Chapter 15

A Configurational Approach to Analyze Family Governance and Family Firm Outcome Preferences

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ABSTRACT

This chapter follows the new research current that looks for heterogeneity between family businesses and its consequences. Through a cluster analysis, the chapter presents a taxonomy of four groups with different family government profiles, depending on the scope—number of issues considered—and the level of formalization. Alike, the research describes the different relative importance that each group attaches to financial and non-financial performance measures, as well as to the dimensions of business and family success. The chapter analyzes a sample of 147 SME family businesses that belong to the tourism industry. All of them are closely held family businesses that range between the first and third generation. Results show how family businesses with wide and formalized family government systems place a special emphasis on those success measures related to stakeholder satisfaction, family satisfaction, and wealth preservation. They present a stronger continuity intention.

INTRODUCTION

Along the last two decades Family-Business Academy focus his effort in developing a sound theoretical rationale, sometimes borrowed from mainstream general management literature—Agency Theory, Resource Based View, etc.—, sometimes as an own theoretical development that contributes to the general

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management Academy –Socio-Emotional Wealth–. In general terms, this theoretical background is useful in order to increase knowledge about family-firm distinctive mindset, resources, processes, practices and performance assessment, in comparison to non-family-firms.

Meanwhile, some papers began to analyze family-business as a heterogeneous phenomenon, looking to gain better understanding about how different family-business bear different mindsets, deploy resources following a distinctive logic; enact different financial, management and organizational practices; and look for a different mix of firm outcomes.

Two main research strategies allow facing this challenge. First, departing from a sound rationale based on accepted theories, the development of typologies of family-firms that share common characteristics that differentiate each type from other family-business (Dyer, 2006; Li & Daspit, 2016, Nordqvist, Sharma, & Chirico, 2014; Scholes & Wilson, 2014; Sharma, 2002). The Second one, consist on exploring family-business features looking for taxonomies. This research strategy is inductive and empirically driven, and results in classifications that are valuable to develop new theory and advance in understanding family-business as a rich and diverse phenomenon. This chapter is going to follow this second research strategy.

Papers presenting family-business taxonomies are recent and to some extent scarce, in fact Neubaum, et al., (2019) report 16 papers that count 1,639 citations, being the most cited contribution Tagiuri & Davis (1992). However, the majority of papers date form the last ten years.

With regard, the main issues that past research considers for building family-business taxonomies, research aligns into two main categories:

On the firm side, research considers criteria like:

- Firm features, like size and ownership concentration (Miller et al., 2013)--;
- Firm practices, like management professionalization--
- firm orientations and capabilities, strategic (Basco & Rodríguez, 2009; Dekker et al., 2013), Internationalization (Swoboda & Olejnik, 2013) or innovation (Erdogan et al., 2019)--;
- Family-firm resource endowment, Social capital (Sanchez-Ruiz et al., 2019)--;

On the family side:

- family involvement and degree of family orientation (Birley et al., 1999; Basco & Rodríguez, 2011; Uhlaner, 2005);
- family size and complexity (Westhead & Howorth, 2007);
- communication patterns between the family and the firm, as well as inside and across the family group (Dalpiaz et al., 2014; Distelberg & Blow, 2011; Leiß & Zehrer, 2018; Zody et al., 2006);
- founder and family values (García-Álvarez & López-Sintas, 2001; Rau, Schneider-Siebke & Günther, 2019).

Like the rest of specialized literature in family-business, papers that explore the family side through taxonomies, focus on individual relations –mainly incumbent-successor and communication patterns–, family complexity as a liability, and the family as a resource provider: social capital, familiness, etc. However, papers addressing family governance and its consequences in terms of: resource endowment, firm capabilities or firm orientations remain scant in family-business literature, and to author’s best knowledge, there is no family-business taxonomy based on the scope and formalization of the family
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