An Exploration of Potential Growth Strategies for Niche Family Businesses
A Study of Family Firms in the Canadian Market

Master’s Thesis within Business Administration
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Jönköping, May 2012
Acknowledgements

We would like to thank our tutor Jenny Helin for her feedback, guidance and support throughout the process of writing the thesis. We furthermore want to acknowledge our fellow students for all the feedback and comments during our thesis seminars and our families for all the support. Lastly, we would like to thank all the participating family businesses we have interviewed without whose input the thesis would not have been possible to accomplish.
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Date: [2012-05-14]
Subject terms: Family Business, Growth, Niche Markets

Abstract

Introduction: Growing a family business is extremely challenging, as is evidenced by the fact that the majority of small-to-medium sized family businesses demonstrate minimal growth. Additionally, many family firms operate in niche markets in which growth is especially challenging, as a niche strategy by definition targets a very narrow market. Currently there is a minimal amount of research addressing the issue of how to grow a family business within a niche market, which is the subject of our thesis.

Purpose: The purpose of this research is to explore potential growth strategies available to family businesses operating in a niche market in Canada, in order to increase their chances of long-term profitability and survival.

Method: A qualitative approach was used to fulfill the purpose of this thesis. Qualitative, semi-structured interviews were conducted with eight individuals from 2nd generation-or-later niche family businesses in Canada, with the intent to gather information about the companies’ experiences operating in a niche market. The interviews were all conducted via Skype or voice-over IP.

Conclusion: The theoretical implications of this study have provided valuable insights into the success factors and challenges faced by niche family businesses in Canada. These insights, combined with findings from the literature, have provided the necessary information required to determine potential growth strategies for family businesses in a niche market. With the addition of our proposed growth strategies to the field of family business research, we feel that we suggest a valuable solution to the problem of there being a deficiency of recommended growth strategies for family businesses within a niche market. These strategies include offering personalized service, new product/service development, expanding into new markets, and targeting new niches.
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I Introduction

1.1 Background

Evidence shows that growing a family business is extremely challenging, which is likely the reason that the majority of small-to-medium sized family businesses demonstrate minimal growth (Schwass, 2005). Additionally, many family firms operate in niche markets, in which growth is particularly challenging because a niche strategy by any definition addresses a very narrow market, often with limited resources. Currently there is a minimal amount of research addressing the issue of how to grow a family business within a niche market, which is the subject of our thesis. This introductory section includes research and background information on business growth, family businesses, and niche markets and will give the reader the necessary information to fully understand the problem that we intend to address.

According to Penrose “the term ‘growth’ is used in ordinary discourse with two different connotations. It sometimes denotes merely increase in amount; for example when one speaks of ‘growth’ in output, exports, sales. At other times, however, it is used in its primary meaning implying an increase in size or an improvement in quality as a result of a process of development akin to natural biological processes in which an interacting series of internal changes leads to increase in size accompanied by changes in the characteristics of the growing object” (Penrose, 1959, p.1). Growth can also take different forms, and each form of growth may have different determinants and effects, making it a multi-dimensional and difficult subject to define. Sustained growth can be defined as “growth in both revenue and profits” (Barringer & Ireland, 2006, p.309). While the majority of businesses grow in order to remain successful, become market leader or capture economies of scale, small family businesses mainly grow to survive and remain competitive (Barringer & Ireland, 2006). They each have their own reasons to grow due to their individual business structures and goals. Shanker and Astrachan (1996) suggest that the narrowest family business definition needs to include “that the business have multiple generations involved, direct family involvement in daily operations and more than one family member having significant management responsibility” (p.110). Family businesses often have limited financial and human resources, no reputation and little in the way of economies of scale or benefits from experience curves (Cooper, 1981). There is a concentration of risk in one or two products, markets, and people, and there is usually no cushion to absorb the results of bad luck or bad decisions. Additionally, the capabilities of a small firm are often uneven, reflecting the unbalanced experience of the owner-manager (Cooper, 1981). However, there are also undeniable benefits to remaining small, such as the ability to move quickly due to a short chain of command and informal decision methods. Small firms are also able to avoid the departmentalization and coordination problems which characterize larger, more complex organizations (Cooper, 1981).

As stated previously, small family businesses generally experience more difficulty in growing than non-family businesses. One explanation for this is that once-effective business standards can eventually constrain successful entrepreneurs. As the business environment and requirements for success change, entrepreneurs can have a hard time letting go of past success and avoid decisions that may threaten their image or economic security (Ward, 1997). Another reason that growth is problematic for family businesses is that as families expand and acquire in-laws, the increasing diversity of personal goals and values makes it less likely that there can be a consensus for business decision-making and building a shared
vision for the company (Ward, 1997). Among the more important challenges facing family businesses is that of succession, the transference of leadership between generations for the purposes of continuing family ownership, which must be addressed in order for the business to survive (Davis & Harveston, 1998). The likelihood of family business continuity decreases significantly with each succeeding generation, however long-range planning and actively monitoring the business prior to these transitions can greatly improve the business’ odds of survival (Lea, 1991).

In order to determine the most effective growth strategies for a family firm operating in a niche market, we must first address the specific growth-hindering challenges which these firms are facing. One major challenge for a niche family firm is that the company is likely to have very specific organizational capabilities that allow them to produce one product or service very well, but limit their ability to expand the product range without committing additional resources. Limited resources are another challenge faced, as one disadvantage of family-owned firms is lack of capital (Harris, Martinez & Ward, 1994). The final challenge is the limited market size which is created through the choosing of a niche market strategy. There are also challenges that address either niche or family businesses individually. Since niche businesses tend to belong to the category of small to medium sized enterprises, Hamermesh, Anderson and Harris (1978) defined a small research budget, few economies of scale in manufacturing, little opportunity to distribute products directly, little public and customer recognition, and difficulties in attracting capital ambitious employees as the main obstacles a niche business might be facing. For family businesses, renewal in the form of growth requires overcoming both internal obstacles as well as dealing with a wide range of external forces such as demographic shifts, changes in consumer habits, and the rise of new competitors (Muson, 2002).

Despite the challenges of growth, there are many reasons why it is important, and often necessary, for a family to grow their business. One reason is that as a family grows, there are exponentially more family members involved in the business, which translates into a growing number of dividends. The business needs to make more money to account for the growing number of shares (Schwass, 2005). Additionally, it is widely believed that due to a rapidly changing marketplace, adaptation and renewal are necessary for a business to survive and prosper. Business growth is the outward indication that a business is successfully adapting and responding to market needs (Schwass, 2005).

Growth of family businesses has been previously discussed in literature, which is why this research will take it one step further and focus on family businesses in niche markets. Many family businesses operate in niche markets and often the decision to enter such a narrow market is not made strategically, but out of necessity or for other reasons significant to the family. A focus, or niche, strategy “identifies a market segment whose needs are not well-served by the industry’s broad-based sellers, and constructs a product/service approach which caters specifically to that segment” (Lasher, 1999, p.98). Historically, the niche culture was established before the industrial revolution and niches were determined by geography rather than affinity. Only through the introduction of modern industry, the railroad system and the rise of mass media did adopting a niche strategy become the strategic choice of many small businesses (Anderson, 2008). Currently, according to several studies, a focus or niche strategy is an effective market entry strategy for a new firm. This strategy allows the new firm to direct its limited resources towards a specific portion of the market while it establishes itself as a company (Bamford, Dean & McDougall, 2009). However, a niche strategy does not always supply an industry position to grow from, as the lack of broad product lines means that only a very limited portion of the market will be reached.
Therefore, with a niche strategy the available market segment becomes saturated very quickly and firm growth is hindered as a result.

As mentioned previously, family businesses often do not operate in a market of choice but rather in a market where their particular skill-set is demanded. More often than not these markets are niche markets. Many family businesses are built upon an industry-specific skill set that is possessed by the initial entrepreneur. These skills limit the entrepreneur to a particular industry or trade, which results in a niche business (Harris et al., 1994). Another reason for entering a niche market includes preserving the family’s personal heritage and history (Ward, 2011). Once a business is established within a particular niche it is common for the elder generation to pass down their skills and knowledge to their descendants to carry on the family’s tradition (Aronoff, 1998). At this stage in the company’s life cycle, it is important for the families to remember that what has been successful today might not be successful tomorrow (Aronoff, 1998). It has been found that it is the family businesses that embrace change and use the second generation as a resource that successfully transition the business into the next generation.

This research will specifically look at family businesses operating in niche markets in Canada. We have chosen to focus on the Canadian market because of the high density of family-owned businesses, with approximately 90% of all businesses in Canada being family-owned and managed (Ibrahim, Soufani & Lam, 2003), and family-owned companies contributing nearly 45% to Canada’s GDP (Family Firm Institute, 2012). We also chose the Canadian market for its relatively large market size and lack of a language barrier. Unfortunately there is only a limited amount of data accessible on the exact number of family businesses in Canada, which is why some of our numbers concern solely small businesses in Canada, which generally have 100 employees or less. 98% of all businesses in Canada can be labeled “small businesses” and 104,000 new ones are created on average per year (Government of Canada, 2011). Many Canadian family businesses have been surviving the recent economic downturn quite well and have bravely faced the recession challenges (PWC, 2011). The majority of the family business owners suggest that the fact that their business is a family business has significantly helped them through the crisis, with one very positive influence being their various long-term relationships with both customers and suppliers. 66% of the Canadian family businesses strive for growth, however only approximately 50% of them have a strategic plan for their expansion (PWC, 2011).

1.2 Problem

As we have discovered in our research, the growth of family businesses in general has been previously discussed in literature. Therefore, this research paper will take it one step further and focus on family businesses in niche markets. As mentioned previously, many family businesses operate in niche markets and do so out of necessity or for other reasons significant to the family. These family businesses are facing a rapidly changing marketplace, in which adaptation and renewal are necessary for a business to survive and prosper (Schwass, 2005). For many of them, however, long-term survival is highly unlikely. It is estimated that less than two-thirds of family businesses in Canada survive to the second generation, and only 13% through the third (Ibrahim et al, 2003).

The survival and growth of family businesses in niche markets carries consequences reaching far beyond the family. As mentioned, family-owned companies currently contribute nearly 45% to Canada’s GDP (Family Firm Institute, 2012), and studies have concluded that small rapidly growing firms are the ones creating most of the employment opportunities in society and are a cure for economic downturn (Davidsson, Achtenhagen & Naldi,
In any period of time, the growth strategies of a small business determine the firm’s position in the market, position in the operating environment, and profits (Roper, 1999). It is for these reasons, as well as those listed above, that it is so important for a firm to choose the right growth strategy. Within the current literature, there is a distinct lack of information available about growth strategies for family firms operating in a niche market, and we feel that this is a problem.

Therefore, in our research we will combine both aspects, family businesses and niche markets, and investigate the most effective ways for family firms operating in niche markets to grow. We hope that this information will be useful both for business owners and scholars within the field of family business research, and that our findings can assist family firms in choosing growth strategies that will enhance their chances of survival through multiple generations.

Hence, our problem has been defined as:

*There is a deficiency of recommended growth strategies for family businesses within a niche market.*

### 1.3 Purpose

As there is a limited amount of research connecting niche family businesses and growth strategies to date, the purpose of this research is to explore potential growth strategies available to family businesses operating in a niche market in Canada, in order to increase their chances of long-term profitability and survival (Figure 1).

In order to explore possible growth strategies, the potential challenges that family businesses in a niche market are facing need to be defined, as well as ways to overcome those challenges. Additionally, we would like to investigate those family businesses operating in a niche that have overcome the challenges and have managed to grow. Lastly we would like to explore if growth is always the right option for a business, or whether in some cases it can actually be harmful to the business and its reputation.
2 Frame of Reference

This section will cover and connect the main building blocks of our research, namely business growth, family businesses and niche markets, by addressing and analyzing previous literature findings. After having defined growth in the introduction of the thesis we will now go further into how growth can be measured, growth factors and pains, and generic growth strategies. Subsequently, family business literature will be addressed thoroughly and connected to business growth. This section will also shed light on family business succession and the role of ownership transitions in the business life cycle. Niche markets, the final building block included in the problem definition, will be addressed both separately and in conjunction with family businesses and growth strategies. Lastly, a conclusion will be presented about the commonalities between growth strategies in family businesses and niche markets, followed by our research questions which have been built upon the frame of reference.

2.1 Small Business Growth

We will begin by sharing our literature findings about growth, as the ultimate purpose of this research is to explore possible growth strategies for family businesses operating in a niche market. In particular our findings will be focused on small businesses, as most family businesses started out small, and many remain small throughout their existence (Holliday, 1995). According to the Government of Canada (2010), a small business in Canada is described as having between five and one hundred employees. A business with less than this is considered to be a micro-enterprise, and larger is considered to be medium-sized (up to 499 employees) or large (500+ employees). As of December 2010 there were 1,138,761 registered employer businesses in Canada, of which 1,116,423 were small businesses. Small businesses therefore comprise 98% of all employer businesses in Canada, which means that the information gathered in our research on growth strategies for small businesses can be applied to the majority of businesses in the Canadian context.

Small businesses have been defined differently by various researchers throughout time, however there are always certain characteristics which seem to represent the essential features, including that they hold a small market share, are owner-administrated, are independent and serve local markets (Stanworth & Curran, 1967; Scott & Bruce, 1987). One thing that many scholars agree on is that it is evident that small firms play an important role in global society. Studies have concluded that small, rapidly growing firms are the ones creating most of the employment opportunities in society and are a cure for economic downturn (Davidsson et al., 2007; Dobbs & Hamilton, 2007; Morrison et al., 2003; Birley & Westhead, 1990). When it comes to growth strategies in small businesses, they need to be chosen with care, because at any period of time they help determine the firm’s position in the market, its operating environment, and its profits (Roper, 1999).

2.1.1 Measuring Growth

In addition to Penrose’s (1959) definition of growth which adopts a change in amount perspective and is provided in the introductory chapter of this thesis, growth can also be measured with a variety of other indicators. The most common of these include sales, employment, assets, market share, physical output, and profits (Davidsson et al., 2007; Wiklund, Patzelt & Shepherd, 2007). Davidsson, Delmar and Wiklund (2006) strongly encourage the use of various indicators to determine growth rather than only one. Though no particular indicator has been announced as the “right measure” (Weinzimmer, Nystrom & Freeman, 1998), there is a growing consensus among researchers that sales should be the
preferred choice, as it is the most general of the alternatives and applies to all commercial firms. Additionally, sales often precedes other indicators, as it is the increase in sales which leads to an increase in assets and employees and results in higher profits or market share (Davidsson et al., 2007). Thus, the prototypical growth firm that is generally studied experiences relatively stable growth in sales over time, and this sales growth is accompanied by an accumulation of employees and assets, and an increase in managerial and organizational complexities (Davidsson et al., 2007). Weinzimmer et al. (1998) furthermore suggest that the way to measure a company’s growth needs to be adjusted to the initial size of the company, meaning that small companies should take factors such as environment, strategy and management determinants into consideration.

2.1.2 Growth Factors

There are many factors that combine to affect the growth of a small firm, and the convergence of owner-manager ambitions, intentions and competencies with internal organizational factors and external factors are what determine the rate of growth (Morrison et al., 2003). Though external factors will always have an effect on growth (such as environment, industry, resource availability), there is compelling evidence that the owner-manager’s growth motivation, communicated vision and goals have a more direct effect, as does the firm’s strategic orientation (Davidsson et al., 2007). Clearly the owner-manager’s desire and willingness to grow is a major determinant of firm growth, and there are clear indications that many small business managers deliberately refrain from exploring opportunities to expand their firms (Wiklund, Davidsson & Delmar, 2003). Expected outcomes have a large influence on an owner-manager’s attitude towards growth, and according to Wiklund et al. (2003), they are often non-economic in nature. These anticipated outcomes include: an effect on the manager’s ability to keep control over the operations of his/her company, an effect on the firm’s degree of independence in relation to external stakeholders, and an effect on the firm’s ability to survive a crisis (Wiklund et al., 2003).

Morrison et al. (2003) have developed a method of categorizing growth factors (both pro-growth and growth-inhibiting) into three categories: intention, ability and opportunity. For pro-growth factors, intention includes demographic variables, the personal characteristics of the owner-manager, and the values and beliefs of the owner-manager. Ability includes the owner-manager’s education level and knowledge of different fields of business, as well as the growth potential of the business’ current products and the legal format of the business. Opportunity includes the market conditions, the firm’s access to finance, and the current labor market status (Morrison et al., 2003). Growth-inhibiting factors include the same three categories. Intention includes the owner-manager’s lack of ambition or vision, quality of lifestyle protectionism, and mature position in the life-cycle. Ability includes constrained managerial competencies, narrow skills base, physical expansion/production limitations, and organizational structure limitations to time and resources. Opportunity includes holding a weak power position in the industry sector and markets, a high dependency on externalities, and an adverse financial and economic climate (Morrison et al., 2003). Also according to Morrison et al. (2003), each of the variable sets of intention, ability and opportunity are intrinsically linked, and should one be missing or unduly weak, business growth is unlikely to be achieved.

2.1.3 Growing Pains

In both academic and non-academic literature, firm growth is frequently associated with success. However, additional factors must be considered, including the possibility of undesirable consequences or “growing pains” (Flamholtz, 1990). The strongest negative effect
on overall willingness of small business managers to grow stems from expectations that
growth would have negative effects on employee well-being (Davidsson et al., 2007). Many
owner-managers of small businesses fear losing the informal, family-like character of the
small organization (Davidsson et al., 2007). Nevertheless, the bulk of research evidence
shows a positive relationship between size or growth of a company and its ability to survive
long term (Davidsson et al., 2007). For the owner-manager, another effect of growth is that
their personal responsibilities will become more complex, dramatically expanding the de-
mands made on the manager’s time and energy. As the level of business increases, paper-
work multiplies, personnel must be added to the payroll, facilities must be expanded, and
taxes and legal procedures become more complex (Steinmetz, 1969). This affects four key
elements of responsibility: strategy and operations, organization, staff, and the managers
themselves (Roberts, 1999). Wiklund and Shepherd (2003) have further explored whether
growth is always advisable for small businesses, and have come to the conclusion that cer-
tain circumstances must be present in the company in order to grow successfully. Essential
prerequisites involve the owner’s ability to manage a growing organization, identify the
right opportunities and administer the company’s resources.

2.1.4 Generic Growth Strategies

Successful firm expansion must be preceded by planning, as firms do not (usually) grow au-
tomatically but do so in response to human decisions (Penrose, 1959). Growth strategies
used by firms today fall under three distinct categories: internal, external, and international ex-
pansion.

Internal strategies involve efforts taken within the firm itself with the purpose of increasing
sales, revenue and profitability (Barringer & Ireland, 2010). This is also called organic
growth, because it does not rely on outside intervention. These strategies include new
product development, improving existing products/services, extending product/service
portfolio, increasing market penetration, and entering new regional markets.

External strategies involve growing the company by establishing relationships with third par-
ties. This often results in a more fast-paced, collaborative approach toward growth than an
internal strategy (Barringer & Ireland, 2010). External strategies include mergers and acqui-
sitions, franchising, licensing, strategic alliances, and joint ventures.

International expansion can be done via both internal and external strategies. Due to today’s
low-cost and rapid world-wide communication and transportation, the area in which firms
operate is becoming more and more international. Thus, the globalization of markets and
the consequent need for crossing national borders is also affecting small to medium-sized
enterprises (Davidsson et al., 2007).

2.2 Family Businesses

Family businesses are quite difficult to define, as there are so many possible variations of
them, and because they change and adapt according to the structure and size of the busi-
ness (Birley, 2001). One definition by Gersick, Davis, McCollom-Hampton and Lansberg
(1997) suggests a three-dimensional view of family businesses, focusing on the aspects of
family, ownership and the business life cycle. They believe that each of these aspects over-
lap and intertwine, and cannot be assessed separately but must be considered together. An-
other, relatively simple definition is that “[a family business] is an organization in which
family members influence the ownership and management decisions” (Hilburt-Davis &
Dyer, 2003, p.5). However, this definition does not specifically imply that the family owns
the company, but only that it has influence over the ownership decisions. Therefore, we choose to rely on the following definition of family businesses: “A family business is one which is owned, managed and controlled by a family or group of relatives. The members of these families make major operational, strategic and management decisions assuming total responsibility of their actions” (Grabinsky, 2002, p.9).

It is a widely supported belief that the most important factor of a sustainable business philosophy is the recognition that change is inevitable, and that for a business to remain competitive it must continually renew itself (Paisner, 1999). For a family business, renewal in the form of growth requires overcoming both internal obstacles as well as dealing with a wide range of external forces such as demographic shifts, changes in consumer habits, and the rise of new competitors (Muson, 2002).

2.2.1 Characteristics of Family Businesses

There are some distinctive differences which separate family businesses from non-family ones. Research suggests that family firms are less horizontally divided and more reliant on informal controls than non-family firms (Daily & Dollinger, 1992; Geeraerts, 1984), which often means that the family firm can be more successful in markets and industries that require a leaner and more responsive structure (Harris et al., 1994). While family firms often have higher profitability (due to lower recruitment costs, greater employee loyalty, more productivity and more effectiveness in labor-intensive businesses), they also have lower growth rates and market-share positions than non-family businesses (Harris et al., 1994). However, according to a 2010 Price Waterhouse Cooper survey, 66% of Canadian family businesses were striving for growth and expansion over the following twelve months. This demonstrates that the slower growth rate and smaller market share of family businesses is not due to a lack of desire to grow. Family-owned firms tend to have a more “inward” orientation: they focus more on the internal processes and relationships rather than on “external” growth processes such as scouting new markets or developing new products (Harris et al., 1994). This can be tied to the fact that family owned businesses are more conscious of survival, family harmony and family employment opportunities than they are of profitability or market position (Harris et al., 1994). Additionally, as international expansion is complex and costly, many family firms are less inclined to participate in global markets, preferring to grow more slowly and go abroad gradually, step-by-step (Harris et al., 1994).

In fact, in PWC’s survey a full 63% of Canadian family businesses surveyed did not export goods or services to foreign markets. Of those that did export, only 24% did so to countries outside of the US and Canada (PWC, 2010).

2.2.2 Why Grow?

There are several reasons why small family firms might want to grow. One reason is that as a small business they often have limited financial and human resources, no reputation and little in the way of economies of scale or benefits from experience curves. There is often a concentration of risk in one or two products, markets, and people, and no cushion to absorb the results of bad luck or bad decisions. Also, the capabilities of a small firm are often uneven, reflecting the unbalanced experience of the owner-manager (Cooper, 1981). For all of these reasons, a small family business may want to consider the benefits of growth. Another factor to consider is that as a family matures, there are exponentially more family members involved in the business, which translates into a growing number of dividends. The business likely will need to make more money to account for the growing number of shares (Schwass, 2005). Additionally, as mentioned previously, it is widely believed that due to a rapidly changing marketplace, adaptation and renewal are necessary for a business to
survive and prosper. Business growth is the outward indication that a business is successfully adapting and responding to market needs (Schwass, 2005).

2.2.3 Obstacles to Family Business Growth

Despite the compelling reasons to grow, the majority of small to medium-sized family businesses experience minimal growth (Schwass, 2005). One possible explanation for this is that once-effective business standards can eventually constrain successful entrepreneurs. As the business environment and requirements for success change, entrepreneurs can have a hard time letting go of past success and avoid decisions that may threaten their image or economic security (Ward, 1997). Loyalty to employees and a strong culture and traditions can create resistance to change, and can cause firms to hold on to contracts and staff who are no longer appropriate to the business needs (Ward, 1997). Another reason that growth is difficult for family businesses is that as families expand and acquire in-laws, the diversity of personal goals and values makes it less likely that there can be a consensus for business decision-making and building a shared vision for the company (Ward, 1997). This view is supported by Davis (1983), who suggests that families who are excessively consensus-sensitive become “enmeshed” under stress, making individual decision making and actions difficult. One common growth strategy involves expanding into new markets, which has its own obstacles: current family business strategies tend to be narrowly focused on customer needs in local markets, there is a lack of free capital to undertake an expansion, they often have poorly developed information and control systems, and the firm is often very integrated in local culture and traditions (Harris et al., 1994).

Another aspect to be considered when looking at obstacles to family business growth is that of traditionality, which is defined as strict adherence to traditional methods or teachings. There is a possibility that family-owned businesses are less open to change because of their loyalty to the products or markets defined by previous generations of relatives (Harris et al., 1994). This affinity to the “business that grandad built” may create high emotional barriers to exit or change (Harris et al., 1994). Additionally, as a firm matures successfully, traditions can become stronger. It may be necessary to reshape and reinterpret long-held traditions in order to encourage ongoing strategic creativity (Harris et al., 1994). Another aspect of traditionality is the emphasis on inside succession and organizational loyalty in family businesses. New points of view and perspectives are more likely to come from outsiders, and new standards are more likely to come from those who have a variety of experiences, yet family business successors typically have little outside experience (Harris et al., 1994). However, there is also significant research that shows that family members are more productive than non-family members (Rosenblatt, deMik, Anderson & Johnson, 1985; Kirchhoff & Kirchhoff, 1987). All of these factors play a role in the ability of a company to adapt, which is why traditionality can be a strong inhibiting factor to a family business’ growth. Contrary to this, though, is the opinion that businesses with a strong identity, core belief system and purpose are more likely to be successful. Denison, Lief and Ward (2004) believe that family firms are in a unique and enviable position in that their connection with the strong beliefs and core values of the founder is real and alive. They also believe that a core founder’s influence often lingers past his or her lifetime and into succeeding generations. Another way in which traditionality and strong ties to family values can benefit a firm can be seen in the real-life example of Coopers Brewery in Australia. Coopers is a 5th generation niche family business, brewing various premium beers suited to different occasions. This company’s marketing and branding is centered around the history and tradition of the firm, as they emphasize the fact that they are one of the few breweries operating in the
family sector. This is just one example of a modern company using the family’s traditions as a differentiator and highlighting the role of their family values (Byrom & Lehman, 2009).

2.2.4 Family Business Succession

The problem of succession—the transfer of ownership and leadership of the company to the next generation of family members—has been a major one in the field of family business research for some time (Dyer & Handler, 1994). This high level of interest can be attributed to the fact that succession is often a very serious problem for entrepreneurs, and there are numerous high profile cases, such as that of Disney, where a difficult succession has deeply affected the business. When the time came to transition the business and assign a new president to Disney in 1994, no succession committee had been set up and no process was in place, as described by Lederman (2007). To solve this problem, Disney granted current president Eisner the power to hire his own successor, however, he was not ready to allow his successor to make independent decisions and assume power. This led to a very difficult transition with many conflicts and lawsuits, which also led to further conflicts for Disney years after the fact (Lederman, 2007). The man that Eisner hired as his successor was only in his position for fourteen months before being let go “without cause” and walking away from the company with $130 million in his pocket. This case highlights the fact that previous failures in succession may also lead to sensitive succession situations in the future, which again points out the significance of good succession planning and a smooth transitioning process (Lederman, 2007).

2.2.4.1 A Model for understanding Family Business Dynamics

Before analyzing the effects of succession on a firm’s survival and growth, it is important to understand the dynamics and roles of the individuals involved in a family business. Since the early 1970’s, the three-circle model (Figure 2) has been the principal conceptual model of the family business. This model depicts the family firm as a complex system comprised of three overlapping subsystems: ownership, business, and family (Tagiuri & Davis, 1982). This is a useful tool for understanding the dynamics at work in any family company at a particular point in time, such as identifying the source of interpersonal conflicts, role dilemmas, priorities, and boundaries (Gersick et al., 1997). Specifying different roles and subsystems helps to break down the complex interactions within a family business and makes it easier to see what is actually happening, and why.

![Figure 2 The Three Circle Model (Tagiuri & Davis, 1982)]
2.2.4.2 Stages and Transitions in Family Business Ownership

In the development of family business ownership, there are three stages of ownership and control: controlling owner, sibling partnership, and cousin consortium (Gersick et al., 1999). According to Gersick et al. (1999), the transition periods between these three stages are the most critical and challenging moments in the development of family enterprises. They believe that if scholars and family business owners could learn to manage these periods more effectively, it could be possible to dramatically increase the chances of family business continuity. This is critical to family businesses, as right now only about 30% of family businesses in Canada and the US survive into the second generation. 12% of those are still viable into the third generation, and only about 3% of all family businesses operate into the fourth generation or beyond (Family Business Institute, 2012). Something that the Canadian market will be facing in the next few years is the “baby boomer” generation reaching retirement age, in which time a large number of companies will likely change hands. According to a 2010 Business Succession Poll of 609 small business owners, just 24% surveyed said they had a succession plan worked out for retirement (Government of Canada, 2010). Of those polled, whether they had a formal plan or not, 23% said they would simply close their business when it came time to retire; 20% planned to sell their business to a third party; 18% expected to transfer it to a family member; 12% said they would sell to a partner or employee; and 27% said they were not yet sure what they would do with their business (Government of Canada, 2010).

The approach of a leadership transition in a family business is a time for change and renewal (Muson, 2002). First and foremost, a change in management style is required when a sibling partnership takes over the management of a business, as well as when that sibling partnership transitions to a cousin consortium. A change of this magnitude requires a system of reporting and of communication to ensure the smooth operation of the business (Clark, 1998). If neither the preceding nor the following generation in an organization has a vision of long-term growth, the possibility of intergenerational entrepreneurship and growth is slim (Poza, 1997). Even if there is a vision of long-term growth present in one generation, the succession process is doomed if the old leaders and future leaders do not see eye-to-eye about how much and how fast they want the company to grow (Muson, 2002). This highlights the importance of communication between the two generations. Studies have shown that families who are committed to promoting company growth and entrepreneurship both during and after successful generational transitions are obsessive about communication and promote the personal growth and professional development of nonfamily managers and employees as well as family members (Poza, 1997). This makes sense, as the probability of business continuity is higher when family members coming into the business get prior training and experience for ownership responsibilities and management jobs (Lea, 1991).

2.2.4.3 Succession Planning

Many founders find the succession period very difficult. Through the founder’s own skills and hard work they have built up a successful business and are now being forced to hand over control of this to another person (Clark, 1998). It can be said that owners experience a tug-of-war feeling when they are physically or emotionally ready for a life change but are not ready to contend with financial insecurity, their spousal relationship, or the daunting task of finding new interests to occupy their time. These concerns cause owners to avoid planning for succession (Cohn, 1992). However, the chances of the family business surviving and prospering through a transition are dramatically improved when the owner has carried out a thorough analysis of the business and done long-range planning in preparation
for succession, and when he or she actively manages and monitors the transition in a compassionate but businesslike fashion (Lea, 1991).

Though they are a major challenge for family businesses, transitions can also be an opportunity for change. They are a rare chance to challenge current structures and processes and to critically question the way the business has been run to date (Gersick, Lansberg, Desjardins & Dunn, 1999). New leaders to the business can assist in bringing about this change through the strategic regeneration of the company. Business successors, which typically come into a business every 20-25 years, often come with their own ideas, passion to contribute, and a willingness to challenge traditional assumptions (Ward, 1997). By seeing transitions as an opportunity leaders can drastically increase the business’ chances of long-term success (Gersick et al., 1999).

Succession planning involves many diverse areas, including money and other assets, financial security and the transfer of wealth, tax planning, future business strategies, and how family values affect long-term personal goals for both the founder and successors (Cohn, 1992). One strategy recommended by Ward (1997) that business successors can use to strategically regenerate a company is to practice external thinking. This is a way for the next generation to make a valuable contribution to an already existing business by thinking externally, or exploring the market for new sources of growth and profit. This could involve ways to improve or refine the product or service already provided, or entirely new entrepreneurial opportunities altogether. Another strategy suggested by Ward (1997) is to create a dual organization, in which the founder (or current owner) has one team reporting to them and the successor has another. There are many benefits to this approach: improved continuity of the business, assistance for the successor in building rapport and trust with employees in the company, and development of the management skills of the successor.

There are many ways in which poor succession planning can negatively affect the growth and survival of a family firm. Some ways in which succession is less likely to succeed are: when the family views the business as marginal in revenues and profits; when there is overt pressure on the upcoming generation to take over the business; when successors see their future in the family business as being a “free meal ticket”; when the senior generation cannot let go of their business and hand over full control to their successors; when there has been little or no planning for succession (Lea, 1991).

2.2.5 Family Business Growth Strategies

According to Upton, Teal and Felan (2001), family firms considering a growth orientation should adopt long-range planning, which would include involving the board of directors in that plan and making the plan detailed enough that it can be tied to performance. According to several authors, a focus on the family firm’s values can be used to develop a strong overall business strategy. Upton et al. (2001) believe that firms should consider developing a strategy that builds on the motivation for quality and reputation that many family businesses are known for. Likewise, Ward also has found evidence that the vision for the future of the family and business is a manifestation of personal values, and greatly influences the plan for next-generation ownership which in turn influences the overall strategy for the business, as follows: family values – family vision – ownership structure – business strategy (Ward, 2004). Along these same lines are the suggestions for family firm growth from Schwass (2005). He believes that business growth should be constructed on previous generations’ accomplishments, particularly for family businesses which are mindful of their tradition. He believes that evolutionary growth to be more effective than revolutionary in these cases. It was also found in his studies that in successful family businesses it is evident that each gen-
eration created their own balanced system to manage the unique constituencies of family business: family, ownership, management, and the individual (Schwass, 2005).

The following are suggested family business growth paths from Costa (2002). The first is to focus on *product quality or customer-service improvement*. Research shows that maintaining or improving the quality of a product or service can lead to growth. This method is particularly effective for family businesses, in which the quality of the product is a reflection of the family image. The second is *customization*. It has been found that it is easier for small firms to tailor their services to the needs of individual customers, and family firms in particular have been shown to value individuals and individual differences. The final suggested growth path is to *grow the niche*, and do what the firm does best, only on a larger scale. Family firms can often accomplish this more easily than non-family firms, because they have the vision of the founder to guide them. They are also more free to pursue long-term strategies without outside pressure to achieve short-term earnings (Costa, 2002).

### 2.3 Niche Markets

Over time various definitions have been developed to define niche markets, but generally there are two distinctive views concerning niches in literature. Consumer behavior literature stresses that niches occur very rarely, whereas strategy literature suggests that currently practiced market strategies actually lead to more niches (Jarvis & Goodman, 2005). Jarvis and Goodman (2005) define a niche business as a “small share brand with high loyalty” (p. 292), considering niches to be “small segments of consumers whose needs differ from those general users of the product class, thus providing opportunities for niche or specialty brands” (p. 292). Linneman and Stanton (1992) on the contrary deliver a very simplified definition of a niche strategy by referring to it as serving smaller segments. Often niche marketing is referred to as focused marketing “towards a limited market consisting of a few customers and competitors, where the concepts of firm specialization, product differentiation, customer focus and relationship marketing are frequently applied” (Toften & Hammervoll, 2009, p. 1378). Kotler (1991) defines niche marketing as “a process of carving out a small part of the market whose needs are not fulfilled. By specialization along market, customer, product or marketing mix lines, a company can match the unique needs” (as cited in Tamagnini & Tregear, 1998, p. 228). Although the previous definitions of niche markets differ in some points, it can be agreed upon that a niche is a small segment of customers with needs that differ from the mainstream. In this research however the following definition by Lasher (1999) will be applied: “A focus or niche strategy identifies a market segment whose needs are not well-served by the industry’s broad-based sellers, and constructs a product/service approach which caters specifically to that segment” (p. 98). This definition in particular has been chosen since Lasher (1999) emphasizes the product and service approach as well as the lack of industry broad-based sellers offering the specific product or service.

Addressing a niche market is becoming a very popular business strategy in today’s rapidly changing market environment with an increasing diversity in consumer tastes (Toften & Hammervoll, 2009). In order for a niche strategy to be successful a company needs a loyal customer base, weak or little competition, customer knowledge, outstanding special services, extensive market research, differentiated distribution strategies and a unique product (Parrish, Cassill & Oxenham, 2006).
2.3.1 Characteristics of Niche Markets

As niches are representing a condensed and specialized part of the market, they have very distinguished characteristics. Differentiation and segmentation are applied through focusing on the company’s strengths as well as the customers’ needs (Toften & Hammervoll, 2009). Often businesses operating in a niche charge a premium price for their product or service in order to gain an exclusive position in the market space and to be able to differentiate themselves from the competition. Parrish et al. (2006) suggest that niche customers have a very distinctive set of needs from the regular customer and mostly are aware of this, which makes them more willing to pay a premium price for a product or service. They furthermore point out that a niche market is not very likely to attract competition due to offering a differentiated product; however Bamford et al. (2009) state that competition always exists, it is just that niche markets are less visible than ordinary ones. Opinions are split about whether a niche strategy actually can lead to growth and this is strongly dependent on the type of company. Parrish et al. (2006) find that niches generally have size, profit and growth potential, since they perfectly meet their customers’ needs and can achieve higher margins. Bamford et al. (2009) on the other hand suggest that a niche strategy is not the road to success and that broad and aggressive approaches are the ones normally correlated with success. Dalgic and Leeuw (1994) have discovered that most large markets originated as a niche market, but that smaller companies are much better equipped to serve niche markets.

One very pronounced characteristic of businesses operating in niche markets is the high level of customer loyalty achieved through building strong long-term relationships with the customers (Toften & Hammervoll, 2009). It has been proven that the majority of customer relationships with niche companies have lasted over three generations (Toften & Hammervoll, 2010b). In general, the degree of customer loyalty for niche firms is high due to a condensed customer base purchasing an increased amount of products and services (Jarvis & Goodman, 2005). These relationships at the same time serve as an entrance barrier to the competition and can develop into a strong competitive advantage.

More often than not, niche businesses treasure their firm reputation in order to secure their already limited customer base (Toften & Hammervoll, 2009). Some of them have even managed to establish a known brand name in the market, which represents what they stand for. It needs to be clarified however, that not every small brand necessarily is a niche brand (Jarvis & Goodman, 2005). A niche brand might in reality only be a change of pace brand, which is a brand only bought when the consumer feels the need to switch for several reasons and there is low to no loyalty towards that particular brand. With a niche position a company is more likely to be able to justify committing resources towards their actions, whereas a change of pace position is sometimes best to be abandoned (Jarvis & Goodman, 2005).

2.3.2 Finding Niches

Though the strategy of serving niches has been a way of life for small firms in the past, bigger firms are now advised to become niche players too, to be able to offer products and services that more closely meet the customers’ needs. Linneman and Stanton (1992) have made several suggestions as to how companies can find their niche, which we will elaborate on in this paragraph. One suggestion made involves looking at the mature market in order to find products that could be revamped or improved with the help of the most recent technology. Another is to consider if it is possible to focus on weak points in the most recent technology. Another is to consider if it is possible to focus on weak points in the most recent technology. Another is to consider if it is possible to focus on weak points in the most recent technology.
not. It can be helpful to discover their reasons for not buying the product or for purchasing a very similar product from the competition. Finally, and most obvious, they suggest to carry out market research in emerging markets and explore the possibilities offered there. The question which then arises is whether finding new niche markets is actually significantly different from finding ordinary new market space. By researching companies which have created new and superior customer value for their services and products for decades, Kim and Mauborgne (1999) have found that creating new market space requires strategic thinking in order to find new and untouched territory. Just as Linneman and Stanton (1992) did, Kim and Mauborgne (1999) stress the impact of substitute products and services and suggest questioning the customers’ choice for the competition. They additionally propose that companies need to look across the chain of buyers that are involved in a purchase rather than at a sole target. According to Kim and Mauborgne (1999), additional value can be provided through offering complementary products, which can open up a completely new market space. The previous discussion reveals that there are many similarities between finding a new niche and finding ordinary new market space. A determining factor for finding a new niche, however, is the very condensed and narrow market segment pursuing a certain need.

2.3.3 Family Businesses in Niche Markets

When it comes to family businesses, often the decision to enter a niche market is not made strategically, but out of necessity or for other reasons significant to the family (Harris et al., 1994). Many family businesses are built upon an industry-specific skill set that is possessed by the initial entrepreneur. These skills limit the entrepreneur to a particular industry or trade, which results in a niche business (Harris, 1994). The process of formulating and implementing business strategies is greatly influenced by the owning family, and family and business are considered to be two interlocking systems that each affect the other (Harris et al., 1994). The owners’ interests and characteristics often significantly affect strategy selection. An additional motive for entering a niche market includes preserving the family’s personal heritage and history (Ward, 2011). Once a business is established within a particular niche it is common for the elder generation to pass down their skills and knowledge to their descendants to carry on the family’s tradition (Aronoff, 1998). Family businesses also choose niche markets because they often participate in business types that are less capital-intensive and have lower barriers to entry (Harris et al., 1994). Many researchers believe that a focus or niche market strategy is an effective entry mechanism for a new firm, as it allows a new firm to focus its limited resources on a narrow portion of the market while establishing their business and developing their knowledge base (Bamford et al., 2009). Firms pursuing a niche strategy avoid head-on competition with larger firms, and therefore avoid retaliation from potential competitors (Bamford et al., 2009). Additionally, many independent ventures have limited access to resources in the start-up phase of the business, which makes a niche strategy necessary (Bamford et al., 2009).

2.3.4 Challenges of Operating in a Niche Market

Many small firms have not specifically chosen to operate in a niche market. These firms’ markets have been defined automatically by tradition, chance or production philosophy rather than by practicing active segmentation or positioning strategies. Furthermore, expertise is often regarded as one of the core competences and the business owners are both customer and product specialists in the field they are serving (Toften & Hammervoll, 2010a). Unfortunately, often it is the case that market knowledge can only be based on one of the company’s distributors or wholesalers, which displays a major lack of managerial and administrative resources in the company. The strategic orientation of niche businesses
is usually based on both the customer and the product, which presents the absence of a clear focus, and a high quality product is often produced without a clear need being apparent (Toften & Hammervoll, 2010b). Hamermesh et al. (1978) summarize the following obstacles niche businesses are facing: small research budget, few economies of scale in manufacturing, little opportunity to distribute products directly, little public and customer recognition, and difficulties in attracting capital ambitious employees. According to Raynor (1992) “there might have been a gap in the market, but it remained to be seen whether there was a market in the gap” (p. 30).

2.3.5 Growth Strategies in a Niche Market

Growth within a niche market can often be complicated because once a niche business grows in size or market share there is a chance that it could lose its exclusivity that it is known for. Another reason why it is not always advisable for niche businesses to grow is the resulting lack of flexibility, and generally small businesses are much better equipped to serve niche markets (Dalgie & Leeuw, 1994). The question then arises whether a niche business is actually still serving a niche if an enormously bigger part of the market is being addressed. Subsequently, should it grow too much, a small niche business might lose what their customers think it stands for concerning exclusivity, uniqueness and personalized services. Toften and Hammervoll (2009) suggest that one of the characteristics of a niche business is “thinking and acting small” even though the business’ size is increasing. Linneman and Stanton (1992) also emphasize that for a niche business to grow and still remain a unique niche business one should “grow bigger by acting smaller” through finding smaller segments in the existing customer base rather than searching the whole market. Other ways to find new niches within the current market include considering very heavy or light users of a certain product or service, as well as users who are either increasing or decreasing their purchases (Linneman & Stanton, 1992).

The acquisition of another niche market company is also an effective way for niche businesses to grow (Linneman & Stanton 1992). This way, there is a focus on diversification: the company grows in size while at the same focusing on either the original niche or two different niches. Additionally, Linneman and Stanton (1992) suggest building up a niche marketing network in order to identify resource linkages with other existing niche businesses and in order to find other niche markets.

In some cases targeting a niche can be regarded as a growth strategy itself, especially in mature markets as described by Parrish et al. (2006). It is a way of finding new customers and opportunities in heavily saturated markets. Furthermore, as mentioned previously, approaching a niche can develop towards a competitive advantage when intensively focusing on customer needs and establishing close relationships. These relationships are very important for businesses operating in condensed markets, especially the ones to suppliers (Toften & Hammervoll, 2010a). Long term relationships to suppliers can give access to high quality resources. Another situation in which a niche strategy is the best approach for a company to follow through is if a company has certain specializations, skills and resources to target and serve a certain market segment in a way that the competition is not able to (Parrish et al., 2006).

2.4 Conclusion

Since the topic of our thesis is growth strategies for family businesses operating within niche markets, it is important to compare and contrast the recommended growth strategies for niche and family businesses and see how they work together.
One important factor in niche strategy growth is that businesses operating in condensed markets must place a high importance on relationships, especially the ones to suppliers (Toften & Hammervoll, 2010a), because long-term relationships to suppliers can give access to high quality resources. This relates directly to family business strategy, as loyalty to employees and strong culture and traditions are typical characteristics of many family firms (Ward, 2007), and long-term contracts with staff and suppliers are common.

Another aspect of the niche strategy is that a competitive advantage can develop when intensively focusing on customer needs and establishing close relationships. Relating back to family businesses, the strategy suggested by Costa (2002) of focusing on product quality or customer-service improvement complements this niche strategy. Research shows that maintaining or improving the quality of a product or service can lead to growth. This method is particularly effective for family businesses, in which the quality of the product is a reflection of the family image. The strategy of customization also fits here, as it has been found that it is easier for small firms to tailor their services to the needs of individual customers, and family firms in particular have been shown to value individuals and individual differences.

The literature states that the situation in which a niche strategy is the best approach for a company to follow is when the company has certain specializations, skills and resources to target and serve a certain market segment in a way that the competition is not able to. Many family businesses are built upon an industry-specific skill set that is possessed by the initial entrepreneur (Harris et al., 1994). Here the strategy by Costa (2002) of *grow the niche* is appropriate; to do what the firm does best, only on a larger scale. Family firms can often accomplish this more easily than non-family firms, because they have the vision of the founder to guide them (Denison, Lief & Ward, 2004).

As we can see here, there are many overlapping growth strategies for both niche and family businesses. This demonstrates to us that it will be possible to determine and recommend specific growth strategies for family businesses operating in a niche market.

### 2.5 Research Questions

Based on our frame of reference, the five main questions we wish to focus on in our field work in order to address the problem (*There is a deficiency of recommended growth strategies for family businesses within a niche market*) are:

**RQ1: Under what circumstances, if any, is growth not advisable for a family business?**

Though the main goal of this research is to recommend growth strategies for family businesses operating in niche markets, we acknowledge that there may be cases in which growth is not the best option for a business to strive for. Wiklund and Shepherd (2003) point out that the small business owner needs to have the ability to manage a growing organization, identify new opportunities and have a good command of the company’s resources in order for any growth strategy to be successful. We would like to investigate the main circumstances under which a family business in a niche market should not grow and if they exist, what these circumstances are.

**RQ2: What are the challenges and success factors that affect a niche family business’ ability to grow?**

After having conducted literature research on both the challenges and success factors for family businesses and for businesses operating in niche markets, we would now like to find...
out what some of the factors are for family businesses operating in niche markets. These factors will affect the overall growth strategies recommended to those businesses.

**RQ3: What are some of the strategies that family businesses operating in a niche market have used to grow?**
Provided that the circumstances to grow a business are suitable and the business owner is ready to pursue it we would like to find out how family businesses operating in niche markets have actually achieved growth and what strategies can be recommended or discouraged.

**RQ4: How did the niche product or service offering change during the process of growth?**
Companies operating in niche markets usually serve a very condensed part of the market and wanting to pursue growth often means moving into other niches or into a new market (Bamford et al., 2009; Linneman & Stanton, 1992). We would like to investigate whether it is possible to grow without changing the market focus, or how a company’s offering needs to be adjusted or expanded in order to achieve growth.

**RQ 5: How do the ownership transitions affect growth?**
In the majority of family businesses, ownership transition is a complicated subject and often the transition of ownership strongly affects a business (Dyer & Handler, 1994). Here we would like to find out to what extent family businesses in niche markets are influenced by ownership transitions when in a phase of growth and what can be done to overcome any difficulties in transitioning.
3 Methodology

The methodology for this research has been determined and structured according to an adapted version of Saunders, Lewis and Hornhill’s (2007) “research onion” (Figure 3). The research onion strategically leads the researcher through six different stages and is an aid for making the right decision concerning research method and data collection. A completed version of the research onion for this research’s specific purposes can be seen below and will be elaborated upon in this chapter.

![Figure 3 Research Onion adapted from Saunders, Lewis and Hornhill (2007)](image)

3.1 Research Approach & Method

The following section will elaborate on the research approach and strategy including the choices for a qualitative vs. quantitative model, the research method and sampling as well as reliability and validity issues within our study.

3.1.1 Research Approach

Research approaches can be either deductive, which refers to the process of applying theory to a certain research setting, or inductive, which describes the generation of theory through data collection (Wilson, 2010). More specifically, Hyde (2000) defines induction as “a theory building process, starting with observations of specific instances, and seeking to establish generalization about the phenomenon under investigation” (p. 83). There have been many discussions about whether research can actually be called strictly deductive or inductive. Inductive research, which is said to develop theory, often only results in generating fractions of a theory, which requires further research in the future (Bryman & Bell, 2007). Therefore it has been suggested to think of deduction and induction as tendencies “rather than as a hard-and-fast distinction” (Bryman & Bell, 2007, p. 15). In this particular
research we chose to follow an inductive approach, since we felt that the topic ‘growth of family businesses in a niche market’ has not been covered sufficiently by literature to date. By combining literature findings about family businesses, niche markets and growth together with our primary data collection, we aimed to generate a theory that would present growth and survival strategies for family businesses operating in a niche market and thereby solve our research problem.

### 3.1.2 Research Method

The research strategy applied in this thesis was qualitative, in which the emphasis is placed on words rather than quantifications, as opposed to quantitative research which usually entails a deductive approach, incorporates principles of the natural sciences and looks at social reality as an external reality (Bryman & Bell, 2007). The precedent attributes of quantitative research were not applicable to this study, as it was an inductive approach, rejected the scientific model of positivism and viewed reality as the individual’s creation, as also discussed in the research philosophy section (Bryman & Bell, 2007). Qualitative research has been designed to make researchers understand the contexts, both cultural and social, in which people live (Myers, 2009). Myers (2009) furthermore describes creating and understanding a context as one of the benefits of qualitative research, which is best understood by physically talking to people. One of the methods suggested in qualitative research are qualitative interview studies. Weiss (1994) proposes that interview studies can “elicit the process antecedent to an outcome of interest,” (p. 10) as well as its consequences. This research method was suitable for the purposes of the study since the process towards family business growth in a niche market could be investigated through qualitative interviewing. According to Weiss (1994), interviews give the researcher access to the information of others, which cannot otherwise be obtained. Furthermore, interviewing has been chosen due to its flexibility and convenience despite the time-consuming transcription and analysis (Bryman & Bell, 2007).

The sample crowd to interview consisted of family businesses in Canada that have included at least two generations of family members within the management team. These companies had to be currently operating in a niche market or must have started out in a niche market, according to our preferred definition of a niche market by Lasher (1999). The respondents have been chosen through personal contact availability in Canada as well as by searching Canadian family businesses through internet search engines. By visiting the companies’ websites and reading available press releases, we have researched the companies to ensure that they fit our profile of being a second generation or higher family business operating in a niche market. Consequently the sampling frame, which is a list of all elements in the population (Williams, 1997), consisted of personal contacts as well as the search results from the internet.

### 3.1.3 Research Design

The research design was cross sectional, which describes a design that “entails the collection of data on more than one case […] and at a single point in time in order to collect a body of […] data […]” (Bryman & Bell, 2007, p. 727). The sampling size was limited to eight qualitative interviews due to time and financial restrictions. Additionally, the overall population size was very difficult to determine as a result of being very specific, so a calculation of the most suitable sample size could not be carried out. Weiss (1994) points out that samples for a qualitative interview study are typically small, since each respondent is expected to provide an extensive amount of information, which is why we believed that eight different cases would be a sufficient variety to draw conclusions from which to solve
our problem. In order to receive eight responses, initially 20 companies had been contacted. After receiving an insufficient number of responses, an additional 20 companies were contacted. Cross sectional design has been chosen to receive a variation in answers from different kinds of companies at different stages in their business life cycle. Interviews were conducted at a single point in time, nearly simultaneously, one per company. A cross-sectional design has been selected rather than a multiple case study design, because the focus of the research project is on producing general findings with little regard to the individual context of the cases, as opposed to emphasizing findings about the unique cases (Bryman & Bell, 2007). Limits to the generalization of this study need to be made, since we worked with a fairly limited sample size.

3.1.4 Data Collection Method

The interview type of choice was semi-structured interviewing, which includes the use of an interview guide with specific questions and topic areas to be covered, but provides greater flexibility within the interview (Bryman & Bell, 2007). Semi-structured interviews can be placed between structured and unstructured interviews and are most commonly used in business research (Myers, 2009). All questions in the interview guide were covered but did not necessarily need to be asked in the same order or asked at all, if already answered through a different section of the conversation (Bryman & Bell, 2007). Consequently, the semi-structured interview takes the best of all interview approaches while minimizing the risk of not being able to pursue new lines of enquiry or gathering too much data that is irrelevant to the study (Myers, 2009). We found that conducting the interviews in a conversational style rather than a question and answer style delivered more detailed information with a greater insight into the individual company consulted. Choosing semi-structured interviews has in actuality complemented the topic of this research study, as more often than not the interviews were conducted with the actual owner of the business, and these owners had a fair amount to say about their business that they either established themselves or had taken over from another generation. By giving the interviewees the freedom to speak, various additional issues affecting the research problem have come up and will now be incorporated into the study.

The questions included in our interview guide have partly been based on questions used in a study by Parrish et al. (2006), which investigated how mature companies can maintain a niche strategy in order to stay competitive. One of the reasons we chose to use questions from this study was because these questions have already been piloted for us in a successful research study with a related topic. Furthermore, a number of factors we wished to investigate were included in their research. In addition to basing our questions on previous research, we have also formulated interview questions to further investigate the conclusions taken from our frame of reference, as well as to be able to answer our research questions and therewith solve our initial research problem. After conducting the first few interviews, the interview guide was adjusted in order to be more directly suited to our topic and avoid gathering irrelevant information.

3.1.5 Reliability & Validity Issues

Reliability and validity are mainly concepts concerning the quantitative researcher, however researchers have been discussing their relevance for qualitative studies repeatedly (Bryman & Bell, 2007). Reliability refers to the consistency of measures and the issue and whether the measures taken are actually reliable, whereas validity examines if an indicator actually measures the concept that it is supposed to (Bryman & Bell, 2007). Though their relevance
has been confirmed, the terms reliability and validity needed to be adjusted for qualitative research. We have chosen LeCompte and Goetz’s (1982) definition of those concepts and analyzed them in regards to our research situation:

External Reliability is concerned with to what extent a study can be replicated by other researchers. Our study is replicable in a sense that the topic for the interview as well as the questions can be re-used even with the same companies if needed, however it must be noted that social settings cannot be frozen and the companies would be at a different stages in their lifecycle.

Internal Reliability deals with the consistency between researchers in the study. There have been two members in the research team conducting interviews, however only one at a time per company, while the other one has still been present whenever possible to assure all members of the research study received the same kind and amount of information.

Internal Validity examines whether there is a good match between the interview and the theoretical ideas supposed to be developed. The interview questions and topics have been carefully developed according to the literature review and the derived research questions in order to ensure that all topics would be covered to generate a theory.

Lastly, external validity explores to which extent the findings can be generalized across settings. This issue has been dealt with previously discussing the generalizability of the research. Again, the external validity issue is critical for this study due to having a small specific sample in a certain area.

3.2 Data Collection & Analysis Techniques

The following section describes in detail the process of this study, from contacting the companies, to conducting the interviews and finally transcribing and analyzing the data. In the end of this section some ethical considerations concerning this study will be addressed.

3.2.1 Data Collection

The interview guide for the semi structured interviews can be found in the appendix (p. 50). All companies were sent a short e-mail with the necessary information in order to be informed but not overwhelmed by the project. A sample of the initial contact e-mail can be found in the appendix (p.49). If the e-mails were not answered, follow-up calls or e-mails were sent out after a week to find out whether companies were interested in participating in our study. If requested, a further e-mail with more information as well as sample interview questions was forwarded. After appointments had been made, the interviews were conducted by either Skype or voice over IP, whichever was more convenient to the interviewee. The advantage of doing the interviews as described was being able to bridge the distance to Canada and manage the time differences, while minimizing the expense of calling. Furthermore, the physical absence of the interviewer provided an advantage in that respondents’ replies were not dramatically affected by the interviewer’s characteristics (Bryman & Bell, 2007). In the case of our study, there was no limitation as a result of conducting the interviews by telephone rather than in-person, as the results of our research are to be based on facts rather than an interpretation of the interviewee’s emotions.
3.2.2 Recording & Transcribing

All interviews have been recorded with both the computer’s voice recorder and a mobile phone device to avoid errors in recording and in order to have two copies available at all times. The interviews have subsequently been transcribed by using the interview transcript program F4. Heritage (1984) has formulated several reasons for transcribing interviews, of which the following were most relevant to us:

- The transcript allows the researcher to carry out a thorough examination of the interview as well as a repeated examination.
- Having the interview conversation written down counters biased analysis of the interview.
- Lastly, the data can be re-used easily when transcribed.

While transcribing the interviews we concentrated on only transcribing the portions that were relevant to our study, as recommended by Bryman and Bell (2007).

3.2.3 Data Analysis

To analyze the transcribed interviews, we have used coding as a tool of Grounded Theory. The analysis has been reduced to coding, because a continuing re-examination of the data is temporally not feasible.

During the coding process, data is broken down into component parts and given names or labels (Bryman & Bell, 2007). These components have to be significant in regards to the research problem. We commenced by looking at the transcribed interviews and defining coding categories of main concepts that were repeatedly mentioned in the course of the interviews, or which were answers to the research questions formulated. Subsequently, categories were assigned to those concepts by means of color coding. After having developed consistent codes for the concepts, they were assessed according to their importance and weight to the research study as well as by overlap between interviewees, which eventually led to the newly generated theory solving the research problem. Ryan and Bernard (2000) have suggested six fundamental activities in coding, of which we followed the first five:

- **Sampling** identifies the texts that are to be analyzed, and the basic units of analysis within these texts.
- **Identifying Themes** usually involves the researcher inducing themes from the text itself. However, themes can also be derived from the literature.
- **Building codebooks** involves organizing lists of codes (often in hierarchies) and their definitions
- **Marking texts** involves assigning of codes to units of text.
- **Constructing Models** involves identifying how the themes, concepts, beliefs and behaviours are linked to each other.

The last step, testing models, was not applicable to us, as our developed theory or model was not tested on a different set of data afterwards due to a lack of resources.

The findings and analysis will be presented as one combined chapter, since the findings were organized according to main themes and topics as well as the research questions. Combining them directly with an analysis avoids unnecessary repetition as well as precarious interpretation of the findings.
3.2.4 Ethical Considerations

The MRS Code of Research (MRS being the world’s largest research association) states that as a general rule the respondents’ anonymity must be preserved at any time (Bryman & Bell, 2007). If a respondent’s identity will be revealed it must be specified who will have access to the data for which purpose and it must be ensured that the data will be used for research purposes only (Bryman & Bell, 2007). To avoid any misuse of data and to encourage more companies to participate in our research, we have assured every respondent that their anonymity would be preserved throughout the entire research process. For this reason all participating businesses in this paper will not be specified by name but solely by the sector they operate in.

All interviews were recorded while conducting them in order to facilitate the data analysis as well as to ensure that the interviewees were not misheard, and that all information provided would be captured correctly. The respondents were made aware of the fact that the interview would be recorded before the interview took place, and each of them agreed to it.
4 Empirical Findings & Data Analysis

In this section the sample companies and the interviewees in the study will be presented briefly to facilitate further reading. Afterwards, the core findings will be presented arranged according to the main areas to be covered in our research questions. These areas include: reasons for choosing a niche strategy, tradition, transitions, challenges, success factors, growth ambitions and growth strategies. The empirical findings will furthermore be analyzed by connecting them to the frame of reference.

4.1 Sample Companies & Interviewees

The interviews were conducted with eight people representing eight different family businesses in Canada. The businesses operate in various industries and also vary in size. All individuals were family members and for the majority of the interviews, were also either the founder or current owner of the company. Furthermore, the interviewees belonged to different generations ranging from first till third, which delivered a wide scope of perspectives. A table summarizing the key details of these companies can be found in the appendix (p. 51).

Company A
Company A offers cold water scuba diving charters and guest lodges. It was established in 1972 and has two employees. We interviewed the current owner of the business, who is the founder’s son and therewith second generation. The initial founder has not been involved for approximately 15 years. When second generation took over the business, major changes were made to both their marketing strategy as well as the quality of accommodation and service. The majority of the time package deals are offered to the guests including either guided or non-guided dives, complete diving equipment, one of eleven guest rooms at the lodge and meals.

Company B
Company B specializes in drilling fluid recovery / energy recovery systems. The company began in 2007 with the development of a technology that is used in the oil fields to recover oil that is lost during the drilling process. This technology was developed and patented and used to start the company. Now company B provides this technology to oil drilling companies in Canada, the United States and Albania and expects to double its revenues next year. It is run with five employees and involves two generations of family. The interviewee was the company owner and founder.

Company C
Company C is a map making company which was founded in 1978. We interviewed the retired creator of the business, whose son is now running the second generation family business. The company has 24 employees and is North America’s leading developer of mapping products and cartographic solutions. Furthermore, Company C has been announced Canada’s largest producer of retail maps for cities and roads. Since the business’ establishment, the map making industry has changed dramatically and gone from manually drawn maps to digital ones. A merger in 2010 with another map making company from Canada contributed to a much more diversified product offering.

Company D
Company D was a family owned and operated orthotics business that was sold in 2003 to a larger company. All information gathered is pre-sale information. The company began in 1980 with the development of a poly-axial hinge that, once patented, was used to build cus-
tom-order knee braces. Once the company had established a strong brand name in the market, it diverged into selling non-custom braces as well. At the time of sale, the company operated with 70 employees, and had three generations of family members involved in the business. The interviewee was a third-generation member of the family who was responsible for sales and assessing patients. This person remained with the company after its sale and is currently employed by the purchasing company.

**Company E**
Company E is a farming, processing and exporting company which was founded in 1979 and has 70 employees to date. We spoke with the Vice President, who together with his two brothers now owns the business. He belongs to the second generation, and the third generation of the family is also currently involved in the business. Company E grows and exports peas, lentils and chickpeas worldwide. The business started as a farm, which was not big enough to make a living for the family as it grew. This problem was solved by diversifying and enlarging the farm and developing its own certified seed, yellow peas, which at that time was completely new to the market and was a niche product.

**Company F**
Company F is North America’s leading furniture companies and one of Canada’s largest manufacturers of household products. The company has operations in Canada, the United States, and Mexico. The business was established in 1944 and has over 7000 employees. We interviewed the current owner and CEO of the business, who is second generation, and the third generation is also involved. The company consists of an upholstery division, a second operating division pursuing a different concept, as well as various self-owned and operated real estate divisions and showrooms. In 1944 the furniture company was started by a refugee from Russia, whose only skill was producing simple handmade wood household pieces, which was a niche product. Today the business is still serving various niches, such as upscale luxury furniture or affordable modern furniture.

**Company G**
Company G is a custom-order metal fabricating company. They produce store fixtures, industrial metal work for oil fields, and anything else their customers request to be custom made from metal. The company was started in 1970, currently has five employees, and has involved two generations of family members. The interviewee was a partial owner and second generation family member.

**Company H**
Company H sells equipment used for veneering via website, catalogue, and telephone ordering. In woodworking, veneer refers to thin slices of wood, usually thinner than 3 mm, that typically are glued onto core panels (typically, wood, particle board or medium-density fiberboard) to produce flat panels such as doors, tops and panels for cabinets, parquet floors and parts of furniture. The company was started in 1977, and currently has locations both in Canada and the United States. It is owned and operated by two family members, with one additional family member serving as a “silent partner,” and has involved two generations of family. The interviewee was a partial owner and second generation family member.
4.2 Data Analysis

In this section we present our findings from the empirical data collection, as well as our analysis of this data in regards to our frame of reference. All topics addressed cover our research questions, which will be answered in our discussion and conclusion.

4.2.1 Why Niche?

The first topic that we wish to address is the question of how and why the business owner chose to enter a niche market. In our frame of reference, one of the strongest arguments was that for a family business, the decision to enter a niche market is not made strategically, but out of necessity or for other reasons significant to the family (Harris et al., 1994). Our findings support this statement, as five out of eight companies interviewed were founded because it was the best available way for the entrepreneur to earn a living. As one company stated,

“One afternoon I was let go without any warning…and I had no job in a field that really not too many people knew that it existed. I had no choice than to try it myself, so I was kind-of forced into it” (Company C, personal communication, 16.03.2012).

The research shows that a niche business is an effective strategy for those with limited means to start a business, as it is often less capital-intensive and has lower barriers to entry (Harris et al., 1994). Six out of eight of the companies interviewed started their business out of their home, and used their own personal finances to do so.

“He sold his car for $500, went to the basement and started his own business” (Company F, personal communication, 10.04.2012).

Another reason that is given for family businesses entering niche markets is that the companies are built upon an industry-specific skill set that is possessed by the initial entrepreneur. These skills limit the entrepreneur to a particular industry or trade, which results in a niche business (Harris et al., 1994). Our findings strongly support this theory. In our research, seven out of eight companies were started based on the original founder’s professional background, and the eighth company was started based on the founder’s personal background and interests. Therefore, none of these companies chose their niche from a strategic perspective.

“I’ve been in the drilling fluids business on and off since 1977 [...] I’ve been in the oil fields since I was a kid” (Company B, personal communication, 17.04.2012).

These companies could have been at a disadvantage because they did not choose their niche strategically. The fact that they survived into the second or third generation can be explained by their success factors, which will be discussed later in the analysis, but in the initial stages of the business it could have been very difficult breaking into a niche market without any particular strategy. There are many suggested strategies for finding a potential niche market, first and foremost of which is to conduct market research in emerging markets to explore the possibilities offered there (Linneman & Stanton, 1992). In fact, all of the strategies suggested in literature include at least a basic form of market scanning and research to determine whether there is a market available for the niche product. None of the companies that we interviewed included any kind of market research in their choosing of a niche strategy, at least not in the early stages of the business.
4.2.2 Traditionality in Family Businesses

As stated in the frame of reference, traditionality plays an important role in family businesses and can serve both as a success factor or an obstacle towards growth (Harris et al., 1994; Denison et al., 2004). During the interviews two different perspectives were revealed; half of our interviewees were attached to traditions in some way whereas the other half had either no attachments to family traditions or even an antipathy against them.

“So you don’t have any emotional attachment to this business? – No, I’m busy working on my next invention” (Company B, personal communication, 17.04.2012).

In the majority of family businesses, traditionality acts as a barrier towards change and often traditions need to be reshaped in order to pursue new strategic goals (Harris et al., 1994). Only one of our interviewees saw traditionality as a barrier towards business growth:

“And if you wanna hold on to traditions, then that prevents you from staying in business, I think holding on to the traditions has to [...] you have to forget about that. [...] I had to realize things that change. [...] you have to be ready and willing to quit with tradition” (Company C, personal communication, 16.03.2012).

It did not appear that any of the businesses we interviewed were restricted by holding on to family traditions. Furthermore, Denison et al. (2004) pointed out that family businesses with a strong identity and possession of core values are in an enviable position. There have been cases where traditionality provided a strong competitive advantage and promoted a strategy of differentiation in the market place, one example of which being Coopers Brewery in Australia (Byrom & Lehman, 2009). Their marketing and branding is entirely focused on the family history and traditions of the firm. None of the companies interviewed strategically utilize their family values and traditions as a competitive advantage, however many of the interviewees appeared to be unconsciously emotionally attached to the business’ unspoken values. This could be promoting their company’s growth, as often business growth is manifested on previous generations’ accomplishments, especially family businesses who set value on their traditions (Schwass, 2005).

“I would say I am very similar to my father and have a similar way of operating, and some of our guests say that just my manners are similar to my dad” (Company A, personal communication, 20.04.2012).

“I think it is important to have some respect for where he started from.” (Company H, personal communication, 6.04.2012).

Retaining strong customer relationships has been one of the family traditions mentioned by half of the businesses interviewed. Especially for small businesses, and therefore also many family and niche businesses, maintaining strong customer relationships as well as customer loyalty are crucial (Toften & Hammervoll, 2009; Ward, 2007). This most often results from a very narrow customer base but also from offering a specialized product.

“I’m in business still with people where my father did business with their fathers, and so there’s that continuity which I think helps you survive in a narrow market” (Company F, personal communication, 10.04.2012).

The way the majority of the interviewed companies achieved these strong customer relationships as well as customer loyalty has been through high and consistent customer service and product quality:
“Our success has [come through focusing] on service and quality” (Company H, personal communication, 6.04.2012).

Overall it appeared to us that none of the businesses we talked to was negatively affected by traditionality. On the other hand, however, they also are not using it as a tool to market themselves. Hence traditionality did not have a significantly negative effect on the businesses interviewed as opposed to the major findings in literature to date.

4.2.3 Transitions in Family Businesses

When it comes to family business succession, or the transition from one generation of ownership to the next, one oft-repeated theme in the literature is that of survival past the first generation. Statistics show that only one third of family businesses in the US and Canada survive to the second generation, and only 12% of those survive into the third generation (Family Business Institute, 2012). Since all of the companies we interviewed were 2nd generation or later, the chances of them surviving through the next generation are now less than 12%. Out of the eight companies we interviewed, only three of them expect the business to remain in the family once the current owner retires. The other five either intend to sell the business, or are unsure about the future of their company other than the fact that it is unlikely that there will be new generations of family members involved.

“I have my children help out a bit here, but you know I’m not pushing them to go into this business, I know what a slug it is and I want them to do something better or do something that they wanna do” (Company H, personal communication, 6.04.2012).

“Right at this point, it doesn’t look like there’d be anyone to take it over. I don’t know. We haven’t planned for that” (Company G, personal communication, 16.04.2012).

One interesting discovery we made in our research is that all but one of the five family businesses who do not anticipate the company to stay in the family are actually choosing this for their company. For them it is not a matter of not surviving a transition and going out of business, as the statistics above may lead the reader to believe, but a matter of choice.

For those that do intend to keep the business in the family, according to our research, the chances of a family business surviving and prospering through a transition are dramatically improved when family members coming into the business get prior training and experience for ownership responsibilities and management jobs (Lea, 1991). Within our eight companies, there were three common ways that the next generation got involved in the company; they began working with that company and spent their entire career there, they were hired into the company immediately after completing some form of secondary education, or they transitioned into the company after working elsewhere. The most common within our companies was for the later generation to have worked in the company from the beginning, with five out of eight companies fitting this description. Four companies hired next generation family after they had completed some form of education, and only two out of eight transitioned family members into the business from another company or career. This is on point with what we have discovered in our research, which states that family business successors typically have little outside experience (Harris et al., 1994).

“I grew up helping in the business and in ’94 to ’95 I started over fully myself running it. It just sort of developed that I took it over and then just quite enjoyed it” (Company A, personal communication, 20.04.2012).
In this study it is the companies that have not changed their business model or experienced much growth that have family members that grew up working in the company. The newer and more adaptive companies, on the other hand, tend to have more educated and externally-experienced family members.

“Technology has quickly changed, and it’s hard for me to keep up, but that’s something for the younger generation” (Company C, personal communication, 16.03.2012).

“With my business school background, I was more interested in expansion” (Company F, personal communication, 10.04.2012).

The succession of the next generation, though it can be a major challenge for family businesses, can also be an opportunity for change. It presents a possibility to challenge current structures and processes and to critically question the way the business has been run to date (Gersick et al., 1999). New leaders to the business can assist in bringing about this change through the strategic regeneration of the company. Of the eight companies we interviewed, half of them have used the succeeding generation to expand or improve the business.

“In ’97/’98 we made some major changes to our business. We upgraded our land-based accommodation, completely rebuilt everything and put an emphasis onto service. We actively promoted it and grew the business to its current state now” (Company A, personal communication, 20.04.2012).

One company, Company E, actively promotes the successful transitioning of the next generation through the use of a consultant:

“David has been there to bridge the three brothers to the new generation. We just wanted to make sure that the three brothers were able to get along for 30-some years and we just wanna make sure that our children, cousins and so forth, they all get along in this family business. If you’re gonna be successful everybody’s gotta be on the same page” (Company E, personal communication, 7.04.2012).

A strategy suggested by Ward (1997) for using the succeeding generations to expand the business is to create a dual organization, in which the founder (or current owner) has one team reporting to them and the successor has another. One company that we interviewed, Company F, has used this strategy particularly strongly.

“All of our businesses are run now […] we broke them into pieces and every one of the next generation, third generation, if they wanna run a business they have to run their own” (Company F, personal communication, 10.04.2012).

As mentioned, family business transitions can be quite challenging, and several of our interviewees talked about the challenges that they faced in transitioning their businesses. These will be addressed in the next section of the analysis, the challenges section.

4.2.4 Challenges for Family Businesses in a Niche Market

The survival and growth of family businesses operating in niche markets has been fairly critical, as thoroughly discussed in the frame of reference. There are various challenges the interviewed businesses face, of which many are industry specific. However, the majority of these challenges are consistent with literature findings.

Firstly, limited resources have been one of the main challenges faced. These refer to human and financial as well as any other kind of tangible resources. Niche businesses especially of-
ten struggle with this, as they are operating in a narrow and specialized market and resource availability is often limited (Toften & Hammervoll, 2010b). The main issue faced in the interviewed companies has been a lack of financial resources upon start-up of the business. Many of the businesses were started in the founder’s home and there was not enough start-up capital available to build up a properly running business.

“[…] there were times when we thought we’d go broke because we couldn’t get the volume that we needed to pay the bills” (Company E, personal communication, 7.04.2012).

“Probably the first ten years was a struggle” (Company G, personal communication, 16.04.2012).

Another resource challenge faced is the lack of resource management knowledge. Since many businesses are started out of necessity without any prior management knowledge held by the founder, often all knowledge the owner has is based on current experiences or on the knowledge passed on by distributors and wholesalers (Toften & Hammervoll, 2010b).

“And at that point he had no intention of running a business, it just developed” (Company A, personal communication, 20.04.2012).

In this area, family businesses and niche businesses differ from one another. Whereas the availability of tangible resources, such as supplies, is a major problem for niche businesses, the main problems for family businesses are the lack of human resources, such as management skills, as well as available financial resources. With our sample companies being family businesses operating in niche markets, they potentially face all resource challenges combined.

The next challenge faced by many family businesses is the fact that the business is the main source of income for the family, which puts a lot of pressure on the owner. For that reason family businesses are much more conscious of survival, family harmony and family employment opportunities (Harris et al., 1994).

“And for three boys to make a livelihood it was gonna be pretty tight” (Company E, personal conversation, 7.04.2012).

“[…] I just purchased a home […] just had started a family, we had a young daughter and we had a CAD 50,000 mortgage […] and I had no job” (Company C, personal communication, 16.03.2012).

While competition is a major challenge for many businesses, this has not been the case for the interviewed companies, as the competition has hardly been mentioned as having a negative effect on their success. This is probably because of the fact that the interviewed companies all operate in niche markets and most niche markets are not very likely to attract competition, as they are less visible in the market with a specialized product (Cassil & Oxenham, 2006; Bamford et al., 2009).

One of the most complex challenges faced especially by family businesses is the process of making successful transitions between generations, as stated in literature (Dyer & Handler, 1994). For many family businesses long-term survival is very unlikely, and in Canada less than two-thirds of them survive to the second generation. In the majority of cases this is due to unsuccessful transitions between generations.
“Well that’s I guess the toughest part for family businesses, [...] they last maybe two, maybe three generations” (Company C, personal conversation, 16.03.2012).

The owner himself is often regarded as a major obstacle whenever it comes to handing over the business. The former owner can often have a hard time letting go of control, as it was through the owner’s skills and hard work that this successful business has been built up (Clark, 1998; Lea, 1991).

“[…] what we went through with my father when we bought him out in 1998 wasn’t a very smooth transition […]. He was quite determined that he was the sole reason that the company existed and had grown and thrived […]” (Company H, personal communication, 6.04.2012).

Little or no planning for succession can affect a business’ growth and survival dramatically (Lea, 1991). In the interviews we conducted only a few companies had an actual plan for handing over the business to the next generation, and some knew with certainty that the business would not be staying in the family:

“My wife feels that she wouldn’t want our daughter to take over the business. I wouldn’t be opposed to it, but it definitely has limitations, this business, you know” (Company A, personal communication, 20.04.2012).

Overt pressure on the upcoming generation to take over the business is another common transition challenge (Lea, 1991), which we have come across in one of our interviews. That same interviewee also made it very clear that he does not expect his daughter to take over the business, which shows that the current owners have learned from their past experiences and want to prevent the problems occurring in past transitions.

“[…] as a teenager no, I didn’t have any intentions to take it over. I think it was an expectation from my father that he hoped that I would do it” (Company A, personal conversation, 20.04.2012).

Another good example for preventing the repetition of transition problems has been Company F, who was forced to divide the business in the family due to differences. Today, rather than making all children equal shareholders of the business, the current owner chooses to split it into separate businesses and every child who wishes to run a business can do so by running their own. This is done not only to prevent differences between family members, but also to teach the younger generations to run their own business and to give them a feeling of success.

Of all the challenges faced by family businesses operating in a niche market, a smooth succession might be the most complex, but is also one that can be influenced by the business owner and even be turned into a success factor if planned thoroughly. The challenge of transitioning furthermore appears to be the most severe that our interviewees faced, and the way the previous transitions were carried out has had a significant effect on the way the business is currently run, as well as the general motivation of the current owner and the future plans for keeping the business in the family.

4.2.5 Success Factors for Family Businesses in Niche Markets

According to Parrish et al. (2006), in order for a niche strategy to be successful, a company needs a loyal customer base, weak or little competition, customer knowledge, outstanding special services, extensive market research, differentiated distribution strategies, and a unique product. This is a long and demanding list of attributes that are required for a niche
company to be “successful”, so we wanted to determine which attributes the companies themselves feel were their strongest success factors. The majority of the companies felt that product and business knowledge was a success factor for them, with six out of eight companies naming it. According to our research, many family businesses are known for their motivation for high quality products and a strong reputation, and expertise is often regarded as one of the core competencies. Many family business owners are both customer and product specialists in the field they are serving (Toften & Hammervoll, 2010a).

“I think our success has been because we focus on service and quality. We’ve always prided ourselves in selling quality products, we know what we’re talking about, we know what we’re selling” (Company H, personal communication, 6.04.2012).

“[…] we had the better product. […] We’re the largest map publishing company with our kind of map” (Company C, personal communication, 15.03.2012).

Customer loyalty was the second most common attribute named, with five out of eight saying that it contributed to their success. This fact is also supported by the literature. According to Jarvis and Goodman (2005), the degree of customer loyalty for niche firms is high due to a condensed customer base purchasing an increased amount of products and services. This high level of customer loyalty is achieved through building long-term relationships with customers (Toften & Hammervoll, 2009).

“I’m in business still with people where my father did business with their fathers and so there’s that continuity which I think helps you survive in a narrow market” (Company F, personal communication, 10.04.2012).

A combination of these two factors, a strong company reputation plus a loyal customer base, can occasionally allow a niche business to establish a known brand name. Four out of eight of the companies we interviewed stated that the establishment of a strong brand contributed to their company’s success.

“A lot of [the company’s success] was the name they made for themselves. The brand recognition is very strong. The fact that it was a family business probably had something to do with that” (Company D, personal communication, 16.04.2012).

“In a lot of countries, we are sort of touted as the number 1 brand […] they say we’re the best” (Company E, personal communication, 7.04.2012).

Several of the companies that we talked to had adapted or changed their business strategy at some point during the company’s lifetime. Some shifted the focus to quality, some focused on customer service improvement, but four out of eight of them chose a new strategy of product diversification to lessen the pressure of having just one product or service, and also to try to establish a competitive advantage by saturating more of the market.

“One product expanded into several. One knee brace made way to another style of knee brace, then they used most of the same principals from that product in developing a brace for osteoarthritis. Then they developed a couple of off-the-shelf versions of those products” (Company D, personal communication, 16.04.2012).

This strategy is one that is supported by findings in the literature. Linneman and Stanton (1992) recommend that niche businesses should “grow bigger by acting smaller” through finding smaller segments in the existing customer base rather than searching the whole market. By using their already existing competencies to expand their product base within
their niche, these four companies have been able to grow their customer base without losing the exclusive, personalized feel of a niche business.

4.2.6 Growth Ambitions

There are several reasons why a family business in a niche market would want to grow. Literature points out that growth for survival is one of the main growth motivations because there are more family members to be involved in the business as it grows (Schwass, 2005). Furthermore, a rapidly changing market demands that businesses adapt and renew continuously in order to survive and prosper (Schwass, 2005). As discussed previously, the fact that for many families their business is the only source of income increases the pressure and need for survival. The fact that it has statistically been proven that long-term survival is unlikely for family businesses (Ibrahim et al., 2003) may also make business owners especially aware of the need for growth for survival. This has implications not only for the business itself, but also for society; the survival of small family businesses in Canada is crucial since they contribute 45% to Canada’s GDP (Family Firm Institute, 2012) and create most of the employment opportunities. Finally, ’out of necessity’ was one of the main reasons for our interviewees’ families starting their business in the first place, which emphasizes the need for the business to earn the family a living and survive.

“Right now we’re just trying to stay in business […]” (Company C, personal conversation, 16.03.2012).

“For me personally, I don’t care if we earn money or not. We have to earn money so we can run the business” (Company F, personal conversation, 10.04.2012).

Though the above quote from the CEO of company F claims that the sole motivation for this company’s growth is to be able to run the business properly, it is important for us to note that this is Canada’s leading furniture company which has a large number of furniture outlets in Canada and the United States as well as different divisions. It is our belief that despite the interviewee’s statement about the company only growing in order to survive, the company does have much larger growth ambitions, which we will go further into when discussing future growth strategies.

Although growth for survival was the most pronounced ambition for growth, it was only mentioned by three out of eight companies, which does not even make up half of the companies interviewed. Growth for personal comfort as well as limited growth were two reasons that were each mentioned by two companies out of eight.

Lastly to be discussed are the two extreme perspectives on growth that we encountered: growth as a primary goal and company vision, and no growth ambitions at all. Business B and E consider growth as their main goal and are very ambitious about it. These two additional companies together with Company F discussed above can furthermore be regarded as being amongst the most successful companies we have interviewed:

“Almost two years ago in June, we had one drilling rig with Shell and as of March/February this year we had 21 drilling rigs. […] We think we’ll double in size next year” (Company B, personal communication, 14.04.2012)

“We wanted to be the leading supplier of lentils in every consuming nation, so we wanted to be the number one brand. […] We want to be in every nation by I think it’s 2030 or something like that” (Company E, personal communication, 7.04.2012).
Company E recently decided to create an advisory board, with whom they collaboratively established their company vision and goals steered towards company growth.

The two businesses having no growth ambitions at all are either not emotionally attached to the business and are happy simply to carry on earning a living, as is the case in company G, or they realize that their business has limitations and does not have much potential to grow in the first place.

“…basically just carry it on and not really grow it. – So you guys are happy just making a living, and surviving on that? – Yeah, right, yeah” (Company G, personal communication, 16.04.2012).

“[…] we pretty much stayed the same and we're just happy to do that. […] at this point we don't have any intention to grow further” (Company A, personal communication, 20.04.2012).

It appears to us that the majority of the businesses do not want to grow in order to become a world player or gain a leading share of the market, but in order to survive and be able to maintain a certain standard of living.

4.2.7 Future Growth Strategies

Successful firm expansion must be preceded by planning, as firms do not (usually) grow automatically but do so in response to human decisions (Penrose, 1959). When it comes to growth strategies in small businesses, they need to be chosen with particular care, as there is less room for error and this strategy will determine the firm’s position in the market, its operating environment, and have an effect on its profits (Roper, 1999). For these reasons, and because it is the main topic of our thesis, we wanted to analyze our sample companies’ growth strategies and plans for the future. Of the eight companies, two have no growth ambitions whatsoever, and one has been sold. For this reason, all growth strategies analyzed from this point will be addressing only those five companies that have the intention to grow in the future.

There are three growth strategies for family businesses that are recommended by Costa (2002). The first is to *grow the niche*, which family firms can often do better than non-family firms because they have the vision of the founder to guide them. The second is to focus on *product quality or customer service improvement*, which again is effective for family businesses in which the quality of the product is a particular point of pride. The third strategy is *customization*. Many of our companies feel that they are already using the second and third strategies on a regular basis. Either high product quality or high levels of customer service are named by each of these five companies as one of their success factors in the business. Additionally, many of them already practice customization in some form, whether through product customization or personalized service.

“We focus on service and quality…you know we do get a lot of different stuff and we tell people, if it's not on our website give us a call, because chances are we might have got it for someone else or we may have sold it in the past, and we can get it again” (Company H, personal communication, 6.04.2012).

Therefore, of these three strategies *growing the niche* is the most highly anticipated among our interviewed companies. These companies intend to implement this strategy by expanding into new markets, which four of the five expect to do in the near future. This is a common growth strategy among family businesses, but it involves overcoming some serious obsta-
cles related to the current business strategy. Since most family business strategies tend to be narrowly focused on customer needs in local markets, they often lack free capital to undertake an expansion and tend to be very integrated in local culture and traditions (Harris et al., 1994).

“We wanted to be the leading supplier of lentils in every consuming nation, so we wanted to be the number one brand. [...] We want to be in every nation by I think it's 2030 or something like that” (Company E, personal communication, 7.04.2012).

Another anticipated growth strategy among these five companies is the development of new products or services, which three out of five companies expect to undertake in the future. This can be an especially effective strategy for a niche company, as additional value can be provided through offering complementary products to those already offered, which can open up a completely new market space (Kim & Mauborgne, 1999). Company B is a strong example of this strategy. Their current product is a system for recovering drilling fluids that are lost at the surface of an oil rig. During this process, “shavings” of earth are produced and must be disposed of. However, these shavings still have small amounts of oil in them that are wasted. The company is now testing a new technique to process and recover the oil from these shavings. This technique/service would add even more value to their current product/service offering and attract a larger customer base. Another company that is using this strategy is Company C, which is moving in a direction from paper maps to more digital solutions:

“Right now we’re trying to get more and more away from the paper printing business, so we’re trying new ways and getting more into the geographical information systems. We’re also creating transit maps [...] everything on the map works in digital form” (Company C, personal communication, 16.03.2012).

During the process of analyzing the growth strategies of these companies, two of them stood out as being particularly successful at managing their company’s growth. We would like to take a closer look at their growth strategies, and discuss which factors helped them achieve their success. We would like to stress that these strategies are specific to these companies, and are not necessarily applicable to all. These two companies, Company E and Company F, both started as small niche companies. Today, both are industry leaders in the Canadian market. However, while Company F remained a niche business, Company E no longer fits this description because the demand for the product they are producing has increased beyond the limits of a niche market. There are both positive and negative aspects to each of these strategies. By staying within a niche market, Company F has maintained the niche status of offering exclusivity, uniqueness, and personalized service. By expanding outside of the niche, Company E has increased its potential customer base, allowed for greater economies of scale in production and sales, and increased brand awareness worldwide. We would now like to discuss how these companies implemented their strategies and how they intend to proceed in the future.

Company F, as previously mentioned, has implemented a strategy of “thinking and acting small” (Toften & Hammervoll, 2009), which means that they maintained the characteristics of a niche business as they grew. Specifically, they did so by targeting new niches, which is a way of finding new customers and opportunities in heavily saturated markets (Parrish et al., 2006). They did this by opening new store locations that were designed to fit the target customer in that region, and adapting the product offering as well as the prices to fit that region. Another way that they have implemented this strategy of targeting a niche is by using future generations to start and operate new businesses which address complementary
niches to that served by Company F. This strategy has proved to be very successful for them, and they plan to continue utilizing it in the future.

Company E began by choosing a product that was relatively new in the market at the time, and which was complementary to what they were already producing. This new crop allowed them to maximize their production volume and utilize their resources fully through crop rotations. Because this product was relatively new at the time, Company E was able to sell everything they produced. Gradually over time they were able to increase their land area and produce more and more, with the product gaining popularity as they did so. This early entrance into the market allowed them to establish their brand name in the market. Another thing Company E does well is to continually explore ways to diversify their product offering and increase their customer base. This company is also particularly dedicated to planning for the future. They have hired a consultant and developed an advisory board for the company, and focus on solidifying family relationships as well as setting company goals for the future. This focus on family relationships is very important, as the chances of the family business surviving and prospering through family transitions are improved dramatically when the owner carries out a thorough analysis of the business and does long-range planning in preparation for succession (Lea, 1991).
5 Discussion and Conclusion

In this chapter we will discuss the results of our study and make conclusions by answering the research questions presented earlier in this thesis. This will be followed by our recommended solution to the research problem and the practical implications of our thesis. These theoretical and practical implications are based on our empirical research and supported by findings from the frame of reference.

5.1 Theoretical Implications

The purpose of this study was to explore potential growth strategies available to family businesses operating in a niche market, in order to increase their chances of long-term profitability and survival. As the majority of research available covers either niche or family businesses, but does not address the two combined, our research questions were designed to provide us with relevant information about family businesses operating in niche markets. To meet this purpose, individuals from eight niche family businesses in Canada were interviewed about their current business practices as well as past success. The information gathered from these interviews was used to answer our research questions, as outlined below.

Under what circumstances, if any, is growth not advisable for a family business?

There are circumstances under which firm growth is not prudent for a family business in a niche market. When available resources are lacking, there is an increased likelihood of firms cutting corners or not planning properly when implementing a growth strategy (Cooper, 1981). Resource shortages, particularly financial, were a common occurrence among the companies interviewed. Another reason that a company may not be ready for growth is because the company is lacking a solid future vision or plan (Morrison et al., 2003). This is often the case when the owner/manager is not ready for growth. The manager may be lacking in the managerial skills necessary to handle a larger organization, or simply be unprepared for change. The final, and most critical, circumstance under which firm growth is unadvisable is when there is conflict amongst the owning family members. A lack of shared vision and willingness to grow in the same direction can seriously undermine any growth potential in the business (Ward, 1997).

What are the challenges and success factors that affect a niche family business’ ability to grow?

One of the main challenges mentioned by the majority of the businesses was that of limited resources. For most, this included both tangible and non-tangible resources, with financial being the most prominent. As discussed in the previous research question, the shortage of resources can also lead to additional challenges for these businesses. Another challenge mentioned by the majority of companies interviewed was that the company itself is the main source of income for the family, which puts pressure on the owner to provide a consistent source of revenues. The third major challenge experienced by these businesses was in the transitioning of the business from one generation to the next. In some cases this occurred because the owner of the company was not ready/willing to let go of control, and in others it was due to a lack of transition planning and conflicts amongst the family. The number one success factor named by the companies was the possession of superior product/business knowledge. After decades of operating in their particular industry or niche, they have the experience and expertise necessary to accurately cater to their customers’ needs. This ties into the second-most named success factor, which was customer loyalty. These businesses have built up a steady customer base over a long period of time through long-term relationships and high levels of customer service. However, it is also due
in part to the fact that they are niche businesses, and there is a very narrow customer market available to them. This is supported by the definition of a niche market by Lasher (1999). A third success factor named was the development of a strong company brand name and reputation in the market. Some of these companies feel that the fact that they are a family business contributed to the strength of their reputation. The final success factor came in the form of a strategy change, towards a focus on product diversification. These companies have expanded their product range to include different options than those that were previously offered. In this way, they were able to reach a larger target market.

**What are some of the strategies that family businesses operating in a niche market have used to grow?**

Some of the success factors named above also led to the growth of the company, so we will focus on those growth strategies which have not yet been discussed. One strategy that is common amongst these companies is to offer more personalized service. They are willing to work with customers to meet their individual needs. This has helped to strengthen the companies’ reputation in the marketplace as well as increase customer loyalty. Another strategy these companies used was to apply their core competencies to develop new and complementary products to the one that the business originated with. This added value to the product or service offering in the eyes of the current customers, as well as attracting new ones, as supported by the findings of Kim and Mauborgne (1999). Several of these companies have grown their business by expanding to new markets. They have done so through the opening of new locations, internationalization, diversification of products, and the use of different distribution channels. The final growth strategy utilized by these companies was to target new niches. These companies were continually seeking new opportunities, and looking for gaps in the market.

**How did the niche product or service offering change during the process of growth?**

For every one of our companies, the core product that the company originated with has remained a part of the product offering, however in some cases this product or service has been adapted or revised in order to keep up with environmental or technological changes. In the majority of cases the companies have applied product diversification but have remained within their industry. One of these companies has now expanded to the point of no longer being considered a niche business as outlined in our chosen definition of a niche business by Lasher (1999).

**How do the ownership transitions affect growth?**

We found no direct negative effect of the transitions on the growth of the company. While some companies did experience difficulty in the transition, and perceived it as a challenge, it did not affect the growth of the company in the long run. For four of the companies, the transition had no effect whatsoever on the growth of the business. This could be because in each of these companies, the new generation of family was involved in the business from its early stages. For two of the companies, the transition was used as an opportunity to revitalize and improve the business, and promoted growth through the new generations’ energy and experience and desire to grow. The final two companies have actually used the succeeding generations of their family to expand their business through the addition of new locations and business units. However, many of the current owners’ past experiences with transitions has led them to hold new perspectives on the transition process. This has changed the way that they handle the transition and development of the upcoming generations. We feel that this could have a significant effect on the future growth of the company.
5.2 Practical Implications

The theoretical implications of our research have provided us with valuable insights into the success factors and challenges faced by niche family businesses in Canada. These insights, combined with findings from the literature, have provided us with the necessary information required to determine potential growth strategies for family businesses in a niche market. With the addition of these growth strategies to the field of family business research, we feel that we have identified a valuable solution to the problem that there is a deficiency of recommended growth strategies for family businesses within a niche market. Based on our findings, we would now like to recommend several potential growth strategies specifically meant for niche family businesses. These growth strategies will also include required pre-requisites for companies who wish to adopt these strategies, as well as which companies we feel would have the most success with each particular strategy.

The first growth strategy we recommend is that of offering an increased level of personalized service. The pre-requisites required of companies who wish to adopt this strategy include having extensive product and business knowledge, and sufficient personnel to handle a more personalized customer service approach. This strategy is recommended for small companies, companies who need to build a reputation in the market, and large companies with smaller retail locations.

The second growth strategy we recommend is that of new product/service development. The pre-requisites required of companies who wish to adopt this strategy include having a successful product/service to build upon, the resources available to properly develop the latter, awareness of the company’s core competencies, an extensive product knowledge, strong research following current market trends, and a willingness to take risks. This strategy is recommended for companies with one or a few strong products, companies with a known name in the market, and companies which are currently operating in a saturated market.

The third growth strategy we recommend is to expand into new markets. The pre-requisites required of companies who wish to adopt this strategy include having capital available to invest, having done research on potential new markets, a supplier network that covers new market areas, an owner/manager with a higher level of management skills, a plan in place for structuring the organization after expansion and for handling the logistics involved in entering a new market, and the capacity to increase inventory levels to accommodate a new market. This strategy is recommended for companies who wish to grow with their current product/service, retail companies, companies with a successful business model, and companies who are operating in a saturated market.

The fourth and final growth strategy we recommend is that of targeting new niches. The pre-requisites required of companies who wish to adopt this strategy include having a plan that includes market research and a solid idea for a new niche, a plan for managing and structuring a more complex business, the willingness to take risks, available financial resources, and a strategy in place to avoid cannibalization of the current business by the new niche business. This strategy is recommended for companies that are willing to put in the time, money and effort to find a new niche with potential, companies that wish to remain a niche business as they grow, and companies who wish to use new generations to start new businesses.
5.3 Concluding Remarks

Reflecting back on our frame of reference, we would now like to compare our recommended growth strategies with those strategies which overlapped for both family businesses and niche businesses. Both the first and the third strategy can be found in family business and niche business growth strategies in the literature. These fall under the recommended strategies by Costa (2002), which are called product quality or customer service improvement (Strategy #1), and grow the niche (Strategy #3). This strengthens our findings, and provides additional evidence that these two strategies could be effective for family businesses in niche markets.

Our recommended growth Strategy #2 of new product/service development is consistent with literature findings on generic growth strategies, and is an internal growth strategy. Our findings have shown that this strategy could also be applicable to a very specific market, as was the case in our research study. As this strategy has not been previously mentioned as a desirable growth strategy for family businesses or niche markets, we feel that this finding is particularly significant.

Finally, growth Strategy #4 of targeting new niches is one that is commonly recommended for niche businesses (Linneman & Stanton, 1992), but has not been covered in family business literature. However, our findings reveal that this can be a particularly effective strategy for families wanting to engage the next generation in expanding the business, while still maintaining the niche status of the business.

Though in literature family business succession is considered to be one of the largest challenges affecting family businesses, we have not found succession to be a negative influence on business growth. On the contrary, we have found that the most successful businesses that we interviewed have used the succeeding generations to strengthen and grow the business. These findings are supported by Aronoff (1998), who found that it is the family businesses who embrace change and use the second generation as a resource that successfully transition the business into the next generation.

We feel that the information gathered, combined with our recommended growth strategies, will be useful both for business owners and scholars in the field of family business research, and that our findings can assist family firms in choosing growth strategies that will increase their chances of survival through multiple generations.
6 Limitations and Future Research

This section will outline some limitations of this study, as well as suggest some topics for future research.

6.1 Limitations

One limitation of this study is that it is not generalizable for the entire population of family businesses operating in niche markets. This is due to the fact that the study consisted of only eight companies within the Canadian marketplace. Another limitation of this study is that the growth strategies recommended are based solely upon what worked for the eight companies interviewed. One final limitation could be that the interviewees were from different generations of the family and were in different positions within the companies.

6.2 Suggestions for Future Research

It could also be relevant to conduct this study with a larger sample of businesses of the same size and within similar industries. This could allow for more generalizable results that are industry-specific.

For further research in this topic, we feel that it would be of value to speak with more than one generation within each company in order to get a better overall picture of the evolution of the business, as well as any differences in opinions between generations. Additionally it would be interesting to conduct a longitudinal study, to see how growth strategies affect firm growth over time.

Finally, we believe that it would also be valuable to study one particularly successful niche family business as a case study, in order to dissect their strategy and pinpoint exactly which strategies contributed to their growth, and which did not.
List of references


List of references


Appendix 1: Interview Guide

Date: 
Company Name: 
Interviewee Name: 

- Ask for permission to record the interview
- Obtain face-sheet information from interviewee:
  
  Name: 
  Age: 
  Gender: 
  Position in the company: 
- Start the interview

Interview Questions

1. Tell me about your family’s history in this company (also kinds of products and services offered)
2. Why have you chosen a niche strategy?
3. What factors have been important to your success in a niche market?
4. What challenges do you face operating in a niche market?
5. Has your company experienced growth? (revenues, number of employees and locations)
6. While growing, have you stayed within your niche market?
7. What factors contributed to this growth? Has it been strategic or neutral growth?
8. Is company growth part of your future vision?
9. How important is it for the company to maintain its family traditions?

Closing Questions

10. Do you have any further questions?
11. May I contact you with additional questions, if necessary?
12. Do you have any recommendations about people operating a family business in a niche market that I should speak to?

- Thank the interviewee for his/her time.
- Offer a copy of the finished Master Thesis and the outcome of the research.
Appendix 2: Initial Contact Email

Dear______________,

Our names are Jessica (from Canada) and Jennifer (from Germany) and we are currently masters students at Jönköping International Business School in Sweden. We are writing our thesis on the topic of 2nd generation family businesses operating in a niche market, and we believe that your company falls under this category. We would like to interview you about your company and its success in the Canadian market, as a part of our thesis research. We would require less than an hour of your time, and would greatly appreciate your participation. All information that we collect will be completely anonymous and treated confidentially.

Please let us know if this is something you would be interested in, and we will provide more information. Of course, we will gladly share our findings with you once we have compiled our research!

Looking forward to hearing from you,

Jessica & Jennifer
## Appendix 3: Company Overview Quick-Reference

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