Compensation and Rewards
- A Family firm CEO’s perspective

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Abstract

Background/Problem: The financial crisis in 2008 affected the whole economy and the CEO's compensation was one of the factors causing this crisis. Although, it is now years after the onset of the financial crisis, the CEO’s compensation is still an ongoing topic of debate and, for this reason, vital to study. According to literature, non-family CEOs are more likely to emphasize financial performance rather than socioemotional objectives and returns. On the contrary, family CEOs are more motivated by socioemotional wealth and non-financial goals. Taking these viewpoints into consideration, this study examines how CEOs in family firms view and value compensation and rewards.

Purpose: This study aims to explore how family CEOs view and value compensation and rewards, in comparison to non-family CEOs in family firms.

Method: This study is conducted using a qualitative method and utilizing semi-structured interviews. Five family firms participate in this study and they comprise of 4 family CEOs and 1 non-family CEO.

Conclusion: The findings of this study support the idea that family CEOs view and value compensation and rewards in other terms than just financial value. Moreover, the evidence points to that the non-family CEO is more connected to financial factors. Weighing together the evidence from this study there is a difference regarding how family CEOs and non-family CEOs view and value compensation and rewards. Additionally, based on this research, SEW exists within family firms. The findings in this study contribute to the current knowledge in designing compensation packages for CEOs in family firms. Moreover, this study is the first step towards enhancing our understanding of how CEOs view and value compensation and rewards.
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List of Abbreviations

SEW - Socioemotional wealth

CEO - Chief executive officer

CSR - Corporate social responsibility

ROA - Return on assets

ROI - Return on investment

TSEK - Thousand swedish crowns
1. Introduction

In the first chapter, the reader will be introduced to the topic of CEO compensation packages in family firms. Firstly, the background of the topic is provided. This will be followed up by a problem discussion, research purpose, and research questions. Lastly, the delimitations and disposition of the study are presented.

1.1 Background

The financial crisis in 2008 was the largest financial disaster since the great depression, and the consequences reached the whole world. About 2,5 million businesses went bankrupt in the USA alone, and approximately 8 million people lost their jobs (Binance Academy, 2020). The president of the USA explained the crisis as an effect of the financial companies’ compensation packages. These caused executives to take more risks, which was one of the several factors that led to the financial crisis (Matolcsy, Shan, & Seethamraju, 2012). In connection to this, the CEO’s compensation became a subject of discussion among politicians, media, and the community (Croci, Gonenc & Ozkan, 2012; Matolcsy et al., 2012). Corporate governance has emphasized and addressed issues with the CEO’s compensation, which can be an effect due to the gap between the CEO’s wealth and pay inequality, but also to monitor the agency problem (Finkelstein, Hambrick & Cannella, 2009; Jensen & Murphy, 1990). The agency problem occurs when there is a separation between ownership and control in a firm (Jensen & Meckling, 1976).

“Not one major Wall Street executive went to jail for destroying our economy in 2008 as a result of their greed, recklessness and illegal behavior. No. They didn’t go to jail. They got a trillion-dollar bailout.” (Kessler, 2019., para 1).

As quoted above, the financial crisis affected the whole economy, and the CEO’s compensation package was one of the factors causing this crisis. However, none of the CEOs were held accountable, instead the government had to bail the banks out (Kessler, 2019). Although, it is now years after the onset of the 2008 financial crisis, the CEO’s compensation is still an ongoing topic of debate and, for this reason, vital to study. Several studies have been conducted to find empirical evidence about the structure of CEO compensation packages (e.g. Croci et
A CEO’s compensation package can consist of components such as base salary, restricted stock grants as well as option grants, bonuses and earnings from long-term incentive plans. Furthermore, these packages can also include pension plans, non-cash rewards, and other prerequisites (Davis, DeBode & Ketchen, 2013; Sigler & Sigler, 2015). Including rewards in employees’ compensation systems can boost the employees’ willingness to put more effort and work harder at the job (Markova & Ford 2011). Tosi, Misangyi, Fanelli, Waldman, and Yammarino (2004) state that “Economists argue that CEOs, like other employees, are paid for their human capital” (Tosi et al., 2004. p.408). According to Fama and Jensen (1983), the amount of CEO compensation is an important decision to align the interest of the CEO with the firm’s interest.

Family firms represent the most common business form (Boyd & Solarino, 2016; Shim & Okamuro, 2011). They are an important factor in the development and growth of the world economy, for instance, through the creation of job opportunities (Family Business Network, 2020). In Sweden, there are approximately 1.2 million companies (Persson, 2020), and family firms represent 50-70% of these companies. They contribute to 20-30% of the total gross domestic product (Family Business Network, 2020). The definition of family firms is widely discussed in the literature. However, in broad general terms, “ownership through one or more families” is frequently used as one of the interpretations (Brenes, Madrigal & Requena, 2011; Family Business Network, 2020; Kraus, Kallmuenzer, Stieger, Peters, & Calabrò, 2018; Sirmon, Arregle, Hitt & Webb, 2008). Family firms have unique characteristics that create a competitive advantage. For instance, they operate mostly with a long-term perspective of generations (Kraiczy, Hack & Kellermanns, 2014). The ownership in family firms is more personal (emotional connection), direct, and intimate, making it more visible, sustainable, and active. Since owners in family firms often run the firm as CEOs, they make a major part of the decisions. Therefore, making them responsible for their actions and their effect on the firm. For this reason, the connection between the firm and the owners is tightly integrated, and the decision-making process will not be similar in comparison to a non-family firm (Family Business Network, 2020). However, this study does not focus on comparing family firms with non-family firms. Instead this research will pay attention to the different types of CEOs in family firms since they can have either a family CEO or a non-family CEO (Waldkirch, 2020). (Sánchez-Marín, Pemartín & Monreal-Pérez, 2020) refer to another study and mention that “In family firms, family and business interplays create unique inputs and processes driven by
the goals, intentions, motivations, resources, power, and legitimacy of the firm’s dominant coalition” (Sánchez-Marín et al., 2020: p.314).

In the context of family firms and CEO compensation packages, research has focused on different factors and their impact on CEO compensation in financial terms (e.g., Barontini & Bozzi 2018; Croci et al., 2012; De Cesari, Gonenc, & Ozkan, 2016; Gomez-Mejia, Larraza-Kintana & Makri, 2003; McConaughy, 2000; Michiels, Voordeckers, Lybaert & Steijvers, 2013). However, there is a gap in the existing literature regarding how CEOs in family firms view and value compensation and rewards.

1.2 Problem discussion

CEO compensation has received increased attention during the years, and research has been conducted in different views (Matolcsy et al., 2012). Some factors that have been explored in relation to CEO compensation are family ownership, family involvement, pay-for-performance, type of CEO and corporate acquisitions (e.g., Barontini & Bozzi 2018; Cohen & Lauterbach 2008; Croci et al., 2012; De Cesari et al., 2016; Gomez-Mejia et al., 2003; McConaughy, 2000; Michiels et al., 2013; Yu, Stanley, Li, Eddleston & Kellermanns, 2020). For instance, studies that have focused on the type of CEOs have gotten mixed results. According to Cohen & Lauterbach (2008), family CEOs are paid more in financial terms than a non-family CEO. In opposite, Croci et al. (2012) and McConaughy (2000) state that family CEOs receive less compensation than non-family CEOs. Moreover, Hitt and Haynes (2018), mention potential over- and underpayment for all the types of CEO’s pay. Reasons regarding the overpayment for CEOs are greed and hubris. On the other hand, underpayment can be due to inadequate information regarding the external labor market or the desire for CEOs to acquire non-financial perks, for instance, SEW (Hitt & Haynes 2018).

Additionally, Hunt and Handler (1999), did an exploratory study interviewing leaders in family firms. They conclude that these leaders are more likely to contribute and value the business and family’s success rather than prioritizing personal wealth. Quotes such as “there is more to life than money” (Hunt & Handler 1999; p.142) were stated from those interviews. Furthermore, the authors mention that none of these leaders receive any extraordinary compensation for their work or their family members’ work. Instead, they usually re-invest their compensation in the firm (Hunt & Handler, 1999).
According to Jaleta, Kero, and Kumera (2019), “Compensation is all income in the form of money; goods directly or indirectly received by the employee in exchange for services rendered to organization” (Jaleta et al., 2019, p.33). Tosi et al. (2004) state that “Economists argue that CEOs, like other employees, are paid for their human capital” (Tosi et al., 2004, p.408). The CEO is the “face” of the firm in the eyes of the public and plays a key role. They help the firm defining the image to external and internal stakeholders. For instance, by managing the culture, communicate the vision, collective purpose, and create adaptive capacities (Park & Berger, 2004; Resick, Whitman, Weingarden & Hiller, 2009).

Usman, Sukmayuda and Kurniawati (2019) refer to Hirshleifer and Teoh (2003) and state that compensation can be divided into two main parts; financial compensation (e.g., salary, holiday allowance, medical allowance, bonuses) and non-financial compensation (e.g., the opportunity to a promotion, good work facilities, conducive working environment). Furthermore, compensation is positively associated with motivation (Mehran, 1995; Sudiardhita, Mukhtar, Hartono, Herlitah, Sariwulan & Nikensari, 2018; Yanuar, 2017). According to Hitka, Kozubíková, and Potkány (2018); “The process of motivation itself is a process in which each person has certain needs that he or she seeks to satisfy and which influence his or her actions in a certain direction.” (Hitka et al., 2018, p.81). The reason behind the use of different components in compensation is that employees become motivated and satisfied when they receive what they want, both in financial and non-financial terms (Jaleta et al., 2019). Moreover, including rewards in employees’ compensation systems can be a boost for the employees’ willingness to put more effort and work harder (Markova & Ford, 2011). Schultz (2007), describes rewards as “… objects, events, situations, or activities that attain positive motivational properties from internal brain processes” (Schultz, 2007, no page). There are two categories of rewards, non-financial and financial rewards (Imran, Ahmad, Nisar & Ahmad, 2014). Financial rewards can, for instance, be; stock options, merit increase (Markova & Ford, 2011), gifts, performance bonuses, tips, and commission. On the contrary, non-financial rewards consist of appreciation, recognition, and praise (Imran et al., 2014).

The motivation of a non-family CEO, in contrast to a family CEO, is discussed in the literature. Miller, Le Breton-Miller, Minichilli, Corbetta, and Pittino (2014) state that non-family CEOs
are more likely to emphasize financial performance rather than socioemotional objectives and returns. According to the study by McConaughy (2000), “It appears that to attract, retain, and motivate a nonfamily CEO, pay levels must be higher.” (McConaughy 2000, p.129). On the contrary, family CEOs are more motivated by SEW and non-financial goals (Gomez‐Mejia, Cruz, Berrone & De Castro, 2011; Gomez–Mejia, Haynes, Nunez–Nickel, Jacobson & Moyano–Fuentes 2007). Firstly, the SEW concept implies that family firms’ motivation and commitment depend on the conservation of their SEW (Berrone, Cruz & Gomez‐Mejia, 2012). SEW refers to “non-financial aspects or “affective endowments” of family owners” (Berrone et al., 2012: p.259). Affective endowments can include the family’s identity or family influence within the firm (Gómez‐Mejía et al., 2007). Furthermore, it implies avoiding promising risk-bearing actions and maintain control over the firm in the interest of the family, even if that indicates affecting financial performance negatively (Gomez-Mejia et al., 2011). Berrone et al. 2012, suggest a composition of dimensions of SEW based on previous literature and call it FIBER. This model is commonly used in research about family firms (Filser, De Massis, Gast, Kraus & Niemand, 2018; Firfiray, Cruz, Neacsu & Gomez-Mejia 2018; Gomez-Mejia, Patel & Zellweger, 2018). Secondly, non-financial goals are goals that exist at the firm and family level. They can be described as goals that “...do not have a direct tangible monetary value” (Zellweger, Nason, Nordqvist & Brush, 2013: p.232). Non-financial goals can be family status, social support (Chrisman, Kellermanns, Chan, & Liano, 2010), CSR, employee practices, and relations with customers and suppliers (Gómez-Mejía et al., 2007; Zellweger & Nason, 2008).

Considering these viewpoints and the specific nature of family firms, one can question, how do family CEOs view and value compensation and rewards? Is it just a matter of financial value, or do the CEOs value something else? As a suggestion, according to the literature, family CEOs are more motivated by non-financial goals and SEW (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011) and might, therefore, value satisfied customers or good reputation as components of compensation and rewards. Do family CEOs value the business and family health more than personal gain? On the contrary, one can question if non-family CEOs value more financial aspects as compensation and rewards since they are more likely to emphasize financial performance, rather than socioemotional objectives and returns (Miller et al., 2014). In this perspective, do family CEOs differ from non-family CEOs in terms of how they view and value compensation and rewards?
1.3 Research purpose
The CEO’s compensation has attracted considerable attention worldwide due to the discussion about CEO wealth and inequality. There is much research about CEO compensation and family firms, but most of it investigate different factors and their impact on CEO compensation in financial terms (e.g., Barontini & Bozzi 2018; Croci et al., 2012; De Cesari et al., 2016; Gomez-Mejia et al., 2003; McConaughy, 2000; Michiels et al., 2013). However, there is a gap in the existing literature regarding how CEOs view and value compensation and rewards. This study aims to investigate and explore how family CEOs view and value compensation and rewards, in comparison to non-family CEOs in family firms. The findings in this study will contribute to the current knowledge of how to design the compensation packages in the future for CEOs in family firms. More specifically, our research could be a useful aid for shareholders and the board of directors when deciding upon the compensation and reward system for CEOs in family firms.

1.4 Research questions
To examine our purpose, we developed the following research questions:
- How do CEOs in family firms view and value compensation and rewards?
- Do family CEOs differ from non-family CEOs regarding how they view and value compensation and rewards?

1.5 Delimitations
Family firms are very complex and possess unique characteristics (Nordqvist, Hall & Melin, 2009), making them different from other business forms (Kraiczy et al., 2014). Recent findings argue that family firms are heterogeneous (e.g., Chua, Chrisman, Steier & Rau, 2012; Nordqvist, Sharma & Chirico, 2014; Yu et al., 2020; Zellweger et al., 2013) which implies that every family firm is unique and still not well understood. According to Chua et al. (2012), previous studies have focused on comparing family firms and non-family firms. Moreover, in more recent literature, this is still a common approach (e.g., Del Carmen Briano-Turrent & Poletti-Hughes, 2017; Sánchez-Marín, Meroño-Cerdán & Carrasco-Hernández, 2019). Therefore, this study will instead pay full attention to just family firms. Furthermore, this study will use Swedish family firms since few studies on this topic have been conducted in Sweden and due to the authors access to Swedish family firms.
Furthermore, we do not intend to separate the words compensation and rewards since our purpose is more in general, how CEOs in family firms view and value compensation and rewards. Moreover, in some cases, these two words can include the same factors, which makes it difficult to separate them. Therefore, we take these two concepts together and include in CEOs’ compensation packages.

1.6 Disposition

The thesis is structured in the following way: In the next chapter, the theoretical background of our research is provided. This chapter is followed up by the methodology where the chosen method and collection of data are presented. In the fourth chapter, the empirical findings are demonstrated. This is followed up by the analysis and discussion. Finally, the conclusion is provided in the last chapter.
2. Literature review

In this chapter, the reader will be provided with the theoretical background of our research. Firstly, a literature review is presented, including definitions of family firms, characteristics, and different goals in family firms. This will be followed up by type of CEOs in family firms. Secondly, previous studies within CEO compensation packages are presented. Additionally, explanations and potential components of compensation and rewards are provided. Lastly, due to the connection between SEW and family firms, SEW and a model of SEW are explained.

2.1 Family firms

Studies on family firms have been conducted in different settings, for instance, types of firms, countries, and governance regimes, which explains the variety on the definition of family firms in the literature (Miller, Le Breton-Miller, Lester & Cannella, 2007). However, a common view is an organization that is mostly “controlled and managed in the hands of several family representatives” (Shanker & Astrachan, 1996). Generally, “transferred through multiple family generations” (Anderson & Reeb, 2003; Gomez‐Mejia et al., 2011). In the research of Villonga and Admit (2006), the definition of family firms that contributed to the largest proportion of firms that can define themselves as family firms are “One or more family members are officers, directors, or blockholders” (Villonga & Admit, 2006. p 413). This is one of the chosen definitions that will be used in this study. Furthermore, Bjuggren, Nordström, and Palmberg (2018) use another definition of family firms and refer to Chua, Chrisman, and Sharma (1999). In the research by Chua et al. (1999), they use the definition “The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (Chua et al., 1999 p.25). Bjuggren et al. (2018) argue in their research that their definition of family firms is “firms that perceive themselves as being a family firm.” They make a presumption that these firms have an intention to keep the control of the firm in the hands of the family, which will contribute to the firm fulfilling the definition of being a family firm stated by Chua et al. (1999) (Bjuggren et al., 2018). The definition by Bjuggren et al. (2018) is the second definition that will be used in this research. More information about the chosen
definitions will be provided in chapter 3. Family firms diverge from other business forms due to their unique features (Kraiczy et al., 2014). Therefore, the characteristics of family firms are outlined in the next section of this chapter.

2.2 Family firm characteristics

Nordqvist et al. (2009) emphasize the complexity and specific characteristics of family firms. One of the essential factors that distinguish family firms from other business forms is family involvement (Chua et al., 1999). It is common that owners of family firms often monitor the firm as CEOs and make a major part of the decisions (Family Business Network, 2020). Furthermore, control, succession, and structure are important components to deal with in family firms to ensure continuity (Brenes, Madrigal & Molina-Navarro, 2006). In prior research, family firms are treated as a homogenous group (Chua et al., 2012). More recent studies argue that family firms are not a homogenous group since diversity exists within family firms, indicating that family firms are heterogeneous (Chua et al., 2012; Nordqvist et al., 2014; Yu et al., 2020; Zellweger et al., 2013). According to previous studies, a family CEO is more motivated by non-financial goals (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011). One common goal associated with family firms is the goal of pursuing the firm for future generations (Chua et al., 1999). Other potential goals are explained in further detail in the next section of this chapter.

2.2.1 Goals in family firms

Family firms possess non-financial and financial goals (Aparicio, Basco, Iturralde & Maseda, 2017; Astrachan & Jaskiewicz, 2008; Williams, Pieper, Kellermanns & Astrachan, 2018; Zellweger et al., 2013). Although non-financial goals are recognized in businesses, they are especially prominent in family firms (Zellweger et al., 2013). According to Zellweger et al. (2013), non-financial goals can be described as goals that “...do not have a direct tangible monetary value” (Zellweger et al., 2013, p.232). These non-financial goals can be linked to the business, family, or the owner (Astrachan & Jaskiewicz 2008). For instance, the ability to offer high-quality services and products to customers (Abdel-Maksoud, Dugdale & Luther, 2005; Khatri & Ng, 2000), having family members as employees, family harmony (Aparicio et al., 2017; Chrisman, Chua, Pearson & Barnett, 2012; Chrisman, Chua & Zahra, 2003), positive public image or reputation (Khatri & Ng, 2000). Moreover, non-financial goals can also concern the environment, CSR, employee practices, and relations with customers and suppliers
Financial goals, on the other hand, are for instance, dividends, profit/sales, increase in market share, and measures in ROA and ROI (Aparicio et al., 2017). In the following section, the characteristics of CEOs in family firms are provided.

### 2.3 CEOs in family firms

The CEO is the “face” of the firm in the eyes of the public and plays a key role. They help the firm defining the image to external and internal stakeholders. For instance, by managing the culture, communicate the vision, collective purpose, and create adaptive capacities (Park & Berger, 2004; Resick et al., 2009). Moreover, the CEO has the ability to make decisions and affect the strategic direction for the firm (Busenbark, Krause, Boivie & Graffin 2016).

According to the literature, the motivation of a family CEO in family firms is associated with SEW and non-financial goals. Furthermore, they focus on non-financial aspects such as ownership, reputation, and harmony within the family (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011).

In contrast to a family CEO, family firms can also have a non-family CEO (Waldkirch, 2020). Klein and Bell (2007) refer to another article and explain that a non-family CEO is; “...a person who is neither a blood relative nor related to the owning family by marriage or adoption” (Klein & Bell, 2007. p.20). Family firms might choose to hire a non-family CEO to acquire skills or high professionalism that do not exist within the family (Stewart & Hitt, 2012). Non-family CEOs are essential characters in family firms to create growth and be able to compete in the business environment (Blumentritt, Keyt & Astrachan, 2007; Chua, Chrisman & Sharma, 2003) since they can contribute with their skills and ideas (Chua et al., 2003). Furthermore, non-family CEOs possess the responsibility to achieve firm performance (Blumentritt et al., 2007). According to Miller et al. (2014), non-family CEOs are more likely to emphasize financial performance instead of socioemotional objectives and returns. McConaughy (2000) stated, “It appears that to attract, retain, and motivate a nonfamily CEO, pay levels must be higher.” (McConaughy 2000, p.129).

Blumentritt et al. (2007) argue that trust and commitment are two crucial components in developing a successful engagement between the non-family CEO and the family. They suggest that this can be done through an emotional bond. This bond is more likely to be created
when the non-family CEO considers what is essential for the family and the underlying factors behind it (Blumentritt et al., 2007). Moreover, family firms often expect that non-family CEOs are capable of handling family conflicts, share and understand the family’s values and beliefs (Klein & Bell, 2007). According to Tosi et al. (2004), “Economists argue that CEOs, like other employees, are paid for their human capital” (Tosi et al., 2004. p.408). Therefore, a brief overview of CEO compensation packages and previous studies are discussed in the next section of this chapter.

2.4 CEO compensation packages

2.4.1 Previous studies

Studies have viewed family firms and CEO compensation from different perspectives and with different outcomes (Matolcsy et al., 2012). Prior research has investigated the impact of different factors on CEO compensation such as family ownership, family involvement, pay-for-performance, type of CEO and corporate acquisitions (e.g., Barontini & Bozzi 2018; Cohen & Lauterbach 2008; Croci et al., 2012; De Cesari et al., 2016; Gomez-Mejia et al., 2003; McConaughy, 2000; Michiels et al., 2013; Yu et al., 2020). Since our research focuses on compensation and rewards and the type of CEO, the following paragraph will explain some studies in relation to this in further detail.

Regarding the type of CEO, Cohen & Lauterbach (2008) conclude that family CEOs are paid more in financial terms than a non-family CEO. In contrary, two other papers (Croci et al., 2012; McConaughy, 2000) mention that family CEOs receive less compensation than non-family CEOs. Furthermore, Croci et al. (2012) state that it is less likely that a CEO in a family firm will quit their job and start working for another firm when the CEO has family connections. As such, these CEOs are more committed to the firm and more likely to accept lower compensation (Croci et al., 2012). McConaughy (2000) mentions in his study that to be an attractive workplace and retain non-family CEOs, the family firm must pay higher compensation. Moreover, the author states that the difference in compensation between the two parties can be that the family CEO receives other compensation than just cash compensation. More precisely, “The results do not exclude the possibility that family CEOs may receive substitutes for cash compensation” (McConaughy, 2000; p.129). They can receive non-pecuniary benefits for their work, for instance, family identity and family status (McConaughy,
Klein and Bell (2007) refer to another article and state that “Especially in the context of family businesses, emotional and social compensation as well as psychological ownership can be relevant issues.” (Klein & Bell, 2007: p.27). The authors argue that these emotional factors are likely to substitute for the decrease in economic return. Due to this, the family firms’ compensation packages might differ in contrast to other firms (Klein & Bell, 2007). We will discuss and explain the potential components of compensation and rewards in more detail in the following section.

2.4.2 Compensation & Rewards

According to Jaleta et al. (2019), “Compensation is all income in the form of money; goods directly or indirectly received by the employee in exchange for services rendered to organization” (Jaleta et al., 2019, p.33). Tosi et al. (2004) state that “Economists argue that CEOs, like other employees, are paid for their human capital” (Tosi et al., 2004, p.408).

Usman et al. (2019) refer to Hirshleifer and Teoh (2003) and state that compensation can be divided into two main parts; financial compensation and non-financial compensation. Financial compensation can, in turn, be divided into direct and indirect financial compensation. Direct financial compensation is wages, salaries, and bonuses. On the other hand, indirect financial compensation is educational allowance, holiday allowance, and medical allowance. The other part, non-financial compensation, is also further divided into two sides; non-financial compensation connected to work environment and non-financial compensation connected to work. Components of non-financial compensation connected to the work environment are good work facilities and a conducive working environment. Non-financial compensation connected to work is, for instance, appropriate work in terms of challenging and interesting, the opportunity to a promotion, and have a status symbol at work (Usman et al., 2019). As a general view, Linz and Semykina (2012), refer to another study and mention that “…monetary things have simple numerical interpretations, but because non-monetary things are usually not numeric, individuals expend extra effort to translate their value into dollars (. . .). Hence, it is harder to predict the value of things that are not directly measured in monetary terms.” (Linz and Semykina, 2012, p.816).
According to literature, compensation is positively associated with motivation (Mehran, 1995; Sudiardhita et al., 2018; Yanuar, 2017). Hitka et al. (2018) explain motivation as follows; “The process of motivation itself is a process in which each person has certain needs that he or she seeks to satisfy and which influence his or her actions in a certain direction.” (Hitka et al., 2018, p.81). The outcome of using different components in compensation is that employees get motivated and satisfied when they obtain desired compensation, including both financial and non-financial components (Jaleta et al., 2019). Furthermore, it is common to include rewards in employees’ compensation systems in order to boost the employees’ willingness to put more effort and work harder (Markova & Ford 2011).

Rewards can have different definitions. According to Schultz (2007), “Rewards are objects, events, situations or activities that attain positive motivational properties from internal brain processes” (Schultz, 2007, no page). The author further states that rewards are primarily percept by the public associated with happiness and special gratification (Schultz, 2007). There are two categories of rewards, non-financial and financial rewards (Imran et al., 2014). Financial rewards can, for instance, be; stock options, merit increase (Markova & Ford, 2011), gifts, performance bonuses, tips, and commission. Contrary, non-financial rewards consist of appreciation, recognition, and praise (Imran et al., 2014). Furthermore, rewards can also be divided into extrinsic and intrinsic rewards. The intrinsic rewards are related to the satisfaction while doing the work. These benefits of intrinsic rewards are foremost non-monetary and, therefore, more challenging to measure. On the contrary, extrinsic rewards are commonly associated with monetary rewards such as money and job security and easier to measure (Linz & Semykina, 2012). Some studies argue that family CEOs are more motivated by SEW (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011) and, therefore, this topic will be discussed in the next section.

2.5 SEW

SEW originates from the behavioral agency theory, which is a combination of prospect theory, agency theory, and behavioral theory of the firm (Berrone et al., 2012). The background of SEW, origin from the research of Gomez-Mejia et al. (2007). According to Gómez-Mejia et al. (2007), owners of family firms have an interest in both financial performance and their own SEW. SEW means the non-financial aspects of the family firm, which contributes to achieving the family’s affective endowments (needs) that derive from having their own firm (Berrone et
al., 2012; Gómez-Mejia et al., 2007). For instance, affective endowments can include the family’s identity or family influence within the firm. SEW is the primary focus when decisions are made in family firms (Gómez-Mejia et al., 2007), and family owners consider any changes in their SEW when making decisions. Those decisions can be about policies or other strategic choices (Berrone et al., 2012). Owners of family firms tend to be loss averse in decisions influencing their SEW (Zellweger, Kellermanns, Chrisman & Chua, 2012). When there is a risk of loss in SEW, the family firm is more likely to sacrifice a loss in economic terms (Berrone et al., 2012). The family firms can be both risk-averse and risk-seeking, it depends on the desire of maintaining SEW and how the results will impact SEW. Thus, it might results in lower or higher risk-taking by the family firms (Kalm & Gomez-Mejia., 2016).

Furthermore, more recent studies have also taken a new approach in the field and discuss mixed gambles. It means that family firm owners become motivated by potential gains in their stock of SEW (Gomez-Mejia, Campbell, Martin, Hoskisson, Makri & Sirmon, 2014). Murphy, Huybrechts & Lambrechts, (2019) refer to Gomez-Mejia et al. (2014) and state “...that family owners will make strategic decisions based on the expected socioemotional gains and whether this is worth risking the potential socioemotional losses, using the present stock of SEW as a reference point for strategic decision making” (Murphy et al., 2019, p.398). For instance, a decision including mixed gamble can be if a family member of the next generation decides to work in the firm and the firm performs well (gain or maintain of SEW), and this leads to missing out of other career options (loss) (Murphy et al., 2019). Moreover, Gomez-Mejia et al. (2018) mention that it is common for family firms to encounter a dilemma when making strategic decisions, which includes whether to preserve their current SEW or pursue prospective financial wealth. Previous studies have investigated how different factors influence the prioritizing of SEW in family firms. For instance, changes in family involvement within the firm (Le Breton-Miller & Miller, 2013), CEO’s time to retirement (Strike, Berrone, Sapp & Congiu, 2015), and intentions of transgenerational control (Zellweger et al., 2012). Berrone et al. 2012, suggest a composition of dimensions of SEW based on previous literature and call it FIBER. FIBER is commonly used in research about family firms (Filser et al., 2018; Firfiray et al., 2018; Gomez-Mejia et al., 2018) and therefore mentioned in this study. This model will be explained in further detail in the next section of this chapter.
2.5.1 FIBER

The dimensions are as follows; “Family control and influence,” “Identification of family members with the firm,” “Binding social ties,” “Emotional attachment of family members” and lastly “Renewal of family bonds to the firm through dynastic succession” (Berrone et al., 2012). These dimensions will be demonstrated below.

Family control and influence
The first dimension involves the ability of family members to influence and exert control over the family firm (Berrone et al., 2012). Members of the family have the power to influence and control strategic choices within the firm, which is one of the distinctive features of family firms (Chua et al., 1999). Family members can exert this control, for instance, as being the CEO of the board or through ownership position within the firm. Moreover, personality or status can also affect the ability to exert control (Berrone et al., 2012).

Identification of family members with the firm
This dimension represents the connection with the family identity and the firm (Berrone et al., 2012). The close connection between family and firm creates a unique identity (Berrone, Cruz, Gomez-Mejia & Larraza-Kintana, 2010; Dyer & Whetten, 2006). In many cases, the firm and the owning family carry the same name and, therefore, closely connected. From a stakeholder perspective, including external and internal stakeholders, the firm can be viewed as an extension of the owning family (Berrone et al., 2012). From the internal aspect, this can have an impact on the attitudes toward processes within the firm, employees as well as services and goods provided by the firm (Carrigan & Buckley, 2008; Teal, Upton & Seaman, 2003). Furthermore, the external aspect, contributes to family members taking care of the image they project in front of their suppliers and customers, etc. (Micelotta & Raynard, 2011).

Binding social ties
The next dimension involves social relationships and the family firm (Berrone et al., 2012). The dimension means that social ties do not necessarily need to include relationships between family members but also relationships between the family and other parties outside the family (Miller, Jangwoo, Sooduck & Le Breton-Miller, 2009). Berrone et al. (2012) refer to another author and state that employees that are not connected to the family share the same feeling of belonging, identity and self that the family firm often possesses, contributing to commitment
and stability in the firm. Moreover, it is common that family firms are concerned about their communities, and support different activities, such as sports teams and charities (Berrone et al., 2010).

**Emotional attachment**

This dimension stands for the emotional part within the family firm (Berrone et al., 2012) and is one of the key characteristics of the business form (Eddleston & Kellermanns, 2007; Tagiuri & Davis, 1996). The emotional part is one of the aspects that affect the procedure when making decisions (Baron, 2008). Examples of emotions are; anger, happiness, fear, etc. (Kuppens, Stouten & Mesquita, 2009). Furthermore, these emotions often occur in response to critical events in family firms (Berrone et al., 2012), for instance, when there is a succession (Dunn, 1999) and when a firm/family loss occurs (Shepherd, Wiklund & Haynie, 2009). Therefore, they are not static and arise from daily situations (Berrone et al., 2012).

**Renewal of family bonds to the firm through dynastic succession**

This dimension can be explained as the process of transferring the firm to the next generation within the family (Berrone et al., 2012). Family members usually see the engagement in a family firm as a long-term family investment that will pass over to future generations (Berrone et al., 2010). One of the most common objectives for a family firm is to run the business with the purpose to hand over the firm to the forthcoming generation (Chua et al., 1999; Kets de Vries, 1993; Zellweger et al., 2012). Moreover, family firms often emphasize the long-term perspective of the firm (Miller, Le Breton-Miller & Scholnick, 2008).
2.6 Summary of Literature review

As stated in the introduction, our purpose is to investigate and explore how CEOs in family firms view and value compensation and rewards. There are many definitions of family firms, therefore some of these were presented in the first section of this chapter. Moreover, family firms possess unique features and because of this, we outlined the different characteristics of family firms. According to previous research, family CEOs are motivated by non-financial goals and these goals are often prominent in family firms. The next section presented non-financial goals but also financial goals that can be related to family firms. A family firm can either have a family CEO or a non-family CEO, therefore a section of this chapter included characteristics and motivation for the different types of CEOs. Furthermore, just like other employees, CEOs are paid for their human capital and according to literature family firms’ compensation packages might differ in contrast to other firms. Due to this, one section presented CEO compensation packages, in terms of previous studies and potential components of compensation and rewards. Some studies argue that family CEOs are more motivated by SEW and therefore, this theory was detailed explained. A common model to measure SEW is the FIBER model which was provided in the last section of the literature review. Figure 1 below presents a summary of the framework. The following chapter will present the methodology of the research.
Figure 1 Summary of the framework
3. Methodology

In this chapter, the reader will be introduced to the methodology. Firstly, the research philosophy, research design, and data collection of our research are presented. Secondly, the research quality and how the data will be analyzed are provided. Lastly, research ethics is presented to the reader.

3.1 Research philosophy

There are two terminologies within research philosophy, which are epistemology and ontology. An epistemological consideration addresses the question of what can be seen as acceptable knowledge in a specific field. In this context, a key concern is if the social world can or cannot be investigated in relation to the same ethnos, procedures, principles, and natural science. The other terminology is more about what there is to know about the nature of the world. It concerns issues such as if there exists a social reality that occurs separately from social actors' imaginations and explanations (Bryman & Bell, 2011). It was decided that ontology was the best terminology to use in this study since our research examines something that we do not understand in terms of how CEOs in family firms view and value compensation and rewards. In the next section of this chapter, we will provide the reader with the research design.

3.2 Research design

Qualitative data often includes information that has non-numeric values. Furthermore, the participants’ words and actions are often used in the assessment of data (Easterby-Smith, Thorpe & Jackson, 2015). Questions as “why,” “what” and “how” instead of “how many” are often associated with qualitative research (Bryman, 2016). This research requires more in-depth data, which takes the view of the CEOs in family firms. More precisely, we need to see it through their eyes and get a deeper understanding of their opinions, underlying behaviors, and motivations. The major advantage of having qualitative research is the possibility of generating rich and in-depth information. Therefore, qualitative research is most suitable for our research. Additionally, according to Fletcher, Massis and Nordqvist (2016), there is a call for more qualitative research in family firms.
Moreover, we opted for a cross-sectional design in combination with a comparative design. A cross-sectional design is conducted at a single point in time. Having a cross-sectional design lets us explore the relationship between factors that are not manipulated or in any time order. The choice for the cross-sectional design is often due to curiosity in variation, and this can only be examined when several cases are present (Bryman & Bell, 2011). Our interviews with the CEOs were held at a single point in time and generated factors that allowed us to investigate potential relationships. The factors were not manipulated and had no connection to specific time order. Furthermore, according to Ritchie et al. (2014), comparative design in qualitative research involves understanding differences. This design can generate useful insights into specific phenomena; for instance, the exploration of how views and identifications differ between groups (Ritchie et al., 2014). The comparative design was applied to fulfill our purpose, which includes a comparison between non-family CEOs and family CEOs. In the following section, the chosen research approach will be discussed.

3.2.1 Research approach

Two common approaches are inductive and deductive. The inductive approach is a “bottom-up” approach, which implies that researchers develop theories and laws based on observations of the world. On the other hand, the deductive approach is a “top-down” approach, which means that researchers start the process with a theory and, based on it, develop a hypothesis. The researcher then tests the hypothesis through observations of the world (Bryman & Bell 2011; Ritchie et al., 2014). Ritchie et al. (2014) refer to another author and state that there is no ‘pure’ inductive approach or ‘pure’ deductive approach. Instead, most studies are a combination of both approaches, called the abductive approach. In short, the abductive approach “…involves ‘abducting’ a technical account, using the researchers’ categories, from participants’ own accounts of everyday activities, ideas or beliefs” (Ritchie et al., 2014, p.7). In our study, an abductive approach was selected since none of the “pure” approaches were appropriate. Our primary purpose is not to test a hypothesis or develop a new one. Furthermore, at the beginning of the process, we gathered information about the topic, but no hypothesis was stated. Additionally, we went back and forth between the literature and our findings. Therefore we ended up with the abductive approach. In the next section of this chapter, we will provide the reader with the research purpose.
3.2.2 Research purpose

Our study takes the form of contextual research that intends to outline what can be found in the social world and how it displays itself. This kind of research provides the opportunity to investigate what the issues are about, what can be found within them, and how those issues are perceived by people associated with them (Ritchie et al., 2014). This study aims to investigate how compensation and rewards are viewed and valued by CEOs in family firms. In other words, our research investigates what exists in the social world (compensation and rewards) and how they are manifested by people (CEOs in family firms). We investigate the words more deeply and how they are understood in the context of family firms. As follows, the chosen data collection method in the study will be explained.

3.3 Research method

3.3.1 Data collection method

The data collection process included primary and secondary data. Secondary data is obtained by other researchers, such as articles, and is commonly useful to complement primary data. This data provides information relevant to the specific research (Easterby-Smith et al., 2015). Secondary data is foremost written in the literature review and the introduction chapter as a foundation in the study. To gather this data, we used the databases Primo and Scopus. In order to find articles about the research topic, we used words such as; “family firms,” “CEO compensation packages,” “Rewards,” “CEO compensation,” “Socioemotional wealth,” “Non-financial goals” in the search process. Furthermore, to enhance the reliability and the trustworthiness, most articles are from journals included in the ABS-list and are peer-reviewed. We used the most cited articles to identify the most contributed authors and more recent literature to receive more recent studies in the field. Secondary data was also gathered from “Allabolag,” “Retriever” and the firms’ websites in order to find information (e.g., financial statements, ownership structure) about the firms that participated in the study.

On the contrary, our primary data was collected through semi-structured interviews. Semi-structured interviews imply that the researcher follows an interview guide (a list of questions/topics). However, the questions do not need to be asked in the same order during the interview, and the researcher can ask further questions in response to the participant’s answer.
In general, all questions in a semi-structured interview can be asked using the same or similar wording (Bryman & Bell, 2011). It was decided that this was the best method to use in order to fulfill our purpose. By having semi-structured interviews, we were able to ask follow-up questions in response to the participants’ answers and receive more detailed and in-depth information. Moreover, this method allowed us to some extent, be able to compare the interview findings when having the interview guide as a starting point. In the following section, we will discuss the design of the semi-structured interviews in more detail.

3.3.2 Semi-structured interviews

A Swedish and English version of the interview guide is attached in Appendix 1 and 2. The semi-structured interviews were held in Swedish, and the interview guide was prepared in accordance with our purpose. The questions were based on previous literature and with the research questions in mind. Overall, we are aware that some questions might overlap with each other, but we did not want to miss anything out. Firstly, there was no difference in the design of questions between the non-family CEO and the family CEOs since we want to compare between the two groups. Moreover, the objective of this study is to investigate and explore how CEOs in family firms view and value compensation and rewards. Due to this, it was decided to foremost use open-ended questions in the interviews. By having open-ended questions, the participants could give more in-depth answers, and the interviewer could capture the respondents understanding and level of knowledge (Bryman & Bell, 2011). Furthermore, we opted for having non-leading questions in order to be as objective as possible. During the interviews, probes and prompts questions emerged. The probes questions occur as a response to the participants’ answers, which results in more clear and detailed answers (Bryman & Bell, 2011). On the contrary, the prompts questions, do not occur as a direct response to the participants’ answers but instead as a topic. This can be the case when the investigator wants to ask something that has been brought up during other interviews or as a relevance theme for the researcher’s thinking (Ritchie et al., 2014).

The first section of the interview guide was a “get-to-know-part.” We asked questions that generated information about the participants, such as educational background, previous experiences, and how long he/she has been working in the firm, etc. The two main objectives of this section were first to get to know the person and secondly make them feel comfortable in our company. We realized that this section also gave us interesting information related to
the findings. The next section included more questions about the firm, for instance, information such as generational stage, number of active family members, goals for the firm, etc. The purpose of this part was to obtain information that might be connected to the findings.

The core part of the interview guide involved questions regarding compensation and rewards. The main idea was to be as objective as possible since we did not want to influence the participants with our questions. Therefore, we had broader questions in the beginning and more narrowed and specific questions at the end. Moreover, to verify our interview questions, a pre-test was conducted with different kinds of people. During the pre-tests, we realized a possibility of misunderstanding regarding the chosen word in Swedish that corresponds to “compensation.” Our first thought was to use “kompensation/ersättning” in Swedish for the word “compensation.” However, most people were unsure about the meaning and more familiar with “lön” instead, which is “salary” in English. “Salary” is a broader concept used in Sweden. We realized that if we use “lön” (salary), many people associate it with financial numbers. Therefore, we added, “belöning” (reward) in our study to broaden the concept and not put any boundaries on the financial term.

The last question in the interview guide was a list of potential factors that can include in employers’ compensation and reward systems in family firms. The participants’ assignment was to rank the factors based on how they value them, even if they did not receive any of them today. They were supposed to rank them on a scale, where 1 was the factor they valued the most. The main objective of this part was to investigate and get an overall impression of what the participants valued. Later in the process, we realized that the participants had some difficulties in ranking all the factors. Therefore, they just needed to rank 6. Moreover, we included some blank spaces on the list that we could use if the participants mentioned any specific during the interviews. By adding their factors, it gave us the real picture from their point of view. Unfortunately, we discovered a typing error in the last question. In Swedish, we used the term “anställda” (employees) instead of “arbetsgivare” (employer) as it was supposed to be. We did not make any changes due to this since the interviews were already conducted. Furthermore, we do not think the typing error would affect the findings since it was an ended question with already given factors. As follows, the process of selecting firms for the study will be presented.
3.4 Data collection

3.4.1 Selection of firms

In our research, we used non-probability sampling since not all participants had the same probability of being a part of the sample selection (Bryman & Bell, 2011). There are many reasons for this; for instance, we had limited access to family firms in Sweden. We did not have any list of all family firms in Sweden and, thus, turned to our network. Instead, the participants were collected according to our purpose (purposive sampling) (Easterby-Smith et al., 2015). The participants in the target sample had to fulfill two criteria to be suitable for our research; the first requirement is to be a family firm, and the second is to have a CEO (either a non-family CEO or a family CEO).

In the initial stage of the selection process, an email was sent to researchers at the Center for Family Entrepreneurship and Ownership (CeFEO) at Jönköping University, with an attempt to find family firms, but with lack of result. After this, we turned to our network (e.g., siblings, parents), which gave us some names of family firms. Additionally, we did some search on google with words such as “family firms” and “external CEO in family firms,” out of this, we received newspapers and articles about family firms. At this point, we had a list of potential family firms.

The next step in the process was to search for information about the firms (e.g., financial statements, number of employees, and ownership structure). Our main idea was to choose our sample based on some characteristics of the firms and the CEOs to enhance the reliability of the findings (e.g., industry, generational stage of the firm, assets, sales, number of employees, age of CEO, educational background of CEO). Unfortunately, due to the circumstances with COVID-19, we could not put any boundaries on our research. The only two requirements we had for our sample were to fulfill the criteria for being a family firm and have a CEO (either a non-family CEO or a family CEO).

Regarding the criteria for being a family firm, we use a combination of two definitions of family firms from the literature. The reason for the chosen definitions was due to the consequences of COVID-19, which contributed to limitations in our data collection. This resulted in broad definitions of family firms to enhance the probability of being a family firm.
in the research. Therefore, we ended up with the following definitions; “One or more family members are officers, directors, or blockholders” (Villonga & Admit, 2006. p 413) and “Family firms that perceive themselves as being a family firm” (Bjuggren et al., 2018).

In order to investigate if the potential firms on the list fulfilled the two requirements (family firm and CEO), we collected information from websites such as “Allabolag,” “Retriever” and the firms’ websites. We looked for firms that had several people with the same surname on the board and had a CEO. In most cases, family firms stated on their website that they were a family firm, which made us more sure about fulfilling the requirements. After this, we started to contact these firms. The priority was to find the CEO’s email address; if that was not available, we sent an email to the firm’s customer service. The sample consisted of 40 firms were 12 firms had a non-family CEO, and 28 firms had a family CEO. Out of this, 6 CEOs wanted to participate (5 family CEO and 1 non-family CEO), and 9 CEOs did not have time to participate. One of the interviews was cancelled at the last minute due to private reasons, and thus, only 5 interviews were conducted. Our first intention was to do interviews with at least 12-15 CEOs, including both non-family and family CEOs, including both female and male participants. Unfortunately, we did not receive any interview with a female participant. We tried hard to conduct more interviews, but during this time, many firms needed to focus on their daily operations due to COVID-19. Therefore, they did not have time to be a part of the study, which in turn affected the number of participants. An overview of the participants will be provided in the following section.
3.4.2 Overview of participants

In this study, five family firms were identified and agreed to participate. The CEOs of each family firm was interviewed. Table 1 below gives an overview of the participants and details of the interviews. To note is that due to the sensitive topic, we replace their real names with pseudonyms in the study.

Table 1 Information about the sample

<table>
<thead>
<tr>
<th>No</th>
<th>Firm name</th>
<th>Pseudonym</th>
<th>Age of the CEO</th>
<th>Type of CEO</th>
<th>Interview type</th>
<th>Interview date</th>
<th>Length of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Family Firm 1</td>
<td>Marcus</td>
<td>50s</td>
<td>Family CEO</td>
<td>Phone</td>
<td>25 March</td>
<td>30 min</td>
</tr>
<tr>
<td>2</td>
<td>Family Firm 2</td>
<td>John</td>
<td>50s</td>
<td>Family CEO</td>
<td>Face-to-Face</td>
<td>25 March</td>
<td>40 min</td>
</tr>
<tr>
<td>3</td>
<td>Family Firm 3</td>
<td>Sebastian</td>
<td>40s</td>
<td>Family CEO</td>
<td>Teams</td>
<td>1 April</td>
<td>40 min</td>
</tr>
<tr>
<td>4</td>
<td>Family Firm 4</td>
<td>David</td>
<td>30s</td>
<td>Family CEO</td>
<td>Teams</td>
<td>2 April</td>
<td>45 min</td>
</tr>
<tr>
<td>5</td>
<td>Family Firm 5</td>
<td>Victor</td>
<td>60s</td>
<td>Non-family CEO</td>
<td>Phone</td>
<td>31 March</td>
<td>50 min</td>
</tr>
</tbody>
</table>

Our initial thought was to perform face-to-face interviews to be able to see reactions and emotions. Referring to Table 1, considering the circumstances with COVID-19, most interviews were held on the phone and "Teams." Due to this, we sent the last question to the participants through email. Even though we were not able to come to their office, using "Teams" allowed us to see the participants' reactions and emotions. In preparation for every interview, we did some extensive research about the firms to be prepared. All interviews took between 30-50 minutes and were conducted between 25 March and 2 April. As follows, the reliability and validity of the study will be discussed.
3.5 Reliability and validity

There are four criteria to evaluate research; credibility, transferability, dependability, and confirmability. Firstly, credibility includes how accurate the researcher has presented the specific phenomena being studied as perceived by the population within the research (Bryman & Bell, 2011). In accordance with our purpose, it was decided that semi-structured interviews were the best method to use. The major advantage of this method is the opportunity to study a specific phenomenon within its real context. Moreover, many questions in the interview guide were non-leading questions to be as objective as possible and not manipulate the participants in some way. By having all the interviews recorded, it allowed us to go back and forth between the interviews while writing the thesis. Furthermore, to present the findings accurately, it was of the highest importance to include as many quotes as possible.

Secondly, transferability is viewed in parallel with the external validity and concerns if the findings of the study can be generalized and applicable in other circumstances. More specifically, in other contexts or the same context but in another time than this specific research (Bryman & Bell, 2011). First of all, family firms are quite complex and unique. Many factors affect the findings, such as generational stage, number of employees, sales, the CEO’s values and emotions, etc., which in turn impacts the extent to which it can be generalized. To enhance the transferability of the study, we explain choices and processes in detail, and the chosen method was also an important part. An advantage with interviews is the generation of in-depth insights into the specific phenomena, making it easier to apply the findings in other contexts.

Thirdly, dependability is related to reliability, questioning if the research findings are repeatable (Bryman & Bell, 2011). The question is, “If the same or similar method will be used, will the findings be the same?” (Bryman, 2016). As mentioned above, our findings are affected by many factors, such as the complex and unique characteristics of family firms but also the CEOs’ preferences and values. It is hard to state that our findings will be the same in other contexts even if the same method are used. In order to enhance the dependability of this study, our method is explained in detail and the semi-structured interviews were conducted with base questions. However, it is difficult to state exactly the same questions due to the participants’ responses and, therefore, in some cases, required probes questions.
Lastly, confirmability correlates to objectivity, which concerns if the researchers’ values have influenced the study in any degree (Bryman & Bell, 2011). This research was initially carried out with the literature review in mind. Therefore it could influence the study in different ways, for instance, in the formulation of our interview questions. To increase the confirmability, we decided that the best option was to use open-ended and non-leading questions to limit our influence. Moreover, we tried in every context to be as objective as possible. For instance, during the interviews, we let the participant take their time to answer to delimitate the effect on their answers. We also tried to be neutral in our expressions and body language to not put them in any direction. In the following section, the process when analyzing the data will be presented.

3.6 Data analysis

The most appropriate approach in order to analyze the data was content analysis. In this approach, the qualitative data have been organized through a set of concepts and ideas, by which one can draw systematic inferences from. These ideas and concepts are based on hypotheses, pre-existing theories, from the data itself, or the research questions (Easterby-Smith et al., 2015). The first step in our data analysis was to select relevant material for the research questions. We removed irrelevant data, for instance, small-talk and information not related to the research questions. During the selection of relevant material, we analyzed the information with the perspective of concepts and ideas that were stated in the literature. We also selected concepts and ideas that we saw was relevant to our research questions and research purpose even though they were not mentioned in previous literature. These concepts and ideas became the frame for the data analysis. We listened several times on the recorded interviews in order to enhance the reliability of the material. This was important, since the material needed to be translated in the study but also to ensure correctness when coding the terms. In the coding phase, we tried to analyze the similarities and differences in the participants’ answers. We focused on the specific context when they mentioned the different words and sentences to increase the trustworthiness of our findings and coding. In some cases, we created tables and figures to identify relationships between the different factors and concepts. In the last section of this chapter, the research ethics will be provided.
3.7 Research ethics

In the email to the participants, we included information about our research and asked if they wanted to participate. It was of the highest importance for us to inform the participants about our study at the beginning of the interview and that it would be anonymous. The reason for this was the chosen topic. Compensation and rewards can be a sensitive topic, therefore, we decided not to publish the firms’ names or the participants’ names in the thesis. Furthermore, we hoped that it made the participants more comfortable and opened to us. When writing the thesis, we used pseudonyms to be able to present the findings easily and systematically. Before every interview, we asked the participants for permission to record the interview, and also mentioned that it was for our own sake. Having the interviews recorded gave us the possibility to go back and forth during the writing process. After the study ended, we will delete the recorded material. The participants have requested the thesis once it is completed, and we intend to send it when we have finalized the course.

3.8 Summary of Methodology

In conclusion, this research uses qualitative data in terms of semi-structured interviews to generate useful information and insights into how CEOs in family firms view and value compensation and rewards. The sample size consisted of 5 CEOs (4 family CEOs and 1 non-family CEO) from different family firms. Turning now to the next chapter of this thesis, which provides the empirical findings from the research.
4. Empirical Findings

In this chapter the empirical findings are presented for the reader. The chapter is divided into two main sections. The first section introduces the participants and the firms in order to understand their backgrounds. The second section provides the findings related to compensation and rewards.

4.1 Firm profiles

In this study, five family firms were identified and agreed to participate. The CEO of each family firm was interviewed. The family firms are from different industries and located in different cities in Sweden. In Table 2 below, a summary of each family firm and their CEOs are given. The information was retrieved from “Allabolag,” “Retriever,” and the firms’ websites. All information is taken from the firms’ financial statements from 2018.

Table 2 Information about the firms and the participants

<table>
<thead>
<tr>
<th>No</th>
<th>Firm name</th>
<th>Pseudonym</th>
<th>Age of the CEO</th>
<th>Total employees</th>
<th>Net Sales TSEK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Family firm 1</td>
<td>Marcus</td>
<td>50s</td>
<td>60-80</td>
<td>50 000 - 100 000</td>
</tr>
<tr>
<td>2</td>
<td>Family firm 2</td>
<td>John</td>
<td>50s</td>
<td>0-20</td>
<td>50 000 - 100 000</td>
</tr>
<tr>
<td>3</td>
<td>Family firm 3</td>
<td>Sebastian</td>
<td>40s</td>
<td>0-20</td>
<td>0 - 50 000</td>
</tr>
<tr>
<td>4</td>
<td>Family firm 4</td>
<td>David</td>
<td>30s</td>
<td>90-110</td>
<td>350 000 - 400 000</td>
</tr>
<tr>
<td>5</td>
<td>Family firm 5</td>
<td>Victor</td>
<td>60s</td>
<td>60-80</td>
<td>50 000 - 100 000</td>
</tr>
</tbody>
</table>
4.1.1 Family Firm 1

Marcus’ father bought Family Firm 1 at the end of the 70s. During this time, Marcus started working extra at the firm besides attending school. Afterward, Marcus conducted further studies and started working as an engineer, which he did for 15-20 years. He worked abroad in different countries and went back to Sweden and Family Firm 1 in 1997 and has been working there since then. In 2008-2009 Marcus’ father decided to sell the firm to the second generation; Marcus and his brother. In contrast to Marcus, his brother has worked in the firm all his life. The two brothers represent the family members involved in Family Firm 1, although their children have worked in the firm before, but not anymore. In 2019, the brothers sold a part of Family Firm 1 to another firm. Today, Marcus is between 50-59 years old and has been the CEO since they bought the firm from their father. The brothers are currently sharing a full-time job at the firm.

4.1.2 Family Firm 2

Family Firm 2 was founded in the 50s, and later on, John's father bought a part in the firm. When John's father's business partner wanted to sell his part, John got a proposal to buy that part in the firm, which he did. At this point, John quit his current job and started working as the CEO of Family Firm 2 immediately. During this time, John's father worked as a salesman. Since 1998, John, his wife, and his brother have managed the firm. His wife is the marketing manager, and his brother works as a salesman in the firm. Furthermore, John's oldest daughter is also involved as a product manager. John has from the beginning a high school engineering degree but decided to conduct further studies. John is today between 50-59 years old and is still working at Family Firm 2 as a CEO.

4.1.3 Family Firm 3

Sebastian is between 40-49 years old and is the CEO and owner of Family Firm 3. Sebastian started to study a 4-year technical program in high school. Later on, Sebastian received the opportunity to jump on the college program’s third year, even though he had just gone one year at high school. Approximately 10-15 years ago, Sebastian worked at a firm that went bankrupt. Sebastian and three other people decided to buy a part of the bankruptcy estate and started a new firm which he became the CEO for in 3-4 years. Afterward, Sebastian decided to leave
and sell his part due to a job offer in another firm that he could not resist. He stayed in the new firm for 7-8 years. During all these years in different firms, Sebastian has continued to educate himself. After he quit the previous job, Sebastian wanted to have his own firm again and, therefore, started Family Firm 3. It has now existed for 3,5 years and is still in the first generation. His wife is also involved in the firm as an operation developer.

### 4.1.4 Family Firm 4

Family Firm 4 was founded in the 40s (Family Firm 4’s website) by David’s grandfather. David grew up in the firm and worked for the first time when he was 14-15 years old. Later on, David studied Economics for 3 years. After graduation, he started to work in a firm within the transport industry. David came back to Family Firm 4 in 2009 and initially, David worked with the economic part for 5-6 years. In contrast, to David, his brother worked in the firm with sales and marketing. Three years ago, his father became less involved in the firm and the third generation took over; David and his brother. When this happened, David took the role as CEO for Family Firm 4, and his brother continued with sales and marketing. Today, David is between 30-39 years old. Aside from David and his brother, their father, David’s uncle and David’s father’s partner are also involved in the firm.

### 4.1.5 Family Firm 5

Family Firm 5 was founded in the 60s by the father of two brothers. A year ago, the firm became wholly-owned by the two brothers, which implies that the firm is in the second generation. Today, these brothers are active in Family Firm 5 as a marketing director and order receiver. Furthermore, one of the brothers’ daughter is also involved in the firm. Family Firm 5 has today an external CEO, Victor and is between 60-69 years old. He has been the CEO for 3 years. Victor grew up in the farming industry and has studied industrial economics. Since the age of 27, Victor has been working as CEO or production manager for several small and large firms. These firms have been both family firms and public listed firms, and he stayed between 4-5 years in every firm.
4.2 Compensation and rewards

4.2.1 Family Firm 1

Marcus and his brother are not just business partners; they have a relationship outside the firm as well, celebrating Christmas and Easter together. Although they do not spend all their spare time with each other. They have a constant dialogue and discuss the decisions together within the firm. Regarding the decision-making process in family firms, Marcus mentioned it is easier and more straightforward to make decisions in family firms. The process is often less formal for better and worse. They can make faster decisions, but there might be things one misses or forgets when not following the proper structures as recommended.

- “My auditor asks: have you had any annual meeting...” (Marcus)
- “Yes, we had it in the hallway when we met...” (Marcus)

Marcus and his brother do not have any plans to transfer the firm to the subsequent generation. Although it can be so if any of the family members want it. Marcus mentioned that he would not recommend this work to his son since they work so hard and put much effort into it. Marcus does not want to put that pressure on his son, making him feel he must take over the firm.

- “... he must make that decision by himself in that case.” (Marcus)

In relation to the goals for the firm, Family Firm 1 has both short-term and long-term goals. Since they are ISO certified, they set up new goals every year. The goals they had until now were to be bigger and reach a specific size. To exemplify this, they had a net sales of 15 million from the beginning, and before last year they reached 70 million. Since Marcus and his brother are getting older, they want to “slow down.” They do not have the ambition to be bigger and get more assets for the firm but rather the opposite, especially since none of their sons want to take over.

- “The goal right now is to make a good operation of what we have (. . .) then we will rationalize ourselves away...” (Marcus)

When asking about what “compensation and rewards” mean to Marcus, he first said that they would have mean differently for him 10 years ago compared to today. Marcus and his brother have started to slow down a bit, and he further mentioned that they have never received any high salary. Instead, they have about half of what an ordinary CEO has. Moreover, they have
reinvested in the firm instead of receiving high dividends. Although, in more recent years, the firm has presented good results, and due to this, they have received dividends. He said that since he works a lot, it would be unreasonable if they would not earn anything.

Additionally, except for salary and dividends, Marcus mentioned other things that are included in his compensation and reward system today. For instance, to be self-employed requires hard work, but there is also some freedom.

- “That freedom, both economic and purely physical, is an advantage, a reward.” (Marcus)

Moreover, he can mostly control his own life and steer it, which for Marcus is the big reward when it has not been so financially. From his side, it has not been so financially, but more that he becomes satisfied when he gets things to work, and it becomes good.

- “Satisfaction when it goes well…” (Marcus)

Marcus further explained that if you are a solution-oriented person and get things to work, that is the big reward. Marcus mentioned an example; he becomes satisfied when he employs the right person, and he or she gets an education from the job, which in turn leads to a well-done work.

If Marcus would decide and value his compensation and reward system, he mentioned components such as a fair salary and the satisfaction he receives when things work.

- “That is what drives me the most. It is when I get my routines and employees and everything to work and that it gives money in the end.” (Marcus)

The valuation of this is due to his personality. He is ambitious and like working towards goals, but also enjoys the feeling when things work as they should.

Speaking in financial terms, Marcus thinks compensation and rewards should be based on the firm’s result.

- “... if you earn money, you can withdraw money, and that is the goal, so to say and the carrot as well.” (Marcus)

To exemplify this, they have worked hard in the last 20 years, and as previously mentioned, they sold a part of the firm last year and received money that was satisfying for them.

- “The level of the reward has to do with how it goes for the firm and how the businesses go.” (Marcus)
4.2.2 Family Firm 2

The family members involved in Family Firm 2 do not discuss the firm at home so much, at least not right now. However, John does not view it as problematic if they talked a little bit about the firm at home. They do not work all the time, but there are tough periods that require much work. Furthermore, John and his brother do not spend much time outside the firm due to different phases in life. However, they have a good cohesion within the family, celebrating birthdays together. Eventually, John and his wife are going to talk to their children regarding the generational stage.

- “… it is not emotional important that someone wants to take over” (John)

Moreover, John does not consider family members as ordinary employees. The decision-making process in family firms can sometimes be challenging since there are different roles. Even though John, his brother, and his wife share the overall vision, many decisions are made by John himself.

There are not any specific goals outlined within the firm, but they have a more long-term perspective with the ambition to expand the business. Additionally, John stated that for Family Firm 2, it is essential to grow and never stand still.

- “… everyone that runs something wants it to grow, develop, I think…” (John)

Furthermore, when asking about what “compensation and rewards” mean to John, he said expense at first. In further explanation, he mentioned that he experiences a reward when it goes well. Moreover, when it becomes as he has intended it to do, there is like a goal fulfillment. John exemplified this by saying that last year, they strived to break the 100 million limit for the net sales for the first time, which was totally insignificant but quite fun to achieve.

John´s compensation and reward system consist only of a salary today. He pointed out that they have had so much work with the firm, so for now, it is more about how well it goes so they can receive dividends. For John, it is important for it to go well so they can receive money to do the things they want. They do not want to reinvest everything.

- “Personally, I want us to have a profit of around 10% and take half after tax. We have a holding company, so we invest a small part there and do not take everything out…” (John)
Furthermore, when we requested more factors that can be compensation and rewards, he did not state any new factors. Instead, he pointed out good financial statements and dividends.

- “No, for me, it is on the overall level, good financial statement, and dividends.”
  (John)

Regarding if he could imagine himself having compensation and rewards that do not include money, he mentioned that he would like to have more free time. Additionally, he stressed that it is fun to work.

- “... feeling some example responsibility that you should be here early and do not go home first and stuff like that.”
  (John)

Furthermore, when asked about what drives him to work, he said that there are periods with much work, but that is not always the case. John believes that he probably has it better here than as an employee. One advantage is flexibility regarding working hours.

If he would decide what he values the most between salary and time, he mentioned a combination of those factors.

- “One is worthless without the other”
  (John)

More specifically, he wants more time to work with other things instead of not doing anything. John stressed that he feels tied up with having a family firm sometimes because there are other jobs that he has not taken the opportunity to try.

Additionally, in Family firm 2, supply and demand for the jobs is one aspect of what compensation and reward system are based on. The employees have individual salary setting, and John also stressed the importance of giving employees opportunities to develop, leading to increased salary with performance. Moreover, they have performance appraisal with the purpose of informing the employees what they can do more, in order to receive higher compensation. Family firm 2 allows the employees to take responsibility for their work, which can be seen as a reward, and they also receive health care allowance.
4.2.3 Family Firm 3

Sebastian enjoys having a family firm due to two aspects. First, he likes the opportunity to make decisions by himself. Sebastian discusses ideas and decisions with the management team within the firm. However, in case of doubt, Sebastian can make the decisions he believes in. Second, he likes the enormous kick he gets when experiencing tremendous uncertainty. For instance, when they make an offer and win, they might see that they were cheaper in comparison to their competitors. This contributes to uncertainty if they have missed something in the calculations. Approximately halfway through the process, they will get an indication if they will make a profit or not. Sebastian stated that this dynamic gives him the kick and energy he needs.

- “...it is like jumping parachute, I think...” (Sebastian)
- “You do not know if this deal will work or not” (Sebastian)

Sebastian’s wife started to work recently in the firm. However, he does not feel the genuine family feeling within the firm yet. They do not have any plans to transfer the firm to the next generation in the future. Moreover, he stated that it feels good to share the dynamic (mentioned above) the firm generates with his wife. When running a firm by yourself as Sebastian does, it is easy to bring the work home.

- “...you live 24/7 with a firm.” (Sebastian)
- “You should be aware of that if you start a firm, it requires an effort from yourself in form of time and commitment...” (Sebastian)

The experience of fluctuations and highs are the main driving factors for Sebastian. Furthermore, it is also to succeed with the composition of the employees, keeping it together as one unit no matter what position the person has in the firm. He enjoys when the firm works and the functions fit together. For instance, in the calculation process, he often includes a craftsman to receive knowledge from him/her, which has been a good strategy. Furthermore, Sebastian explained that they have a good psychological environment, such as having after-work activities, playing sports, and doing things outside the work.

- “...right now we are only 20 employees so far, and it is almost like I see them more as the family part within the family firm...” (Sebastian)
In the decision-making process in Family Firm 3, many factors influence the decisions. Sebastian mentioned that it varies very much. Since they have contracts with large customers with specific deadlines, it is more about making sure to keep promises and finish in time. Furthermore, they also prioritize well-being very high, and therefore, those components can be the basis for some decisions. Of course, some decisions are purely financial as well.

- “... if you had asked me this question 25 years ago, I would have believed much more about money and profitability, but I would say that out of 100 questions, 10 are purely profitability, 90 are about other fundamental factors...” (Sebastian)

Moreover, Family Firm 3 has more long-term goals. Sebastian explained that these goals are not about profitability but rather about the kind of business they want to be and how it should develop.

For Sebastian, compensation and rewards are two different things. Salary is something received in money, while rewards are something else, for instance, giving the employees positive feedback. Today, Sebastian’s compensation and reward system consist of a monthly salary. As a reward, he receives the potential feedback from employees and customers. Furthermore, when more examples were requested of compensation and rewards, Sebastian stated dividends to the owners and conference trips or events for the employees if the firm presents a good result. Employees in Family Firm 3 receive a salary. Moreover, as a reward, they try to go on a trip once a year. The employees receive health care allowance, and the firm tries to arrange activities related to this. They have “Fika” on Fridays in order to enhance the atmosphere within the firm. Lastly, since they are working in a project-oriented business, they have meetings at the end of every project to exchange feedback.

If Sebastian would decide and value his compensation and reward system, he mentioned the salary he obtains every month. Furthermore, for him, a reward can take the form of dividends but foremost the praise at the end of a project.

- “... at an opening of a building or something like that, and the end customer is very satisfied, and it comes maybe on the first page in the newspaper ( . . . ) it becomes an ego-boost and a form of reward...” (Sebastian)

In this context, when asking if this feeling is more common in a start-up firm or a 10-year-old firm, Sebastian stated that he hopes and believes this feeling will continue and that reward does
not necessarily need to be money. Moreover, he considers firms quite humble, especially in family firms, since you cannot take for granted that a firm will make a profit.

- “... if you have been running in 1 year or 20 years, I believe you think the same...” (Sebastian)

Sebastian values the “soft” parameters, for instance, praise and feedback higher in comparison to his salary. He is aware of that he might need to refrain from his salary if the firm performs poorly.

- “... as an owner and CEO of a firm, salary is not a privilege...” (Sebastian)

Since Sebastian has worked as an employee in previous years, he pointed out that this would be another thing than having his own firm. As an employee, you have a contract and the right to obtain a salary. In this case, if the firm performs well or not, it is not the employees’ issue, but rather the management team’s or the owners’.

- “... as an employee, the salary is a privilege...” (Sebastian)

For Sebastian, if possible, compensation and reward system should be based on the individual. He mentioned that Family Firm 3 follows a collective agreement, which implies that every craftsman receives the same amount of salary. In contrast to officers, where it is based on the individual. Furthermore, Sebastian does not pay much attention to the educational background when he decides the salary. Instead, he focuses on the individual, how he/she performs, and their commitment to the job.

Instead of a salary, Sebastian could imagine receiving more spare time. He wants to be able to be free for one or two days.

- “... to just go on a trip and not bring the computer, it is a form of reward...”
  (Sebastian)

4.2.4 Family Firm 4

David explained the relationship within the family as good; there are many ups and sometimes downs. However, mostly ups, and it is the reason why they can handle it. The family spends time on the job and outside the job as well. Furthermore, they do not have any plans to transfer the firm to the next generation, but he stated that it would be fun if it happens. David stated
that in a family firm, it is most difficult to separate the board, the management group, and the owners since it is easier for it to flow together in family firms.

- “... you can make decisions over a coffee...” (David)

In connection to whether owning a family firm is an advantage or disadvantage, David considers it to be both; it also depends on the industry. However, in family firms, people receive a good feeling. In more detail, the employees have a better feeling about the firm and the firm’s culture. The culture in a non-family firm is much more hierarchically constructed in contrast to a family firm which has a rather flat organization.

- “... I think you have a better feeling for the firm if you are a family firm, the ones who work probably have it...” (David)

Family firm 4 has both short-term and long-term goals. For instance, sales and budget goals and to modernize the factory part of the firm. When asked about non-financial goals, he mentioned strengthening the brand in the long run. In the process of goal setting, they often have in mind the outlook for the next year and what needs to be done. Moreover, they usually have a 3-5 year plan, which depends on the existing conditions. They also need to take into consideration the resources and competences within the firm.

For David, compensation is not seen as compensation; it is more about if a performance exists or not in relation to the compensation. They are a middle-sized firm and are dependent on the employees performing well.

- “As long as you perform, there is room for compensation” (David)

In contrast, the reward is good if it is done correctly but can be tricky sometimes. The employees working in the production of Family firm 4, receive 10 SEK more per hour if they reach specific efficiency goals. Moreover, short-term rewards can unconsciously create expectations. This might lead to that a person needs to receive the normal plus a reward in order to become motivated to perform.

From David’s perspective as an individual, he does not receive any high salary from the firm. He is not driven by that but rather to expand the firm and have fun in the meantime. He continued and said that if it goes well for the firm, then there might be a reward.

- “… it becomes a bit special since we are a family firm...” (David)
Discussing the main factor that drives him if it is not the financial part, he stressed the factor of having fun at work.

- “…now it can be tough in periods, but it is still very fun from time to time (…) otherwise you will not be able to handle it mentally…” (David)

David’s compensation and reward system include salary and a car from the firm. Except for money, the firm also gives him the happiness of working in the industry and with the products. Furthermore, other factors that can be compensation and rewards for David were conferences and business fairs.

If David would decide and value his compensation and reward system, he mentioned a reasonable salary since it is not so important for him. Additionally, he would value a car from the firm and a telephone. In the decision of what David values the most between having fun at work and the components previously mentioned, he stated that salary is important. However, at the same time, he needs to have fun as well in order to handle it.

If he would decide what he values the most between compensation and rewards, including financial or non-financial, he mentioned that both of them are valuable. There are other advantages of working in a family firm than just compensation and rewards. For instance, the ability to steer his own time, and it is a kind of freedom, which is a reward. However, for him, in the end, he would value the money, although the other factors are still important.

David stated that compensation and reward systems, in general, should be based on a form of result for the firm, but then it is on every performance. Rewards need to be connected to performance, otherwise, it will be useless and only create unnecessary expectations. Moreover, he mentioned that more knowledge a person possesses should contribute to more rewards. For instance, Family Firm 4 has a model which implies that the more production lines you know, the more you receive.

- “… receive more because you know more…” (David)
4.2.5 Family Firm 5

Victor explained that the owners of Family Firm 5 do not have any heirs. However, they are trying to establishing a generational change with another party in the industry. Furthermore, as a general thought, Victor mentioned the following regarding different generations in family firms;

- “… the first generation creates a firm, the second generation manages it, and the third generation destroys it, it is quite common, unfortunately” (Victor)

In a further explanation, if a person is a good entrepreneur, he or she can manage the firm. The next generation might take over the firm because the parents have created it and do not want to destroy it. However, that generation might not have the firm as their baby and do not manage the firm with the same heart for it. Moreover, it is not so obvious to let the grandchildren take over the firm. Not everyone will achieve success.

Victor became involved in the firm by a familiar acquaintance. It was not going so well for Family Firm 5, and they needed help, but they had a good basis.

- “… If you work as a CEO or being trusted to work as a CEO in a family firm, it is usually built on some personal relationship or some historical relationship, direct or indirect, because it is not all that opens up, out of the smaller family-owned firms it is a big threshold to let someone into your business” (Victor)

To be a successful CEO and to create a good relationship with the family, Victor said it depends a bit on the owners’ knowledge and academic background. If they have a college education, it is one level, in contrast to the opposite. It is important to educate the owners and, from their side, be open to learn, otherwise, it will create imbalance. For instance, if the owners cannot speak in financial terms, then the CEO will be alone with this language. Moreover, the understanding of family values as an external CEO depends on the CEO’s background.

Victor mentioned the ability to create and develop the business as factors driving him to be an external CEO in a family firm.

- “… like a gardener, you come to a quite wild ploughland, and you can do straight lines, and you can fertilize on what should grow and cut down what should not grow…” (Victor)
Moreover, it is often to identify the core within the firm and understand what is important and what makes the firm running. It is essential to focus and build on what makes the firm running and might consider closing down what not makes the firm running.

When Victor came to Family Firm 5, it was worse than he expected, and due to this, the goal the first two years was to turn the loss into profit. More lately, it has basically been growth with profitability.

- “Growth is always an interesting goal, but without a fundamental profitability, the firm will not work.” (Victor)

As a significant factor, Victor takes into consideration the family’s values when he decides upon the goals since they are the owners. As an external CEO, it is crucial to work with sensitivity towards the owners; otherwise, conflicts will probably occur.

For Victor, “compensation and rewards” means a reasonable pay for the mission he does. More specifically, it depends on the size and structure of the family firm. Today, his compensation and reward system consists of a salary.

- “… a good monthly salary and nothing else, but it is because I am who I am (...) it shall suit both parties.” (Victor)

Apart from money, he receives a car from the firm and insurance.

If he would decide his compensation and reward system, he mentioned that regardless of the size of the firm, the owners who might have other active members in the board should have a small reward system that gives some compensation depending on which direction they want the firm. For instance, Family Firm 5 consider profitability as necessary, it can be appropriate to have a small part of the manager’s salary connected to the result, to point at the right signals.

Victor pointed out pensions plan, free time, and insurance as components of compensation and rewards, which do not include money. Moreover, he stated ownership and value-growth in proportion to ownership, in this context, it depends on how deeply the family wants to let in a non-family individual into the family. At the same time, by deeply letting this person into the family, it can give a big commitment with a long-term perspective.

- “… high values are not created in the short-run.” (Victor)
If he would decide what he values the most between compensation and rewards including financial or non-financial, the first thing Victor mentioned was to have fun due to his age.

- “I am not working for the money anymore, I cannot bring the money with me when I die anyway.” (Victor)
- “That you are driven by money, that greed goes over after a while.” (Victor)

Furthermore, regarding what compensation and reward system should be based on, Victor stated that it depends on the situation. For instance, a person who considers it is funny to work on a theater might not focus on a high salary. In contrast, if someone starts working in a firm close to bankruptcy and is employed to turn the result, then he/she might focus more on the salary.

When asking if family owners value more when everything works in the firm rather than financial compensation for themselves, Victor said yes. He mentioned examples such as the family Wallenberg and the family Lundberg.

- “… they do not do it for themselves, they do it for it (firm) to survive, then that they have become rich along the way, it is fantastic.” (Victor)

Victor explained that in family firms where the family spirit still is the guidance, the reward system might be connected to the idea that the family wants to build the firm in a long-term perspective, not for just maximizing profit.
4.2.6 Rank assignment

The last question included a list of potential factors that can include in employers’ compensation and reward systems in family firms. The assignment for the participants was to rank the factors based on how they value them, even if they did not receive any of them today. They were supposed to rank them on a scale from 1-6, where 1 was the factor they value the most. Table 3 below presents the findings from the rank assignment. According to Table 3, Marcus and John value good financial results for the firm as the highest. On the contrary, Sebastian values positive reputation from external parties, and David stated satisfied customers, suppliers and employees as the highest. The non-financial CEO, Victor, ranked salary as number one. Furthermore, referring to Table 3, all family CEOs (Marcus, John, Sebastian and David) value the opportunity to possess control over the firm and their own time. Another common factor in the rank assignment was satisfied customers, suppliers and employees, which all of the participants value, although they value it differently.

Table 3 Findings from the rank assignment

<table>
<thead>
<tr>
<th></th>
<th>Marcus</th>
<th>John</th>
<th>Sebastian</th>
<th>David</th>
<th>Victor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Good financial result</td>
<td>Good financial result</td>
<td>Positive reputation from external</td>
<td>Satisfied customers, suppliers, employees</td>
<td>Salary</td>
</tr>
<tr>
<td></td>
<td>for the firm</td>
<td>for the firm</td>
<td>parties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Satisfied customers,</td>
<td>Dividends</td>
<td>Satisfied customers, suppliers</td>
<td>Good financial result for the firm</td>
<td>Pension plans</td>
</tr>
<tr>
<td></td>
<td>suppliers, employees</td>
<td></td>
<td>employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Positive reputation</td>
<td>Increased market share</td>
<td>Good financial result for the firm</td>
<td>Increased market share</td>
<td>Good financial result for the firm</td>
</tr>
<tr>
<td></td>
<td>from external parties</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Dividends</td>
<td>Satisfied customers,</td>
<td>The opportunity to possess control</td>
<td>The opportunity to possess control over the</td>
<td>Satisfied customers, suppliers, employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>suppliers, employees</td>
<td>over the firm and my own time</td>
<td>firm and my own time</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>The opportunity to</td>
<td>The opportunity to</td>
<td>Dividends</td>
<td>Positive reputation from external parties</td>
<td>Increased number of shares in the firm</td>
</tr>
<tr>
<td></td>
<td>possess control over the</td>
<td>possess control over the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>firm and my own time</td>
<td>firm and my own time</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Salary</td>
<td>The ability to contribute</td>
<td>Family members as employees</td>
<td>Car from the firm</td>
<td>The ability to contribute to the society</td>
</tr>
<tr>
<td></td>
<td></td>
<td>to the society</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.3 Summary of Empirical findings

In this chapter, we have outlined the empirical findings from the interviews. The empirical findings consisted of two main parts. One included information about the firms and the participants, and the other one demonstrated findings connected to compensation and rewards. In the following chapter, we will analyze and discuss the empirical findings.
5. Analysis and Discussion

In this chapter, the analysis and discussion of the empirical data are provided. This chapter is divided into four parts. The first part analyzes and discusses the goals in the family firms and the motivation of the CEOs. The second part consists of how the CEOs view and value compensation and rewards. The next section analyzes and discusses SEW in relation to our findings in more detail. Lastly, concluding remarks from the analysis and discussion are demonstrated.

5.1 Goals in the family firms and the motivation of the CEOs

Goals in the family firms

Most of the participants mentioned financial goals for the firms. For instance, the participants have goals such as reaching a specific size in terms of net sales, ambition to expand, and growth with profitability (Aparicio et al., 2017). One can argue that financial performance is crucial for firms’ survival and, therefore, a common goal for firms. On the other hand, this does not imply that they do not have non-financial goals.

From the viewpoint of Marcus, they wanted to be bigger from the beginning, but since Marcus and his brother are getting older, they want to “slow down.” Furthermore, none of their sons want to take over and due to this, they do not want to be bigger but rather the opposite. The findings point to the probability that age and the interest from the forthcoming generation influence the reasoning.

In addition to financial goals, some of the participants mentioned non-financial goals since none of these goals “...have a direct tangible monetary value” (Zellweger et al., 2013: p.232). One of them was Sebastian, stating the kind of business they want to be (Khatri & Ng, 2000). Family firm 3 is in the first generation, indicating that they are in an earlier phase compared to other firms in the study, which are in later generations and have existed for a longer period. These firms might have a well-defined firm and therefore possess more financial goals instead. On the other hand, even though David’s firm is in the third generation, he mentioned strengthening the brand of the firm (Khatri & Ng, 2000). Noteworthy is that David’s firm is
bigger in net sales and the number of employees than the other participants. In this case, we cannot rule out the firms’ locations, industry, or number and size of the competitors, affecting what goals they possess.

Broadly speaking, as suggested by Aparicio et al. (2017), Astrachan and Jaskiewicz (2008), Williams et al. (2018) and Zellweger et al. (2013) the evidence we found points to that family firms have both financial and non-financial goals. Even though the literature suggest that non-financial goals are especially prominent in family firms (Zellweger et al., 2013), this cannot be clearly outlined in our study. Furthermore, according to previous research, the goal of pursuing the firm to the subsequent generation is a common goal for family firms (Chua et al., 1999). This was not apparent in this study and could be due to the generation we interviewed, the interest from the forthcoming generation or there was no heirs.

**The motivation of the CEOs**

The motivation of a family CEO is associated with SEW and non-financial goals. Moreover, a family CEO emphasizes non-financial aspects such as ownership, reputation, and harmony within the family (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011). One of the family CEOs mentioned a non-financial goal. Sebastian is driven by keeping the firm as one unit and includes the employees in the process of calculations (Gómez-Mejía et al., 2007; Zellweger & Nason, 2008). Regarding the literature, this can be connected to one of the SEW aspects of the firm, which is the third dimension of the FIBER model, called “Binding social ties” (Berrone et al., 2012). This will be further explained in section 5.3 SEW.

No other family CEO mentioned any non-financial goal or any factor connected to SEW. However, some of them were driven by non-financial components which cannot have any numerical interpretation. For instance, getting everything to work, the experience of fluctuations and highs and having fun (Linz & Semykina, 2012). In contrast to this, David mentioned expanding the firm as a driving factor, indicating a more financial goal (Aparicio et al., 2017). The financial perspective of this could be more connected to the characteristics of a non-family CEO. Non-family CEOs are more likely to emphasize financial performance rather than socioemotional objectives and returns (Miller et al., 2014). Furthermore, non-family CEOs are essential characters in family firms to create growth and be able to compete in the business environment (Blumentritt et al., 2007; Chua et al., 2003). The reason for this rather
contradictory finding is still not completely clear. However, David’s firm has higher net sales compared to the other firms in the study. To keep in mind is that people have different preferences, and David’s “carrot” might be the possibility to expand.

In this study, the non-family CEO, Victor, was mainly driven by the ability to create and develop the business, which could be related to previous literature mentioned in the paragraph above. Victor came to Family firm 5 when it was not going so well, and they needed help. This might be a possible explanation for the findings, indicating that Victor came to Family firm 5 to develop the business and generate financial performance and therefore is a motivation for him. This can also be connected to Steward and Hit (2011). They mention that one of the reasons family firms hire non-family CEOs is to acquire the skills and professionalism non-family CEOs often possess. To develop something, the person must possess more knowledge and skills than other people.

In this context, there is a difference between the groups of CEOs. Most of the family CEOs were driven by non-financial components. Furthermore, Sebastian mentioned a non-financial goal related to SEW, which could be connected to the studies by Gomez-Mejia et al. (2007) and Gomez-Mejia et al. (2011). The findings from the non-family CEO could support the previous literature, which stressed the importance of growth (Blumentritt et al., 2007; Chua et al., 2003).

### 5.2 Compensation and rewards

Compensation and rewards are divided into two sections; view and value. What a person views as something does not imply that the person values it. The first section includes how the CEOs view compensation and rewards. This section is further divided into three parts. The first part discusses and analyzes the participants’ first impression of the topic. The second part consists of which components the participants receive today as compensation and rewards. The last part includes other components that the participants mentioned during the interviews connected to the research questions. The second section discusses and analyzes what the CEOs value as compensation and rewards, including answers from open-ended questions and the rank assignment.
5.2.1 How the CEOs view compensation and rewards

First impression of compensation and rewards

As a first impression, the meaning of compensation and rewards are diverse for the participants in our study. Marcus explained the timespan as a factor influencing his view of compensation and rewards. In this context, he mentioned financial components such as salary and dividends (Usman et al., 2019) and how these components have changed during the years for him and his brother. They have never received any high salary or dividends but instead reinvested in the firm. Although, in more recent years, the firm has presented good results, and due to this, they have received dividends. There is a strong probability that the age of the CEO has an impact, and we cannot rule out that the firm’s situation can affect as well. For instance, they might have focused on the firm’s interest in previous years, but since they want to “slow down” now and that none of their sons want to take over, it might influence the reasoning in more recent years.

John, on the other hand, answered “expense” as a first impression. In a further explanation, he mentioned a more overall definition. He experiences a reward when it goes well. When it becomes as he has intended it to do, there is like a goal fulfillment. He exemplified this by mentioning that they strived to reach a financial goal in form of reaching a specific number (Aparicio et al., 2017).

Sebastian and David were more aligned and separated the two words in their statements. For Sebastian, salary is what you receive in money (Usman et al., 2019), while reward is something else, such as giving the employees positive feedback (Imran et al., 2014). On the other hand, David emphasizes if the performance is there or not in relation to the compensation. He gave an example of reward; the employees working in the production of Family firm 4 receive 10 SEK more per hour if they reach specific efficiency goals. This could be a financial bonus (Imran et al., 2014; Usman et al., 2019).

The non-family CEO, Victor gave a more overall definition for compensation and rewards, which is a reasonable pay for the mission he does. This indicates a more financial aspect of the matter (Linz & Semykina, 2012; Usman et al., 2019) and could be connected to McConaughys (2000); “It appears that to attract, retain, and motivate a nonfamily CEO, pay levels must be higher.” (McConaughy 2000, p.129).
Overall, we found that as a first impression, most participants answered in financial terms due to the components’ numerical interpretations (Linz & Semykina, 2012). Even though John and David gave overall definitions of compensation and rewards, they exemplified this by stating financial examples. As an exception, Sebastian was the only participant who gave a non-financial example. In this context, there was no significant difference between the non-family CEO and the family CEOs in terms of financial and non-financial components. The findings, in this case, could depend on the chosen word in Swedish and the design of question. Since we used the word “lön” (salary) for compensation, many people might associate it with financial numbers, which could explain the findings. At the same time, reward was also included. It is interesting to note that although we did not separate the words, two participants separated compensation and rewards in their statements while some did not.

**Components of compensation and rewards for the participants**

All family CEOs receive a salary as a component of their compensation and reward, which is financial according to the literature. Additionally, Marcus and John mentioned dividends as a financial aspect (Usman et al., 2019), and David stated a car from the firm which has a financial value (Linz & Semykina, 2012).

Three of the participants, Marcus, Sebastian and David, also mentioned non-financial components included in their compensation and reward systems. Marcus stated the ability to control his life and the freedom to decide his own time and to buy what he wants. These factors cannot have numerical values (Linz & Semykina, 2012), which indicates non-financial components. It is interesting to note these components, since previous research has not stated them. Another important factor for Marcus was the satisfaction when it goes well and everything works (Linz, & Semykina, 2012). Sebastian also mentioned a non-financial component in form of capturing potential feedback from employees and customers (Imran et al., 2014). Lastly, David mentioned the happiness he receives from working in the industry and with the products, which can be seen as a non-monetary reward that you receive from doing the job (Linz, & Semykina, 2012).

Victor’s (non-family CEO), compensation and reward system consists of a monthly salary, insurance (Usman et al., 2019) and a car from the firm. All of these factors are in terms of financial value (Linz & Semykina, 2012). As mentioned before, he came to Family firm 5 when
it was not going so well. Victor also stated during the interview that if someone starts working in a firm close to bankruptcy and is employed to turn the result, then he or she might focus more on the salary. This could be connected with Victor and a possible explanation for his compensation package today. Since non-family CEOs are essential characters in creating growth in family firms (Blumentritt et al., 2007; Chua et al., 2003) and often possess the responsibility to achieve firm performance (Blumentritt et al., 2007), they want to get pay for the job they are doing. Moreover, since a non-family CEO is “...a person who is neither a blood relative nor related to the owning family by marriage or adoption” (Klein & Bell, 2007, p.20), they might not have a strong connection to the firm and the family. Due to this, it is more likely that they view and want to receive compensation and rewards in more financial terms. In contrast, family CEOs might have a stronger connection to the firm and receive something else in exchange than just money. This is apparent in the findings from the family-CEOs (happiness, the satisfaction when it goes well, feedback, control). This has some similarities to the study by Croci et al. (2012). It is less likely that CEOs in family firms quit their jobs if they have family connections. Therefore, they are more committed to the firm and more likely to accept lower compensation in financial terms (Croci et al., 2012) and might, therefore, receive more than just financial compensation. At the same time, all of the family CEOs also mentioned salary but one can argue that money is a basic need for a human being.

Overall, the participants, John and Victor, are purely financial in this context, since they stated only financial components. Contrary, Marcus, Sebastian and David gave both non-financial and financial components of the matter. However, none of the participants are purely non-financial. To summarize, a difference is apparent between the two types of CEOs.

**Other components of compensation and rewards**

Additional components that were mentioned during the interviews are foremost financial, but new non-financial factors were also communicated. There is no difference between the types of CEOs since both groups communicated the non-financial components. The participants mentioned financial components in terms of health care allowance, dividends, conference trips, events or business fairs (Usman et al., 2019), ownership and value growth in the proportion of ownership (Markova & Ford, 2011), pension plans and “Fika” on Fridays (Linz & Semykina, 2012). Moreover, they mentioned non-financial components such as the opportunity to take responsibility for the work (Usman et al., 2019) and time (Linz & Semykina, 2012).
Surprisingly, time was the most common component of compensation and rewards in this context, which we have not seen in previous literature.

5.2.2 How the CEOs value compensation and rewards

Marcus values both financial and non-financial components, such as a fair salary (Usman et al., 2019) and the satisfaction (Linz & Semykina, 2012) he receives when things work. These findings from the open-ended questions have some similarities to the findings from the rank assignment. Referring to Figures 2 and 3, Marcus values both non-financial and financial components in his rank assignment. Although noteworthy is that the first three components are goals concerning the firm. More individual factors such as dividends, salary and the opportunity to possess control over the firm and his own time are ranked lower. Furthermore, it interesting to note that he was the only family CEO who values his own salary in the rank assignment.

John in Family firm 2 values both non-financial and financial components, a combination of salary (Usman et al., 2019), and time (Linz & Semykina, 2012). According to Figures 2 and 3, John also values a combination of non-financial and financial aspects in his rank assignment. However, the first three factors are financial. Moreover, the majority of the factors are more connected to the firm. Noteworthy here is that John is the only family CEO that values the ability to contribute to society.

Sebastian, on the other hand, firstly mentioned the monthly salary and dividends, which are financial components (Usman et al., 2019). Even though he values financial components, he values the “soft” parameters more, in terms of praise from a finished project and feedback (Imran et al., 2014), rather than his salary. In this case, we cannot rule out that the generational stage could have an impact. Family firm 3 is in the first generation, and Sebastian is the most “non-financial participant” in this study. The firm is not so old and might need to be more established in the business market and therefore, a crucial component is the perception from external stakeholders. Good reputation from external stakeholders is one of the factors contributing to enhanced performance for the firm. From our point of view, a firm must perform as a fundamental factor before the owner of a firm can receive a salary. Sebastian mentioned a connection to this; as an owner, salary is not a privilege in contrast to being an employee in a firm. Moreover, another potential factor in this context, could be the industry, Sebastian stated.
the uncertainty if they will make a profit or not for the projects. His rank assignment can support the valuation of “soft” parameters. Referring to Figures 2 and 3, four out of six factors are non-financial aspects. Furthermore, the first three components are goals concerning the firm. What is remarkable here is that Sebastian was the only participant who values to have family members as employees in the rank assignment. This can be due to the fact that his wife just recently became involved in the firm. In comparison, the other family CEOs have had family members involved in the firms for a longer period.

David in Family firm 4 follows the same track; he mentioned both non-financial and financial components in his compensation and reward system. For instance, he values having fun at work and the ability to steer his time. Furthermore, he values a car from the firm, a telephone (Linz & Semykina, 2012), and a salary (Usman et al., 2019). For him, salary is a fundamental component, but he also needs to have fun. Although, in the end, between compensation and rewards including financial or non-financial, he would value the financial. According to Figures 2 and 3, David values both non-financial and financial factors in his rank assignment.
Four out of six factors are related to the firm. The first three are goals concerning the firm, although two of them are financial. Furthermore, it is interesting to note that he values a car from the firm, which is not valued by any of the other participants.

Lastly, the non-family CEO, Victor would value having a small reward system connected to the result for the firm, which according to the literature, indicates a financial bonus (Imran et al., 2014; Usman et al., 2019). In the decision between compensation and reward, including financial or non-financial, he stated to have fun (Linz & Semykina, 2012), which indicates a non-financial component. Referring to Figures 2 and 3, four out of six factors in the rank assignment are connected to financial aspects. Remarkable here is the first three factors on the list, which are all financial. Furthermore, Victor values the individual salary and pension plans as highest in his rank assignment compared to the family CEOs. In this case, Victor is the oldest participant in the study, and this could explain the value of pension plans.

From the open-ended questions, it is interesting to note that Victor values having fun. He is not working for the money anymore and cannot bring the money when he dies. Furthermore, Victor clearly stated that the greed about money goes over after a while, indicating that age influences in this context. Even though Marcus and John are some years younger than Victor, they still
value both non-financial and financial components. John and Marcus also mentioned that they have had much work with the firms, which can affect the findings. It seems likely that Victor has worked for the money and received money during the years, while Marcus has reinvested in the firm. Thus, Marcus wants to receive money in more recent years. David is the youngest participant, and he values the money if he needs to decide. In contrast to Marcus’ and John’s firms, which are in the second generation, David’s firm is in the third generation. We cannot rule out that the generational stage can have an impact, since the third generation might not run the firm with the same heart and prioritize the firm to the same extent as the first or second generation do. Moreover, net sales and the firm’s situation can influence as well in David’s case.

We can see patterns in our findings. Firstly, all participants value both non-financial and financial aspects from the open-ended questions. Even though, in some cases, some participants favor one aspect over the other. Secondly, according to Figures 2 and 3, most of the family CEOs value equal numbers of factors consisting of financial and non-financial values in the rank assignment. Furthermore, Victor was the only participant who values an individual factor as number one in comparison to the family CEOs. In our opinion, there is a strong probability that Victor expects to receive a salary for his work since he is an external CEO. Thus, he values the salary the most in the rank assignment. On the other hand, the family CEOs ranked more factors related to the firm, indicating they care about the firm and might have a stronger connection to the firm. Moreover, in this context, it is noteworthy to mention the difference between the answers from the open-ended questions and the rank assignment. For instance, the salary was commonly mentioned during the open-ended questions. However, it was only stated by one family CEO in the rank assignment. This indicates that when family CEOs are between the firm and their individual wealth, they prioritize the firm and this supports the study by Hunt and Handler (1999). They mention that leaders in family firms are more likely to contribute and value the business and the family’s success rather than prioritizing personal wealth. On the other hand, if an owner invests in the firm, it might increase the chances of receiving potential returns in the long run. Another component commonly apparent in the rank assignment was satisfied customers, suppliers and employees. On the contrary, this was not a common answer from the open-ended questions except for Sebastian. Given that our findings from the rank assignment are based on determined components, the results from such analyzes should thus be treated with considerable caution.
<table>
<thead>
<tr>
<th>Factor</th>
<th>Description</th>
<th>Source(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>Financial compensation/reward</td>
<td>Usman et al., 2019</td>
</tr>
<tr>
<td>Increased Market share</td>
<td>Financial goal</td>
<td>Aparicio et al., 2017</td>
</tr>
<tr>
<td>Dividends</td>
<td>Financial compensation/reward</td>
<td>Usman et al., 2019</td>
</tr>
<tr>
<td>Pension Plans</td>
<td>Financial compensation/Reward</td>
<td>Linn &amp; Sorenskja, 2012</td>
</tr>
<tr>
<td>Good financial result for the firm</td>
<td>Financial goal</td>
<td>Aparicio et al., 2017</td>
</tr>
<tr>
<td>The opportunity to possess control over the firm and my own time</td>
<td>Non-financial compensation/reward</td>
<td>Linn &amp; Sorenskja, 2012</td>
</tr>
<tr>
<td>The ability to contribute to the society</td>
<td>Non-financial goal</td>
<td>Gómez-Mejía et al., 2007b; Zellweger &amp; Nason, 2008</td>
</tr>
<tr>
<td>Positive reputation from external parties</td>
<td>Non-financial goal</td>
<td>Khatir &amp; Na, 2006</td>
</tr>
<tr>
<td>Satisfied customers, suppliers, employees</td>
<td>Non-financial goal</td>
<td>Gómez-Mejía et al., 2007b; Zellweger &amp; Nason, 2008</td>
</tr>
<tr>
<td>Increased number of shares in the firm</td>
<td>Financial compensation/reward</td>
<td>Markova &amp; Ford, 2011</td>
</tr>
<tr>
<td>Family members as employees</td>
<td>Non-financial goal</td>
<td>Christian et al., 2003; Christian et al., 2012; Aparicio et al., 2017</td>
</tr>
<tr>
<td>Car from the firm</td>
<td>Financial compensation/reward</td>
<td>Linn, &amp; Sorenskja, 2012</td>
</tr>
</tbody>
</table>

*Figure 2* Non-financial and financial factors valued in the rank assignment
Figure 3 Non-financial and financial factors ranked by the participants
5.3 SEW

In the following paragraphs, we will present a discussion related to SEW from the interviews, which could not be connected to a specific dimension of the FIBER model (which is presented in the next section).

In short, SEW means the non-financial aspects of the family firm, which contributes to achieving the family’s affective endowments (needs) that derive from having their own firm (Berrone et al., 2012; Gómez-Mejia et al., 2007). John stated that he sometimes feels tied up with having a family firm since there are other jobs that he has not taken the opportunity to try. This substantiates previous findings in the literature conducted by Murphy et al. (2019). The authors explain a mixed gamble scenario: when a family member decides to work in the firm and gain or maintain SEW if the firm performs well. However, in contrast, this also leads to missing other career options, representing a loss. This is related to what John mentioned, indicating a mixed gamble situation of SEW.

Furthermore, Sebastian mentioned that he is aware of that he might need to refrain his own salary if the firm performs poorly. This implies that he considers the firm’s interest. This could be connected to Hunt and Handler’s study (1999), where they mention that leaders in family firms often prioritize the family firm instead of their own wealth. Moreover, this can also be connected to the SEW theory, which states that SEW is the reference point when making decisions in family firms (Gómez-Mejia et al., 2007). According to Berrone et al. (2012), when family firms are exposed to a risk in SEW, they are more likely to sacrifice a loss in economic terms. Moreover, family firms can also be risk-averse and risk-seeking, depending on the desire to maintain SEW and how the results will impact the SEW (Kalm & Gomez-Mejia, 2016). Some similarities can be found in our findings regarding this reasoning. Since the firm is the base for the owner’s SEW, it is of the highest priority to ensure that the firm survives; otherwise, the owner will lose the firm and, in turn, SEW. It could be the fact that Sebastian is loss averse and risk-averse towards the firm since he does not take the risk of receiving salary due to the possibility of damaging the firm and losing SEW.

Moreover, Marcus mentioned that he has often reinvested in the firm instead of receiving high dividends. This could confirm a previous study by Hunt and Handler (1999). They stated that
leaders in family firms often reinvest in the firm instead of receiving compensation. As a suggestion, this could be linked to the SEW reasoning. By reinvesting in the firm, Marcus and his brother can gain potential SEW in the future, which has similarities with the study by Gomez-Mejia et al. (2014). Although, in more recent years, Marcus has received dividends. This later reasoning has some similarities with John. He stated that they do not want to reinvest everything since they have had so much work with the firm, so for now, it is more about how well it goes so they can receive dividends. A previous study suggests that the prioritizing of SEW can depend on the CEO’s time to retirement (Strike et al., 2015). This factor may be responsible for these findings since Marcus and John are older than the other family CEOs.

5.3.1 FIBER

In the next section, we will analyze our findings related to the different dimensions in the FIBER model. Furthermore, these findings are summarized and can be viewed in Figure 4 below.

**Family control and influence**

All of the family CEOs (Marcus, John, Sebastian, David) value the opportunity to possess control over the firm and their own time in the rank assignment. This is supported by the literature as being a dimension of the FIBER model of SEW, which is “Family control and influence” (Berrone et al., 2012). Chua et al. (1999) state that family members in family firms can influence and control decisions within the firm. In this case, it was clearly stated that all family CEOs value having control over the firm. Furthermore, this was also apparent in the interviews. Most CEOs make the decisions themselves, but they also discuss with other people involved. Moreover, this factor also involved the opportunity to possess control of their own time, which was mentioned during the open-ended questions as well. This suggests that the ability to control your own time might be included in this dimension of the FIBER model.

**Identification of family members with the firm**

The next dimension includes the connection between the family identity and the firm (Berrone et al., 2012). Further, this creates a unique identity when this connection is close (Berrone et al., 2010; Dyer & Whetten, 2006). This was also recognized in our findings regarding Sebastian. He stated that it is easy to bring the work home since having your own firm implies
that no boundaries exist between work and home, representing a close connection between him and the firm.

Furthermore, Sebastian mentioned that he views and values the “soft” parameters as compensation and rewards. These parameters include, for instance, praise and feedback. As previously mentioned, this dimension presents the connection between the family and the firm. Furthermore, the firm can be seen as an extension of the owning family from the perspective of the stakeholders (Berrone et al., 2012). Since Sebastian and the firm are closely connected, the perception of suppliers and customers is essential for both himself and the firm. If Family Firm 3 does a good job and the customers give positive feedback to the firm, it will affect Sebastian as well due to the strong connection and identification between him and the firm.

Moreover, this dimension can also be associated with a component in the rank assignment “Positive reputation from external parties.” This is the same reasoning behind, as mentioned in the previous paragraph. The owner and the firm have a strong connection, and therefore the reputation is essential. There were three family CEOs (Marcus, Sebastian, David) who value this in their rank assignment.

**Binding social ties**

This dimension consists of the family firm and its social relationships. It is common in family firms that non-family employees share the same feeling of belonging, identity, and self that the family firm often possesses. This, in turn, leads to commitment and stability within the firm (Berrone et al., 2012). Our findings share some similarities with this dimension. Sebastian points out that it is crucial to make the employees feel like a part of the firm and keep them as one unit, which indicates a feeling of belonging and identity. Furthermore, David explained that you often receive a good feeling when working in a family firm, and this also illustrates the sense of belonging and identity. Interesting to note is the big difference between those firms in terms of the number of employees and net sales. This indicates that a feeling of belonging does not depend on the size but rather what type of firm it is, in this case, family firms. We could not rule out the characteristics and values of the CEO as factors that influence this dimension. However, careful attention must be paid since these findings are statements from the CEOs, but this does not imply that the employees have this feeling towards the firm.
In contrast to employees, Sebastian also mentioned his customers and the importance of keeping what they have promised and achieve specific deadlines. This can also be connected to the third dimension, highlighting the social relationships between Family firm 3 and the customers. Furthermore, one factor in the rank assignment called “Satisfied customers, suppliers and employees” is aligned with this reasoning, which can be connected to the third dimension. All participants in the study value this, including the non-family CEO. The evidence points to that satisfied customers, suppliers and employees are crucial for all firms without any specific size or structure within the firms.

Another social relationship related to this dimension is the concern about the community and supporting activities and charities, which is common in family firms (Berrone et al., 2010). This factor was included in the rank assignment, and surprisingly, two of the participants value the ability to contribute to society, the non-family CEO, and John, one of the family CEOs.

**Renewal of family bonds to the firm through dynastic succession**

The last dimension in the FIBER model implies handing over the firm to the next generation (Berrone et al. 2012). Noteworthy to mention is that none of the participants have the objective of transferring the firm to the subsequent generation. However, in some firms, it has been a discussion. In this case, our findings do not support previous literature by Chua et al. (1999), Kets de Vries, (1993) and Zellweger et al. (2012) which mention that one of the most common goals in a family firm is to transfer the firm to the forthcoming generation. These findings could be due to the generation we interviewed, the interest from the next generation or there were no heirs.
Figure 4 Answers connected to the FIBER model
5.4 Concluding remarks of Analysis and Discussion

To summarize, compensation is positively associated with motivation (Mehran, 1995; Sudiardhita et al., 2018; Yanuar, 2017). According to previous research, non-family CEOs are more likely to emphasize financial performance instead of socioemotional objectives and returns (Miller et al., 2014). Contrary, family CEOs are more motivated by non-financial goals and SEW (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011). In the context of goals, the majority of the participants stated financial goals for their firms. Although, this does not indicate that the CEOs are motivated by financial goals but rather that the firms possess these goals. Our study was not successful in proving that goals could be connected to how the participants view and value compensation and rewards, and this can be due to the design of the question. One can argue that financial performance is crucial for the firms’ survival and, therefore, a common goal for the firms. At the same time, these findings do not exclude that the firms do not have non-financial goals.

Regarding the motivation, there is a difference between the non-family and the family CEOs in the study. Most of the family CEOs were driven by non-financial factors. Sebastian mentioned a non-financial goal related to SEW, which can be connected to previous studies (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011). Furthermore, the non-family CEO, Victor, was mainly driven by the ability to create and develop the business, which could be connected to the literature that stressed the importance of growth (Blumentritt et al., 2007; Chua et al., 2003). The findings from this might support the empirical evidence regarding compensation and rewards. The findings from both sections point to the existence of non-financial factors for the family CEOs and more financial factors for the non-family CEO.

All participants view compensation and rewards in most financial components. Despite this, most non-financial components stated in the “view part” came from family CEOs, indicating that they view more non-financial components as a part of compensation and rewards, compared to the non-family CEO. These findings justify the study by McConaughy (2000). He mentions that family CEOs can receive other than cash compensation. Moreover, Sebastian mentioned a non-financial component that could be connected to SEW, which supports the existed literature (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011). On the contrary, the findings regarding the non-family CEO points to more financial factors which could have connections to the research by Miller et al. (2014).
In the “value part,” regarding the open-ended questions, the majority of the participants value both non-financial and financial components, including the non-family CEO, even though some participants favor one over the other. Our findings were below expectations. There was some inconsistency with our expectations, for instance, the non-family CEO value a non-financial component as highest. Although we could also find some similarities to previous research by Gomez-Mejia et al. (2007) and Gomez-Mejia et al. (2011), for instance, one family CEO values a non-financial component connected to SEW. It is not surprising that SEW was apparent in the findings from the open-ended questions. However, it was foremost apparent as underlying reasonings in the statements and not as different components of compensation and rewards.

Furthermore, in the “value part,” including the rank assignment, there was a significant difference between the two empirical groups. Overall, the participants value non-financial and financial factors. However, the family CEOs ranked more non-financial factors connected to SEW and FIBER than the non-family CEO. These findings support our expectations based on previous literature about non-family and family CEOs (Blumentritt et al., 2007; Chua et al., 2003; Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011; Miller et al., 2014). Furthermore, the rank assignment confirmed the study by Gómez-Mejía et al. (2007), which mentions that owners of family firms have an interest in both financial performance and their own SEW. The participants value good financial results for the firms and components related to the FIBER model of SEW. The findings of this study verify current literature about the existence of SEW in family firms (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011). Given that our findings from the rank assignment are based on determined components, the results from such analyzes should thus be treated with considerable caution.

As a concluding remark, there are several possible explanations for the findings, and we have discussed some of them (e.g., family involvement, generational stage, age of CEO, etc.). Furthermore, it is also important to note that family firms as heterogeneous, indicating that differences exist even within family firms (Chua et al., 2012; Nordqvist et al., 2014; Yu et al., 2020; Zellweger et al., 2013). Therefore, the findings presented need to be interpreted with caution.
5.5 Summary of Analysis and Discussion

To sum up, we divided the analysis and discussion into four sections. The first part analyzed and discussed the goals for the firms and the motivation of the CEOs. Additionally, the second part analyzed and discussed how the CEOs view and value compensation and rewards. The next section included SEW and the FIBER model and how these could be connected to the empirical findings. Lastly, concluding remarks from the analysis and discussion were demonstrated. The next chapter provides the reader with the conclusions and implications of the study.
6. Conclusion

In the last chapter, the reader will be provided with conclusions and suggested implications from our research. Furthermore, limitations will be presented and lastly, future research will be demonstrated derived from our study.

This study has investigated how family CEOs view and value compensation and rewards compared to non-family CEOs in family firms. Our literature review provides the reader with related studies, concepts, and a theory connected to the specific topic. The research uses qualitative data in terms of semi-structured interviews, including 5 participants, 4 family CEOs, and 1 non-family CEO from different firms located in Sweden. This method collected our empirical data for the study. In order to answer our research questions, "How do CEOs in family firms view and value compensation and rewards?" and "Do family CEOs differ from non-family CEOs regarding how they view and value compensation and rewards?" we used factors and concepts that emerged from the literature to code words and sentences in the interviews. In some cases, we created tables to identify relationships between the different factors and concepts.

The findings of this study support the idea that family CEOs view and value compensation and rewards in other terms than just financial value. Our research could also explain why family CEOs seem to be underpaid in financial terms since they value something else than just cash compensation. Moreover, the evidence points to that the non-family CEO is more connected to financial factors. Based on the rank assignment, it seems likely that when family CEOs are between the firm and personal gain, they prioritize the firm. In general, we expected a more distinctive difference between the two empirical groups. However, weighing together the evidence from this study, there is a difference regarding how family CEOs and non-family CEOs view and value compensation and rewards. The family CEOs mentioned almost all of the non-financial components. Some of these components could be connected to SEW, foremost non-financial factors from the rank assignment. Furthermore, SEW was apparent in other contexts as well. Thus, based on this research, SEW exists within family firms.
These findings add to a growing body of literature on CEOs’ compensation packages in family firms. Additionally, this study is the first step towards enhancing our understanding of how CEOs in family firms view and value compensation and rewards. The findings contribute to the current knowledge in designing compensation packages for CEOs in family firms. Furthermore, our research could be a useful aid for shareholders and the board of directors when deciding upon the compensation and reward system for the CEOs in family firms. From an academic perspective, our study provides the ground for future work to build on and to extend.

6.1 Limitations of our study

Finally, some potential limitations need to be considered in our research. The sampling was limited in several ways. First, due to the limited access to family firms in Sweden and the circumstances with COVID-19, we ended up with 5 interviews, including 4 family CEO and only 1 non-family CEO. However, given the small sample size and the specific chosen country, caution must be taken regarding the findings. Our findings might not be generalized to other cultures and countries. We intended to have a sample size within the same industry, generational stage and age of the CEO. However, due to the difficulties in finding participants for the research, we only had two criteria in order to be suitable for our research. Due to the circumstances of COVID-19, this could also have an impact on the findings, since some participants might view and value compensation and rewards differently compared to if COVID-19 was not present.

Most of the interviews were held on the phone and “Teams,” which can affect the findings. The participants might not be comfortable in those situations, which could prevent the extent of their answers. Moreover, since we conducted interviews in Swedish, there is a risk when translating and interpreting the interviews. A different word was used that corresponds to compensation and some concepts (e.g., goals, individual compensation and rewards, etc.) might overlap and this could affect the findings and analysis of the findings. Additionally, the difference in answers between the open-ended questions and the rank assignment could depend on the design of the rank assignment. In some cases, additional components were not added to the list of the rank assignment since they were not clearly apparent during the interview. Instead, we realized this when we analyzed the material. Lastly, as stated in previous literature,
SEW is difficult to measure, and therefore, caution must be used in the interpretation of the analysis.

6.2 Future research

We hope that our research will serve as a base for future studies on the CEO’s compensation and reward system in family firms. Our findings are promising, but due to the limited sample size, further work, including a larger sample size, needs to be done to verify and generalize the findings. In this case, since the study only has one non-family CEO, this may not be representative of the population. Future research should include more non-family CEOs in the sample.

Furthermore, this research has given rise to some other questions in need of further investigation. We cannot rule out that different factors have affected the study—for instance, the number of employees, type of industry, and generational stage. Future studies on the current topic are required. It would be interesting to carry out future work that target a more specific group of the sample to gain insights and useful findings regarding these factors and their impacts on the participants’ opinions. Moreover, an important question to resolve for future studies is the age of the CEO. Our findings show some important insights, but future work must be performed to explain and verify this.

As mentioned in the limitations, SEW is difficult to measure and therefore, future work should focus on enhancing the quality of how to measure SEW. Moreover, as a recommendation for future research, it would be interesting to study how employees view and value compensation and rewards. Is there a difference between the employees working in the family firm and the owner of the firm? To sum up, CEO’s compensation is still an ongoing topic of debate. Our study is the first step towards enhancing our understanding of how CEOs view and value compensation and rewards in family firms. However, future work needs to be performed on the topic.
References


Appendix

Appendix 1 - Interview guide in Swedish

Frågor om VD
1. Kan du berätta lite om dig själv?
2. Hur gammal är du?
3. Vad har du för utbildningsbakgrund?
4. Har du några tidigare erfarenheter inom industrin?
5. Hur länge har du arbetat i företaget?
6. Hur blev du VD i detta företag?
7. Hur länge har du arbetat som VD i detta företag?
8. Trivs du bra att jobba här och i så fall vad är det som bidrar till detta?

Frågor om företaget
1. När startade företaget?
2. Betraktar du företaget som familjeföretag? Varför/Varför inte?
3. I vilken generation är företaget i?
4. Planeras företaget att överlåtas till nästkommande generation i framtiden?
5. Hur många familjemedlemmar är aktiva inom familjeföretaget?
   a. Vad har dessa personer för arbetsuppgifter i företaget?
6. Kan du beskriva din relation till familjen som äger företaget?
7. Ser du annorlunda på din roll som VD på grund av företagsformen (familjeföretag)? Varför/Varför inte?
   a. Tar du hänsyn till företagsformen (familjeföretag) när du tar dina beslut? Varför/Varför inte?
8. Vilka mål har ni för företaget?
   b. Vilka typer av mål har ni?
   c. Har ni långsiktiga eller kortsiktiga mål?
   d. Vad för faktorer har du i åtanke när du bestämmer målen?

Frågor om lön och belöningar
1. Vad betyder orden lön och belöning för dig?
2. Vad består din lön och ditt belöningssystem utav?
   a. Bortsett från pengar, är det något annat som företaget ger dig?
3. Kan du ge exempel på andra faktorer som kan vara lön och belöningar?
   a. Varför ser du dessa faktorer som lön och belöningar?
4. Om du får bestämma din egen lön och ditt belöningssystem, vad skulle du värdera och vilja ha?
a. Varför tror du att du värderar just dessa faktorer?
b. Vilken av dessa faktorer som du nämnt ovan skulle du värdera högst?

5. Skulle du kunna tänka dig att ha lönen och belöningar som inte har med pengar att göra som en del av din totala ersättning? Varför/Varför inte?
6. Kan du ge exempel på lönen och belöningar som inte har med pengar att göra?
   a. Varför ser du dessa faktorer som lönen och belöningar?

7. Vad värderar du högst? Lönen och belöningar som inkluderar pengar eller lönen och belöningar som inte inkluderar pengar? Varför?
8. Vad tycker du lönen och belöningssystem ska baseras på? Varför?

☐ Bra finansiellt resultat för företaget
☐ Familjemedlemmar som anställda
☐ Bra rykte gentemot allmänheten
☐ Nöjda kunder, leverantörer och anställda
☐ Utdelning
☐ Försäkring
☐ Bonus
☐ Pensionsplaner
☐ Karriärmöjligheter
☐ Ökad andel aktier i företaget
☐ Möjlighet att ha kontroll över företaget och min egna tid
☐ Kunna bidra till samhället
☐ Lön
☐ Överlåta företaget till nästkommande generation
☐ Skydda familjens värderingar
Ökad marknadsandel
Appendix 2 - Interview guide in English

Questions about the CEO
1. Can you tell us about yourself?
2. How old are you?
3. What is your educational background?
4. Do you have any previous experience within the industry?
5. For how long have you been working in this firm?
6. How did you become CEO in this firm?
7. For how long have you been CEO in this firm?
8. Do you enjoy working here and if so, what is it that contribute to this?

Questions about the firm
1. When did the firm start?
2. Do you consider the firm as a family firm? Why/Why not?
3. In which generational stage is the firm in?
4. Is the firm planning to be transferred to the next generation in the future?
5. How many family members are active within the firm?
   a. What tasks have these people in the firm?
6. Can you describe your relationship with the family that owns the firm?
7. Do you view your position as CEO differently due to the business form (family firm)? Why/Why not?
   a. Do you take into consideration the business form (family firm) when you make your decisions? Why/Why not?
8. What are your goals for the firm?
   a. What types of goals do you have?
   b. Do you have long-term or short-term goals?
   c. What factors do you take into consideration when you decide upon the goals?

Questions about compensation and rewards
1. What do the words compensation and reward mean to you?
2. What do your compensation and reward system comprise of?
   a. Aside from money, is it something else that the firm gives you?
3. Can you give other examples of what compensation and rewards can be?
   a. Why do you see these factors as compensation and rewards?
4. If you were to decide your own compensation and reward system, what would you value and want to receive?
   a. Why do you think you value these factors?
   b. Which of these factors that you mentioned above would you value the most?
5. Could you imagine having compensation and rewards that has nothing to do with money as a part of your total compensation? Why/Why not?
6. Can you give examples of compensation and rewards that has nothing to do with money?
   a. Why do you see these factors as compensation and rewards?
7. What do you value the most? Compensation and rewards that include money or compensation and rewards that do not include money? Why?
8. What do you think compensation and reward system should be based on? Why?
9. In front of you, you have some factors that can include in employers’ compensation and rewards system in family firms. Which factor do you value the most? Rank them, based on how you value them even if you not receive any of them today. Rank them on a scale from 1-20 where 1 is the factor that you value the most.

- Good financial result for the firm
- Family members as employees
- Positive reputation from external parties
- Satisfied customers, suppliers, employees
- Dividends
- Insurance
- Bonus
- Pension plans
- Career options
- Increased number of shares in the firm
- The opportunity to possess control over the firm and my own time
- The ability to contribute to the society
- Salary
- Transfer the firm to the next generation
- Protect the family’s values
Increased market share