

# Professional Management in Family Businesses: Toward an Extended Understanding

– Annika Hall and Mattias Nordqvist

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Professionalisation of family businesses has been an area that has attracted persistent attention of family business researchers as it continues to remain a challenge for family firms. Research literature on family business professes the promotion of professionalisation in family businesses. The focus of professionalisation has been on establishing processes and procedures based on sound management principles as against the ad-hoc manner of conducting business activities. However, some theorists believe that this understanding of professionalisation is limited in scope. Annika Hall and Mattias Nordqvist (*Professors at Centre for Family Enterprise and Ownership, Jönköping International Business School, Sweden*) studied the literature on professional management in family business and suggested that professional management must be viewed in the larger context that includes the socio-cultural dimensions.

## ***Broader Understanding of Professionalisation***

The authors argue that existing view of professionalisation is quite simplistic and oblivious to the sociocultural undercurrents of family businesses. In family business literature there is a tendency to associate professional managers with external, nonfamily and non-owner managers – meaning that professional management and family management are mutually exclusive. The existing literature advocates professional managers to be brought in for objectivity and rationality to the family firm. The presumption here is that family members are not professionally trained and are not objective in managing business. However, this may not always hold true as family members may also have formal managerial training and education. Therefore in order to develop a broader understanding of professionalisation, the authors conducted case analysis and in-depth interviews with family business executives.

## ***Competencies for Professionalisation***

Based on their study, the authors suggest **two competence dimensions of professionalisation**. First is the set of **formal competencies** for professionalisation – these include formal management training and education, objectivity, rationality and decision making based on analytical approach (impersonal and non-emotional).

Second is the set of **cultural competencies** – these include socio-cultural dimensions like values, norms, and meanings of the owner family. The authors define cultural competence as an

understanding of the family's goals and meanings of being in business, that is, the values and norms that are fundamental reasons for the family to be in business.

These values, norms, goals, and meanings are continuously created and recreated over time in social interaction and communication in the family and the business firm. Thus, management is deeply rooted in the social and cultural contexts in which it is enacted.

### ***Findings and Conclusion***

The authors conclude that only having the formal competence is not sufficient for top management to be effective in a family business setting. They argue that in order to be effective in the family firm, top management must be sensitive to the owner family's values and norms as well as to their goals and meanings of being in business.

The authors summarize their findings in three main conclusions –

- **Cultural Competence is integral to Professional Management in Family Businesses** – the CEO of a family firm must have the ability to understand and be sensitive to the family-influenced cultural and social processes that are embedded in the organisation.
- **Professional Family Business Management is 'Processual'** – the competencies for professionalisation are dynamic and acquired overtime – Rather than 'being professional' (the static view of professionalisation) the managers need to 'act professionally' (in ongoing and dynamic interactions between individuals). *and*
- **Professional Management is Indifferent to Family Membership** – both family and non-family members could qualify as professional managers as long as they are both formally and culturally competent in terms of managing the unique family business.

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