Why Can’t a Family Business Be More Like a Nonfamily Business? Modes of Professionalization in Family Firms

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“They’re nothing but exasperating, irritating, vacillating, calculating, agitating, maddening, and infuriating lags.” Adapted (“hags” to “lags”) from “A Hymn to Him”, copyright Alan Jay Lerner and Frederick Lowe.

Abstract: We survey arguments that family firms should behave more like non-family firms and “professionalize”. Despite the apparent advantages of this transition, many family firms fail to do so or do so only partially. We reflect on why this might be so, and the range of possible modes of professionalization. We derive six ideal types: (1) minimally professional family firms; (2) wealth dispensing, private family firms; (3) entrepreneurially operated family firms; (4) entrepreneurial family business groups; (5) pseudo-professional, public family firms; and (6) hybrid professional family
firms. We conclude with suggestions for further research that is attentive to such variation.

**Keywords:** Professionalization; family firms; performance; entrepreneurship; hybrid organizations

**Introduction**

Professor Higgins’ rant (above) and his refrain: “why can’t a woman be more like a man?” conveyed his view that the world would be better off if women would act more like men (*My Fair Lady*, adapted by Lerner and Lowe from George Bernard Shaw’s play *Pygmalion*). The play and the musical had fun with his stereotypes about the sexes. “Higgins... is a comical figure, ... a self-opinionated [and] clueless misogynist” (Izod, 2006, p. 46; McGovern, 2011, p. 270). We can laugh at his delusions, but there are echoes of his attitude in a respectable view about family businesses: would the world not be better off if they would act more like non-family businesses?

Business historians Alfred Chandler (1990) and David Landes (1949) viewed surviving family businesses as the relics of an earlier era. Echoes of this view are not hard to find. For example, the fifth edition of *Sociology* by Giddens and Griffiths (2006, p. 657) claimed that “in the large corporate sector, family capitalism was increasingly succeeded by managerial capitalism... [and] the entrepreneurial families were displaced.” Similarly, Wharton professor Michael Useem saw in Vivendi’s purchase of the Seagram Company “one more nail in the demise of family capitalism” (Anonymous, 2000). The persistence of this attitude is not for lack of counter claims by recent family business and business history scholars. For example, Ingram and Lifschitz (2006, p 351) opposed seeing “the residue of family capitalism as an unfortunate anachronism, a social indulgence that acted as a brake on the progress to corporate capitalism.” Many other such arguments can be found, and Landes came to disavow Chandler’s views (2006, pp. xii-xv; also Carr & Bateman, 2009; Colli, Fernández Pérez, & Rose, 2003; Gilding, 2005; Schulze & Gedajlovic, 2010).

Some scholars who recognize the continuing vitality of family businesses nonetheless believe that these firms would be more effective if they would behave more like non-family businesses. Their
argument is typically couched in the language of “professionalization.” As an example, Martínez, Stöhr, and Quiroga (2007, p. 93) proposed that “when family-controlled firms professionalize their management and governance bodies, and have to be accountable to minority shareholders, they can overcome most of their traditional weaknesses and take advantage of their strengths and succeed.” Contentions along these lines are common (e.g., Rondøy, Dibrell, & Craig, 2009; Schulze et al., 2001; Sciascia & Mazzola, 2008; Westhead & Howorth, 2006). Similar arguments also appear in the practitioner press (from Canada, Robinson, 2007; from India, Sukumar, 2011; from the Middle East, Anonymous, 2008; from South America, Anonymous, 2007; from the U.S.A., Perry, 2008). By contrast, we argue that we need a greater understanding of the modes of family firms and of their contexts to know how they can operate more effectively. Our essay is designed to provide more contingent answers to this important question.

We proceed as follows. First, we survey the literature and assemble a number of dichotomies associated with family versus non-family business. These dichotomies suggest the range of possible ways in which family firms might become more like non-family firms. We next survey direct arguments in favor of transitioning to a less familial form of organization. We also summarize the indirect arguments based on studies of performance effects. A reasonable inference from these studies is that professionalizing the family firm improves performance. We are led to a conundrum: despite direct and indirect arguments in favor of professionalization, a great many family firms fail to follow this prescription. As a result, we propose reasons why family firms might or might not make the transition, leading to different modes of professionalization. We conclude with suggestions for further research.

Distinctions between Family and Non-Family Firms

Scholarly writings on family business offer a range of dichotomies between “family firms” and non-family firms”. Table One classifies some of the often-cited dichotomies, with representative citations. Insofar as we accept these broad stereotypes of family and non-family businesses, it is hard not to conclude that family businesses compare poorly by the standards taught in business
schools (Johannisson, 2002; Khurana, 2007; Sarasvathy, 2001). Many scholars would endorse the argument for a thoroughgoing transformation of family firms if these dichotomies accurately reflect reality.

Meanings of “Professionalization”

We lack a singular term in our literature for such a transformation. “Familiness”, for example, is a term with a more specific meaning (Habbershon, Williams & MacMillan, 2003; Habbershon, 2006). The term that comes closest is “professionalization”. However, it is only a short-hand for all of the distinctions in Table One. It does not typically refer to ownership. It also lacks a singular meaning in popular or scholarly discourse (Hwang & Powell, 2009; von Nordenflycht, 2010). In its simplest form, it refers to full-time salaried employees (Galambos, 2010). By a simple extension to family firms it means hiring full-time, non-family employees, particularly with the delegation of managerial authority. In studies of family firms, this is often the core meaning (Chandler, 1990, pp. 48, 145, 240, 266-268, 390; Chittoor & Das, 2007; Gedajlovic, Lubatkin, & Schulze. 2004). A closely related theme in Chandler’s account is “defining [the] organizational structure precisely” so as to coordinate the work of the salaried managers (1990, p. 127; also Chua, Chrisman & Bergiel, 2009; Songini & Gnan, 2009). Thus, the term implicitly or explicitly entails other dimensions, such as formal training, meritocratic values, formalized structures or independent directors (e.g., Chua et al., 2009; Chua, Chrisman, & Sharma, 1999; Parada et al., 2010; Tsui-Auch, 2004). As a result, it is sometimes used to refer to a holistic transformation (Hung & Whittington, 2011).

Relationships among the dimensions. Professionalization is certainly not one-dimensional. For example, hiring salaried managers absent other changes is a failing strategy (Sukumar, 2011; Ward, 2004). Professionalizing therefore can involve a holistic change, albeit one that varies somewhat from firm to firm (Hung & Whittington, 2011; Parada, Nordqvist & Gimeno, 2010). Based on our review, if
there is a core element to such a shift in the context of family firms, it is the Parsonian distinction between achievement and ascription (Parsons, 1951). In Ward’s terms (2004, pp. 51-52) this is “the principle of merit.” In other words, people are placed in positions and rewarded based on merit. Implementing the principle of merit in firms where it had been lacking often requires a shift across several managerial dimensions. Depending on the availability of talent it could entail the hiring of salaried managers or even a non-family CEO. It could entail new systems and organizational designs in order to monitor and reward managerial performance.

Professionalization is multi-dimensional, but we cannot assume that the applicability of any one of these dichotomies, in a given firm, entails the applicability of others. For example, informality need coexist with indulgence. To assume that it does so is to assume that the construct is “reflective” of co-varying indicators (the dimensions). Many important constructs in business literatures are “formative” or caused by indicators that may have negative or zero correlations (Diamantopoulos, Riefler & Roth, 2008). To assume the former in the absence of evidence is a common error of “protoscientific” thinking (Graham, 1989, p. 338).

Moreover, the stereotypical dichotomies of Table One do not identify family and non-family businesses as distinct configurations or “gestalts” (Miller, 1981). None of these dichotomies, with the possible exception of kin- or nonkin-based ownership, uniquely defines a family versus a non-family firm, and even this distinction is not definitive. The qualities that are attributed to family firms and to non-family firms are not universally applicable. Some family firms have highly educated managers using analytical decision-making and some non-family firms have casually trained managers using intuitive decision-making. Further, family firms are associated with nepotism, but the principle of merit is not the exclusive property of non-family business.

Professionalizing the family firms often includes educating the succeeding generation in high quality business schools (Benedict, 1968; Douglass 1992, pp. 223, 225; Gilding, 2005; Pérez-González, 2006; Tsui-Auch & Lee, 2003; Tsui-Auch, 2004). Moreover, merit does not presuppose that the goals to be “achieved” must be purely economic.
An Alternative Meaning of Professionalization

Table One includes (under “management”) a distinctive meaning of professionalization. This usage, found in both popular and scholarly language, has roots in occupational groups with jurisdictional rights to the use of specialized knowledge, such as attorneys and physicians (Abbott, 1988; Galambos, 2010). Managers do not enjoy these jurisdictional rights (Hodgson, 2005; Hwang & Powell, 2009). Nonetheless, the notion of “professional management” carries connotations from these older occupations (Khurana, 2007, pp 69-70). A true professional is expected to develop not only generally applicable knowledge but also to adopt a moral code and to view the career as a “calling” (Benveniste, 1987, pp. 42-43). Professionals are expected to continue to “improve [their] capabilities” (Hall, 1968; Hwang & Powell, 2009, p. 268; also Chittoor & Das, 2007) and also to display integrity to “protect the interests of clients and/or society in general” (von Nordenflycht, 2010, p. 163).

Ironically, this older meaning of “professionalization” is at odds with other connotations of professionalization. According to the stereotypes, management in family firms is less formalized, rational and standardized than in non-family firms. Insofar as professionalism means moving toward a non-family business in this sense it entails bureaucratizing. Yet professionalism with this older meaning was offered as an alternative to bureaucracy (Benveniste, 1987) because the more the firm delegates responsibility to professionals the less bureaucracy is needed (Hall, 1968). We return to this point in addressing why family firms may resist the move to professionalize.

Benefits of Professionalizing

Professionalizing the family firm by developing non-personalized “evaluation and incentive compensation” (Chua et al., 2009, p. 355) can be appropriate in family firms. Tsao and colleagues (2009, p. 320) found that family firms benefit from the use of “extensive selection, performance-based pay, in-house training and development, job enrichment, and employee empowerment.” Family firms adopting these practices (termed High Performance Work Systems)
outperformed non-family firms, whereas those that did not do so underperformed non-family firms. Similar practices may also crack the glass ceiling for females in family firms (Parada et al., 2010), because they provide means to certify that female managers gained their positions based on achievement (Songini & Gnan, 2009). Other benefits of professionalizing human resource practices are methods for disciplining non-performing kin (Ram, 1994, p. 64), and higher commitment from non-family employees (Barnett & Kellermanns, 2006; Dyer, 1989; Gilding, 2005; Janjuha-Jivraj & Woods, 2002).

Many other benefits have been proposed for professionalization. These include comporting with institutional forces, whether ideological or coercive. An example of institutional compatibility is that the value placed on individual careers may be satisfied by the use of trust funds and their attendant “corporate, bureaucratic affairs” that free the next generations for alternative professions (Marcus & Hall, 1992, p. 8; also Farrell, 1993, pp. 52-58). Similarly, the value placed on merit in the wider culture may be satisfied by elite education for the successor generation (De Lima, 2000; Hall & Nordqvist, 2008). Cultural norms such as these are reinforced by governmental and quasi-governmental agencies and by family business associations (Hung & Whittington, 2011; Parada et al, 2010; Selekler-Goksen & Öktem, 2009).

The “functionalist” argument for professionalization (Yildirim-Öktem & Üsdiken, 2010, p. 117) holds that it is needed in order to cope with complex and competitive business environments (Casson, 2000; Chandler, 1990, pp. 268, 339; Walsh, 2010) and to pursue opportunities for business alliances with professionally managed companies (Benedict, 1968; Ravasi & Marchisio, 2003; Rondøy, Dibrell, & Craig, 2009). One reason for this benefit is the increased diversity of perspectives and experiences available when outsiders join the board or executive suites (Filatotchev, Lien, & Piesse, 2005; Hatum, Pettigrew, & Michelini, 2010).

The other main business argument for professionalization is financial: better terms with banks, greater likelihood of raising private equity, and opportunities to obtain capital in public equity markets (Barden, Copeland, Hermanson, & Wat, 1984; Dawson, 2011; Ravasi & Marchisio, 2003). Owners gain from cheaper capital, enhanced
opportunities for growth and acquisitions, and diversification of their assets, particularly if they take their firms public (Bancel & Mittoo, 2008; Pástor, Taylor, & Veronesi, 2009). The process of preparation for going public also reduces the taxes and conflicts as one generation retires and another succeeds in its place (Chrisman, Chua, Sharma & Yoder, 2009; Janjuha-Jivraj & Woods, 2002).

Performance Effects of Family Involvement

These financial advantages should be reflected in studies comparing the performance of family and non-family firms. Therefore, we analyzed 59 empirical studies regarding the effect of family involvement on performance. These are summarized in Table Two. Naturally, only accounting or operational measures and not market (financial) measures can be used with privately held firms, and only 15 of the 59 studies contain such performance data. Because the great majority of family firms are private, we distinguish studies with samples of public firms from those with private firms, and those with mixed samples.

Please insert Table Two about here

Performance Effects for Private Firms

Distinguishing between public and private samples reveals that family involvement generally has a positive effect for public firms and an insignificant or negative effect for private firms. Only two of the 15 private sample studies found a positive effect. Kote (2005) found no significant growth effects but positive accounting effects, at certain size ranges only. Herrero (2011) found a positive effect for family involvement on the size of the catch by fishing boats. Eight of the 15 private sample studies found an insignificant or mixed effect (Arosa, Iturralde & Maseda, 2010; Chrisman, Chua & Litz, 2004, who did find evidence of agency advantages; Chrisman, Chua & Kellermanns, 2009; Miller, Lee, Chang & Le Breton-Miller, 2009; Molly, Laveren, & Deloof, 2010; Rutherford et al., 2008; Smith, 2008; Westhead & Cowling, 1997). Five of the studies found a negative effect (Cucculelli & Micucci, 2008; Jorissen, Laveren, Martens & Reheul, 2005; Oswald, Muse &
Rutherford, 2009; Sciasci & Mazzola, 2008; and Westhead & Howorth, 2006). Further, the sophisticated mixed sample study by Bennedsen and colleagues (2007), using the random sex of the firstborn as an instrument for succession, found significant negative effects of family involvement in management. Presumably most firms in their large sample were private. Overall, the performance of privately held family firms does not compare favorably with privately held non-family firms.

**Performance Effects for Public Firms**

Empirical results are more complex for the 35 studies of performance of public family firms. Several studies report non-linear effects and other studies report different results depending on the level of family involvement. Despite this complexity, the public sample studies are less likely to show mixed or non-significant effects. Over half of the private sample studies found such results, but only four of 35 did so in the public samples (Jiang & Peng, 2011; Le Breton-Miller, Miller, & Lester 2011; Silva, Majluf & Paredes, 2006; Viviani et al., 2008). Only four public sample studies found overall negative effects for family involvement (Achmad et al, 2009; Miller et al, 2011; Sacristán Navarro & Gómez Ansón, 2006; 2011), and four others did so under certain circumstances (Bennedsen & Nielsen, 2010; Chahine, 2007; Le Breton-Miller et al., 2011; Chang et al., 2010). Nine of the public sample studies found overall positive effects, and 14 other studies found positive effects under certain conditions. Almost two thirds of these studies found positive effects compared with less than one fifth of the private firm samples. Similarly, the meta-analysis of studies of public, U.S. family firms by van Essen and colleagues (2010) found “modest but statistically significant” positive performance effects for family involvement. By contrast, the meta-analysis of studies of private firms by Carney and colleagues (2010) found no significant performance effects of family involvement.

From these public sample studies we draw two provisional conclusions and hence an inference about implications for practitioners. First, the performance of public family firms is better relative to comparable non-family firms than is the performance of private family firms. Second, the public family firms that employ more professional practices experience higher performance. Several of these
practices relate to ownership concentration and governance. For example, negative effects are found for abuse of private information (Filatotchev et al., 2011) and for wedges (i.e., discrepancies) between cash flow and control rights (Barontini & Caprio, 2006; Claessens, Djankov, Fan, & Lang, 2002; Chang et al., 2010). By contrast, positive effects are found for professional practices by independent boards (Brenes, Madrigal, & Requena, 2011) and for sizeable ownership blocks outside the controlling family (Bennedsen & Nielsen, 2010; Chahine, 2007; Sacristán Navarro & Gómez Ansón, 2011; Wang et al., 2010). One study (Tsao et al., 2009) found direct effects of professionalizing management practices, in this case by means of high performance work systems. Moreover, the contexts within which public family firms performed best were the less competitive or turbulent environments that could call for sophisticated management (Boubakri, Guidhami & Mishra, 2010; Rondøy et al., 2009). Because a firm must professionalize to some extent in order to go public, these two conclusions lead to the inference that professionalizing improves performance.

**Limitations of the Performance Studies**

Many of the performance studies are carefully crafted and cleverly designed. However, they have limitations, many of them inevitable in large sample research. We have noted that private and non-economic benefits are important in family firms, yet these remain largely unobserved. As Filatotchev and colleagues noted, “our understanding of specific mechanisms of rent extraction by controlling shareholders is limited” (2011, p. 88). This is unsurprising given the sensitivity of the question. As a result, researchers have had to resort to proxy measures with “inconsistent” methodologies (Astrachan & Jaskiewicz, 2008, p. 141; Zellweger & Astrachan, 2008). Similarly, we find few observations of how executives manage the interface between the familial and business domains, and in particular how they may find entrepreneurial opportunities by crossing these domains.

**Inadequate data on kinship.**

A weakness of many studies of family business is limited attention to the familial domain. The performance studies above do
not treat kinship as a major independent variable except as a means to dichotomize the samples into family and non-family firms. Kinship data are limited to a few questions, such as the leaders’ generation and the representation of kin in ownership, management or board positions. For example, the recent study by Miller and colleagues (2011, p. 9) measured kinship ties among board members, managers and officers. For a large sample study this is exemplary and represents a major effort. Yet even this study overlooks other business-relevant variables such as kinship networks beyond the firm (Anderson, Jack, & Dodd, 2005), which historical studies have shown to be essential instruments of coordination throughout kin groups and across corporations (Arrègle, Hitt, Sirmon & Very, 2007; Farrell, 1993, p. 60; Ingram & Lifschitz, 2006).

We need more research on “family-related differences [such as] variations in inheritance structures or marriage norms” Bertrand and Schoar, 2006, p. 94; also Bocatto et al., 2010; Khanna & Yafeh, 2007). Little attention in performance research has been given to influences on family structures such as country histories (Church, 1993, Colli & Rose, 2003) or societal factors that affect the family (Jones, 2005). Examples of such factors are the socialization of reproduction (Robertson, 1991, p. 128) and the legal regimes affecting family firms. For instance, the “distinction [that] is often made between ancestral and self-acquired property” (Goody, 1997, p. 455) has implications for power relations and conflicts in Chinese family firms (Greenhalgh, 1994; Oxfeld 1993, pp. 191-196). Culture and other institutional factors, formal and informal, affect the composition of family business and the social networks used by family members who are managers (Arrègle, et al, 2007; Arrègle, Batjargal, Hitt, Webb, Miller & Tsui, 2010).

With some exceptions (e.g., Jorissen et al., 2005), this research pays little attention to individual variables (e.g., human capital) or demographic variables (e.g., age, gender), which are important for understanding family firms (Bertrand & Schoar, 2006; Danes, Stafford & Loy, 2007). Only three of the 59 performance studies (Bennedsen et al., 2007; Bertrand, Johnson, Samphantharak & Schoar, 2008; Miller et al., 2011) have data on kinship. The family is treated as a “‘black box’” (Creed, 2000, p. 346). For example, the data are silent on ties
by marriage or blood, or senior and junior lines in a kin group. They are silent on properties of the kinship system in question, such as norms of inheritance or succession, or the ways that choices are possible in the usage or neglect of kinship ties (Stewart, 2010; Wallman, 1975).

**Dichotomized samples.**

With the exception of the study by Le Breton-Miller and colleagues (2011), the studies also dichotomize their samples into family and non-family firms in various ways, whereas the “degree... and mode” of kinship involvement is not “an either-or scenario” (Sharma, 2004, p. 4; also Arrègle et al., 2007; Jaskiewicz, González, Menéndez, & Schiereck, 2005). Dichotomization is coarse grained, yet it is virtually universally practiced. However, as noted, firms are affected by kinship to various extents and in various ways. Thus, the family business category is far from homogeneous (Croutsche & Ganidis, 2008), with variation across many attributes of the business and the family, with a “highly skewed distribution” across certain measures (Westhead & Cowling, 1997, p. 43). Family firms vary with respect to familial character and values, such as the “dynastic motive” (Casson, 2000; also Arrègle et al., 2007; Bégin, Chabaud, & Richomme-Huet, 2010; Jaskiewicz et al., 2005; Westhead & Howorth, 2007), for example. They vary with respect to their size and firm resources (Herrero, 2011; Kotey, 2005; Sirmon & Hitt, 2003). They vary with respect to their financial and competitive strategies (Sirmon, Arrègle, Hitt & Webb, 2008; Tsao et al., 2009; van Essen et al., 2010). They vary with respect to their approach to involvement (Audretsch, Hülsbeck, & Lehmann, 2010; Maury, 2006). They vary across industries and sectors (Carr & Bateman, 2010; Casson, 2000). They also vary across a wide range of environmental contingencies, such as the type of capitalism and the legal context (Carney et al., 2010; Steier, 2009).

Dichotomizing the sample into “family” and “non-family” firms ignores contingencies that may need to be controlled and focuses attention on a potentially spurious category. The “family firm”, as opposed to family firms of various types, has not been shown to exist as a taxonomic entity (McKelvey, 1982; Stewart & Miner, 2011;
Westhead & Howorth, 2007). Less strongly put, the family firm may be a formative rather than a reflective construct (Diamantopoulos et al., 2008) because the dimensions found in some cases (e.g., the dynastic motive) are not found in others (Casson, 2000; Croutsche & Ganidis, 2008; Gilding, 2005).

The consequence of dichotomizing is that whatever factor(s) is chosen for the distinction, the split is likely to be arbitrary (Klein, Astrachan, & Smyrnios, 2005, p. 321; Rutherford, Kuratko, & Holt, 2008). As Allouche and colleagues (2008, p. 325) observed about performance research, “findings are highly sensitive to the way we define family businesses” (also Sacristán Navarro & Gómez Ansón, 2011). For example, the percentage of family firms in one sample ranged from 15% to 81% depending on the definition used (Westhead, Cowling & Storey, 2002, p. 23). Thus, the definition selected by the research can skew the results.

Failure to Professionalize

Strong conceptual and empirical arguments favor the professionalization of family firms. Nonetheless, as Schulze and colleagues (2001, p. 111) observed, not all family firms professionalize. For example, some CEOs of successful family firm have a low opinion of “professional management” (Gilding, 2005, p. 36; also Anonymous, 2008; Selekler-Goksen & Öktem, 2009). In another example, Yildirim-Öktem and Üsdiken (2010) found that Turkish family business groups responded only to coercive pressures to professionalize; functionalist and institutional pressures had little effect. Why might some family firms be so recalcitrant?

Modes of Professionalization

Part of the answer likely lies in family leaders’ mental model of the business. Without a consideration of the family’s “vision”, Chua, Chrisman and Sharma (1999) found that the behaviors of family and non-family firms could not be distinguished. Similarly, in order to understand the mode of professionalization adopted by a family firm, we need to consider its leaders’ intentions for their firm, and their abilities to envision and to manage a particular mode. With this in
mind we have identified six modes of professionalization by family firms. These modes are ideal types in a typology derived from the literature; they are not an empirical taxonomy (McKelvey, 1982, Chap. 3). Ordered from the least to the most professionalized (at least in their appearance), the modes are:

- firms that lack the capacity for extensive professionalization, limited in professionalization on multiple dimensions (minimally professional family firms);
- firms that seek the private benefits of control with their own capital, desiring independence from external governance (wealth dispensing private family firms);
- firms that pursue the opportunities found in informal operations, limited in the use of formalization and standardization (entrepreneurially operated family firms);
- firms that pursue the opportunities found in networks of affiliated firms, remaining embedded in kinship and other normative orders (entrepreneurial family business groups);
- firms that seek the private benefits of control with other people’s money, that seek the appearance while violating the spirit of public governance (pseudo-professional public family firms);
- professionally managed, family controlled firms, that seek the benefits of professionalization while retaining family influence (hybrid professional family firms).

Avoiding overly broad stereotypes.

Family firms tend to make less use than non-family firms of "professional HRM practices", according to de Kok, Uhlaner and Thurik (2006, p. 442). These authors suggested two possible reasons: less capability, or less need due to lower agency costs. This second possibility cautions us against stereotyping family firms as incapable of professional management. Cromie, Stephenson and Monteith (1995) found that most of the small family firms that they surveyed in Britain used elements of professionalization, including formalized, rational organizational systems and external sources of expertise. Presumably even small, closely held family firms will utilize practices that help their business. For example, they may prioritize family members for
leadership positions but they cannot indefinitely disregard the principal of merit as they assign management roles. (For an example, see Ram, 1994, pp. 63-70.) Therefore, some elements of professional management can likely be found for all family firms.

Moreover, extensive professionalizing might not be needed or appropriate. Introducing non-family managers creates the potential for conflicts of interest between the owners and their agents, the managers; that is, it creates the potential for agency costs (Chua, Chrisman, & Bergiel, 2009; Lee, Lim, & Lim, 2003). For example, the exploratory study by Chrisman and colleagues (2004) found evidence of agency advantages for private family firms relative to non-family private firms. Specifically, strategic planning – a staple of professional management – was significantly less beneficial for sales growth with family firms. Further, the firm’s situation might not require a transition. The competitive environment may not require changes if the market niches served are small, markets are fragmented, and environments dynamic (Casson, 2000; Dyer, 1968; Gedajlovic et al., 2004). In such cases, the firm is also less likely to experience internal pressures for professionalizing in order to deal with increasing scale, R&D intensity, or marketing sophistication (Lin & Hu, 2007). Further, “cultural and institutional factors” such as the need to professionalize to appear legitimate for outsiders might not be salient (Tsui-Auch, 2004, p. 713). The managerial culture in the broader environment might actually be unsympathetic to the transition (Whyte, 1996; Zhang & Ma, 2009).

Minimally Professional Family Firms

Many family firms fail to professionalize because they cannot do so. They lack the “skills or the will to successfully make the transition to professional management” (Sharma, Chrisman & Chua, 1997, p. 16). Incapacity may result from cognitive, cultural, emotional, or managerial barriers. One cognitive impediment is that family business managers may not recognize a need for change. Poza, Hanlon and Kishida (2004) found that family firm CEOs and parents had a significantly higher evaluation of their own management than did other family members and non-family managers. Moreover, family member CEOs tend to be longer tenured and less well educated than non-
family CEOs (Bennedsen et al., 2007; Jorissen et al., 2005; Pérez-González, 2006). The former may believe they are doing all they can to keep up with change and could not learn any faster (Zahra & Filatotchev, 2004). Therefore, the champions of professionalization may be the more educated family leaders. Curiously, Tsui-Auch in his (2004) study of professionalization among Chinese family firms in Singapore found no correlation with educational levels. Of course, these findings may be culturally specific.

Cultural impediments to professionalization include norms of kinship systems at odds with economic rationality. A classic problem for entrepreneurs wishing to grow their ventures is the challenge of “disembedding” (Stewart, 1989, p. 148). Their need to channel resources into their venture conflicts with obligations from the webs of kinship within which they are embedded. In many cultures, they are expected to display their wealth and to redistribute it generously amongst their kin. Failure to do so leads to intra-personal and inter-personal conflicts (Davidoff & Hall, 1987, p. 216; Fletcher, Helienek & Zafirova, 2009; Hart, 1975; Watson, 1985, p. 163). Entrepreneurs might also seek to exclude family members from responsible positions due to their limited capabilities. In most kinship systems they enjoy some latitude, but if they prioritize family membership less than is normative in their culture, emotionally painful conflict is liable to occur (Bertrand & Schoar, 2006; Hamabata, 1990).

Cultural impediments, therefore, are linked with emotional impediments. Culture includes expectations about emotions, and as an element of culture, so too does a kinship system. Individuals often experience ambivalence about feelings that are normative about kin, an ambivalence that demonstrates that they have internalized the expectations (Peletz, 2001). A common source of ambivalence for family business owners is parental recognition that children should develop independence, which conflicts with a desire to indulge them. Similarly, siblings or cousins might recognize the need to promote the most capable offspring but find it hard not to view their own children as more capable than their nieces and nephews (Ward, 2004; Tsui-Auch, 2004).

The psychological concept for this conundrum is “parental altruism” (Lubatkin, Schulze & Ling, 2005). In Japanese culture,
similar concept that is widely discussed, and seen as endemic in family firms, is the indulgence of passive love; in Japanese, *amayakasu* for the giving of indulgence (*amae* is the noun; Kondo, 1990, p. 150; the classic account is Doi, 1973). This problem of indulging family members can extend to non-family employees as well as family members thanks to ideologies of the workplace as a “family” (Ram & Holliday, 1993; Smith, 2009).

Emotional and cultural entanglements such as these make it impossible to professionalize a family firm simply by recruiting non-family managers (Dyer, 1989; for an example see Helin, 2011, pp. 83-84). The family firm cannot operate just as if it were a non-family firm. Being a “professional” manager in the family firm requires the capacity to navigate through idiosyncratic family cultures (Hall & Nordqvist, 2008; Lee, Lim & Lim, 2003; Sacristán Navarro & Gómez Ansón, 2009). For family members to be accepted as professionals, they for their part may need the “social skills to be accepted among other employees” (Helin, 2011, p. 159; also 108).

For many reasons, family firms can find it difficult to attract, reward and retain high quality “professional” managers (Barnett & Kellermanns, 2006; Beehr, Drexler, & Faulkner, S., 1997; Stewart, 2003). Professionalizing HRM practices in the family firm requires consideration of factors that militate against shorter-term or stock-based incentives: the firm’s non-economic goals, longer time horizons and the desire to maintain control for the generations (Chua, Chrisman, & Bergiel, 2009; Gedajlovic et al., 2004). Meritocracy mixed with preferential access for kin leads to ambiguities for all concerned (Helin, 2011, pp. 155-156). Efforts to import HRM practices without consideration of the family context generate conflict (Bertrand & Schoar, 2006; Hall & Nordqvist, 2008). Similarly, pay dispersion in the top management team correlates with significantly higher growth in non-family firms but significantly lower growth in family firms (Ensley, Pearson, & Sardeshmukh, 2007; also Schulze et al., 2001). Of course, minimal professionalization may simply be due to an inability to pay market wages (Carrasco-Hernandez & Sánchez-Marín, 2007; Cater & Schwab, 2008; McConaughy, 2000).
Wealth Dispensing Private Family Firms

Some family firms are able to recruit and reward non-family executives, to go public and gain external equity, or both of these options, and consequently seize growth opportunities. However, their leaders might have little enthusiasm for independent boards and other governance features of professional public firms. They might view these external responsibilities as a threat to their benefits: privacy, valuation placed on non-economic benefits, and privileged access to resources found uniquely in the kinship domain (Lomnitz & Pérez-Lizaur, 1987, pp. 105, 116-117). For example, they enjoy greater influence than CEOs of widely held firms in the use of discretionary cash flows (Muntean, 2009).

Most of these perquisites also apply to other closely held, private firms and do not explain the lower accounting and operating performances of family firms (Zellweger & Nason, 2008). The same desire to reduce taxes and hence reported income applies equally to their comparison firms. The private benefits available to owners may, however, be especially pervasive in family firms. Among all types of owners, family owners have more “ways to divert benefits to themselves compared with managers at” “widely held corporations” (Claessens et al., 2002, p. 2744). Further, private perquisites, such as non-arms length transactions and asset acquisitions, serve the interests not only of the owner but also those of his or her kinship group and their “lifestyle” (Westhead & Cowling, 1997, p. 46). Such transfer of wealth from the firm to the owners’ coffers may be more prevalent in family-controlled than in other closely held firms (Bennedsen & Nielsen, 2010; Bertrand & Schoar, 2006). Therefore, the apparently lower performance of family firms might not be perceived as such by these CEOs (Pérez-González, 2006; Poza et al., 2004).

Family firm CEOs might also have more non-economic preferences than non-family firm CEOs (Astrachan & Jaskiewicz, 2008; Chrisman et al., 2010). They might prefer, as Gómez-Mejía and colleagues (2007) suggest, to preserve their “socioeconomic wealth” rather than to maximize their financial wealth. In the CEO’s eyes, this non-financial wealth might include their capacity for providing
employment for relatives or for maintaining a long-standing company name that provides prestige to the family (Berghoff, 2006; Erhardt, Nowak, & Weber, 2005; Lomnitz & Pérez-Lizaur, 1987, pp. 13, 105; 116-117; Thomas, 2009; Zellweger & Astrachan, 2008).

From the viewpoint of entrenched family CEOs, professionalizing management may be a threat to their power, especially if these CEOs are, as often, less well educated than their peers (Zahra & Filatotchev, 2004). It could be a threat to their unique access to familial resources (Athananssiou et al., 2002; Colli et al., 2003). In Greenhalgh’s (1994, p. 751) depiction of a Taiwanese “family head,” manipulation of kinship traditions enabled him to “build his firm out of the loyalties and talents of his family.” Therefore, entrenched leaders of family firms may choose to retain their “traditional” methods, particularly in functions related to privileged control over resources such as cash flows and executive positions. We could expect that the most likely areas of conflict in efforts to professionalize are financial and HR strategy, and governance. However, for obvious reasons these conflict-laden topics are difficult to study.

Principal–principal conflicts in private family firms. Leaders of privately held family firms, certainly those that are closely held, enjoy legitimate discretion over the dispensation of the wealth of their firms. However, minority shareholders, if they exist, may be disadvantaged by the lack of liquidity of the shares and hence a weak negotiating position at times of ownership consolidation. Therefore, “principal–principal” conflicts can arise with the majority owners, a type of conflict that is more widely recognized in public family firms (e.g., Luo, Wan, & Cai, 2011; Morck & Yeung, 2003; Yoshikawa & Rasheed, 2010).

Less recognized is the potential for another form of principal–principal conflict that arises in closely held, private family firms. Provided that private family firms generate wealth, decisions must be made about which private benefits will be dispensed and to whom. Within the family there can be cleavages between active and passive owners, generating differing interests in reinvestments versus dividends. There can be differing treatments of males and females, in-laws compared with agnates (“blood” relatives), or of different
branches of the family (Bertrand et al., 2008). The consequences extend beyond negative affect to include the expropriation of resources for one family member at the expense of other relatives and of the performance of the firm (Bertrand et al., 2008). From the perspective of insiders to the family group, any such cleavages and differentiations in benefits will be highly visible. For example, the family cannot hide who gets to live in the ancestral villa (see Helin, 2011, pp. 111, 136-139).

Intra-familial conflicts are notoriously common. For example, conflicts among siblings are noted in trade books (e.g., Paisner, 1999), in textbooks (e.g., Poza, 2004), in biographies (e.g., Smit, 2008), and in scholarly monographs (e.g., Watson, 1985). Although they are typically hidden from outsiders, intra-familial principal-principal conflicts in private family firms may be more widespread than ownership-based principal-principal conflicts in public family firms. They can prove a threat to firm survival if, as Bertrand and colleagues observed (2008, p. 467), they precipitate “a ‘race to the bottom’ where one brother [successor] tries to tunnel resources out of the firm before another brother does.”

From the viewpoint of non-family employees and of family members who are younger, female, from lesser branches of the family, or skeptical about the family ideology, professionalization could seem an opportunity not a threat. These actors could approve of professional management as a means to value openness and disclosure in contrast with reticence and secrecy (Gedajlovic et al., 2004; Greenhalgh, 1994; Stewart, 2003). Their enthusiasm could itself be threatening to entrenched leaders. As these examples suggest, non-economic benefits may co-exist with non-financial costs such as “role conflicts and social constraints” (Zellweger & Astrachan, 2008, p. 348). Hence, performance studies that rely on “externally derived” dependent variables may fail to measure the costs and benefits to family involvement that are important in the family’s decisions to maintain or to give up control (Astrachan, 2010, p. 10; Astrachan & Jaskiewicz, 2008).
Entrepreneurially Operated Family Firms

Some family firms are better served by entrepreneurial rather than professional management. Performance studies provide support for this rationale. Market results for founder-CEO led firms are significantly superior to those for successor-CEO led firms, whether or not the successors are scions of the family (Fahlenbrach, 2009; Nelson, 2003). Several studies find this effect with family successors. Among the studies in Table Two, several distinguish between the founding generation and succeeding heirs, with the former outperforming the latter. Lower performance for heirs than for non-descendants or founders was found in several public sample studies (Anderson, Mansi & Reeb, 2003; Andres, 2008; Morck, Strangeland & Yeung, 2000; Pérez-González, 2006; Saito, 2008; Villalonga & Amit, 2006). This generational effect has been found as well in mixed samples (Barth, Gulbransden, & Schöne, 2005; Bennedsen et al., 2007) and in private samples (Barontini & Caprio, 2006; Erhardt et al., 2005; Saito, 2008). The meta-analysis by van Essen, Carney, Gedajlovic and van Oosterhout (2010) attributed this generational effect to the fact that successive generations are more risk averse. Perhaps they are trying to preserve wealth rather than to create new wealth as the founders tried to do.

Several authors have therefore suggested that the superior performance for public family firms is due to entrepreneurial effects and not family effects (Arrègle & Mari, 2010; Casson, 2000, pp. 205-206). For example, Fogel (2006) and Saito (2008) argued that the positive effects found may be driven by founders who are, after all, unusually successful having taken their businesses public. In a complementary study of Fortune 1000 firms, Miller and colleagues (2011) distinguished among family firms, family founders, and lone founders, concluding that “lone founder firms” were most inclined to growth strategies and were best at providing returns to the owners. Another indication of an entrepreneurial, rather than family, effect is Chu’s (2011) finding of superior performance only for smaller public family firms.

Professional versus entrepreneurial management. Some types of “professionalizing” may not be appropriate for entrepreneurial family
firms. We refer to professionalizing in the sense of “formalized, standardized, and... scientific” means of functioning (Zhang and Ma, 2009, p. 133; also Hwang & Powell, 2009). Entrepreneurial management can be superior, given certain contingencies, and this superiority can be augmented by the familial context. There are four reasons supporting this argument. The first is that entrepreneurial management may be superior because informal social ties enhance the coordination and knowledge sharing internal to a company. When the members of a firm understand one another as members of a kin group commonly do, they become adept at the “mutual accommodation” (Burns & Stalker, 1966) that facilitates adaptation to change. By contrast, salaried managers are inclined to replace these informal understandings with formal systems of command and control, referred to as “Generally Accepted Management Principles (GAMP)” by the field researcher Leonard Sayles (1993, p. 25-26). Observational studies over several decades have shown that this abstract approach frequently fails the coordination challenges whereas “work flow entrepreneurship” by lower-level employees often succeeds (Sayles & Stewart, 1995; Smith, 2009, pp. 81-86).

Second, informal and idiosyncratic methods may be superior to formalization, standardization and cosmopolitan education, not only because of the need for ongoing coordination but also because of the emergence of these methods from practice, not universal principles. As Sarasvathy (2001) argued, skilled entrepreneurs construct opportunities out of available resources, rather than plan for pre-determined goals. Bricolage of this sort is best achieved with firm-specific knowledge and experience and “training [that] is idiosyncratic to the particular work” (Dyer, 1989, p. 224). This knowledge is often tacit and team-based, rather than explicit or individual (Lave & Wenger, 1991), and may be better developed with the long-term relationships found both in kinship and in family business (Bloch, 1973; Ellis, 2011; Habbershon, 2006). As a result, the informal methods of entrepreneurial employees can outperform the more formal methods of approved professional practice (Ram, 1994, pp. 60-61; Stewart, 1989, Chap. 3).

The cognitive processes developed informally on the job can also be better suited than formal processes for coping with unexpected
changes (Starbuck, 2009). As Gedajlovic and colleagues (2011, p. 10) argued, family firm executives can operate with the discretion derived from “greater scope for the use of entrepreneurial cognitions, which rely on heuristics and simplified decision rules that enable timely strategic decisions.” This is a third reason that family firms may benefit from using entrepreneurial rather than a professional approach to management.

_The domains of kinship and business_. A fourth reason that entrepreneurial management can be superior is that family firms offer unique opportunities for entrepreneurial behavior. Johannisson (2002) has proposed that entrepreneurial potential is found at the interfaces of family and business. Following the terminology of the kinship theorist Meyer Fortes (1969), kinship and commerce are among the major social “domains” in society (for qualifications of this language see Jones, 2005; and Stewart & Hitt, 2010). These domains intersect in complex ways, but one of Fortes’ arguments was that they are not reducible one to the other (Stewart & Miner, 2011). Rather, the domains of business and kinship are commonly regarded as “very different in their essence” (De Lima, 2000, p. 152). In many cultures, kinship is at the least a widely adopted idiom that reflects the deepest moral values of the culture (Bloch, 1973; Peletz 2001; Song, 1999, pp. 82-83; Steadman, Palmer & Tilley, 1996; Stewart, 1989, Chap. 8).

Haynes, Onochie and Muske (2007, pp. 408, 395) found a demonstration of this distinction between domains. They observed that among members of U.S. family firms, “positive changes in the business financial indicators create a positive perception of the business, however they have no influence on the family’s perception[s] of a better quality of life” or “of the family’s success”. Another demonstration, from the ethnographic record, illustrates a common conundrum for families with businesses (Ram & Holliday, 1993). Hamabata (1990, p. 43) described a young man who was, in the domestic domain, a “pet” child, but was in the commercial domain recognized to be an incompetent successor. This is an example in which the mixing of domains represents a cost born by the business. Managing a family firm includes at its heart an effort to reconcile differences among the domains (Arrègle et al., 2007; Colli, 2003, p. 67; Jones, 2005; Sharma, 2004; Stewart, 2003).
The boundaries of family and business as entrepreneurial opportunity. Johannisson studied 24 family firms over 15 years and found that the most successful among them did not adopt “managerialism”, nor did they acquire external equity investments. Rather, they used the “friction energy” and the “interplay” among “entrepreneurship as a passion for change, the family as a social institution, and management as a profession [to] energize the medium-sized family business” (pp. 46, 48, 50). Scholes and colleagues (2011) offered a complementary argument about the entrepreneurial potential of combining family and business. Whereas Johannisson emphasized the creative potential raised by differences in ideologies, they emphasized complementarity as a key to innovativeness. “This complementarity emerges through a process of negotiating shared values achieved, for example, by enabling a non-family manager to act as a mentor/adviser to existing family managers” (Scholes et al., 2011).

Stewart and Hitt (2010) explained the entrepreneurial potential of family and business in terms of the logic of Barth’s (1967) thesis on the bridging of different spheres of exchange. Insofar as the domains of family and business are in practice distinct, a classic entrepreneurial opportunity arises because the same resources, such as personal networks or potential employees, are discrepantly valued based on different uses or functions in one domain versus in the other. As Barth argued in his seminal paper, “entrepreneurs will direct their activity pre-eminently towards those points of an economic system where the discrepancies of evaluation are the greatest, and will attempt to create bridging transactions” (Barth, 1967, p. 171; Stewart, 1989, Chap. 8; 2003). Discrepancies in evaluation can arise because of constraints on exchange – in an obvious example, familial love is not widely regarded as saleable. They can also arise simply from differing perspectives. For example, impecunious noble families may enter into marital exchanges with the newly wealthy, trading prestige for commercial opportunities or capital, and vice versa (McDonogh, 1986, Chap. One).

In family businesses, an entrepreneurial opportunity arises when something, such as a custom or set of relationships, from the business domain has a use that renders it more valuable in the family
domain. The reverse also applies. An example of higher valuation in the kinship domain than in the business domain is a managerial position for an unemployed relative. Another example is a modestly profitable venture that, while unappealing in financial terms, serves as a means of reuniting scattered kin by attracting them to its employment (Bruun, 1993, p. 32; Greenhalgh, 1994).

Examples of higher valuations in the business domain than in the kinship domain are secrecy and trust (Landes, 2006, p. 292; Lomnitz & Pérez-Lizaur, 1987, pp. 119, 123). In business, the ability to maintain a confidence for many years can be invaluable (Benedict, 1968; Marcus & Hall, 1992, Chap. 4). Such discretion is useful with clandestine familial arrangements but materially more useful with clandestine boardroom agreements. It will therefore be particularly valuable in contexts in which trust is at a premium, such as less developed countries. For example, Ram noted the positive value in the business domain of their owners’ familial reputation, spousal monitoring of labor, and frugality in disposition of corporate assets (1994, pp. 60, 81, 103, 108). However, he emphasized the indulgence of incompetent kin who had an undue sense of entitlement (pp. 63-72, 107). This example demonstrates that negative transfers can also occur.

**Entrepreneurial Family Business Groups**

In contexts of poor securities law (such that owners risk expropriation by other owners) and poor commercial law (such that transactions between businesses are risky), market arrangements are substituted by networks of jointly owned and kinship-connected firms. These family business groups gain “access to nonmarketed inputs” (Leff, 1978, p. 668) and perform a market creating or input completing function (Gilson, 2007; Silva et al., 2006; Young et al., 2008). This function has been construed as a form of entrepreneurship (Leff, 1978; Leibenstein, 1968). We can also construe it as a form of Barthian entrepreneurship (Barth, 1965). As Leff (1978, p. 668) noted, “honesty and trustworthy competence” may be a rare input in less developed marketplaces, such that information about sources is more freely available in the kinship arena than the commercial arena. As an example of the effectiveness of this mode, Hsieh, Yeh and Chen
(2010) found that among Taiwanese electronics firms, those that are affiliated with business groups out-innovate those that are not.\(^8\)

Family business groups are the dominant form of medium- to large-scale businesses worldwide (Bertrand et al., 2008; Morck, Wolfenzon & Yeung, 2005; Young et al., 2008). However, familial ties are not the only possible basis for inter-firm trust. Other types of informal social ties can enhance the coordination, “knowledge sharing and collusion” among firms in the same industry (Ingram & Lifschitz, 2006, p. 335). Besides kinship ties, other possibilities include ethnicity, religion, and caste. It seems possible that firms relatively highly embedded in kinship (Aldrich and Cliff, 2003) are also predisposed to these other forms of embeddedness (Colli & Rose, 2003; Janjuha-Jivraj & Woods, 2002; Peredo, 2003). All of these can be the basis for what Cohen (1969) called “informal interest groups”. Examples of these where benefits to business have been substantial include the West Highlands Asian clothing industry (Ram, 1994); fashion shoes (Blim, 1990), long distance trade (Cohen, 1969), ship building (Ingram & Lifschitz, 2006), and textiles (Farrell, 1993); for an example of early positive and later negative effects see Karra, Tracey and Phillips (2006).

**Why kinship?** Other bases of embeddedness can substitute for kinship, but kinship is ubiquitous whereas the other bases are historically contingent. Why might this be so? Marcus and Hall (1992) offered one possible answer. They argued that kinship networks have a unique capacity to provide linkages, “to make secret deals, ... to pull together resources from across various social and institutional spheres to pursue a single aim... [because] they integrate functions and activities that specialized institutional orders differentiate and fragment (p. 131).” For example, for families that own small businesses, kinship is the source of the “synthesis” needed to patch together “multiple incomes, from multiple sources, with multiple fallback positions” (Creed, 2000, p. 343).

Gilson (2007) proposed another possible answer. The basis of his argument is that outsiders need to evaluate not only the trustworthiness of a (theoretically) immortal firm, but also the interests of (mortal) executives who could choose actions harmful to
the long-run reputation of the firm, but lucrative for themselves in the shorter run. He argued that “when the corporation is owned by a family, the internal incentives become much more transparent” (2007, p. 643). This argument is limited by the problem (which he notes) that the cross-generational unity of interests cannot be taken for granted and is difficult to evaluate from outside. Perhaps a solution to this problem may be found in Leff’s foundational article. Leff (1978) noted that family business groups tend to be multi-family groups, with extensive ties of inter-marriage, ritual kinship, and apprenticeship exchanges among successors (Chung & Luo, 2008; Grassby, 2001, pp, 279-283; Ingram & Lifschitz, 2006; Kuper, 2009). The tendency for family groups to link multiple families is variable cross-culturally (for its absence in Pakistan see Papanek, 1973), and might be a factor in relative economic development. Similarly, the relative performance of family groups varies across countries (Morck et al., 2005).

**Pseudo-Professional Public Family Firms**

Family groups offer “particularly rich possibilities for expropriation” of minority owners (Faccio, Lang, & Young, 2001, p. 55). As with other family firms, they can use mechanisms such as excess compensation of family members (Barontini & Bozzi, 2011; Chourou, 2010). Their structure makes them amenable to “transfer pricing [manipulation and] related-party transactions” (Luo et al., 2011, 2nd page; also Jiang & Peng, 2011; Morck et al., 2005). This “tunneling” of value is especially a problem when there are wedges between cash flow and control rights. For example, Silva and colleagues (2006) found that in family groups with balanced ownership and control, familial ties among affiliates increase stock market value (with value creation the dominant effect), whereas with an excess of control over ownership, market value is harmed (with value expropriation the dominant effect).

We have observed that such expropriation of resources by controlling owners at the expense of other family members can occur within privately held family firms (Bertrand et al., 2008). When this behavior occurs in public family firms it compounds these intra-familial principal-principal conflicts with majority-minority owner principal-principal conflicts (Jiang & Peng, 2011; Young et al., 2008). It thereby
violates several principles of professional governance, not to mention the responsibility of professionals to act with integrity.

Scholars in economics and finance have studied these governance failings, expropriation from minority owners, and the ensuing inefficiencies in resource allocation (e.g., Faccio et al., 2001; Morck & Steier, 2007). For example, Morck and colleagues (2005, p. 676) noted that a divergence between cash flow and control rights, which is typically caused by pyramidal structures or dual-class shares, “can lead to inefficient investment... This is because the controlling family earns only a small part, corresponding to its small cash flow rights in such a firm, of any investment’s monetary payoff but can retain all of any private benefits the investment generates.”

These sorts of inefficiencies have consequences for pseudo-professional firms themselves, for other modes of family firms, and for entrepreneurial activity.

Poor governance as a response to poor legal protections becomes self-reinforcing. Given strong legal protections, as in Japan and the United States, minority owners appear not to be expropriated (Anderson & Reeb, 2003b; Chen, Chen, Cheng & Shevlin, 2010; Yoshikawa & Rasheed, 2010). Absent these protections, the main defense of an owner against expropriation by another is holding a major ownership block. This defense carries attendant costs in lower diversification and liquidity and higher monitoring requirements, which in turn are compensated by expropriation, which further reinforces the systemic need to protect against expropriation by means of holding a controlling stake (Luo et al., 2011).

Monitoring costs to protect against such behavior are high, because those firms that seek the private benefits of control with other people’s money – that is, with public equity (Morck et al., 2005; Yeung & Soh, 2000) – take pains to appear to be professionally managed and governed. “In essence, these firms attempt to appear as having ‘crossed the threshold’ from founder control to professional management... [their] corporate governance structures... often resemble those of [professional firms] in form but not in substance”
(Young et al., 2008, pp. 198-199). Such a pretense intensifies the vicious cycle of mistrust found in low investor protection environments. Because of the difficulties investors face in seeing beyond pseudo-professional facades, public family firms provide signals of their good faith regarding minority owners. These signals have costs, both for the firms that make them and for the economy as a whole.

**Signaling good faith.** Publicly traded family firms can signal their good faith and gain legitimacy by hiring the major international accounting firms (Yeung & Soh, 2000). Another way, which has also been found in the high investor protection environment of the U.S., is restraining from tax aggressiveness (i.e., “the downward management of taxable income... [and] tax avoidance”, Chen et al., 2010, pp. 41-42). Chen and colleagues (2010) found that family controlled firms are less tax aggressive than non-family controlled firms. They argued that this behavior signals good faith to minority shareholders because “tax aggressiveness activities are often bundled with rent extraction” (p. 60).

Two other signals have the effect of reducing the cash flows at the discretion of the owners: increased levels of debt (Setia-Atmaja, Tanewski & Skully, 2009) and higher dividend payments (Faccio et al., 2001; Setia-Atmaja, Tanewski & Skully, 2009; Young et al., 2008). In the low investor protection environment of China, families with excess control over ownership are less inclined to pay dividends, but high growth family firms, which should be reinvesting cash flows, pay even higher dividends, in order to attract capital (Feng, 2011). By contrast, Japanese family firms pay higher dividends than non-family firms, but do not do so if they are quickly growing (Yoshikawa & Rasheed, 2010). In high investor protection environments, low dividend payments can be interpreted as a signal of stewardship (Le Breton-Miller et al., 2011). In environments where, instead, fast growing firms pay dividends as signals to investors who could invest simply on the basis of growth expectations, damage is done to resource allocation and economic growth, and not just to the firms compelled to dispense with scarce resources.⁹
Hybrid Professional Family Firms

The hunt for the Heffalump. The hybrid professional family firm is like the Heffalump: “a rather large and very important animal” that scholars have not yet trapped and depicted (Kilby, 1971, p. 1). Two questions are particularly vexing: (1) what is it, exactly, or otherwise phrased, how can it be achieved? And, (2) how well does it perform? Does it attain the twin advantages of professionalism and family involvement, thereby out-performing non-family professional firms? The last question is the easier entry point to the Heffalump hunter’s conundrum.

Referring to the performance studies (Table Two), the answer would seem to be no: professional family firms perform the same as other professional firms. This inference follows if we compare family and non-family public firms that no longer are managed by founders. For these firms there are no significant performance differences. All performance advantages for public family firms can be attributed to first-generational, entrepreneurial effects (Arrègle & Mari, 2010; Chu, 2011; Fogel, 2006; Saito, 2008). This answer of average performance has face validity. If a family firm thoroughly professionalizes, it conforms to the normative modes of organization and management. Its performance can be expected to be average.

However, we also know that family firms are better than non-family firms at expropriating value and enjoying the private benefits of control (Bennedsen & Nielsen, 2010; Bertrand & Schoar, 2006; Claessens et al., 2002; Westhead & Cowling, 1997). Therefore, if at least some public family firms share this tendency, the apparently equal performance, net of value expropriation, may not reflect equal performance in value creation. Further, there are large sample and case research reasons to think that this may be so. These arguments will also lead us back to the first question, what is a professional family firm?

Family control: enough but not too much. There may be an optimal level of family involvement in ownership and involvement in management: not too little and not too much. For example, Sirmon and colleagues (2008) argued that family-influenced but not family-
controlled firms, optimally holding about 15% of the equity, tended to achieve more positive outcomes. For these firms, the positive attributes of a family are enabled while the potential negative effects of family involvement are limited. They further argued that maintaining the family influence was important but giving some voice to other stakeholders disallows the negative attributes of family control on the business. They also found that firms having family influence are more likely to respond with higher investments in R&D and with internationalization than nonfamily firms or family controlled firms.

By contrast, Le Breton-Miller and colleagues (2011) found that most of their indicators of family involvement are significantly associated with lower stewardship and hence lower stock market performance, whereas high levels of family ownership lead to higher levels of stewardship. “Family control bears a curvilinear U-shaped relationship with stewardship” with the relationship turning positive around “a 28% [ownership] inflection point” (2011, p. 715). They attributed this finding to an increasing identification between the family’s interests and those of the firm. These two studies differed in the outcomes they examined (strategic actions versus stewardship) and are not fully comparable. Therefore, we cannot say exactly where to find this golden mean of family influence, but both studies are suggestive of a hybrid possibility.

Hatum and colleagues (2010) reported a more detailed but small-n study. They compared two Argentine family-owned food processors. One firm proved much more adaptive to environmental shifts. This firm was less bureaucratic, centralized and formalized than the other, especially in operations, although it incorporated elements of formalization and strategic analysis. Unlike the less adaptive firm, it recruited senior managers with diverse experiences and perspectives as well as promoting from within. It celebrated its tradition of innovation and appears to have succeeded in finding salaried managers who had a cultural fit with the family (Hall & Nordqvist, 2008). This adaptive family firm exemplifies some of the possible means by which such firms can successfully professionalize.

As Dyer (1989) observed, firms can professionalize their managerial staff either by hiring established managers or by
developing their current or potential managers. Further research is warranted to identify the contexts and approaches in which family and business interests can jointly be served. However, we can find in the literature some suggestions. Large family owned firms that succeed over the generations appear to use both approaches (Benedict, 1968; de Lima, 2000; Tsui-Auch, 2004). Their founding families retain a sense of their tradition and purpose, but they may also display a “market mentality” (Steier, 2003) that enables them to take an “active” ownership role (Helin, 2011). Here, we must recognize that our suggestions are speculative as there is still a great deal to learn (Schulze & Gedajlovic, 2010; Steier, 2003).

Conclusion: Looking Back and Looking Forward

Research on professionalization.

Although “professionalization” is often treated as a singular construct, it entails multiple dimensions (Table One) that combine in different ways in various modes among family firms. A comprehensive understanding of these combinations would require attention to six distinct categories of variables. These categories are (1) the environment, such as national legal development and intensity of competition (Tsui-Auch, 2004; Zhang & Ma, 2009); (2) family characteristics, such as generation and family orientation (Bennedsen et al., 2007; Lumpkin, Martin & Vaughan, 2008) (3) business characteristics, such as firm size and governance (Kotey, 2005; Chrisman, Chua & Kellermanns, 2009); (4) managerial approach, such as the use of internally or externally developed knowledge and the principle of merit (Ram, 1994; Oxfeld, 1993, p. 164-166, 191-196); (5) performance outcomes, such as financial market measures and non-economic benefits (Miller et al., 2011; Chrisman et al., 2010); and (6) effects for various stakeholders, such as minority shareholders and non-family managers (Martínez et al., 2007; Barnett & Kellermanns, 2006).

Given such complexity, it is unsurprising that there are gaps in our knowledge about the modes of professional management in family firms. This is borne out by a review of the 12 studies we found that directly bear on this topic. None employ fine-grained data on kinship
(Parada et al, 2010 and Tsui-Auch, 2004 are partial exceptions). None depict managerial processes as they relate to the use of kinship. Most construe professionalization in terms of the employment of non-family managers, which is typically held to stand for broader changes. At most, four dimensions are considered (Hung & Whittington, 2011; Songini & Gnan, 2009). The processes of professionalization receive welcome attention in some of the articles, all of them qualitative, (Chittoor & Das, 2007; Dyer, 1989; Hall & Nordqvist, 2008; Hung & Whittington, 2011; Parada et al., 2010; Tsui-Auch, 2004).

Salaried managers in a family firm must attend to the needs of the families owning the firm (Colli et al., 2003; Hall & Nordqvist, 2008; Morck & Steier, 2007) and several observers have proposed that “professional” management in such firms is distinctive (Astrachan, 2010; Dyer, 1989; Hall & Nordqvist, 2008; Sacristán Navarro & Gómez Ansón, 2009). Unfortunately, direct evidence about such management is rare. Empirical evidence on the benefits of professionalizing is also rare. Arguments in its favor tend to be inferences drawn from the process of going public (Rondøy, Dibrell, & Craig, 2009; Schulze et al., 2001) or broad-brush historical patterns, such as the relative decline of British industry (Chandler, 1990; we have noted that several business historians no longer endorse this view; e.g., Colli et al., 2003; Landes, 2006). Moreover, the evidence favoring “professional” management in growing ventures is weak. Growth is one of the purported benefits of professionalization (Casson, 2000; Chandler, 1990, p. 390). However, Willard, Krueger and Feeser (1992) did not find evidence that professionally managed high growth ventures outperformed founder-managed high growth ventures.

Possibly, then, we should not search for a distinctive “professional” quality in entrepreneurial family firms but for a quality not yet named. As Gartner has recently argued (2011, p. 14), “new words are needed to broaden our vocabulary about what entrepreneurship is, and might be.” The managerial and familial processes by which family firms can achieve their optimal mix require fine-grained research to identify and understand them. Little research has been reported on managerial approaches to achieve synergies between family and business. Most empirical studies comparing family and non-family businesses have entailed coarse-grained
methodologies (common in the early development of a field) and have not considered the host of capabilities, motivations and goals that energize both the family and the business. Nor have they adequately addressed the complexities of the relationships between the family and the firm (Nordqvist & Melin, 2010; Rogoff & Heck, 2003; Steier, 2007; Stewart, 2008). Therefore, we encourage researchers to delve deeply into both, their dynamics and inter-connections, using finer-grained methodologies, quantitative or qualitative.

Adapting the title of an older article (Gerson, 1989), data are expensive, models are cheap. Many of the limitations in knowledge that we have observed can be attributed to data limitations. Because professionalization is a multidimensional process with differing modes, further progress will require fine-grained data in multiple areas:

- the range of ways that business can be embedded in society with attention to the links between kinship and other modes (e.g., ethnicity)
- the full range of kinship entanglements with business, including kinship networks, quasi-kin, women’s roles, family friends etc.
- the processes of creating synergies and avoiding diseconomies at the interface of kinship and business
- non-economic and private benefits and purposes
- the processes of professionalization, including data on the environment, managerial character, subjective and objective outcomes, and stakeholder implications

Contributions can be made with a host of research methods. Scholars who are adept at large sample quantitative research can augment archival data on public firms with other documentary evidence, similar to Bennedsen and colleagues (2007). Others can develop representative surveys of private firms, as did Winter and colleagues (1998). Historians can lend their particular expertise, as did Farrell (1993). So too can ethnographers and other qualitative field researchers, as did Ram (1994). In fact, scholars have contributed in all of these ways. We urge them to continue and hope that we have encouraged their endeavors. The family business field is vitally important in practice. Contrary to Professor Higgins’ or any others’ stereotyping, family businesses are neither “lags” nor are they just
one type of enterprise. Rather, they represent a diverse, fertile and challenging ground for scholarly exploration.

References


1 An earlier version of this article was published as Stewart and Hitt (2010) published by Emerald Group. Despite very extensive revisions, some passages may have few changes. We gratefully acknowledge the truly helpful comments by FBR reviewers and particularly by our editor, Jim Chrisman.

2 We follow Stewart and Miner (2011, p. 8) in using the expression “family business” to mean “business with significant kinship involvements’ [leaving] as an empirical matter just exactly what these are.”

3 These studies were found through a combination of ProQuest searches and the snowball effect of references within the studies. We emphasized more recent work and particularly tried to find studies of private firms.

4 The sample for Bennedsen and colleagues (2007) is mixed but must presumably be primarily private, considering the large number of firms (5,334 that experienced a succession) within a small country (Denmark). The sample for Minichilli, Corbetta and MacMillan is 73% private (67/92). The sample used by Audretsch, Hülsbeck, and Lehmann includes private firms but all have the supervisory and management boards required of public firms in Germany.

5 Positive effects overall: Allouche et al., 2008; Anderson & Reeb, 2003a; Bonilla et al., 2010; Chu, 2009; Lee, 2006; Martínez et al., 2007; McConaughy et al., 2001; Poutziouris, 2006; Trebuqc, 2002; positive under certain conditions: Anderson et al., 2003; Andres, 2008; Barontini & Caprio, 2006; Boubakri et al., 2010; Chahine, 2007; Chu, 2011; de Miguel et al., 2004; Filatotchev et al., 2011 (the direct effect); Maury, 2006; Rondøy et al., 2009; Sacristán Navarro & Gómez Ansón, 2011; Silva et al., 2006; Tsao et al., 2009; Chang et al., 2010

6 Some combinations of these modes are impossible but not others. It is clearly not possible to be minimally and maximally professional nor to be private and public. Perhaps the most likely combination is that of the entrepreneurially operated and wealth dispensing modes.

7 We can find no reference to this form of conflict that uses the term in this context. This is not to say that the problem is never recognized. The study by Bertrand and colleagues (2008) is particularly insightful.
They also found that the stronger the family tie to the affiliate the greater the innovation (measured by patents), but explained this not by a familial effect on innovation but the practice of appointing the likeliest successors to the most promising affiliates.

There is another signal, but it defeats the purpose of attracting external equity: holding most of the cash flow rights. Families that do so are thereby less inclined to expropriation because doing so expropriates themselves (Lin & Hu, 2007; Luo et al., 2011).

| Table One. Stereotypical Dichotomies Regarding Non-Family and Family Business |  |
| --- | --- | --- |
| **Non-Family Business** | **Family Business** | **Representative Citation** |
| ownership dispersed, non-kinship based | concentrated, kinship based | Achman et al., 2009 |
| no wedge between cash flow and ownership rights | wedge between cash flow and ownership rights | Moutin et al., 2005 |
| governance ownership and control split | ownership and control unified | Simon et al. 2008 |
| external influences on board | internal dominance of board | Parida et al., 2010 |
| transparency, disclosure | opacity, secrecy | Gedajlovic et al., 2004 |
| returns largely economically defined | non-economic outcomes important | Christian et al., 2010 |
| no private benefits | private benefits for family | Anderson & Reeb 2003a |
| minority shareholders protected | minority shareholders exploited | Martinez, Stulz, & Quiriza, 2007 |
| rewards achievement, merit based | assciscions, nepotism based | Breen et al. 1997 |
| employees based on performance | family members indulged | Ram, 1995 |
| networks external ties based on business | embedded in kinship networks | Ingram & Lifshitz, 2006 |
| distinct business, family spheres | role diffuseness | Lorsch & Perez-Logan, 1987 |
| impersonal social responsibility | personalized social responsibility | Munger, 2009 |
| leadership high turnover with market discipline | entrenched, long tenured | Oswald et al., 2009 |
| formally educated | trained on the job | Jotiswan et al., 2015 |
| succession draws on senior pool | succession draws on kinship pool | Perez-Gonzalez, 2006 |
| careers salaried managers | family members | Galambrás, 2010 |
| short-term career horizons | longer-term career horizons | Benedict, 1998 |
| management delegation to professionals | autocratic | Greenhalgh, 1994 |
| rational, analytical | emotional, intuitive | Zelbreg & Astrachan, 2008 |
| innovative | rent-seeking, stifling innovation | Mork & Yeung, 2003 |
| formalized, command and control | organic, mutual accommodation | Zhang & Ma, 2009 |
Table Two. Summary of Empirical Studies of the Effect of Family Involvement on Firm Performance

<table>
<thead>
<tr>
<th>Study</th>
<th>Country</th>
<th>Significant effects of family involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sample of private firms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aronin et al., 2010</td>
<td>Spain</td>
<td>Ownership concentration NS overall but generations differ; private but with public-like requirements</td>
</tr>
<tr>
<td>Charmant et al., 2004</td>
<td>U.S.A.</td>
<td>NS direct effect; family firms may have agency cost advantages</td>
</tr>
<tr>
<td>Charmant et al., 2009</td>
<td>U.S.A.</td>
<td>NS direct effect; family influence has a mixed moderating effect on resource stocks</td>
</tr>
<tr>
<td>Herreros, 2011</td>
<td>Portugal</td>
<td>Fishing boats with family members have significantly larger catches</td>
</tr>
<tr>
<td>Jonisen et al., 2005</td>
<td>Belgium</td>
<td>neg. for REA; CEOs older, less educated, longer tenured, more female</td>
</tr>
<tr>
<td>Kotev, 2005</td>
<td>Australia</td>
<td>by some accounting measures, pos. at modest firm sizes; growth NS</td>
</tr>
<tr>
<td>Miller et al., 2009</td>
<td>S. Korea</td>
<td>NS: apparently offsetting effects, sample: 170 of pos. GC201</td>
</tr>
<tr>
<td>Molly et al., 2010</td>
<td>Belgium (Flemish)</td>
<td>NS: growth, 1st gen. succession less leverage with decline in growth; later successions: more leverage</td>
</tr>
<tr>
<td>Oswald et al., 2009</td>
<td>U.S.A.</td>
<td>neg. for FIM, presumably mainly private firms</td>
</tr>
<tr>
<td>Rutherford et al., 2008</td>
<td>U.S.A.</td>
<td>“overall, it holds a bit but is dependent” on the IVs and X’s</td>
</tr>
<tr>
<td>Searls &amp; Mazola, 2008</td>
<td>Italy</td>
<td>FEO NS, FIM neg. quadratic relationship**</td>
</tr>
<tr>
<td>Smith, 2008</td>
<td>Australia</td>
<td>NS overall; any size difference is sector-specific</td>
</tr>
<tr>
<td>Westhead &amp; Cawling, 1997</td>
<td>U.K.</td>
<td>NS on various measures; fiis perhaps pulled up by outliers</td>
</tr>
<tr>
<td>Westhead &amp; Worrall, 2006</td>
<td>U.K.</td>
<td>NS generally, neg. for FIM and exporting</td>
</tr>
<tr>
<td><strong>Mixed samples</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audretsch et al., 2010</td>
<td>Germany</td>
<td>FIM, FEO NS: Decision control (supervisory board) sig. pos. Sample firms all have two boards, required neg. for FIM, non-monotonicity</td>
</tr>
<tr>
<td>Barden et al., 2007</td>
<td>Denmark</td>
<td>neg. for FIM, (monopol) sex of firm=firm an instrument for succession; sample largely private</td>
</tr>
<tr>
<td>Bertaud et al., 2008</td>
<td>Thailand</td>
<td>FEO neg. agt, FIM neg. for governance</td>
</tr>
<tr>
<td>Cart &amp; Stöver, 2009</td>
<td>largest in world</td>
<td>pos. overall but varies by region, NS Americas &amp; Europe, pos for lower trust countries</td>
</tr>
<tr>
<td>Ehrtwardt et al., 2005</td>
<td>Germany</td>
<td>financial: NS, operating mixed: pos. IF private, declines with heirs</td>
</tr>
<tr>
<td>Fogel, 2006</td>
<td>41 countries</td>
<td>neg: oligarchic control of large firms correlates with sig worse socio-economic and political conditions</td>
</tr>
<tr>
<td>Mombeshora-Magaya, 2006</td>
<td>Spain</td>
<td>FEO NS, FEO pos. in some measures, perf. lessons with age, largely private firm</td>
</tr>
<tr>
<td>Minns/Mills, 2010</td>
<td>Italy</td>
<td>Positive U-shaped effect, attributed to schemes in family</td>
</tr>
<tr>
<td><strong>Sample of public firms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achmad et al., 2009</td>
<td>Indonesia</td>
<td>negative</td>
</tr>
<tr>
<td>Allouche et al., 2008</td>
<td>Japan</td>
<td>several positive, FIs with both FEO &amp; FIM outperform those with just one</td>
</tr>
<tr>
<td>Anderson, Manzi &amp; Reeb, 2003</td>
<td>U.S.A.</td>
<td>pos. for FEO at modest levels; neg. for descendant CEOs</td>
</tr>
<tr>
<td>Anderson &amp; Reeb, 2009a</td>
<td>U.S.A.</td>
<td>pos. mkt. &amp; agt., but non-monotonic; founder CEOs may drive pos. results</td>
</tr>
<tr>
<td>Andrei, 2008</td>
<td>Germany</td>
<td>pos. for agt, only when founding family active, founding CEO exp.</td>
</tr>
<tr>
<td>Barontini &amp; Caprio, 2006</td>
<td>11 Eur. coast.</td>
<td>pos. mkt. &amp; agt, but NS with descendant CEOs</td>
</tr>
<tr>
<td>Bembenek &amp; Nielsen, 2010</td>
<td>14 Eur. count.</td>
<td>valuation discount for concentrated ownership for family-controlled firms</td>
</tr>
<tr>
<td>Bossart et al., 2010</td>
<td>Spain</td>
<td>perf. prior to succession NS for choice of family or non-family successor</td>
</tr>
<tr>
<td>Bommarito et al., 2010</td>
<td>Chile</td>
<td>pos. for ROA, yet with lower variance</td>
</tr>
<tr>
<td>Bouzlak et al., 2010</td>
<td>8 Asian countries</td>
<td>pos. prior to 1997-1998 crisis, neg. thereafter</td>
</tr>
<tr>
<td>Chatnoy, 2007</td>
<td>France</td>
<td>pos. for modest FEO, neg. for high FEO, cubic relationship</td>
</tr>
<tr>
<td>Cha, 2009</td>
<td>Taiwan</td>
<td>FEO pos. for both accounting and market measures</td>
</tr>
<tr>
<td>de Miguel et al., 2004</td>
<td>Spain</td>
<td>non-linear, pos. at low, neg. at middle, pos. at high levels</td>
</tr>
<tr>
<td>Flaim-Novitch et al., 2011</td>
<td>Hong Kong</td>
<td>direct pos. effect but neg. effect overall due to private information access</td>
</tr>
<tr>
<td>Jiang &amp; Peng, 2011</td>
<td>8 Asian countries</td>
<td>NS overall, some countries pos., some NS, some neg., depends on shareholder protection</td>
</tr>
<tr>
<td>Le Breton-Miller et al., 2011</td>
<td>U.S.A.</td>
<td>aspects of family involvement lower ownership, which lowers shareholder returns</td>
</tr>
<tr>
<td>Lee, 2000</td>
<td>U.S.A.</td>
<td>FEO pos. for FIs, pos. for more measures</td>
</tr>
<tr>
<td>Martinsson et al., 2007</td>
<td>Chile</td>
<td>pos. agt. for similar reasons for family firms</td>
</tr>
<tr>
<td>McBride, 2006</td>
<td>13 in W. Eur.</td>
<td>pos. except at high control levels, agt pos. for FIs active family involvement, fin. pos. at lower levels</td>
</tr>
<tr>
<td>McConnon et al., 2001</td>
<td>U.S.A.</td>
<td>pos. for FEO for both agt and financial results</td>
</tr>
<tr>
<td>Miller et al., 2011</td>
<td>Canada, 41</td>
<td>fiis grew less; first generation fiis performed better; lone founder firms performed best</td>
</tr>
<tr>
<td>Mork et al., 2000</td>
<td>countries</td>
<td>neg. for heir-controlled large firms, and for countries with lower &quot;self-made&quot; billionaire wealth</td>
</tr>
<tr>
<td>Pérez-González, 2006</td>
<td>U.S.A.</td>
<td>agt and financial neg. for nepotism in CEO succession</td>
</tr>
<tr>
<td>Postlharosi, 2006</td>
<td>U.K.</td>
<td>pos. for share price; NS for growth</td>
</tr>
<tr>
<td>Rosendal et al., 2009</td>
<td>Sweden</td>
<td>pos. in high margin (less competitive) industries; NS in low margin industries</td>
</tr>
<tr>
<td>Saez-Martinez &amp; Gómez Ansión, 2006</td>
<td>Spain</td>
<td>neg. for successions, attributed to entrenchment, market and governance NS, accounting neg.</td>
</tr>
<tr>
<td>Saez-Martinez &amp; Gómez Ansión, 2011</td>
<td>Spain</td>
<td>family as executives sig. negative; second significant shareholder sig. positive.</td>
</tr>
<tr>
<td>Sato, 2008</td>
<td>Japan</td>
<td>pos. founder-managed firms; neg. FIM and FEO with successors; pos. for FEO OR FIM by successors</td>
</tr>
<tr>
<td>Silva et al., 2006</td>
<td>Chile</td>
<td>effect of family ties in groups contingent on balance between ownership and control rights</td>
</tr>
<tr>
<td>Tienquai, 2002</td>
<td>France</td>
<td>pos. effect on market value added; no effect of employee stock ownership</td>
</tr>
<tr>
<td>Tao et al., 2009</td>
<td>Taiwan</td>
<td>neg. given lower high-performance work systems (HPWS), pos. given higher HPWS</td>
</tr>
<tr>
<td>Villaronga &amp; Amlen, 2006</td>
<td>U.S.A.</td>
<td>pos. for founder-managed, neg. for successor-managed</td>
</tr>
<tr>
<td>Viviani et al., 2008</td>
<td>Italy</td>
<td>results NS</td>
</tr>
<tr>
<td>Wang et al., 2010</td>
<td>Taiwan</td>
<td>divergence cash flow and control rights sig. neg. institutional owners mitigated this effect</td>
</tr>
</tbody>
</table>