HOW MUCH FAMILY IS NECESSARY? THE IMPACT OF THE FAMILY ON FIRM GROWTH (SUMMARY)

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How Much Family Is Necessary? 
The Impact of the Family on Firm Growth

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Principal Topic

This paper investigates how different levels of family involvement as well as different kinds of family relationships impact family firm growth. Prior research studies examining family firm performance (Anderson & Reeb, 2003, Villalonga & Amit, 2006, Miller et al., 2007) have found varying empirical evidence. Although studies investigating family firm performance have extensively discussed the crucial role the family definition plays, little research exists on how different kinds of family relationships (i.e. the involvement of siblings, spouses or parents with children) prevalent within the family firm influence firm growth. This is an important research gap, since we know that different kinds of family relationships entail different levels of social embeddedness and cohesion (Wiklund et al., forthcoming).

Method

In order to study the research question, I constructed a dataset based on two longitudinal databases that cover all Swedish family businesses in the manufacturing sector between 2004 and 2007. The first database on the firm-level, RAMS, provides yearly data on all firms registered in Sweden. The second database on the individual-level, LISA, was used to identify the different family relationships by linking individuals to their families. By constructing links between the firm-level database, RAMS, and the individual-level database, LISA, I am able to identify family firms. Firm growth was defined as the yearly, relative change in the number of employees which was then logarithmized. I used OLS regression models to estimate the different family effects on firm growth.

Results and Implications

The results reveal that there is indeed a difference in firm performance depending on which family relationship is prevalent in the family firm. In particular I find that the involvement of siblings has a negative impact on firm growth while the involvement of both siblings and parents is positively associated with the outcome variable. However, the involvement of spousal couples in family firms has no influence. Finally, it is also interesting to note that although an internal CEO (i.e. a family member is the CEO) has a positive effect, this can only be confirmed on a 10% significance level.

I contribute to both entrepreneurship and family business research by investigating the family context in which entrepreneurship takes place, focusing not only on controlling for contextual differences but on theorizing how variance in family contexts affects firm growth (Zahra and Wright, 2011).

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