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Organizational Development of Entrepreneurial Family and Nonfamily Businesses: An Empirical Assessment

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Abstract: *This study addresses the question of whether there is a significant different between the degree of organizational development in entrepreneurial family businesses and non-family businesses. A previously validated theoretical framework is used to assess this issue. Based on this framework, two related surveys which have been developed with demonstrated "predictive validity" to financial performance were used to address this research question. These surveys are: 1) the "Survey of Organizational Effectiveness."™ and 2) The "Organizational Growing Pains Survey."™ Data collected from a sample of entrepreneurial family and nonfamily firms are used. Results indicate that there are no statistically significant differences between the organizational effectiveness of family versus non-family businesses.*

Keywords: *Family business, Strategic Organizational Development, Stages of Growth Developmental Gap, Growing Pains, Pyramid of Organizational Development*

1. INTRODUCTION

It is well recognized that family business are the wide spread and an important economic force (Weidenbaum, 1996). They represented about 70 to 90 % of all business in the world (Eddy, 1996).

There are, in fact, many large and even giant businesses with significant family ownership and management around the globe-- both entrepreneurial firms such as Simon Properties (owner of Mall of America) and GOJO (owner of Purrell™) in the USA, Thompson-Reuters (Canada), Westfield's (shopping malls in Australia, Europe and the USA) and Li Ning (athletic wear, China) and established firms including Heineken (The Netherlands), Marriott, Samsung (Korea), and Bank Santander (Spain). However, the conventional stereotype of family business is that they are relatively unsophisticated businesses lacking in professional management.

This stereotype has important economic consequences for the owners of family businesses, especially when it comes time for an exit strategy such as a sale or going public. Research has shown that family businesses are not only less appreciated; they tend to be undervalued as well. As noted by Granata and Chirico (2010), although "the majority of theoretical and empirical research explicitly recognizes the prevalence and superior performance of family firms around the world, acquiring companies tend to regard family firms as unprofessional and inefficient organizations, thus negatively affecting their valuation when compared with nonfamily firm targets."

Although there is a substantial body of literature dealing with family business, much of it is generally conceptual in nature and not based upon empirical research. The current research is intended to help overcome that paucity of empirical research dealing with entrepreneurially oriented family businesses.

The purpose of this research is to address the question of whether family business are less "developed" and experience greater "growing pains" than so-called professionally managed businesses, as conventional wisdom would have us believe. Accordingly, the intent of this study is to address this issue empirically and to provide some evidence relevant to the underlying research question.

2. OVERVIEW OF RESEARCH METHOD

The current research builds upon and extends the previous research. The specific research question is do entrepreneurial family businesses or non-family businesses have a greater degree of strategic organizational development and related growing pains? We will utilize a previously developed organizational effectiveness model and related measurement instruments, as described below.

Specifically, Flamholtz (1995) has proposed a six-factor framework to understand and plan the successful growth of firms at different stages of growth as well as to explain organizational success and failure. The framework has subsequently been elaborated further and used to discuss case histories of success and failure of a wide variety of organizations (Flamholtz and Randle, 1998), especially entrepreneurships.

In other previous research, Flamholtz *et. al.* have provided some preliminary empirical evidence of the hypothesized relationship between the proposed organizational success model, growing pains and financial performance (Flamholtz and Aksehirli, 2000;Flamholtz and Hua, 2002 A, B, 2003; Flamholtz and Kurland (2005). In addition, Flamholtz and Brzezinski (2016) have examined the relationship between organizational development and growing pains in a large sample of European organizations.

Drawing upon this framework to address the stated research question, we utilized two measurements instruments that have been previously shown to have predicative validity with respect to financial performance: 1) the Survey of "Organizational Effectiveness" and 2) the "Growing Pains survey" (Flamholtz and Brzezinski, 2016). The Organizational Effectiveness Surveys (described below) assesses a company's current strengths and opportunities to improve on seven related dimensions. The "Growing Pains survey" (also described below) assesses the extent to which a company is experiencing 10 classic growing pains. Growing pains occur when internal systems, processes, and structures (what we refer to as "organizational infrastructure") are not sufficiently developed to support the organization's size. They are a signal that an organization is experiencing problems in making the transition from one stage of growth to the next.

Using these measurements, we analyzed data collected on both of these surveys from a data base of more than 15 years data for the Survey of "Organizational Effectiveness and more than 30 years data from the "Growing Pains" survey.

In the sections below, we shall explain the theoretical framework that underlies these measurements, and present the data to test the hypotheses concerning the relative strength of family versus non-family businesses. First, we shall discuss the theoretical framework that underlies these measurements. Then we discuss the measurement tools which have been developed to performance. Finally we will present the research results.

The next section provides a review of the key aspects of the framework relevant to this research. The third section will explain the research hypothesis and research design used in the empirical assessment of the framework. That section also includes a description of the companies used to test the framework. Results of the test are presented in section four. Finally, the conclusions of the analysis and the implications of these conclusions for management and researchers will be considered in the final section.

3. THE THEORETICAL FRAMEWORK

The theoretical framework underlying this article that was previously presented (Flamholtz 1995) is reviewed briefly below. A more extensive discussion can be found in Flamholtz (1995) or Flamholtz and Randle (1998).

3.1 Key Developmental Tasks for Successful Organizations

The initial premise or hypothesis underlying this framework is that organizations must perform certain tasks to be successful at each stage of their growth. The six key tasks or dimensions, all of which have been supported by previous research, are:

- Identification and definition of a viable market niche (Aldrich, 1979; Brittain and Freeman, 1980; Freeman and Hannan, 1983),
- Development of products or services for the chosen market niche (Burns & Stalker, 1961; Midgley, 1981)
- Acquisition and development of resources required to operate the firm (Pfeffer & Salancik, 1978; Brittain& Freeman, 1980; Carroll & Yangchung, 1986),
- Development of day-to-day operational systems (Starbuck, 1965),
- Development of the management systems necessary for the long-term functioning of the organization (Child & Keiser, 1981; Tushman et.al., 1985)
- Development of the organizational culture that management feels necessary to guide the firm (Peters & Waterman, 1982; Walton, 1986).

A second premise or hypotheses is that each of these tasks must be performed in a stepwise fashion in order to build a successful organization, and, taken together, they comprise six "key strategic building blocks" of successful organizations. Each of these key tasks or strategic building blocks will be discussed in detail below.

3.2 Identification of Market Segment and Niche.

The first challenge for a new venture in organizational survival or success is to identify a market need for a marketable service or product. The chances of organizational success are enhanced to the extent that the firm is successful in this step (Flamholtz, 1995).

The challenge is not merely in identifying the market but also, if possible, to capture a "market niche," a relatively protected place that would give the company sustainable competitive advantages. Failing to define a niche or mistakenly abandoning the historical niche can cause an organization to experience difficulties and even failure. The process of identifying the market involves the development of a strategic market plan to identify potential customers and their needs and the creation of a competitive strategy (Flamholtz, 1995).

3.3 Development of Products and Services

The second challenge or strategic building block involves the development of products and/or services. This process can also be called "productization," which refers to the process of analyzing the needs of customers in the target market, designing the product and developing the ability to produce it (Flamholtz, & Randle 2000). For a production firm this stage involves the design and manufacturing phases, whereas for a service firm, this stage involves forming a system for providing services to the customers (Flamholtz & Randle, 2000).

The success at this stage is highly related to the previous critical task, proper definition of the market niche (Flamholtz, 1995). Unless a firm fully understands the needs of the market, it cannot satisfy those needs in "productization".

3.4 Acquiring Resources.

Success in identifying a market niche and productization will create increased demand for a firm's products or services. Consequently, the resources of the firm will be spread very thin (Flamholtz, 1995). The organization will require additional physical, financial and human resources. This is the point at which the entrepreneurs should start thinking about the long-term vitality of the firm and procure all the necessary resources to survive the pressure of current and future increase in demands (Flamholtz & Randle, 2000).

3.5 Development of Operational Systems.

The fourth critical task is the development of basic day-to-day operational systems, which include accounting, billing, collection, advertising, personnel recruiting and training, sales, production, delivery and related systems (Flamholtz, 1995). Entrepreneurial companies tend to quickly outgrow the administrative systems available to operate them. Therefore, it is necessary to develop sufficient operational systems, on time, to build a successful organization. In contrast, large established companies might have developed overly complicated operational systems. In this case, the success of the organization depends on the reengineering of operational systems (Flamholtz, 1995).

3.6 Development of Management Systems.

The fifth step is to develop the management systems, which is essential for the long-term viability of the firm (Flamholtz & Randle, 2000). Management systems include systems for planning, organization, management development and control. Planning systems involve planning for the overall development of the organization and the development of scheduling and budgeting operations. It includes strategic planning, operational planning and contingency planning (Flamholtz, 1995). The mere existence of planning activities does not indicate that the firm has a planning system. A planning system ensures that planning activities are strategic and ongoing.

Organizational structure involves the ways in which people are organized and activities are coordinated. As with the planning activities success depends, not on the mere existence of a structure but on the match between the structure and business strategy (Flamholtz, 1995).

The process of planned development of the current and future managers is a Management Development System. Control systems are the set of processes (budgeting, goal setting) and mechanisms (performance appraisal) that would encourage behavior that would help achieving organizational objectives (Flamholtz, 1995).

3.7 Developing Corporate Culture.

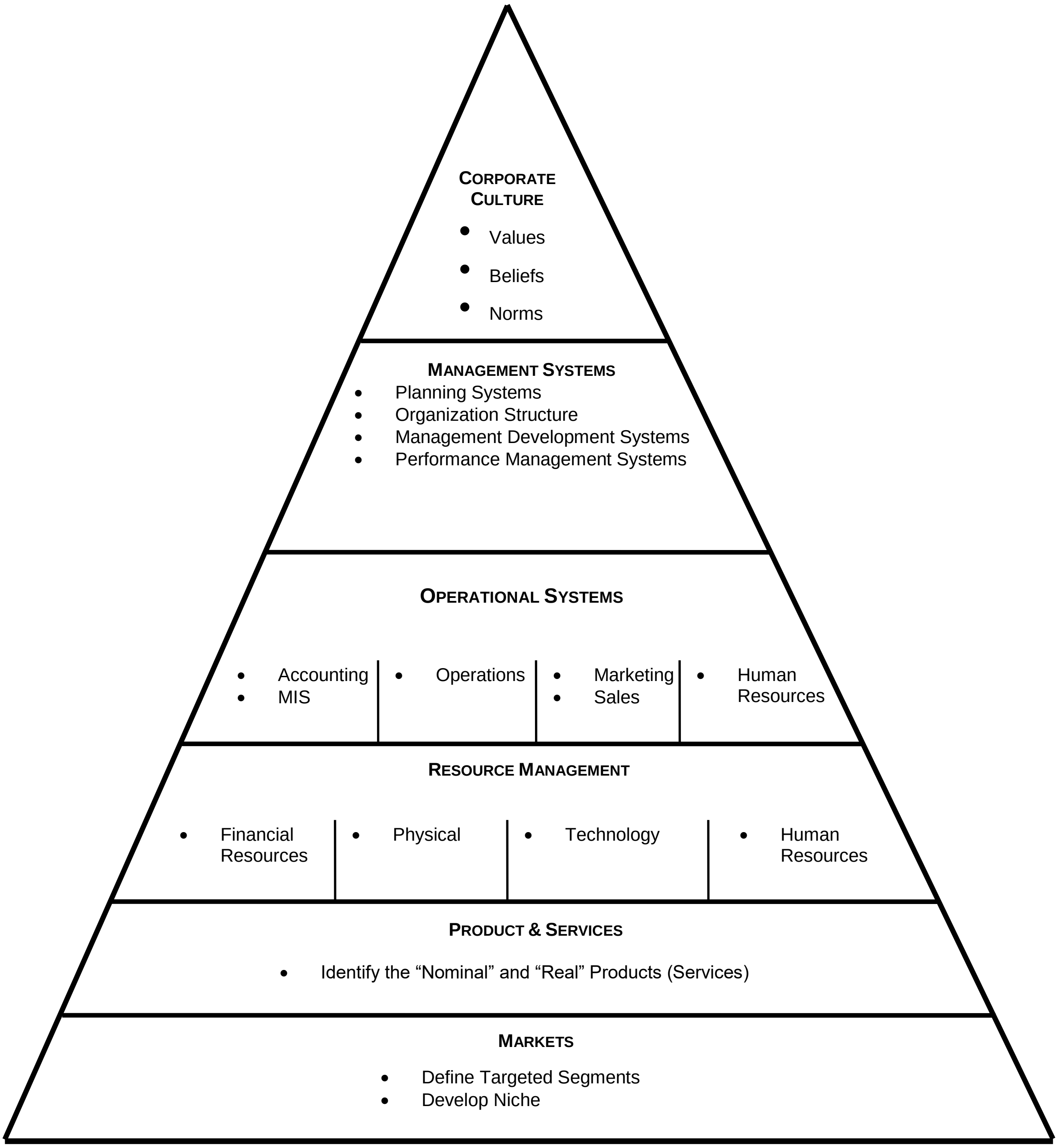
Just as people have personalities, organizations have cultures, which are composed of shared values, beliefs and norms. Shared values refer to the importance the organization attaches to the aspects of product quality, customer service, and treatment of employees. Beliefs are the ideas that the people in the organization hold about themselves and the firm. Lastly, the norms are the unwritten rules that guide interactions and behavior (Flamholtz, 1995).

3.8 The Model as a Whole.

Taken together, these six tasks or strategic building blocks lead to a hierarchical model of organizational development, as seen in Exhibit 1. Similar hierarchical views are present in the previous literature. Woodward discussed a similar relation between market niche and product, and structure and culture. In addition, Chandler's (1962) book, "Strategy and Structure," suggests that a firm's structure follows from its long-term strategy.

EXHIBIT 1

Pyramid of Organizational Development:
The Six Key Building Blocks of Successful Organizations



It should be noted that the pyramid shape does not imply that the key tasks are carried out independently. All six tasks are vital for the health of the firm, and must occur simultaneously. However, the relative emphasis on each task or level of the Pyramid will vary according the organization's stage of growth (Flamholtz, 1995). The top four levels of the pyramid, which form the "infrastructure" of the firm, are less susceptible to imitation (Flamholtz, 1995), and, accordingly, provide the basis for long term sustainable competitive advantage. Thus, although competition between firms takes place at all levels, long-term sustainable advantage is primarily found at the top three levels.

4. DEVELOPMENTAL EMPHASIS AT DIFFERENT STAGES OF GROWTH

The emphasis that should be given to each task differs depending on the size of the firm. Organizations experience developmental problems if their infrastructure is not consistent with their size. The parallel relationship with size and organizational structure leads to an organizational life cycle model that complements the Organizational Development Pyramid (Flamholtz, 1995), as shown in Exhibit 2.

EXHIBIT 2 : STAGES OF GROWTH

Stage	*Description*	*Critical Development Areas*	*Approximate Organizational Size (in sales)**	
			Manufacturing Firms	*Service Firms*
I.	New venture	Markets and products	Less than $1 million	Less than $0.3 million
II.	Expansion	Resources and operational systems	$1 - $10 million	$0.3 - $3.3 million
III.	Professionalization	Management systems	$10 - $100 million	$3.3 - $33 million
IV.	Consolidation	Corporate culture	$100 - $500 million	$33 - $167 million
V.	Diversification	Markets and products	$500 - $1 billion	$167 - $333 million
VI.	Integration	Resources, operational systems, Management systems, Corporate culture	$1 billion +	$333 million +
VII.	Decline-Revitalization	All variables in Pyramid	Varies	Varies

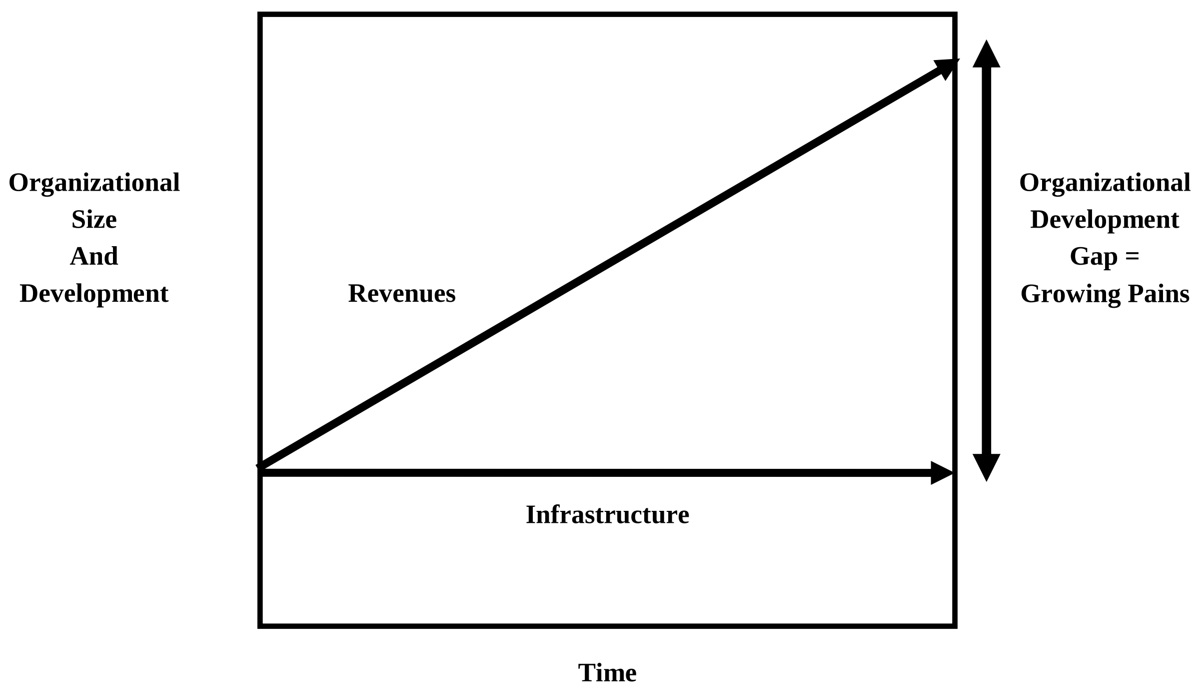
* U.S. Dollars

As seen in Exhibit 2, each stage of growth is viewed as having a set of critical developmental tasks. For example, the critical tasks at Stage I (the start-up of an entrepreneurial new venture) are markets and products, while at Stage III the critical task is the development of management systems.

5. DEVELOPMENTAL GAPS CAUSE "GROWING PAINS"

Another notion of the theoretical framework is that when the top four levels of the pyramid, which form the "infrastructure" of the firm, is not developed sufficiently as required by the given stage of growth, there will be an "organizational development gap," or gap between the level of the infrastructure required by the enterprise and its actual infrastructure. This is shown graphically in Exhibit 3.

EXHIBIT 3: ORGANIZATIONAL DEVELOPMENT GAP



This developmental gap causes the enterprise to experience "growing pains," which are symptoms of organizational distress experienced by entrepreneurial firms. A set of ten classic growing pains have been identified by previous research and experience. They are shown in Exhibit 4.

Exhibit 4: TEN CLASSIC GROWING PAINS

1. People feel that "there are not enough hours in the day."
2. People spend too much time "putting out fires."
3. People are not aware of what other people are doing.
4. People lack understanding about where the firm is headed.
5. There are too few good managers.
6. People feel that "I have to do it myself if I want to get it done correctly."
7. Most people feel that "our meetings are a waste of time."
8. When plans are made, there is very little follow-up, so things just don't get done.
9. Some people feel insecure about their place in the firm.
10. The organization continues to grow in sales but not in profits.

Growing pains are not only problems in themselves; they are symptoms of organizational distress. Growing pains indicate that the "infrastructure" of an enterprise (i.e., the internal operational and management systems it needs at a given stage of growth) has not kept up with its size, as measured by its revenues. For example, a business with $200 million in revenues may only have an infrastructure to support the operations of a firm with $50 million in revenues, or one-fourth its size. This type of situation typically occurs after a period of growth, sometimes quite rapid growth, where the infrastructure has not been changed to adjust to the new size and complexity of the organization. The result, as shown in Exhibit 3, is an "organizational development gap," (that is, a gap between the organization's actual infrastructure and that required at its current size or stage of development) which produces the growing pains.

Growing pains are an indication of organizational risk, including the risk of failure. Previous research has led to a formulation of levels of growing pains associated with different degrees of organizational risk, as shown in Exhibit 5. Specifically, Exhibit 5 shows five different levels of severity of growing pains from a very health organization to one that is at grave risk of failure. As seen in Exhibit 5, the different degrees of seriousness of different growing pains scores are indicated both numerically by score ranges and by a color coding scheme.

Exhibit 5: Organizational Growing Pains Scores and Associated Risk Levels

Level	Score Range	Color Code	Interpretation
1.	10–14	Green	Everything OK
2.	15–19	Yellow	Some things to watch
3.	20–29	Orange	Some areas that need attention
4.	30–39	Red	Some very significant problems
5.	40–50	Purple	A potential crisis or turnaround situation

Exhibit 5 shows five different levels of severity of growing pains from a very healthy (green) organization to one that is at grave risk of failure (purple).

6. IMPLICATIONS OF THE THEORETICAL FRAMEWORK.

The theoretical framework presented above has a number of implications for management and research. These are presented below:

1. The six key strategic building blocks or tasks of organizational development are hypothesized to influence or explain overall organizational success. This means that the six key variables are expected to have an impact on the financial performance or "so-called bottom line" of organizations.
2. The six key variables are expected to "work together" to explain overall organizational success. Although the six variables have all been identified in the research literature as significant factors in organizational success, the holistic pyramid model is based upon the notion that (to achieve optimal performance) they all must be designed as a whole. This means that they are hypothesized to have more impact as a whole than individually.
3. Each of the six key variables are hypothesized to be more important at different stages of growth: markets and products at Stage I, resources and operational systems at Stage II, management systems at Stage III, and culture at Stage IV.
4. When the six key variables are *not* developed sufficiently for the required stage of growth, an organizational development gap is created which will result in "growing pains."These growing pains are in indication of the degree of risk facing an organization.

Each of the implications stated above can be viewed as a hypothesis for empirical testing.

7. FOCUS OF CURRENT RESEARCH

The primary focus of the current research concerns the relationship between 1) the extent to which the six key variables comprising the Pyramid of organizational development have been developed differently for family and nonfamily entrepreneurial firms and 2) the resulting degree of growing pains experienced by each of these two types of organizations. In terms of a hypothesis, the null hypothesis is that there is no difference between either the degree of organizational development and growing pains in each of these two types of organizations..

8. RESEARCH DESIGN

This section describes the overall research design, outlines the research hypotheses, explains the data collection procedure, and discusses the measurement or operationalization of the variables. A description of the research sample and a discussion of statistical methods are also included in this section.

8.1 Research Hypothesis.

Drawing on the framework described above, the present study involves an empirical examination of the relationship between strength on the six critical tasks of the organizational development pyramid and the growing pains experienced by both family and nonfamily entrepreneurial organizations.

The following hypotheses are used to assess this:

H1: The degree of development of six key tasks/variables of the organizational development pyramid framework is not different in each type of enterprise: family business and non-family businesses.

H2: The degree growing pains experienced by the organization is not different in each type of enterprise: family business and non-family businesses.

8.2 Research Strategy.

Our organizational development firm (Management Systems Consulting Corporation or "Management Systems") specializes in working with rapidly growing entrepreneurial companies.

Management Systems has collected data for many years using our proprietary "Survey of Organizational Effectiveness."™ We analyzed this data to assess the research question and determine whether family firms are in fact stronger than non-family businesses.

8.3 Sample

Specifically, we conducted an internal research project to analyze data collected from a sample of 177 companies (45% family firms and 55% non-family firms) collected over a period of about 14 years.[1]We measured the strength of both family and non-family business on the six key dimensions of the Pyramid of Organizational Development plus financial results (7 dimensions in total).

8.4 Measurement of Variables.

Two key variables were measured as part of this research for each participating firm: 1) the degree of development of the variables comprising the Pyramid of Organizational Development, and 2) growing pains. It should be noted the previous research has determine that there is an inverse relationship between the degree of development of the variables comprising the Pyramid of Organizational Development and growing pains. The greater the degree of strategic organizational development the lower are growing pains and *vice versa*.

Both of these variables were measured using previously existing validated surveys. The first variable was measured using The Management Systems Survey of Organizational Effectiveness, and the second using the Management Systems Growing Pains Survey (Flamholtz and Randle, 2016). Both of these surveys use a classic a Likert Scale.

Specifically, as part of organizational development work, employees of each company are asked to rate their own company on each of the six key strategic building blocks (markets, products, etc.) using a five-point Likert scale. The results of this assessment were used to construct a "strategic development score" for each company. The scores range from 1.00 to 5.00, where 1.0 is the lowest possible score and 5.0 is the highest possible score.

8.5 Data Collection

As noted above, data for these surveys has been collected for several years. Data has been collected for the growing pains survey for more than 30 years. Data has been collected for the organizational effectiveness survey for more than 14 years.

First, we classified all companies in this data bases as either "family" or "non-family" businesses. Some companies were not possible to classify, and were excluded from this population. In this data base, there were 177 companies for which we had data from both surveys (a sub set of the total data base). As seen in Exhibit 6, there were 79 family businesses and 98 non-family businesses, or 45 % of the former and 55% of the latter.

Exhibit 6: Family and Non-Family Businesses in the Sam

Type of Company	*# of Companies*	*Percentage*
Family	**79**	**45%**
Non-Family	98	55%
Total	177	100%

[1]Eric G. Flamholtz and Yvonne Randle, *Building Family Business Champions*, Stanford University Press, 2016

8.6 Results

The results of the measurement of these variables are shown in Exhibits 6 & 7.

Exhibit 6: Organizational Development Strength: Family Business versus Non-Family Businesses

	Markets	Products/ Services	Resources	Op. Systems	Mgt. Systems	Culture	Financial Results Mgt.	Overall
Non-Family Businesses	3.5	3.4	3.3	3.1	3.0	3.1	3.3	3.2
Family Businesses	3.6	3.4	3.5	3.3	3.2	3.2	3.5	3.3

Exhibit 7 : Overall Survey Scores for Family and Non-Family Businesses

Survey Type	*Family*	*Non-Family*	*Family Difference*
Growing Pains	**27.5**	**27.6**	**- 0.1**
Organizational Effectiveness	**3.3**	**3.2**	**+ 0.1**

A further comparison of the components of these scores is shown in Exhibits 8 and 9. In these tables, the "difference" column shows the score of family businesses less that of non-family businesses.

There are relatively small differences in the components of both the growing pains scores and the organizational effectiveness scores. The largest difference in component scores is found in the difference in the growing pain "Some people have begun to feel insecure about their place in the company." The score on this item in family business of 25.0 is lower (more favorable) than in non-family businesses, which have a score of 28.1. However, there are three growing pains in the "red zone" in family businesses (People feel that there are not enough hours in the day; People are spending too much time "putting out fires";" and Many people are not aware of what versus one (People are spending too much time "putting out fires") in non-family businesses.

Exhibit 8: Growing Pains Scores for Family and Non-Family Businesses[2]

Growing Pains	Family	Non-Family	Difference
People feel that there are not enough hours in the day.	32.2	30.3	**1.9**
People are spending too much time "putting out fires."	32.0	30.4	1.6
Many people are not aware of what others are doing.	31.2	29.6	1.6
People have a lack of understanding of where the company is headed.	26.4	28.1	**-1.7**
There are too few "good" managers.	25.5	27.2	**-1.7**
Everyone feels "I have to do it myself if I want to get it done correctly."	29.2	28.1	1.1
Most people feel our meetings are a waste of time.	24.3	23.9	0.4
When plans are made, there is very little follow-up and things just don't get done.	26.0	25.7	0.3
Some people have begun to feel insecure about their place in the company.	25.0	28.1	**-3.1**
The company has continued to grow in sales but not in profits.	22.9	24.7	**-1.8**
Average	**27.5**	**27.6**	-0.1

[2] The difference columns shows the score of family businesses less that of non-family businesses.

Exhibit 9: Organization Effectiveness Scores for Family and Non-Family Businesses

Organization Effectiveness	Family	Non-Family	Difference
Markets	3.6	3.5	0.1
Products/Services	3.4	3.4	0
Resources	3.5	3.3	**0.2**
Operational Systems	3.3	3.1	**0.2**
Management Systems	3.2	3	**0.2**
Culture	3.2	3.1	0.1
Financial Results Management	3.5	3.3	**0.2**
Average	**3.3**	**3.2**	0.1

8.7 Statistical Analysis

This research used "the sign test" to assess whether the observed differences between family firm and non-family firms on the six factor framework was statistically significant.[3]

8.0 Findings

The results of the statistical tests indicate that the null hypothesis **can be rejected at a level of significance of 0.008, or less than the classic cut off of 0.01.**[4] This indicates that the observed differences *are* statistically significant**,** as shown in Exhibit 2.[5]

More specifically, the study's data (shown in Exhibit 2) indicate that *family firms have developed small but statistically significant differences* ***in several key areas or "success factors" that are relevant to building sustainably successful organizations.*** **Specifically, family firms are superior to non-family firms in the following areas:**

- Market position or strength
- Resource management
- Operational systems.
- Management systems,
- Culture management, and
- Financial results management

The only area of *equivalence between family and nonfamily firms* (no statistically significant difference) is in the area of product development.

9. IMPLICATIONS, FUTURE RESEARCH, AND CONCLUSION

The data derived from this study provide further empirical support for the proposed model of strategic organizational development. It indicates that the greater the degree of development the lower is growing pains. Previous research has already indicated that lower growing pains are associated with lower financial performance (Flamholtz and Hua, 2000).

This has important implications for management theory and practice. It is one thing to assert that organizational development is a significant factor of organizational success and quite another to be able to demonstrate that the effective management of these variables can enhance profitability.

9.1 Implications for Management.

We believe that managers ought to be using the Pyramid of Organizational Development framework as a "lens" for planning the strategic development of organizations. This means that it should be used in strategic planning as a focus for organizational development. This is supported by the principal research findings from this study as well as from prior research (Flamholtz and Aksehirli, 2000; Flamholtz and Hua,2002A, B, 2003; Flamholtz and Kurland, 2005).

9.2 Future Research.

From an academic perspective, the results reported here are preliminary but quite promising. It would be valuable for future research to replicate the current study in other countries in Europe and well as in other parts of the world in order to continue to assess the model's generalizability.

Specifically, additional research would be valuable involving a replication of the test of the principal hypothesis concerning the relationship between the pyramid and growing pains.

9.3 Conclusion

This research has provided a relatively rare opportunity to assess the impact of organizational development on growing pains in the context of a sample of companies. The results provide additional empirical support for previous theoretical and empirical work on the six-factor model of organizational success. They also provide further evidence of the generalizability of the model.

While the results are not completely definitive, they do provide additional statistically significant evidence of the impact of organizational development

[3] See Sidney Siegel, *Nonparametric Statistics for the Social Sciences*, McGraw Hill, 1956, pp, 68-75.

[4] N=7, X=0; probability of this distribution in a one tailed test is p = .008, or less than 0.01.

[5] This data collection uses a different method that the survey instrument presented here, but yields similar scores.

on growing pains, which are known, in turn, to affect financial results.

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Appendices:

Appendix A: Company Sample by Economic Sectors

Sector Type	Percentage of Respondents
Manufacturing	31.9%
Trade	18.7%
Professional, Scientific and Technical Activity	10.4%
Transportation and Storage	5.4%
Information and Communication	5.3%

Appendix B : Company Sample by Age of Companies

Year Founded Range	Age Range (at start of 2015)	Percentage of Respondents
1989 or earlier	26 years or older	21.3%
1990-1995	25-20 years	23.5%
1996-2000	19-15 years	19.2%
2001-2005	14-10 years	15.5%
2006-2010	9-5 years	11.3%
2011-2015	4 years or less	9.2%

Appendix C: Company sample by Revenues (Euros)

Revenue Range	Percentage of Respondents
Up to 500,000	16.54%
Over 500,000 up to 1 million	7.47%
Over 1 up to 2 million	7.17%
Over 2 up to 5 million	11.27%
Over 5 up to 10 million	12.30%
Over 10 up to 20 million	13.18%
Over 20 up to 50 million	16.98%
Over 50 up to 100 million	6.30%
Over 100 up to 250 million	5.56%
Over 250 million	3.07%

Exhibit 6: Distribution of Sample by Company Size

Size	Description *(based on public and EU definitions below concerning past 2 years)*	Percentage of Respondents
Micro	Employs less than 10 workers and its annual revenue or total assets does not exceed 2 mnPLN.	29%
Small	Employs 10-49 workers and annual revenue or total assets does not exceed 10 mnPLN.	29%
Medium	Employs 10-49 workers and annual revenue does not exceed 50 mnPLN or total assets does not exceed 43 mnPLN.	24%
Large	Employs above 249 workers and annual revenue exceeds 50 mn EUR or total assets exceeds 43 mnPLN .	8%
N/A		10%

Exhibit 8: Degree of Strategic Organizational Development and Growing Pains