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# Global STEP Booklet, Volume II; Sustaining Entrepreneurial Family Businesses: Developing the Core, Expanding the Boundaries

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# THE GLOBAL (STEP) BOOKLET VOLUME II

**SUSTAINING ENTREPRENEURIAL FAMILY  
BUSINESSES: DEVELOPING THE CORE,  
EXPANDING THE BOUNDARIES**

**SUCCESSFUL  
TRANSGENERATIONAL  
ENTREPRENEURSHIP  
PRACTICES**

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Founded in 2005 by Babson College in collaboration with six academic affiliates in Europe, the STEP Project is a global applied research initiative that explores the entrepreneurial process within business families and generates solutions that have immediate application for family leaders.

The visionary institutions that founded the project include ESADE (Spain), HEC (France), Jönköping International Business School (Sweden), Università Bocconi (Italy), Universität St. Gallen (Switzerland), Universität Witten/Herdecke (Germany), and Babson College (USA).

Families are the dominant form of business organization worldwide—they play a leading role in the social and economic wealth creation of communities and countries. To achieve continued growth and continuity, they must pass on the entrepreneurial mindsets and capabilities that enable them to create new streams of wealth across many generations—not just pass a business from one generation to the next. We refer to this practice as transgenerational entrepreneurship.

Leading academics and business families from around the world have joined as partners of the STEP Project to explore Successful Transgenerational Entrepreneurship Practices and create a stream of powerful practices and cases that empower families to build their entrepreneurial legacies.

(STEP)

SUCCESSFUL TRANSGENERATIONAL ENTREPRENEURSHIP PRACTICES

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# BEALES HOTELS: EMBRACING CHANGE WHILE MINDING THEIR OWN BUSINESS FOR MORE THAN 200 YEARS

Alfredo De Massis, Allan Discua Cruz, Jacqueline Jackson, Josip Kotlar, and Ambra Mazzelli

## Beales Hotels United Kingdom

When a family business survives eight generations, they're doing something right. The Beales family bakery in the 1790s evolved into what is now a luxury hotel company with a continually refined recipe for success. Part of the strategy is an anti-dilution solution.



**BEALES HOTELS**  
GENERATIONS OF EXCELLENCE SINCE 1769

**B**eales Hotels is an independent, eighth-generation family enterprise running two four-star hotels and an outside catering operation in North London and Hertfordshire in the United Kingdom. Developing from a single baker's shop to a group of fine hotels has been a journey of over 200 years, during which the Beales have moved from Hertfordshire to London and back again. The company is owned by the Beale family, and managed by a professional board. Andrew Beale, the current Managing Director, is the only Beale family member to hold an active, full-time post in Beales Hotels. In 2011, Nick Beale, the younger brother of Andrew, joined the board as a non-executive director. By 2013 the company reached revenues of £6 million (around USD 10 million). Exhibit 1 shows an overview of Beales Hotels.

The company experienced important changes across several intra-family generational transitions. Each of the eight generations has added its own particular stamp, constantly adapting to new circumstances and, through booms, slumps, and world wars, getting on with "minding their own business" as Andrew Beale has suggested.

In this sense, the Beales company provides significant evidence to answer a fundamental question: how does the interplay between family and business systems affect the way in which enterprising families adapt and change over time? The simple answer: by managing their ownership distribution and acting upon entrepreneurial decision-making and innovation.

### Beales Hotels: A Rich History

The company's origin dates to 1769, when John Beale, a master baker from Royston in Hertfordshire, moved to London and opened a shop on Oxford Street. Succeeding generations quietly grew the bakery business, but in the 1860s its fortunes really began to rise through the efforts of William Beale, the fourth generation leader. He used the residual warmth of the baking ovens to cook dinners and then send them out for sale, thereby creating the first outside catering operation for the business. By 1889 he had opened the Beale

## EXHIBIT 1

### Beales Hotels Overview

#### Location

Hertfordshire, UK

#### Industry

Hospitality

#### Year of Establishment

1769

#### Revenues

6 million pounds sterling (£)  
or 10 million USD

#### Family Generation

8th

#### Ownership

100% owned by the family

#### Family involvement

Managing Director and Former  
Managing Director

#### Number of Interviewees

5

**The Beale family has been able both to seize new opportunities and to shape the external environment by achieving organizational change and innovation across generational transitions.**

restaurant in a five-story building in Holloway. William enhanced an integral restaurant and grillroom with a range of fine foods and groceries in the same building. In 1895 the firm was incorporated as Beales Ltd.

Beales continued to flourish through the fifth generation. The tumult of the 20th century brought big changes to Beales, though. By the Second World War, the grocery, meat, and provisions departments had become uneconomical and were subsequently closed. The bakery side continued to thrive until 1969, when the sixth generation members decided to sell the Holloway premises. However, in 1945, Edward Beale, a sixth generation family member running the business, bought West Lodge Park Hotel in Hertfordshire, which, during 1958 he upgraded the restaurant, opened a bar, and began to accept bookings such as wedding receptions. In 1964 the Beale family expanded operations and purchased Hatfield Lodge, a small 26-room hotel in Hertfordshire. In 2004, the current Managing Director, Andrew Beale, demolished Hatfield Lodge and transformed it into Beales Hotel, Hatfield, a four-star, 53-bedroom establishment.

### Beales Hotels Ownership: Changes Over Time

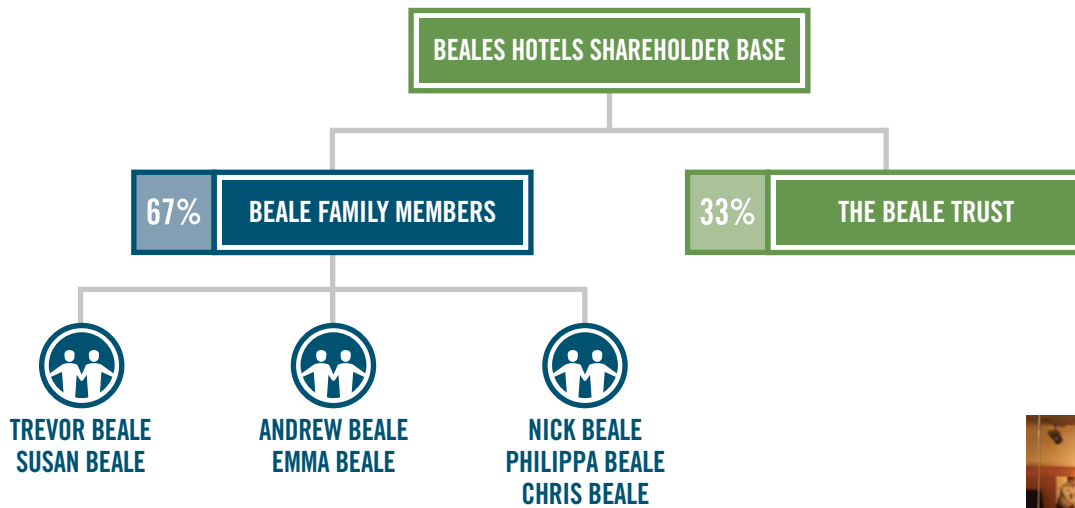
The history of the company is a tale of changes in direction and diversification, with little conflict between family members, resulting in two major rationalizations (ownership pruning) of shareholders, the first one in the mid-1930s. Since then one of the most significant issues the family had to address was the increasing number of family members who owned shares (and thus had a say in the business). As each successive generation of Beales has gifted or bequeathed shares to their children, the number of family members that were entitled to a seat on the board had increased to 22 by the 21st century, an ownership spread which impacted the decision-making process in the company. After discussion with board members and fellow directors, Andrew proposed to streamline the shareholding profile and reduce it to nuclear family members only. This would facilitate decision-making and ensure the continuity of Beales in the hands of the family. The 14 extended family shareholders were offered £2.9 million over a six-year payment period. The second ownership restructuring occurred in 2010 with Beales reducing its shareholder profile from 22 family shareholders to 7 nuclear family members. The changes in the ownership structure helped the family to focus on a particular industry and make crucial decisions for its future in business.

The present shareholders are Andrew and his wife Emma, Andrew's parents Trevor and Susan, Andrew's two brothers, Nick and Chris, and his sister Philippa, plus the Chair of the Beale Trust. The Beale Trust owns one third of the company shares. Whatever dividends the Trust earns are issued proportionately to charities nominated by individual shareholders. *Exhibit 2* displays the current shareholder base distribution. The new group's operational goal is to ensure sustainable leadership of the family enterprise, preserve family values across generations, and make the strategic changes and investments required to achieve long-term sustainability.

### Ownership Pruning, Entrepreneurship, and Innovation

The Beales case highlights how the interplay between family and business systems may affect family enterprises' entrepreneurial decisions and behaviors across firm and family life stages. The enterprising Beale family has been able both to seize new opportunities and to shape the external environment by achieving organizational change and innovation across generational transitions. *Exhibit 3* shows a timeline of the major changes at Beales based on

EXHIBIT 2  
**Beales Hotels Shareholder Base**



**Andrew Beale**  
 Shareholder

the generation involved and the corresponding core businesses. In this sense, intra-family succession has been a catalyst of entrepreneurial and innovation activities. An analysis of the company history shows:

**Three major changes or diversifications of the core business across generations. This may be interpreted as evidence of transgenerational entrepreneurship and innovation.** The fourth-generation leader was the first member of the family to take the business in a significantly new direction by starting an outside catering business (expansion of existing business). The sixth-generation members closed the bakery business (divestment of existing business) and transformed the family residence into a venue where people could not only stay but also hold wedding receptions, banquets, and dinners (development of new ventures). Finally, members of the current generation, though continuing to operate in the hospitality industry, were the driving force behind the transformation of the Hadfield Lodge, a small hotel acquired by the family in 1964, into Beales Hotel (restructuring of existing businesses).

EXHIBIT 3  
**Beales Company Strategic Changes**



Intra-family successions are reported in the first row, whereas the most significant changes in the company's core business over time are reported in the second row.

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**Two rationalizations of shareholders (ownership pruning) over the course of eight generations. This may be interpreted as a deliberate initiative by family decision-makers to counter ownership dilution and goal-misalignment.**

The first pruning occurred in the mid-1930s and the second in 2010. The most recent shareholder reorganization saw the shareholding profile streamlined from 22 to 7 family members.

In essence, this case shows that radical changes, in terms of ownership pruning, business expansion, and development of new ventures and innovation, typically occur in the process of intra-family succession.

## » KEY INSIGHTS

The Beales Hotels case leads to a number of key insights:

- Rather than being stable over time, the attitude towards change in Beales Hotels has been influenced by a number of external and internal factors. In particular:
  - o Organizational change and innovation have been often preceded by intra-family successions. In fact, as additional empirical evidence suggests, organizational members express their goals more fervently and activate social interactions that will lead to new stabilizations, and thus a new status quo in proximity to an intra-family succession. Generational transitions in the Beale family have encouraged change and entrepreneurial behavior by triggering organizational goal setting and pursuing new business opportunities.
  - o Environmental factors and external conditions have represented threats for Beales Hotels and have spurred the emergence of a collective approach to entrepreneurship. The advent of the Second World War made the grocery, meat, and provisions departments uneconomical. However, in 1958, after a period of economic adversity, the 6th generation started a new business in the hospitality industry. Additionally, from the 1960s to the late 1990s the Beales family had to completely remarket themselves. In the 1960s, big banqueting events addressed to people belonging to clubs represented the core activity of the company, but then people started abandoning those organizational forms. The Beale family adapted at first by trying to move into the conference industry and then by opening the Beales Hotel. The way several generations have often relied on the participation and involvement of other family members in the pursuit of multiple business opportunities over time is evidence of a collective approach to entrepreneurship.
- Pruning the ownership tree affects family business continuity. The recent reorganization of the shareholder base allowed Beales Hotels to reduce the ownership dispersion among family members and generate within-group goal alignment. By rationalizing shareholders from 22 to 7 family members, Andrew was able to reduce the competition over firm resources among nuclear family members and clarify the future direction for the business. Thus, pruning the family tree served as a useful means to favor alignment of goals between different individuals, which has been shown to be an important ingredient for breakthrough change in family enterprises.
- A long-term orientation has played a central role in business success and adaptation over time. The most important goals that stimulated change and adaptation of the business across different generations were to secure a smooth and effective succession from generation to generation and to ensure firm survival. As a consequence, the Beale family preferred to establish a

**Environmental factors and external conditions have represented threats for Beales Hotels and have spurred the emergence of a collective approach to entrepreneurship.**



long-term relationship with its stakeholders. Many of the staff members have worked for the last three generations of the family. Based on that long-term orientation, the Beale family has gained a distinct presence and standing in the communities where their businesses operate.

- The radical entrepreneurship processes leading to the creation, acquisition, and divestment of ventures at Beales may also reflect a collective approach over the lifetime of a family business. Such an approach may involve several family members, as an entrepreneurial team(2), in the emergence of several businesses, shifting the core business(es) in which the family may be involved over time(5).

## » PRACTICAL IMPLICATIONS

- Goal diversity offers family business owners and managers a tremendous opportunity to change and innovate. When an intra-family succession is imminent, the organizational goals previously stabilized are unfrozen as new managers reconsider leadership and organizational structure. This is why the Beales Hotels case clearly shows that radical change and innovation typically occur in proximity of intra-family successions.
- Managers should carefully consider how the distinctive characteristics of the family enterprise have an impact on its innovative and entrepreneurial behavior. This can be reflected through family members identifying and pursuing innovation and entrepreneurial opportunities during generational transitions. At the same time, such characteristics may help deal with organizational goal diversity and transform their family businesses during succession.
- Family business owners and board members should be able to critically evaluate their contribution to the business, especially keeping in mind the potential risks associated with ownership dilution and its negative consequences on within-group goal alignment. The Beales Hotels case shows that periodic pruning and restructuring of the family ownership tree is likely to foster continuity of business focus and sustainability of family goals over time.
- The case shows that long-term orientation is a critical success factor for family enterprises. The decision to name the company after the family name as well as the nurturing of long held relationships with diverse stakeholders provides some evidence of the Beale family's long-term orientation. Family business owners and managers should, thus, consider the crucial role that sharing sustainable values and securing long-term relationships with stakeholders plays in fostering business survival and adaptation over time.
- When we consider transgenerational entrepreneurship across multiple generations in family businesses(4), the impact that a collegial approach to radical innovation and entrepreneurship has on the continuity of the firm and a family in business is extremely relevant. Such a collegial approach may showcase several family members who want to stay in business together, who act upon goal diversity within the family enterprise, and who engage in radical changes over time.

**The Beale family preferred to establish a long-term relationship with its stakeholders. Many of the staff members have worked for the last three generations of the family.**

## SUGGESTED READING

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## AUTHORS

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