11 From vision to variables: a scorecard to continue the professionalization of a family firm

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This chapter builds on previous projects we have conducted that have concentrated on the key areas of corporate governance and strategic planning in family businesses. Whereas our previous projects have enlisted an additive approach (that saw the family perspective added to the business), this current research takes on an integrated approach and seeks to integrate issues that influence the family and business systems. Specifically, in this research we use innovation action research (Kaplan, 1998) to illustrate how the Balanced Scorecard that includes reference to family business challenges has been introduced and used to assist family members, board members and management in a third-generation Australian family-owned business by the lead author who is a non-executive director of the business. The process of scorecard development is discussed and the development of the core essence, vision and mission statements, strategic objectives, measures and targets, which can be scrutinized by family business stakeholders to ascertain consistency with the vision of the company, is outlined. A conceptual mapping framework is introduced and propositions that will guide future projects are detailed.

Introduction

Families that work together face many challenges. Much of the friction in family businesses can be attributed to the overlap of the family and business systems. The emotional bonds between family members become intertwined with business issues (Craig and Lindsay, 2002; Lansberg, 1983). As a result, the family business is rarely, if ever, viewed as a total system (Schneider, 1989). Family business is usually seen from either the business perspective, from the family perspective, or as two conflicting systems. A family business, from the business perspective, is a system that is task orientated and competency based (Davis and Stern, 1980). The primary task is the generation of goods and service through organized behaviour for the purpose of making a profit. As a result, social relations are very much influenced and guided by the norms and principles that facilitate the productive process. As such, ‘the family business is an enterprise that is based upon the concept of merit and is a system that values the person based upon what s/he does’ (Lansberg, 1983, p. 42). Alternatively, from the family perspective, the family business is a kinship system in which members are related by blood or law. This system operates within the environment of the household, is not a place, but rather a ‘pattern of appropriate conduct, coherent, embellished and well articulated’ (Goffman, 1959, p. 75). In this system, the glue that holds the family together is cooperation and unity, its emotional bonding and affectionate ties that develop between and among its members, as well as a sense of responsibility and loyalty to the group as a system (Schneider, 1989). It is a system largely based on the concept of need. That is, the family’s primary social function is to assure the care and nurture of its members. Specifically, ‘social relations in the family are structured
to satisfy family members’ various developmental needs and tend toward valuing the person based upon who he/she is’ (Kepner, 1983, p. 60).

Family business research has now evolved to the point where ‘to understand the family business we must recognise that the two subsystems (family and business) co-exist and it is their relative powers that make a family business unique’ (Sharma et al., 1997, p. 20). Strategic planning and strategy formulation has been seen as a way in which family and business goals can be integrated. However, as Sharma et al. (1997) point out ‘family business is more likely to have multiple, complex, and changing goals rather than a singular, simple, and constant goal’ (p. 17). These authors also suggest that, although more attention has been paid to the process of strategy formulation and the content of strategy in family businesses, relatively little is still known. Harris et al. (1994) agree that ‘the assessment of family business characteristics and their influence on strategy leaves more questions than answers’ (p. 171), and Chrisman et al. (2003) contend that this situation is still largely the case.

The purpose of this chapter is to demonstrate using an accepted strategic management and measurement tool, the Balanced Scorecard (BSC), how family and business goals can be integrated. Specifically, we enlist an innovation action research (Kaplan, 1998) process to address the following research question: How can the four perspectives of the Balanced Scorecard be adapted to integrate the potentially divergent family and business goals that exist in family-owned businesses? We show how the BSC can be adapted to the family business context as a measurement and management, as well as a communication, tool that is easily interpretable by those involved in family business (see also, Craig and Moores, 2005). We address a gap in the literature by focusing on how family and business goal integration can be concurrently addressed. Specifically, we highlight a framework that can assist family businesses understand that, as their firm morphs into an increasingly complex business, strategy becomes increasingly important as strategic decisions effect, and need to be communicated to, an increasingly diverse group of family and non-family stakeholders.

First, we review the BSC literature including an outline of the foundation vision and mission statements, which are at the core of the scorecard development process. We then introduce the family business action research site to which the BSC is applied. We proceed to outline the process that illustrates how the four perspectives of the BSC have been introduced to the family business and include the objectives, measures and targets that the family has established to ensure the integration of family and business strategic goals. Finally, we include a conceptual process model and introduce a series of propositions that will drive future projects.

**Literature review**

Organizations use various systems to measure financial and non-financial indicators. The Balanced Scorecard is one such measurement and management system that has received endorsement from many of the world’s most successful organizations. The BSC was developed by Kaplan and Norton (1992) and links the measurement of financial and non-financial indicators to firm strategy.

Originally developed as a performance measurement tool (Kaplan and Norton, 1992), the BSC has evolved into an organizing framework, an operating system, and a strategic management system (Kaplan and Norton, 1996). As exclusive reliance on financial
measures in a management system is insufficient, the BSC highlights the difference between lag indicators versus lead indicators. Financial measures are ‘lag indicators that report on the outcomes from past actions’ (Kaplan and Norton, 2001, p. 18). Examples of lag indicators are return on investment, revenue growth, customer retention costs, new product revenue, revenue per employee, and the like. These lagging outcome indicators need to be complemented (supplemented) by measures of the drivers of future financial performance, that is, lead indicators. Examples of lead indicators are revenue mix, depth of relationships with key stakeholders, customer satisfaction, new product development, diversification preparedness and contractual arrangements.

The BSC also addresses the measurement and management of tangible versus intangible assets. Examples of tangible assets include items such as inventory, property, plant and equipment (Chandler, 1990) while examples of intangible assets are ‘customer relationships, innovative products and services, high-quality and responsive operating processes, skills and knowledge of the workforce, the information technology that supports the workforce and links the firm to its customers and suppliers, and the organizational climate that encourages innovative problem-solving and improvement’ (Kaplan and Norton, 2001, p. 88). The BSC enables the firm to distinguish four distinct strategically important perspectives: financial, customer, internal processes, innovation and learning. These are individualized by the organization around the vision and the mission, and enable the management team to establish objectives, measures and targets. Theoretically, as Kaplan and Norton point out ‘the academic literature, rooted in the original performance management aspects of the scorecard, focuses on the BSC as a measurement system but has yet to examine (in detail) its role as a management system’ (Kaplan and Norton, 2001, p. 100) and it is our aim to address this in the context of family-owned businesses.

At the core of the BSC, and an integral step before attempting to build what Kaplan and Norton (2001) refer to as strategy maps, is the necessity to review mission statements: why the company exists, the core values and what the company believes in. A strategic vision can then be developed. The vision ‘creates a clear picture of the company’s overall goal . . . the strategy identifies the path intended to reach that destination’ (Kaplan and Norton, 2001, p. 19). The BSC provides a framework for organizing strategic objectives into four perspectives: (1) financial, (2) customer, (3) internal business processes, and (4) learning and growth.

**The financial perspective**
Economic growth strategies are usually approached from a revenue growth or productivity perspective. Revenue growth involves either increasing revenue from new markets, new products and new customers, or increasing sales to existing customers. Productivity strategies involve either improving cost structures by expense reduction, or the more effective utilization of assets (Kaplan and Norton, 2001). These widely accepted metrics form the financial perspective of the BSC.

**Customer perspective**
The unique mix of product, price, service, relationship, and image that the company offers, is at the core of any business strategy, and are introduced in the BSC via the customer perspective. This customer-value proposition defines how the company
differentiates itself from competitors and is crucial because it helps an organization ‘connect its internal processes to improved outcomes with its customers’ (Kaplan and Norton, 2001, p. 19). Value propositions include operational excellence, customer intimacy and product leadership, and sustainable strategies are based on excelling at one of the three while maintaining threshold standards with the other two. Identification of a value proposition allows the company to know which class and type of customer to target. In addition, the customer perspective identifies the intended outcomes from delivering a differentiated value proposition, for example market share in targeted customer segments, account share with targeted customers, acquisition and retention of customers in the targeted segments and customer profitability (Kaplan and Norton, 2001).

**Internal process perspective**
The internal process perspective captures the critical organizational activities that will determine the means by which the company will achieve the differentiated value proposition and the productivity improvements for the financial objectives (Kaplan and Norton, 2001). These are captured by (1) spurring innovation to develop new products and services and to penetrate new markets and customer segments; (2) increasing customer value by expanding and deepening customer relationships with existing customers; (3) achieving operational excellence by improving supply-chain management, internal processes, asset utilization, resource-capacity management and so on; and (4) becoming a good corporate citizen by establishing effective relationships with external stakeholders. Related financial benefits typically occur in short-term, intermediate and long-term stages.

**Innovation and learning perspective**
The foundation of any strategy is the innovation and learning perspective. Employee capabilities and skills, technology, and corporate climate are needed to support the strategy. These objectives enable the company to ‘align its human resources and information technology with the strategic requirements from its critical internal business processes, differentiated value proposition, and customer relationships’ (Kaplan and Norton, 2001, p. 20).

Each of the four perspectives are individualized by the organization around the vision and the mission, and objectives, measures and targets are established accordingly. The BSC can be used to accomplish four important management processes: (1) translating the vision – objectives and measures; (2) communicating and linking – by bringing understanding to employees relating to critical objectives and how they will be measured; (3) business planning – helps organizations integrate plans by using objectives to set targets; and (4) feedback and learning – tests the viability of overall strategy. As such, the BSC benefits shareholders, management and employees. Shareholders are provided with an improved understanding of the workings of the operation, are able to realize that the business is more than just money orientated and a greater focus can be placed on building a stronger operation rather than just financial performance. Management are provided with greater ability to communicate the vision, deal with change and growth, provide more relevant and structured information, create a workforce that has an interest in the strategic direction of the operation and is working towards the achieving the same mission, and are better able to measure true performance. Employees have greater ownership of their
position, a belief in the strategic direction of the operation through their input, a say in the
development of their skills and an understanding of how their performance is measured.

Method
Research design
The method adopted in this research is a form of action research. People, however, have
different meanings and interpretations about action research. The form adopted here is
that which Balanced Scorecard creator, Robert Kaplan, labelled ‘innovation action
research’ (Kaplan, 1998). In innovation action research, scholars develop and refine
theory (of new management practice) they believe to be broadly applicable to a wide
variety of organizations.

Scholars engaged in innovation action research play an active role in implementing
their ideas in actual organizations. The concepts must promise sufficient benefits (that is,
they represent a solution to a real problem) and be articulated clearly enough that organ-
izations are willing to commit their own resources to an implementation experience. The
research cycle in innovation action research involves:

- observing and documenting innovative practice (see, Craig and Lindsay, 2002;
  Craig and Moores, 2002, 2004; Moores and Barrett, 2003)
- teaching and speaking about the innovation (see, Moores and Craig, 2002, 2003)
- writing articles and cases (see, Craig and Moores, 2005)
- implementing the concept in a new organization (current chapter).

Bracketed references address how we have followed this research cycle.

Case study: O’Reilly’s Rainforest Guesthouse
O’Reilly’s Rainforest Guesthouse is a family-owned and family-operated business that
was established in 1926. It is located in the Lamington National Park in Queensland,
Australia. The operation is still known as a ‘Guesthouse’ to protect the heritage of the
business. In today’s terms, however, it is better described as an ‘eco-tourism resort’. The
Guesthouse accommodates up to 180 guests, employs 80 full-time staff (increased from
27 staff in 1990), and enjoys a 70 per cent year round occupancy. The business has a
turnover in excess of $10 million (up from $3.7 million in 1994). The business has devel-
oped an international reputation in eco-tourism and is the winner of numerous training,
family business, and tourism industry awards.

Currently, the business is managed by the third generation. This generation is made up
of members from two family groups: four offspring of Peter O’Reilly and 10 offspring of
Vince O’Reilly. The CEO is the eldest son of Peter O’Reilly. The family has been pursuing
a professionalization agenda for a number of years, especially under the leadership of its
current third-generation CEO, who learned business outside the family business in the hos-
pitality industry both in Australia and overseas. Included among its professional measures
are both an active board of directors and regular family retreats. The seven-member board
of directors meets monthly and is chaired by a non-family independent director and
includes two other independent non-family directors. Additionally, the family has been
holding family meetings since the early 1990s. These meetings have now evolved into retreats
that are typically held over two days and include all family members plus spouses/partners.
Board of director reporting was targeted as an area to improve further in 2004. To that end, an external consultant was engaged to examine the key financial drivers with a view to targeting areas to improve performance, and the reporting thereof. Coinciding with this initiative, senior management were encouraged to align their reports to the board of directors more closely with the key objectives in the current strategic plan. This was to be refined following the adoption of the 2005–08 strategic plan, which was to be considered by the board of directors in the March/April period. In preparation for this planning, it was necessary for family stakeholders to clarify their expectations in terms of the vision and goals that they held for the family firm. The BSC was adopted as the mechanism to frame the new reporting policies.

Beginning the Balanced Scorecard introduction process
The clarification of family stakeholder expectations occurred at the November 2004 family retreat. In anticipation of this meeting, the results of a survey of family members that had been circulated some months earlier were summarized and presented for discussion, confirmation or amendment. Specifically, the responses of 26 family members to the question related to their personal vision and goals for the family business over the next 5 to 10 years were classified according to (1) family as owners, (2) family as employees, (3) family as family, and (4) family as community. The emergent themes distilled from these responses were that the family were in favour of (1) growth of the total business through diversification ‘away from the mountain’, and (2) the consolidation of its mountain guesthouse operation by enhancing the guest experience. As well, there was agreement that the family were to be encouraged to be involved in the business and that education would be used to develop this interest. The family felt strongly that the business continues to acknowledge the history of its foundation by perpetuating the values of prior generations and developing flexible ownership structures to enable continued generational involvement. Also, family members were especially united in their goal to emphasize environmental responsibility, an acknowledged key ideology of founding generations. Refer to the appendix for summary details of this survey.

These responses were further ‘tested’ in an open forum and in group discussions during the November 2004 family retreat. The emergent set of family expectations was ratified as the family’s vision for the business and circulated to the family and to the board of directors. The key outcomes, as reported to the family and to the board of directors, were:

**Family as owners**
- To grow the family business.
- To consolidate the Guesthouse operation.
- To diversify and grow the business, thereby providing increased opportunities for family to work and have career paths within the business.
- To implement structures (that is ownership, financial, strategic) to aid this growth and diversification.

**Family as employees**
- To encourage family members to pursue career options via employment in the diversified business.
To develop two distinct employment policies for family members – (1) for operations (lower level/internships and vacation employment), and (2) for management. To emphasize that respect has to be earned and is a vital part of the company framework. A separate induction programme will be required for family members so that they know and appreciate the extras demands and expectations placed upon them in the family business work environment.

**Family as family**
To encourage all family members (including those not working in the business) to contribute to the perpetuation of the family’s values by their representation of the family in various forums. To further improve communication, especially to celebrate milestones that will be maintained in part via internal newsletters. To encourage family to stay (holiday/visit regularly) in the mountain resort. To ensure the development of succession plans and to consider developing more flexibility to enable the identification of exit strategies for those needing them.

**Family as community**
To be known as a leader of eco-tourism in Australia. To build further the family’s reputation as ethical, honest, fair and supporters of the broader local community. To be known as an employer of choice. To recognize the indigenous heritage of the region.

Using this shared and articulated vision for the family and the business, senior family members and non-family managers held their strategic planning meeting in February 2005. The purpose of this meeting was to identify a three-year plan and direction for O’Reilly’s in accordance with the family’s (owners) expectations and within the board of director’s planning parameters. Subsequently, each manager developed objectives, measures and targets within a Balanced Scorecard framework for their assigned area of responsibility. These were to be consistent with the agreed direction and plan, and be available for team discussion and agreement for submission to the April board of director’s meeting. From this agreed three-year plan, a budget for 2005–06 will then be developed to resource the achievement of agreed targets. This budget will accompany the three-year plan in the board submission.

**Applying the Balanced Scorecard to the O’Reilly family business**

**Core essence** Whereas vision and mission statements at the centre of the BSC are effectively management tools, in family businesses, there is a need to identify the core essence of the family and therefore the family business. The O’Reilly family’s core essence statement was established earlier in the professionalisation process as part of the second to third generation transition, as:

We treat strangers like friends, friends as family and family as gold.
This core essence statement encapsulates the values that serve as the foundation for the vision and mission. The current senior management team confirmed the key values for the business as:

- to respect, support and trust each other and our guests
- to act fairly and decisively
- to recognize success is due to team efforts and cooperation
- to behave ethically with integrity and honesty
- to maintain our culture and be proud of our heritage
- to support our local community
- to believe in and deliver sustainable tourism practices – providing a net benefit for the social, economic, natural and cultural environments of our area.

**Vision statement**  A company’s vision is arguably at its strongest in the founder generation and is at risk of being diluted over time (Gallo, 2000). Members of the O’Reilly family team developed their vision statement (that addressed their core ideology and envisioned future) by taking cognizance of family expectations, origins and history of the business and parameters suggested by the board as follows:

To grow the business by applying professional management guided by our core values and the strong ethical business ethics of the founders, to achieve global recognition as a leader within Australia’s ecotourism sector.

**Mission statement**  In their aim to make every guest feel special by exceeding expectations, members of the O’Reilly family team developed their mission statement as follows:

Make every guest feel special.

With the core essence, the vision and mission decided upon, the BSC framework then enabled the O’Reilly family to decide what is required to adhere to these statements in order to remain financially sound, customer focused, professional and innovative.

**The financial perspective (FP)**  From a financial perspective, family businesses have been found to have long-term rather than short-term financial goals (Anderson et al., 2003) and this influences strategic decisions. Family business success has typically not been tied to, or established from, the same performance measures as other business types. Often, ownership transition and efficiency of the family business system rather than wealth-creation and financial performance are used to monitor successful performance (Habbershon and Pistrui, 2002; Sharma et al., 1997; Sorensen, 2000).

The O’Reilly family divided their financial perspective objectives into (1) return, (2) growth, and (3) sustainability, with the understanding that the business is a family business and that the incumbent leadership develop strategies that address both current and future generational needs. As illustrated in Table 11.1, the identified measures and targets ensure that, from a financial perspective objective, capital investment is directed to achieve long-term growth and sustainability.
Customer perspective (CP) The O’Reilly family divided their customer perspective objectives into (1) the experience, (2) the differentiation on our value proposition, and (3) market share. Specifically, the customer perspective objectives are to make every guest feel special through the provision of enjoyable and educational experiences strongly linked to nature. This is to be achieved by remaining relevant to customers through competitive management of the destination. The identified measures and targets for these customer perspective objectives are outlined in Table 11.2 and, as can be seen, the stated objectives include adherence to the family aspect of the family business.

Internal process perspective (IPP) It has been suggested that the family, as a family, develops internal processes that facilitate the containment, confrontation and resolution of family problems (Davis and Stern, 1988). Moores and Barrett (2003) suggest that

(1) managers of family firms should adopt management systems which are adequate for the demands of their external and internal environments, as well as their firm’s stage of development, (2) management approaches should form an internally consistent package of strategies, structures and systems, (3) management systems must dynamically evolve as the business grows and matures, (4) professionalism in management is vital for systems development, and (5) without succession plans, professionalization of the firm is seriously inhibited. (p. 148)

Thus, internal processes for family businesses (like all businesses) are necessary to include in strategy development. Arguably, what makes internal processes (particularly changing these processes) more problematic in family businesses, is the influence of the founder or the incumbent generation and the preparation for succession.

The O’Reilly family divided their internal process perspective objectives into (1) operational excellence, (2) ecotourism leadership, and (3) good corporate citizenship. Specifically, the family business decided to plan to build further the culture of the organization that was founded on ecotourism leadership and ensure that this feature is communicated both inside and outside the business, thereby enhancing its reputation as a good corporate citizen. The identified measures and targets for these internal process perspective objectives are summarized in Table 11.3. The stated objectives are influenced by the values that have been established by previous generations of the O’Reilly family.
Table 11.2 Customer perspective

<table>
<thead>
<tr>
<th>BSC code</th>
<th>Objective</th>
<th>Measure</th>
<th>Target</th>
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<tbody>
<tr>
<td>CP1</td>
<td>Provide enjoyable and educational experiences strongly linked to nature while ensuring exposure to, and acknowledgment of the contribution of previous generations of the O’Reilly family</td>
<td>Participation rates monitored and to include tracking of awareness of O’Reilly family involvement in the business</td>
<td>S20 pppd of total unbundled guests</td>
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<td>Ensure all guests meet with at least one member of the O’Reilly family during their stay</td>
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<td>Feedback forms include reference to O’Reilly family involvement in the business</td>
<td>Discovery activities are rated at 6 or above (out of a max score of 7). Answer ‘yes’ to the question related to meeting at least one O’Reilly family member during their stay</td>
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<tr>
<td>CP2</td>
<td>To ensure that every guest feels special with consistent acknowledgment of the fact that the resort is a ‘guest house’ owned and operated by members of the O’Reilly family</td>
<td>Feedback forms monitored and include questions related to appreciation of the role of the O’Reilly family in the business</td>
<td>‘Exceed expectations’ on 60% of all returned forms</td>
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<td></td>
<td></td>
<td>Return and recommendations guests (monitored using Fidelio system)</td>
<td>Answer ‘yes’ to question related to being aware of the involvement of O’Reilly family</td>
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<tr>
<td>CP3</td>
<td>Remain competitive, innovative and relevant to our customers while at the same time retaining strong links to the legacy of previous generations of the O’Reilly family</td>
<td>Earnings before interest and tax (EBIT)</td>
<td>A minimum of 8% growth EBIT per year from 2004/05</td>
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<tr>
<td></td>
<td></td>
<td>Earnings before interest and tax (EBIT)</td>
<td>To be at the maximum level of 55% of turnover by 2005/06</td>
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<td></td>
<td></td>
<td>Break-even for the Guesthouse operation Feedback forms</td>
<td>95% report their holiday reason was satisfied and that the O’Reilly family factor was appreciated</td>
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<tr>
<td>CP4</td>
<td>To be managers of our destination and be cognizant that the incumbent generation</td>
<td>Documentation of capacity, potential issues, risks, future planning and development of</td>
<td>Documented by September ’05 with representatives of both O’Reilly families having input</td>
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Innovation and learning perspective (ILP)  
Family firms have been shown to place substantial importance upon innovation practices and strategy. Successful family firms have been found to manage and adjust their innovative strategy (Craig et al., 2005). Like innovation, continual learning in the family business is crucial to survival, as highlighted by Moores and Barrett (2003):

Just as the element of ‘family’ in family owned businesses influences how they are managed, that is, how the manager deals with the contextual factors such as life cycle stage, context and control, the element of ‘family’ can be expected to influence how people in family owned businesses learn to manage them. In fact, having to deal with the additional layer of complexity created by the family means that the tasks and priorities involved in learning to manage a family business lead to specific and enduring paradoxes. The family will turn out to be just as important a contingency factor as any of the others in the business context – and often more so. And just as understanding the stage of the business life cycle helps illuminate management priorities in general, it can help in understanding the paradoxes that come with each stage of learning the family business. (p. 32)

The O’Reilly family divided their innovation and learning objectives into (1) culture, (2) capabilities, and (3) technology; specifically, to become an employer of choice by developing both a learning culture and internal succession processes with particular reference to developing competent family members to fill the needs of the growing family business. The identified measures and targets for these innovation and learning perspective objectives are summarized in Table 11.4.

Discussion
To ensure that the strategy map adhered to the direction and expectations that the family had decided upon in their prior meetings, the Board was able to summarize and tabulate their progress. This provided them with two outcomes. First, it enabled them to ensure that both the family and business systems were integrated and, second, they were able to identify areas that still needed to be addressed. The summary table appears in Table 11.5.

As a consequence of this process, we are able to introduce the first propositions resulting from this innovation action research as follows:

Proposition 1a  In multigenerational family firms seeking to integrate their family and business systems, the adoption of a BSC framework will generate outcomes of family respect and business clarity.

Proposition 1b  In multigenerational family firms seeking to integrate their family and business systems, the adoption of a BSC framework will generate outcomes of family engagement and business direction.
### Table 11.3 Internal process perspective

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<thead>
<tr>
<th>BSC code</th>
<th>Objective</th>
<th>Measure</th>
<th>Target</th>
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<tbody>
<tr>
<td>IPP1</td>
<td>Communicate and build on the culture of our organization with particular emphasis being placed on the fact that O’Reilly’s is a family business</td>
<td>Feedback forms will include reference to the fact that O’Reilly’s is a family business that is committed to building a sustainable and competitive business that has at its core a shared vision</td>
<td>90% of guests from all returned forms say their name was remembered</td>
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<td></td>
<td>Induction process reviewed or family and non-family members Revisit employee manuals to ensure that employees and family members are socialized into the business</td>
<td>All staff to go through an induction within 6 weeks of starting at O’Reilly’s</td>
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<td>IPP2</td>
<td>Ecotourism leadership that carries on a significant legacy in that previous members of the O’Reilly family were pioneers of ecotourism in Australia</td>
<td>Compliance against Environmental Management Plan</td>
<td>Commission an independent audit of the plan every 12 months</td>
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<td></td>
<td>Guide accreditation</td>
<td>Minimum of three guides to be accredited at all times</td>
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<td></td>
<td>Contribution to conservation</td>
<td>Provide $5900 per year towards fauna/flora research</td>
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<td></td>
<td>Innovation</td>
<td>Active participation in relevant professional associations: EA, WTA, IA</td>
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<td></td>
<td>Indigenous respect and sensitivity</td>
<td>Minimum of two improvements to the delivery, display or interpretation of our natural/cultural environment</td>
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<td>Traditional owners or representatives are involved in the development of interpretative material that presents their heritage</td>
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<td>IPP3</td>
<td>Build and maintain a profile as a good corporate citizen in the broader community and ensure that members of the family understand the responsibilities that come with being a member of the O’Reilly family</td>
<td>Budget community/charity involvement and philanthropic efforts ensuring input from family members</td>
<td>1% of total room nights and or the equivalent of $50,000. $5000 in current year growing by 5% per year for the life of this plan</td>
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<td></td>
<td>Environmental Management Plan</td>
<td>Monthly implementation</td>
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Table 11.4 Innovation and learning perspective

<table>
<thead>
<tr>
<th>BSC code</th>
<th>Objective</th>
<th>Measure</th>
<th>Target</th>
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</thead>
<tbody>
<tr>
<td>ILP1</td>
<td>Have a learning culture throughout our company and, in particular, ensure that family members are given the opportunity to develop an understanding of the O’Reilly family business</td>
<td>Documentation of training plan that includes detailed strategies to ensure that O’Reilly family members have the opportunity to make a contribution to the family business</td>
<td>Completed by April each year Implementation of the plan – monthly</td>
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<tr>
<td>ILP2</td>
<td>Develop people for internal succession and continue to ensure that family members are aware of their responsibilities while acknowledging that each generation knows that the challenges that they will face will be different to the ones faced by generations that have preceded them</td>
<td>Internal appointments include, where suitable, involvement of O’Reilly family members</td>
<td>10 personnel per year are promoted to a new position</td>
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<td></td>
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<tr>
<td>ILP3</td>
<td>Be seen as an employer of choice which will include providing an attractive working environment for family members who wish, and have the required competencies, to join the family business</td>
<td>Recruitment spending</td>
<td>&lt; $ Budget as retention rates increase</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance reviews for all employees including objective reviews of family members’ contribution. Employee feedback ensuring that family members are treated equally Management growth includes developing family members’ competence as managers</td>
<td>Full review each year in May with a review in November</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rating against other employers Compare with similar family businesses Staff recommend O’Reilly’s as a place of employment Family members demonstrate willingness to be actively involved in family business matters Retention rates</td>
<td>75% above average</td>
</tr>
</tbody>
</table>
The professionalization of a family firm

Table 11.5 Synthesis of family expectations and BSC perspectives

<table>
<thead>
<tr>
<th>Family expectations</th>
<th>BSC Code/Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Family as owners</td>
<td>1.1 To grow the family business</td>
</tr>
<tr>
<td>1.2 To consolidate the Guesthouse operation</td>
<td>CP3, CP4</td>
</tr>
<tr>
<td>1.3 To diversify and grow the business, thereby providing increased opportunities for family to work and have career paths within the business</td>
<td>CP1, CP2</td>
</tr>
<tr>
<td>1.4 To implement structures (i.e., ownership, financial, strategic) to aid this growth and diversification</td>
<td>In process</td>
</tr>
<tr>
<td>2. Family as employees</td>
<td>2.1 To encourage family members to pursue career options via employment in the diversified business</td>
</tr>
<tr>
<td>2.2 To develop two distinct employment policies for family members – (1) for operations (lower level/internships and vacation employment), and (2) for management</td>
<td>ILP2, ILP3</td>
</tr>
<tr>
<td>2.3 To emphasize that respect has to be earned and is a vital part of the company framework</td>
<td>Implied (but continue to monitor)</td>
</tr>
<tr>
<td>3. Family as family</td>
<td>3.1 To encourage all family members (including those not working in the business) to contribute to the perpetuation of the family's values by their representation of the family in various forums</td>
</tr>
<tr>
<td>3.2 To further improve communication, especially to celebrate milestones that will be maintained in part via internal newsletters</td>
<td>Needs to be formally included</td>
</tr>
<tr>
<td>3.3 To encourage family to stay (holiday/visit regularly) at the mountain resort</td>
<td>Needs to be formally included</td>
</tr>
<tr>
<td>3.4 To ensure the development of succession plans and to consider developing more flexibility to enable the identification of exit strategies for those needing them</td>
<td>Needs to be formally included</td>
</tr>
<tr>
<td>4. Family as community</td>
<td>4.1 To be known as a leader of eco-tourism in Australia</td>
</tr>
<tr>
<td>4.2 To build further the family's reputation as ethical, honest, fair and supporters of the broader local community</td>
<td>IPP3</td>
</tr>
<tr>
<td>4.3 To be known as an employer of choice</td>
<td>ILP3</td>
</tr>
<tr>
<td>4.4 To recognize the indigenous heritage of the region</td>
<td>IPP2</td>
</tr>
</tbody>
</table>

Increased family harmony was evident at the May 2005 family meeting at which family members could see that their ‘expectations’ had been clearly acknowledged in the business plans by the directors and senior management. Specifically, family members articulated without prompting that it was ‘refreshing’ to see that their input was valued. The CEO also commented that he was less burdened with the responsibility of consistently communicating all facets of the business to family members and was able to focus his energies on the business. We therefore introduce our second proposition as follows:

**Proposition 2** In multigenerational family firms seeking to integrate their family and business systems, the adoption of a BSC framework will generate outcomes in which family stakeholders feel *valued* and the business has sharper *focus*.
Figure 11.1 Conceptual mapping framework integrating family and business system integration

Stage 1: ASCERTAIN EXPECTATIONS
- Family outcome: RESPECTED
- Business outcome: CLARITY

Stage 2: PLANNING
- Family outcome: ENGAGED
- Business outcome: DIRECTION

Stage 3: CONFIRMATION of INCLUSION
- Family outcome: VALUED
- Business outcome: FOCUS

Stage 4: PERFORMANCE against PLAN
- Family outcome: HARMONY
- Business outcome: ACHIEVEMENT
With the BSC framework now introduced to the business and family members seemingly satisfied and confident with the process, this project is now entering the monitor and evaluation stage. We are not, therefore, able to assess or report significant long-term advantages for both the family and the business systems. However, given the initial response and informal feedback from family and non-family stakeholders, and for the sake of completing the innovation action research cycle, we tentatively introduce the final proposition as follows:

**Proposition 3** In multigenerational family firms seeking to integrate their family and business systems, the adoption of a BSC framework will generate outcomes of family harmony and business achievement.

Finally, in Figure 11.1 we introduce a conceptual mapping framework that summarizes the process and the family and business outcomes resulting from family- and business-system integration using the BSC.

**Conclusion and future research**

The introduction of the Balanced Scorecard framework to the O’Reilly family business enterprise has, thus far, proved beneficial to the various stakeholders, that is, family, directors, and managers. The BSC has enabled the family to be assured that their expectations have been installed as a central consideration in the development of the business strategies and plans. The methodology of scorecard development ensures at least recognition of the visions of key stakeholders. The subsequent development of missions, strategic objectives, measures and targets can then be scrutinized by stakeholders to ascertain their consistency with these visions. The board of directors more regularly undertakes this scrutiny on behalf of the stakeholders in its endeavour to balance the family’s needs with those of a business nature. The Balanced Scorecard provides a reporting regime that reflects both these needs. Management can then be encouraged by the scorecard reporting requirements to focus on the operational aspects of the firm’s strategy in its reporting to the board of directors.

We will continue to be involved in, monitor and evaluate the introduction of family-business specific initiatives to the O’Reilly family business. This ongoing evaluation under the innovation action research cycle is considered vital as a way to contribute to theory development (Kaplan, 1998). Proponents of the BSC are also encouraged to engage in this theory-building process by documenting their experience of addressing the integration of family-system and business-system driven strategic goals through the introduction of the BSC framework to multigenerational family businesses.

**References**


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Appendix: Survey of family member goals and visions

Illustrative comments that exemplify each of these are the following responses:

**Family as owners**

- The business needs to keep a family orientation, as that is what makes us different to our competitors. A long-term focus of growth is necessary, with emphasis on minimal environmental impact.
- To grow and become more successful. To still be a family company in 10, 50 or 100 years.
For the future, I see the expansion and updating of the company as being fundamental, however, the maintaining of the current culture will be as important.

Avenues found for diversification of the core business.

I personally want a successful and profitable business to hand onto the 4th generation. We should consolidate our business and make it the very best it can be, which I believe is the best in the industry.

As the business continues to grow I think that it should not just look at future projects before first looking after what it has already achieved, making sure that it is all up to the family standards.

I feel that, though we need to grow and take risks, we should also look at consolidating what we have already.

To my mind, the guest house and accommodation is big enough considering it is a family business.

I think we sometimes forget what a great business we have. We should be bursting with pride, and at the same time, striving to do better.

To become the ‘best’ resort/guesthouse in the region. Certainly a goal of this magnitude is 5–10 years away but if we strive for this goal by ensuring every single guest encapsulates the ‘O’Reilly experience’ after every visit, it is not unachievable in the long term. I want people to come to O’Reilly’s with no expectations and leave as though they’ll never find an experience like it anywhere else.

**Family as employees**

- All family members should be encouraged to work in the business but it is not an automatic right. They must be able and be prepared to contribute to the business.
- Continue to provide opportunities for future involvement of family members and encourage them to be involved.
- Educate - 3rd and 4th generation in business basics via family courses.
- I have a personal goal to one day be associated with management in the company. Currently doing business at university to aid in achieving this goal!

**Family as family**

- Communication amongst family members continues to develop strengthening relationships, supporting each other and helping one another realise their dreams.

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| Family as owners | - Grow as a family business  
| - Consolidate as a family business  
| - No growth  
| - Great, better, best experience |
| Family as employees | - Encouragement  
| - Education and interest |
| Family as family | - Perpetuating values  
| - Ownership structure |
| Family as community | - Environmental leadership |
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- Acknowledge history and sacrifice that was made before the current leadership i.e. what they gave.
- Our family business needs to always retain that ‘personal’ touch and not leave it to staff. Family in the business must lead the way. People (guests) need to be made to feel ‘special’ – that is part of our Mission Statement.
- Ownership structure with more flexibility to enable continued generational involvement without adversely affecting the business.
- The problems at the moment are to do with exit strategies of the business. I hope that the family does not become too concerned with the money factor, as growth within the company is rising at a level not seen before in the company.

Family as community

- The main goal I would like for the family business is to be more environmentally aware and focused. As the business has expanded we have lost our obligation to preserve the natural environment, which was the key ideology of the founding generations.
- I would also like to see a greater emphasis placed on our environmental responsibilities.