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Success Realized from Creating a Culture of Collaboration:
The Case of Midwestern Farm Family Businesses

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What are the factors that drive family businesses in agriculture to succeed? According to the US Ag census, 97% of farm businesses are family businesses (USDA, 2015). So, how important is organizational culture to farm family business success? Family businesses can measure success and value in a number of ways, whether it is objective (for example, cash flow problems and income) or subjective (for example, perceived success of business owners). Denison et al. (2004) found that family businesses operate in strategically different ways when compared to their non-family counterparts. We posit that when farm family businesses practice a *culture of collaboration*, they will operate more efficiently. The *culture of collaboration* is driven by five main forces: (1) aligned goals, (2) family business functionality, (3) harmony, (4) creating an environment of openness to differences, and (5) the balance between the family and the business.

Success in the family business can be defined in a variety of ways and can be derived from a variety of facets. The definitions of success range from perceived to realized, financial to non-financial, and qualitative to quantitative. Casey (2018) states it best when he notes "success is a multi-dimensional construct". For this study, we define success in two ways: subjective success (perceived success of the owner) and objective success (financial stability, or lack of cash flow problems).

Culture is deeply rooted in family businesses; culture is even more important than strategy to these businesses (Wathen, 2019). Wathen (2019) explains culture as "habits, beliefs, routines, traditions, and unwritten rules". Fletcher et al. (2012) concluded that a useful future research focus is family business culture. This article studies the crucial question of what culture does for a family business. Family culture, or "familiness" has an effect on many facets of a family business (Tokarczyk et al., 2007). Culture in the family business is often similar, if not identical, to the culture that emanates in the family (Zwack et al., 2016). This radiating culture can help guide family businesses and also gives them a competitive advantage. Zwack et al. (2016) found that the values of modesty, equality, honesty, truthfulness, and commitment were important to family businesses.

Values are very important to family businesses. Values are what drive the strategy decisions in family businesses (Ward, 2011). Duh et al. (2010) found that family businesses put more emphasis on ethical values than do non-family businesses. Denison et al. (2004) found that family businesses commit more resources to developing their employees. Family business owners can build a more positive culture when they take a specific interest in developing more cohesion and trust in the business (Kidwell et al., 2012). This has the potential to drastically change the culture within a business.

Collaboration. The Thomas-Kilmann Conflict Mode Instrument delves into five distinct modes of handling conflict between individuals, groups, and organizations (Thomas and

Kilmann, 2010). The five modes are avoiding, collaborating, accommodating, compromising, and competing. While all five conflict modes have their place depending on a situation's circumstances, the most assertive and most cooperative of all modes is "collaborating". By using the collaborating conflict mode, the concerns of both individuals in a conflict are considered and the goal is to find a solution that satisfies both individuals' concerns. The collaborating mode not only allows an integrative solution to be found, but it also creates opportunities for growth out of conflict. Merging insights from different individuals or groups is another benefit that can be realized from using the collaborating conflict mode. "Collaborators are helpful in reaching win-win solutions that provide a long-term resolution to a conflict issue" (page 7).

Dependent Variables

Perceived success (subjective measure of success).

There is a variety of ways to measure success in a family business, perceived success being one of those ways. Farrington et al. (2011) measured perceived success in sibling partnerships, but this study measures perceived success of family business owners, regardless of family business structure. Farrington et al. (2011) pose a hypothesized model that demonstrates respect and trust, open communication, fairness, and family bonds all contribute to financial performance and family harmony. The model goes one step further in describing that financial performance and family harmony contribute to perceived success of the sibling partnership.

Cash flow problems (objective measure of success).

Many family business studies have solely focused on a very subjective measure of success (Hienerth and Kessler, 2006), but this study aims to focus on a subjective success measure along with an objective measure of success, financial stability. Neff (2015) found that confidence in management, shared vision, professional networking, and organizational development combine to positively influence financial performance. However, Neff was not able to put a dollar value on each of the factors; he only measured the magnitude of correlation. Having an effective family business culture lead to higher financial performance. Intangible family business qualities, *familiness* within a firm, boost financial performance in the long run (Tokarczyk et al., 2007).

(1) Aligned/common goals. Goals within a family business are fundamentally tied to that family business' shared values (Distelberg and Blow, 2010). Shared vision and goals contributes to the effective family business culture (Neff, 2015). Cohesive values among family business owners (or sibling partnerships) are vital to healthy businesses (Farrington et al., 2011). Unified values also enhances individual's satisfaction within a family business (Distelberg and Blow, 2010). Lee and Marshall (2013) found that profit growth was influenced by goal orientation type. For example, family business having a goal of growth or a goal of positive reputation had increased profits between 1996 and 1999. They concluded that goal orientation in family businesses does influence the financial performance of the business. Basco (2017) found that economic goals and non-economic goals were both pursued by family businesses. He measured family business

goals by determining if the goals were family-oriented or business oriented, then by if the goals were economic or non-economic in nature.

(2) Family business functionality. Wiatt and Marshall (2017) created a unique scale to measure family business functionality, the *FB-BRAG*. For this study, a scale will be created based on three of the four components of the FB-BRAG to see how they influence objective and subjective success. The three components to be included are: (1) how often business owners are satisfied that they can turn to people at home and work when something is troubling them, (2) how often business owners are satisfied that others in the family and business accept and support their ideas or thoughts, and (3) how often the business owners are satisfied with the way others in the family and business share time together. Neff (2015) postulated that family functionality influences on an effective family business culture, but no such result was found. Kidwell et al. (2012) found that when family business leaders pointedly manage conflict within the firm, ethical climate within that firm becomes more positive.

(3) Harmony. Tension and conflict in family businesses can stem from the family, the business, or a combination of both. The competition for resources between the family and the business that exists uniquely in family business can lead to conflict. Pieper et al. (2013) found three common conflicts that exist in family businesses: (1) using "the business as a family pawn" (p. 492), or bringing business issues as a means to create family conflicts; (2) "retarding maturation" (p. 493), or keeping young members of the family from pursuing options other than the family business; and (3) "stagnation" (p. 494), or a resistance to change in the family business. Failure to resolve conflict within family firms can lead to irreparable damage; causing loss of both financial value and socioemotional wealth (Bhatnagar, 2018). Higher levels of harmony were found amongst employees of family businesses versus non-family businesses (Jiménez et al., 2015).

(4) Creating an environment of openness to differences. Culture is very important and influential in how family businesses operate and succeed (Fletcher et al., 2012). Based on previous research on diversity, we posit that creating a culture that is open to differences will allow to a more free flow of ideas and innovation. Similar to having an environment of openness is having mutual respect and trust and open communication within the family business. Farrington et al. (2011) used open communication, along with mutual respect and trust, mutual support and understanding, encouragement, and conflict management ability together to great a "sibling relationship" construct.

(5) Balance between the family and the business
In a family business, resources are almost always split between the family and the business. In order to be productive and have harmony, a balance or an agreement must be found in the way that resources are split between the family and the business. Every family business is different; the business can take priority, the family can take priority, or the priority can fall somewhere in the middle. Also, the business can hold the family together or can be seen as taking away from family time and family cohesion (Ward, 2011). Farrington et al. (2011) found that better relationships within sibling partnerships lead to positive financial performance and relationship satisfaction with the business and

the family. Even though Farrington et al. discusses that closeness and openness of relationships in a business is vital to its functioning, the authors note that boundaries should be in place to maintain health relationships both in the business and in the family.

Theoretical Framework

Bjornberg and Nicholson (2007) developed a 48-item Family Climate Scale. This scale incorporates the indexes of open communication, intergenerational authority, intergenerational attention, cognitive cohesion, emotional cohesion, and adaptability. The Family Climate Scale can be applied for use in family businesses, but was originally developed from a sample largely dominated by nonfamily businesses. Our culture of collaboration measure expands to families who own, operate, or manage family businesses.

This study incorporates two theoretical models in order to study how a culture of collaboration within a farm family business affects financial stability, which in turn influences perceived success of the family business by the business owner. The Sustainable Family Business Model (SFBM) (Stafford et al., 1999) along with the hypothesized model by Farrington, Boshoff, and Venter (2011) depict the way in which resources and processes within the family and the business interact to impact objective and subjective success in the family firm. While the Farrington et al.'s (2011) theorized model specifically examines "intra-group processes influencing the *perceived success* of sibling partnerships" (pp. 9), we aim to examine how the culture of collaboration influences perceived and realized success in family firms, controlling for legal structure (Figure 1).

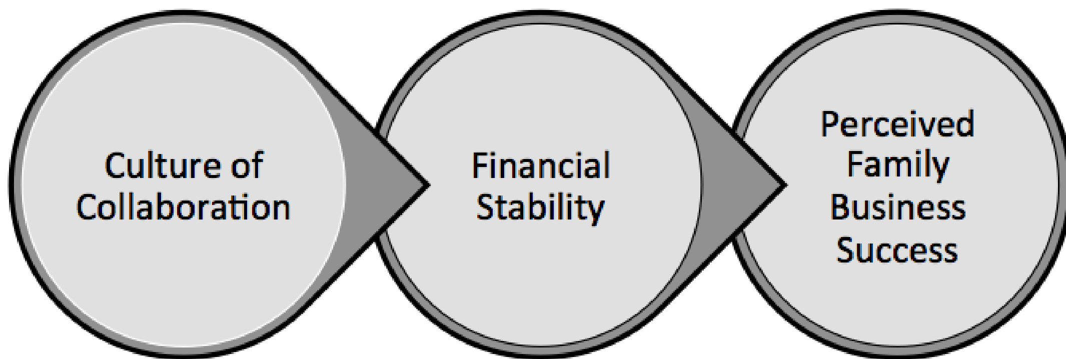
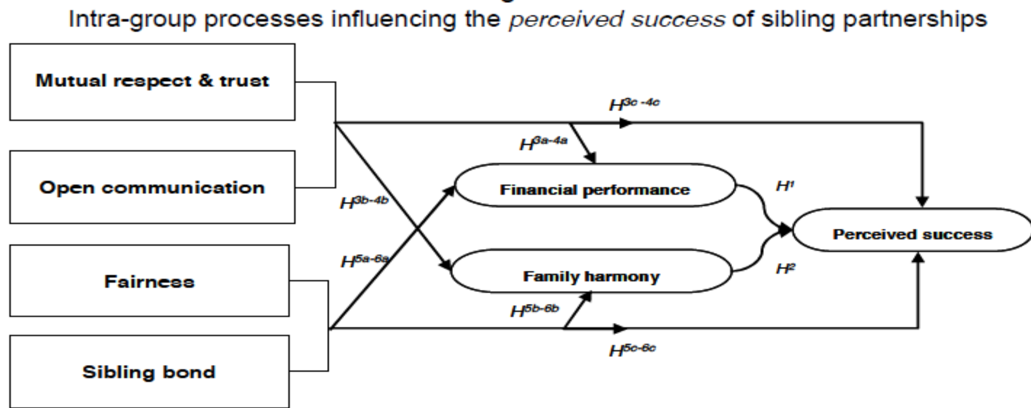


Figure 1. Flow of Collaborative Culture through the Family Business

Figure 1
Intra-group processes influencing the *perceived success* of sibling partnerships



Farrington et al., 2011, pp.9

Data

The data used are from the survey conducted in 2012 focused on intergenerational farm transfer. The survey was a 30-minutes telephone survey of farm family businesses. The sample consists of a convenience sample of 2,097 small and medium sized farms Illinois, Indiana, Michigan, and Ohio; and a random sample of 1,059 small rural Indiana family businesses. The final sample fielded by the University of Wisconsin Survey Center consisted of 3,156 cases from April 2011-February 2012. Cases with no contact information were removed for a total of 2,163 viable cases. The sample contains 736 observations. The farm sample has 653 observations and the non-farm 83 observations. The response rate was 34% overall. For the analysis used here, 395 observations were explored. Table 1 describes the variable names and definitions.

Table 1. Variable Names and Definitions

Variable Name	Scale and Definition
Dependent Variables	
no_cash_flow_problems	=1 if business did not have cash flow problems in 2010; =0 otherwise
level_biz_success	=1 if business is very unsuccessful; =2 if business is somewhat unsuccessful; =3 if business success is uncertain; =4 if business is somewhat successful; =5 if business is very successful
Independent Variables	
collaboration_scale	continuous scale that contains the summation of: • common goals: how challenging is lack of common goals among family members o scale of 1=not at all to 5=extremely • functionality: how often owner is satisfied that he or she can turn to people when troubled, that family

	and business members accept and support ideas, and in the way that business and family share time o 3 separate questions, 1=never to 5=all of the time • harmony: how much tension is generated from failure to resolve business conflicts among family members o 1=extremely large amount to 5=none at all • openness: to what extent the family business values differences of opinions o 1=not at all to 5=extremely • family business balance: to what extent does the family business strive to achieve balance between the family and the business o 1=not at all to 5=extremely
profit_over_50k	=1 if business profit was over $50,000 in 2010; =0 if profit was less than $50,000
LLC_corp_trust	=1 if the business structure is a limited liability corporation, other corporation, or trust; =0 if the business structure is sole proprietorship or partnership
farm	=1 if the business is a farm business; =0 if business is non-farm business
generation_of_business	continuous (number of generations that business has survived)
male_owner	=1 if owner is male; =0 if owner is female
experience	=number of years business owner has workforce experience (age less number of years of education)
number_of_employees	continuous (number of employees that the business has, both full-time and part-time)
copreneur	=1 if business owner and spouse work in the business together; =0 otherwise

Methods

We posit that perceived business success is influenced by financial stability, and financial stability is influenced by a family businesses' culture of collaboration. Hence, modeling the two processes separately but simultaneously is necessary. A bivariate ordered probit model allows for objective success (financial stability) and subjective success (perceived success) to be modeled together; the test for endogeneity proved that the models should be constructed in this way (rho from the bivariate ordered probit regression is significant).

$$Level\ of\ owner's\ perceived\ success_i = x'_{1i}\beta_1 + \varepsilon_{1i}$$

$$Lack\ of\ cash\ flow\ problems_i = x'_{2i}\beta_2 + \varepsilon_{2i},$$

where $\boldsymbol{x_1}$ is a vector that includes lack of cash flow problems, owner characteristics, family characteristics, and business characteristics and $\boldsymbol{x_2}$ is a vector that includes culture of collaboration, owner characteristics, family characteristics, and business characteristics. The x'_{1i} matrix contains values of variables that influence perceived family business success, which include: farm financial stability, farm, generation of business, male owner, experience of owner, number of employees, and copreneurs. The x'_{2i} contains values of variables that influence financial stability, which include: collaboration scale, profit over fifty thousand dollars, formal business structure (LLC, corporation, trust), farm, generation of business, male owner, experience, number of employees, and copreneur. Figure 2 demonstrates the links between the culture of collaboration and perceived success.

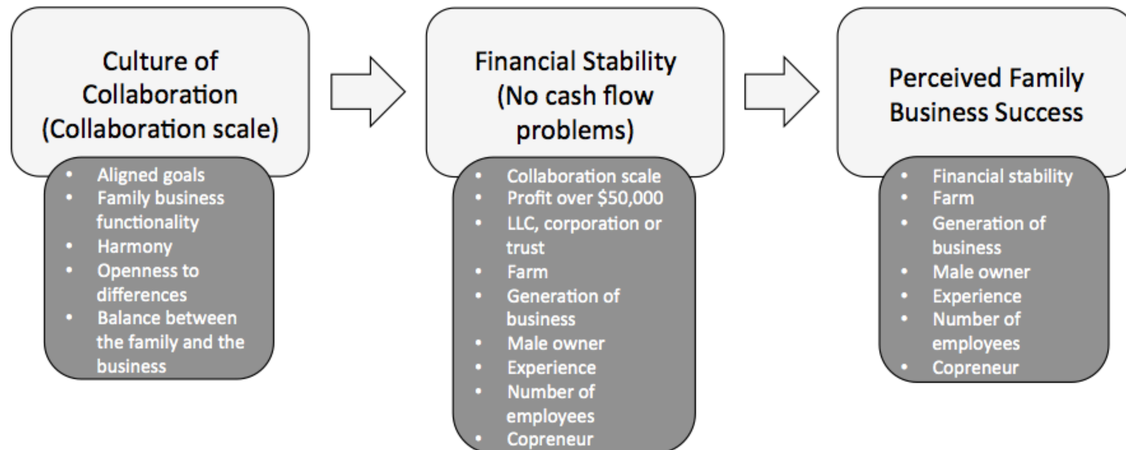


Figure 2. Components of Culture of Collaboration, Financial Stability, and Perceived Family Business Success

Results

Table 2 shows the descriptive statistics and Table 3 shows the results. For this study, a lack of cash flow problems is a proxy for financial stability. Establishing a culture of collaboration in the family business *does* increase financial stability, by fostering aligned goals, family business functionality, harmony, openness to differences, and a balance between the family and the business. Higher levels of profit, experience of the business owner, and having copreneurial owners also increase financial stability. Having a male owner detracts from financial stability within a family business.

Table 2. Descriptive Statistics of Variables

Variable Name	Mean (N=395)	Std. Dev.
Dependent Variables		
no_cash_flow_problems	0.73*	0.02
level_biz_success	4.15	0.03
Independent Variables		
collaboration_scale	26.07	0.18
profit_over_50k	0.27*	0.02
LLC_corp_trust	0.37*	0.02
farm	0.71*	0.02
generation_of_business	1.58	0.04
male_owner	0.60*	0.02
experience	44.85	0.50
number_of_employees	10.13	1.18
copreneur	0.66*	0.02

*The mean is the percentage of respondents with that attribute.

Expectedly, financial stability within a family firm increases perceived success of that business by the owner. As family businesses become more tenured and gains more employees, the perceived success of that business also increases. While financial stability is not influenced by a business being a farm, perceived success is. Farm business owners perceive lower levels of success than their non-farm counterparts.

Table 3. Results from the bivariate ordered probit regression

	Seemingly Unrelated Bivariate Ordered Probit Regression			
	No Cash Flow Problems		Level of Business Success	
	Coefficient	Robust Std. Err.	Coefficient	Robust Std. Err.
no_cash_flow_problems	--	--	1.72***	0.15
collaboration_scale	0.05***	0.01	--	--
profit_over_50k	0.78***	0.15	--	--
LLC_corp_trust	-0.19	0.14	--	--
farm	0.03	0.15	-0.25**	0.12
generation_of_business	0.04	0.07	0.15**	0.06
male_owner	-0.32**	0.14	0.13	0.11
experience	0.01*	0.00	-0.01	0.00
number_of_employees	0.00	0.00	0.01***	0.00
copreneur	0.24*	0.14	0.04	0.12

constant	-1.28***	0.22		
rho	-0.86***			
Number of observations	395			
Log pseudolikelihood	-590.19			

Note: Single, double, and triple asterisks (*, **, ***) denote statistical significance at the 10%, 5%, and 1% levels; respectively.

Conclusions

Fostering a culture of collaboration within a family business ***does*** lead to more success within the family business. Having a culture of collaboration leads more financial stability in the firm, measured by a lack of cash flow problems. Other factors that help improve financial stability within a firm are profit over $50,000 annually, owner's years of experience, being a copreneur (an owner working in the family business with his or her spouse), and being a female owner.

In turn, financial stability positively influences the owner's perceived success of his or her business, along with being a non-farm business, higher numbered generations, and the number of employees. While perceived success is a non-financial, subjective measure within a family business, many family business owners measure their success within the business based on non-financial measures (Casey, 2018). These non-financial returns, while subjective, are the driving force behind many family businesses. Owners are "in it" for reasons such as having a business to pass on to their children, sharing business times with family, and preserving a legacy that generations before them have established (or they established themselves). Farrington et al. (2010) comment that without harmony and strong financial performance, it is implausible that individuals will have positive perceived success of his or her family business.

Wathen (2019) heeds that changing a family firm's culture must be pointed and mindful; changing culture is not easy. Fostering a culture of collaboration leads to financial stability in family businesses, which then leads to a feeling of success for the owner. A culture of collaboration is constructed from many aspects of the family business, including: aligned goals, high family business functionality, harmony, fostering culture that is open to differences, and a healthy balance between the family and the business. Not a single aspect but all five aspects of the culture of the collaboration together can ultimately enable a family business to become more financially stable and create a greater feeling of success for the business owner.

Although it may not be readily apparent, there is a huge value to firms and families in creating a culture of collaboration in a family business. A culture of collaboration within firms would likely make that business more appealing to the next generation. Succession in a family business is often more appealing than liquidating, both financially and emotionally.

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