The Evolving Field of Family Business

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Purpose
This editorial provides an outline and reasoning for the launch of the new Journal of Family Business Management. The paper explains how the family business subject area has developed in previous years and highlights the authors’ views on where the subject needs to focus in future.

Design/methodology/approach
This article is an editorial with commentary on family business subject area. It provides discussion about what is a family business; discussed the growth in family business studies; highlights the need for family businesses to focus on competitive advantage.

Findings
Family Business has evolved significantly over the past decade and today it is a well accepted and respected field of inquiry. In gaining academic acceptance, it has retained its practitioner roots. The paper argues that it is time for a re-think because the focus of previous family business research has become somewhat convoluted with SME research (at least in the UK) and with particular parts of the family business rather than the entire family business system.

Research implications (if applicable)
The paper argues that it is still the case that the proportion of family business related journals in relation to all business journals is small. Family Businesses constitute the majority of global businesses and their contribution to global economy is significantly greater than non-family owned businesses. However, academic research on family businesses is still a new field less than 30 years old with many subjects and topics yet to be explored. This paper describes the approach the Journal of Family Business Management will adopt to address this imbalance and how it will focus on research that takes an inclusive, cross-disciplinary approach to the study of family business management.

Practical implications (if applicable)
To continue its impressive upward trajectory, family business management and research needs to embrace new theoretical perspectives and approaches, particularly those which come from disciplines like psychology that at the moment have tenuous links to family business studies. It also needs to embrace learning that can be gained from practitioners and develop a useful discourse between stakeholder groups in the family business community.

Originality/value
This article highlights the contribution that this new journal brings to the family business subject area and defines the gap that it aims to fill. It will be useful for academics, researchers and family business practitioners, policy makers and professional business advisors.

Keywords: Family business, advisors, practitioners.
Introduction

Welcome to the inaugural issue of the *Journal of Family Business Management (JFBM)*. The JFBM is launched at a critical time in the economic fortunes of most nations as well as a critical time in terms of decision making and performance achievement. The dynamic, volatile and continually changing operating environment has focused the minds of academics and practitioners on the quest for competitive advantage. Increasingly Family Business (FB) is seen as one of the main drivers of national competitiveness and a key driver of economic achievement.

Family businesses make up the backbone of most economies throughout the world and make enormous contributions in terms of employment and economic output (Shepherd and Zacharakis, 2000; Bornheim, 2000). Yet the study of family business is still nascent with much family business orientated research being subsumed into the small and medium sized enterprise domain. As a result there are a number of key stakeholders, such as, policy makers, professional advisors and professional managers of family businesses, who are often unaware of the specificities of family business management and of their economic and social contributions.

Family businesses differ from other firms in terms of ownership, business and social philosophies, approach to leadership and relationships (Miller and Le Bretton-Miller, 2005). Dyer (2003:412) stresses the importance of relationship by saying that 'key areas of study for management scholars, such as governance, strategy formulation, social capital, career development, and many others, will undoubtedly be influenced by family relationships'.

Relationships in the modern family business have received attention in business literature and have been researched in social and family psychology areas where it has shown that family groups are bonded by kinship ties, norms, and altruism (Rothausen, 1999). Such ties are not financial, transactional, or market-based in nature, rather they are relational and systemic; a single relationship may affect an entire constellation of alliances (Cox and Paley, 1997). By taking a cross-disciplinary and multi-stakeholder approach to the study of family businesses, the JFBM hopes to contribute to the development of theory which is timely and relevant to modern family businesses.

It is generally accepted that family owned businesses are more complex than non-family run businesses. This is particularly the case where two or more generations are involved in the firm as the interplay of family dynamics impact on decision making (Hess, 2006). Decision making is inevitably influenced by the considerations of the business, the family and the owners and impacts on strategic direction and decision making (Gersick et al., 1997). Balancing the emotional, ownership and business aspects of the family within the enterprise can present constant challenge. So while family businesses may be small, medium or large enterprises, they are different in that they face the challenges of balancing the unique trilogy of family, management and ownership (Tagiuri and Davies, 1992). As argued by Chrisman et al. (2006:719) we still need to understand more about 'how and why behaviors might vary across different types of family businesses and between family businesses and non-family businesses'.

Family business as a vehicle for commerce predates most forms of market structures (Colli, 2002). However, family business as a scholarly pursuit is relatively new. Though burgeoning, like other developing academic fields, the family business research field has been characterized by low paradigmatic development (Sharma 2004; Sharma, Hoy, Astrachan and Koiranen 2007; Zahra and Sharma 2004).
What is a family business?

The involvement of the family is the key defining issue that differentiates family business from non-family business. There are many definitions of a family business. The European Commission Expert Panel on Family Business Final Report\(^1\) identified more than 90 definitions and found that even within the same country several different definitions can be used. The definitions take into account many aspects, such as family ownership, involvement of the management, strategic control, business as the main source of income for the family and intergenerational transfers. A common feature to almost all definitions is that they are not operational, which to a large extent limits their usefulness, particularly for the purposes of research and for the production of reliable and comparable statistics on the sector. In addition, as Astrachan, Klein and Smyrnios (2007) pointed out, ‘a definition of family is often missing’ and ‘this notable absence poses problems, particularly in an international context where families and cultures differ not only across geographical boundaries, but also over time.’

Some definitions do not consider the status of being a ‘family business’ as static, but accept that it may drift between a family firm and a non-family firm. The European Commission Report also noted that self-employed/one-person enterprises are considered family businesses in approximately one third of the countries surveyed. Sole proprietors (i.e. companies with one owner but that may employ other family and/or non family members) are considered to be family firms in most European countries.

From an academic perspective family business has been defined in many ways. Chua et al., (1999:25) defined family business as “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.” From a practitioner perspective Astrachan, Klein, and Smyrnios (2002) suggest that family business vary in their ‘familyness’ and that it is the degree to which the family determines the behaviour and direction of the business that matters. Others have defined it as ‘one that will be passed on for the family’s next generation to manage and control’ (Ward, 1987: 252).

Does definition matter when we are considering how to determine what constitutes a family business? Is it their intent or subsequent behaviour that matters more than their composition?

The literature indicates that family businesses differ from non-family businesses due to the unique involvement of the family members (Chua, Chrisman and Sharma, 1999). Chrisman, Chua and Litz (2003) and Chua et al., (1999) suggest that researchers in family businesses consider the key topics as ownership, governance, management and succession. However, a more recent paper by Basco and Pérez Rodríguez (2009) states that many authors have now categorised family business into four key areas; strategic process, governance, human resources and succession, thus the only commonality being succession and governance. This is fundamentally important as it suggests succession and governance are solid underpinnings of the family business theory. It is therefore somewhat mysterious as to why it is that few academic research studies have focused on the family as the unit of study. Research projects which have taken the family system as a unit of study are unusual but important if we are to extend theory in the field.

Family Business and Competitive Advantage

Chrisman, Chua, and Litz (2003) and Habbershon et al. (2003) contend that it is the unique values that derive from the interaction of the family and the business approaches that underpin competitive advantage. Habbershon et al. (2003) see the mix as leading to a unique dynamic capability that shapes the behaviour of the firm and thus primes it for sustainable competitive advantage but this can also be the reverse (see Gordon and Nicholson, 2008: Miller, Steier and Le Breton-Miller, 2003). Miller and le Bretton-Miller (2005) contend that family business create value for their customers by exploiting operational excellence and pursuing a quality strategy based on their unique resources. Poza (2007) also referred to unique resources and competencies of family business that enable them to have greater agility in the changing market environment. But what are the distinctive resources and competencies possessed by successful family business? And how should they be passed on to the next generation?

FB is a field that draws on many disciplines, i.e. strategic management, sociology, economics, etc. But is this implicit or explicit? And what difference does a formal vs. informal approach to strategic direction make? What does it imply for strategic vision, formulation of goals and objectives, and above all execution where FB as well as business aspects need consideration? What external environment influences are taken on board and how are they aligned with the internal influences? And how is conflict dealt with? And what is its impact on strategic direction?

For example, conflicts in decision making are often manifested in what is perceived to be ‘poor management’ (Neubauer and Lank, 1998). Indeed Carlock and Ward (2001) found that almost 70% of US family businesses fail to plan strategically and over 66% of Chief Executives over 60 years old have neglected to give any thought to succession. Other issues of potential importance include governance in family business (see Zahra and Sharma, 2004; Lester and Cannella, 2006). More insight into the functioning of FB boards is thus valuable not only from an academic perspective, but also from a managerial point of view. Ward (1998) found that 6 out of every seven family firms did not have board or family meetings to direct the affairs of the business. The development and professionalisation of family businesses requires study and provides just one of the many potentially fruitful areas for research.

The growth in family business studies

Craig et al., (2009) in a recent article contend that the frequency that family business research has been published by year and by discipline in top-tier journals as listed in the Journal Quality List (JQL) (Harzing, 2008) has led to a tipping point threshold that will enamour the field to a wider researcher audience and thereby further contribute to paradigmatic development. The growth of family business as a field of study is gaining momentum.

The growth in the family business research community is driven by growing issues of importance that include the extent of family control varies, governance, dynamics and relationships both internal and external. Conflicts in decision making are often manifested in what is perceived to be ‘poor management’ (Neubauer and Lank, 1998). Indeed Carlock and Ward (2001) found that almost 70% of US family businesses fail to plan strategically and over 66% of Chief Executives over 60 years old have failed to give any thought to succession.

All the strategic paradigm perspectives that are applied to SMEs are equally relevant to family business. The Resource Based View (RBV) developed by Barney (1991) is considered important to family business as ‘the basic strategic management processes for both family and non-family firms is similar in the sense that a strategy, whether implicit or explicit, must be formulated, implemented, and controlled in the context of a set of goals’ (Sharma, Chrisman and Chua, 1997: 2). Tokarczyk, Hansen, Green and Down (2007) add to this notion by commenting that family businesses have
distinct capabilities that provide a competitive advantage due to the ‘tacitness’ rooted in their resources. Chua et al. (2003) suggests that the RBV is frequently applied to family business. What other paradigms need to be applied to family businesses?

There are many gaps in current family business research. This article is not the place to rehearse these discussions however, recent articles by Debicki, Matherne, Kellermans, Chrisman (2009) and Astrachan (2010) have highlighted a number of areas where family business scholars might focus in future: general aspects of strategy formulation and content, professionalization, and stakeholder, ethics, social responsibility issues, family business goals have received scant attention in the literature. Debicki et al., (2009) believe that gaining an understanding of how noneconomic goals affect behavior and performance seem critical for the development of a theory of the family firm. Suffice to say that we agree with Astrachan (2010) that the proportion of family business related journals to overall journals is negligible and that there has never been a better time to focus on this globally important organizational form.

The journal and the gap it fills

The *Journal of Family Business Management* is dedicated to family business. It is both academic and practitioner focussed and is underpinning by the ethos that relevant and rigorous research and theory provides the guiding light for practitioners to focus on the challenges that are be likely to bear more fruit and enhance the competitive advantage of family business. This will also ensure that family business is seen as a separate domain from that of SMEs and an important discipline in its own right.

The *Journal of Family Business Management* aims to communicate the latest developments and thinking on the management of family business operations worldwide. We aim to provide some topical thinking and work for family business managers who must be aware of changing management approaches, processes and strategies which allow them to respond to global competition and a chaotic world, keeping in mind the unique character, culture and attributes of family owned businesses.

The *Journal of Family Business Management* will provide broad and unrivalled coverage of all aspects of contemporary family business strategy and management. With a unique focus on behavioural research, it aims to inform both research and practice in the field. Combining *rigour* through strict peer review, with *relevance* through a theory-into-practice ethos, the journal is an essential resource for all involved in this dynamic area.

The JFBM will seek to publish original research articles on all aspects of family business management, with a particular focus on behavioural research. We also hope to feature case studies which highlight particular successes or problems in processes or techniques. We also hope to include ‘research notes’ which will provided short, digestible information of current research projects and debate. In addition, the journal will seek to publish book reviews and/or evaluation of other literature in the field. We aim to encourage the submission of thought pieces co-authored by family business CEO’s and academics as a way of bridging the practitioner/academic gap. Each issue will also feature a practitioner comment piece written by an active family business advisor which will highlight a particular issue or area where further research or applied research might be encouraged.

Future issues will consider a variety of topics covering all facets of family business management. We encourage papers that draw on behavioural theories, political sciences and sociology as well as
papers that draw on the economic discipline. The journal also encourages submission of innovative articles based on unusual methodologies; and sound but diverse methodological approaches.

**Review of this inaugural issue**

Given the plethora of journals, it is always challenging to establish a new journal, even when the gap is clearly identified. This inaugural issue has received an overwhelming number of submissions. Following a strict review process we have selected five papers.

Andrea Colli from Bocconi University provides an overview of business history as an academic discipline and his reflections about its evolutionary patterns and heuristic value in other fields. His article highlights some potential areas of collaboration and suggests some reflections about the way in which the research methods of historians can be beneficial for management scholars.

The family as a unit of study is highly under researched in this field. Ramona Kay Zachary from Baruch College, CUNY, provides an insightful article focusing on the importance of the family system in the study of family businesses. In her article Ramona addresses an overlooked topic in pursuit of family business studies and research: the family system in the pursuit of family business studies and research. The article provides a critique of conceptualizations of the family business and presents the Sustainable Family Business Theory with detailed emphasis on the family system. This review of previous research will be of interest to researchers, educators and practitioners and gives a broader and comprehensive view of the family business which is inclusive of the family system as well as the business system and their respective interactions.

Arist von Schlippe, Alex Krappe and Lazaros Goutas describe a research study that shows that family businesses address the identity myths of stability and safety like no other company type. Yet the identity myths adopted by family businesses also evoke other societal needs, such as egoistic self-fulfilment motives, or the will to live free and without boundaries. For these needs, family businesses are perceived as inflexible and stiff.

Carole Print and Julien Reynolds from Henley Management School, provide a paper that aims to extend the understanding of the value of quoted family-controlled businesses and fill gaps in existing research by comparing the performance of such businesses with comparable non family controlled businesses. Their paper provides insights on the extent of the shareholder value that family-controlled businesses provide, indicating that this may be greater than for non-family controlled businesses. This is an interesting topic and the paper fills a gap in the existing literature about family controlled businesses and Family Capital.

John Tucker, Director of the International Centre for Families in Business based in Bristol, UK, provides a fascinating insight into family business by sharing the benefit of over 15 years consulting with UK family businesses. In his practitioner commentary piece, entitled ‘Keeping the Business in the family and the Family in the Business: What is the Legacy?’ John focuses on advisors to family business clients who come from, the legal, accountancy or business advisory professions whose training, experience and knowledge come from a technical/transactional perspective and who often take a silo approach to the issue(s) facing the client. The purpose of his paper is to suggest that in dealing with family business clients the professional adviser needs to take into consideration the very powerful emotional and relational issues that will impact on the more traditional, ‘expert advice’ approach. His article suggests that no one group of professional advisers have all the skills needed to work successfully with family business clients and collaborative working is the way of ensuring family business clients receive the most effective professional support.
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We would also like to acknowledge the members of the Editorial Board who have contributed to the launch of the Journal and who continue to provide input through the Journal Community. To become a member of the community is quick and easy. Simply register to join at the following website.

http://journalfamilybusinessmanagement.ning.com/?xgi=2ptPUgHFo8d9aQ

References:


