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Guest Editors' Introduction
Whither Family Business?

William S. Schulze and Eric R. Gedajlovic

University of Utah; Simon Fraser University Surrey, British Columbia

ABSTRACT The family enterprise is capturing increased interest from scholars around the world. Yet research about family business is in its infancy and the diversity of theories and perspectives represented in the developing literature portray a cluttered and conflicted landscape. In the following, we provide background, discuss the state of the field, and place in context the articles that are featured in this special issue. Critical questions facing the field are also addressed.

INTRODUCTION

It is taken as axiomatic in economic theory that competitive forces extinguish inefficient forms of business enterprise, leaving only those that are structurally most fit with respect to prevailing market conditions. Similarly, a tenet of organizational theory is that one can explain the prevalence and distribution of an organizational form with respect to the fit of that form to its environment. By these standards, the family enterprise must be a remarkably efficient and robust organizational form: it is the world's most common form of economic organization and, as noted by La Porta et al. (1999), family-controlled corporations dominate the global economic landscape.

Despite their ubiquity and economic significance, there is a striking absence of research that explains the prevalence, prominence, or even existence of this economic institution. Our goal for this special edition of the *Journal of Management Studies* was to motivate theoretically grounded research to help fill these gaps. The call for papers was ambitious, asking specifically for articles that addressed questions ranging from why family enterprises exist, to how families influence and shape the conduct of these enterprises over time.

The response to our call for papers was heartening and impressive. Seventy-one authors and co-authors submitted 42 articles for our consideration, articles that were evaluated and improved with the advice of 116 reviewers. Their advice was essential due to the range and scope of theory and data encompassed by these articles. Submitting authors drew on no fewer than 22 distinct theories from five major disciplines (economics, organization

Address for reprints: William S. Schulze, Department of Management, 145 E. Campus Circle Drive, University of Utah, Salt Lake City, UT 84112, USA (william.schulze@utah.edu).

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theory, psychology, sociology, and anthropology). Longitudinal and cross-sectional data from 25 nations were evaluated. Methods ranged from induction and case study to cutting-edge empirical methods. The community of family enterprise scholars is also distinctively and refreshingly international in origin and orientation: the majority of submitted articles had authors based outside the USA, and a plurality used cross-national data.[1]

While these statistics confirm that the family enterprise has captured the interest of scholars around the globe, the diversity of theories and perspectives represented in these papers portray a cluttered and conflicted research landscape. Some background and discussion about the state of the field, as well as the critical questions facing it, are thus needed to place the contributions of our featured articles in context.

FAMILY BUSINESS RESEARCH: AN EMERGING FIELD

As anthropologists remind us, the family is *the* original economic unit from which all other forms of economic organization sprang. In families, each member is expected to contribute to its overall welfare, and families, in turn, provide food, shelter, affection, identify, and protection. Relationships are typically, though not always, characterized by trust and affection, open-ended reciprocity, and the sense of fairness and justice those practices engender. Families are governed by the patriarch or matriarch, who is entrusted to allocate resources within the household and to lead, delegate responsibility, and manage conflict. While Carney (2005) reminds us that their conduct can be idiosyncratic and particularistic – they have the ability to make and enforce decisions based on unique or context-specific criteria – in the main, their leader's conduct is circumscribed and tempered by the norms, customs, and traditions that characterize a society and its culture. Thus, many fundamental notions of exchange relationships, as well as diverse forms of enterprise, are rooted in the institution of the family and its pluralistic incarnations across and within diverse socio-cultural contexts (Fukuyama, 1995; Granovetter, 1994).

While family enterprises dominated economic history through the first industrial revolution (Colli, 2002; Morck and Steier, 2005), their importance as an economic institution was seemingly displaced by the rise of the modern corporation at the turn of the twentieth century. Indeed, mainstream management research has tended to view the family as a hindrance, and the family-managed enterprise as an anachronism. Alfred Chandler, in particular, viewed the development of the professionally-managed corporation as a necessary adaptive response to the impact of technology and market growth on the modern corporation. His *Strategy and Structure* (Chandler, 1962) documented how improvements in technology and transportation increased the efficient scale and scope of modern enterprise to the point where radical changes in strategy and structure made professional management critical.

Chandler extended his thesis that the modern economy had rendered family-led enterprise obsolete in *Scale and Scope* (Chandler, 1990). He argued that the dynastic impulse – continued family leadership regardless of its cost – along with the limits it imposes on the accumulation of human and financial capital, prevents family-led firms from making the investments needed to develop the economies of scale and scope to the same extent as managerially-led enterprises. To illustrate his thesis, Chandler painstakingly researched and described how the family control of many of Britain's great enterprises led to its

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relative economic decline during the early twentieth century. Chandler's vision of the advantages of professional management left little room for a positive role for family in the formation, growth, and management of the modern enterprise.

Chandler's thesis on the inherent limits of family management resonated with most scholars and became doctrine (or at least the orthodox view in literature). To many scholars, Chandler's work presented an open and shut case regarding the relative merits of family and professional management, and some institutional theorists went so far as to label the family enterprise a 'permanently failing institution'. That is, one that is only capable of reproducing itself (Meyer and Zucker, 1989).

Oddly, during this period assertions about the superiority of the managerially-led enterprise even permeated the scant and relatively stagnant family business literature of the era. For example, Taguri and Davis (1980) drew on systems theory and the experience of family counsellors and therapists to advance a conceptual model that attributes family-firm dynamics, and the challenges they face, to conflict between the roles that its members occupy. These roles include their duties as owners of the firm, their responsibilities as managers, and their obligations to each other as family members. The challenge, they argued, is to manage the positional and situational conflicts that arise when the various roles compete. Conflict within family firms and among family members is viewed as an inevitable by-product of the positions individuals occupy within the family and firm. This model remains widely used and clearly implies that family management (and its attendant potential for role conflict) poses a significant threat to firm welfare.

It was not until the first decade of the new millennium that the merits of the family enterprise started to be re-evaluated in top-tier management journals (Gomez-Mejia et al., 2001; Schulze et al., 2001). The coals were further sparked and nurtured by the annual 'Theories of the Family Firm Conference', which was established in 2001 by Jim Chrisman (Mississippi State), Jess Chua (University of Calgary), and Lloyd Steier (University of Alberta), and the 'Family Enterprise Research Conference' (FERC), which was founded in 2005 by Frank Hoy (University of Texas at El Paso) and Pramadita Sharma (Concordia University).[2] The fruits of their efforts are apparent in the response to this special issue.

RECENT ECONOMIC RESEARCH ABOUT FAMILY ENTERPRISE

The past decade has been a period of renaissance for research on the family enterprise. In this respect, many prominent scholars from the fields of economics, management, and sociology have seemingly and suddenly discovered the practical and theoretical significance of this long neglected organizational form.

Economists for the most part, have tended to focus on questions relating to the governance of the family enterprise and its influence within the global economy. La Porta et al. (1999) and others (Claessens et al., 2000, 2002; Colli et al., 2003) document that corporate ownership, even of the largest firms in the wealthiest economies, is concentrated and that the controlling shareholder in most cases is the founder and their descendants. They find that the family-controlled corporation is the world's most common corporate form, followed closely by the state-controlled enterprise. Interestingly, the widely-held western corporation, on which most academic models of corporate governance are based, is rare even in wealthy economies (Morck and Steier, 2005).

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These findings have important implications for research on governance, economic development, and the economic success of firms and nations. Morck et al. (2005) show that pyramidal ownership structures (in which firm A owns 51 per cent of firm B, firm B owns 51 per cent of firm C, and so on) are commonplace, and grant the owning family a level of control that greatly exceeds their cash flow rights (Faccio and Lang, 2002). For example, Sacristan-Navarro and Gomez-Anson (2007) find that family business groups use pyramids and direct management to control 71 per cent of the listed firms in Spain. Family participation in management also increases their ability to shape firm conduct and divert resources to advance family interests at the expense of minority shareholders. Similarly, Bae et al. (2002) document that tunnelling, which arises when profits are transferred from firm A to firm C through the use of strategically set transfer prices, is widespread in Asia.

Researchers identify a variety of other mechanisms that family-controlled firms use to enhance their power (e.g. Villalonga and Amit, 2006). An extensive shareholder protections literature (e.g. La Porta et al., 1998) has arisen that explores the variety of potential consequences that might stem from concentrated corporate control. In the main, researchers have found that national economic performance varies with the quality of legal and other institutions that are available to protect the interests of minority shareholders, and that high levels of ownership concentration are associated with poor investor protection and a slower pace of economic development (Morck et al., 2005).

Notwithstanding these studies of family enterprise, the role of the family in shaping the institutional and economic context is not clear. For example, some have argued that economically powerful families are uniquely capable of shaping government policy, and, historically, have done so in ways that ultimately advance family interests at the expense of national economic development (Bebchuk and Roe, 1999; Carney and Gedajlovic, 2002a). Others (Khanna and Palepu, 2000) contend that relationship-based (family-based) corporate governance serves to facilitate trade and economic development in markets that are institutionally underdeveloped. In this sense, family governance may complement and facilitate economic growth. According to this view, the performance benefits of what Claessens et al. (2000) describe as 'crony capitalism' may include better corporate oversight due to the direct involvement of family in management (Miller et al., 2008), improved access to capital via insider cash flows (Tan and Zeng, 2009), less costly access to finance via bank-centred instead of market-centred credit markets (Yoshikawa and Rasheed, 2010), and longer investment horizons (Gedajlovic and Carney, 2009). Relational governance systems can thus be viewed as a necessary steppingstone on the journey to national prosperity (Carney et al., 2009b; Tan and Zeng, 2009).

Other research tries to account for the prevalence of the family enterprise. Burkart et al. (2003), for example, present a formal model of succession that pits the founder's concerns about expropriation by outsiders and the desirability of continued familial control against the benefits of dispersed ownership and professional management. Consistent with empirical evidence, their model suggests that family control will predominate when shareholder protection is weak, but also suggests that family management is inferior to professional management when shareholder protection is available. Burkart et al. (2003) and Morck et al. (2000) argue that family control should be associated with lower firm valuation. Villalonga and Amit's (2006) findings support this conjecture. They

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examine ownership structure among US firms and find no evidence of pyramiding, but do document a variety of other mechanisms (e.g. dual class shares) that are used to enhance family control. Villalonga and Amit also find that family control of publically-traded US firms is common, and that descendant-controlled firms are less valuable than widely-held firms. Founder-control, on the other hand, seems to enhance the value of these firms relative to both widely held and descendant-controlled firms. This conclusion is also supported by Miller et al. (2007). On the other hand, Anderson and Reeb (2003), Anderson et al. (2004), and McConaughy et al. (1998), present evidence which suggests that public family-controlled firms receive higher valuations and may, more generally, be superior economic performers. While the question is far from settled, the preponderance of evidence from Europe and Asia (Bennedsen et al., 2007; Claessens et al., 2002; Cronqvist and Nilsson, 2003; Heugens et al., 2009; Maury, 2006; Peng and Jiang, 2010) casts a cloud of doubt on assertions regarding the financial performance advantages of family firm governance.

RECENT MANAGEMENT RESEARCH ABOUT FAMILY ENTERPRISE

Whereas economic research is generally pessimistic about family governance, management researchers are generally more positive in their assessments. To some, the fact that family enterprise is ubiquitous alone attests that the organizational form must have some comparative advantage over the set of available alternatives (Gedajlovic and Carney, 2009). Management researchers offer a variety of hypotheses about its source.

Miller and Le Breton-Miller (2007) argue that family governance and leadership creates unique conditions which can make them more effective than non-family firms. Unification of ownership and control, for example, increases CEO discretion and makes it possible to make opportunistic investments and/or to rely on intuition or judgment when making choices (Gedajlovic et al., 2004). Family-led enterprises might then be better able to create products or to enter markets that outside investor-controlled or managerially led firms cannot, and to better adapt to changing environments (Dyer, 2006). Strong pressure from family shareholders to pay dividends gives them the incentive to be parsimonious with capital and disciplined in its use (Anderson and Reeb, 2003; Carney and Gedajlovic, 2002b). Financial and managerial incentives are thus aligned in ways that reduce agency costs while encouraging efficiency (Durand and Vargas, 2003).

Since family enterprise is distinguished by a commitment to sustain family influence and control into succeeding generations, it has a long-term orientation that allows it to make investments that pay off over the long term (Colli, 2002). Long CEO tenure in family firms (Gomez-Mejia et al., 2001) also allows leaders to make strategic commitments to customers, employees, and the communities that support them (Le Bretton-Miller and Miller, 2006; Morck et al., 2005). A long-term orientation, strategic commitment, and the type of deep tacit knowledge acquired over lifetime(s) of experience within companies, industries and communities can help these firms excel in developing social capital and reputational assets (Gedajlovic and Carney, 2009) and other resource-based advantages (Sirmon and Hitt, 2003).

Lastly, the entwinement of the family and enterprise can help the firm create and wield a level of influence within its competitive context that is simply not available to the

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outside-investor owned, non-family enterprise. Family thus serves to provide the identity and then, over time, the reputation that serves as the springboard for a form of firm-specific organizational capital known as family social capital (Arregle et al., 2007). Such capital is posited to facilitate access to valuable information and resources (Arregle et al., 2007; Zahra, 2010). Such assets are especially valuable in times of scarcity (Carney and Gedajlovic, 2002a, 2002b).

A firm level analogue, familiness (Pearson et al., 2008), functions in a similar manner. Familiness enhances the prospects for firm survival (Sirmon and Hitt, 2003) by helping to create and sustain conditions of trust, identity, and norms of reciprocity and obligation (Le Breton-Miller and Miller, 2007; Pearson et al., 2008). It thus facilitates the creation of human capital. It is also a potential source of survivability capital (Sirmon and Hitt, 2003). For example, family members and employees who identify strongly with the firm may be willing to sacrifice salary or other types of compensation (while sustaining prior levels of effort) to aid the firm when times are hard (Pearson et al., 2008). These sacrifices are motivated by the belief that the firm will indeed honour its obligations and reciprocate in kind at a later date. Non-family enterprise, which operates under norms of quid-pro-quo exchange or closed reciprocity, lacks this capability. Familiness is thus a potential source of resource-based advantage (Chrisman et al., 2003).

Other management researchers are less optimistic or sanguine, positing that many of the attributes that facilitate the creation of the aforementioned advantages can also, in a variety of circumstances, become disadvantages. Schulze et al. (2001, 2003), for example, hypothesize and present evidence that altruism (which they model as a joint utility function in which the goal is to maximize family welfare as opposed to individual utility or shareholder wealth) can occasionally present decision-makers with the incentive to make decisions that favour family interests over those of disinterested shareholders. Such asymmetric altruism can also make it difficult to supervise and discipline employed family members (Chua et al., 2009). One manifestation, nepotism, can lead to adverse selection in labour markets, harming firm performance (Lin and Hu, 2007; Perez-Gonzalez, 2006).

While altruism has many benefits – Lubatkin et al. (2007) argue that it may not only enhance but also be the source of 'familiness' – it is accompanied by a dark side that can make family enterprises fraught with agency cost (Dyer, 2006). Gomez-Mejia et al. (2001, 2003) document that family ties increase executive entrenchment and alter the risk preferences of the CEO in ways that may harm firm performance. Family firms may also be viewed by family members as a source of socio-emotional wealth (Gomez-Mejia et al., 2007) that is important to preserve. This enhances family member perceptions about the importance of maintaining family control, and causes them to favour retained control even at a cost of increased business risk and potential organizational failure. It can also make them risk-loving in the sense that significant perceived threats to organizational vitality may motivate them to make surprisingly risky investments in an effort to save the firm. A strong sense of identity and familiness, and its attendant organizational benefits, might then be offset by risks that spring from the identical source. Thus, the benefits of family, it appears, are conditional on a variety of factors that researchers are still striving to identify.

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CONTRIBUTIONS OF THE ARTICLES IN THIS ISSUE

One of the overarching difficulties of the literature is the lack of a common definition of the family firm. Researchers have variously defined the family firm as one whose majority of shares are controlled by a single family (Westhead et al., 2001), an ownership concentration that exceeds a stated threshold and is controlled by family (Gomez-Mejia et al., 2003), the presence of one or more officers who are related to the founding family (Anderson et al., 2004), or some combination thereof (Gomez-Mejia et al., 2010; Villalonga and Amit, 2006). These definitional issues are troublesome because they confound accumulation of knowledge and fail to properly demarcate the boundary of the phenomenon. Miller et al. (2007), for example, using a sample similar to Anderson and Reeb (2003), found that earlier findings were contingent on the inclusion of founder-controlled firms in the family-controlled firm sample.

Accumulation of knowledge is also difficult because, at this time, no theoretical model exists that clarifies how one should expect the various influences of family, concentrated ownership, and dynasty to interact and affect conduct in publicly-traded family firms. Sirmon et al. (2008) survey the research landscape and conclude that viewing family influence in these settings as continuous, and not categorical, will allow the development of theory that better accounts for both the direct and indirect effect of family governance. Family influence may thus vary from unilateral control of the strategic direction of the firm to one where strategic control is left entirely in the hands of professional management. The effects of ownership concentration may thus be contingent on a diverse set of factors that the traditional economic focus on ownership concentration neglects or glosses over (Morck et al., 2005; Sirmon et al., 2008). To date, however, the theoretical contributions needed to bring clarity and consistency to the morass of family business definitions and operationalizations are absent from our literature and this is reflected in the diversity of treatments of the family business construct in this special issue.

Another complex set of issues arises when the focus is turned from questions concerning the governance of the family-controlled public firm to differences between the public and privately held family firm. Here, it appears that questions concerning the identity of the owner, as well as their relative share, are very important (Schulze et al., 2003). For example, while it may be tempting to adopt the simplifying assumption that family influence is linearly related to their level of involvement in management, research presented in this special issue suggests that the role of family management is actually quite complex and contingent on a variety factors at the individual, organizational, and institutional levels of analysis.

This degree of complexity is apparent in 'Top management teams in family-controlled companies: familiness, faultlines, and their impact on financial performance' (Minichilli et al., 2010), which provide a novel and thought-provoking exploration of the relationship between top management team (TMT) composition and the performance of family-controlled Italian firms. These authors draw from the group demography literature (Li and Hambrick, 2005) to posit that family and non-family identity can be used to demarcate factions within a firm's top management team. A 'faultline' may arise between factions that can, in certain circumstances, lead to schisms within the TMT and, hence, to behavioural disintegration. Consistent with Walsh and Seward (1990), they also

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hypothesize that the market for corporate control matters, and that, accordingly, the effect of family governance on firm performance will be stronger in 'non-listed' (private firms). Using a sample of Italian firms, they present evidence that the presence of a family CEO and increased homogeneity within the TMT (either mostly family members, or mostly non-family members) enhances firm performance. A breakpoint in performance seems to arise when family members comprise either two-thirds of the management team or less than one-third. Interestingly, family CEO-led firms seem to outperform non-family CEO-led firms, regardless of setting. The benefits of non-family leadership are thus perhaps more highly conditioned by ownership than extant theory seems to suggest. These findings also hint that the efficiency benefits of the market for corporate control may be overstated (Walsh and Seward, 1990).

It also stands to reason that family may shape firm strategy in ways that lead them to behave differently than their non-family counterparts. The influence of family on its level of diversification, a fundamental element of corporate strategy, is insightfully investigated by Luis Gomez-Mejia, Marianna Makri, and Martin Kintana (Gomez-Mejia et al., 2010). In 'Diversification decisions in family-controlled firms', they contrast the diversification decisions of family-controlled and non-family-controlled firms over time. Using a sample of 300 firms drawn from the Compustat database, they find that family control is associated with less domestic and international diversification, and that when they do diversify, they prefer to enter regions that are 'culturally close' to their own. Consistent with behavioural agency theory, however, they also find that family-controlled corporations diversify *more* widely when faced with increased risk. These findings extend earlier research on the effect of family on diversification and document the surprising extent to which family shapes fundamental strategic decisions. Family-controlled diversified firms, they conclude, make *different* decisions than non-family-controlled diversified firms.

One problem with the study of US and European firms is that decisions are reached under relatively similar institutional regimes. Both regions are technologically advanced, wealthy, have liquid investor-controlled capital markets, and provide strong shareholder protection (La Porta et al., 1999). Yet researchers argue that family firms are shaped by the institutional context in which they operate and so may, in some nations, enjoy comparative advantages that would not be available to a western-style corporation. Two of our articles – 'Institutions behind family ownership and control in large firms' by Peng and Jiang (2010), and 'Family control and ownership monitoring in family-controlled firms in Japan' by Yoshikawa and Rasheed (2010) – document the effect of three different types of institutions on family firm conduct.

Peng and Jiang provide an insightful and comprehensive examination of the extent to which the institutional context shapes family-controlled firm performance. To do so, they explore the interplay between ownership concentration and shareholder protections using a sample of 634 firms drawn from seven Asian nations. Consistent with economic research, they conclude that whether large family-controlled firms are 'paragons or parasites' varies with the level of shareholder protection offered across nations. Intriguingly, their role, it seems, also varies with the institutional context such that control mechanisms that are lionized in the research literature, such as director independence, are not uniformly effective. This cross-country analysis also illustrates that efforts to

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generate an 'Asian' model of family governance may be counterproductive since institutional regimes vary sharply within this region (Carney et al., 2009a).

Fascinating and theoretically-related questions are investigated by Yoshikawa and Rasheed. They examine data from Japan in an effort to find how family ownership, institutional ownership (domestic and foreign), and governance practice affect two dimensions of firm conduct – dividend payout and profitability. Their results are intriguing, because they show that while family control is associated with higher dividend payouts, there is no evidence to suggest that Japanese family owners expropriate other benefits from outside shareholders. Domestic banks also seem sanguine about family control, as there is no evidence to suggest that they take an active interest in the governance of their family-run portfolio firms. Foreign shareholders, in contrast, do appear to actively monitor their investments. Family owners also appear to retain profits when presented with growth opportunities. Family governance in Japan is thus shaped by the divergent interests of their family owners, outside shareholders, and creditors. Collectively, these results indicate that a plurality of actors and institutions play contingent and reciprocally dependent roles in disciplining and directing family interests. Interestingly, this is true even in nations with well developed shareholder protections like Japan.

Whereas the aforementioned papers examine the influence of family on corporate governance, a domain in which family interests are necessarily tempered, the influence of family ownership and managerial processes in family-controlled private firms has not been examined. Although family involvement is an essential attribute of a family business (Chrisman et al., 2003; Minichilli et al., 2010) that varies in nature and extent across firms (Birley, 2001; Litz, 1995), researchers do not yet fully understand the factors responsible for its variance. In particular, the relationship between ownership and family operational involvement in the business is not altogether clear, because past studies did not always distinguish among the differing effects of family ownership, family management, and self-ownership. This important and, to date, under-explored topic is investigated by Fiegener (2010) in 'Locus of ownership and family involvement in small private firms'.

In this article, Fiegener draws on a sample of National Federation of Independent Business (NFIB) members to investigate the relationship between forms of ownership and the level of operational involvement by family in private enterprise. The intriguing results are somewhat uniform across level – that is, family-owned, self-managed, and outsider-owned firms seem to differ systematically with respect to the number and centrality of family in firm management. Fiegener's data indicate that operational involvement rises with the transition to family-management from self-management, but that outside ownership is also strongly associated with a surprisingly significant level of family involvement. Fiegener explores a variety of predicted relationships among these ownership forms and documents that behavioural patterns that are generally thought to go hand in hand with ownership are far more complex than commonly assumed. The results thus raise important issues regarding family governance, the aforementioned definitional messiness of the family business construct, and consequently, family business research design.

Whereas Minichilli et al. explore the effect of TMT diversity on corporate governance, in 'The effects of family firm specific sources of TMT diversity: the moderating

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role of information exchange frequency', Ling and Kellermanns (2010) document that the effects of TMT diversity on family firm performance are, in fact, moderated by varying levels of information exchange. This article advances theory and reviews evidence suggesting that it is the level of information exchange within and among TMT members, and not its diversity, that most strongly affects firm performance. As such, this article attests to the importance of managerial processes in this context and informs a variety of family management practices.

Finally, in 'Harvesting family firms' organizational social capital: a relational perspective', Zahra (2010) explores entrepreneurial dimensions of family enterprise by exploring the extent to which family enterprise leverages organizational social capital to reach and establish relationships with new ventures. While family firms seem to represent the essence of the construct, this intriguing paper explores the effect of this form of social capital on alliances between established and growing ventures. Zahra's insights are provocative and he presents evidence that is somewhat counter-intuitive. Zahra shows that family firms leverage organizational social capital differently, and perhaps to greater advantage, than non-family enterprises. In particular, family firms develop more relational ties in governance and supply chain relations than non-family firms. However, the notion that nepotism guides these investments is not supported. Zahra thus contributes to the rapidly accumulating literature on family social capital while tying it to a nascent and under-developed literature on the relationship between family governance and entrepreneurship. Family enterprise, it appears, may play a surprisingly important role in nurturing new ventures.

CONCLUSIONS

The field of family business research is yet in its infancy, and the diversity of theory and opinion that characterizes the field is likely not atypical for a field at this stage of development. The purpose of this introduction was to familiarize the lay reader with this literature and to impose some order on the apparent chaos. While it may serve the purposes of the special issue, the articles presented herein represent only a smattering of topics that interest family business scholars. This introduction also neglects a variety of important questions that, we think, are fundamental to the field and merit investigation. Such questions relate to issues pertaining to succession, evolution of firm governance across generations, the influence of family on firm financial structure, and a host of matters concerning family influence on human resource and management practice. In closing, we highlight some issues that we believe warrant particular attention in future research.

One of the most obvious but compelling questions that remains unexplained is how to explain the prevalence and persistence of family enterprise. While economic models (e.g. Burkart et al., 2003) provide some insight, the contradictory evidence reviewed above suggests that richer and thicker theory is needed to account for the variety of dynamics and contexts in which family enterprise are found. In this light, the absence of anthropology from the field is startling (Stewart, 2003), as is the relative absence of sociological treatments. The field is, we think, ripe for picking by those willing to apply and test these foundation theories in the family business setting.

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It should also be evident to the reader that the topic of family governance is unevenly developed – refined in some respects but crude in others. The effects of concentrated ownership have, for example, been extensively investigated, as has the influence of legal regimes. The influence of the governance regime (public/private, national, cultural) is, however, widely ignored in family business theory and research designs. The public and private contexts, for example, differ greatly. Governance in widely held firms is necessarily tempered by regulatory regimes and the market for corporate control. The private domain is not. Parsimony, personalism, and particularism (Carney, 2005) are thus quite important in the family business context, but are poorly understood, if not reviled in western management theory. In this respect, more realistic, context sensitive, and fewer facile assumptions about the behavioural parameters of governance are, we think, needed to better guide theorizing and research about the family enterprise.

Two recurring themes in family business are the importance of family social capital as a source of competitive advantage, and the relationship between this form of capital and relational governance. One theory of relational governance, in particular, is viewed as playing an especially vital role in family business success and in the formation of family social capital: stewardship theory (Eddleston and Kellermanns, 2007; Miller et al., 2007). We offer two observations regarding the promise of stewardship theory as a lens for understanding family enterprise. The first is that notions of family social capital are inexplicably tied to the institution of the family and its socio-cultural foundations. Research which more strongly links the latter to family enterprise is, we think, greatly needed. The second is that there seems to be a trend in the family business literature to view agency-based and stewardship-based models of governance as antagonists. This, we think, is mistaken.

Agency theory, at least as received in mainstream theory, seeks to explain governance solutions with respect to the optimization of the only interest that is common to disinterested (i.e. unrelated) parties: the maximization of shareholder wealth. Stewardship theory, on the other hand, strives to optimize the utility of co-dependent parties. While stewardship theory was originally advanced as a theory of corporate governance, its application and relevance to the family business context is self-evident. However, whereas agency theory is quite specific about the mechanisms a principal can use to advance and protect their self-interest, stewardship theory is silent about how decisions are made. Yet family businesses are a remarkably robust organizational form that somehow manages to balance the welfare interests of co-dependent parties and thrive. They are, in short, living testimony to the effectiveness of stewardship. Yet it is also clear that family firms can be beset by agency costs and employ formal governance mechanisms to mitigate them. It seems to these observers that research that draws on empirical data about family firm governance, and is informed by agency as well as other well-specified theories of firm governance, is greatly needed and will serve to both advance knowledge about family enterprise, and inform mainstream stewardship theory. Viewing the theories as antagonists is, we think, counterproductive and unwise.

We have only lightly touched the field of family business research and the wealth of theory that is being used, as well as those we think should be more extensively deployed, to probe this domain. We hope you find the articles included in this special issue

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interesting, and are motivated join with the global community of family business scholars in their quest to understand the glorious success of this organizational form.

NOTES

[1] Regrettably, we were unable to retain this diversity in the seven articles accepted for the special issue; in the end, only 45 per cent of the accepted articles used non-US data.

[2] These leaders in the family business field also championed this special issue and papers presented at the 2007 FERC conference were considered for inclusion. Many conference attendees also served as reviewers. We are grateful for their support and assistance.

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