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FAMILY OWNED BUSINESSES AND THE CONCEPT OF FIT: 
THE IMPACT OF FAMILY INFLUENCE ON STRATEGY, STRUCTURE AND PERFORMANCE

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Principal Topic

Family firms represent the majority of businesses in most countries (Chrisman, Chua & Sharma, 2005) and accordingly an increasing body of research from various disciplines has focused on aspects regarding family firms (Habbershon & Williams, 1999). However, little research is yet available looking at the strategic management in family firms (e.g. Sharma, Chrisman & Chua, 1997), and especially the “concept of fit”, one of the major concepts in the study of strategic management (e.g. Venkatraman, 1989), has so far been neglected (Chrisman et al., 2005).

This is surprising as we believe that several factors will lead to deviating findings in the context of family firms. The concept of fit argues that an alignment between a firms’ strategy and its structure has a positive impact on firm performance (e.g. Chandler, 1962; Rumelt, 1974). Family firms, however, are distinctive due to the family’s influence on the business (Sharma et al., 1997) and family influence likely varies between family firms (e.g. Astrachan, Klein and Smyrnios, 2002).

We argue that the level of family influence (Astrachan, Klein, & Smyrnios, 2002) in a family firm will lead to certain configurations of strategy (e.g. Daily & Dollinger, 1993) and structure (e.g. Tagiuri & Davis, 1996), which therewith significantly determines fit-performance relations. We further explore possible explanations for positive performance apart from a strategic fit.

Method

Based on a postal survey with 2.400 German family firms and complementing database information, we gathered 171 data sets on which applied linear and logistic regression analyses as well as chi-square statistics.

Results and Implications

Our results indicate that family influence has important implications for firm strategy, structuring and, in turn, for the achievement of strategic fit. In addition, our results demonstrate that family firms’ competitive advantage is not gained through strategic fit only but also through the effective use of family-specific factors, such as family business governance and family culture. Overall, this article provides new insights regarding the application of strategic fit in family firm context and the uniqueness of family firms.

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