

A look into the future: promising research streams in family business studies

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*11th Annual IFERA Conference
Palermo, Italy
June 30, 2011*

Family business studies have kept their promise

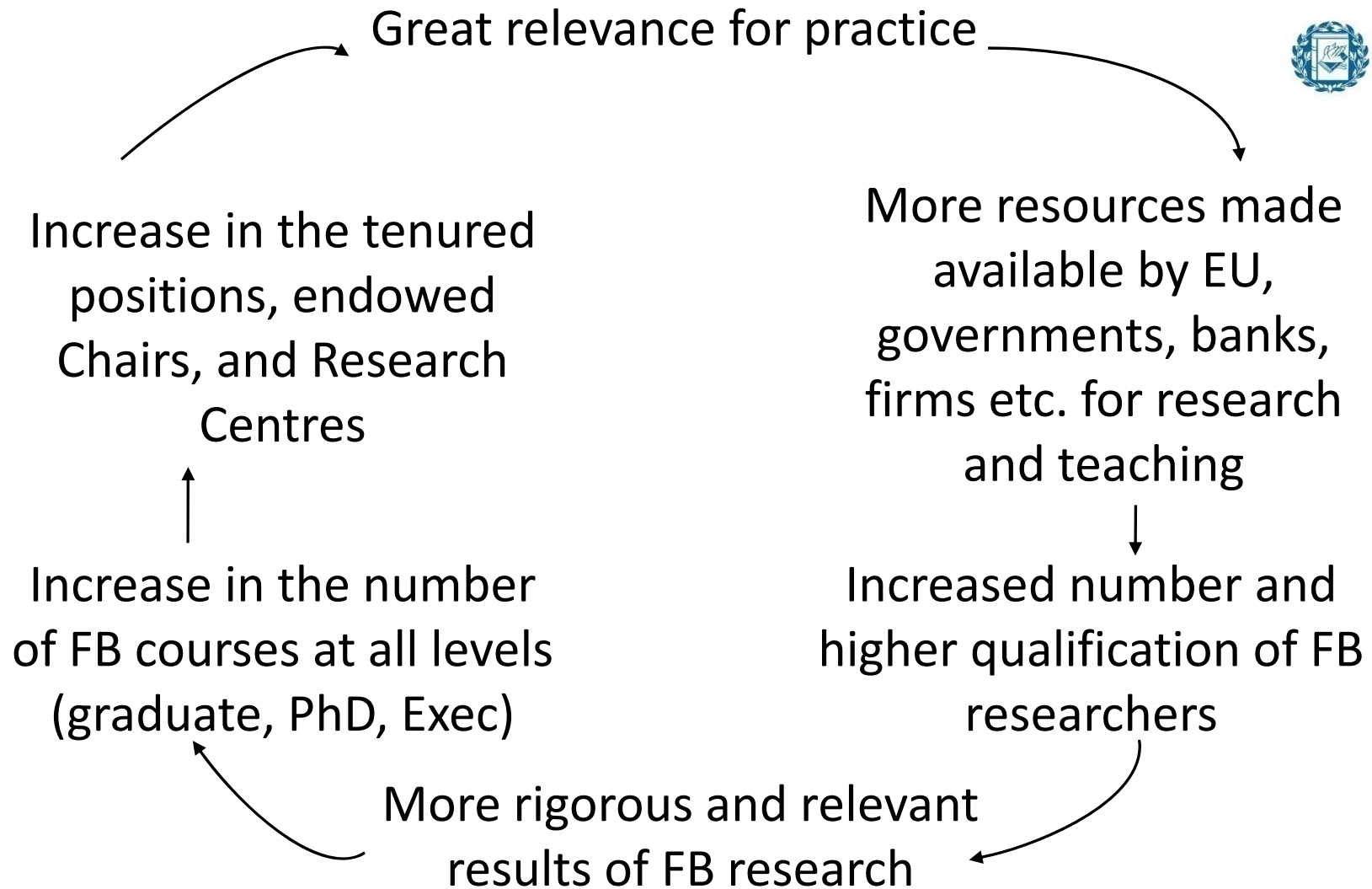


Research on family business made remarkable progresses over the past 10 years (see e.g. Sharma, 2004, Debicki et al., 2009; Gomez-Mejia et al., 2011):

- Publication of FB articles on generalist “A” journals;
- Significant upgrade of the Impact Factor of “field” journals (such as FBR, JBV, ETP);
- Launch of new field journals on FB, such as the “Journal of Family Business Strategy”;
- Increasing number of special issues on FB in generalist journals (e.g. JMS), or in journals related to other fields (e.g. European Accounting Review);
- Increased analytical rigour in published FB articles.

The “virtuous circle” of the FB field in the foreseeable future

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A look into the future highlights increasing workloads for family business scholars!

Where shall we direct our efforts?



Alternative avenues to identify the direction of future efforts:

- Following guidance from established scholars
- Following guidance from publication trends (e.g., Special Issues of FBR) or bibliographic research (e.g., Sharma, 2004 based on 217 articles)
- Following guidance from currently adopted theories (e.g., agency, stewardship, RBV, SEW, combinations of theories)
- Following guidance offered by emergent empirical phenomena and burning managerial issues: *the path I choose*

An example of guidance offered by burning, emergent phenomena: The AUB Observatory (1/2)



The AUB (AIdAF-Bocconi-Unicredit) Observatory on all medium and large Italian family controlled firms represents the most comprehensive source of information for family businesses in Italy.

Every year, the AUB Observatory monitors the characteristics and evolution of medium and large FBs in Italy on aspects such as ownership structures, governance, leadership and performance.

Launched in 2009, the AUB Observatory is currently at its third edition.

An example of guidance offered by burning, emergent phenomena: The AUB Observatory (2/2)



In my view, the most important characteristics of the AUB Observatory are:

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- It relies on a definition of FB very close to the one recently proposed by the EU.
- It includes **all** the Italian FBs over 50 millions €, reduced to 20 millions € for the FBs in the Milan Province.
- It compares performance of FBs versus NFBs.
- It relies on primary sources (official filings of the Chamber of Commerce) to analyze the past 10 years of performance, legal structures (holding companies), governance structures (board composition), leadership structures (Chairman, CEO, General Manager), succession processes.
- It allows to combine these information with FBs' characteristics such as size, industry, longevity, geographical areas.

Five key emerging family-business phenomena



The AUB Observatory identifies some important research areas for which it is possible to raise a number of relevant research questions:

- I. Heterogeneity of family business “archetypes”
- II. Differences across National boundaries
- III. Differences within National boundaries
- IV. Plurality of governance and leadership models
- V. Individual factors

I. Heterogeneity of family business “archetypes”

FBs in the Observatory are very different along several dimensions:



- **Firm size:** AUB firms range from 21 Bn € to 50 Mn € (i.e. 0.05 Bn €) of turnover, which is a much larger spectrum than Fortune 1000 firms (from 378 Bn \$ to 1.6 Bn \$).
- **Ownership structures:** 0.9% of these FBs are controlled by the family with less than 50% of the shares; 42.3% with shares from 50% to 99.9%; 56.8% of the firms are totally controlled (100%).
- **Generation in command:** 30.9% are 1st generation FBs; 50.7% are in the 2nd generation; 18.4% are in the 3rd or later generation.

Based on this, previous studies have neglected the *interaction* between these and other elements to acknowledge the heterogeneity of family firms and possible “archetypes”.

II. Difference across National boundaries (1/2)



- FB research has been characterized by different samples reflecting the characteristics of the institutional context under investigation (Miller et al., 2007)
- Studies on family involvement, for instance, showed contrasting results when focusing on large US public FBs (e.g. Anderson & Reeb, 2003; Lee, 2006; McConaughy et al., 1998; Villalonga & Amit, 2006), as compared to results in other contexts, and using different samples (e.g. Cucculelli & Micucci, 2008; Gomez-Mejia et al., 2007; Holderness & Sheehan, 1988; Sciascia & Mazzola, 2008)
- Since very few studies have been conducted on cross-National differences (e.g. Barontini & Caprio, 2006; Maury, 2006), there are ample opportunities to better clarify the role of sample-specific characteristics and institutional contexts

II. Difference across National boundaries (2/2)



- International comparison would be extremely relevant not only to address the inconsistency of past results, but also because:
 - There is evidence of “local” FB models;
 - Legal contexts are likely to have an impact on FBs behaviour;
 - Globalization trends impose a better understanding of local cultures and business models.
- First attempts in this directions have been made with projects like STEP. However, they have not produced systematic outputs, yet;
- Cross-National research might be an opportunity for FB scholars to network, as well as to compete for e.g. EU grants.

III. Differences within National boundaries



FBs also differ within the same Country. The AUB Observatory for instance shows that:

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- Italian FBs are remarkably different among different Italian geographical areas (Regions or groups of Regions);
- Those differences are along several dimensions, including ownership, governance and leadership structures, longevity and even financial performance;
- Maybe it is an Italian characteristics, but the impression is that those differences are deeply rooted in the micro-local cultures and communities;
- These insights may open opportunities for research in other Countries with strong internal socio-cultural dissimilarities (such as the US).

IV. Plurality of governance and leadership models (1/2)



In investigating governance and leadership models of FBs we typically assume a traditional model with a board of directors, a Chairman and a CEO. However, the AUB Observatory found that:

- 17.8% of Italian medium to large FBs have a “sole leader” (Amministratore Unico), without a board;
- 15.6% of FBs have an Executive Chairman, a board, but not a formal CEO;
- 37.1% of FBs have multiple CEOs with identical legal responsibilities (from 2 to even 9 co-CEOs!);
- Only 29.5% of FBs follow the “traditional” leadership model with a single CEO and a board of directors.

IV. Plurality of governance and leadership models (2/2)



- FB studies addressing the “single CEO” model investigate only part of the “real” leadership structures.
- This is not only an Italian phenomenon: in a survey on FBs with at least USD 1 million in sales, 42.2% of the surveyed entrepreneurs indicated the possibility to employ co-CEOs in the next generation of their companies (MassMutual, Kennesaw State University and Family Firm Institute report, 2007).
- Although co-leadership structures seem to be particularly widespread in FBs (Aronoff et al., 1997; Lansberg, 1999), few studies explore co-CEOs teams and their characteristics (e.g. Bennet & Miles, 2006; Hambrick & Cannella, 2004; Heenan & Bennis, 1999; Marcel, 2009; O’Toole, Galbraith & Lawler, 2002; Wageman et al., 2008), and mostly in the non-FB literature.

V. Individual factors



The AUB Observatory also indicates that individual factors, such as the leader's age, have a relevant impact on firm performance:

- FB leaders with less than 40 years, and in between 40 and 50, show better performance in terms of both profitability and growth.
- Starting from 50-60, firm performance deteriorate, and the negative impact of aging reaches its maximum for 70+ leaders.
- Same trends are observed for first generation leaders: founders are not “everlasting”, and should carefully plan succession to avoid excessive aging.

Emerging research questions and theoretical approaches (I)



Emerging issue	Research questions	Theoretical approaches	Expected contributions
Heterogeneity of family business “archetypes”	<ul style="list-style-type: none">• Is family leadership always beneficial?• What are the most effective governance structures in different types of family firms?• How should corporate strategy adapt to cope with such heterogeneity?	Research on organizational configurations : building typologies and taxonomies, gestalts, modes, archetypes, strategic groups; linking them to family business behaviors and outcomes	Understanding how configurations of FBs help explain equivocal results about: governance structures; strategic patterns; managerial and organizational practices; social and financial performance.

Emerging research questions and theoretical approaches (II)



Emerging issue	Research questions	Theoretical approaches	Expected contributions
Differences across National boundaries	<ul style="list-style-type: none"> • What is the impact of national “cultural” factors on FBs’ structures and behaviours? • To what extent our knowledge on e.g. family impact on business is generalizable? • To what extent can we contribute to awaken policy makers on FBs “local” specificities? 	<p>Public policy: political philosophy, comparative politics</p>	<ul style="list-style-type: none"> • Understanding the impact of different governmental policies (targeting family, succession and taxation issues) on family firm behavior. • Understanding how scholarship, lobbying, and advocacy groups may educate public policy makers about the nature of family-business specific issues.

Emerging research questions and theoretical approaches(III)



Emerging issue	Research questions	Theoretical approaches	Expected contributions
Differences within National boundaries	<ul style="list-style-type: none">• To what extent local roots and micro-cultural influences may bring to different FBs models?• Why FBs perform so differently on local bases?	Sociology: the influence of societal context on controlling families, and the influence of family system characteristics and their evolution on business processes and performance	Understanding how family structures, norms, attitudes and values prevailing in local areas affect family business processes and performance.

Emerging research questions and theoretical approaches (IV)



Emerging issue	Research questions	Theoretical approaches	Expected contributions
Plurality of governance and leadership models	<ul style="list-style-type: none">• What is the impact on performance of different leadership models?• What are the main characteristics of collegial models, and how can they function effectively?• What is the contribution of diversity (e.g. gender, age) inside co-CEOs teams?	Social capital: the structure of interpersonal relations within co-CEO teams; the differential resources available to the family firm through these relations.	<ul style="list-style-type: none">• Understanding the conditions under which collegial leadership (and different types of it) are beneficial to the family business.• Understanding how conflicts within co-CEO teams can be avoided ,or addressed and resolved.

Emerging research questions and theoretical approaches (V)



Emerging issue	Research questions	Theoretical approaches	Expected contributions
Individual factors	<ul style="list-style-type: none">• Why the age of the leader is so important for firm performance?• Is this evidence specific of FBs, or might be generalized to NFBs?• Are there other individual factors (besides familiness and age of leaders) that may strongly affect performance?	Organizational behavior: the role of personality in driving organizational behavior of family members	<ul style="list-style-type: none">• Understanding how personality traits differ between family and nonfamily managers, and among family members across life-cycle stages and generations.• Understanding how personality traits are affected by the family's genetic makeup.

Maintaining relevance by staying close to the family business



“We subscribe to the view that maintaining relevance through a strong connection to managerially relevant knowledge should be a perennial quest for all business schools”

Steier-Ward, ETP, 2006, p. 888

Thank you for your
attention!

