WHAT DOES THE OWNER-MANAGER WANT AND GET OUT OF THE BUSINESS? - ARE FAMILY FIRMS DIFFERENT?

Helena Sjögrén: School Of Business, Lappeenranta University Of Technology, Lappeenranta, Finland
Kaisu Puumalainen: School Of Business, Lappeenranta University Of Technology, Lappeenranta, Finland
Pasi Syrjä: School Of Business, Lappeenranta University Of Technology, Lappeenranta, Finland

~

Contact: Helena Sjögrén, School of Business, Lappeenranta University of Technology, P.O BOX 20, FI-53851 Lappeenranta, Finland, (T) +358562111, Email: helena.sjogren@lut.fi

ABSTRACT

This paper aims to contribute to the existing knowledge of family firms and small business management. Especially in times of economic downturn small business owners have to carefully balance individual and business needs when making decisions about the extraction of profits from the company. In many circumstances the owner-managers will sacrifice their drawings in order to secure the future growth or even survival of the firm. This could be even more pronounced in small family businesses. First we show that small family firms' owner-managers differ from other small firm owner-managers in terms of the amount and type of drawings they take from the company. Secondly, we examine the role of work values of the owner-manager as a potential link between the family involvement and drawings strategy.

INTRODUCTION

Several studies (Smith 2007, Jorissen et al. 2005, Williamsson 1996) have established differences in behaviour between family and non-family firms. In the past research mainly three theoretical frameworks have been applied to explain the differences between family and non-family firms. According to agency theory family firms are different because they might demonstrate overlapping owner's and manager's relationship. The theory of transaction cost proposes that family firms have higher level of trust, superior decision-making processes and lower monitoring costs than non-family firms. Therefore family firms not only behave differently but also have cost advantage over non-family firms. The third approach highlights the issue that dual nature of family firms may cause also disadvantages. For instance there might be conflicts between doing things "family way" and "business way". Family firms can be defined as unique combination of two sets of rules, values and expectations: the family's and the business's (Flemons et al. 1992, Tagiur et al. 1996).

To owner-managers, their company is often the main source of income. They have to decide the amount and type of their own drawings and at same time take into account the firm's business needs. In this paper, both owner-managers' salaries and dividends are treated as "drawings". Previous research has reported that owner-managers' drawings depend on both financial factors and on management characteristics. Furthermore, based on existing literature, entrepreneurs' work values affect their business strategies, but there is only little evidence on how the owner-managers' personal values affect their drawings strategy. Also the home country's regulatory environment presumably has an effect on the amount and composition of drawings. E.g. the Finnish legislation allows tax free dividends to the amount 9% of firm's net assets.

This paper aims to contribute to the existing knowledge of entrepreneurship and small business management in the following ways: Firstly, the paper aims to contribute to the existing knowledge of family firms and small business management by first showing that small family firms' owner-managers differ from other small firm owner-managers in terms of the amount and type of drawings they take from the company. Secondly, we examine the role of work values of the owner-manager as a potential link between the family involvement and drawings strategy.

THEORETICAL BACKGROUND AND HYPOTHESES

Today's firms must deal with rapidly changing environment (among others competitive environment and changes in global economy), after Dess et al. (1997) such environmental conditions place enormous requirements to entrepreneurial strategic decisions. Drawings strategies are in a significant position, because several previous researches have (Davidson et a. 1991, Poutzouris et al. 1998) found out, that taking profits out of business fluctuate between demand to grow or survive. Lower drawings imply greater retained profits to be used on the business needs in the future. Especially in times of economic downturn small business owners have to carefully balance individual and business needs when making decisions about the extraction of profits from the company. In many circumstances the owner-managers will sacrifice their drawings in order to secure the future growth or even survival of the firm. This could be even more pronounced in small family businesses, because family firms reinvest a greater proportion of their profits than non-family firms (Vallejo 2008).

Poutziouris et al. 1998 found that decisions concerning drawings and finally the level of retained profits are dependent on financial, but also non-financial factors like education, business& personal goals of owner-manager, and family needs. Because of these factors small business sector favours the extraction of profits out of the business rather than reinvestment them. Also Littunen et al. (2000) assumed that in Finnish family firms the family income was one of the most motivating factors for business. On the contrary, Koiranen (2002) found that willingness to take money out of old Finnish family firms was extremely and surprisingly low. Yoshikawa et al. (2010) found that family owners tend to retain profits when a firm has high growth opportunities.

Keasey et al. (1996) state that those owner-managers with the most to lose reduce their drawings more than those with a relatively low initial equity interest. And if owner-managers have future profit prospects, they have incentive to adjust drawings to avoid failure, and this even may strengthen in an economic downturn. Drawings decisions during this recession probably reflect the need to maintain some minimum level of equity in the business. This could be even more pronounced in small family businesses. Dunn (1995) discovered that it was usual for family businesses to accept lower returns or longer paybacks on their investments or to sustain a lifestyle rather than to maximize profits or personal incomes. There is very little empirical work on the relationship between family ownership and profits taken out of business. Because of these conflicting results and the scarcity of empirical work on the relationship between family ownership and profits taken out of business we address the following hypothesis:

H1: Drawings strategies of small family firms are different from those of non-family firms

Owner-manager's drawings and values

Usually an owner-manager can draw profits out of the company either as dividends, salary or a combination of dividends and salary. Poutziouris et al. (1998) found that in the small business sector entrepreneurs in many circumstances will sacrifice their drawings for business needs. However, the main result of the study was that decisions concerning drawings, and finally, the level of retained profits are dependent on financial and non-financial factors. Financial factors consist of business needs (legal form, size, growth rate, etc.), whereas management characteristics (the owner-manager's education, business and personal goals, and personal and family needs) are included in non-financial factors. Because of these factors, the small business sector favours the extraction of profits out of the business rather than their reinvestment.

The importance of the entrepreneur's personality type and strategic choices has been shown to be important factors to surviving firms (Ciavarella et al. 2004, Littunen et al. 2000, Storey et al. 1996). When an entrepreneur makes the decision between the amount of money taken out of the business and whether to leave profits for future investments, it will not only depend on financial factors, but also the entrepreneur's personal values affect the decision.

Some research findings indicate that entrepreneurs compared with employees (with the same background and experience) have a lower income and lower growth of earnings. Hamilton (2000) empirically argued that the nonpecuniary benefits of self employment are substantial because the entrepreneur puts different nonpecuniary values first, such as increased professional and personal autonomy. In this study, our aim is to determine if there is a relationship between the drawing strategy and the entrepreneur's values.

Owners of small businesses have a strong influence on the firm's strategy. The focal role of the owner-manager has long been recognized in the small business and entrepreneurship literature, and there is also empirical evidence that entrepreneurs are not homogeneous in terms of professional expectations or values. Numerous studies have demonstrated entrepreneurial performance in order to isolate values, motivations and other personal dimensions that are characteristic of entrepreneurs (Chaganti et al. 2002). Getz et al. (2005) described small business owners as being "craftsmen" or "lifestyle entrepreneurs", and their family business was characterized to be risk averse because the entrepreneur must prioritise the possibility of making a living for his or her family ahead of potential growth of firm. Also an early study of decision making values (Haberstroh et al. 1972) pointed out that the values used in decision making are not only the values of decision makers, but also the values of others to whom decision makers feel obligated to respond are very important. Viola (1977) found that if managers have defensive values, the strategy of the corporation was oriented toward survival. In contrast, if managers were characterized by aggressive values, the strategy of the company was more likely focused on growth.

Values are relatively enduring preferences and beliefs about the desirable end-states or courses of action (Rokeach 1973), and work values refer to what is desirable in work, guiding the work-related behavior. The most frequently cited dimensions of work values are intrinsic vs. extrinsic values. Other dimensions include status and social values, whose importance was pointed out by an early study of decision making values (Haberstroh et al. 1972). They emphasized that the values used in decision making are not only the values of decision makers, but also very important are the values of others to whom decision makers feel obligated to respond. Getz et al. (2005) and Littunen et al. (2000) refer to the importance of extrinsic and social values in small family firms because the entrepreneur must secure possibility of making a living for family ahead of potential growth of firm. Gallo et al. (2004) emphasized that it is difficult to explain the reasons for differences between family and non-family firms such as sales, payment of dividend, debt and leverage ratio. Hence, we propose that the owner-manager values could be one mechanism in opening the black box regarding the observed differences. Based on the literature review, we will propose the following hypothesis:

H2: Owner-managers in family firms have different work values than their non-family counterparts

H3: The effect of family involvement on drawings is partially mediated by values

RESEARCH DESIGN

Sampling and data collection

The empirical data used to test the hypotheses were drawn from a mail survey conducted in spring 2009 by means of a structured questionnaire. The initial population consisted of Finnish small private limited companies (they typically have few shareholders and are usually owner-managed family businesses) with a sales turnover between 1 and 10 million euros. Because we researched entrepreneurs' values related to their drawing strategy, we only take into account the firms that had survived the first three years. After the most critical times, there may be profits to draw from the business. The hypotheses were tested in a multiple industry setting because of a greater generalizability. Among the 155 firms, there were 35 different industry settings. Because of the Finnish Limited Liability Company Act, all firms covered with this survey have the same regulations that apply when entrepreneurs withdraw profits from the business.

A total of 12 780 firms were identified from the Voitto+ database (financial statements of 2007), and a systematic random sample of 1 007 firms was drawn. The pre-tested survey questionnaire with an introductory cover letter was mailed to the respondents, assured of confidentiality and promised a summary of the results. Some items of the survey were negatively worded in order to avoid agreement bias. A reminder was sent to those who had not responded within two weeks. Final responses were received from 195 companies, yielding a satisfactory effective response rate of 19.36% (195/1007) of the eligible sampled target population. It was possible to get financial information about the companies via the Voitto+ database; these financial measures are based on the financial statements of 2008. Although we used the firms' financial information, anonymity was guaranteed because the data was analyzed and reported in a format that will not permit the identification of individual respondents or their businesses.

Non-response bias was examined by comparing the early (first-round) respondents with the late respondents (second-round) with the assumption that there were no differences between early and late respondents (Armstrong et al. 1977, Covin et al. 1989). No significant differences were found between these groups in the distributions of the sum variables (Max draw F = .113, sig. .737, tax plan F = .638, sig. .425, pay flex F = .607, sig. .437). Another test for the representativeness of our data was the comparison of respondent and non-respondent firms including a range of financial information (Chi^2=1.62) which was retrieved from the Voitto+ database for the full sample of 12 780 firms. Using self-reported data from single informants may bear a risk of bias, such as common method bias (Podsakoff et al., 2003) or social desirability bias (Crowne et al. 1960). In our case, the risk of social desirability is alleviated by the fact that our key determinants are values, which are actually defined as an individual's perception of what is desirable (Rokeach, 1973). The common method bias is reduced by the use of an externally collected dependent variable (dividends as a percentage of the net assets). Furthermore, researchers of entrepreneurship often use self-reports, and they have been shown to be reliable (Chaganti et al. 2002).

Measures

Family involvement The measure of family firm was a yes/no perception by the respondent. This is based on the idea that the essence of family business is whether ownership and policy making are dominated by members of an "emotional kinship group" (Carsrud 1994). One main problem faced by family business research is the lack of consensus on definitions of family business. The definition of what defines a family business is complex (Moores 2009). Brännback et al. (2008) argued that both the business and the family are problematic in terms of definition and measurement.

Work values The work values were measured on a scale adapted from three highly similar scales used by Lyons et al. (2006), Lafuente et al. (1989) and Elizur (1984). They found that the 22 items weight the following five factors: intrinsic work values, extrinsic work values, prestige work values, altruistic work values and social work values. Some of the original items were dropped out as they were not deemed suitable for small Finnish firms. The final measure included 19 items (see Appendix), all assessed on a five-point Likert scale with the anchors 1 = not at all important, 5 = of utmost importance. In our data we found four factors grouped according to the factor structure defined by Lyons et al. (2006): intrinsic work values (five items), extrinsic work values (three items), status work values (three items) and social work values (four items). The internal consistencies of the scales were satisfactory, as Cronbach's alpha values were .755 for intrinsic values, .792 for extrinsic values, .685 for status values and .577 for social values.

Drawings strategy Twelve drawings strategy items were developed for the purposes of this study, and thus the measures can be considered exploratory. In the background of these items was the Finnish Limited Liability Companies Act. The item wordings related to the type and amount of drawings made (dividend vs. salary) and to the willingness to withhold personal drawings if seen necessary. With these items, we wanted to find out what kind of drawings strategy the entrepreneurs really have. However, we were not able to measure the effect of new peremptory provisions because the results of the survey demonstrate that 80.5% of the respondents were not aware of the peremptory solvency test. A principal component factor analysis was conducted to verify whether the dimensions of drawings strategy perceptions represented distinct constructs. After rotation, the factor analysis suggested the existence of four factors with eigenvalues greater than one. The eigenvalue of the fourth factor was only 1.03, and only one item had a substantial weighting. Thus, we decided to select the three-factor solution. The rotated factor solution is shown in Table 1. The weightings were not very high; significant weightings are those of .70 or higher (Hair et al. 1998), but weightings higher than .50 are satisfactory. The drawing strategy items had not been tested before; it was a surprise that the legislation was not well-known among the respondents. It is possible that this fact had an effect on the results. Factor 1 (explaining 16.12% of the variance) consists of five items all clearly linked to the maximisation of profits taken out of the business. This factor was named as *max drawings*. Factor 2 explains 15.82% of the variance. It is called *planning & tax*. This factor encompassed four items all related to the level of planning of the drawings decisions, especially on the minimization of tax. Factor 3 is called *flexibility,* as the three items described the willingness of the owner to vary between salary and dividend. Factor 3 explains 14.61% of the variance. The internal consistencies of the factors reflect the exploratory nature of the measures, as the Cronbach alpha values were rather low (Max drawings .557, Planning & tax .612, Flexibility .466).

Table 1. Factor analysis results for drawings strategy items

Variable	Factor 1 *max draw.*	Factor 2 *plan & tax*	Factor 3 *flex*	Communalities
Our company pays dividends more often than once a year.	**.709**			.509
Our company would be willing to take a loan in order to pay dividends.	**.692**			.508
The owner-manager is ready to reduce his dividends if the company has payment difficulties.	**-.588**		*.420*	.552
Our company has no need to pay dividends more often than at the end of the accounting period.	**-.545**	*.334*		.413
Our company usually pays dividends the maximum amount which is free from taxes.		**.719**		.487
Our company has a long term dividend payment strategy.		**.704**		.369
The Annual General Meeting of our company decides to distribute the maximum tax free amount of dividends even if there is no means to pay dividends to the owners immediately after the meeting (dividends become a company debt and the company's shareholders are its creditors).		**.649**		.539
When we decide about paying dividends, we will take into account the time value of the money. (The value of money lowers during the course of time compared to the present moment.)	*.308*	**.564**		.298
If our company pays enough dividends, the owner-manager's salary can be lower.			**.775**	.505
The owner-manager's salary changes monthly.			**.602**	.424
The owner-manager's dividends are also compensation for his work.			**.542**	.375
If our company is not able to pay dividends, the owner-manager's salary will be higher.	**.419**		*.447*	.606
eigenvalue	2.088	1.975	1.524	
% of variance	16.123	15.820	14.609	
cumulative % variance	16.123	31.943	46.552	
KMO .630				

Extraction Method: Principal Component analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in five iterations.

As a more objective element of the drawings strategy, we also calculated from financial statements how much the companies actually have distributed dividends. According to the Finnish tax-system, when a firm pays dividends 9% (or less) of the firm's net assets, it is tax-free to the shareholder.

Description of the respondents

The firms' ages were between 4 and 107 years (see Table 1). The average age was 20 and the median was 17 years. The life cycle phase of most businesses (based on the respondents' own opinions) was established operations (76%), and only 1% thought that their business was in the early stage. A total of18% of the firms were in the growth stage and 5% were declining. A majority (59%) of the respondents had established their firms by themselves and 21% had bought their businesses. The most prevalent (66% of firms) owner structure was 2-5 owners, and 65% of respondents considered their business as a family business.

RESULTS

Descriptive statistics and correlations

The descriptive information on drawings strategies and work values in family firms vs. non-family firms is compared in Table 1. The t-values for the differences in group means indicate that family firms take less dividends, put more emphasis on tax planning, and are more flexible in alternating between dividend and pay than their non-family counterparts. Maximizing the owner-manager drawings is not important in either of the groups. Intrinsic and extrinsic work values are generally most important in both types of small firms, status values are more important for non-family respondents and social values are clearly more important in family firms.

Table 1. Descriptive statistics and t-values for comparing the difference between family- and non-family firms

	Non-family firms			**Family firms**			
Variable	**N**	**Mean**	**Std. dev.**	**N**	**Mean**	**Std. dev.**	**T value**
Dividend per net assets	55	18.64	20.95	99	10.40	10.86	2.721***
Max drawings	59	1.54	.64	109	1.58	.71	-.325
Tax planning	58	2.80	.91	107	3.15	.91	-2.393**
Pay flexibility	58	2.57	1.10	109	2.90	1.01	-1.967*
Extrinsic values	56	3.96	.73	107	4.06	.79	-.808
Intrinsic values	56	4.26	.53	107	4.26	.55	.082
Status values	56	3.55	.76	107	3.26	.85	2.134**
Social values	56	2.77	.90	107	3.30	.79	-3.855***

***p<.01, **p<.05, *p<.10

The correlations between the variables of interest are depicted in Table 2. The correlations indicate relatively weak significant positive relationships between different values, implying that the work values are not substitutes for each other, and that the overall strength of values varies among owner-managers. Family ownership has weak negative significant relationship between "pay flexibility" and "tax planning". This may indicate that family firms are ready to reduce personal earnings when the firm's financial position insists and that family firms put emphasis on tax planning. A positive significant correlation between family firms and social values implies that owner-managers in family business prefer to employ others and want to benefit the society. They consider it important to work in a family business and want to leave the business with a good financial standing to the next generation. There is a weak negative correlation between family firms and status values.

A bit surprisingly, there are no significant correlations between amount of dividends and other variables. This probably indicates that taxes have a strong effect on entrepreneurs' decisions to take dividends. The amount taken is usually within the 9% tax free level of net assets. Instead, a significant negative relationship between the factor "pay flexibility" and sales exists. This may possibly imply that when firms have changes in sales, it affects to the amount and type of drawings the owner-manager takes out of the business. A positive correlation between max drawings and sales at level $p<0.10$ may possibly imply that the entrepreneur tends to take more drawings when sales grow.

Table 2. Correlation matrix

Variable	family	sales	div	max	tax	flex	extr	intr	stat	social
Family firm	1									
Sales	-.025	1								
Dividend/ net assets	-.126	-.093	1							
Max drawings	.025	.120*	.025	1						
Tax planning	.184**	-.085	-.092	-.036	1					
Pay flex	.151*	-.226 ***	.079	.069	.180**	1				
Extrinsic values	.064	-.072	.051	.118	.117	.025	1			
Intrinsic values	-.006	.068	-.074	-182**	-.022	-.112	.143	1		
Status values	-.166*	.050	.070	.007	.072	-.042	.339 ***	.226 ***	1	
Social values	.291 ***	-.078	-.123	.015	.249 ***	-.044	.209 ***	.131*	.212 ***	1

*** $p< 0.01$, ** $p< 0.05$, *$p<.10$

Hypotheses testing

The hypotheses are tested with multiple linear regression analysis, controlling for the effect of firm size. The results for the first hypothesis (H1: Drawings strategies of small family firms are different from those of non-family firms) are shown in the Model 1 of Table 3. The pay flexibility model is statistically significant, though firm size and family involvement only account for 5% of the variance. Both size and family involvement have positive regression coefficients implying more flexibility in larger and family-owned firms. The model for maximizing drawings is not significant, whereas family involvement significantly and positively explains the tax planning in small firms. The amount of dividends in the family firms of our sample is lower, but the difference is not significant when the effect of the firm's net assets is controlled for. Thus H1 is partially supported.

Table 3. Linear regression analysis results, drawings strategy as dependent variables

Model fit	**pay flex**	**max draw**	**tax plan**	**dividend**
R square (Model 1)	.052	.011	.035	.234
F	4.402**	.861	2.818*	22.287***
R square (Model 2)	.080	.083	.099	.283
F	2.254**	2.348**	2.811**	9.357***
F change	1.170	3.070**	2.745**	2.450**
Model 1 estimates	b (std.err.)	b (std.err.)	b (std.err.)	b (std.err.)
Constant	2.861*** (.179)	1.451*** (.118)	2.797*** (.159)	51.761*** (19.785)
Family firm	.292* (.171)	1.451 (.0.35)	.363** (.153)	-32.391 (22.415)
Sales (anet assets)	.000 (.000)	.000 (.000)	.000 (.000)	.066*** a (.010)
Model 2 estimates	b (std.err.)	b (std.err.)	b (std.err.)	b (std.err.)
Constant	3.821*** (.759)	1.855*** (.493)	2.122*** (.667)	324.224*** (95.765)
Family firm	.383** (.185)	.012 (.121)	.259 (.161)	-24.83 (23.612)
Sales (anet assets)	.000** (.000)	.000* (.000)	.000 (.000)	.064***a (.010)
Extrinsic	.047 (.116)	.172** (.076)	.111 (.102)	-6.818 (15.305)
Intrinsic	-.214 (.157)	-.278*** (.103)	-.147 (.137)	-55.702** (20.062)
Status	.056 (.112)	.009 (.074)	.063 (.099)	5.664 (14.407)
Social	-.158 (.104)	.012 (.068)	.223** (.092)	-9.992 (13.159)

*** p< 0.01, ** p< 0.05, *p<.10

The second hypothesis (H2: Owner-managers in family firms have different work values than their non-family counterparts) is tested in Table 4. The extrinsic and intrinsic work values are not affected by family involvement, but social values are much more important for owners of family businesses, and status values less important in family firms than other firms. Thus H2 is partially supported: extrinsic and intrinsic values are important for all managers, but social values are more emphasized in family firms, whereas status values are less important in family firms.

Table 4. Linear regression analysis results, work values as dependent variables

Model fit	**extrinsic**	**intrinsic**	**status**	**social**
R square	.013	.005	.032	.085
F	1.081	.428	2.670*	7.469***
Parameter estimates	b (std.err.)	b (std.err.)	b (std.err.)	b (std.err.)
Constant	4.058*** (.131)	4.210*** (.092)	3.470*** (.140)	2.805*** (.141)
Family firm	.101 (.127)	-.006 (.089)	-.288** (.136)	.525*** (.137)
Sales	.000 (.000)	.000 (.000)	.000 (.000)	.000 (.000)

*** p< 0.01, ** p< 0.05, *p<.10

H3 predicted that the effect of family involvement on drawings is partially mediated by values. The mediation effect was tested by a three-stage procedure proposed by Baron and Kenny (1986), and the results can be seen in Tables 3 and 4. The effect of family involvement on pay flexibility is not mediated by values, as there are no significant relationships between work values and pay flexibility. However, the mediation occurs through social values on tax planning, as the effect of family involvement on tax planning becomes non-significant in Model 2 of Table 3, when work values are entered into the model. In both types of firms, high intrinsic work values are associated with smaller dividends and less willingness to maximize drawings. The statistically significant effects are summarized in Figure 1.

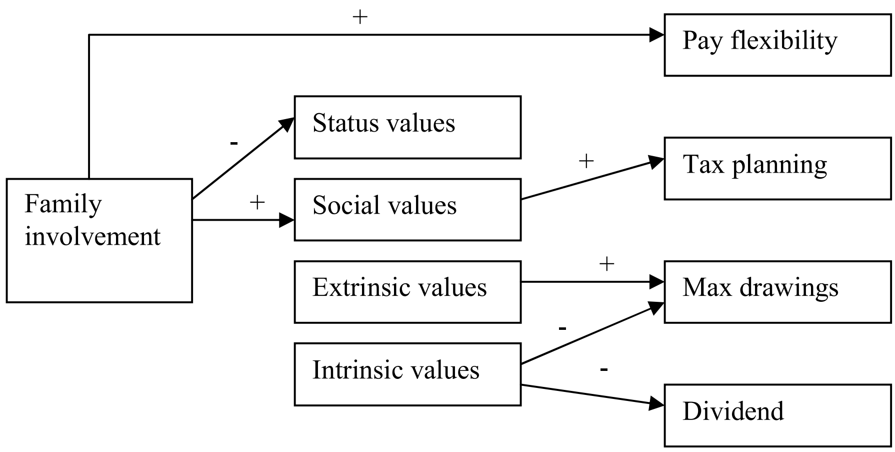

Figure 1. Relationships between family involvement, work values and drawings strategy

Contribution of the study

We were able to empirically demonstrate that small family firms are different from non-family small firms in terms of their drawings strategies. Furthermore, we showed that the higher level of tax planning in family firms is due to the emphasis on social work values by the principal owner-manager. Our results indicated that family firms take less dividends, put more emphasis on tax planning, and are more flexible in alternating between dividend and pay than their non-family counterparts. These findings are in accordance with results showing that the family firms seemed to have a long term view of the business and they were also more conscious of family well-being than profitability or market position of the business (Littunen et al. 2000).

On the theoretical level, the results support the application of stewardship theory in the study of small family firms, as the intrinsic and social work values were found to be high in this context, and also had an impact on important managerial decisions concerning the drawings from the company. Our result of higher flexibility of family firms in terms of drawings is in line with Zahra et al (2008), who found family firms to be strategically more flexible than non-family firms.

Implications for regulators and managers

There was no difference in dividends taken out of business between family or non-family firms. This suggests that taxes have a strong effect on entrepreneurs' decisions to take dividends. The amount taken is usually within 9 % tax free level of net assets. The government regulations have a decisive role on the dividends taken out of business, and the tax policy may encourage small firms to increase their assets more than the future business needs would require. This seems to hold especially true in small family firms as the average level of dividends is lower and the efforts devoted to tax planning are higher in family firms.

We found pay flexibility strategy in family firms, this means that family entrepreneurs think that owner-manager's salary can vary monthly and entrepreneur is ready to reduce personal earnings when firm's financial position insists. This kind of flexibility can give an important edge on competition. Family entrepreneurs have better control over company's liquidity, because they can directly increase or decrease the operating costs.

Our paper has also implications for relationship between the small firm and a financing institution. Our results indicate that family entrepreneur's social work values are related to importance to work in family business and family entrepreneur wants to leave the business with a good financial standing to next generation. This long-term orientation should reduce the risk of the lender and thus enhance the small family firm's access to external funding.

Future research could also investigate the drawings strategy in a legal environment where entrepreneurs' dividend taking is not so dependent on taxation. Furthermore, the nature of drawings strategy and the role of values may differ depending on whether the firm is a first- or latter-generation family firm.

References:

Armstrong J. S., Overton T. S. (1977). Estimating Nonresponse Bias in Mail Surveys. *Journal of Marketing Research.* Vol. XIV, 396-402.

Brännback, M., Sarsrud, A., Schulte, W. D. (2008). Exploring the role of *Ba* in family business context. VINE: the journal of information and knowledge systems. 38, 1, 104-117.

Carsrud, A.L. (1994) Meanderings of a resurrected psychologist, or lessons learned in creating a family business program. *Entrepreneurship, Theory and Practice*, 19, 1, 39-48.

Chaganti, R., Cook, R. G., Smeltz, W. J. (2002). Effects of Styles, Strategies and Systems on the Growth of Small Businesses. *Journal of Developmental Entrepreneurship.* 7, 7, 175-192.

Ciavarella, M. A., Buchholtz A. K., Riordan S. M., Gatewood R. D., Stokes G. S. (2004). The Big Five and venture survival: Is there a linkage? *Journal of Business Venturing,* 19, 465-483.

Covin, J. G., Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal.* Vol. 10, 75-87.

Crowne, D. P., & Marlowe, D. (1960). A new scale of social desirability independent of psychopathology. *Journal of Consulting Psychology*, 24, 349-354.

Davidsson, W. N., Dutia, D. (1991). Debt, Liquidity and Profitability of Small Firms. *Entrepreneurship Theory and Practice.* 53-64.

Dess, G. G., Lumpkin, G. T., Covin, J. G. (1997). Entrepreneurial strategy making and firm performance: tests of contingency and configurational models. *Strategic Management Journal*, 1 89, 677-695.

Dunn, B. (1995). Success themes in Scottish family enterprises: Philosophies and practices trough the generations. Family Business Review, 8(1), 17-28.

Elizur, D. (1984). Facets of work values: a structural analysis of work outcomes. *Journal of Applied Psychology*, 69, 379-389.

Flemons, D. G., Cole, P., M. (1992). Connecting and separating family and business: A relational approach to consultation. *Family Business Review*. 5 (3), 257-269.

Gallo, M. Á., Tàpies, J., Cappuyns, K. (2004). Comparison of family and nonfamily business: financial logic and personal preferences. *Family Business Review*, 17, 4, 303-318.

Getz, D., Petersen, T. (2005). Growth and profit-oriented entrepreneurship among family business owners in the tourism and hospitality industry. *Hospitality management.* 24, 219-242.

Haberstroh, C. J., Gerwin, D. (1972). Climate factors and the decision process. Wisconsin University Milwaukee.

Hamilton, B. H. (2000). Does entrepreneurship pay? An empirical analysis of the returns to self-employment. *Journal of Political Economy,* 108, 3, 604-631.

Jorissen, A., Laveren, E., Martens, R., Reheul, A. (2005). "Real" versus sample-based differences in comparative family business research. *Family Business Review*, 18, 3, 229-246.

Keasey, K., Watson, R. (1996). Owner-manager drawings, firm performance and financial structure: an analysis of small and closely-held UK firms. *Journal of Business & Accounting*, 23(5) & (6), 753-777.

Koiranen, M. (2002). Over 100 Years of Age But Still Entrepreneurially Active in Business: Exploring the Values and Family Characteristics of Old Finnish Family Firms. *Family Business Review,* 15, 3, 175-187.

Lafuente, A. and Salas, V. (1989). Types of entrepreneurs and firms: the case of new Spanish firms. *Strategic Management Journal*, 10, 1, 17-30.

Littunen, H., Hyrsky, K. (2000). The Early Entrepreneurial Stage in Finnish Family and Nonfamily Firms. *Family Business Review*, 13; 41-53.

Lyons, S.T., Duxbury, L.E., and Higgins, C.A. (2006) A comparison of the values and commitment of private sector, public sector, and parapublic sector employees. *Public Administration Review*, 66, 4, 605-618.

Moores, K. (2009). Paradigms and theory building in the domain of business families. *Family Business Review*, 22, 167-180.

Podsakoff, P. M., MacKenzie, S. B., Lee, J. Y., & Podsakoff, N. P. (2003). Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88 **(**5), 879-903.

Poutziouris, P., Chittenden, F., Michaelas, N. (1998). Evidence on the tax and investment affairs of small firms. *Journal of Small Business and Enterprise Development*, 6, 1.

Rokeach, M. (1973). *The Nature of Human Values*. Free Press. New York.

Smith, N. (1967). The entrepreneur and his firm: the relationship between type of man and type of company, Bureau of Business and Economic Research, Michigan State University, East Lansing, Mich.

Smith, M. (2007). "Real" managerial differences between family and non-family firms. *International Journal of Entrepreneurial Behavior & Research*, 13, 5, 278-295.

Storey, D. J., Wynarczyk, P. (1996) The Survival and Non Survival of Micro Firms in the UK. *Review of Industrial Organization,* 11, 211-229.

Tagiuri, R., Davis, J., A. (1996). Bivalent attributes of the family firm. *Family Business Review*. 9 (2), 199-208.

Vallejo, Manuel, Carlos. (2008). Is the Culture of Family Firms Really Different? A Value-based Model for Its Survival through Generations. *Journal of Business Ethics*. 81, 261-279.

Viola, R. (1977). Organizations in a Changing Society: Administration and Human Values. Philadelphia. W. B. Saunders.

Williamson, O. (1996). Transaction cost economics and the Carnegie connection. *Journal of Economic Behavior and Organization*, 31, 2, 149-155.

Yoshikawa, T., Rasheed, A., A. (2010). Family Control and Ownership Monitoring in Family-Controlled Firms in Japan. *Journal of Management Studies*. 47:2, 274-295.

Zahra, S.A., Hayton, J.C., Neubaum, D.O., Dibrell, C. and Craig, J. (2008). Culture of family commitment and strategic flexibility: the moderating role of stewardship. *Entrepreneurship Theory and Practice.*32, 6, 1035-1054.

Appendix: Measurement items

Work values: How important do you consider the following work characteristics? 1=not very important, 5= of utmost importance

Intrinsic work values:
The work is inspiring
The work offers challenges where I can apply my skills
I can learn or create something new
I can enjoy my work
I can affect the organization's success

Extrinsic work values:
I can get a secure income from the business
I can get a sufficient monetary reward for my work
I can obtain wealth through the business

Status work values:
The work is respected by others
I can manage and organize other people's work
I can advance in my career

Social work values:
I can offer employment to others
I can work in a business owned by my family
The work has an impact on the society
I can leave a solid business to the next owner generation