

Abstract

Family businesses consist of the largest proportion of all businesses throughout the world. Because the family business segment of the SMEs population includes such a large part of a country's economy, SMEs, and specifically SMEs that are family businesses, that have failed, have had a large negative impact on that country's economy. Thus, research into the reasons family businesses have failed is important, as is research that may have helped to reduce the number of family business failures. However, to date, there has been little research on the topic of family businesses and even less research has been conducted as to why family businesses have failed. Business professionals and business scholars claimed that one way to have increased the success rate of any business was to have encouraged its management to have used financial statements in the business decision-making process. The process of having encouraged business leaders of family businesses to have used financial statements, should have started with a research study designed to explore the type, and nature, of nonfinancial information, successful family business leaders used to make business decisions, in the absence of having used financial statements. The purpose of this qualitative multiple case study research was to explore the nature and type of nonfinancial information the business leaders of successful family businesses used, on a daily basis, to have made routine and nonroutine business decisions in the absence of formal financial statements. Data analysis method consisted of five sequential steps: (a) compiling the data, (b) disassembling the data, (c) reassembling the data, (d) interpreting the meaning of the data, and (e) concluding the data.

Data was collected from company documents and interviews with a sample of successful family business leaders located in Wake County, North Carolina. The results of this study will enable accounting academics and researchers to begin to coordinate the nature and type of nonfinancial information, used by successful family business leaders, with the financial information already provided by formal financial statements, to create an improved tool for family business leaders to manage their business.

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Chapter 1: Introduction

Most businesses in the United States are small- and medium-sized business enterprises (SMEs) (Gunasekaran, Rai, & Griffin, 2011). The United States Small Business Administration (SBA) estimated that 40% of all hi-tech workers (scientist, engineers, and computer programmers) hired, are hired by small businesses (Ghosal & Ye, 2015). Also, according to Ghosal and Ye (2015) small businesses produced 16 times as many jobs, per employee, than larger firms. More recently, Gunasekaran et al. (2011) claimed that SMEs make up the backbone of the economy of many nations, and often constitute 90% or more of all the business in some countries. Gunasekaran et al. (2011) also claimed that over 50% of the private non-farm GDP of the United States is produced by SMEs. A large number of SMEs are family businesses. According to Basso (2013), family businesses consisted of the largest proportion of the universe of all businesses throughout the world. Between 80% and 90% of all businesses were organized as a family business (Al-Dajani, Bika, Collins, & Swail, 2014). Over 50% of the GDP of any developed nation's economy was from family businesses (Al-Dajani et al., 2014).

Because the family business segment of the SMEs population includes such a large part of a country's economy, SMEs, and specifically SMEs that are family businesses, that have failed, have had a large negative impact on that country's economy. Thus, research into the reasons family businesses failed is important, as is research that may have helped to reduce the number of family business failures. However, according to Gedajlovic, Carney, Chrisman, and Kellermanns (2012) family business research has just recently reached its adolescence as a field of study. Benavides-velasco, Quintana-Garcia, and Guz

mán-parra (2013) claimed that family business research was an emerging field of study. Benavides-velasco et al. (2013) pointed to the fact that there was still no clear consensus on an exact definition of a family business as an indicator of the adolescence of the field. Craig, Moores, Haworth, and Poutziouris (2009) found that family business, as a scholarly pursuit, was relatively new and that there was no research on the reasons family businesses failed.

There has been little research on the field of family businesses, and specifically the reasons family businesses have failed. However, there is strong evidence that many SMEs fail because the SMEs business leader does not use financial statements to make business decisions. For example, Altman, Sabato, and Wilson, (2010) found SMEs business leaders, who used financial statements to have made business decisions, were more likely to have had successful businesses than business leaders who did not use them. Pervan (2012) found that SMEs business leaders only spent the resources necessary to have financial statements prepared on an annual basis or when required by government regulatory bodies. Altman et al. (2010) found that 60% of SMEs in England filed limited balance sheet information and then only when required by a government regulatory body. Since family businesses are considered a subset of SMEs businesses, it is reasonable to assume that these business leaders also do not use financial statements to make business decisions either. Benavides-velasco et al. (2013) found just 51 articles related to the topic of accounting and finance in family businesses, and these articles were mainly about capital budgeting and other issues. Specifically, Benavides-velasco et al. (2013) found no articles related to family business leader decision-making or the use of financial statements in the decision-making process.

Business professionals from numerous professional groups have spent resources specifically designed to address the needs of SMEs business leaders. For example, in 2012, the parent organization of the Financial Accounting Standards Board (FASB), the Financial Accounting Federation (FAF), established the Private Company Council (PCC) (Striscek, 2013). The stated purpose of the PCC was to review current and future Generally Accepted Accounting Principles (GAAP) for applicability to SMEs with the desired result of making compliance with GAAP easier and less costly for SMEs (Striscek, 2013). In addition, the American Institute of Certified Public Accountants (AICPA) established the Financial Reporting Framework (FRF) which is specifically designed to meet the needs of SMEs business leaders (Striscek, 2013).

Academic researchers such as Ball (2008), Linsmeier (2011), and Milost (2013) argued that financial statements are an important tool for individual business managers and society to fend off pending financial crises and help drive economic growth. In addition, Milost (2013) claimed that most family business leaders used nonfinancial information or nonfinancial performance measures to gauge the family business's performance year to year. Milost (2013) also claimed that using nonfinancial information or nonfinancial performance measures is not a valid substitute to using financial performance measures or financial information, such as formal financial statements. Furthermore, Karadag (2015) found that SMEs business leaders often prioritized other business functions, such as marketing, production, or customer service, over finance and accounting, which resulted in poor financial management. According to Karadag (2015), poor financial management often led to business failure.

Research designed to examine the type and nature of nonfinancial information, successful family business leaders used to make business decisions, in the absence of having used financial statements, could help professional business organizations, such as the AICPA, in their effort to encourage leaders of the entire SMEs business segment to use financial statements. Also, if an understanding of the nature and type of nonfinancial information, the leaders of a large segment of the SMEs population, namely successful family businesses, used, to make business decisions, could be obtained, then financial statements can be redesigned to provide the information the family business segment of the SMEs population needs, to make more informed business decisions. To-date, this is the only research study that examined the business decision-making practices, of either the entire SMEs population, or the successful family business segment of the SMEs population. Either way, as Altman et al. (2010) found, the increased use of financial statements by SMEs business leaders in the business decision-making process, reduced the number of SMEs business failures.

Preliminary research to explore the nonfinancial information used by successful family business leaders to make both routine and nonroutine business decisions, was an important first step to discovering (a) ways to help family business leaders make better routine and nonroutine business decisions (b) reduce the failure rate of family businesses and (c) explore ways financial statements could be redesigned to make them more useable to the business leaders of family businesses. Researchers such as Pervan (2012) and Benavides-velasco et al. (2013) found evidence that the business leaders of family businesses have tended not to use formal financial statements to make business decisions.

Statement of the Problem

The general business problem was that family businesses have had a 75% failure rate (Morris & Kellermans, 2013). This high failure rate was a problem because this sector constitutes between 80% and 95% of all business entities in the United States and was estimated to make up 50% of the total GDP of any developed nation (Al-Dajani et al., 2014). The specific business problem that this study addressed was that there is little information about the type and nature of nonfinancial information, successful family business leaders' used, to make routine and nonroutine business decisions in the absence of formal financial statements (Carrahera & Van Auken, 2013). Benavides-velasco et al. (2013) and Gedajlovic et al. (2012) both claimed that family business research was an emerging field of study. Other experts claimed that family business research was in a nascent state (Al-Dajani et al., 2014). Carney, Van Essen, Gedajlovic, and Heugens (2015) claimed that there were many gaps in the family business research literature. According to Prencipe, Bar-Yosef, and Dekker (2014) the study of the relationship between financial statements and family business leader decision making, was a potentially fruitful area of study.

The combined effect of this sector's large contribution to GDP having had both a high failure rate, and a small body of research literature on its practices, made this an important topic to study. If this problem was not addressed, (a) economic growth would continue to be negatively impacted and (b) individuals would not have the option of establishing a family business as one method to improve their economic and social-economic situation in life. The results of this study will help business leaders of family businesses who need to routine and nonroutine business decisions in the absence of

formal financial statements improve the way they manage their businesses, by having studied what nonfinancial information successful family businesses leaders used in such circumstances, and reduced the high failure rates of these types of businesses.

Purpose of the Study

The purpose of this qualitative multiple case study research was to explore the nature and type of nonfinancial information the business leaders of successful family businesses used on a daily basis to make routine and nonroutine business decisions in the absence of formal financial statements. The results of this study should enable accounting academics and researchers to begin to coordinate the nature and type of nonfinancial information, used by successful family business leaders, with the financial information already provided by formal financial statements, to create an improved tool for family business leaders to manage their business. The unit of analysis was successful family business in Wake county, North Carolina whose business leaders did not use formal financial statements as an aid in making business decisions. Data was collected from a sample population of successful family business leaders located in Wake County, North Carolina through the use of research tools such as (a) document gathering (Appendix C) and (b) semi-structured individual interviews (Appendix A and Appendix B).

Theoretical/Conceptual Framework

The purpose of this research was to explore how a group of potential users of financial statements, the leaders of successful family businesses, used nonfinancial information to make both routine and nonroutine business decisions. Financial reporting is oriented to meet the needs of two different audiences: (a) decision makers, the users of the financial statements who use the information contained in financial statements to

make informed decisions, and (b) those people who developed the decision model for which the information contained in the financial statement constitutes the input (Dandago & Hassan, 2013). The leaders of successful family businesses would be included in the audience category of decision makers. The members of this audience category want the financial information contained in formal financial statements to help them make business decisions. Specifically, members of this audience category are concerned with three important areas of the accounting conceptual framework: (a) the inherent characteristics that the information presented in financial statements need to contain, as well as the content of the information presented in financial statements, (b) the stated objective of financial reporting, (c) the theoretical platform on which the rules, as to what the content of the information presented in the financial statements, will be based.

The objective of general purpose financial statements is to provide useful financial information to existing and potential investors, lenders, and other creditors, related to the reporting entity, that will enable existing and potential investors, lenders, and other creditors to make decisions about providing resources to the reporting entity (Okoye & Akenbor, 2014). In order for financial statements to be useful to business decision makers, the information contained in financial statements must contain two qualitative characteristics, and that financial statements must have one broad objective (Dandago & Hassan, 2013). The two qualitative characteristics are (a) the information contained in the financial statement must be relevant to the user in relation to making the business decision and (b) the information contained in the financial statement must be reliable or faithfully represent, what it purports to represent (Okoye & Akenbor, 2014). The single broad objective that the information presented in financial statements must

contain, is that it must provide information about the reporting entity's financial position, as well as to report information about changes to the entity's financial position during the period to interested parties (Dandago & Hassan, 2013).

The definition of relevance of information also requires that financial information must either have (a) predictive value, (b) confirmatory value, or (c) both predictive value and confirmatory value to be relevant (Okoye & Akenbor, 2014). Specifically, relevant information is defined as information that has meaning to the financial statement user, and can change the decision(s) made by the user(s) (Okoye & Akenbor, 2014).

Faithfully represented information is expected to contain a measure of preciseness (Downen, 2014). Accounting researchers have defined the term precision by using two categories of attributes (Downen, 2014). In the first category, accounting researchers described the term accounting precision in terms of how the accuracy of measurement is communicated (Downen, 2014). The second category of attributes, used by accounting researchers, describes how the reliability of the information is measured (Downen, 2014). Relevant information is simply information that has the ability to change or influence a decision made by a user (Okoye & Akenbor, 2014). The determination of reliability of information, or the level information represents what it purports to represent, is determined by the theories related to recognition, and measurement of information in accounting, or accounting measurement theory. Faithful representation is defined more narrowly and in less philosophical and vague terms. Faithful representation, which is a factor of reliability, requires that the financial statement, as prepared by the financial statement preparer, honestly represent the phenomenon that it purports to represent (Okoye & Akenbor, 2014). Judgment of the level that information faithfully represents

the phenomenon that it purports to represent is based on three characteristics of the presentation; (a) completeness (b) neutrality (c) level of accuracy (Okoye & Akenbor, 2014).

The two qualitative characteristics are often considered together, and the result of the combination of relevant information, and faithful representation of information, is referred to as a measurement of information decision usefulness (Williams & Ravenscroft, 2015). Decision useful information is simply all the information a decision - maker uses to make a decision (Williams & Ravenscroft, 2015). The FASB has made decision usefulness a centerpiece consideration when implementing GAAP (Williams & Ravenscroft, 2015). In addition, for the last 40 years, accounting standard setters have asserted that the overriding quality that makes information decision useful, is its contribution to more accurate predication of future economic states (Williams & Ravenscroft, 2015). Traditionally, decision useful information is believed to possess two important characteristics: (a) information is useful when it helps the individual making the decisions achieve maximum utility, well-being, and profit and (b) when it has the ability to change an individual's decision or beliefs based on updated inputs (García, 2013). These assumptions are based on the view that individuals have rational expectations, or that they use all the relevant information available when forming their expectations regarding economic variable (García, 2013).

By definition, the nonfinancial information, the business leader of a successful family business uses to make routine and nonroutine decisions is *decision useful information* to that person. Therefore to establish a concrete measurement of the term, *decision useful information*, the definition used by the FASB will be used for purposes of

this discussion. Dandago and Hassan (2013) interpreted the term *decision useful information*, as used by the FASB, as any information that is useful to present and potential equity investors, lenders and other creditors in making decision; in general terms, decision usefulness information requires that the information be both relevance and reliable.

Nature of the Study

The purpose of this qualitative multiple case study research was to explore the nature and type of nonfinancial information the business leaders of successful family businesses used on a daily basis to make routine and nonroutine business decisions in the absence of formal financial statements. This study has contributed to the body of knowledge related to family business management by providing information about the nature and type of nonfinancial information currently used by the business leaders of successful family businesses. Qualitative research is simply a research design method where the researcher uses the qualitative method to answer the research questions posed by the researcher. As Maxwell (2009) pointed out a qualitative research design is better suited for answering process type research questions as opposed to variance type questions. Maxwell (2009) specified two different kinds of research questions that are best answered using a qualitative research design (a) questions related to the meaning of events and activities people are involved in and (b) questions about the influence of the physical and social context on these events and activities.

In this study, the intent was to explore the nonfinancial information used by successful family business leaders' when they were required to make both routine and nonroutine business decisions in the absence of formal financial statements. To rephrase

the research questions in Maxwell (2009) terms (a) what activities (collection of nonfinancial information) are the leaders of successful family businesses (people) involved in when they are required to make either routine or nonroutine decisions) and (b) what influences their decision to use this information. Parker, (2014) described the aim of the qualitative research method as trying to understand the processes that occur inside the black box of organizational, institutional, and strategic implementation practices and routines. The goal of this research was to try to understand the process that occurs inside the black box of business leaders of successful family businesses making decisions. The only way to answer the research questions posed in this research study is by the use of the qualitative research method.

Since each participant in this study was expected to have used the same type of nonfinancial information but in different ways, the findings of this study were expected to show (a) multiple perspectives of collecting and using the same type of information, and (b) variations in the complexity of the way the nonfinancial information was used by business leaders to make routine and nonroutine business decisions. Thomas and Meyers (2015) believed that a case study is only valid if the study is about something, and that ‘something’ would constitute the study’s analytical frame. The analytical frame that holds this study together is that all the nonfinancial information used by the participants was expected to contribute useable information to them and that all the pieces of nonfinancial information should have a relationship to information currently presented in formal financial statements.

Other research designs such as phenomenology and ethnography would not have worked as well as the method chosen for the following reasons. Moustakas (1994a)

described phenomenology research in terms of the relationship of knowledge and conscientious. Moustakas (1994a) described the science of phenomenology as knowledge based on one's perceptions and lived experience. Rosaline (2008) described ethnography as a research design that provides thick descriptions that result from frequently protracted engagement of the researcher in the setting under study.

This study was designed to explore the nonfinancial information used by family business leaders in the context of the relationship between that nonfinancial information and if and how that information was shown on a formal financial statement. Expertise in both financial statement preparation and accounting was required to help guide the study participant in their submission of information for the research. As such, the phenomenology would not have worked in this study because this study was designed to explore facts and not perceptions of fact. An ethnography design would not have been appropriate because the purpose of this study explored the nonfinancial information used by the business leaders of successful family businesses so protracted engagement with study participants was not necessary.

The information collected assisted in answering the research questions posed and the end result should be an improved knowledge base on how the business leader of successful family businesses makes decisions and what information, both financial and nonfinancial they use to make these decisions. The findings have been compared to previous research and confirmed. The data was collected as accurately as possible, and the use of an online survey will ensure that the information was gathered appropriately. The online survey will be used to analyze the data.

Research Questions

RQ1. What nonfinancial information was used on a daily basis by the business leader of successful family business to make routine business decisions in the absence of formal financial statements?

RQ2. When faced with a nonroutine business decision, what nonfinancial information did the business leader of successful family business use to make that decision in the absence of formal financial statements?

Significance of the Study

The general business problem was that family businesses have had a 75% failure rate (Morris & Kellermans, 2013). This high failure rate was a problem because this sector constitutes between 80% and 95% of all business entities in the United States and was estimated to make up 50% of the total GDP of any developed nation (Al-Dajani et al., 2014). The specific business problem that this study addressed was that there is little information about the type and nature of nonfinancial information, successful family business leaders used, to make routine and nonroutine business decisions in the absence of formal financial statements. The combined effect of this sectors' large contribution to GDP with its high failure rate, and a small body of research literature on its practices, has made this a topic to study.

This study may start the process of integrating the financial information found in formal financial statements with the nonfinancial information that business leaders use and are currently comfortable using to make business decisions. This integration is important because it will result in: (a) business leaders of family businesses using better information to make decisions which will result in better decision-making and (b)

providing business leaders with a link between the nonfinancial information they are comfortable using and the improved information provided by the formal financial statement. Having studied what nonfinancial information the business leaders of family businesses used to make routine and nonroutine decisions should help business leaders of family businesses improve the way they manage their business and reduce the high failure rate of family businesses.

Definition of Key Terms

Decision making. Decision making is a rational process that exhibits the following five characteristics: (a) systemic (b) iterative (c) adaptive to new information (d) self-correcting and (e) active in seeking new information and innovative approaches (Carter, 2013).

Family business. Family business is a business where (a) multiple people of the same family have a controlling interest in the business, (b) multiple people of the same family unit are actively engaged, in either, or both, the management of the business, and the operation of the business, and (c) current leadership intends to transfer leadership of the business within the family (Williams, Zorn, Crook, & Combs, 2013).

Nonfinancial information. Oren and Lybaert (2010) defined the term nonfinancial information as all information drawn outside of financial statements.

Nonroutine decisions. Nonroutine decisions are decisions that are not repetitive and as such do not provide a good domain for the application of experience in making such decisions (Carter, 2013).

Routine decisions. Routine decisions have characteristics that remain largely the same from one occurrence to another (Carter 2013).

Successful family business. Successful family business is a business where (a) multiple people of the same family have a controlling interest in the business (b) multiple people of the same family unit are actively engaged, in either, or both, the management of the business, and the operation of the business (c) current leadership intends to transfer leadership of the business within the family and (d) a successful succession to at least one generation has occurred (Williams et al., 2013).

Summary

The family business sector is the largest business sector in terms of both number of entities in the classification and economic activity (Gunasekaran et al., 2011). Ghosal and Ye (2015) claimed that small businesses produce 16 times as many jobs per employee than larger firms. The general business problem was that family businesses have had a 75% failure rate (Morris & Kellermans, 2013). The combination of the size of the sector and the high failure rate have had a tremendous negative effect on economic growth. To add to this problem, there was a small body of knowledge on how family businesses were being managed, what information the business leaders of family businesses used to make decisions and published literature to help business leaders of small businesses manage their business (Craig et al., 2009).

One important fact relative to this study was that business leaders of SME's tended to not use formal financial statements to help them make better business decisions. Also, there was strong evidence of a relationship between whether a business leader of an

SME used formal financial statements to make business decisions and the likelihood that business failed (Altman et al., 2010).

The purpose of this research study was to begin to answer the question; what information do business leaders of family businesses use to make business decisions. This study incorporated a qualitative multiple case study research design that explored the nature and type of nonfinancial information the business leaders of successful family businesses used on a daily basis to have made routine and nonroutine business decisions. The results of the study should enable accounting academics and researchers to begin to coordinate the nature and type of nonfinancial information, used by successful family business leaders, with the financial information already provided by formal financial statements, to create an improved tool for family business leaders to manage their business. Data will be collected from a sample population of successful family business leaders located in Wake County, North Carolina through the use of research tools such as (a) group discussion sessions and (b) individual interviews.

Chapter 2: Literature Review

The literature review for this research begun with an analysis of the purpose of financial reporting and the qualitative characteristics of financial information that make the information contained in financial statements important to all business managers. The objective (purpose) of financial statements (financial reporting) is to enable users of financial statements to make informed financial decisions about the entity (Dandago & Hassan, 2013). The information contained in a financial statement must posse two qualitative characteristics in order for financial statements to meet their objectives (Okoye & Akenbor, 2014). The next topic for discussion purposes was the two qualitative characteristics that financial statement information must contain for its information to be useful. The logical starting point in a study designed to explore what nonfinancial information business leaders of successful family businesses use, to make routine and nonroutine decisions, is an explanation of why these business leaders should use financial statements as a tool to make business decisions, and what qualitative characteristics the financial information must contain. Since this study was ultimately about decision-making, an analysis of the different theories about how humans make decisions was next, followed by an analysis of the different theories of how decisions are made within a firm. Next, an analysis of the different theories on family firm leadership was explored. Then, an analysis of the different theories related to predicting success in family firms was explored. The next section of this literature review contains an analysis of the research related to using nonfinancial information to make routine and nonroutine business decisions. The final section contains an analysis of current theories on personality traits commonly exhibited by college students who decide to major in

accounting in college. The analysis in this last section examined whether people with certain personality traits are more willing to use financial statements than those people who possess different personality traits.

Theoretical/Conceptual Framework

A business leader of a successful family business will decide to use financial statements based on whether the business leader believes the information presented in the financial statement is relevant. However, the business leader will most likely prepare a cost-benefit analysis, because the business leader will need to spend scarce resources on professional accounting talent, to prepare and interpret the financial statements. Currently the two most used measurement form in accounting are (a) historical cost and (b) fair value (Leggett et al., 2015). The historical cost or fair value is an important element of whether the business leader of a successful family business will use financial statement to make routine and nonroutine decisions. It was important in two ways: First, (a) to consider the information presented in a financial statement to be relevant, the business leader must be able to understand it at least at a basic level and (b) the more complex the measurement form is the more the accounting professional service will cost.

Whether accounting is (a) not a measurement science because it does not have a measurement theory or (b) is a measurement science with a measurement theory based on philosophical constructs or (c) is a measurement science that contains a measurement theory that is based on two defined criteria is also the subject of debate (Gao, 2013).

The first view of accounting measurement theory is simply that accounting does not have a measurement theory and as such is not a measurement science (Scrimnger-Christian & Musvoto, 2011). Followers of this view believe measurement in accounting

is developed based on the arbitrarily whim of the current rule makers (Scrimnger-Christian & Musvoto, 2011).

The second view of accounting measurement theory is that accounting measurement can only be defined in terms of philosophical constructs (Scrimnger-Christian & Musvoto, 2011). This view of accounting measurement theory is based on a foundation that requires acceptance of the following two premises; (a) economic reality cannot be measured in every situation and (b) different people perceive economic reality differently (Wolk, Tierney, & Dodd, 2001). The second view of accounting measurement theory is supported by Williams and Ravenscroft (2015). Williams and Ravenscroft (2015) believed that because human beings do not always behave rationally, and there is no true meaning of the term economic reality, the phenomena of measurement in accounting should be defined using philosophical constructs of measurement. Gaffikin (2007) agreed with Williams and Ravenscroft (2015) that accounting measurement can only be defined in terms of philosophical constructs. Gaffikin believed that measurement in accounting should be based on individuals acting in their own self-interest. Singleton-Green (2014) also supported this view of accounting measurement theory. Singleton-Green argued that measurement of transactions form the foundation for financial reporting by an entity, and as such, the measurement of transactions should be based on the enterprise's unique business model.

The third view of accounting measurement theory requires that all transactions meet two criteria (Scrimnger-Christian & Musvoto, 2011). The first criterion is that the measurement of a transaction reflects the economic substance of that transaction (Scrimnger-Christian & Musvoto, 2011). The second criterion is that the measurement

value used, must contain verifiable characteristics (Scrimnger-Christian & Musvoto 2011). This third view of accounting measurement theory is supported by Gao (2013) and requires that all transactions measured using this approach meet two criteria. The first criterion is that the economic substance of the transaction must be considered when accounting measurement theories are applied. The second criterion is that the measurement value used must contain verifiable characteristics.

Closely associated with the debate about whether accounting has a measurement theory, can be called a measurement science, and what the theoretical foundation for measurement in accounting should be; is the debate among accounting scholars about which measurement method, (a) historical cost or (b) fair value, presents the most useful information to users of financial statements (Whittington, 2010). Currently, FASB considers information presented using fair value measurement, to be more relevant to financial statement users, than information presented using historical cost measurement (Williams & Ravenscroft, 2015).

For financial information to achieve this broad objective, it must be both relevant and faithfully represented. Faithfully represented information is expected to contain a measure of preciseness (Downen, 2014). Accounting researchers have defined the term precision by using two categories of attributes (Downen, 2014). In the first category, accounting researchers described the term accounting precision in terms of how the accuracy of measurement is communicated (Downen, 2014). The second category of attributes, used by accounting researchers, describes how the reliability of the information is measured (Downen, 2014). Accordingly, it is reasonable to assume that a business leader of a successful family business will only use financial statements to make

business decisions if it provides information that is relevant and faithfully presented. Otherwise, the business leader of the successful family business will continue to use nonfinancial information to help him or her make both routine and nonroutine business decisions.

There is also debate among accounting scholars about which platform or approach to creating accounting principles and rules should be used (Bradbury & Schroder, 2012). The center of this debate is whether accounting principles and rules should be based on a principles-based platform or a rules-based platform (Bradbury & Schroder, 2012). Historically, GAAP in the United States has been rules-based (Bradbury & Schroder, 2012). This means that the FASB, the creators of GAAP in the United States, have provided detailed rules about when and how a certain standard should be implemented and used (Bradbury & Schroder, 2012). Related to this debate, McCarthy and McCarthy (2014) suggested that under all circumstances, financial statement information is more faithfully represented under a principles-based platform versus a rules-based platform. However, Benston, Bromwich, and Wagenhofer, (2006) argued that a principles-based standard setting platform is incompatible with the current asset/liability model that is being used in conjunction with fair value measurement. Benston et al. (2006) correctly argued that the incompatibility arises from the fact that a principles-based platform to standard setting requires management to make more judgment-based decisions. On the other hand, Musvoto and Gouws (2012) argued that without a theory of meaningful financial information, the current debate about whether a principle-based or a rules-based standard setting platform is best, as well as the argument that financial statement information needs to be relevant to the users, is meaningless. They argued that the

development of a theory of meaningful would provide direction about what is meant by the need for financial statement information to contain scientific content (Musvoto & Gouws, 2012).

In recent years, the FASB has partnered with an international accounting standard setting body called the International Accounting Standards Board (IASB). The FASB and the IASB have agreed to work together to create a set of worldwide accounting standards (Bradbury & Schroder, 2012). The IASB has always taken a principles-based approach to standard setting and the FASB has moved toward this approach to allow for the creation of a set of worldwide accounting standards (Bradbury & Schroder, 2012). A principles-based approach to accounting standard setting, allows the standard setting body to create and implement new accounting standards, in broad theoretical terms, and not identify specific situations to which the standard applies, or specific rules in applying the standard (Bradbury & Schroder, 2012). Again, the quality of accounting professional, along with the associated cost of hiring a higher quality accounting professional, would be higher under a principles-based approach or platform of accounting standards setting, as compared to a rules-based platform or approach to accounting standards setting.

Qualitative Characteristics of Financial Statement Information

The reason the qualitative characteristics that make financial information useful is simply that if business leaders do not find the information in financial statements useful, then they will not use financial statements to make business decisions. Williams and Ravenscroft (2015) argued that if current theories of human decision making, such as cognitive dissonance, are correct, and human beings take into consideration a multitude of variables, some rational and some irrational, then the concept of measuring the

decision usefulness of information, is impossible.

Information contained in financial statements must contain two qualitative characteristics (a) the information contained in the financial statement must be relevant to the user in relation to making the business decision and (b) the information contained in the financial statement must be reliable or faithfully represent what it purports to represent (Okoye & Akenbor, 2014). These two qualitative characteristics are often considered together and the result of the combination of relevant information and faithful representation of information is referred to as the measure of financial information's decision usefulness (Dandago & Hassan, 2013). However, Gao (2013) argued that each qualitative characteristic had traits that opposed each other. For example, the qualitative characteristic of relevant information is really the coefficient of the measurement of the relationship between a transaction's economic substance and its observable characteristics (Gao, 2013). Gao added that the accuracy of the measurement of a transaction's economic substance is in conflict with the ability to accurately measure its observable characteristics. Gao argued that the accuracy of a transaction's reliability measurement is dependent on human interpretation of accounting rules.

The next important debate surrounding the concept of measurement in accounting is whether fair value or historical cost provides (a) a better measurement of accounting information and (b) more useful information to the financial statement user (Whittington, 2010). Leggett, et al. (2015) suggested that the increased use of fair value measurement concepts by the Financial Accounting Standards Board will increase the frequency that financial statement preparers will need to make subjective decisions and result in less faithful representation, (in terms of neutrality) of financial statement information.

Singleton-Green (2014) theorized that market value or fair value can only be used to measure transactions when the enterprise interacts with external markets. Singleton-Green argued that historical cost must be used to measure transactions, when real transactions, supported by the arm length agreement rule are undertaken by the enterprise, as part of the enterprise's business model. In addition, Singleton-Green supported the belief that the enterprise's business model should determine practice.

The Use of Nonfinancial Information

Even though financial factors have had some success as historical indicators of organizational failure (Purves, Niblock, & Sloan, 2015). There has been growing emphasis on exploring the nonfinancial factors that determine the likelihood of firm survival (Purves et al., 2015). A number of studies have found that a combination of nonfinancial and financial factors may lead to an improved predictor of success or failure (Purves et al., 2015). For family businesses to enjoy long-term business viability and success, it is necessary for owner-managers and their family collaborators to commit to developing adequate knowledge of these financial issues (Dickins, Gibson, Harris, & McDowell, 2016). While many family business owners acknowledge shortcomings in terms of understanding finance and accounting matters, they typically do not perceive these to be as important as other functions of the business such as the operations and marketing functions (Dickins et al., (2016).

The research by Dickins et al., (2016) provided initial empirical evidence about the level of knowledge of family business owners in five areas of finance and accounting. The five areas that were used in their research were (a) cost of capital (b) financial statements (c) fiscal failure (d) tax implications of transferring business ownership and

(e) business valuation (Dickins et al., 2016). Dickins et al., (2016) believed that by testing the finance and accounting knowledge of a sample of family business owners, their study provides evidence of a meaningful gap in what owners know-compared to what they should know. The test used by Dickins et al., (2016) contained one question that specifically addressed the respondent's knowledge of financial statements. The question asked respondents to identify the income statement as the document in a set of financial statements that conveyed information about the profitability of the firm (Dickins et al., 2016). Dickins et al. (2016) found that 52% of the participants correctly identified the income statement. Responses were uncorrelated with the business's size. This is a positive finding, but it also suggests that nearly half of family business owners do not know the information relayed by an income statement. This finding is also consistent with the reports of other researchers who found that small business owners generally do not use formal accounting reports, and instead place a greater emphasis on cash-on-hand.

The combined findings by Milost (2013) and Altman et al. (2010) contribute important information about the use of nonfinancial information as an effective tool to help business managers make routine and nonroutine decisions. First of all, Milost (2013) concentrated on two important aspects related to this study (a) Can nonfinancial performance measures (NFPM) replace financial performance measures (FPM) as a tool used to help business leaders manage a firm and (b) Do NFPM have any value as a tool for business leaders to use to manage their firms. Milost (2013) concluded that since NFPM cannot predict the present value of economic benefit that will be gained in the future, NFPM cannot replace FPM as a tool used by business leaders to make business decisions. This is an important finding to this study because the fact that NFPM,

essentially nonfinancial information, cannot replace FPM, essentially financial statements, means that family business leaders either (a) need to be persuaded to use financial statements to make routine and nonroutine business decisions or (b) a new financial statement format needs to be designed that will be acceptable to business leaders of family business, as well as academics and business and accounting professionals. Milost (2013) also found that NFPMs are a useful tool to supplement FPMs to enable family business leaders to make more effective routine and nonroutine decisions. Alternatively, Altman et al. (2010) findings show that the preparation of formal financial statements is not necessary and that limited scope financial statements, such as preparing only a balance sheet and a limited income statement, can provide enough information to enable a family business leader to make effective routine and nonroutine decisions.

Personality Traits and Decision Making

In this section, an analysis of the relationship between an individual's personality traits and the process that individual uses to make decisions was provided. An exploration into this relationship was important to this study because the individual personality traits of an individual have been shown to affect the type of information that person prefers (Neuert, & Hoeckel, 2013). Therefore, it was logical to consider that there could be a relationship between the personality traits of an individual leader of a successful family business and the type of nonfinancial information that leader uses to make routine and nonroutine decisions. The first part of this section presented a discussion about the different theories used to describe the term personality. The second section presented a discussion about the most commonly used framework for characterizing an individual's

personality; the Big Five Factor model or (FFM). The next section contained a discussion of the relationship between an individual's personality and that individual's choice of which academic program to study. The final part of this section explored the relationship between an individual's personality traits and the type of information that individual prefers to use when making a decision.

Personality can be defined as a set of stable behaviors and characteristics that do not vary over time (Lakhal, Frenette, Sévigny, & Khechine, 2012). These behaviors and characteristics make an individual singular, unique and predisposes them to act in a more or less coherent manner within various situations (Lakhal et al., 2012). Other researchers have defined human personality as a person's characteristics that account for consistent patterns of feelings, thinking and behaviors (Lakhal et al., 2012). Some researchers believe an individual's set of stable behaviors and characteristics can be grouped into traits and these various trait groups constitute the components that make-up the basis of what is commonly referred to as individual's personality (Lakhal et al., 2012). A trait describes and characterizes a person's behaviors (Lakhal et al., 2012). The degree in which an individual trait affects an individual's behavior varies and is based on the degree in which the individual possesses that trait (Lakhal et al., 2012). Adjectives are often used to describe an individual's behavior: such as timid, introverted, or selfish (Lakhal et al., 2012).

The designers of the Big Five Factor (FFM) model used five factors to describe an individual's personality (Lakhal et al., 2012). The FFM has been used and validated in the scientific literature (Lakhal et al., 2012). Oltmanns and Widiger (2016) described the FFM as an "integrative personality structure that accommodates scales from alternative

dimensional models which provides a cohesive nomenclature for personality trait research” (p. 423). The FFM is thought to be a universal theory and is often placed in the same category of importance as Sigmund Freud’s theories (Primi et al., 2014). According to the FFM, personality can be defined by five factors and these factors can each be defined by six groups of inter-correlated traits called facets (Lakhal et al., 2012). The five factors that construct the FFM are (a) neuroticism or emotional instability, (b) extraversion (c) openness to experience (d) agreeableness and (e) conscientiousness (Lakhal et al., 2012). The six inter-correlated traits or facets that form the neurotics or emotional stability factor are anxiety, anger, depression, self-consciousness, impulsiveness and vulnerability (Lakhal et al., 2012). The six inter-correlated traits or facets that form the basis for the other five factors are (a) for extroversion; warmth, gregariousness, assertiveness, activity, excitement seeking and positive emotions (b) openness to experience; fantasy, aesthetics, feelings, actions, ideas and values (c) agreeableness; straightforwardness, altruism, trust, compliance, modesty and tender-mindedness (d) conscientiousness; competence, order, dutifulness, achievement-striving, self-discipline and deliberation (Lakhal et al., 2012).

McCrae and Costa developed an alternative Five Factor Model (FFM-A) that is considered more comprehensive than the original model (Singh & Kumar, 2016). McCrae and Costa used a hierarchy that was based on empirical generalizations in their model (Singh & Kumar, 2016). McCrae and Costa used the same five broad dimensions of personality; (a) neuroticism (b) extroversion (c) openness to experience (d) agreeableness and (e) conscientiousness as the original FFM (Singh & Kumar, 2016). Research has indicated that these five broad dimensions of personality are biologically

rooted and their structures are inheritable (Singh & Kumar, 2016). Singh and Kumar (2016) examined the correlation between the five factors of the FFM and the personality traits of Indian university students. They used two standard tools used to measure personality (Singh & Kumar, 2016). The NEO Five Factor Inventory (NEO-FFI) is a tool that measures five dimensions of personality (Singh & Kumar, 2016). The specific version of the NEO-FFI used by Singh and Kumar measured 60 individual personality items. Singh and Kumar (2016) also used the Zuckerman-Kuhlman Personality Questionnaire (ZK). The ZK consists of five content scales and one validity scale (Singh & Kumar, 2016). The ZK also includes 99 dichotomous items that assess the five dimensions of personality (Singh & Kumar, 2016). Singh and Kumar (2016) reported a strong correlation between the findings on both the NEO-FFI and the ZK and the FFM.

However, Franic, Borsboom, Dolan, and Boomsma, (2014) argued that the FFM is a statistical construct. They constructed an experiment to test whether the five factors of the FFM model really caused human behavior (Franic et al., 2014). Franic et al. (2014) believed that if the five factors of the FFM really caused human behavior, by mediating genetic effects, then the results of their analysis should fit the findings of the Common Pathways Model (CPM) and the Independent Pathways Model (IPM) (Franc et al., 2014). The CPM, also known as the psychometric factor model, the influence of certain variables on the item's responses are mediated by a latent variable, referred to as psychometric factor (Franc et al., 2014). In the independent pathway model, there is no phenotypic latent variable that mediates genetic and environmental effects on the item responses (Franc et al., 2014). Franc et al. (2014) provided three possible alternative explanations as to reasons their findings may not be valid. The first explanation is that

even though there may be flaws in FFM, it does provide a reasonable approximation (Franc et al., 2014). The other two explanations provided by Franc et al. (2014) were (a) that even though they used a highly-relaxed version of the FFM, the two models they used embodied auxiliary hypotheses that may not be true and (b) their findings were the result of chance.

Researchers have also broken college academic majors into two distinct groups: thing-oriented and person-oriented (Lakhal et al., 2012). An academic major is defined as the part of a program that relate a set of specific objectives to a specific specialized field (Lakhal et al., 2012). Thing-oriented majors, include majors where courses and learning activities focus on physical objects, numeric data, procedures and sequential representations; such as accounting, finance, and operations management (Lakhal et al., 2012). Whereas, person-oriented, encompasses majors where course content and learning activities are oriented toward people and human relationships; such as management, human resources management, marketing, and management information systems (Lakhal et al., 2012).

Lakhal et al. (2012) found a positive relationship between a person's total individual scores on the five factors identified in the FFM and a college student's choice of a type of major: thing oriented major or people oriented major. There could also be a positive relationship between a successful family business leader's total scores on the five factors identified in the FFM and the type of nonfinancial information that person uses to make routine and nonroutine business decisions. Wille and DeFruyt (2014) examined study participants over a substantial part of their career and found that study participants scores on the FFM did not change over a 15-year period.

Holland's Vocational Preference Inventory (VPI) is based on his theory that people will show varied interests and preference for (a) things or people and (b) ideas or facts based on their personality type and the hypothesis states that people will be satisfied and successful if they find job positions that match their personality (Zaharie, Osoian, & Beleiu, 2014). Holland's theory is considered to be one of the most influential models in career management (Zaharie et al., 2014). Holland's theory states that (a) individuals can be classified into one of six personality types based solely on their interests (b) individuals will seek work environments for themselves that allow them to express their individual vocational personality and (c) an individual's vocational behavior is the result of the interaction between the type of personality the individual possesses and their environment (Zaharie et al., 2014). Holland identified six pure types of vocational personalities and arranged those six types of vocational personalities into a hexagonal shaped model (Zaharie et al., 2014). Holland's hexagonal shaped model showed vocational personality types that shared a higher degree of similarity closer together and those that were less similar further apart (Zaharie et al., 2014). The six types of vocational personalities identified by Holland are described as: (a) realistic (b) investigative (c) artistic (d) social (e) entrepreneurial (f) conventional (Zaharie et al., 2014). Each of the six types of personality traits are measured in concise concrete terms (Zaharie et al., 2014).

According to Wille and DeFruyt (2014), in the realistic (R) environment, the focus is on manipulating things; these can be machines, plants, or animals. This environment fosters technical competencies and achievements and encourages workers to see the world in simple, tangible, and traditional terms. However other researchers

believe that people who score high on the realistic type vocational personality type are believed to value practical things and have a preference to working with equipment, machines, or animals (Zaharie et al., 2014).

The vocational personality trait described as sociability has been described in different ways by different researchers. For example, one researcher measured sociability by (a) the number of friends a person has (b) the amount of time spent with friends (c) the level of outgoingness a person has, (d) a person's preference for social activities and (e) a person's tolerance for social isolation (Rajasekhar & Vijayasree, 2012). People who have a social vocational personality type tend to like to help people, communicate well and have strong interpersonal (Zaharie et al., 2014). However, The Social (S) environments, as described by Wille and DeFruyt (2014), is focused on dealing with other people in order to cure, develop, or inform them. This environment fosters social competencies and encourages people to see the world in flexible ways. Researchers have also found a strong relationship between the size of the part of the brain known as the Amygdala and a person's sociability measurement (Rajasekhar & Vijayasree, 2012).

Those individuals that scored high on the investigative vocational personality type are believed to value research and to seek new information in varied fields (Zaharie et al., 2014). However according to Wille and DeFruyt (2014), investigative (I) environments are dominated by environmental demands and opportunities that entail observation and creative investigation of physical, biological, or cultural phenomena. This environment fosters scientific competencies and achievements and encourages workers to see the world in complex, abstract, and original ways. Those individuals that score on the artistic vocational personality type are believed to have a preference for creative activities which

allow originality and self-expression (Zaharie et al., 2014). The artistic (A), according to Wille and DeFruyt (2014), work in an environment that is dominated by demands and opportunities that entail ambiguous, free, un-systematized activities and competencies to create art forms or products. Artistic competencies and achievements are stimulated, and workers in these environments are encouraged to see the world in complex, independent, and unconventional ways (Wille & DeFruyt, 2014).

Those individuals that scored highest in Holland's entrepreneurial vocational profile have a preference for activities which allow initiative, self-coordination, and independence (Zaharie et al., 2014). Wille and DeFruyt (2014), claimed that workers in enterprising (E) environments are required to persuade and/or manipulate others in order to attain organizational or self-interest goals. This environment fosters enterprising competencies and achievements, and workers are encouraged to see the world in terms of power, status, and responsibility. Finally, those individuals that have a conventional vocational personality type have a preference to work with numbers, records, and likes systematic activities, order and to follow a set plan (Zaharie et al., 2014). The Conventional (C) work environment are demands and opportunities that entail the explicit, ordered, systematic manipulation of data such as keeping records, reproducing materials, organizing data, and operating business and data processing equipment (Wille & DeFruyt, 2014). This environment fosters conventional competencies and achievements, and workers are encouraged to see the world in conventional, stereotyped, and constricted ways (Wille & DeFruyt, 2014).

Two important studies have related personality and vocational interest. This first study divided students up by academic major, management and finance, and used

Holland's (VPI) to measure a student's extroversion levels (Zaharie et al., 2014). The second study reported significant differences between student groups in accounting, management information systems, and marketing on the Reserved/Outgoing, Reserved/Venturesome, and Restrained/Enthusiastic factors (Lakhal et al., 2012). In this study, accounting students were found to be more reserved and more restrictive than students in either of the other two groups (Lakhal et al., 2012). This study used Cottrell's model of personality and found significant differences between the personality traits of students majoring in each of these academic programs on eight of Cottrell's sixteen personality factors (Lakhal et al., 2012). The eight Cottrell personality factors were (a) reserved/outgoing (b) focused/creative (c) affected by feelings/emotionally stable (d) restrained/enthusiastic (e) expedient/conscientious (f) reserved/venturesome (g) relaxed/tense and (h) practical/imaginative (Lakhal et al., 2012). In addition, Wille and DeFruyt (2014) also found that individuals higher on openness to experience were less likely to select vocations that were considered conventional, and these conventional characteristics in turn amplified the normative decreases in openness to experience. This effect is entirely in line with Holland's suggested secondary effects: People select certain environmental characteristics on the basis of certain personality characteristics and then change under the influence of those same environmental characteristics in a way to further deepen these initial personality traits.

According to Primi, Ferreira-Rodrigues, and de Francisco Carvalho (2014), Cattell was one of the most important theorists in the area of personality; is listed among the top 20 greatest psychologists of the twentieth century and his theory is considered one of the precursors of the current model of the FFM. Cattell believed that personality is

defined by the manner in which human beings behave in a certain situation (Primi, Ferreira-Rodrigues, & de Francisco Carvalho, 2014). From this perspective, Cattell believed that (a) it is possible to infer personality traits based on a set of behaviors and (b) it is possible to predict how a person would behave in a certain situation by having information about their personality traits (Primi et al., 2014). Based on this belief, Cattell sought to identify the basic global factors of personality in a multivariate approach of traits or factors. Cattell identified 171 personality descriptors which were then used to describe a person's personality in empirical studies involving factor analysis (Primi et al., 2014). A third study found that marketing students place greater emphasis on verbal interaction with others and that accounting and finance students have little interest in both interpersonal relationships or working in teams (Lakhal et al., 2012).

In conclusion, there seems to be a strong relationship between the five factors of the FFM and a person's desire for a people-oriented environment or an object-oriented environment. It is interesting to note that the content of the coursework in a people-oriented academic program, such as marketing, can probably be described as less theoretical and less detailed than the content of the coursework in an object-oriented academic program such as accounting. As such it can be argued that a person with a preference for a people-oriented environment may desire information that is less theoretical based and less detailed than a person with a preference for an object-oriented environment. It is also interesting to note which of the five factors of the FFM, researchers found strong relationships between and a person's preference for a people-oriented environment or an object-oriented environment. Two of the three factors, (a) openness to experience and (b) conscientiousness, can be viewed through a lens that is

based on a preference for a type of information a person's score on these factors would indicate. For example, a high score on the conscientious factor might indicate that a person has more of a preference for information that is very detailed and very theoretical based than someone who scored lower on the conscientious factor. Also, a higher score on the openness to experience factor may indicate that a person has a strong desire to learn and thus may also have a preference for more detailed and more theoretical based information that they use as a tool to satisfy their desire to learn new things. Thus, there may be a way to classify the type of nonfinancial information successful family business leaders use to make routine and nonroutine decisions based on either their total score on all five factors of the FFM or their scores on the three factors; (a) agreeableness (b) openness to experiences and (c) conscientiousness.

Human Financial Decision-Making Process

Good decision-making is traditionally equated with analytic reasoning which result in decisions that predict some future reality (Thoma, White, Panigrahi, Strowger, & Anderson, 2015). Good decision-making is contrasted with a person's use of heuristics: simple decision rules or mental shortcuts that (a) reduce the complexity of making judgments between alternative choices (b) create systematic biases away from normative decision outcomes and (c) may be a result of adoptions to natural and social environments (Thoma et al., 2015). Heuristics is often referred to in layman's term as gut feelings. People often refer to their gut feeling when making decisions. Intuition or gut feeling is often thought to be a mental process that leads to decisions that are made with no awareness of the rules or knowledge used for inference and can feel right despite one's inability to articulate a reason (Thoma et al., 2015). Researchers believe that

heuristic decision-making regarding the possibility of certain events occurring is influenced by (a) how easily similar decisions are retrieved from memory and (b) a persons' willingness to be influenced by arbitrary unrelated variables (Thoma et al., 2015).

However, other researchers have shown that the use of an individual's gut feeling is an important tool in the decision-making process. For example, to measure the importance of gut feeling or heuristic thinking in decision making, researchers constructed an explanation as to why it is important for general practitioners (GP) of medicine to take their gut feelings seriously when diagnosing a patient's health problem and even suggested that when GPs feel that sense of alarm, commonly referred to as gut feeling, they should slow down and switch to an approach of patient diagnoses that is based more on analytical reasoning (Stolper et al., 2011). Additionally, qualitative study showed that certain gut feelings play a substantial role in family physician's diagnostic reasoning (Stolper et al., 2013). Another study, using a validated questionnaire, showed that a family physician's diagnostic gut feelings are measurable (Stolper et al., 2013).

García (2013) applied the theory of cognitive dissonance as a way to measure the importance of gut feeling or intuition on the way people make decisions. The theory of cognitive dissonance is an attempt by researchers to explain the phenomenon that individuals tend to acquire or consider information that reinforces or coincides with their preferences and hypotheses and ignore information that conflicts with their particular preferences or hypotheses (Garcia, 2013). The theory of cognitive dissonance focuses on how people reduce tension when given information that conflicts with their beliefs, attitudes or actions (Garcia, 2013). The basis for the theory of cognitive dissonance is that

inconsistent cognitions create a negative state of arousal which in turn creates a need to reduce the underlying inconsistency which produced the original negative state of arousal (Gawronski, 2012). The underlining foundation built into the theory of cognitive dissonance is that cognitive dissonance is as basic a psychological need as is hunger and thirst (Gawronski, 2012).

An exploration into how the theory of cognitive dissonance affects the nonfinancial information business leaders of successful family businesses use to make routine and nonroutine decisions was an important part of research designed to explore what nonfinancial information the business leaders of successful family businesses use to make routine and nonroutine decisions. The reason the theory of cognitive dissonance was important to this study was based on a belief that to some degree a decision by the leader of a successful family business to use some specific piece of nonfinancial information is driven by a need to reinforce a particular preference or belief. Recently researchers have expanded the theory of cognitive dissonance to include the concept of fluency in the human decision-making process. The concept of fluency describes the negative or positive cognitive feeling that arises during the processing of information (Gawronski, 2012). The major difference between cognitive dissonance and fluency is the cognitive dissonance refers to the content of the information (Gawronski, 2012). Whereas fluency relates to the ease in which the individual can process information (Gawronski, 2012). The combined construct of cognitive dissonance with the concept of fluency would postulate that the business leader of a successful family business would only select nonfinancial information to use in decision-making that they can process or

understand. may also influence the decision by the leader of a successful family businesses' decision to use a specific piece of nonfinancial information.

In support of the theory that people use both heuristic thinking and analytical reasoning to make decisions, the dual systems framework was formulated. The dual system framework is built on the foundation that people use both heuristic thinking and analytical reasoning to make decisions. The dual systems framework, is a popular framework used in the judgment and decision-making literature that, has provided evidence that human reasoning and decision-making are the product of two cognitive systems (Thoma et al., 2015). The basis for the dual systems framework is the theory that human beings have two distinct types of information processing systems called type 1 and type 2 (Thoma et al., 2015). The type 1 human information processing system can be described as a heuristic-based, fast, effort-free collection of autonomous processes that give rise to intuitive judgments resulting in decision biases that result in outcomes that are either suboptimal or wrong compared to normative standards (Thoma et al., 2015). Whereas the type 2 human information processing system can be described as a slow, effortful, deliberative process based on rule-based reasoning that conforms to accepted notions of normative rationality-based thinking (Thoma et al., 2015). The type 2 human information processing system is believed to be more reflective, primarily verbal and based on conscience processing and has the ability to override or intervene on the automatic responses of the type 1 system; thereby sometimes guarding against human decision-making that is based on heuristics (Thoma et al., 2015).

In support of the dual systems framework, the Cognitive Reflection Test (CRT) was designed to measure the ability of an individual's type 2 information processing

system to override the intuitive type 1 information processing system responses and make the individual engage in more analytical thinking (Thoma et al., 2015). Researchers believe that the ability to switch to a more analytical thinking approach results in less biased-based thinking and more normative responses. The CRT has been found to be able to predict an individual's performance on heuristic and biased-based tasks after other measures of individual differences had been accounted for (Thoma et al., 2015). An individual's CRT score has also successfully predicted that person's ability to extend gratification needs and control normative responses to risky choice options (Thoma et al., 2015). Thoma et al. successfully showed that individuals who are considered financial experts, such as traders, rely on the type 2 human information processing system and as a result score higher on the CRT. A higher score on the CRT is believed to indicate that the expert engages the type 2 human information processing system and thus is less reliant on heuristic thinking. There may be a relationship between the ability of a successful family business leader to override their natural tendency to engage in heuristic thinking, that is to engage in analytical thinking as measured by their CRT score, and the type of nonfinancial information that successful business leader uses to make both routine and nonroutine decisions.

Malakooti (2012) developed a model to show the process that human's use to make decisions. The model developed by Malakooti (2012) identified four dimensions or steps that human's use to process information and make decisions. In Malakooti's (2012) model each of the four dimensions is defined by two opposing personality types. Whereas the score on the unmeasured type would be the result of the score on the measured force being subtracted from one-hundred (Malakooti, 2012). So according to Malakooti (2012),

every human being has one dominant personality type and one secondary personality type in all four steps of the decision-making process. The four dimensions to Malakooti's model are called (a) information processing (b) alternative generation (c) alternative evaluation and (d) decision closure. For information processing the two opposing types are concrete and abstract (Malakooti, 2012). The two opposing types for each of the three other dimensions are (a) for alternative generation; adaptive and constructive (b) for alternative evaluation; moderate and bold and (c) for decision closure; organized and flexible (Malakooti, 2012).

Carter (2013) examined the effect of the decision-makers level of decision-making skill, whether they are a novice decision-maker or an expert decision-maker, on the individual's decision-making process. Carter (2013) believed that the development of expertise is a dynamic process where the expert continually refines their expertise and adapts known facts to new decision-making situations. Carter (2013) also believed that the core of what is termed expertise is the ability of the expert to structure knowledge or information about a specific decision situation. Carter (2013) developed a star shaped decision-making model that contained seven parts; (a) opportunity, (b) goals, (c) decision of participants in the decision-making process, (d) framing, (e) evaluation of alternatives, (f) making the decision and (g) learning. The first part, opportunity, starts the decision-making process by identifying a gap between reality and the desired state (Carter, 2013). The framing of the decision is one of the most critical parts; framing involves developing a mental structure that simplifies our understanding of the decision needed to be made (Carter, 2013). Researchers have argued that the quality of the final decision depends on how the situation is framed (Carter, 2013). The ability to frame or structure knowledge or

information to a specific decision situation and continually refine the relationship between known knowledge or information and the specific decision situation is the process expert decision makers use to make decisions (Carter, 2013).

The Importance of Entrepreneurial Competency in the Success of a Family Business

The family business leader is an entrepreneur and as with all entrepreneurs they must possess the skills and characteristics that belong to all successful entrepreneurs. Some researchers believe that an entrepreneur needs to possess competencies in specific areas to support a high-level performance of the organization in the market place (Minello, Alves Scherer, & da Costa Alves, 2014). Entrepreneurs have been described as individuals who aligns experience to knowledge, seeking to optimize resources in order to change or innovate, accepting the consequences of their actions and taking the necessary risks (Minello et al., 2014). Entrepreneurs have also been described as individuals that posse some specific features which define them (Minello et al., 2014). According to Jena and Sahoo (2014), the term competencies refers to those characteristics of an individual such as knowledge, skills, aspects of self-image, social motives, feeling and acting which are demonstrated by an individual during interpersonal activities to achieve the desired performance goal within an organization. Research has shown that there are a few leadership competencies such as; developing others, problem solving, decision-making, strategic-thinking, team leadership, the ability to influence others and conflict management skills that are mandatory for an individual leader to have to be an effective leader of any organization (Jena, & Sahoo, 2014). Jena and Shoo (2014) also believe that leadership competencies are essential for managers as they need to confront crucial real time issues frequently as well as come up with best solutions in

limited time frame. Jena and Sahoo (2014) argued that there is a positive relationship between the knowledge base of the executives of a firm and the firm's ability to compete in the marketplace effectively.

Other researchers have identified two specific competencies, that they believe, best relate to the achievement of high performance in the marketplace (Minello et al., 2014). Those two competencies are personal intelligence and personality (Minello et al., 2014). They argue that the relationship between firm performance and those two competencies points out the influence of behavioral aspects of entrepreneurs on business failure or success (Minello et al., 2014). Barazandeh, Parvizian, Alizadeh, and Khosravi, (2015) also found a strong performance relationship between entrepreneurial competencies and business. Barazandeh et al., (2015) defined competencies in terms of entrepreneurial personality and business skill. They also found that skill is one of the two main competencies that positively impact business performance. However according to, Barazandeh et al., (2015) entrepreneurial skills are acquisitive and therefore are learnable and changeable. Other researchers believe the most important competencies in determining entrepreneurial success are the ability to know; (a) to act and to know to communicate (b) when to mobilize resources (c) when to engage, compromise, and take responsibility for one's actions, (d) to always learn and (e) to always have a strategic view (Minello et al., 2014).

The *know to act and the know to communicate competency* is important when the entrepreneur needs to execute a specific action in order to develop a qualified activity (Minello et al., 2014). In their research on the relationship between the level of skill in each of the competencies identified above and business failure, Minello et al. found that

the interviewed entrepreneurs revealed moments when they needed to act based on this competency. During business failures, these actions were exemplified by one entrepreneur who seemed to have tried to use his skills in this competency at the right time to avoid or minimize failure. However, the entrepreneur realized he did not possess skill in this competency and as a result of his lack of skill in this area the business failed (Minello et al., 2014).

The *know when to mobilize resources competency* requires the entrepreneur to always be mobilizing resources in order to be in a position to take advantage of opportunities and in cases where they have to fight an unforeseen situation (Minello et al., 2014). This competency requires the entrepreneur to be able to (a) mobilize resources, (b) integrate and transfer knowledge, resources and skills as needed (Minello et al., 2014). The *when to engage, compromise, and take responsibility for one's actions competency* requires the entrepreneur to take responsibility for their action and be able to admit failures, as well as share success (Minello et al., 2014). Responsibility emerges as a competency where the entrepreneur is responsible for his actions and the consequences of his actions (Minello et al., 2014). The last two competencies, *the need to always learn and to always have a strategic view*, require that the entrepreneur must have the capability to identify scenarios which relate to organizational goals, identifying opportunities, and by means of his vision, to change them into positive situations for the organization (Minello et al., 2014). According to Minelli et al. (2014), this competency can be apparent in the time period before business failure, but often times, the entrepreneur does not notice the signal and therefore does not engage this competency to fend off business failure.

Leadership in Family Business

Multi-generational survival rate for family owned businesses are not good (Miller, 2014). Often, the reasons cited for this bleak outlook related to successful transition from one generation of family ownership to the next are (a) lack of a shared vision for the family enterprise, and (b) weak next-generation leadership (Miller, 2014). Leadership and family business literature suggests that a true shared vision drives strategy, gives meaning to work, and creates commitment at all levels of an organization (Miller, 2014). A shared vision is particularly important in family businesses as research shows that without commitment to a shared vision the likelihood of the business continuing wanes (Miller, 2014). The ability to articulate and inspire commitment to a shared vision is often cited as a key characteristic of effective leaders (Miller, 2014). Miller (2014) demonstrated that a shared vision for the family business has a strong effect on the leadership effectiveness of next generation family leaders and a moderate effect on the degree to which they are positively engaged with their work. Miller (2014) also showed that two dimensions of family climate significantly influence the likelihood that a shared vision for the family firm has been created.

A manager may be a boss but not necessarily a leader (Indermun, 2013).

Leadership can be defined as the ability of superiors to direct, guide, and motivate people towards the attainment of a given specific set of goals for an organization (Indermun, 2013). Most organizational theorists agree that effective leadership is one of the most important contributors to overall organizational success (Indermun, 2013). Therefore, the quality of an organization's leadership determines the quality of the organization itself (Indermun, 2013). Leadership is comprised of many elements; (a) power, (b) influence,

and (c) acceptance of performance. Leadership leads to authority, which is the right of a leader to give orders and to demand action from subordinates (Indermun, 2013). Power refers to the ability of a leader to influence the behavior of others without necessarily using this authority and, influence is the ability to apply authority and power in such a way that followers will act (Indermun, 2013).

Landis, Hill, and Harvey (2014) synthesized current theories on leadership and leadership style. They subscribe to the leader-role theory which postulates that situations and individual personal traits combine or interact in such a way as to bring about the emergence of a leader and that there is a strong relationship between an individuals' leadership style and the leadership theory that individual ascribes to (Landis et al., 2014). In a study designed to explore what nonfinancial information the business leader of a successful family business uses to make routine and nonroutine decisions leadership style and the leadership theory a leader ascribes to is important because essentially that person is ultimately a leader of an organization. Abatecola et al. (2013) studied the effect of the individual personalities of the CEO and other members of the top management team (TMT) on (a) the individual decisions made by team members and (b) the decision-making process of the organization. Abatecola, Mandarelli, and Poggesi (2013) described membership in the TMT as any manager who has strategic responsibilities within the firm. Specifically, by using the same Big Five Factor Model of personality (FFM) that Lakhal et al. (2012) used, Abatecola et al. (2013) found some possible association between a CEO's combined ratings in the following four traits and firm performance; (a) emotional stability rating (b) extroversion (c) consciousness with bureaucratization (d) strategic proactivity. Finally, Abatecola et al. (2013) found a strong relationship between

the CEO's personality traits and firm performance

Hamrick and Mason (1984) developed a theoretical framework in which they believed that organizations become a reflection of their top executives. Opong (2014) concluded that members of the TMT influenced the firm's management practices through a three-step process; (a) attraction (b) introduction and (c) use. According to Opong (2014), attraction refers to how attractive or preferable a specific set of management practices are to an individual CEO based on their individual personality traits. Then introduction or adoption refers to how and what parts of each specific management practice preferable to the CEO are introduced into the firm. Finally, use refers to how these management practices are used within the firm again based on the wants and needs of the individual CEO which are again driven by specific personality traits of the same CEO.

One such management practice would have to be whether the TMT uses financial statements to help in making routine and nonroutine decisions. Combining Hamrick and Mason's (1984) theory that organizations become a reflection of their top management team with Opong's (2014) theory that the TMT influence the firm's management practices through a three-step process. Then both the decision about what type of information to use to make routine and nonroutine decisions and the ultimate decision to use financial statements as a tool to manage the business is ultimately made by the Chief Executive Officer (CEO) and is driven by other members of the CEO's TMT. It may be that both the educational background and the personality traits of the CEO and their TMT influence the type of information the CEO and their TMT use to make routine and nonroutine decisions. The educational background and personality traits may also

influence the decision of the TMT to use financial statements as a tool to make business decisions. It may also be that the addition of a single individual, who graduated from a business program, to the TMT may be able to change the type of information the CEO and their TMT use to make routine and nonroutine business decisions using the three-step process theorized by Oppong (2014). Also, the addition of this same individual may persuade the other members of the TMT to start using financial statements as a tool to make routine and nonroutine decisions in a positive way through the same three-step process theorized by Oppong (2014). Also, the findings of Altman, et al. (2010) that SMEs business leaders that did not use financial statements to make business decisions were more likely to have their SMEs fail than those SMEs business leaders that did use financial statements to make business decisions. However, Altman et al.'s (2010) findings contradicts Gedajlovic et al.'s (2012) findings that provided evidence that financial statements may not automatically increase the effectiveness of business leader decision making. The first step in an exploration of all the above possibilities, is an exploration into the type of information the leader of a successful business uses to make routine and nonroutine decisions.

Most family businesses are structured as a non-public firm (NPPF) rather than as public as a public firm (PFF). Therefore, it is easy to assume that as the business grows and a need for additional managers arises, the business leader of a NPPF will look to a family member to fill the new position. It is also possible that the business leader of an NPPF may create a position for a family member. Since the main criteria for adding this person to the TMT is blood and not qualifications, it is entirely possible this person may have little or no formal business education. In this situation, it is highly unlikely that any

changes in management practices would occur. An example of such changes in management practices would be the introduction of the use of financial statements as a tool to make routine and nonroutine business decisions.

Whereas because of outside influence, the business leader of a PFF would have difficulty bringing an under qualified individual into top management regardless of their bloodlines. In the situation involving the addition of a manager to a PFF, the new manager would probably have some formal business education. The hiring of an individual manager based on qualifications rather than family ties would indicate that the business leader of a PFF would be more likely to hire a manager with more business education and experience than the business leader of a NPFF. In turn a manager with business education and experience would be more likely to use financial statements to make routine and nonroutine business decisions. An analysis of the changes in management practice that could occur with the addition of the manager to the PFF as compared to the addition of the manager to the NPFF could include any or all of the following results; (a) a change in the type of information used by the TMT to make routine and nonroutine decisions, (b) the introduction to the TMT of the use of financial statements as a tool to make routine and nonroutine decisions, and (c) increase the probability that the NPFF will be successful.

Michel, Picher, and Newness (2014) examined the relationship between work-family linkage and leadership using conservation of resources (COR) theory. COR theory is built upon the idea that individuals manage the acquisition and preservation of personnel and social resources wisely and threats to these resources create stress in the individual (Michel et al., 2014). The two basic assumptions associated to COR theory are

(a) when people deplete personnel resources in dealing with a stressful situation they experience increased levels of psychological stress and (b) that the act of gaining or increasing personal resources is an addictive behavior (Michel et al., 2014). The COR literature has documented that resource acquisition contributes positively to a person's sense of well-being whereas a loss of resources is threatening, stressful, and negatively contributes to a person's sense of well-being (Michel et al., 2014). It is known, that individuals with a positive attitude have relatively more resilience to stress and are, therefore, perhaps more able to acquire other resources to buffer stress associated with work and family than individuals with a less positive attitude (Michel et al., 2014).

Using the above line of reasoning, Michel et al. (2014) proposed and found support for the notion that managers with high negative affect would be more likely to lead in a passive way, in part, due to increased work-family conflict. In their study, Michel et al. (2014) found that leader negative and positive affect were differentially related to leadership, suggesting that leaders can be predisposed to engage in passive and active leadership behaviors. Additionally, Michel et al. (2014) found evidence that suggests an association between dispositional affect and leadership was partially mediated by work-family spillover, where work-family conflict mediated the relationship between negative affect and leadership and work-family enrichment mediated the relationship between positive affect and leadership. Michel et al (2014) contributed to the body of knowledge that revolves around dispositional affect as a predictor of leaders' work-family spillover and leadership. Previous research has shown that dispositional affect influences how individuals interpret life circumstances as well as engaging in certain organizational behaviors (Michel et al., 2014). Finally, Michel et al. (2014)

provided further evidence that dispositional affect may engender internal perceptions of situations as being generally negative or positive which may shape the way people interpret work-family experiences and how the interpretation an individual business leader has of their work-family experiences impacted their leadership behaviors.

Caspersz and Thomas (2015) examined the introduction of the concept of positivity into family business research and examined how interaction between the business leader of a family business and subordinates increases the level of positivity in a family business. According to Caspersz and Thomas (2015) Positivity refers to an affirmative bias or orientation. Specifically, in leadership theory, positivity requires an individual leader to recognize their individual strengths and use these strengths to lead the organization (Caspersz & Thomas, 2015). Caspersz and Thomas (2015) demonstrated that a critical factor that influences the development of positivist in an environment is the type of place that the leadership intervention provided for members to interact with peers, who like themselves, face challenges. Caspersz and Thomas (2015) also found that by using within-group exchanges, members benefitted from authentic, quality advice that was grounded in both relevant business experience and a shared understanding of the influence of the family in leading and managing a family business.

An important feature of family business leadership is its strong dependence on mutual trust between the leader and the family members to avoid conflict (Dede & Ayranci, 2014). Being a member of a family unit involves trusting other family members (Dede & Ayranci, 2014). Non-business leader members of the family unit want to believe that their leader believes in altruism and feels love for both the other family members and people in general (Dede & Ayranci, 2014). Dede and Ayranci (2014) explored individual

leadership traits, such as spirituality and altruism, in relation to the business leader of a family business. Specifically, Dede and Ayranci (2014) tested the claim that the top manager in a family member's perceived levels of altruism and trust among other family members is connected to the level of spirituality the top manager is perceived to possess. They substantiated the research that shows there is a strong relationship between the business leaders' spirituality and the trust they have with subordinates (Dade & Ayranci, 2014). Dede and Ayranci (2014) found that when there was a strong sense of spirituality in a family there was also greater trust in the family business leader.

Predicting Success in Family Business

A review of the literature related to predicting the success of a family businesses was important. It was important because if a strong relationship between the use of financial statements and family businesses success was found. This finding would eliminate any need to study any other ways to predict success for a family business. However, if other methods can be used to predict the success of a family business then a study that explored what nonfinancial information was used by successful family business leaders when making routine and nonroutine decisions would contribute to the body of research related to predicting success in family businesses. According to Gedajlovic et al. (2012) family business research is currently in its adolescence stage of development, including research designed to explore methods to predict family business success, and is just starting to regularly contribute to top-tier management and entrepreneurial journals.

Business success has been defined in many ways (Lee & Marshall, 2013). Family business researchers have used a wide variety of factors to try to explain success (Lee &

Marshall, 2013). Owner characteristics in terms of financial, human, and social capital have been used to explain business performance, success and survival (Lee & Marshall, 2013).

Some researchers noted that several performance, success, or survival models appeared in the literature, and represented both financial and nonfinancial measures of performance (Lee & Marshall, 2013). Some researchers believe that the wide variety of performance measures throughout the literature complicated the direct comparison of results across those studies (Lee & Marshall, 2013). These researchers noted that classifications of performance have ranged from profits to marginal survival to earnings to reaching an economic threshold, often depending on the constructs of the study and the dataset available to the researchers (Lee & Marshall, 2013). Earnings, employment, and growth, when growth is defined as any element of growth (e.g., growth in profit, earnings, number of employees, etc.), have been the most-used performance indicators (Lee & Marshall, 2013).

Over the past two decades, research on business planning has found that developing an overall business plan for small businesses led to better performance (Lee & Marshall, 2013). The research literature revealed a complex association between business planning and business performance (Lee & Marshall, 2013). Researchers believe that business planning research should focus on the type, nature, and extent of business planning (Lee & Marshall, 2013). Researchers have categorized business planning into two groups; formal planning, which involves written plans and non-formal planning which indicates no written plans (Lee & Marshall, 2013). Researchers have found that, in most cases, formal planners outperformed non-formal planners (Lee & Marshall, 2013).

Researchers have also found that the most common concepts about the nature of business planning in the literature were related to the formulation of mission, vision, goals and objectives (Lee & Marshall, 2013). Researchers have found a strong positive relationship between planning (especially non-formal planning) and performance in the meta-analysis they conducted (Lee & Marshall, 2013). However, the previously mentioned studies were not focused on goal orientation as a direct influence on success. These studies focused on how the activities to achieve a business planning goal could lead to success (Lee & Marshall, 2013).

Albuquerque, Filho, Nagano, and Philippsen, (2016) categorized small business failure into two distinct categories. They assigned reasons for business failure directly related to the business leader in the first category and named this category, owner-manager (Albuquerque et al., 2016). The owner-manager category describes the personal factors related with the owner and that directly affect the occurrence of business mortality (Albuquerque et al., 2016). The individual characteristics of the owner-manager, usually called entrepreneur or personal ones are the most widely studied by the authors in the consulted literature among all the factors related to the owner (Albuquerque et al., 2016). They assigned all the other reasons for business failure, both external and internal, into the second category (Albuquerque et al., 2016).

Gedajlovic et al. (2012) found that despite the fact that business leaders of private family firms (PFF) tend to be more risk adverse than business leaders of non-private family firms (NPFF), NPFF do not outperform PFF. Under current theories related to optimization of firm performance, increased risk-taking is expected to increase firm performance. Gedajlovic et al. (2012) theorized that business leaders of PFF benefit from

a reduction in other agency cost that make up for the performance they lose because of their tendency to be risk adverse. In relation to this study, the findings of Gedajlovic et al. (2012) suggests that the equal performance levels of first generation founders of both PFF and NPFF can be explained by the fact there are probably no substantial differences in terms of level of education and business experience between the founder of a NPFF as compared to a founder of a PFF.

Harold-Siow, Gurpreet, and Anwar (2011) developed a model that can be used to predict success or failure in SMEs. Their model is based on the 15 factors that were found to contribute to success in SMEs identified by Lussier (Harold-Siow et al., 2011). In relationship to this study, the most important aspect of the Harold-Siow et al. (2011) model is that all 26 variables are based on nonfinancial information. The 15 success factors identified by Lassiter were also found to be valid after successful testing of the research method in Halabí and Lassiter (2014).

Lee and Marshall, (2013) examined the relationship between the goals that business leaders of family businesses believe are most important and firm profitability. They found that a higher percentage of those business leaders of family businesses that choose firm reputation as the most important goal experienced the highest profit growth for their firm in a three-year period (Lee & Marshall, 2013). A higher percentage of those business leaders that chose profitability and growth as their most important goal also experienced profit growth, but to a lesser degree, for their firms in the same three-year period (Lee & Marshall, 2013). However, a higher percentage of those business leaders that chose viability or financing as their most important goal experienced decreased profits over the same three-year period (Lee & Marshall, 2013). The findings of Lee and

Marshall, (2013) supports other research findings in the areas of goal setting and goal orientation, that the goal a manager selects as most important has a statistically significant effect on firm performance. Goal orientation literature also suggests that when continuous knowledge is required setting a vaguer goal leads to higher performance than setting a more specific goal (Lee & Marshall, 2013). The findings of Lee and Marshall, (2013) suggests that owner motivation should be studied beyond the start-up phase and well into the life of the family business. The findings of Lee and Marshall (2013) also imply that business consultants who work with small business owners need to consider the influence of owners' goal orientation on business performance. Finally, their findings suggest that goal setting and goal orientation are an important part of business planning activities that in the long run set the stage for family business success (Lee & Marshall, 2013).

Summary

This literature review started with a detailed explanation of why business leaders should use formal financial statements to make both routine and nonroutine decisions about their firms. It was noted that the FASB has determined that there are specific qualities that make financial statement information useful. Specifically, the FASB has determined that the information presented in financial statements must be (a) be presented in monetary terms that everyone can understand (historical cost or fair value) and (b) the measurement of the transactions underling the data in financial statements must also have a common meaning to everyone (Downen, 2014). However, as clearly pointed out in this literature review, not all accounting scholars believe that the measurement of transactions in accounting possess a common meaning to everyone. It

was pointed out that there are three schools of thought about a common transaction measurement standard in accounting: (a) accounting does not have a common transaction measurement standard, (b) the transaction measurement standard in accounting is built on some philosophical concept and (c) accounting does have a common transaction measurement standard that is understood by users of financial statement.

The reader of this literature review was then engaged in an analysis of the two qualitative characteristics that make financial statement information useful to the user. The general findings were that the two qualitative characteristics, information presented in financial statements must be both relevant and reliable to be useful, are generally accepted as the two most important qualitative characteristics.

The next section of this literature review contained a detailed presentation of the evidence that clearly shows that nonfinancial information does not provide the user with the necessary information to make informed decisions about the firm and why it is necessary for business leaders to use formal financial statements to make routine and nonroutine decisions. The contents of this section clearly show when information as presented in formal financial statements is used to make routine and nonroutine decisions the business has the best chance of being successful. This study is necessary because many business leaders of family businesses do not understand the importance of the use of formal financial statements as a tool to make informed routine and nonroutine decisions about their firm. As noted, the purpose of this study is to explore what nonfinancial information is used by business leaders of family businesses in place of formal financial statements.

In the next two sections of this literature review, a discussion of human decision making was presented. A discussion about human decision making was included because ultimately this study is about humans making business decisions. An exploration about human decision making is important because the individual personality traits of an individual have been shown to affect the type of information that person prefers. Therefore, it is logical to consider that there could be a relationship between the personality traits of an individual leader of a successful family business and the type of nonfinancial information that leader uses to make routine and nonroutine decisions. In this section, the reader was shown that there are strong relationships between an individual's personality and behavioral traits and the way that person behaves and makes decisions.

The last three sections of this literature review were devoted to a discussion about the current knowledge base on the subject of what characteristics are needed for an entrepreneur to be successful. This section was followed by a discussion about the current research on leadership in family businesses. This section was followed by a discussion about the current body of knowledge on predicting success in family businesses.

Research articles were obtained for use in the following literature review through subject and keyword searches of multiple databases. The databases used most often were the ProQuest database and the EBSCOhost database. Subject search words used against the ProQuest database included; accounting standards: rules or principles, family business, and accounting and qualitative characteristics. Subject search words used against the EBSCOhost database included; accounting: rules based standards or principles based standards. To reduce the search space further, only scholarly, peer-

reviewed articles published within the past five years were included in the final listing of articles.

Each section of the literature review required different keywords or combinations of keywords. For example, the section of this literature review titled qualitative characteristics of financial statement, required keywords such as accounting standards, qualitative characteristics, and accounting standards. Whereas the second section required keywords such as nonfinancial performance measures. The section on personality traits and decision -making required the use of keywords such as big five factor model, personality, and the keyword combination personality and decision-making.

Chapter 3: Research Method

The purpose of this exploratory qualitative multiple case study was to explore what type of information successful family business leaders used to make good business decisions. Specifically, the purpose of this qualitative research was to explore the nature and type of nonfinancial information the business leaders of successful family businesses used on a daily basis to make good routine and nonroutine business decisions in the absence of formal financial statements. As part of this study, consideration of the relationship between the type of information used by a specific study participant and that same study participant's personality needed to be examined because the individual personality traits of an individual have been shown to affect the type of information that person prefers (Neuert, & Hoeckel, 2013). Therefore, it was logical to consider that there could be a relationship between the personality traits of an individual leader of a successful family business and the type of nonfinancial information that leader used to make routine and nonroutine decisions. The purposed study's research design was a multiple case study using a qualitative method. I used a sample of six companies and all six of the cases were bound by four common traits: (a) all six of the cases were family businesses, (b) all six cases met the definition of a successful family business, (c) the manager of the business did not prepare or use formal financial statements as an aid in making business decisions, and (d) all six cases were business's located in Wake county, North Carolina. The reader was oriented to (a) the study's research design, (b) study population and selection of subjects, (c) materials and instruments used in the conduct of the study, (d) the study procedures, (e) data collection and analysis techniques used in the conduct of the study, (f) the assumptions made in the conduct of the study, (g) limitations

considered in the conduct of the study, (h) the delimitations considered in the conduct of the study, and (i) procedures used during the conduct of the study to assure ethical compliance in the chapter on research methods. Chennai (2011) noted that qualitative studies are most likely to be exploratory and naturalistic. As Maxwell (2009) pointed out a qualitative research design is better suited for answering process type research questions as opposed to variance type questions.

The research questions that initiated the study were:

RQ1. What nonfinancial information is used on a daily basis by the business leader of successful family business to make routine business decisions in the absence of formal financial statements?

RQ2. When faced with a nonroutine business decision, what nonfinancial information does the business leader of successful family business use to make that decision in the absence of formal financial statements?

Research Methodology and Design

The purpose of this qualitative multiple case study research was to explore the nature and type of nonfinancial information the business leaders of successful family businesses used on a daily basis to make routine and nonroutine business decisions in the absence of formal financial statements. Qualitative research is simply a research method where the researcher uses the qualitative method to answer the research questions posed by the researcher. As Maxwell (2009) pointed out, the qualitative method is better suited for answering process type research questions as opposed to variance type questions. Maxwell (2009) specified two kinds of research questions that are best answered using the qualitative method (a) questions related to the meaning of events and activities people

are involved in and (b) questions about the influence of the physical and social context on these events and activities.

In this study, the intent was to explore the nonfinancial information used by successful family business leaders' when they are required to make both routine and nonroutine business decisions in the absence of formal financial statements. To rephrase the research questions in Maxwell (2009) terms (a) what activities (collection of nonfinancial information) are the leaders of successful family businesses (people) involved in when they are required to make either routine or nonroutine decisions) and (b) what influences their decision to use this information. Parker (2014) described the aim of the qualitative method as trying to understand the processes that occur inside the black box of organizational, institutional, and strategic implementation practices and routines. This research study is designed to gain an understanding of the process that occurs inside the black box of business leaders of successful family businesses making decisions. This study was designed to explore the black box that answers the question: how did each study participant run a successful family business without using formal financial statements when experts believe this cannot be done. Because of the exploratory nature of the study, thick descriptions better fit to explore a phenomenon (Woodside, 2010). To collect thick descriptions, researchers use semi- structured interviews (Appendix A and Appendix B), focus groups, documents (Appendix C), and observations (Woodside, 2010). Because I interviewed (Appendix A and Appendix B) participants, I did not detach myself from the world as quantitative research suggests. A qualitative research was a better fits for this study.

In the quantitative research method, the researcher assumes there exists a model of reality in which the researcher, as a subjective individual, inhabits a world of three-dimensional objects (Barnham, 2015). The critical aspect of the quantitative method is that the researcher, as a conscious human being, is detached from the world and looks upon it as if from the outside (Barnham, 2015). This act of detaching oneself from the world is what determines the researcher's need to develop a representational account of reality and the pursuit of objectivity that the researcher had encountered earlier (Barnham, 2015). Since the purpose of the study was exploratory, I needed to actively interact with research participants and deeply investigate the problem from the inside rather than from the outside which excludes the quantitative method.

Mixed methods research includes both quantitative research method and qualitative research strategies (Spillman, 2014). Mixed method research combines qualitative and quantitative data collection, data analysis techniques, or both (Spillman, 2014). Comparing qualitative and quantitative data enables the researcher to simultaneously answer confirmatory and exploratory questions, and therefore verify and generate theory at the same time (Spillman, 2014). Since there is little information, about the nature and type of nonfinancial information the business leaders of successful family businesses used on a daily basis to make routine and nonroutine business decisions in the absence of formal financial statements, there was nothing to confirm and thus a large aspect of mixed method research would have added no value to this study.

Other research designs such as phenomenology and ethnography would not have worked as well as case study design. Moustakas (1994a) described phenomenology research in terms of the relationship of knowledge and conscientious. Moustakas (1994a)

also described the science of phenomenology as knowledge based on one's perceptions and lived experience. This study was designed to explore the nonfinancial information used by family business leaders in the context of the relationship between that nonfinancial information and if and how that information is shown on a formal financial statement. Expertise in both financial statement preparation and accounting was required to help guide the study participant in their submission of information for the research. As such, the phenomenology design would not have worked in this study because this study was designed to explore facts and not perceptions of fact. Rosaline (2008) described ethnography as a research design that provides thick descriptions that result from frequently protracted engagement of the researcher in the setting under study. An ethnography design would not have been appropriate because the purpose of this study was to explore the nonfinancial information used by the business leaders of successful family businesses so protracted engagement with study participants was not necessary.

A very important step in the design of a case study is choosing the unit of analysis or case (De Massis & Kotlar, 2014). The unit of analysis in a case study is any phenomenon of some sort occurring in a bounded context (De Massis & Kotlar, 2014). A unit of analysis can be an (a) individual, (b) a group of individuals, (c) a process, (d) a program, or (e) a project within a firm (De Massis & Kotlar, 2014). In this study, the unit of analysis was each individual company. The company includes both the business leader of the company and the documents provided by the company. The reason this unit of analysis was chosen was because this study was designed to explore the phenomenon of how the business leaders of successful businesses are successful despite not using formal financial statements and this phenomenon was explored within the bounded context of

the individual business. I used a sample size of six companies that all had the following four traits: (a) the company was structured as a family business, (b) the company was successful, (c) the manager of the company did not prepare or use formal financial statements as an aid in making business decisions, and (d) the business was located in Wake county, North Carolina.

In this study, data was collected from documents provided by the study participants (Appendix C) and from semi-structured interviews (Appendix A and Appendix B) conducted with each study participant. Before the semi-structured interview (Appendix A and Appendix B), each study participant was asked to provide examples of (a) documents or reports (Appendix C) that he or she used on a regular basis (daily, weekly, or monthly) that provided him or her with information that helped him or her make business decisions and also (b) any documents or reports that he or she used when he or she needed to make business decisions (Appendix C). Examples of documents or reports that were would have been: bank statements, cash collection reports, daily sales data from any source, individual sales invoices, checkbook entries, any type of daily cash drawer reconciliation and any pro-forma financial report.

Population and Sample

Participants for this study were chosen using purposive criterion sampling based on information collected from the Reference USA database that showed they (a) had run a successful family business, and (b) the business was in Wake county, North Carolina. Once a study participant was identified, they were asked to affirm the fact that they used nonfinancial information daily to make routine and nonroutine business decisions. A successful family business was defined as a business where (a) multiple people of the

same family have a controlling interest in the business (b) multiple people of the same family unit are actively engaged, in either, or both, the management of the business, and the operation of the business (c) current leadership intends to transfer leadership of the business within the family and (d) a successful succession to at least one generation has occurred (Williams et al., 2013).

Six cases were selected for use in collecting data for this research. These six cases were selected from either the Reference USA database or my personal Linked in network. The selection criteria included four traits: (a) the participant business was a family business, (b) the business was successful, (c) the manager of the business affirmatively stated that he or she did not prepare and use formal financial statements as an aid in making business decisions, and (d) the business was located in Wake county, North Carolina. Stuart, Shin, Cram, and Karan (2013) noted that typically in accounting related areas, such as auditing, a relatively small sample data-sets are used. Marshall, Cardon, Poddar, and Fontenot (2013) found that single case studies often had small sample sizes.

Interviews (Appendix A and Appendix B) of study participants were conclude only when data saturation was achieved. Follow-up interviews with any study participants were conducted as necessary. A follow-up interview was conducted for any of the following reasons: (a) to enable the study participant to answer questions that were raised during the process, (b) to allow for clarification on any matter, and (c) to ensure the accuracy of information.

The sampling method for selecting the participants for this study was non-random purposive sampling approach. This purposive sampling approach grouped participants with predetermined criteria specific to this study. Some researchers defined purposeful

sampling as the selection of participants or sources of data to be used in a study, based on their anticipated richness and relevance of information as these are related to the study's research questions (Gentles, Charles, Ploeg, & McKibbon, 2015).

For this study, the term purposeful was used to select participants who were leaders of entities that met a specific definition and managed an entity located in a specific area. The two predetermined criteria were (a) the individual must have met the definition of a successful family business as the term is defined in Chapter 1 and (b) the business must have been headquartered in Wake County North Carolina. Study participants were identified through a search of the Reference USA database and then contacted by using (a) the Linked In website, (b) any search engine used to identify the company's website, or (b) using contact information supplied from the Reference USA database.

Materials/Instrumentation

Since this is a qualitative case study the data was collected from business leaders of successful family businesses located in Wake county, North Carolina. Each participant was chosen using a purposeful sampling design that was based on (a) a proven record of leading a successful family business, (b) the participant's ability to have met the requirements of the study (See Appendix D), (c) their willingness and availability to participate in this study, and (d) presentation of a signed consent form. A semi-structured interview (Appendix A and Appendix B) was used to collect the information from the study participant.

Each procedural domain in every science is highly peculiar, depending on its subject's form and texture. From astronomy to physics to zoology, the armory of the

inquirer is unique (Thomas, Myers, 2015). The absence of a strict routine leaves case study investigators with the need to make critical procedural decisions when analyzing case study data (Yin, 2009a). The course of the analysis may depend as much on the marshaling of arguments as on the tallying of data (Yin, 2009a). Strong case study arguments will reflect a thoroughness in covering all relevant conditions combined with the explicit naming and entertaining of rival explanations (Yin, 2009a). In this study, what Yin (2009a) referred to as an explanation building form was used to explain how the business leaders of success family businesses make routine and nonroutine decisions. When using an explanation building format, the information collected provides evidence in support of the explanation provided in the findings (Yin, 2009a).

For example, when a case study design is used, the researcher is the research instrument and the techniques used to verify the accuracy of their work is (a) asking questions, (b) receiving responses, (c) asking additional questions (d) receiving clarifying answers, (e) transcribing data, (f) fragmenting data, (g) creating themes, and developing findings. Researcher bias refers to ways in which data collection or analysis are distorted by the researcher's theory, values or preconceptions (Maxwell, 2009). Maxwell (2009) concluded that even though it is impossible to deal with these problems by eliminating these theories, preconceptions, or values nor is the solution to use a type of standardization of researcher personality to achieve reliability. The main concern with achieving reliability is not with eliminating variances between the researcher's values and expectations, but with the researcher developing an understanding of how those values influence their conduct of the study and how these values influence the conclusions drawn from the results of the findings (Maxwell, 2009). Maxwell (2009) provided two

ways for a researcher to test for validity issues that were used in the conduct of this study. Those two tests of validity, identified by Maxwell (2009), that were incorporated into this study were (a) respondent validation, also known as member checking, and (b) actively searching for discrepant evidence and negative cases. Some researchers, when using a case study design, use pilot studies to validate their research instrument (Sussman, 2001). According to Sussman (2001) pilot testing is the single most popular program development method. A pilot study may be defined as a test of a complete draft program that involves a relatively small sample size (Sussman, 2001). Any bugs in the program can be detected, some further refinements can be made, and then the program is ready to run (Sussman, 2001). Pilot studies are also used to validate interview questions. However, in this study, I opted not to use a pilot study because the validity of the research instrument will be improved by response validation which includes the use of probing questions and member checking techniques.

Study Procedures

Data cleansing techniques were used to ensure both the confidentiality and anonymity of all study participants. Wahyuni (2012) described a process of data cleansing in which any data that could identify the study participant or their entity is cleansed by assigning unique special codes to the data. This practice was also employed in the conduct of this study.

The first phase was the collection of documents used to make decisions from each study participant (Appendix C). The collection of these documents served as a second data source, each study participant was asked to provide examples of (a) documents or reports that they used on a regular basis (daily, weekly, or monthly) that provided him or

her with information that helped him or her make business decisions and also (b) any documents or reports that he or she used when he or she needed to make a business decisions. Examples of documents or reports that would have been included in (a) above would be: bank statements, cash collection reports, daily sales data from any source, individual sales invoices, checkbook entries, any type of daily cash drawer reconciliation and any pro-forma financial report.

Finally, all study participants were interviewed using a semi-structured interview format (Appendix A and Appendix B). The semi-structured interview questions (Appendix A) were open-ended to enable study participants to provide as much detail as possible. These individual discussions were recorded and the information provided by the study participant was compared to the information provided by the documents (Appendix C). The study participant consented to the audio recording of the interview to be eligible to participate in the study. Cao (2007) described pattern-matching as a method in comparative social science research to compare actual data to theoretical propositions. In this study, the information provided by each study participant responses to the open-ended questions (Appendix A) was analyzed and compared to the other study participant's response to examine if patterns emerged. Qu and Dumay (2011) noted that survey's and interviews (Appendix A and Appendix B) are often used to gather preliminary data as would be the case in this study. A follow-up interview was conducted for any of the following reasons: (a) to enable the study participant to answer questions that were raised during the process, (b) to allow for clarification on any matter, and (c) to ensure the accuracy of information.

Qu and Dumay (2011) noted that a semi-structured interview uses prepared

questions that are guided by a central theme and where the interviewer is free to ask more probing questions as they deem appropriate. Qu and Dumay (2011) also noted that the semi-structured interview is the most often used qualitative research method. Then a member-checking process will be used to corroborate the information already collected.

Data Collection and Analysis

Yin (2009b) identified four data collection procedures; (a) using a protocol to guide data collection (b) preserving a chain of evidence (c) triangulating data from various sources of evidence, better known as methodological triangulation, and (d) appealing to rival explanations throughout the data-collection process. All the data collection, identified by Yin (2009b) was used in the conduct of this study. Data analysis occurred within the specific case, between cases, and across all of the cases. This data analysis process assisted the person conducting the study, in gaining an understanding of the patterns or themes that emerged from the data. During the case study analysis portion of this study, (a) the relationship between the case, (b) the context of the information provided in the case, as well as (c) the information were explored and evaluated (Yin, 2014).

The first phase of data collection in the conduct of this study was the collection of documents that each business leader of a successful business used to make both routine and nonroutine business decisions. A protocol was developed and used during all activities in this phase (Appendix B and Appendix C). Each study participant was allowed to select the documents that he or she considered important (Appendix C). The documents provided by each study participant were coded for the following five attributes: (a) study participant, (b) whether it related to a routine or nonroutine decision,

(c) the type of decision the document related to, (d) whether the same information would have been provided on formal financial statements or not, and (e) which specific financial statement (balance sheet, income statement or statement of cash flows) the information would have been provided had formal financial statements been prepared.

The individual semi-structured interview (Appendix A and Appendix B) was used to allow the study participant to provide additional information and provide further insights into his or her practices. The study participant agreed to the audio recording of the interview as a requirement to be eligible to participate in this study. This interview phase will also incorporate Yin's (2009b) concept of allowing rival explanations to be considered. Specifically, the discussion with each study participant, during these semi-structured interviews (Appendix A and Appendix B), focused on (a) how the study participant used the document (Appendix C) he or she provided to make routine and nonroutine decisions, (b) a walk-through of the document itself, and (c) a discussion about the study participant's business practices. Each semi-structured interview (Appendix A and Appendix B) with a study participant was recorded using a standard tape recording device. The study participant agreed to the audio recording of the interview to have been be eligible to participate in this study. In addition, detailed handwritten notes were maintained during the semi-structured interview phase (Appendix A and Appendix B) of this research study. After each semi-structured interview, the hand-written notes as well as the audio tape containing the interview session were placed into a locked cabinet. The hand-written notes taken during each interview were also be entered into the NVivo computer program.

Interview times ranged from 30 to 60 minutes. During the process of data collection, the person conducting the study concurrently analyzed the data, in an effort to discern information and patterns as they surfaced (Gagnon, 2010). This type of approach required researcher flexibility over the course of data collection to new ideas and unanticipated leads that developed (Yin, 2014).

The coding process begun using the procedures outlined by Corbin and Strauss (2014); that is the process begun with a simple reading of the information collected during the interview process. This first step in the coding process, occurred without any attempt to analyze or code the data. The goal of this first step in the coding process was to enable the person conducting the study to obtain a general idea of the essence of what the study participant was trying to communicate (Corbin & Strauss, 2014). The next step in the coding process involved a second reading of hand-written notes taken during the semi-structured interview with each study participant. During this second step, the person conducting the study attempted to find patterns in the information. The next step in the coding process involved the person conducting the study to listen to the audio tape recording of the semi-structured interview with the same study participant.

The NVivo computer program provided an ability to arrange the information based on how the codes in the software were created. This computer program was able to handle both the handwritten notes and the audio recording information received through the interview process as well as for the development of memos to capture thoughts and decisions made by the person conducting the study. This process allowed for a bottom-up approach which allowed concepts to surface as the analysis proceeded. The data was analyzed to identify significant patterns from the experiences of the study participants

and based on their communicated attitudes and perceptions. Information provided by each study participant responses to the open-ended questions were analyzed and compared to the other study participant's response to examine if common informational inputs or patterns of informational inputs emerged. The answers provided by the study participants during the interviews were coded as appropriate.

Yin (2015) described a sequential method of data analysis in his book *Qualitative Research from Start to Finish*. Yin's (2015) method consists of five sequential steps: (a) compiling the data, (b) disassembling the data, (c) reassembling the data, (d) interpreting the meaning of the data, and (e) concluding the data. The first step identified by Yin (2015) is compiling the data. In this study, this step was comprised of collecting documents from each study participant (Appendix C) and the conducting of the semi-structured interviews. (Appendix A and Appendix B). The second step identified by Yin (2015) is disassembling the data. In this study, this step begun with what Yin (2015) referred to as level one coding. According to Yin (2015), level one coding or open coding is very basic in nature and can stick closely to the original data. In this study, level one or open coding comprised a simple coding system that relates assigns unique codes to the original data that identifies the following two attributes of the data; (a) separating the documents provided by study participant, (b) relating each document to a specific financial statement (balance sheet, income statement or statement, of cash flows). The next step in the disassembling the data phase is what Yin (2015) referred to as level two or category codes. According to Yin (2015), these codes associate the data by very broad characteristics or attributes. In this study, level two or category codes were developed by (a) listening to the tapes of the semi-structured interview of each study participant and

coding the information in very broad terms, and (b) developing a process map of each procedure used by each study participant to make decisions. The third step identified by Yin (2015) is reassembling the data. In this study, this step comprised (a) a comparison of what an individual study participant said about how they use the documents provided and the information presented on the same document, and (b) a review of the information provided on the documents by each study participant to find similarity in the way two or more study participant's use data. The fourth step identified by Yin (2015) is interpreting the meaning of the data. According to Yin (2015), this fourth step requires the researcher to develop a comprehensive interpretation that encompasses the specific data into broad patterns or themes. In this study, this step comprised exploring all the different ways each study participant uses the same information to make decisions. The last step identified by Yin (2015) is concluding the data. In this study, this step comprised of (a) developing theories about how the business leaders of successful businesses make decisions, and (b) assessing rival explanations to the theories developed.

Assumptions

There are several key assumptions inherit in the conduct of this qualitative case study. The first key assumption was that the study participants did not use formal financial statements to make business decisions. The findings of both Pervan (2012) and Altman et al. (2010) support this assumption. Pervan (2012) found that SMEs business leaders only spend the resources necessary to prepare financial statements on an annual basis or when required by government regulatory bodies. While, Altman et al. (2010) found that 60% of SMEs in England filed limited balance sheet information and then only when required by a government regulatory body. A third assumption is that each business

leader who agreed to participate in this study will provide all documents as expected as well as answer the interview question to the best of his or her ability.

Limitations

The first limitation is that naturalistic observations were not a part of this research, therefore it was limited to the descriptions and accounts as stated by each of the participants. This first limitation was mitigated by collecting source documents and reports directly from the study participant. A second limitation is that the quality of the findings was partially dependent on the participant's ability and willingness to answer the questions to the best of their ability. This limitation was mitigated by providing each study participant with detailed information about the nature of the questions asked during the interview process. Another limitation was that study participants will be able to selectively choose what information to share and thus may limit the recall and reflection accuracy of the research (Kimberlin & Winterstein, 2008). The final limitation was a limitation in the scope of this study.

Delimitations

The first delimitation imposed was that all study participants had to be business leaders of successful family businesses. A second delimitation is that the study was limited to six cases. The final delimitation was that participation in the study is limited to successful business leaders of family businesses in Wake county, North Carolina.

Ethical Assurances

Institutional Review Board (IRB) approval was sought prior to the beginning of any data collection or research activities in the conduct of this study. Also, an informed consent (Appendix B) was used to outline participant participation as voluntary and that

participants did not receive any compensation for their participation in this study (Yin, 2014). According to Rodhouse and Vanclay (2016) the informed consent is an important document that protects the human rights of study participants. The informed consent process provided any study participant with the ability to leave the study at any time and for any reason and required that the study participant receive a copy of the interview transcript if applicable. The informed consent process that was used in this study ensured that study participants were appropriately informed about all aspects of their participation in this study and will follow the established guidelines (Smith and Fogarty, 2016). Specifically, the informed consent agreement that was provided to every study participant included information related to (a) the purpose of the research study, (b) the ethical standards that were followed in the conduct of the study, (c) the data that was be collected during the study, and (d) the affirmation that the study procedures and data collection activities were started only after IRB approval is received.

When conducting multi-case research, the researcher has the responsibility to conduct the study in a way that protects study participants and that person also has to be able to demonstrate an ability to conduct the study in a way that ensures ethical practices are in place. Multi-case study research, such as the one proposed in this document, require consideration of two broad elements related to the study participant's protection: (a) protection from their identity being exposed and (b) protection from any environmental risks that they are exposed to in the conduct of the study. To this end, the person conducting this study kept both the names of the individual study participants as well as the organization(s) they were associated with confidential. In the conduct of this

study, participant identities were not disclosed because the person conducting this study will use a cross case analysis process and thus no single case will be highlighted.

The use of the term beneficence refers to the maximization of benefit and the minimization of risk to the subject participants (Harkness, 2006). The benefit to society of this research project is a greater understanding of how and why financial statements are used by owner-managers of small firms. The nature of the proposed research project exposed study participants to minimal risk.

The term minimal risk as used in this paper is the same used by the U.S. regulations on human research that require Institutional Review Boards (IRB) to compare risks with the risks ordinarily encountered in daily life or during the performance of routine physical or psychological examinations or tests and any risk that falls within those ordinarily encountered are judged as minimal (Sieber & Tolich, 2013). Most of the risk, to the study participant, of participating in this research study, were categorized into three main areas of concern; (a) the recalling of bad memories when completing any one of the three phases of this research study (b) the effect, both long term and short term, on the study participant's psychological makeup as a result of participating in the study and (c) the effect both, long term and short term, on the study participants social identity of thinking critically about issues related to social identity theory, gender issues and parental issues.

All collected data, related to this study, will be stored for five years. The storage process will include the use of a back-up system for the storage of electronic files and a locked file cabinet for storage of hard copy information when the data are not being utilized. A numerical classification system will be used to identify study participants as

well as tier associated organizations. I will provide honest, truthful, and accurate statements concerning the research, which are crucial to a successful research study (Yin, 2014). In this study, the I will ensure that every piece of data or statement made about this study have the all three of those attributes, (a) honesty, (b) truthfulness and (c) accurate, by maintaining a reflective journal of all study activities.

The researcher's role in any study can be limited to that of pure observer or as complete participant (Greene & Hogan, 2005). The pure observer would remain detached from any interaction or activity while the complete participant will choose to immerse themselves in the world of the researched, thus becoming unidentifiable as the researcher (Greene & Hogan, 2005). Since the nature of this study is exploratory, I took an active role in the research activities. However, I will not become what Greene and Hogan, (2005) called a complete participant. My role in the conduct of this study, was that of data collector and information gatherer.

Moustakas (1994b) discussed the term *Epoche*, in relation to qualitative research. Moustakas (1994b) said that the qualitative researcher needs to set aside their prejudgments, biases, and preconceived ideas about things. According to Moustakas (1994b) the qualitative researcher must *invalidate*, *inhibit*, and *disqualify* all commitments with reference to previous knowledge and experience. Finally, according to Moustakas (1994b), the qualitative researcher needs to place the world out of action, while remaining bracketed. However, the world in the bracket has been cleared of ordinary thought and is present before us as a phenomenon to be gazed upon, to be known naively and freshly through a "purified" consciousness (Moustakas, 1994b). In relation to this study, I have a professional background in working with business leaders

of successful family businesses as both an outside advisor and as a key member of the management team. I also have expertise in accounting and a deep knowledge of the use of financial statements. I believe this professional experience combined with expertise on the use of financial statements places me in a unique position to explore this subject. I will gain an understanding of my biases related to my education and experiences as a professional accountant as well as gaining an understanding of my biases related to my experiences as a consultant to small family businesses by constantly reminding myself that I must be unbiased. However, I also understand that any biases that I have were placed aside to ensure the findings of this study are creditable.

Summary

A key point that was made throughout this chapter is that this study could only be completed as a qualitative multiple case study. The qualitative method is better suited for answering process type research questions (Maxwell, 2009). Maxwell (2009) specified two kinds of research questions that are best answered using the qualitative method (a) questions related to the meaning of events and activities people are involved in and (b) questions about the influence of the physical and social context on these events and activities. The quantitative method can be thought of a search for facts which are found by asking a series of what questions (Barnham, 2015). Both Branham (2015) and Maxwell (2009) essentially made the arguments that when a study is conducted, the researcher should use the qualitative method.

Thomas and Meyers (2015) believed that a case study is only valid if the study is about something, and that something would constitute the study's analytical frame. In addition, Thomas and Meyers (2015) believed that the analytical frame holds a study

together. In this chapter, the analytical frame that holds this study together was that all the nonfinancial information used by the participants contributed useable information and that all the pieces of nonfinancial information had a relationship to information currently presented in formal financial statements.

De Massis and Kotlar (2014) believed that one of the most essential elements in designing a case study is the selection of the unit of analysis or case. In this study, the unit of analysis was each individual company. The company includes both the business leader of the company and the documents provided by the company.

The use of multiple data sources also enhances data credibility (De Massis & Kotlar, 2014). Each data source is one piece of the “puzzle”, with each piece contributing to the researcher’s understanding of the whole phenomenon (De Massis & Kotlar, 2014). This convergence adds strength to the findings, as the various components of data are interweaved together to promote a wide-ranging understanding of the case (De Massis & Kotlar, 2014). In this study, data was collected from documents provided by the study participants and from semi-structured interviews conducted with each study participant.

Chapter 4: Findings

The purpose of this qualitative multiple case study research was to explore the nature and type of nonfinancial information the business leaders of successful family businesses use on a daily basis to make routine and nonroutine business decisions in the absence of formal financial statements. This required conducting semi structured interviews with six business leaders of successful family businesses. To gain insight into the nature and type of nonfinancial information these business leaders used, the research questions guiding this study included the following:

RQ1. What nonfinancial information is used on a daily basis by the business leader of successful family business to make routine business decisions in the absence of formal financial statements?

RQ2. When faced with a nonroutine business decision, what nonfinancial information does the business leader of successful family business use to make that decision in the absence of formal financial statements?

Chapter four begins with a discussion about the procedures used to ensure the trustworthiness of the data. This section is followed by a discussion about the results of the study. This discussion about the results of the study is followed by an evaluation of the findings and then a summary of the chapter. The results section is primarily structured according to the research questions, whereby themes that emerged from analysis are identified.

Trustworthiness of Data

Since the data in a case study cannot be mathematically verified, the data verification process is different than in other types of qualitative study. However, the research data must still be accurate, reliable, and valid. Trochim and Donnelly (2008) stated that data must contain the following four characteristics; (a) credibility, (b) confirmability, (c) dependability, and (d) transferability. The data used in this case study were deemed to meet the above four characteristics through the use of purposeful sampling and thick descriptions.

According to Trochim and Donnelly (2008), credibility refers to ensuring that the research results are believable or trustworthy from the research participants' perspective. Credibility deals with the accuracy of data to reflect the observed social phenomena (Wahyuni, 2012). In simple terms, credibility is concerned with whether the study actually measures or tests what is reported (Wahyuni, 2012). In this study, methodological triangulation techniques were used by comparing and contrasting the data collected from the interviews with the content of the documents analyzed. Credibility was ensured by taking measures to enable participants to answer the interview questions with honesty, which was accomplished by explaining to each participant that participation in the study was voluntary and that they could refuse at any point during the study (Shenton, 2004).

Reflexivity and bracketing techniques were also used throughout the entire research process, thereby ensuring that any preconceived notions and biases were identified and set aside (Groenewald, 2004). Bracketing is the process of suspending belief in any assumptions about the natural world so that conclusions can be drawn only

from the data collected in a study (Tufford & Newman, 2010). Bracketing reduces research bias because when the researcher begins to code and review the data, they assume nothing. Ultimately, during the entire research process, bracketing is used to ensure that the data were collected and interpreted through a lens of objectivity (Lavery, 2003). In addition to reflexivity, bracketing, and thick description, an audit trail established confirmability and dependability (Houghton et al., 2013). Further measures to ensure the overall trustworthiness and credibility of the study included using established methods of interviewing and member checking (Castillo-Montoya, 2016).

Confirmability refers to the degree to which other researchers can corroborate or confirm a study's findings (Trochim & Donnelly, 2008). Dependability refers to a study's consistency and replicability (Trochim & Donnelly, 2008). Both dependability and creditability can be achieved by the maintenance of (a) a clearly written detailed description of all research procedures used in the study, and (b) a detailed audit trail. In this study, both confirmability and dependability were achieved by maintaining a detailed audit trail of the data collection, analysis and interpretation phases of the study.

Transferability refers to whether or not particular findings can be transferred to another similar context or situation, while still preserving the meanings and inferences from the completed study (Wahyuni, 2012). The researcher must give enriched details of the study results to enable the readers to choose if the results are transferable to different organizations (Thomas & Magilvy, 2011). The concept of transferability, as applied to

this study, would be ensured by using thick descriptions of the data collected and by providing details in the correct context (Freeman, 2014).

The initial part of the interviews took place in either (a) local coffee shops, (b) convenience store, or (c) a local park. For the purposes of this study, participants were asked to choose their own setting where they would be the most comfortable being interviewed. However, each of the study participants suggested that the conversation would be more beneficial back in his or her office where the he or she can show me the actual documents and processes he or she used to run his or her business. Initially, each interview began with a set of narrowly-focused questions requesting specific information about the study participant's business as shown in appendix A. Each of the study participant interviews went in a different direction when discussing their business. I believe that this occurred because of the different education levels and business experience of the different study participants. However, when the discussion turned to the topic of important aspects of the business, each study participant identified the same three themes: (a) the importance of knowing what price to charge their customers, (b) the importance of cash in the operation of the business, and (c) the importance of knowing their customer base and what specific products to sell. participants to describe a specific instance in which a breakdown in communication had occurred.

Results

RQ1. What nonfinancial information is used on a daily basis by the business leader of successful family business to make routine business decisions in the absence of formal financial statements? Findings from the interviews combined with reviewing the information each study participant used to make routine business decisions revealed that

each study participant had developed their own way to simulate collecting and using similar information about their business that a trained business and accounting professional, such as the Chief Financial Officer (CFO) of a company, would collect and use to make routine business decisions. A trained business and accounting professional prepares formal financial statements such as a (a) Balance Sheet, (b) Income Statement, and (c) a Statement of Cash Flows to collect information about the company's performance during the previous period and to make decisions on what actions to take to improve performance in the future. In reviewing the formal financial statements of the company, the trained business and accounting professional is reviewing the relationships between past business decisions and the company's performance.

None of the study participants prepared and used formal financial statements in the same manner a trained business and accounting professional would use them. The analysis of the interview with the study participant involved translation of the language each interviewee used into business concepts. For example, when one of the interviewee made the comment "Cause you going to have losses" this was interpreted to mean that since some of your inventory is going to spoil you need to price your sellable product high enough to recover the cost of the spoiled product. The analysis of the documents provided by each study participant required (a) review the information recorded on the document, and (b) interpret the information provided into business concepts. For example, one study participant used his cash register to record all sales transactions in all of his stores and simply used an average markup percentage to calculate his profit for the day. This practice of this specific study participant was interpreted by the researcher to simulate the preparation of a basic income statement.

Theme 1: Understand the relationship between costs and price. Trained accounting and business professionals would understand the importance of charging their customers a price that is higher than the cost of the goods and services they sell and therefore earning profit. To this end, a trained accounting and business professional would measure the profitability of both individual products and the business entity as a whole by a complete analysis of a formal income statement. The trained accounting and business professional would understand that, for purposes of the above analysis, profit is simply an accounting measurement of the difference between costs assigned to a product and the price the entity can charge for that product.

Each of the study participants, in this study, had their own unique way of collecting the information they needed to manage the relationship between their costs and price. However, it was clear that each study participant understood the following: (a) the accounting concept of profit, (b) that in order to earn an accounting profit the business manager would have to be able to charge their customer(s) a price higher than the costs assigned to the product, (c) that costs need to be controlled, and (d) they needed some way to measure profit. Trained accounting and business professional would collect the information necessary to achieve all four of the above objectives by an analysis of the formal income statement and supporting data. However, without any business or accounting training these managers instinctively understood the importance of the following business concepts: (a) the accounting concept of profit, (b) that in order to earn an accounting profit the business manager would have to be able to charge their customer(s) a price higher than the costs assigned to the product, (c) that costs need to be controlled, and (d) they needed some way to measure profit.

To illustrate one study participant's understanding of the four concepts identified above, he or she made the following combination of comments during his or her interview: "I just try to stay under (referencing the price he charges) the grocery store, which is easy to do", "Cause you going to have losses", and "but I'm competitive with the farm or state".

The above comments illustrate a basic understanding of the important basic economic and business concept of profit and that there are restrictions (costs) that create a price floor (minimum) which he or she cannot charge their customers less than. These comments also illustrate a basic understanding that to earn an accounting profit the business manager would have to be able to charge his or her customer(s) a price higher than the costs assigned to the product, that costs need to be controlled, and he or she needed some way to measure profit. A second study participant said "I do not let my trucks leave until I have a completed customer invoice in hand". This study participant indicated that he or she reviews a report that shows all the customer orders for that day before any of his or her trucks move and then matches the invoices from the report with the assigned truck. This report showed an estimate of: (a) the amount the customer would be charged, (b) the time the job would take to complete, (c) the pay rate of each member of the team assigned to this job, (d) the total payroll cost of each team member, (e) the total payroll cost of all team members, (f) an amount of overhead costs applied to the job based on total hours, and (g) an estimated profit on the job.

Table 1

Study Participant's Method of Managing Each Concept

Interview	Method of collecting data to manage cost/price relationship	Evidence: accounting concept of profit	Evidence: Charge higher price then costs	Evidence: Costs need to be controlled	Evidence: Way to measure profit
A	Experience.	“Cause you going to have losses”	“Cause you going to have losses”	“I just try to stay under (referencing the price he charges) the grocery store”	“Cause you going to have losses”
B	Administrator prepares special report which is discussed frequently	Discussed during meeting	Discussed during meeting	Discussed during meeting	Discussed during meeting
C	Self-developed report.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.
D	Self-developed report.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.
E	Report designed by franchisor.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.
F	Experience.	“Charge cost plus 30%”	“Charge cost plus 30%”	“Do my best to keep my costs low”	“Charge cost plus 30%”

Theme 2: Understand cash flow. Each of the study participants, in this study, had his or her own unique way of collecting the information he or she needed to manage his or her businesses' cash flows. But regardless of how each study participant choose to manage the cash flows of his or her business, each study participant understood the following concepts about the importance of managing a business's cash flows: (a) there is a need to estimate the future short-term cash flow needs of the entity, (b) there is a need to know from what sources cash is generated during the period, (c) there is a need to know from what sources cash is used (spent) during the period, (d) there is a need to understand and measure the timing of cash inflows and outflows, (e) there is a need to match when cash inflows will occur and when cash outflows will be required, and (f) there is a need to have a way to make up differences in the timing of cash inflows in comparison to cash outflows.

To illustrate one study participant's understanding of the cash flow concepts identified above, he or she made the following combination of comments during their interview: "We make all of the investment up front so far as hotels rooms, gasoline, typical business expenses". This statement shows a clear understanding of three of the cash flow concepts identified above: (a) there is a need to know from what sources cash is used (spent) during the period, (b) there is a need to understand and measure the timing of cash inflows and outflows, and (c) there is a need to match when cash inflows will occur and when cash outflows will be required. Additionally, this same study participant showed that he or she understood the cash flow concept of a need to have a way to make up differences in the timing of cash inflows in comparison to cash outflows in this comment: "Most of our bills are credit card". Finally, this study participant made the

following two comments during the interview process: “Our cash flow cycle is very long” and “That's a disadvantage of the business, then usually nine to 12 months later we get a check for the commission”. These last two comments showed an understanding of the importance of cash flow management in managing a successful family business.

A second study participant made the following comment during his or her interview: “I can control my cash flow almost totally. I can make it almost go to zero on any given day”. By making this comment, this study participant displayed a deep understanding of important cash flow concepts. A third study participant said: “I do not let my trucks leave until I have a completed customer invoice in hand”. Additionally, a different study participant used a report that calculated future cash flows based on inventory purchases.

Table 2

Study Participant's Method of Managing Each Concept

Interview	Method of collecting data to manage cash flows	Evidence: Need to estimate short-term cash flows	Evidence: Sources of cash generation /cash use	Evidence: Measure timing of cash	Evidence: Method to make up differences in cash inflows and outflows
A	Experience.	“Uh, I just charge the same thing all the time, I just try to stay under the grocery store”.	“Okay, so they're going to charge you the market no matter what”.	“I just try to stay under (referencing the price he charges) the grocery store”	Discussed during meeting
B	Administrator prepares special report which is discussed frequently	Discussed during meeting.	Discussed during meeting.	Discussed during meeting.	Discussed during meeting.
C	Self-developed report.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.
D	Self-developed report.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.
E	Report designed by franchisor.	Researcher shown a copy of report and discussed report with	Researcher shown a copy of report and discussed report with	Researcher shown a copy of report and discussed report with	Researcher shown a copy of report and discussed report with study participant.

F	Experience.	study participant. Discussed during meeting	study participant. Discussed during meeting	study participant. Discussed during meeting	Discussed during meeting
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Theme 3: Understand the relationship between customer needs and company inventory levels. Each of the study participants, in this study, had his or her own unique way of collecting the information he or she needed to manage his or her inventory levels. However, it was clear that each study participant understood the following: (a) the need to carry products in inventory that his or her customer want to purchase, (b) the need to have an effective and efficient supply chain, (c) that inventory needs should be managed, and (d) that inventory has a carrying cost. Trained accounting and business professional would gain the information necessary to achieve all four of the above objectives by the analysis of the formal financial statements and supporting data. However, without any business or accounting training these managers instinctively understood the importance of the following business concepts: (a) the need to carry products in inventory that his or her customer want to purchase, (b) the need to have an effective and efficient supply chain, (c) that inventory needs to be managed, and (d) that inventory has a carrying cost. To illustrate one study participant’s understanding of the four concepts identified above, he or she made the following combination of comments during his or her interview: “Cause you going to have losses”, “People just like home-grown tomatoes”, and “if you don't have tomatoes, you can't operate”. The above comments illustrate a basic understanding of the important basic economic and business concept of inventory management and knowing your customers. Additionally, another study participant used a very daily sales report to not only make he or she was carrying enough chocolate candy

bars but also the correct brands. This person made the comment that “I have to always have milky way bars on hand”.

Table 3

Study Participant’s Method of Managing Each Concept

Interview	Method of collecting data to manage inventory.	Evidence: Need to carry product your customer want.	Evidence: Need to manage inventory.	Evidence: Inventory has carrying cost.
A	Experience.	“if you don't have tomatoes, you can't operate”.	“if you don't have tomatoes, you can't operate”.	“if you don't have tomatoes, you can't operate” and “Cause you going to have losses”
B	Administrator prepares special report which is discussed frequently	Discussed during meeting	Discussed during meeting	Discussed during meeting
C	Self-developed report.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.
D	Self-developed report.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.	Researcher shown a copy of report and discussed report with study participant.
E	Report designed by franchisor.	Researcher shown a copy of report and	Researcher shown a copy of report and	Researcher shown a copy of report and discussed

		discussed report with study participant.	discussed report with study participant.	report with study participant.
F	Does not carry inventory.	N/A	N/A	N/A

RQ2. When faced with a nonroutine business decision, what nonfinancial information does the business leader of successful family business use to make that decision in the absence of formal financial statements? Findings from the interviews combined with reviewing the information each study participant used to make nonroutine business decisions revealed that none of the study participant had considered the importance of developing systems to consider nonroutine business decisions. Even when pressed, all six of the study participants believed that any concept related to nonroutine business decisions such as managing long-term debt or managing cash flows for future expansion were not important.

Evaluation of Findings

The first research question was what nonfinancial information is used on a daily basis by the business leader of successful family business to make routine business decisions in the absence of formal financial statements? The findings indicated that each study participant had developed a way, either because of business experience (approximately 30%) or by intuition (approximately 70%) to understand three business concepts: a business manager needs to understand (a) the relationship between his or her costs and the price he or she can charge to his or her customer, (b) the importance of cash to a successful business, and (c) the need to carry products that his or her customers want to buy. The intuition seems to come from an unconscious understanding that there is a

need to know information about each of the business concepts.

Heuristics is often referred to in layman's term as gut feelings or intuition.

Intuition or gut feeling is often thought to be a mental process that leads to decisions that are made with no awareness of the rules or knowledge used for inference and can feel right despite one's inability to articulate a reason (Thoma et al., 2015). Researchers believe that heuristic decision-making regarding the possibility of certain events occurring is influenced by (a) how easily similar decisions are retrieved from memory and (b) a persons' willingness to be influenced by arbitrary unrelated variables (Thoma et al., 2015). However, other researchers have shown that the use of an individual's gut feeling is an important tool in the decision-making process. one study, using a validated questionnaire, showed that a family physician's diagnostic gut feelings are measurable (Stolper et al., 2013). The theory of cognitive dissonance is an attempt by researchers to explain the phenomenon that individuals tend to acquire or consider information that reinforces or coincides with their preferences and hypotheses and ignore information that conflicts with their particular preferences or hypotheses (Garcia, 2013). The underlining foundation built into the theory of cognitive dissonance is that cognitive dissonance is as basic a psychological need as is hunger and thirst (Gawronski, 2012).

Recently researchers have expanded the theory of cognitive dissonance to include the concept of fluency in the human decision-making process. The concept of fluency describes the negative or positive cognitive feeling that arises during the processing of information (Gawronski, 2012). The major difference between cognitive dissonance and fluency is the cognitive dissonance refers to the content of the information (Gawronski, 2012). Whereas fluency relates to the ease in which the individual can process

information (Gawronski, 2012). The combined construct of cognitive dissonance with the concept of fluency would postulate that the business leader of a successful family business would only select nonfinancial information to use in decision-making that they can process or understand. This may also influence the decision by the leader of a successful family business to use a specific piece of nonfinancial information. Since each study participant saw himself or herself as successful, then each may have concluded that he or she is using the best information to make decisions.

The second research question was when faced with a nonroutine business decision, what nonfinancial information does the business leader of a successful family business use to make that decision in the absence of financial statements? The findings indicate that business leaders of successful family businesses do not have systems in place to help them make nonroutine business decisions. Milost (2013) asserted that since NFPM cannot predict the present value of economic benefit that will be gained in the future, NFPM cannot replace FPM as a tool used by business leaders to make nonroutine business decisions. The fact that business leaders do not use a systematic approach to use nonfinancial information in their nonroutine business decisions may indicate that one or more of the following is true (a) these leaders prefer to use financial document over nonfinancial documents in their nonroutine business decisions, (b) no nonfinancial documentations are available to these leaders, (c) business leaders do not know how to read and use nonfinancial documents, (d) business leaders do not understand the importance of using a systematic approach when making nonroutine business decisions, and (e) business leaders do not have enough resources to build a system to integrate nonfinancial documents in their business decisions. Milost (2013) also found that NFPMs

are a useful tool to supplement FPMs to enable family business leaders to make more effective nonroutine decisions. Milost's findings contradict this research findings as business leaders in this research did not use a systematic approach to include nonfinancial documents in their nonroutine business decisions. Altman et al. (2010) findings support this research findings in that limited scope financial statements, such as preparing only a balance sheet and a limited income statement, can provide enough information to enable a family business leader to make nonroutine decisions.

Summary

This chapter included a discussion of the findings about what information the business leaders of successful family businesses use to make both routine and nonroutine decisions in the absence of financial statements. The three themes that emerged from the interviews and document inspections included the following: (a) each study participant had an understanding of the relationship between cost and price, (b) each study participant understood the importance of cash flows, and (c) each study participant understood the relationship between customer needs and inventory. The findings also revealed that all the study participants (a) spend most his or her time making routine decisions and (b) the study participant spend little time considering nonroutine decisions. The findings of this study also suggest that the business leaders of successful family businesses have a better understanding of how to manage the day to day operation of their businesses than the long term strategic needs of their businesses. The evidence for this last statement is that each study participant had developed his or her own methods of using nonfinancial information to make routine business decisions but did not have

methods in place to use information to make nonroutine decisions. In the next chapter, the implications of those findings are explored.

Chapter 5: Implications, Recommendations, and Conclusions

The purpose of this qualitative case study was to gain insight into the information that business managers of successful family businesses use to make routine and nonroutine decisions in the absence of formal financial statements. To that end, a qualitative, exploratory case study design was implemented to gain insight into the information used by business managers of successful family businesses. Information was obtained through semistructured interviews with business leaders of successful family businesses, whose identities were kept confidential to ensure their privacy and to encourage a frank discussion. Another ethical assurance for this study involved the removal of any names participants might have mentioned during the interviews.

Since this study involved a small sample size of business leaders of family businesses and the sample population was the eastern part of North Carolina, one of the primary limitations of this study was an inability to generalize the findings to a broader population. Despite this limitation, the findings did provide valuable insight into the type of information business leaders of successful family businesses use to make routine and nonroutine decisions in the absence of formal financial statements. Findings from this study revealed that business leaders of successful family businesses understand three important business concepts: (a) each study participant had an understanding of the relationship between cost and price, (b) each study participant understood the importance of cash flows, and (c) each study participant understood the relationship between customer needs and inventory.

The general business problem that this study addressed was that family businesses have a 75% failure rate (Morris & Kellermans, 2013). This high failure rate is a problem

because this sector constitutes between 80% and 95% of all business entities in the United States and is estimated to make up 50% of the total GDP of any developed nation (Al-Dajani et al., 2014). The specific business problem that this study addressed was that there is little information about the type and nature of nonfinancial information, successful family business leaders' use, to make routine and nonroutine business decisions in the absence of formal financial statements (Carrahera & Van Auken, 2013). Benavides-velasco et al. (2013) and Gedajlovic et al. (2012). According to Prencipe et al. (2014) the study of the relationship between financial statements and family business leader decision making, is a potentially fruitful area of study.

Chapter five includes a brief restatement of the study's problem statement and purpose statement, a brief discussion of the research methodology, study design, study results, and study limitations. This chapter also includes a discussion about the implications of the results of the study. This chapter also provided recommendations for both practice and for future research.

Implications

In accordance with the purpose of this study, the first research question was designed to gain a better understanding of the information business leaders of successful family businesses use to make routine business decisions in the absence of formal financial statements. To that end, findings from the interviews, documents, and literature review revealed that: (a) a business leader that uses nonfinancial information may not be automatically condemning his or her business to failure, and (b) the determination of whether a business leader is successful or not may be based on (i) that business leaders

previous experience in business or (ii) an intuitive understanding of some basic business concepts.

The second research question was designed to gain a better understanding of the information business leaders of successful family businesses use to make nonroutine business decisions in the absence of formal financial statements. To that end, findings from the interviews and documents revealed that: (a) the business leaders may not consider the need to make nonroutine decisions important, (b) the business leaders of successful family businesses may not consider strategic decision making, which can be closely related to nonroutine decision making, as important to the success of his or her business as routine decisions.

Overall, findings from this study suggested that (a) certain basic business concepts may be intuitive, and (b) business leaders of successful family businesses may not think that nonroutine or more strategic decision-making is important to the success of their businesses.

The findings that certain basic business concepts may be intuitive or learned was expected given the findings of Barazandeh, Parvizian, Alizadeh, and Khosravi, (2015) that suggested that entrepreneurial skills are acquisitive and therefore are learnable and changeable. Also, the findings of Harold-Siow, Gurpreet, and Anwar (2011) which identified 15 factors, all of which were based on nonfinancial information, that accurately predicted success or failure of small firms suggested there may be a relationship between a business leader's ability to understand basic business concepts and his or her ability to understand nonfinancial information. Also, two of the entrepreneurial competencies identified by (Minello et al., 2014) may contribute to the findings that certain basic

business concepts may be intuitive. Minello et al (2014) identified two entrepreneurial competencies: (a) *know when to mobilize resources competency*: Which requires the entrepreneur to integrate and transfer knowledge, resources and skills as needed, and (b) *the need to always learn and to always have a strategic view*: Which requires the entrepreneur to have the capability to identify scenarios which relate to organizational goals, identifying opportunities, and by means of his vision, to change them into positive situations for the organization, may also contribute to the ability of a business leader of a successful family business acquiring knowledge of these basic business concepts. The second finding that business leaders of successful family businesses may not think that nonroutine or more strategic decision-making is important to the success of their businesses was also expected given that According to Karadag (2015), the traditional business management style of SME leaders or entrepreneurs generally resulted in the manager having a tendency to overlook or ignore the strategic management processes or functions.

The FASB has determined that in order for financial statements to be useful to business decision makers, the information contained in financial statements must contain two qualitative characteristics, and that financial statements must have one broad objective (Dandago & Hassan, 2013). The two qualitative characteristics are (a) the information contained in the financial statement must be relevant to the user in relation to making the business decision and (b) the information contained in the financial statement must be reliable or faithfully represent, what it purports to represent (Okoye & Akenbor, 2014). The single broad objective that the information presented in financial statements must contain, is that it must provide information about the reporting entity's financial

position, as well as to report information about changes to the entity's financial position during the period to interested parties (Dandago & Hassan, 2013). The FASB did not state that the only time information is useful is when that information is presented in formal financial statements. The findings of this study suggest that nonfinancial information can be useful if it contains the characteristics of useful information identified by the FASB.

Recommendations for Practice

The findings that the business leaders of successful family businesses may have an intuitive understanding of three important basic business concepts: (a) the relationship between cost and price, (b) the importance of cash flows, and (c) relationship between customer needs and inventory has specific applicability. This finding could be used as a starting place for devising more effective ways to train future entrepreneurs. Even though financial factors have had some success as historical indicators of organizational failure (Purves, Niblock, & Sloan, 2015). There has been growing emphasis on exploring the nonfinancial factors that determine the likelihood of firm survival (Purves et al., 2015). A number of studies have found that a combination of nonfinancial and financial factors may lead to an improved predictor of success or failure (Purves et al., 2015). For family businesses to enjoy long-term business viability and success, it is necessary for owner-managers and their family collaborators to commit to developing adequate knowledge of these financial issues (Dickins, Gibson, Harris, & McDowell, 2016). It may just turn out that the business leaders of successful family businesses have an easier time understanding information when it is not presented in a financial statement.

Another finding of practical significance involves the way formal financial

statements are prepared for small and medium size companies. Formal financial statements can be redesigned to include concept and use language that untrained business leaders can use to make decisions about how to manage his or her business. Since the FASB has determined that in order for financial statements to be useful to business decision makers, the information contained in financial statements must contain two qualitative characteristics, and that financial statements must have one broad objective (Dandago & Hassan, 2013). As long as the redesigned financial statements contain these characteristics the redesigned financial statement format should be acceptable to the FASB.

Recommendations for Future Research

Findings from this study indicated that more research is warranted in many areas. The first area identified as needing more qualitative research is the methods used to teach young entrepreneurs. This recommendation is directly related to the findings of this study that suggest that the business leaders of successful family businesses have an intuitive understanding of three basic business concepts: (a) the relationship between cost and price, (b) the importance of cash flows, and (c) relationship between customer needs and inventory.

Another area of research highlighted by this study involves the way nonfinancial information is defined and used. The findings in this study combined with an analysis of the current literature on the qualitative characteristics that make information useful to business decision makers indicate that information not presented in formal financial statements may be as useful as information presented in formal financial statements.

Stated another way, the information used by business leaders to make business decisions does not have to come from formal financial statements to be useful.

In addition, due to the limits placed on this study in terms of location (eastern North Carolina) and type of business (family businesses), one of the primary limitations was an inability to generalize the results to a broader population. As such, future researchers may use a qualitative case study with a diverse population of business professionals. Furthermore, to address the limitation of this study related to the general questions, findings from this study could be used to develop research questions during the design phase of future studies that are aimed at understanding the way nonfinancial information is used in business decision making.

Conclusion

The general business problem that this study addressed was that family businesses have a 75% failure rate (Morris & Kellermans, 2013). This high failure rate is a problem because this sector constitutes between 80% and 95% of all business entities in the United States and is estimated to make up 50% of the total GDP of any developed nation (Al-Dajani et al., 2014). The specific business problem that this study addressed was that there is little information about the type and nature of nonfinancial information, successful family business leaders' use, to make routine and nonroutine business decisions in the absence of formal financial statements (Carrahera & Van Auken, 2013). Benavides-velasco et al. (2013) and Gedajlovic et al. (2012). According to Prencipe et al. (2014) the study of the relationship between financial statements and family business leader decision making, is a potentially fruitful area of study.

Preliminary research to explore the nonfinancial information used by successful family business leaders to make both routine and nonroutine business decisions, is an important first step to discovering (a) ways to help family business leaders make better routine and nonroutine business decisions (b) reduce the failure rate of family businesses and (c) explore ways financial statements can be redesigned to make them more useable to the business leaders of family businesses.

To that end, findings from the interviews and documents revealed that: (a) the business leaders may not consider the need to make nonroutine decisions important, (b) the business leaders of successful family businesses may not consider strategic decision making, which can be closely related to nonroutine decision making, as important to the success of his or her business as routine decisions. Also the findings of this study suggested that (a) certain basic business concepts may be intuitive, and (b) business leaders of successful family businesses may not think that nonroutine or more strategic decision-making is important to the success of their businesses. As such, this chapter has offered insight into the implications of the way some business leaders of successful family businesses use nonfinancial information to make routine business decisions.

Some of the implications of the findings of this study include: (a) a business leader that uses nonfinancial information may not be automatically condemning his or her business to failure, and (b) the determination of whether a business leader is successful or not may be based on (i) that business leaders previous experience in business or (ii) an intuitive understanding of some basic business concepts,

In conclusion, findings from this study revealed that the business leaders of successful family businesses may have an intuitive understanding of some important business concepts.

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Appendices

Appendix A: Semi-structured Interview Questions

General questions:

Please describe your educational background?

How long have you been associated with the business you currently manage?

What other management experience do you have?

What do you believe is the most important function you perform in your position?

Please describe your experiences with using formal financial statements?

Broad line of questioning:

How do you define success for your business?

What percentage of your decisions would you describe as good decisions?

What would you change about the way you make decisions?

Describe the way you currently make decisions?

What other ways to make decisions are you aware of?

Why don't you use them?

Specific line of questioning:

What information do you use from document 1?

Please provide an example of the type of decision you would make from the information you collected from document 1?

What information do you use from document 2?

Please provide an example of the type of decision you would make from the information you collected from document 2?

Appendix B: Semi-structured Interview Protocol

This is a standardized, open-ended semi-structured interview process. The structured wording of the standardized questions creates consistency of questioning for each participant. The line of inquiry for this exploratory research allows participants to answer the questions based on their experiences, which creates further opportunity for the researcher to probe participant responses. The interview questions emanate directly from the study's research questions.

The process steps are as follows:

Setting up interview:

Contact (telephone or email) study participant to set up time to conduct interview.

Inform study participant that the interview will be in person.

Conducting the interview:

Remind study participant that the interview will be recorded.

Start the interview with general question 1 from Appendix A.

Closing the interview:

Thank study participant for their help in this research study.

Inform study participant that they will receive interview transcript within a few weeks.

Inform study participant that they will receive a copy of the research finding when the study is completed.

Remind the study participant to review study findings.

Remind study participant that I may be contacting them for a follow-up interview.

Appendix C: Document Request Protocol

The document request process will be open – ended. The objective of this process is for the study participant to choose those documents that they feel are important.

Following are the steps in this process:

Setting up time to discuss documents to be submitted by study participant:

Contact (telephone or email) study participant to set up time to have discussion.

Inform study participant that the discussion will be in person.

Ask the study participant to send you copies of any reports or documents that they think are important for this study.

Conducting the discussion:

Remind study participant that this discussion will be recorded.

Ask the study participant to pull out their copies of the reports and documents they sent to as part of the last step in the above process.

For each document or report, ask study participant how they use the report or document.

For each document, ask the study participant what specific information do they use from the document or report.

For each document, ask the study participant what specific type of decision do they make from the specific document or report.

For each document, have a general discussion about the document or report and how the information provided by the document or report relates to the specific decision made from the information collected from the document or report ask the study participant what specific type of decision do they make from the specific document or report.

