	0.784	1	0.662	0.702
Using power to promete personal image and status (2.2.4)	0.729	0.662	1	0.646
Taking strategic stand that can cause great risk (2.2.2)	0.769	0.702	0.646	1
Deceive legal power holders (2.1.1)	0.602	0.612		
Threaten with a position of leverage due to a control of shares, vital information, etc. (2.1.2)	0.658	0.698		
Use of delaying tactics to immobilize the exercise of legal power (2.1.3)	0.689	0.680		0.654
Preventing necessary development and evolution of the company (3.1)	0.610			0.604
Prevent the contrasting opinions of others in strategy formulation (3.3)	0.642		0.610	
Using favoritism and discrimination (4.3)	0.610		0.661	
Impede professional careers of capable executives (4.5)	0.607			
Excessive expenses (4.10)	0.611		0.603	
Shareholders alliances at the expense of other shareholders (5.1)	0.648	0.623		
Requesting favors contrary to the interest of the company (5.3)	0.627	0.625		
Imprudent failure to exercise shareholder rights (5.7)	0.602	0.614		
Obliging the company to pay dividends that were not earned (5.2)		0.605		
Unjust or inadequate compensation (4.2)			0.602	
Blackmailing, buying executive through compensation or threats (4.4)			0.630	

1. Using power to enforce personal preferences

That personal preferences can have a great influence on the strategic management of a company is a well known fact (Geletkanyez, 1997). This influence tends to be stronger in family firms because the person who exercises power is often an owner who is not accountable to other owners, or whose accountability is that of a majority owner. Also, and importantly, she tends to have more time to exercise her personal preferences, as she holds the top job for longer than her counterparts in non-family business.

The influence of personal preferences in itself is neither good nor bad. It may be very beneficial for the company if the preferences of the person in power lead her to develop and implement technically and economically rational and ethically correct strategies. However, it may be extremely harmful if she makes technically or ethically wrong decisions.

The high correlation coefficients we find in Table 9 between “Giving free rein to personal preferences” (2.2.3) and the three other ways of exercising power (all above 0.72) indicate how easily the use of power to “enforce personal preferences” can be linked to other unethical ways of using power that harm others economically (2.2.1), create risks for others (2.2.2), and lead to using the company to boost one’s own personal status (2.2.4). In other words, it can be linked to behaviors aimed at making the company serve personal interests, without regard for the damage done to others, whose interests are as legitimate as those of the person who holds power.

As we found in the previous section, and as Table 9 shows, the owner-manager who adopts this type of behavior will also tend to use practically all the other means at her disposal, such as “deceit” (2.1.1), “threats” (2.1.2), “discrimination” (4.3), “unjustified remuneration” (4.2), “blackmail” (4.4), and a long list of other, often highly unethical, behaviors.

Considering the way they behave, it is hardly surprising that these people should launch the company on a vicious spiral that will lead it to disaster, due to the cumulative effects of unethical behavior. Starting from a strategy that offers no challenge (3.1) and a lackluster management team (4.5), since they do not want to have to measure their own opinions against those of other, more qualified people (3.3), they foster indifference and rely on the shareholders’ negligence (5.7), etc. Thus, they lead the company through successive stages in which it becomes less and less geared toward development and more and more toward satisfying personal preferences, gradually undermining its ability to develop and change.

2. Using power to further one’s own economic interests

Although, as we have seen, the four “general ways of using power” are closely correlated to one another, “Promoting one’s own economic interests at others’ expense” (2.2.1) is slightly different in some respects.

It is obviously a way of satisfying “personal preferences” (2.2.3), in this case economic preferences. And it is linked to “Adopting a strategy that entails serious risks for others” (2.2.2); for example, the risk of suffering economically. However, it is not necessarily accompanied by an attempt to boost “personal image and status” (2.2.4), since not everyone who wants to get rich also wants to be publicly known and envied. This may explain why the correlation with this latter behavior is weaker than with the previous two.

Also, some of the correlations between “Promoting one’s own economic interests at others’ expense” and the other behaviors are different from those we found in the case of “Using power to enforce personal preferences”. For example, it is not correlated to “Blocking the company’s development” (3.1), “Shutting out alternative opinions” (3.3), “Giving preferential treatment” (4.3), “Blocking careers”, (4.5) or “Unjustified expenses” (4.10). All of this seems logical, since if one is interested mainly in personal profit, one is more likely to obtain it if the company is run by capable managers.

Whereas in the case of “Giving free rein to personal preferences” (2.2.3) we found no correlation with “Demanding unearned dividends” (5.2), we do find such a correlation here. This would seem only natural when a person uses power to “further her own economic interests” (2.2.1).

3. Using power to boost personal image and status

This way of using power is very closely correlated with the use of power to enforce “personal preferences” (2.2.3), and less so with the other two ways of using power. It would appear to be a type of unethical behavior due more to excessive vanity than to any other more dishonest intention.

This is supported by the fact that “personal image and status” is not correlated with “deceit” or “threats” (2.1.1, 2.1.2 and 2.1.3), but with gaining “acceptance” by others (3.3, 4.3 and 4.4) and “unjustified expenses and remuneration” (4.2 and 4.10).

Nevertheless, the fact that we found correlations with eight other unethical behaviors suggests that the desire to enhance “personal image and status” can be strong enough to cause serious harm to others (2.2.1, 2.2.2, 4.3 and 4.4).

4. Using power to adopt strategies that entail serious risks for others

This fourth general way of using power unethically seems more a consequence of the previous three than a cause. Firstly, it does not seem natural for the owner of a company to adopt a strategy for her own company that entails risks, unless she has very strong reasons for doing so (personal preference, economic interests, image, status, etc.). Secondly, as can be seen in Table 8, this type of behavior has practically no significant correlations with the other behaviors.

2. Behavioral patterns: Factor analysis and cluster analysis

Having analyzed and classified the behaviors on the basis of experience in family business and a simple correlation analysis, we shall now present the results of factor and cluster analysis. These results coincide very closely with most of our findings so far, supporting and enriching the classification we have proposed.

Multivariate analysis carried out to synthesize the information led us to identify the following non-correlated factors which explain more than 70% of the variance in each of the five groups of questions in the questionnaire (Exhibit 3).

The Factors

Factor I:	"Acquiring ownership by fraudulent means" (behaviors 1.1.1, 1.1.2 and 1.2.1).
Factor II:	"Transferring ownership in a way that gives rise to a capital structure that makes it difficult to govern the company" (1.2.2).
Factor III:	"Using power indiscriminately to one's own advantage" (2.2.1, 2.2.2, 2.2.3 and 2.2.4).
Factor IV:	"Acquiring power by fraudulent means" (2.1.1, 2.1.2 and 2.1.3).
Factor V:	"Resisting strategic change" (3.1, 3.2 and 3.3)
Factor VI:	"Unconcern" ("I won't be around to see the disaster") (3.4).
Factor VII:	"Nepotism and manipulation of managers" (4.1, 4.2, 4.3 and 4.6).
Factor VIII:	"Unjustified expenses and misinformation" (4.9, 4.10 and 4.11).
Factor IX:	"Lack of dedication and abuse of confidence" (4.7 and 4.8).
Factor X:	"Infringing the rights of other shareholders" (5.1, 5.2, 5.3, 5.4 and 5.7).
Factor XI:	"Charging personal expenses to the company" (5.5 and 5.6).

Cluster analysis identified four groups of respondents that differed in their opinions regarding ethical and unethical behavior in family business (Exhibit 4).

Group 1: "Using the company to one's own economic advantage"

The people in this group (35.97% of the sample) consider that the unethical behavior observed in family firms is ultimately aimed at obtaining economic benefit from the company. The group is defined by factors VIII ("Unjustified expenses and misinformation") and XI ("Charging personal expenses to the company").

Group 2: "Acquiring power by fraudulent means and holding on to it through nepotism, manipulation and resistance to strategic change"

A second group (21.34%) of respondents identify a type of totally unethical behavior defined by factors I ("Acquiring ownership by fraudulent means"), IV ("Acquiring power by fraudulent means"), V ("Resisting strategic change"), VII ("Nepotism and manipulation of managers"), and X ("Infringing the rights of other shareholders").

Group 3: "Ethical best practice"

In sharp contrast to the previous group, a large percentage (33.6%) of respondents consider that behavior in family business is governed by sound ethical principles. This is evident from the negative values of the coefficients of factors II ("Transferring ownership in a way that gives rise to a capital structure that makes the company difficult to govern"), III ("Using power indiscriminately to one's own advantage"), V ("Resisting strategic change"), VII ("Nepotism and manipulation of managers"), and XI ("Charging personal expenses to the company").

Group 4: "Running the company on the basis of personal preferences without allowing others to intervene"

The smallest group (9% of the sample) sees unethical behavior in family business as more related to satisfying personal desires than to "Using the company to one's own economic advantage" or "Acquiring power by fraudulent means". They highlight behavior based on factors II ("Transferring ownership in a way that gives rise to a capital structure that makes the company difficult to govern") and VII ("Nepotism and manipulation of managers").

3. Conclusions

Detailed study of the correlations between the different types of behavior, together with knowledge and experience of the way family businesses work, led us, in the first part of this paper, to propose a classification of general behavior in family business—mainly that of the people who hold power, but also that of other shareholders—into four groups:

– Independent behaviors unrelated to other behaviors.
– Behaviors geared toward obtaining personal advantage.
– Behaviors aimed at acquiring and holding on to power.
– Behaviors directly related to the use of power for one's own benefit.

Cluster and factor analysis confirmed and refined the classification, leaving us with the following groups:

– Using the company to one's own economic advantage.
– Acquiring power by fraudulent means and holding on to it through nepotism, manipulation and resistance to strategic change.
– Running the company on the basis of personal preferences without allowing others to intervene.

The analysis also revealed the existence of another, very important, type of behavior that we can say from experience is common in family businesses, particularly in those that grow and develop to be passed on to successive generations (Ward, 1997; Gallo, 1998). We have classified this type of behavior as:

– Ethical best practice.

The ultimate objective of the types of unethical behavior that all the respondents perceived as being most common is mainly to obtain power in the family business by means that not only are unethical in themselves, but also put the strategic management, and thus the very survival, of the company in jeopardy.

As we said earlier, younger, more highly educated people, and non-shareholders or shareholders who own less than 50% of the capital, are more likely to perceive such behavior. And it is more likely to be perceived in first- and second-generation family businesses, and in companies in which there is a shareholder who owns more than 50% of the capital.

The desire for power, knowing the satisfaction to be derived from being able to decide how things—even people—are to be used, is an important source of motivation for those who hold positions of responsibility in any kind of organization.

The data we have presented show the serious risk facing the owners of some family firms: the risk, when tempted to seize power by unethical means, of losing their sense of what is right and then, once caught up in this line of action, of holding on to power for their own benefit causing harm to others.

The only justification for the use of power in the strategic management of a family business lies in possessing the professional competence to ensure that the business fulfils the responsibilities inherent in its role in society (Gallo, 1980). This is the situation we see exemplified by the group of behaviors we have described as “ethical best practice in family business”. □

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Exhibit 1

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ETHICS IN FAMILY BUSINESS: QUESTIONNAIRE

Basic Data

1 Age ☐ Gender M F Education ____________________

2 **Your position in the family business**

☐ Board of Directors ☐ Manager ☐ None
☐ Chief Executive Officer ☐ Other

3 **Are you a Shareholder?**

☐ Yes ☐ No

4 **What percentage of Equity do you own or represent?**

☐ Less than 5% ☐ 50%
☐ Between 5% and 49% ☐ More than 50%

5 **Is there a shareholder that owns more than 50%?**

☐ Yes ☐ No

6 **Does the company have shareholders who are not family members?**

☐ Yes ☐ No

7 **Approximately what percentage of the capital do they own?** ____ %

8 **Last generation already incorporated in the family business:**

☐ First ☐ Fourth
☐ Second ☐ Fifth or more
☐ Third

9 **Main sector of activity is:** ____________________

Exhibit 1 (continued)

Behaviors and frequency

In your experience, how often do the following types of unethical personal behavior occur in family businesses?
The following scale of frequency is used: Very often = 5, Often = 4, Sometimes = 3, Rarely = 2, Never = 1.

	Very often	Often	Some-times	Rarely	Never
1 Ownership of capital					
1.1. Ways of acquiring ownership:					
1.1.1. Violating other people's right of ownership	☐	☐	☐	☐	☐
1.1.2. Undervaluing shares	☐	☐	☐	☐	☐
1.2. Ways of transferring ownership					
1.2.1. Defrauding legitimate heirs	☐	☐	☐	☐	☐
1.2.2. Creating an ownership structure that makes governance of the company more difficult	☐	☐	☐	☐	☐
2 Power					
2.1.Ways of gaining power					
2.1.1. Deceiving those entitled to hold power	☐	☐	☐	☐	
2.1.2. Threatening from a position of strength based on possession of a controlling interest, vital information, etc.	☐	☐	☐	☐	
2.1.3. Preventing others from exercising power	☐	☐	☐	☐	
2.2. General ways of using power					
2.2.1. Promoting one's own economic interests at other people's expense	☐	☐	☐	☐	
2.2.2. Adopting strategies that entail serious risks for others	☐	☐	☐	☐	
2.2.3. Giving free rein to personal preferences at other people's expense	☐	☐	☐	☐	
2.2.4. Boosting one's own personal image and status	☐	☐	☐	☐	
3 Strategy					
3.1. Preventing the necessary growth, development and evolution of the company (staying in mature businesses, refusing to diversify, etc.)	☐	☐	☐	☐	
3.2. Putting the company on autopilot, leaving it to carry on "as usual", in order to be able to devote oneself to other things	☐	☐	☐	☐	
3.3. Shutting out alternative opinions in diagnoses and strategic decision making	☐	☐	☐	☐	
3.4. Neglecting the interests of the next generations ("I won't be around to see the disaster")	☐	☐	☐	☐	

Exhibit 1 (continued)

	Very often	Often	Some-times	Rarely
4 Company organization				
4.1. Putting incompetent people in important positions (nepotism)	☐	☐	☐	☐
4.2. Unjustified or unfair remuneration	☐	☐	☐	☐
4.3. Favoritism and discrimination	☐	☐	☐	☐
4.4. Buying or blackmailing managers	☐	☐	☐	☐
4.5. Blocking the careers of capable managers	☐	☐	☐	☐
4.6. Delaying succession processes	☐	☐	☐	☐
4.7. Not devoting enough time to the company	☐	☐	☐	☐
4.8. Disclosing confidential information	☐	☐	☐	☐
4.9. Withholding or falsifying information	☐	☐	☐	☐
4.10. Unjustified expenses	☐	☐	☐	☐
4.11. Unnecessary luxury	☐	☐	☐	☐
5 Shareholders				
5.1. Forming alliances with some shareholders at the expense of others	☐	☐	☐	☐
5.2. Demanding unearned dividends	☐	☐	☐	☐
5.3. Demanding preferential treatment against the company's interests	☐	☐	☐	☐
5.4. Demanding the disclosure of inappropriate information	☐	☐	☐	☐
5.5. Misusing company assets	☐	☐	☐	☐
5.6. Charging family expenses to the company	☐	☐	☐	☐
5.7. Neglecting the duty to exercise shareholder rights	☐	☐	☐	☐

Thank you for your cooperation

Return to:

Ms. Kristin Cappuyns
Family Business Chair
IESE
Av. Pearson, 21
08034 Barcelona
Tel.: (93) 253 43 80 (directo)
(93) 253 42 00

Exhibit 2

ETHICS IN PERSONAL BEHAVIOR IN FAMILY BUSINESS (III):
BEHAVIORAL CHARACTERISTICS

Significant correlations (1)

1. Ownership of capital			
1.1.1.			**Infringing other people's right of ownership**
	1.1.2.	0.651	Undervaluing shares
	1.2.1.	0.605	Defrauding legitimate heirs
2. Power			
2.2.1.			**Deceiving those entitled to hold power**
	2.1.2.	0.647	Threatening from a position of strength based on possession of a controlling interest, vital information, etc.
	2.2.1.	0.612	Using power to further one's own economic interests
	2.2.3	0.602	Giving free rein to personal preferences at other people's expense
2.1.2.			**Threatening from a position of strength based on possession of a controlling interest, vital information, etc.**
	2.1.3.	0.717	Preventing others from exercising power
	2.2.1.	0.698	Using power to further one's own economic interests
	2.2.3.	0.658	Giving free rein to personal preferences at other people's expense
	5.1.	0.672	Forming alliances with some shareholders at the expense of others
	5.3.	0.609	Demanding preferential treatment against the company's interests
2.1.3.			**Preventing others from exercising power**
	2.2.1.	0.680	Using power to further one's own economic interests
	2.2.2.	0.654	Adopting a strategy that entails serious risks for others
	2.2.3.	0.689	Giving free rein to personal preferences at other people's expense
	3.1.	0.614	Blocking the company's development
	5.1.	0.630	Forming alliances with some shareholders at the expense of others
2.2.1.			**Using power to further one's own economic interests**
	2.2.2.	0.702	Adopting a strategy that entails serious risks for others
	2.2.3.	0.784	Giving free rein to personal preferences at other people's expense
	2.2.4.	0.662	Using power to boost personal image and status
	5.1.	0.623	Forming alliances with some shareholders at the expense of others
	5.2.	0.605	Demanding unearned dividends
	5.3.	0.625	Demanding preferential treatment against the company's interests
	5.7.	0.614	Neglecting the duty to exercise shareholder rights
2.2.2.			**Adopting a strategy that entails serious risks for others**
	2.2.3.	0.769	Giving free rein to personal preferences at other people's expense
	2.2.4.	0.646	Using power to boost personal image and status
	3.1	0.604	Blocking the company's development
2.2.3.			**Giving free rein to personal preferences at other people's expense**
	2.2.4.	0.729	Using power to boost personal image and status
	3.1.	0.610	Blocking the company's development
	3.3.	0.642	Shutting out alternative opinions
	4.3.	0.610	Favoritism and discrimination
	4.5.	0.607	Blocking the careers of capable people
	4.10.	0.611	Unjustified expenses
	5.1.	0.648	Forming alliances with some shareholders at the expense of others
	5.3.	0.627	Demanding preferential treatment against the company's interests
	5.7.	0.602	Neglecting the duty to exercise shareholder rights
2.2.4.			**Using power to boost personal image and status**
	3.3.	0,610	Shutting out alternative opinions
	4.2.	0,602	Unjustified or unfair remuneration
	4.3.	0,661	Favoritism and discrimination
	4.4.	0,630	Buying or blackmailing managers
	4.10.	0,603	Unjustified expenses

Exhibit 2 (continued)

Significant correlations (2)

3. Business Strategy			
3.1.			**Blocking the company's development**
	3.2.	0.695	Putting the company on autopilot
	3.3.	0.774	Shutting out alternative opinions
	4.1.	0.640	Putting incompetent people in important positions (nepotism)
	4.2.	0.609	Unjustified or unfair remuneration
	4.5.	0.655	Blocking the careers of capable people
	4.6.	0.602	Delaying succession processes
	5.3.	0.607	Demanding preferential treatment against the company's interests
3.2.			**Putting the company on automatic pilot**
	3.3.	0.693	Shutting out alternative opinions
3.3.			**Shutting out alternative opinions**
	4.1.	0.634	Putting incompetent people in important positions (nepotism)
	4.3.	0.633	Favoritism and discrimination
	4.5.	0.671	Blocking the careers of capable people
	4.6.	0.639	Delaying succession processes
3.4.			**Neglecting the interests of the next generations**
	4.6.	0.612	Delaying succession processes
4. Company organization			
4.1.			**Putting incompetent people in important positions (nepotism)**
	4.2.	0.703	Unjustified or unfair remuneration
	4.3.	0.689	Favoritism and discrimination
	4.5.	0.627	Blocking the careers of capable people
	4.10.	0.623	Unjustified expenses
4.2.			**Unjustified or unfair remuneration**
	4.3.	0.737	Favoritism and discrimination
	4.4.	0.617	Buying or blackmailing managers
	4.6.	0.610	Delaying succession processes
	4.10.	0.656	Unjustified expenses
4.3.			**Favoritism and discrimination**
	4.4.	0.652	Buying or blackmailing managers
	4.5.	0.642	Blocking the careers of capable people
	4.10.	0.619	Unjustified expenses
	5.3.	0.610	Demanding preferential treatment against the company's interests
4.4.			**Buying or blackmailing managers**
	4.5.	0.684	Blocking the careers of capable people
	4.8.	0.602	Disclosing confidential information
	4.10.	0.620	Unjustified expenses
	5.3.	0.627	Demanding preferential treatment against the company's interests
4.5.			**Blocking the careers of capable people**
	4.6.	0.605	Delaying succession processes
	5.3.	0.619	Demanding preferential treatment against the company's interests
4.8.			**Disclosing confidential information**
	4.9.	0.601	Withholding or falsifying information
4.9.			**Withholding or falsifying information**
	4.10.	0.701	Unjustified expenses
	4.11.	0.618	Unnecessary luxury
	5.5.	0.612	Misusing company assets
4.10.			**Unjustified expenses**
	4.11.	0.769	Unnecessary luxury
	5.2.	0.629	Demanding unearned dividends
	5.3.	0.654	Demanding preferential treatment against the company's interests
	5.5.	0.704	Misusing company assets
	5.6.	0.697	Charging family expenses to the company
4.11.			**Unnecessary luxury**
	5.5.	0.633	Misusing company assets
	5.6.	0.623	Charging family expenses to the company

Exhibit 2 (continued)

Significant correlations (3)

5. Shareholders			
5.2.			**Demanding unearned dividends**
	5.3.	0.703	Demanding preferential treatment against the company's interests
	5.4.	0.623	Demanding disclosure of inappropriate information
	5.5.	0.636	Misusing company assets
	5.6.	0.616	Charging family expenses to the company
5.3.			**Demanding preferential treatment against the company's interests**
	5.4.	0.675	Demanding disclosure of inappropriate information
	5.5.	0.672	Misusing company assets
	5.6.	0.619	Charging family expenses to the company
	5.7.	0.664	Neglecting the duty to exercise shareholder rights
5.4.			**Demanding disclosure of inappropriate information**
	5.5.	0.622	Misusing company assets
5.5.			**Misusing company assets**
	5.6.	0.755	Charging family expenses to the company

Exhibit 3

1. Capital ownership

No. of variables: 4
No. of data: 253

A - Mean and standard deviation of the variables

	Variable	Mean	Std. Dev.
1	1.1.1.	1.811	0.870
2	1.1.2.	2.391	1.151
3	1.2.1.	1.682	0.805
4	1.2.2.	2.421	1.216

B - Coordinates of variables in factor space (rotated):

	Variable	Factor 1	Factor 2
1	1.1.1.	0.863	0.253
2	1.1.2.	0.744	0.398
3	1.2.1.	0.840	0.145
4	1.2.2.	0.250	0.956
C - Explained Variance:		**51.673**	**28.940**

2. Power

No. of variables: 7
No. of data: 253

A - Mean and standard deviation of the variables

	Variable	Mean	Std. Dev.
1	2.1.1.	1.814	0.897
2	2.1.2.	2.219	1.147
3	2.1.3.	2.338	1.166
4	2.2.1.	2.312	1.133
5	2.2.2.	2.181	1.036
6	2.2.3.	2.426	1.214
7	2.2.4.	2.772	1.252

B - Coordinates of variables in factor space (rotated):

z	Variable	Factor 3	Factor 4
1	2.1.1.	0.283	0.838
2	2.1.2.	0.390	0.817
3	2.1.3.	0.523	0.662
4	2.2.1.	0.685	0.559
5	2.2.2.	0.806	0.358
6	2.2.3.	0.807	0.447
7	2.2.4.	0.832	0.280
C - Explained Variance:		**42.400**	**36.090**

3. Strategy

No. of variables: 7
No. of data: 253

A - Mean and standard deviation of the variables

	Variable	Mean	Std. Dev.
1	3.1.	2.858	1.219
2	3.2.	2.617	1.166
3	3.3.	3.054	1.207
4	3.4.	2.463	1.108

B - Coordinates of variables in factor space (rotated):

z	Variable	Factor 5	Factor 6
1	3.1.	0.881	0.263
2	3.2.	0.821	0.314
3	3.3.	0.853	0.322
4	3.4.	0.328	0.944
C - Explained Variance:		**57.138**	**29.071**

Exhibit 3 (continued)

4. Organization

No. of variables: 11
No. of data: 253

A - Mean and standard deviation of the variables

	Variable	Mean	Std. Dev.
1	4.1.	2.812	1.133
2	4.2.	2.820	1.105
3	4.3.	2.722	1.058
4	4.4.	2.171	0.981
5	4.5.	2.347	1.097
6	4.6.	3.269	1.245
7	4.7.	2.343	1.027
8	4.8.	2.057	0.982
9	4.9.	2.118	1.027
10	4.10.	2.449	1.150
11	4.11.	2.224	1.080

B - Coordinates of variables in factor space (rotated):

z	Variable	Factor 7	Factor 8	Factor 9
1	4.1.	0.790	0.359	0.129
2	4.2.	0.742	0.449	0.151
3	4.3.	0.707	0.432	0.229
4	4.4.	0.533	0.341	0.533
5	4.5.	0.664	0.226	0.451
6	4.6.	0.721	0.057	0.449
7	4.7.	0.286	0.298	0.707
8	4.8.	0.181	0.331	0.807
9	4.9.	0.280	0.694	0.387
10	4.10.	0.357	0.792	0.295
11	4.11.	0.273	0.810	0.267
C -Explained variance:		**30.126**	**24.105**	**20.353**

5. Shareholders

No. of variables: 7
No. of data: 253

A - Mean and standard deviation of the variables

	Variable	Mean	Std. Dev.
1	5.1.	2.288	1.102
2	5.2.	2.091	1.068
3	5.3.	2.243	1.077
4	5.4.	2.053	0.971
5	5.5.	2.305	1.105
6	5.6.	2.728	1.299
7	5.7.	2.247	1.097

B - Coordinates of variables in factor sapce (rotated):

z	Variable	Factor 10	Factor 11
1	5.1.	0.790	0.228
2	5.2.	0.674	0.511
3	5.3.	0.704	0.512
4	5.4.	0.793	0.308
5	5.5.	0.412	0.823
6	5.6.	0.297	0.891
7	5.7.	0.699	0.391

C - Explained variance: **42.158** **32.770**

Exhibit 4

Group analysis

No. of responses: 253
No. of variables: 11

Mean and standard deviation of variables

Variable	Mean	Std. Dev.
1.Factor I0.025	1.001	
2.Factor II	0.009	0.991
3.Factor III	-0.012	0.998
4.Factor IV	0.000	0.960
5.Factor V	-0.026	0.987
6.Factor VI	0.044	0.991
7.Factor VII	-0.018	0.999
8.Factor VIII	-0.024	1.007
9.Factor IX	0.021	1.009
10. Factor X	0.016	0.989
11. Factor XI	-0.013	1.003

Cluster means

Variable	Total	Group 1	Group 2	Group 3	Group 4	
1.Factor I0.02		0.11	1.22	–0.56	–0.98	
2.Factor II		0.01	0.29	0.33	–0.87	1.39
3.Factor III		–0.01	0.37	0.49	–0.82	0.27
4.Factor IV		0.00	0.18	0.85	–0.58	–0.59
5.Factor V		–0.03	0.20	0.71	–0.85	0.41
6.Factor VI		0.04	0.26	0.67	–0.48	–0.34
7.Factor VII		–0.02	–0.04	0.85	–0.69	0.55
8.Factor VIII		–0.02	0.72	–0.14	–0.53	–0.85
9.Factor IX		0.02	0.33	0.55	–0.57	–0.22
10. Factor X		0.02	0.14	0.97	–0.60	–0.41
11. Factor XI		–0.01	0.71	0.09	–0.85	–0.02
Explained Variance			545.67	423.86	359.39	149.21
Individuals per group 253			91	54	85	23
Percentage per group		100.00	35.97	21.34	33.60	9.09

* Group values range from: -2 to +2