Family Businesses and Independent Board of Directors: Strategies for Company's Longevity

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Abstract
This article investigates whether an independent board with family members, should be preferred to a company in terms of longevity. Confidence between family members and the relationship is difficult to replicate. However, the interest of the founder may not always be in accordance with shareholders. A qualitative multiple case study is conducted and compared with three actual cases of Polaris AB, Index Braille AB, and Liko AB. Evidence supports that an independent board, with family and independent board members, should be preferred in terms of a long-term perspective since they have the ability to be objective, professional and decisions can be analyzed from different perspectives to choose the appropriate alternatives with the best interest of the company. This scientific paper provides a valuable conclusion that can be an assistant when deciding which people are best suited to offer a place in the frame with the company's interest as a priority.

Keywords: Agency theory, Board independence, Effective board, Family business, Corporate governance

Introduction

Family businesses are not all the same. They are very heterogeneous. One of the major contributions to this idea is to the extent that family members occupy institutions of the upper echelon. Family businesses remain a globally dominant organizational form (Nelson & Constantinidis, 2017). But family participation alone is not enough to qualify a leadership position (De Massis et al., 2008; Lee et al., 2003; Sharma & Irving, 2005). To what extent, for example, the presence of family members on the board of directors brings advantages or disadvantages? Independent directors can see different situations from these first. For any characteristic that influences the strategic choice of an individual, it is said that the achievement of the group's objectives also influences the strategic choice because of the conflict and the generation of alternatives. Above all, homogenous senior management teams will make strategic decisions faster than heterogeneous teams (Hambrick & Mason, 1984).

Companies must adopt long-term planning. Within this, one must involve the board of directors, and make the plan detailed enough so that it can be tied to performance (Upton et al., 2001). The board is an important part of a company. An effective board includes members that help monitoring and advice management in valuable strategic direction for the company. The board supports the CEO and helps in making important decisions for future growth. Independent board members could be positive for a firm due to the effective monitoring function, however there can be a tradeoff from the knowledge provided from insiders on the board (Lending & Vähämaa, 2017).

Since the founders may have special demands for control of their companies, they may be instrumental in selecting the board or becoming rooted, even with small stakes. At the same time, the founder's entrepreneurial capacity can be an asset, at least early in the life of the company (Morck et al. 1988). The literature recognizes that family businesses have specific characteristics that make their growth processes unique. For Stenholm et al. (2016) an entrepreneurial activity around acquisition strategies in family businesses is essential. On the other hand, intra-family conflicts can be mitigated using traditional corporate governance mechanisms (Kubíček & Machek, 2020), such as the independence of the council.

There is the premise that a manager with a very high percentage of shares in the company, such as the founder of the family business, can begin to influence his corporate decisions to remain indefinitely in the position with a high salary, making assets corporations become less valued (Saito & Silveira, 2008). Thus, the firm's market value will decrease in relation to the number of shares held by the agents, as the agent will be more concerned with holding on to the position and may have difficulties in making decisions (Demsetz, 1983; Fama & Jensen, 1983).

Therefore, this study seeks to investigate whether an independent board or a board with family members is the most appropriate board composition for a firm's longevity. With this concept in mind, the research question that guided this research stands as it follows: what type of board composition boosts business longevity in family firms?

Firstly, the study discusses and analyzes the board composition of three companies, Polaris AB, Index Braille AB and Liko AB. The companies are described through cases in Navid Ghannad’s doctoral thesis (2013). All three companies were built from small town entrepreneurs who wanted to share their life work with family and friends. All three boards include mostly insiders, but it is discussed whether to include some independent members to each board.

Only the participation of the family is not enough to qualify the person belonging to a leadership position within the family business (De Massis et al., 2008; Lee et al., 2003; Sharma & Irving, 2005). The specific knowledge of a company, as well as the ability and willingness to transfer it, is considered an essential strategic asset while generating competitive advantages (Spender & Grant, 1996). However, the sharing of knowledge by the patriarchs with other family members be sharing of power, there may be reluctance of the holders despite existing harmony in the family. (Gilding et al., 2015). On the one hand, the principles of corporate logic emphasize promotion based on merit and direct attention to company size, growth, profit, and market position (Thornton et al., 2012). On the other hand, family logic is associated with notions of community and unconditional loyalty to family members (Friedland & Alford, 1991).

Theoretical Background

The following section consists of theories about different boards and board compositions. The theory is divided, as follows: family business, family board, independent board, and agency theory.

Family Business

Many family businesses around the world emerge and survive through generations, not because they are the most efficient or profitable form of organization, but because they meet the socioeconomic needs of their owners. An important success criterion for these companies is that they can exert family influence and avoid social-emotional losses, but this can lead homeowners to make risky business decisions with a high probability of negative outcomes (Gómez-Mejía et al., 2007).

Family businesses represent approximately two-thirds of firms worldwide, 70-90 percent of global annual GDP and 50-80 percent of jobs in many countries (De Massis, Frattini, Majocchi, & Piscitello, 2018; Family Firm Institute, 2017). The average life expectancy of family firms are 24 years, with only 5% surviving beyond the third generation. The main causes for this result are concentration on a product (tradition) and lack of structured planning and conflicts due to succession (Gersick et al., 1996). In the same sense, Pardo-del-Val (2009) contributes by affirming that good succession process is not the one which avoids conflict, but the one that successfully manages it.

On the other hand, according to Denis and McConnell (2003), installing family members as managers is not harmful to minority shareholders if they are the best people possible to operate the company. However, this is not always the case. There is evidence in several US studies that indicates that CEOs who are a family member to the owner are more likely to undermine the performance of the company (ibid.). This is also supported by Burkhart, Panunzi and Shleifer (2003) that problems may appear when the founder of a company no longer is the best manager. At this point there is a choice between remaining to manage, appoint a child as successor or hire a more qualified foreigner who will separate ownership from management. Family ties can impede independence. However, as genuinely independent directors become more common, a clear performance advantage will emerge (Morck, 2008).

A board with a minimum of 50 per cent of independent members is an independent majority and therefore an independent board (Jensen, 2003). Those with a percentage below 50% are considered dependent, such as a family board. As for the size, Jensen (2003) argues that a board should not include more than seven or eight members. An expanded board is less likely to function effectively because the executive director easier controls it.

Family Board of Directors

Osi (2009) explains that family-owned businesses with parents, siblings and intergenerational relatives employed provide a synergy within the company. The family bond has potential to establish a base for interpersonal communication and good corporate governance. This is because of open communication and coordination within the family. Unlike public corporation, family businesses stand for trust and mutual interests, which provide an advantage towards shareholders (ibid.).

The findings of Samara and Berbegal-Mirabent (2018) for a study with 74 Lebanese family firms finds that, depending on the family firm governance structure, the presence of independent directors on the board can lead to either positive or negative firm performance.

However, there are also several disadvantages for family businesses (Osi, 2009): First, because of the closed nature of the company there is a great chance that the majority shareholder oppresses the minority shareholder, such as a big brother dominating over his younger brother. It can also lead to dividends to be withheld or unreasonably salaries being paid to the majority shareholder or a favored relative of his or her. Also, employment to competent, but minority shareholders relatives, may be refused without probable cause. Second, a family-business creates opportunities for “freeze-outs” and “squeeze-outs”, used by the majority shareholders to drive the minority owners out of the business. Third, there is also a great chance that jealousy, pride, ego, or problems at home are brought to the workplace when working close with family. Fourth, old family quarrels may have left old wounds that tend to emerge when running a business together. Fifth, the founders may experience the need to stay in power of fear of losing the company because they are no longer needed. To make sure they stay in power they may intentionally or unintentionally contain the growth of the next generation, disregard their own weaknesses, or not listen to advice. Sixth, family members in their various senior management positions have immense conflicts of interest and lack of transparency that may indirectly leave the company subject for controls in order not to deceive stakeholders.

Independent Board of Directors

The distinction between family members and members of the external board can be important for several reasons. External directors should oversee the performance of company directors. But monitoring the performance of top executives requires time and effort. As for the evaluation of the impact of having a founding family member as one of the two main employees, i.e., the board member, the presence of the founding family adversely affects the market value in older companies where the entrepreneurial talent of the founder may be less valuable (Morck et al., 1988).

Fama and Jensen (1983) argue that the inclusion of professional external board member increases the effectiveness of the board by encouraging them to build their reputations as effective monitors and to gather a likelihood of collusion by top executives who could aim for expropriation of wealth of shareholders. However, the authors emphasize that a reputation as a board member that does not create problems for executive directors could also be potentially valuable. Wiseman and Barton (2015) argue that everyone should be aware of the meaning of fiduciary duty, which means that a board member should emphasize loyalty and prudence by prioritizing commercial interest and use skills, attention, and proper diligence for decisions regarding the business. The role of a faithful and prudent board member is to help the company toward long term value and success, not to force the executive to maximize short term shareholder value. Leach (1994) reinforces the concept that professionalization is associated with growth and market positioning. It appears because of the shift from an instinctive management method, related to the founder of the family business, to a professionalized approach. The new approach is based on strategic management techniques to plan and control growth. (Fogel et al., 2014).

The Hambrick, Misangyi and Park model (2015) is a Quad model, which develops and integrates fragmentary literature on the attributes necessary for the administration to be effective monitors. The authors conceptualize the totality of the ideal director. In accordance with the classic framework, it emphasizes that the task of effectiveness depends on the interactive presence of various qualities in a person. Four attributes of the model, in combination, greatly increase the likelihood that a particular director will be an effective monitor. These elements are:

1. Independence: ability to be objective
2. Expertise: ability to understand the issues at hand
3. Bandwidth: ability to devote time and attention
4. Motivation: eagerness to exert oneself on behalf of shareholders

The four qualities reinforce each other, above all, the quad model provides a position to make predictions about board effectiveness to prevent governance failures (Hambrick et al. 2015). In a multi-country context, Croatia, Egypt, France, India, Kuwait, and the United States, as the percentage of unfamiliar managers in the management team increases, the use of sophisticated financial management and consideration of public disclosure flourishes. Above all, there is a decrease in the conflict of family members, in the influence of the original founder, and in the formulation of succession plans (Sonfield & Lussier, 2009).

Agency Problem

The increasing professionalization of management in family-owned enterprises can be an important source of potential conflict between family members and others in independent and professional management (Yeung, 2000). Agency theory is directed to the omnipresent agency relationship, in which one-part (the director or principal) delegates work to another (the agent), who performs the work. Agency theory attempts to describe this relationship using the metaphor of a contract (Jensen & Meckling, 1976). According to Eisenhardt's (1989) research, agency theory has two lines: positivist and director-agent. The two analyze the contract between director and agent. Positivist theory focuses on identifying situations in which the director and agent are likely to disagree on objectives. The director-agent theory indicates which contracts are most efficient at different levels of uncertain outcomes, risk aversion and information.

In the relationship between shareholders and managers, agency costs related to residual losses can be seen very clearly in some decisions where managers do not maximize the shareholders wealth. An important alternative of the shareholder is to monitor the agent to minimize the risks of divergence (Jensen, 2003). Less independent boards make less monitoring. The probability that independent directors are added to the board increases after poor corporate performance. Since fairness among principals is a problem, the dynamics of board composition become more complicated. For example, continuous directors can reduce their own workloads by adding very independent directors (i.e., low-cost directors) to the board. (Hermalin & Weisbach, 1998). On the other hand, as the number of independent members increases, their value to the company in providing expertise increases if each of them has the same effort. (Harris & Raviv, 2006).

Finally, for Eisenhardt (1989), agency theory reminds us that much of organizational life, whether we like it or not, is based on self-interest. In this theory there are especially two contributions: the first, information is considered as a commodity, it has a cost and can be bought. This gives an important role to formal information systems, such as budgets, MBOs, and boards of directors, and informal ones such as managerial supervision. The second, more aimed at the analysis of this paper, which is the prosperity of firms, is the implications of risk. That organizations are estimated to have uncertain futures with the future either bringing prosperity, bankruptcy, or some other intermediate outcome, and that the future is only partially controlled by the members of the organization. The result is uncertainty coupled with differences in willingness to accept risks, which should influence contracts between a principal and an agent.

Method

The work process, developing this article, included literature review based on three cases from Navid Ghannad's doctoral thesis (2013). The cases are used to analyze facts from real companies that bring to light how an independent board, or a board of family members may affect and influence a company in its daily operations. The information about the companies that are discussed in these cases is complemented with relevant fact from each company's annual reports and theories from the scientific articles found in the reference list.
The data for this scientific article has been collected through research within the subject of independent board and a family board with the aim to find theory regarding these subjects. Secondary sources have been used both in the literature review as well as in the case description. Secondary sources are good since the information is easy to find, but the information is collected in favor of another purpose and that must be taken into consideration when answering a new research question (Hox & Boeije, 2005).
When searching for information, the term "peer-reviewed", along with the following keywords were used to find articles with good quality and content to use in this article: "agency theory", "family business" and "independent board". All the articles that have been used in this scientific article have been found through databases such as Scopus, Science Direct, Summon and Web of Science.

Case Description

The cases that will be described in this paragraph are as follows; Polaris AB, Index Braille AB and Liko AB. First, there will be a short description of the companies and second about the problems that each company board has encountered. How they function and how they are composed today, whether they have an independent board, a board with family members or a mix of both.

Polaris AB

Polaris group is a company that both manufactures and sells rimless eyewear, and it was established in 1979 by Staffan Preutz and Lars Karbin where the ownership were divided equally between them on a 50-50 basis. However, due to differences in opinions later the partnership ended with Preutz buying the 50% that Karbin owned. In the beginning Polaris focused on manufacturing regular eyewear that could be colored and shaped in various way and the frameless glasses, which would later be the real success especially with the Staffan Preutz - SP collection, were just a side project (Ghannad, 2013).
In the beginning of the establishment Lars Karbin was a member of the board along with Staffan Preutz. Lars and the banks required a strong board and therefore wanted Staffan to include some external board member with good knowledge and experience of doing business. Staffan was skeptical but was told that the board cannot include only his wife and children. Therefore, Rolf Back, Staffan's friend since childhood, was asked to join the board. After a while they included three more people to the board, Staffan's friend and experienced optician Arne Andersson and, on Rolf's request, Erik "the glass king" Rosén. However, over time all these people eventually resigned from the board. Because of the loss of influential and skilled members, the role of the board was changing and lost its power. Staffan did not replace the external board members as they resigned. Rosén was the last one to resign in the summer of 2003 with the reason being that he no longer felt he could maintain his objectivity as a board member because of his close friendship with Preutz. After Rolf resigned Staffan asked his

friend Kenneth Thoren to join the board. In 2008 the board composition included, Staffan, Kenneth, Staffans wife, his son-in-law and his two daughters. At this point, the role of the board is of insignificance because Staffan is the one to make decisions (Ghannad, 2013).
There are some disputes between Staffan and the board when it comes to decision making. At one-point Staffan wanted to buy a new machine, which he believed was important for the future of the company and that would contribute to the development of new products. The board, with a more complete analysis, believed that it was not the most appropriate time to acquire the new equipment since it could affect the cash flow of the company and that it would take time to give a financial return to the company.
There are also several agency disputes in this case with the main example being between Staffan and an agent in charge of the U.S subsidiary. An agent was hired to run the business in the U.S and make it profitable. However, his was a complete mistake, since there was a very great divergence between what the owner wanted and what the agent did. Staffan had always behaved ethically and sought to avoid high costs. He always traveled economy class, used cheaper hotels and if travelling together with someone, they shared a room. In contrast, the agent spent money on things that was not meant for the business. He did not focus on business but on his own behalf, buying unnecessary things with company money, such as a luxury car for himself (Ghannad, 2013).
In Polaris annual report from 2016 the board consist of three members, Staffan Preutz, Hans Urban Svalling and Jenny Maria Kristina Preutz. In other words, it consists of Staffan Preutz, one of his daughters and his son-in-law (Annual report Polaris, 2016). Polaris therefore have a board solely with family members in it.

Index Braille AB

Index Braille AB is a company that manufactures and sells Braille printers that are of high quality and are technically advanced. The company, which is privately owned, was established in 1982 by Björn Löfstedt and Torvald Lundqvist. Björn had personal reasons to invest his time in Braille printers because his mother was blind and used to work as an administrative assistant. During this time, the Braille writers were just regular typewriters with no memory. Therefore, Björn started working on his spare time, building a Braille printer with a memory. He also brought his colleague Torvald Lundqvist on board. However, in 1991, Torvald sold his shares to Björn after starting his own company, Anima Electronics AB, which became a software supplier to Index. At the time of Ghannad’s (2013) doctoral thesis was being written, 97% of Index Braille total sales was exported to around 85 countries.
In the beginning it was only Björn and Torvald who worked at Index Braille and consequently they were the only board members. However, after realizing that they did not have enough experience in the field of selling the products and everything that came along with that such as legal matters they recruited Rolf Österberg to become a minority partner and a board member. As the company took loan to finance their business, they had investors on the board. Björn did not like this composition because they were telling him what to do without any experience. Theirs, and Torvalds, only interest was to make money and so Björn decided to pay back all his debts and to buy Torvald out of the company. Later, the board included Björn, Mikael Vikman who was the production manager and Kjell Ulfberg as an external manager. However, Björn is the one taking all the decisions. According to Björn the board is more of a formality since the board itself have no major influence and Björn have the power to run over it at any time if he wants to. Instead of the steering wheel of Braille Index, Kjell describes the board as the clutch, gas, and brake pedal. Before they had to slow Björn down but since he is satisfied with what he has now, it is more about pushing him forward to developing the products and thus the market (Ghannad, 2013).

Today, the board consists of Björn Löftstedt, who still is the owner and CEO, Kjell Tage Ulfberg, who has been a board member for a long time, Agne Mikael Vikman, and the firm's assigned accountant (Retriever, 2017a). Björn's wife Karin Löfstedt is a board alternate. There is no information on Agne Mikael Vikman and his relation to Björn, so we will assume that he is an independent board member alongside with Kjell Ulfberg. So, the board therefore consists of two independent members and Björn and his wife if we include the board alternate.

Liko AB

Liko AB was established in 1979 by Gunnar Liljedahl. The company specializes in manufacturing, marketing and developing transfer equipment to people whose mobility is impaired. Gunnar's start within the medical industry started when he applied for a job at the County Council Public Health Board who was looking for a person who could work for them as a constructor and problem solver. More specifically his task was to solve problems for the disabled, which would be the starting point and lay the grounds for the success Liko AB would soon be. Since October 1st, 2008, Liko AB is a part of Hill-Rom, which is a world leading medical technology company that is active in more than 80 countries and employs more than 6800 people worldwide (Liko R&D AB, 2016).

In the beginning Gunnar was very keen on keeping the board a family matter and had no interest in letting others interfere in his work. However, in the 80s he started to bring in external people as well. He asked Hans Sigvardsson and Hardy Brännström to be a part of the board. Later, both Hans and Hardy became CEOs of different parts of Liko. Since they could not be both members of the board and employees of company, they had to leave the board of directors. The board continued being small and informal, but the importance of the board increased. Later it consisted of Gunnar himself as the head of the board, his second wife Barbro and Roland Lundström who used to be the Liko's accountant. According to Gunnars' brother, Sören, he is afraid of being controlled by others and the composition of the board reflects that. Sören thinks there is a need of strong external members because the present board is too weak (Ghannad, 2013).

Today, the board of Liko AB is an entirely new one with solely external people which may very possibly be a consequence of the selling of the company and making it a part of Hill-Rom. The board consists today of the following people: Anna Cecilia Rehman Linder, Anna Karin Elisabeth Rasmuson, Francisco Canal Vega and Subramaniam Yogendran with both Vega and Yogendran being located outside of Sweden (Retriever, 2017b). Thus, making the board of Liko an entirely independent board.

Discussion of Results

The analysis will consist of both the advantages and disadvantages regarding family boards and independent boards, which can be found in the theory. Both board compositions will be analyzed from the following perspectives: board communication, board influence, board effectiveness, board conflicts and a general discussion.

Board Communication

Osi (2009) emphasizes the potential of interpersonal communication and good corporate governance in a board of family members, such as on-going communication outside the boardroom. However, the three cases from Ghannad's doctoral thesis (2013) show none of these advantages. Instead of a good communication, the discussions between the family members and other board members were often conflicting and the owner's point of view always prevailed. From the cases, there is no information of an interpersonal communication outside of the boardroom. However, there might have been meetings and discussions between family members prior to board meetings, but as mentioned, it is not clearly shown in the cases. Instead, they show a lack of communication within the family with each founder as the head of the board, making all the decisions.

Nevertheless, the independent board members might not understand all the details of the company's performance or failures (Lorsch & Clark, 2008). They might not know or be as equally familiar with the company, such as their values, traditions, and past experiences and what the goal of the company is. For example, the independent board members, representing the external financiers in Braille Index, were more interested in the profits of the company when that was not the priority and in accordance with Björn's vision.

Board Influence

Regarding the influencing power of the board, most of the literature emphasizes the importance of an independent board (Lending & Vähämaa, 2017; Holm & Scholer. 2010; Burkhart et al. 2003; Fama & Jensen, 1983; Osi, 2009). It can also be seen in the case of Braille. Their board composition changed for different reasons. As the business grew, Björn and Torvald did not have all the knowledge they needed in sales and therefore added an expert to the board. Later, investors also placed representatives on the board. However, in Braille Index the board is more of a formality, with Björn as the head of the board solely responsible for all decisions. Even though there are external members in this board, they do not have much influence on decision-making. Their main job is simply to slow down Björn when he comes up with new ideas or push him forward when he gets too comfortable.

Independent board members must learn to lead the boardroom, learn to stay focused on long-term trends and being able to impact these trends within the company (Lorsch & Clark, 2008). However, it is not expected that independent board members can understand all the details of the company's performance and failures (Lorsch & Clark, 2008). There might be good to also have family members on the board, and not solely independent board members.

According to Burkhart et al. (2003), it is important to separate management and ownership. However, in all three cases there is no full separation since all companies have family as board members. In the case of Polaris, when the external board members resigned, the board lost its power of influence and Staffan was the one making all the decisions. This can also be seen in the case of Liko, with Gunnar not wanting others to interfere with his business and therefore wanted to keep the board a family matter only. Liko's board is small and informal, and Gunnar's brother Sören stressed the importance of adding external board members for the board to gain power.

Board Effectiveness

Fama and Jensen (1983) claim that external members increase the effectiveness of the board by encouraging them to build their reputations as effective monitors. This is in accordance with the Quad model, which develops and integrates literature about the necessary attributes of an effective monitor (Hambrick et al., 2015). It states that there is a relationship between the various qualities of a person and the task of effectiveness. Also, in accordance with the quad model an effective monitor should possess independence, expertise, bandwidth and motivation. That is the ability to be objective, to understand the issues at hand, the ability to devote time and attention, and have eagerness to exert oneself on behalf of shareholders (ibid.). However, these attributes are not always shown in the three cases, for instance when it comes to investors as external board members in Braille Index. They are not objective because of their self-interest and do not necessarily understand the issues at hand. Even though they are motivated on behalf of shareholders and the ability to devote time and attention, they are not the ideal directors according to the Quad model. Since they only obtain two out of four qualities necessary to be effective monitors.

Possessing all the attributes of the Quad model increases the likelihood for a director to be an effective monitor in the board and, as mentioned earlier, independence is one of those qualities (Hambrick et al., 2015). This way, the Quad model shows that dependent board members, such as family members, are less likely to be effective monitors. Therefore, in the context of family boards, adding an independent board member might help to professionalize the company and add to the effectiveness of the board (Osi, 2009). For example, since Braille is an institution with long-term planning that wants the business to thrive, a strong and independent board is extremely necessary. Although, in Björn's view, the board is a mere formality and he cannot see its real value, the Braille board still consist of a mix of independent and dependent board members, which continues to contribute to the longevity of the company. The quad model can help companies, such as Braille Index, Polaris and Liko AB, to make predictions about board effectiveness (Hambrick et al., 2015), which might be helpful when adding board members to a board to make it more effective.

Board Conflicts

According to Eisenhardt (1989), organizational life is much based on self-interest and the agency theory reminds us of that. The board has an important role to implement a structure to avoid problems regarding differences in willingness. They must analyze the contract between principal and agent to identify situations where a conflict may appear (ibid.). In the case of Polaris, this type of problem appears in the conflict between Staffan, the principal, and the U.S subsidiary, the agent. In contrast to Staffan’s beliefs, the U.S agent spent money on things that was not meant for the business. This is an agency problem because the agent does not maximize the wealth of the company (Jensen 2003). Therefore, a strong board with a vital task to protect the interest of the company can make a decisive contribution to reduce this type of problems (Osi, 2009)

There is also a conflict regarding the interest between Staffan’s wishes and the interests of the company represented by the board, when Staffan wants to buy a new machine. The family board and the independent board member may have different goals and risk preferences (Osi, 2009). In contrary to a board with only family members, since they often stand for trust and having mutual interests, which be an advantage. But in the case of Polaris, the independent board was analyzing more rationally. They did not think it was the best time to make such an investment and when this type of problems appears, the importance of a strong board is clear. This because the company must be able to afford the costs of possible equipment acquisitions and these equipment’s must bring a financial return to the company. After all, that is what a company is all about.

General Discussion

From all three cases you can see that external board members are important for a board to gain influence and effectiveness. Even though the theory states it is important to separate ownership from management (Burkhard et al., 2003), family boards usually have themselves as both owner and manager (Osi, 2009). This is not wrong if those are the best to operate the company (Denis and McConnell, 2003). But according to Osi (2009), there are several disadvantages regarding family businesses, managed by a family board.

This can be related to all three cases because the founders are the head of each board, taking all the decisions. In the case of Liko, Gunnar had a certain distrust of installing an independent board but according to his brother Sören it was because he was afraid of not having the power to make all the decisions. Sören claims that weak board of Liko was reflecting the fears that the founder had. Although their "weak" board has managed to run the company for many years as the company grew it was acquired by another company with a strong, independent board ready to take business to another level. Therefore, there will be projects in which the CEO differs from the opinion of the board and shareholders. When control by the board is successful, it effectively controls project selection, and the CEO becomes unable to implement his projects triggered by emotion rather than reason. However, the quality of board advice improves as the CEO gives you better insight into the company's investment opportunities and the board will give you better investment options if the CEO shares your information. On the other hand, it should be noted that there may not be a totally friendly relationship for a fully independent board of directors (Adams & Ferreira, 2007).

Conclusion, Implications, and Limitations

The three cases show that a board with external members have more influence on decision-making, compared to a board of family members. Also, from the analysis it is shown that external board members are important for a board to gain this kind of power. Such as taking actions in interests of the firm as they have more influence and assertiveness in decision-making. Independent members can easily be emotionally isolated to balance relevant information and corporate wisdom to fulfill their vital task, which is to protect the interests of the company. Therefore, this sort of problems that may appear in any company requires a board that is independent of family relationships.

In the view of agency theory, an independent board is more appropriate to lead companies in the long-term perspective. An independent board helps monitoring the principal and agent relationship to avoid conflicts that may appear. Independent directors are also more likely to play an effective role in navigating the company away from other problems. In addition to their independence, they also possess knowledge, bandwidth, and motivation, which makes them the ideal directors according to the Quad model. Also, the trust between family members and the relationship they have to each other is difficult for an external board member to replicate. Sometimes, it takes a close relative to fully understand the decisions made by the founder and their deep emotional attachment to the company. However, the interest of the founder may not always be in accordance with the financial interest of external stakeholders. Family members can therefore provide a synergy within the company, while independent board members can add a more objective and rational point of view.

When analyzing the three cases and the literature review, the conclusion is, in terms of business longevity, that an independent board of directors is to prefer. A strong and independent board reduces the risks of failure, since decisions are taken along with others and analyzed from different perspectives to always choose the best alternatives for the growth of the company. Even though an independent board is to prefer, it is only required that 50% of the members are external to be defined as an independent board. This means that a board can make use of both family- and independent board members, and the advantages they offer. An independent board with a combination of both family members and independent members on the board might be to prefer.

Although this study has added to the current state of knowledge in several ways, it must also be accepted that there are several limitations to the research. First, all three case companies were established around 1980 and are in the same country, in northern Sweden. Second, the evaluation was limited to documentary analysis, through Ghannad's doctoral thesis (2013), with no triangulation in the same companies. Third, a study used predominantly qualitative data. The sample was too small for research or statistical inference. Finally, our analysis was restricted to strategies for companies' longevity. Of course, many of these strategies are directly or indirectly related to performance. Therefore, other studies can focus on this aspect.

Other possibilities of future research are also suggested. First, the results of this study are descriptive and exploratory and could be generalized to verify whether these aspects related to strategic choices are happening in other countries, including in emerging countries. There is clearly a gap for research to explore the board's classification as independent with management capabilities and strategic decisions. Second, this study highlights the need to continue this research based on an extensive number of companies. Third, investigating various family businesses, as well as non-family businesses, to collect data from different companies in various countries, to gain a deeper understanding of the different board compositions to be able to see the connections between companies on a global scale. Fourth, longitudinal studies that would propose to test, after the board of directors became independent, would be welcome if the companies remained in the market for more years, meaning permanence and longevity. Finally, it is important to analyze the effects of board independence on other aspects of the firm, such as recognition of the workforce, achievement of commercial goals, reputation, and company brand, among others. Besides, it is possible to find different and/or more diverse ways of measuring and operationalizing the independence data of the board. It is suggested to test the combination of characteristics (presence of minorities and/or foreigners) or the presence of a board member that contains multiple skills. Also, aspects such as term of office, if there is duality, if there is interlocking, previous experience on boards, and the relationship of these aspects with the company's industry and at different economic times. It is plausible to infer that a board setup may be bad for crises, but good for stable moments.

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