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Planning for Growth: Life Stage Differences in Family Firms

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Applying insights from the generational perspective, this study explores when strategic planning and succession planning are most conducive to privately held family firm growth. The results show that the degree to which strategic planning and succession planning are associated with family firm growth depends on the generation managing the firm. Both forms of planning are most conducive to the growth of first-generation firms; however, neither form of planning confers much growth for second-generation firms. For third-and-beyond-generation firms, the benefits of succession planning appear to reemerge. However, strategic planning is negatively associated with their level of growth.

Introduction

While there are numerous examples of companies that have prospered over multiple generations, even prosperous family firms rarely survive beyond three generations (Chami, 2001). At the heart of these decreasing survival rates is a declining propensity to make the required investments to support growth, particularly as the family firm ages. Researchers have identified strategic planning (e.g., Chrisman, Chua, & Sharma, 2003; Sirmon & Hitt, 2003; Upton, Teal, & Felan, 2001) and succession planning (Handler, 1989; Sharma, Chrisman, & Chua, 2003a; Ward, 1987) as mechanisms likely to counteract this underinvestment, encourage appropriate investments, and lead to growth in the family firm. Although research recognizes these planning processes as important to growth, prior work has not examined their effects on growth across generations in privately held family firms. Moreover, much of the existing research shows that both forms of planning are often neglected. Chrisman, Steier, and Chua (2006) and Cater and Schwab (2008) suggest, for example, that issues arising in the shift from one generation

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to the next may have a negative impact on the firm's engagement in strategic planning. Studies have also found resistance to succession planning in first-generation family firms (Davis & Harveston, 1998; Sonfield & Lussier, 2004).

Thus, the purpose of this paper is to examine the effects of strategic planning and succession planning across different generational stages in privately held family firms. Our central argument is that the benefits of strategic planning and succession planning vary depending on the generation that is managing the privately held family firm. The positive effects of both forms of planning will, we hypothesize, be strongest in first-generation firms, weakest in the second-generation firms, and moderate for firms in the third generation and beyond. By proposing that planning may not always translate into similar gains for all generations of family firms, we hope to help explain the inconsistencies between the prescriptive literature that urges firms to engage in these forms of planning and the multiple studies that have failed to show performance benefits for strategic planning (e.g., Kellermanns & Eddleston, 2006; Miller & Cardinal, 1994; Robinson & Pearce, 1983) or succession planning (e.g., Diwisch, Voithofer, & Weiss, 2009).

Strategic planning and succession planning in privately held family firms are not well researched. With regard to succession planning, much of the research is not empirical in nature and has a managerial focus. The same is true for strategic planning in family firms since the benefits of the strategic planning process are not established in the family business literature, and contingencies of the planning–performance relationship need to be identified. As such, our paper, with its empirical vantage point, makes both scholarly and practical contributions to the family firm literature. From a scholarly research perspective, the inclusion of family firm generation as a moderator between planning processes and growth allows us to explore differences that have appeared in prior research with respect to the benefits of planning. Our results suggest that each generation of a family firm needs to be studied on its own terms with respect to planning, since each generation has distinctive problems and needs. Additionally, although firm growth is necessary to sustain an expanding family and avoid the decline or loss of the business (Poza, 1988; Poza, Hanlon, & Kishida, 2004), few studies have actually concentrated specifically on family firm growth as an outcome variable (Carlson, Upton, & Seaman, 2006; Casillas & Moreno, 2010; Teal, Upton, & Seaman, 2003). From a practical, managerial perspective, the findings from this research offer insight as to the importance of strategic planning and succession planning to firm growth at various stages of the life cycle. Finally, by showing that generational differences affect the efficacy of planning, our study offers an important corrective to blanket calls for family firms to engage in more strategic (e.g., Sirmon & Hitt, 2003; Upton et al., 2001) and succession planning (e.g., Sharma, Chrisman, & Chua, 2003b; Ward, 1987). The message is not that such planning is bad for the firm; rather, our results suggest that the benefits of both forms of planning depend on the distinctive challenges faced by family firms at different generational stages of their development.

Hypothesis Development

In accord with research on family dynasties (Jaffe & Lane, 2004) and generations (Chirico & Nordqvist, 2010; Cruz & Nordqvist, 2012), an underlying premise of the current study is that growth is necessary to sustain an organization across generations. For example, Jaffe and Lane argue that the business must grow 10–15% compounded annually to provide a financial inheritance and legacy to the next generation. Therefore, consistent with much research in entrepreneurship (Carlson et al., 2006), we used growth as our dependent variable.

Strategic Planning

Strategic planning has been the subject of much research (e.g., Burgelman, 1983; Hambrick, 1981; Kuratko & Audretsch, 2009; McGrath & MacMillan, 2000). One of the earliest definitions of strategic planning describes it as "the process of determining the major objectives of an organization and the policies and strategies that will govern the acquisition, use, and disposition of resources to achieve these objectives" (Steiner, 1969, p. 34). While intuitively a positive relationship between strategic planning and firm growth is assumed, findings have been inconsistent. For example, in their meta-analysis study, Miller and Cardinal (1994) found correlations ranging from −0.31 to 0.75 for the relationship between strategic planning and revenue growth.

Some entrepreneurship scholars question the value of strategic planning to new firms and small businesses (Brinckmann, Grichnik, & Kapsa, 2010). The argument is that internal rigidities are created by the limits to a firm's flexibility and ability to adapt imposed by formal strategic planning. In turn, a flexible, more informal approach toward strategy (e.g., emergent and adaptive strategies) that allows for change and adaptation is believed to heighten performance (Haveman, 1992; Mintzberg & Waters, 1985; Mosakowski, 1997; Quinn, 1980). Additionally, when one considers resource restrictions and the time and energy necessary to develop strategic plans, some argue that a firm leader's time would be better spent on other value-creating activities (Wiltbank, Dew, Read, & Sarasvathy, 2006).

The danger in family firms is that a preference for wealth preservation and the conservative attitudes that go with it will work against needed strategic changes and prevent the firm from growing (Upton et al., 2001). Indeed, the fastest growing family firms have been shown to proactively plan for the future and to engage in strategic planning (Upton et al.). Strategic planning appears especially important to family firms since it promotes continuity and family unity, helps create and maintain jobs, and ultimately should help family firms to avoid decline and loss of the family business (Poza, 1989; Upton et al.). Chrisman, Chua, and Sharma (2005) concluded that firms that participate in strategic planning may be best positioned to anticipate and capitalize on opportunities, thereby gaining market prominence and success. Thus, advocates of strategic planning view the process of defining goals, evaluation of alternatives, and plans to implement strategies as an effective way to facilitate strategic change and respond to competitive behavior. As Brinckmann et al. (2010, p. 27) explain, "Planning implies the specification of goals and fosters the identification of effective steps to achieve these goals. Planning enables firms to control goal achievement." Indeed, the Brinckmann et al. meta-analysis found a positive relationship between strategic planning and small business growth, particularly for firms established more than 8 years prior. Accordingly, we argue that strategic planning will promote family firm growth.

Hypothesis 1: Strategic planning is positively related to family firm growth.

Succession Planning

The literature on chief executive officer (CEO) succession has focused largely on the context surrounding the succession event, specifically on the origin (i.e., insider or outsider) of the successor and post-succession firm outcomes (Brady & Helmich, 1984; Shen & Cannella, 2002). To this end, subsequent research has cast doubt on the benefits of promoting a family member to the CEO position (Bennedsen, Nielsen, Pérez-González, & Wofenzon, 2007). According to Bennedsen et al., the succession decision regarding the CEO position is one of the most contentious issues in family firms. However, succession is rarely a single, isolated event or decision (Brun de Pontet, Wrosch, & Gagne, 2007).

Rather, succession planning involves the grooming of family firm leaders so that firm-specific tacit knowledge can be transferred and developed (Chirico & Nordqvist, 2010; Miller & Le Breton-Miller, 2006). According to Kleiman and Peacock (1996–1997), succession planning involves the transfer of assets, capital, contacts, power, skills, and authority from one generation to the next. Thus, in an effort to ensure the growth and prosperity of family businesses, many researchers stress the importance of succession planning (e.g., Christensen, 1953; Sharma et al., 2003a; Ward, 1987). A succession plan provides transparency to the process, thereby reducing the ambiguity of succession that may spur conflict within the family and possibly leading to the dissolution of the business rather than a focus on growth (Brun de Pontet et al., 2007). Accordingly, we do not focus on the actual succession event. Instead, succession planning is the extent to which a family firm has engaged in the development of a succession plan and the extent to which that plan has been communicated to family members.

Consistent with the previous research, we assume that the family firm leader initiates and controls succession planning since succession planning is primarily under the control of the incumbent leader (e.g., Lansberg, 1988; Sharma et al., 2003b). Although succession planning helps to ensure the growth and continuity of the family business, there is much variability regarding the degree to which family firm leaders plan for succession (e.g., Sharma & Rao, 2000). For example, a key attribute of succession planning is the choice of a successor; yet, one study found that 62% of family business leaders had not chosen a successor or created a plan to choose a successor (Feltham, Feltham, & Barnett, 2005), while another study on family business CEOs over the age of 60 who expected to retire within 5 years found that 55% had not chosen a successor (Astrachan, Allen, Spinelli, & Wittmeyer, 2003). While the choice of a successor is a key attribute of succession planning, advisors note that it is not sufficient. To be effective, a formal plan should be developed and communicated with key family members (Astrachan et al.; Brun de Pontet et al., 2007; Lansberg, 1999).

Without a succession plan in place, the family firm may lose stability and direction, with the result being the decline or sale of the business (De Visscher, 2004). The lack of succession planning can spur conflict regarding family members' roles within the business (Ibrahim, Soufani, & Lam, 2001) and possibly even discourage family members from remaining and assuming leadership roles in the firm (Handler, 1989; Stavrou, 1999). With the future of the business unknown, family members, professional managers, and other key staff are likely to divert their attention from activities that lead to firm growth. For example, uncertainty and ambiguity in firm leadership have been found to be harmful to a firm's financial performance and ability to grow (West et al., 2003). Accordingly, a lack of a clear succession plan is viewed as a central reason that family firms fail to grow (Cabrera-Suárez, 2005; Handler, 1994).

In contrast, succession planning helps foster cooperation among family members (Dyck, Mauws, Starke, & Mischke, 2002), particularly when heirs are selected who are capable of growing the business (Ibrahim et al., 2001; Ward, 1987). Succession planning helps to minimize power struggles and conflicts within the family firm and to legitimize the successor in the eyes of family members (Davis & Harveston, 1998). Furthermore, leaders who are willing to contemplate their retirement and engage in succession planning may be most motivated to grow a firm that is worthy of succession—one that can sustain the wealth of the family and provide jobs and opportunities for current and future family members. Indeed, it has been argued that succession planning motivates family firm leaders to invest in and grow the business, even before the transfer actually takes place, an effect referred to as the "shadow of succession" (Diwisch et al., 2009). Therefore:

Hypothesis 2: Succession planning is positively related to family firm growth.

Generational Involvement in Management

In a survey conducted among family firms in Asia, generational involvement was found to have considerable impact on the family firm's future growth strategy (Carlock & Janssens, 2006). Essentially, family firms have to grow in order to remain competitive in an increasingly global marketplace, while at the same time accommodating the needs of the extended family incurred via newer generations joining the firm (Fernández & Nieto, 2005; Poza, 1988). The results of the study presented by Carlock and Janssens suggest that different generational stages have varying expectations for managing the firm (e.g., wealth preservation, growth, and familial/gender involvement). Similarly, De Visscher (2004) argues that the generational stage of a family firm affects the degree to which the family emphasizes growth maximization, shareholder liquidity maximization, and selling the business. Building on this, we argue that firms in different generational management stages will have different needs with respect to both strategic planning and succession planning.

Much research focuses on the differences between first-, second-, and third-and-beyond-generation family firms with respect to their management and ownership (e.g., Aronoff, 1998; Dyer & Song, 1998; Gersick, Davis, Hampton, & Lansberg, 1997; McConaughy, 1999; Sonfield & Lussier, 2004). In their seminal work on the ownership lifecycles of family firms, Gersick et al. explain the "developmental dynamic that pulls them through the generational sequence from controlling owners, towards sibling partnerships and then cousin consortiums" (p. 19). Although Gersick et al.'s work focused on ownership rather than management, they acknowledged that most sibling partnerships are in their second generation and that cousin consortiums are at least in their third generation. However, family firm ownership and management do not always overlap. Therefore, given our focus on strategic planning and succession planning, which is initiated and controlled by family firm leaders (Lansberg, 1988; Sharma et al., 2003b), we chose to study the management generation of the family firm. We define a first-generation firm as a family-managed firm with more than one family member working in the business, and all family members are from the first and founding generation. Second-generation firms are those in which the second generation of the family is primarily in control of the management of the business. Third-and-beyond-generation firms are those in which family members from the third or later generation control the management of the business.

Founders are entrepreneurs with the necessary alertness, character, and temperament needed to exploit an opportunity. As founders establish their firms, their goals, priorities, and procedures become imprinted within the firm's characteristics and culture (Schein, 1983; Sonfield & Lussier, 2004). In fact, a founder's influence in a family firm can be seen whether s/he is still managing the firm, is retired, or is deceased (Kelly, Athanassiou, & Crittenden, 2000). Founder-managed firms tend to have authority highly centralized and vested in the founder (Gedajlovic, Lubatkin, & Schulze, 2004). However, two dangerous scenarios can occur with the founder at the helm of a family firm. The first-generation firm may either assume excessive risk as a result of the centralized power of the founder, or the firm may become overly cautious in an effort to protect the wealth of the family (Casillas, Moreno, & Barbero, 2010). Therefore, first-generation firms must often grapple with problems arising from the firm's heavy reliance on the founders' abilities and expertise as well as the founders' reluctance to reduce their control (Gedajlovic et al.; Gersick et al., 1997).

Descendants of founders managing second-generation firms face very different challenges (Cruz & Nordqvist, 2012; Lubatkin, Schulze, Ling, & Dino, 2005). Often organized as sibling partnerships (Gersick et al., 1997), these firms tend to suffer from conflicts that arise from siblings' competing values and interests (Lubatkin et al.). As such, leaders of second-generation firms are often less able to obtain the necessary support from family members to pursue opportunities that they believe are best for the firm (Lubatkin et al.). Politics play a much greater role in these firms as siblings fight for power and control. Furthermore, while second-generation firms are characterized by a desire for change (Salvato, 2004), they also suffer from conflict regarding how to pursue and implement that change (Gersick et al.).

Third-and-beyond-generation firms, which are often owned by a consortium of cousins (Gersick et al., 1997), "might be best understood as private firms that are owned by members of an extended family and happen to employ some of their members" (Lubatkin et al., 2005, p. 325). These firms are characterized by an increasing proportion of nonfamily managers and passive family shareholders (Gersick et al.; Jaffe & Lane, 2004), which lead to a decline in the altruistic attributes that benefit first and second-generation firms (Lubatkin et al.). Further, with the increase in passive family shareholders, more pressure is placed on short-term performance and the payment of dividends (Schulze, Lubatkin, & Dino, 2003). However, third-and-beyond-generation firms can also be viewed as the outcome of a selection bias since their survival indicates they had the foresight to institutionalize effective governance practices and self-restraint (Jaffe & Lane; Lubatkin et al.).

With regard to strategic planning and growth, a generational perspective highlights the differences among first-, second-, and third-and-beyond-generation family firms (e.g., Bammens, Voordeckers, & Van Gils, 2008; Cruz & Nordqvist, 2012; Gersick et al., 1997; Lubatkin et al., 2005; Sonfield & Lussier, 2004). The first generation's founding role places them in the unique position to dictate the firm's strategic efforts toward growth. However, the strategies pursued also tend to be highly idiosyncratic and dependent on the founder's expertise and goals (Gedajlovic et al., 2004). First-generation firms often stifle their business' growth by becoming fixated on a previously successful strategy and failing to take into account environmental changes (Salvato, 2004; Ward, 1987). As such, strategic planning can help to reduce individual biases and improve information diversity (Ketokivi & Castaner, 2004), thus pushing first-generation leaders to critically assess their business and develop avenues for growth. Further, Chrisman et al. (2006) suggest that strategic planning "might help to override particularistic predilections toward risk avoidance" in these single-generation family firms (p. 724). In turn, the wide discretion afforded to first-generation leaders should promote the organizational agility needed to effectively execute strategic plans, thereby enhancing firm growth.

Gersick et al. (1997) suggest an increased degree of conflict when second-generation family members assume leadership in the family firm. Thus, as the firm transfers management to the second generation, time and energy may be best devoted toward the institutionalization of formalized governance mechanisms to monitor the conduct and employment of family members (Lubatkin et al., 2005). In turn, the adoption of such mechanisms should help sustain the growth of the family firm as it focuses its resources on defining the second generation's role in the family firm and improving efficiencies. Furthermore, given the heightened emotions and divergent family ties in second-generation firms (Gersick et al.; Miller, Le Breton-Miller, & Lester, 2011), negative conflict can arise, which inhibits the execution of strategic plans (e.g., Minichilli, Corbetta, & MacMillan, 2010). Indeed, stagnation often occurs in second-generation firms when rivalry among siblings causes them to block one another's actions (Miller, Steier, & Le Breton-Miller, 2003). The heightened politics in second-generation firms (Gersick et al.) might lead to more conservative or ill-defined strategies in an effort to achieve consensus among siblings with disparate motives. As a result, the negative effects of conflict and the diminished quality of strategic decisions are expected to attenuate the relationship between strategic planning and growth in second-generation firms.

Third-and-beyond-generation firms are entering into the realm of managing growth more like a nonfamily firm (Gersick et al., 1997). Since their organizational development is mature and well established (Sharma et al., 2003a), they are able to rely on "best practices" to a greater extent than younger family firms (Mitchell, Hart, Valcea, & Townsend, 2009). Research on these firms suggests that those that grow their businesses to accommodate the increasing number of family members do so based on planned and formal growth strategies (Jaffe & Lane, 2004; Miller, 1983). Further, the increase in passive family shareholders and their desire for dividends (Lubatkin et al., 2005) may put pressure on third-and-beyond-generation managers to prove their strategic capabilities and focus on executing strategic plans that ensure firm growth. Passive family shareholders evaluate their ownership in investment terms and expect to see a return on equity and value appreciation (De Visscher, 2004). Therefore, strategic planning in third-and-beyond-generation firms should be positively related to growth.

In summary, due to their heavy reliance on the founder and idiosyncratic tendencies, strategic planning is expected to be especially beneficial to first-generation firms' growth. These benefits are expected to be compromised significantly in second-generation firms because management is turned inward toward coping with sibling rivalries and dealing with conflicts for control and direction. This potential for conflict will hamper the quality of strategic plans and make it more difficult to implement strategic plans, thereby limiting the otherwise positive effect of strategic planning on growth. Lastly, given the increased formalization of third-and-beyond-generation firms and their pressures to grow the business to accommodate an ever-increasing number of family members, third-and-beyond-generation firms are expected to benefit from strategic planning more than second-generation firms. However, this relationship is not expected to be as strong as that of first-generation firms since third-and-beyond-generation firms are more likely to draw on "best practices" (Mitchell et al., 2009). Formally stated:

> **Hypothesis 3:** The relationship between strategic planning and family firm growth is moderated by the generation of the family firm. Specifically, a nonlinear relationship is expected, where the relationship between strategic planning and family firm growth will be strongest for first-generation family firms, lowest for second-generation family firms, and moderate for third-and-beyond-generation family firms.

As discussed previously, succession planning involves the grooming of family members for leadership roles in the business (Chirico & Nordqvist, 2010; Miller & Le Breton-Miller, 2006). A succession plan implies that the transfer to the next generation will proceed in an orderly fashion, allowing the family firm leader to prepare the firm for the succession event (Sharma et al., 2003a). In the first-generation firm, founders have a particularly hard time "letting go" and passing the reins of control to the next generation. As such, succession planning has been argued to be critical to the continuity and success of first-generation firms since family members may lack commitment to, and possibly leave, the business when they question the firm's future (Davis, 1983; Handler, 1994; Sonfield & Lussier, 2004). Founders who are most interested in perpetuating their legacy and maintaining their family's control of the business are most likely to develop a succession plan (Lansberg, 1988; Ward, 1987). Since a business is seen as a reflection of its founder (Davis & Harveston, 1998), with succession planning considered an indicator of the future growth potential of the business (Cabrera-Suárez, 2005), first-generation firms with succession plans should achieve greater firm growth than those that lack such plans.

Second-generation firms by their very nature have already completed a management succession event, which is the transfer of leadership from the first generation to the next.

The management of the succession planning process that led to the actual event was in the hands of the founding leaders, and the founding leaders have hopefully set a precedent regarding the succession planning process and positioned the management team for future transfers (Milton, 2008). Through learning that occurs during the first transfer of leadership, second-generation firms establish succession planning routines that help to clarify relationships and build momentum for the firm. Thus, "while each succession event may be unique with no pre-programmed answers, one might expect that over successive generations, learning would occur that would make previously unique events become a regular part of the organization's activities" (Davis & Harveston, 1998, p. 34). While initially it might seem that the learning acquired in the succession planning process would contribute to growth in second-generation firms, the routinization of the succession planning process can become an element of stagnation that actually contributes to a reluctance to grow (Miller, Le Breton-Miller, & Scholnick, 2008). Added to this stagnation is the potential concern among family shareholders that the succession event itself, from the founder to the second generation, was harmful to growth due to the perception that descendants are less qualified to lead the company (Anderson, Mansi, & Reeb, 2003). Therefore, second-generation family managers may not be able to agree on the details within the succession planning process, which diverts attention from the attainment of growth objectives and increases conflict among family members, thus leading to stagnation (Ward, 1997). Accordingly, succession planning may have little impact on the growth of second-generation firms due to the succession planning process becoming mired in the tensions inherent in second-generation firms.

Since third-and-beyond-generation firms tend to have the greatest degree of nonfamily managers and passive family shareholders (Gersick et al., 1997; Lubatkin et al., 2005), firm leaders may contemplate whether the leadership of the firm should remain within the family or if a nonfamily manager should be at the helm of the business. The reduced family dominance in these firms suggests that nonfamily managers are more likely to be considered as successors in comparison with first- or second-generation firms (Gersick et al.). Further, the pressure for growth and dividends placed upon the firm by passive family shareholders (Lubatkin et al.) suggest that a successor may be chosen based more upon his/her leadership ability than family status. In turn, succession planning in third-and-beyond-generation firms, which often needs to satisfy both active and passive family stakeholders as well as nonfamily managers, should be associated with high standards for leadership in the family firm, thereby contributing to the firm's growth. Therefore, the positive effect of succession planning on the growth of third-and-beyond-generation firms should be greater than that of second-generation firms but not as strong as that of first-generation firms.

Hypothesis 4: The relationship between succession planning and family firm growth is moderated by the generation of the family firm. Specifically, a nonlinear relationship is expected, where the relationship between succession planning and family firm growth will be strongest for first-generation family firms, lowest for second-generation family firms, and moderate for third-and-beyond-generation family firms.

Methodology

Participants and Procedure

We followed established data collection procedures of earlier family firm studies and collected data for this study via mail surveys (e.g., Chrisman, Gatewood, & Donlevy, 2002; Eddleston & Kellermanns, 2007), as secondary data are not available for smaller private family firms. Indeed, as the family firms in our sample are not publicly traded, no alternative data sources could be tapped for our analysis. Six hundred and five family businesses were contacted, which were associated with family firm centers in the Northeastern, Midwestern, and Southern United States, or were on their respective mailing lists. Each family firm was sent self-addressed envelopes, and anonymity was ensured to the respondents. In addition to being identified as family firms by the family firm centers, the firms also self-identified themselves as family firms. We furthermore required that at least two family members were employed by the firm to warrant inclusion in our study.

A total of 107 valid responses from CEOs were obtained. As we focused on strategic issues in the family firm, we relied on the CEO as a key informant for the current study (Kumar, Stern, & Anderson, 1993; Seidler, 1974). That is, we targeted the CEO, since the leader of the family firm is often the one who initiates and controls the business and the family planning (Lansberg, 1988; Sharma et al., 2003b). Indeed, the key-informant approach is frequently employed in family firm research (e.g., Kellermanns, Eddleston, Barnett, & Pearson, 2008; Zahra, 2005), and CEOs are considered reliable sources in upper-echelon research (Glick, Huber, Miller, Doty, & Sutcliffe, 1990).

However, to address potential concerns of the key-informant approach, we collected information from a subset of respondents on several constructs utilized in this study. Specifically, we obtained additional data from multiple family members (147 family members from a subsample of 89 firms) for the strategic planning and succession planning constructs, and calculated the r_{wgs} according to James, Demaree, and Wolf (1984) to determine if individual responses could be regarded as interchangeable with those of others (Bliese, 2000). The observed values for our constructs were satisfactory, indicating a high level of similarity between the perceptions of the CEO and other family members in his or her firm. Therefore, our focus on CEOs does not appear to introduce bias (Eddleston, Kellermanns, & Sarathy, 2008).

Before we discuss the regression results, we need to mention that we conducted several tests to address additional potential biases in our study. First, we assessed potential nonresponse bias by comparing the means of the employed constructs via a one-way analysis of variance (ANOVA) of early and late respondents. This test, which is often utilized if actual comparison data are not available (for an example, see Chrisman, McMullan, & Hall, 2005), is based on the assumption that late respondents are more similar to nonrespondents (Oppenheim, 1966). No significant differences between early and late respondents were observed, indicating that nonresponse bias is not a major concern in this study.

We also investigated biases resulting from multicollinearity and common method bias. Neither bias appears to be a problem in our study as the variance inflation factor and the condition index were well below the suggested cut-off rates in the literature, and the correlations were moderate (Hair, Black, Babin, & Anderson, 2010). To further mitigate any concerns, all interactions were entered separately into the regression equation. Furthermore, the test for common method bias, as suggested by Podsakoff and Organ (1986), showed that when all items of the independent variables, moderators, and dependent variables were entered into a factor analysis, the first factor did not explain the majority of variance, and no single method factor emerged.

Lastly, we also need to address the potential for endogeneity. For example, strategic planning and succession planning could result from the growth of the business (reverse causality). To address this issue, we utilized two instrumental variables for both strategic planning and succession planning. Specifically, we utilized participative decision making and the number of generations serving on the board as instruments, and used Stata 11.0

and the program IVENDOG and IVREG (e.g., Baum, Schaffer, & Stillman, 2002) to calculate a two-stage least squares regression (Hamilton & Nickerson, 2003) and the Wu–Hausman *F*-test and the Durbin–Wu–Hausman test. Nonsignificant *F*-tests and nonsignificant chi-square tests as part of the Durbin–Wu–Hausman test suggest that the independent variables in question are exogenous and that their estimates are unbiased and can thus be reported (Davidson & Mackinnon, 1983). Our findings suggest that the variables can be considered exogenous and that endogeneity is not a problem (succession planning: $F = .262$; $p = .61$; and $\chi^2 = .309$; $p = .58$; strategic planning: $F = .121$; $p = .73$; and $\chi^2 = .144$; $p = .70$).

Constructs

All items and the corresponding alphas (all alphas $\geq .75$) of the multi-item measures used to assess the dependent, independent, and control variables are listed in the Appendix. When available, prior conceptualizations with high reliabilities utilized in the family firm literature were chosen. However, *succession planning* was created for the purpose of this study. Later, we discuss each measure in turn.

Dependent Variable. *Family firm growth* was measured by a 4-item construct adapted from Eddleston and Kellermanns (2007). We decided to focus on growth rather than on overall performance since the planning–growth relationship has proven to be more consistent for nonfamily firms than the planning–performance relationship, and we wanted to build on this literature (Miller & Cardinal, 1994). Indeed, growth indicators are considered common dependent variables in entrepreneurship research (Shepherd & Wiklund, 2009). Specifically, we asked respondents to indicate if the current family firm growth (sales, market share, number of employees, and profitability) was much worse or much higher compared with their competitors on a 5-point Likert-type scale. The individual growth indicators were then added to form an overall score (e.g., Dess & Robinson, 1984). Prior family firm research suggests that subjective performance measures correlate well with objective data (Ling & Kellermans, 2010).

Independent Variables. Our strategic planning variable assessed the degree to which a family firm had developed a strategy for achieving its business goals and had a plan for the business. Specifically, our *strategic planning* scale was modified from a scale developed by Gould (1979), which has been successfully utilized in previous family firm research (e.g., Eddleston et al., 2008). The planning items were chosen to establish that a plan was present and that the desired implementation of the plan was known. Similarly, the succession planning variable assessed the degree to which a succession plan had been developed and communicated to family members. *Succession planning* was operationalized as a 2-item construct. Both constructs were measured on a 7-point Likert-type agreeableness scale.

Moderators. In accordance with other research that has defined a family firm's generational stage by the generation that is in control of the management of the firm (e.g., Bammens et al., 2008; Cruz & Nordqvist, 2012; Davis & Harveston, 1999; Sonfield & Lussier, 2004), *family firm generation* was assessed by asking if the firm was *primarily* managed by the first, second, third, or later generation. This operationalization is consistent with research that has focused on generational issues in family firms (i.e., Cruz & Nordqvist; Davis & Harveston; Schein, 1983). It should be noted that first-generation managed family firms in our sample are equivalent to founder-controlled family firms; that is, the founder is the CEO of the family business. About a quarter of the responding firms were first-generation firms, half were second-generation firms, and the remaining quarter were third-and-beyond-generation firms.

Controls. Consistent with prior research, we utilized a number of variables that could influence family firm growth (e.g, Kellermanns & Eddleston, 2006; Kellermanns et al., 2008; Zahra, 2005). We controlled for *family firm size*, as larger firms may possess more slack that can be invested in growth-oriented efforts. We controlled for *family firm age* to control for liability of newness concerns (Stinchcombe, 1965) as well as to address the potential for higher growth in younger organizations. This control seems necessary since the firm age in our sample ranges from 1 year to 125 years old. We also controlled for CEO age and tenure since these have been hypothesized to affect growth behavior (e.g., Kellermanns et al.). Furthermore, we controlled for *gender* since research suggests that males seek greater entrepreneurial growth than females (Olson et al., 2003). Additionally, we included *affective commitment* as a control variable, which was adapted from an organizational commitment scale developed by Porter, Steers, and Mowday (1974). We included this variable for three reasons. First, affective commitment has been identified as an important aspect in the succession process (Sharma et al., 2003b). Second, our items are a subset of the overall culture scale as described by the Family Influence on Power, Experience, and Culture scale (Klein, Astrachan, & Smyrnios, 2005), and culture has been linked to perceptual differences regarding family firm succession (Poza, Alfred, & Maheshwari, 1997). Lastly, commitment has been identified as a key element of implementation success (e.g., Kellermanns, Walter, Lechner, & Floyd, 2005) and thus may have performance implications. In addition, we included controls for the location of the business, as these may be an indication of the overall munificence of the market (e.g., Birley & Westhead, 1990). Our two dummy variables represent the Northeast and South of the United States. Lastly, as prior research stresses that industry can affect the planning–growth relationship, we controlled for four industries (service, retail, manufacturing, and construction) (e.g., Miller & Cardinal, 1994).

Results

The means, standard deviations, and zero-order correlations are shown in Table 1. In Table 2, in the first model, we entered the control variables. In Model 2, we entered the main effects. In order to test the hypothesized nonlinear moderation, we entered both family firm generation and the squared term for family firm generation as moderators into Model 3. In Models 4 and 5, we entered the respective interaction effects. To test for the curvilinear moderation effect of generation, we entered the interaction of strategic planning and family firm generation as well as the interaction between strategic planning and the squared term of family firm generation in Model 4 (Aiken & West, 1991, pp. 67–68). The same procedure was repeated for the interaction with succession planning in Model 5. In Model 6, we report the model with both squared interaction terms; yet, as this model suffers from high mutlicollinearity, we report the individual interaction terms later when discussing our results.

None of the controls entered in Model 1 was significant. In Model 2, where we regressed family firm growth on strategic planning and succession planning, a significant R^2 change was observed over the control model ($\Delta R^2 = .101$, $p < .001$). Both hypotheses received support. Hypothesis 1 argued that strategic planning would be positively related

Table 1

Descriptive Statistics and Correlations

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Gender	.78	.411															
2. CEO age	52.85	10.691	−.15														
3. Organizational tenure	23.31	12.13	.07	.73***													
4. Firm age	34.36	28.56	.18†	.42***	.61***												
5. LN firm size	2.81	1.76	.14	.25*	.31***	.44***											
6. Service	.20	.40	−.031	.07	.08	.06	.17†										
7. Retail	.31	.48	−.17†	.03	−.16	−.06	−.18†	−.32***									
8. Manufacturing	.16	.37	.18†	.10	.18†	.24*	.28**	−.15	−.28**								
9. Construction	.18	.38	.07	−.23*	−.18†	−.24*	−.18†	−.23*	−.30**	−.20*							
10. Succession plan	3.85	1.88	−.05	.24*	.21*	.07	.25**	.01	.04	.06	−.26**						
11. Strategic plan	5.59	1.18	.03	−.07	−.17†	−.18†	.06	.11	−.06	−.05	−.01	.33***					
12. Location 1	.23	.43	.13	.09	.20*	.37***	.16	.17†	−.12	.18†	−.08	.01	−.01				
13. Location 2	.60	.49	−.14	.03	−.03	−.15	−.05	−.04	−.04	−.12	.12	.04	−.04	−.69***			
14. Culture (commitment)	6.47	.85	−.11	.08	.01	−.01	.09	.09	.03	.02	−.19*	.25**	.29**	−.21.	.26**		
15. Generation	1.87	.64	−.11	.18	.19†	.08	.11	.02	.01	−.07	−.14	.24*	.11	.08	−.07	.03	
16. Growth	4.83	1.01	.02	.02	−.05	−.08	.20*	.06	−.09	−.05	.10	.31***	.34	.11	−.07	.11	.20*

n = 107, † $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$
SD, standard deviation; CEO, chief executive officer; LN, natural logarithm.

Table 2

Multiple Regression Analysis: Dependent Variable: Family Firm Growth‡

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Step 1: controls						
Gender	.05	.03	.05	.01	.01	−.01
CEO age	.17	.11	.11	.09	.13	.11
Firm age	−.15	−.07	−.06	.01	−.04	.01
CEO organizational tenure	−.11	−.12	−.15	−.19	−.12	−.14
Firm size	.14	.06	.08	.04	.02	.02
Industry (service)	.03	.03	.05	.01	.17	.03
Industry (manufacturing)	−.07	−.03	−.01	−.08	−.01	−.06
Industry (retail)	−.08	−.04	−.02	.01	.02	.04
Industry (construction)	.11	.18	.21	.16	.22†	.18
Geographic location 1	.17	.13	.13	.18	.12	.16
Geographic location 2	−.04	−.03	−.03	−.01	−.07	−.04
Culture (commitment)	.17	.05	.05	.16	.03	.14
Step 2: main effects						
Strategic planning		.19†	.17	−.13	.14	−.06
Succession planning		.28*	.25*	.21*	.03	.05
Step 3: moderators						
Generation			.16	.11	.17	.05
Generation squared			.01	−.02	.01	−.03
Step 4: interaction effect						
Strategic planning × generation				−.34***		−.27*
Strategic planning × generation squared				.39*		.28†
Succession planning × generation					−.18†	−.08
Succession planning × generation squared					.35**	.26†
R^2	.104	.220	.243	.349	.330	.381
Adjusted R^2	−.011	.101	.108	.216	.192	.237
ΔR^2		.116**	.023	.106***	.087**	.138**
F	.905	1.854*	1.806*	2.624***	2.403**	2.646***

n = 107, † $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$
‡ Regression coefficients are reported as betas.
CEO, chief executive officer.

to family firm growth ($\beta = .19$, $p < .10$). Similarly, hypothesis 2 argued that succession planning would be positively related to family firm growth ($\beta = .28$, $p < .05$).

The moderator, family firm generation, as well as the squared term of family firm generation, which we entered in Model 3, were not directly related to family firm growth, and the observed R^2 change was not significant ($\Delta R^2 = .023$, ns). In the next two models, the interaction hypotheses were tested. Both hypothesis 3 (Model 4) and 4 (Model 5) were supported ($\Delta R^2 = .106$*** and $\Delta R^2 = .087$**). In a *post hoc* analysis, we also tested to see if the combined effects of strategic planning and succession planning interacted to affect family firm growth. The interaction effect was nonsignificant.

In order to facilitate the interpretation of our moderation results, we plotted the significant interaction effects (Aiken & West, 1991; Cohen, Cohen, West, & Aiken, 2003). Figures 1 (hypothesis 3) and 2 (hypothesis 4) show the curvilinear moderation effects. To simplify the depiction of the effects, the curvilinear variable of family firm generation was portrayed on the *X*-axis, while the variations of the linear planning variables (±1 standard deviations of strategic planning and succession planning) were plotted (Aiken & West, p. 68). Figure 1 shows that high levels of strategic planning are most beneficial to the

Figure 1

Interaction Between Strategic Planning and Generation of the Family Firm

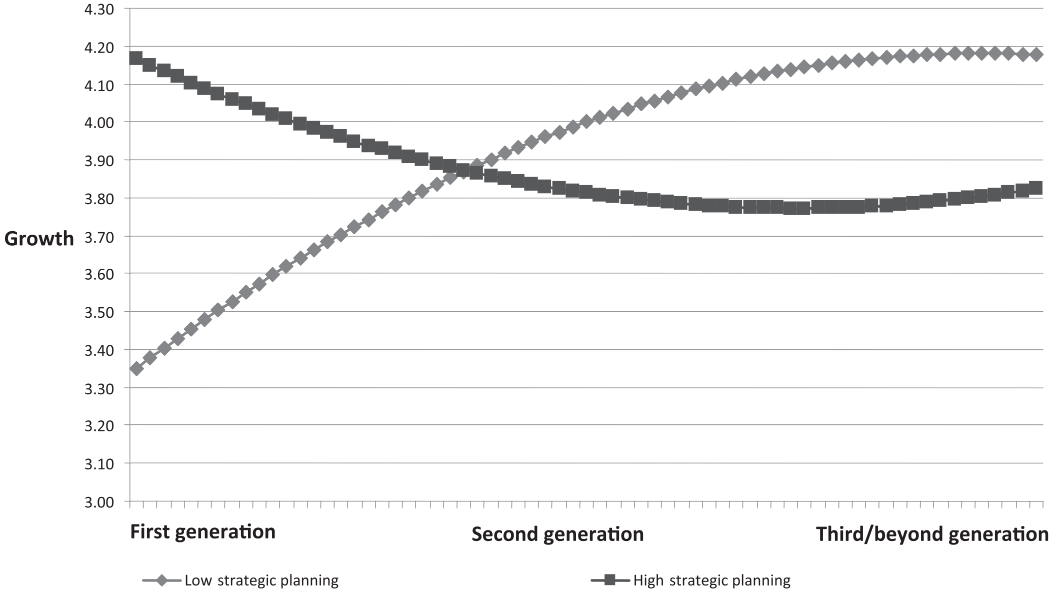
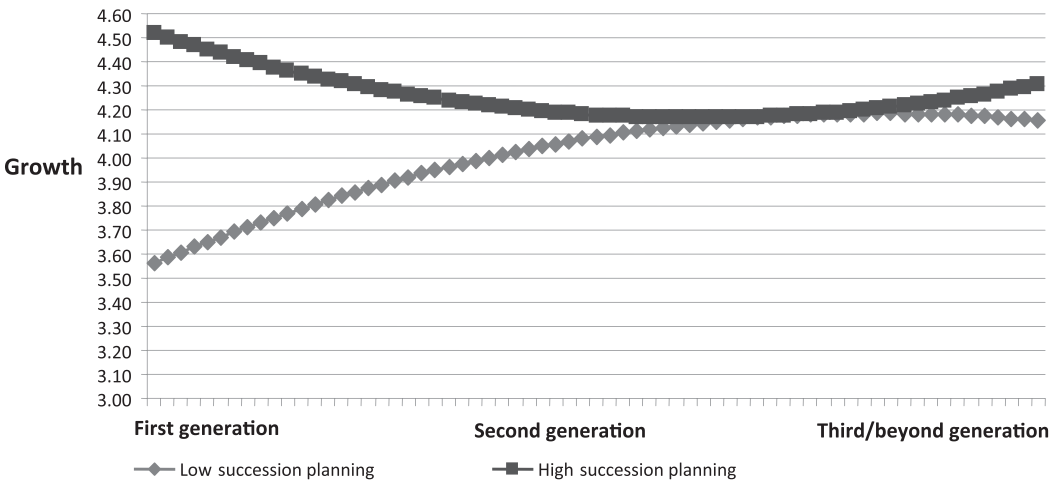


Figure 2

Interaction Between Succession Planning and Generation of the Family Firm



growth of first-generation firms. This positive effect of high strategic planning diminishes when the firm is managed by the second generation. Further, second-generation firms that do not engage actively in the strategic planning process report stronger growth than the second-generation firms with considerable strategic planning efforts. Regarding third-and-beyond-generation firms, a low degree of strategic planning was found to be associated with the highest level of firm growth. As such, the results for first- and second-generation firms support hypothesis 3, but our findings for third-and-beyond-generation firms are contrary to prediction.

The interaction between succession planning and family firm generation shows a slightly different relationship. Here, high levels of succession planning are beneficial for all family firms. The largest growth impact can be observed for first-generation firms, as predicted. The positive effect of succession planning on growth reduces in second-generation firms but gains in importance for third-and-beyond-generation firms, consistent with hypothesis 4. Findings are explained in more detail later in the discussion section.

In order to assess the robustness of our results, we conducted a median split of both strategic planning and succession planning. We then ran a two-way ANOVA with growth as the dependent variable and plotted the interaction between strategic planning and family firm generation, as well as the interaction between succession planning and family firm generation. The resulting interactions were significant, and the plots largely mirrored the portrayed relationships in Figures 1 and 2. One difference was observed, however. For high levels of strategic planning, we observed higher performance in the third and later family firm generation, thus cautioning us in interpreting this specific facet of our results.

Discussion

In thinking about the future, the founding leader of a family firm seeks to grow the business while also attaining longevity in familial leadership. Implicit in the planning literature is the premise that the process of planning itself enables positive outcomes. As such, family firms have been encouraged to engage in both strategic planning and succession planning so as to grow the firm for long-term rewards. The implication is that family firms that engage in both strategic planning and succession planning will survive due to successful long-term growth.

While the current findings show a positive relationship between strategic planning and growth, and succession planning and growth, an overall perspective such as this is somewhat deceiving. The distinguishing feature of the current study is the identification of when, within the life stage of a family firm, strategic planning and succession planning are most conducive to firm growth. That is, the findings suggest that the benefits of both types of planning to growth are intertwined with the managing generation of the firm. As portrayed in Figures 1 and 2, the relationship between both types of planning and growth are distinct for each family firm generation.

As hypothesized, first-generation firms benefited the most from strategic planning and succession planning. Further, first-generation firms that lacked strategic planning and succession planning experienced the lowest level of firm growth. These findings support research that highlights the central role of the founding generation (Eddleston et al., 2008; Kelly et al., 2000; Miller et al., 2011) and the founder's responsibility to establish strategic planning and succession planning in the firm to promote growth.

While both strategic planning and succession planning are important to first-generation firms, the same cannot be said for second-generation firms. Our findings indicate that firm growth in second-generation firms is reduced regardless of the levels of strategic planning and succession planning. It is likely that strategic planning is less beneficial to second-generation firms because of the heightened political behavior and conflicts among siblings that can impede the quality of plans and also hamper the execution of plans. Indeed, second-generation firms seem most susceptible to problems of passage whereby they struggle to blend the past with the future (Gersick et al., 1997). Further, given the small variance in growth between second-generation firms that engage in strategic planning and those that do not, these firms may be better served by putting their energy toward alternative tasks (e.g., Wiltbank et al., 2006). In regard to succession planning, while this type of planning was positively related to second-generation firm growth, the level of growth was less than that achieved by first-generation firms. These results support Sonfield and Lussier's (2004) assertion that once a succession plan is developed in first-generation firms, there is much less need for the next generation to create such a plan. Based on these combined results and their impact on firm growth, it appears that second-generation firms are not able to extract the same benefits from planning as first-generation firms. Therefore, the time and energy a second-generation firm would spend planning may be better utilized by devoting attention to alternative tasks.

Surprisingly, strategic planning does not contribute to the growth of third-and-beyond-generation firms either. Rather, our findings showed that third-and-beyond-generation firms that do relatively little strategic planning experience more growth than their counterparts that participate heavily in strategic planning. As this finding was not replicated in our robustness test, we offer two cautious explanations for this finding based on research on adaptive strategies and effectuation. First, drawing from research on imprinting (i.e., Boeker, 1989), proponents of an adaptive strategy approach argue that previously formed strategies can become locked-in, making firms less able to adapt (Wiltbank et al., 2006). Strategic planning may blind organizations to changes in their environments, and the commitment to these plans may prevent firms from adapting even when they see the need for change (Wiltbank et al.). Since research has shown a strong imprinting effect by founders in family firms that lasts through multiple generations (i.e., Kelly et al., 2000; Sonfield & Lussier, 2004), the strategic plans of third-and-beyond-generation firms may not be in-line with their current competitive environment thus hampering their growth.

Second, recent research has shown that experienced, successful entrepreneurs make strategic decisions based on effectuation, whereby they are willing to change their initial goals and visions for the future (Dew, Read, Sarasvathy, & Wiltbank, 2009; Wiltbank, Read, Dew, & Sarasvathy, 2009). This research suggests that firm leaders that embrace an adaptive approach position their firms for quick strategic response by placing a premium on adaptation. However, third-and-beyond-generation firms tend to have complex and formalized procedures (Gersick et al., 1997; Lubatkin et al., 2005) that may delay their ability to respond to environmental changes. Thus, those third-and-beyond-generation firms that stress emergent and adaptive strategies may be best positioned to grow, whereas a high degree of strategic planning may induce rigidities that inhibit their growth.

While the relationship between strategic planning and growth for third-and-beyond-generation firms was not as we predicted, our results for succession planning showed that it resurges in importance, as we hypothesized. Given the greater involvement of nonfamily managers and passive shareholders in third-and-beyond-generation firms (Gersick et al., 1997; Lubatkin et al., 2005), those firms that more critically assess the succession process and communicate their plans to family members may have an advantage for achieving firm growth. Thus, the "shadow of succession" (Diwisch et al., 2009), which characterizes a family firm leader's desire to grow the business in anticipation of succession, is most evident in first-generation firms and is also an apparent motivator for growth in third-and-beyond-generation firms.

Implications for Theory and Practice

The generational perspective identified in the current research offers several implications for scholars and managers. First, our research addresses the void in scholarly, empirical research within the context of privately held family firms. While managerially oriented articles abound that discuss succession planning and strategic planning, much of what is written is without an empirical base. This empirical base is particularly lacking within the family firm context with respect to the unique aspects of privately versus publicly held family firms. Second, our findings imply that the benefits of strategic planning and succession planning need to be studied within each generation. Indeed, prior research has stressed that family firms should not be seen as homogeneous entities (e.g., Westhead & Howorth, 2007). Building on this perspective, our research suggests that each generation has its own strengths and weaknesses and that future research needs to take these differences into account. By studying each generation on its own terms with respect to both succession and strategic planning, we call into question the wholesale need for all family firms to engage in more strategic (i.e., Sirmon & Hitt, 2003; Upton et al., 2001) and succession planning (i.e., Sharma et al., 2003b; Ward, 1987). Finally, our study contributes to the family firm literature by being one of the few studies to have concentrated specifically on growth as an outcome variable. Our research suggests that the growth utility of both strategic planning and succession planning is moderated by the generational perspective of the family firm, thus encouraging a research focus on *when* each type of planning best positions a family firm for growth.

Specifically, our research shows the importance of both strategic planning and succession planning to growth in first-generation firms. Thus, the practical implication is that first-generation firms should place a strong emphasis upon both planning processes so as to ensure growth for future generations. Yet, managers in second-generation firms are less likely to experience a growth outcome from emphasizing strategic planning and succession planning processes. Rather, these second-generation firms might realize greater growth by engaging in activities that directly impact actions within the second-generation firm. While the current study did not explore the specific tactics that managers in second-generation firms should engage, Lubatkin et al. (2005) suggested that these family firms should put their energy toward institutionalizing formalized governance mechanisms to monitor the conduct and employment of family members. Finally, third-and-beyond-generation firms need to be wary of focusing too rigorously on intransigent strategic plans that might reflect the imprint of the founding owners. Instead, flexible and emergent strategies that require little planning may best allow these firms to respond to environmental changes and continue on a positive growth trajectory. This is not to say that strategic planning and succession planning are not important; rather, these managers need to be ready to adapt to the external and internal environments that might be vastly different from that of previous generations.

Study Limitations and Future Research

As with any research project, there are limitations to the current study. Some of these limitations, however, open the door for several avenues for future investigation. Other limitations are inherent in the nature of the study design. From a future research perspective, while we controlled and included a variety of firm and family-related variables, further attributes that make family firms distinguishable from each other have been identified and should be explored in the future research (e.g., Gersick et al., 1997; Klein et al., 2005; Sharma, 2003). Our results suggest that strategic planning and succession planning may help to differentiate the low percentage of family firms that succeed from one generation to the next. Yet, future research should investigate if strategic planning and succession planning contribute directly to family firm survival. Since many family firms fail soon after the second generation gains control of the firm (Davis & Harveston, 1998; Handler, 1992), more research is needed to investigate the unique concerns of second-generation firms and identify factors that encourage their growth and renewal. Also, it remains unclear which factors contribute to a founder's willingness to develop strategic plans and succession plans. Building on the generational perspective, researchers might examine the strength of relationships between growth and other factors discussed in the family firm literature (e.g., corporate governance and the professionalism of family firms in multigenerational family firms). Furthermore, our study did not capture the timing of the strategic planning and succession planning processes or the actual implementation of the plans. Indeed, very early succession planning may dash the hopes of family members yet may quell conflict from arising. While our study did not show an interactive effect of strategic planning and succession planning on growth, future studies could develop and test a longitudinal model that captures if succession planning can spark strategic planning or vice versa.

Additionally, a limitation with our concept of growth is that it does not capture growth concerns in later-generation family firms, with multiple families as shareholders, where high growth might presage the breakup of the family firm as family shareholders jostle for control of the high-value firm. In this scenario, the ensuing conflict might lead to a breakup and ultimate sale of the family firm to outsiders at a price that could be lower than the firm's value (Lee, 2009; Ng & Keasey, 2010). This type of conflict is distinct from politics or sibling rivalry, and may arise from the significant growth of the firm and a subsequent view by noncontrolling family shareholders who fear that the family managers are not maximizing value for minority shareholders (Lee).

Finally, an inherent limitation in the current study is that the sample is cross-sectional in nature, and, therefore, we cannot infer causality from our findings. Although a longitudinal approach is preferable, cross-sectional designs are common in family firm research due to the difficulty in obtaining primary data from privately held family firms. Additionally, as the data were collected via survey design, we were faced with the possibility of common method bias and nonresponse bias. We conducted the appropriate tests as described in the methods section and concluded that these biases were not a significant concern in our study (Davidson & Mackinnon, 1983; Kanuk & Berenson, 1975; Oppenheim, 1966; Podsakoff & Organ, 1986).

Conclusion

The current research examined the relationship between strategic planning and growth, and succession planning and growth in privately held family firms. A generation variable was applied to assess whether second-generation family firms experienced stagnation and lack of growth and if third-and-beyond-generation family firms experienced a rebound in growth. The principal insight of the research is that the growth benefits of strategic planning and succession planning are uniquely affected by whether the family firm is managed by the first-, second-, or third-and-beyond-generation. That is, while engaging in both strategic planning and succession planning reap overall benefits to family firm growth, second-generation firms may, in particular, have distinctive problems and needs that are not necessarily met by strategic planning and succession planning. Conversely, first-generation firms appear best able to produce firm growth from their strategic planning and succession planning efforts. In sum, our findings suggest that researchers should not necessarily expect a consistent relationship between strategic planning and succession planning for family firm growth in each generational management stage.

Appendix

Multi-Item Scales and Reliabilities

Construct	Items	α
Independent variables		
Succession planning	Our family firm has successfully developed a succession plan.	.91
	Our firm's succession plan has been clearly communicated to family members.	
Strategic planning	We have a strategy for achieving our business' goals.	.88
	We have a plan for our business.	
	We know what we need to do to reach our business' goals.	
Control		
Affective commitment	I am proud to tell others that I am part of this organization.	.75
	I really care about the fate of this organization.	
	For me, this is the best of all possible organizations for which to work.	
Dependent variable		
Family firm growth	How would you rate your firm's current performance as compared with your competitors?	.80
	Growth in sales	
	Growth in market share	
	Growth in number of employees	
	Growth in profitability	

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