

RESEARCH

Classics: The Three-Circle Model

"Bivalent Attributes of the Family Firm", by **Renato Tagiuri** and **John Davis**,
Family Business Review, 1996.

Tagiuri and Davis published their seminal paper on the Three-Circle Model more than two decades ago. It is a classic, widely used and cited to this day to explain what family businesses are and how they work. However, it is likely that few people have read the article in its original version. In fact, the Three-Circle Model's present-day explanatory power is not exactly the same as when the article was first published.

In their article, Tagiuri and Davis argued that it was necessary to understand characteristic behaviours by family members that affect the family business. The paper focused on businesses controlled by a family that simultaneously owns the company and has at least two members in management positions. The article showed that family businesses have unique attributes because the interaction between the three circles – ownership, family and management – can be the source of both advantages and disadvantages.

These bivalent attributes are derived from the fact that family members belong to these three overlapping circles, and they are related to (1) simultaneous roles, (2) shared identity, (3) common life history, (4) emotional involvement and confusion, (5) private language of relatives, (6) mutual knowledge and privacy, and (7) the meaning of the family business. The article concludes that bivalent attributes are always present; the challenge is to manage them in order to maximise positive effects or, as the case may be, to minimise negative consequences.

In short, the Three-Circle Model focuses on attributes derived from three overlapping subsystems: family, business and ownership. Understanding these attributes as associated with the roles of individuals – e.g. owner and manager, manager only, owner only, etc. – can lead to better management of the family business by channelling the consequences in an appropriate direction.