A TALE OF TWO MASTERS: CEO SUCCESSION IN DUAL-FAMILY FIRMS (SUMMARY)

Musab Almutawa

IE Business School, Spain, malmutawa.phd2017@student.ie.edu

Recommended Citation
Almutawa, Musab (2015) "A TALE OF TWO MASTERS: CEO SUCCESSION IN DUAL-FAMILY FIRMS (SUMMARY),"
Frontiers of Entrepreneurship Research: Vol. 35 : Iss. 10 , Article 4.
Available at: https://digitalknowledge.babson.edu/fer/vol35/iss10/4

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized editor of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
SUMMARY

A TALE OF TWO MASTERS: CEO SUCCESSION IN DUAL-FAMILY FIRMS

Musab Almutawa, IE Business School, Spain

Principal Topic

Though family firms are the most common type of organization, the literature has not yet thoroughly distinguished among the different kinds of family firms, treating family firms as more of a homogenous entity. In this paper we aim to explicate the heterogeneity of family firms. We specifically explore the concept of dual-family firms which are firms that have two dominant family owners who have enough ownership to influence the direction the firm takes. Dual-family firms are especially interesting because the principals’ interests are convergent and yet have the potential to be divergent. Both principals will want to maintain or increase their respective socioemotional wealth, and will also want to have a financially viable firm. The setting, however, can be mired in continuous power struggles as the partner families try to enhance their respective socioemotional wealth, sometimes to the detriment of the other. The degree and magnitude of those tensions are contingent on the ownership structures of dual-family firms (i.e. equal ownership or major-minor ownership). To explore the dynamics of dual-family firms we look at how dual ownership structures influence the choice of CEO successors. Given the importance of CEO succession in family firm literature, this is arguably the most visible way of differentiating dual-family firms from single-family firms. We will use theories of socioemotional wealth and agency theory in the principal-principal agency context to argue that the choice of successor for dual-family firms relies on the ownership makeup of the firm.

Results and Implications

Preliminary findings suggest that dual-family firms are surprisingly common. 29 percent of all surveyed firms were dual-family firms, whereas 57 percent of all surveyed firms were single-family firms. More importantly, it seems that dual-family firms act differently than single-family firms. One of the surprising findings was the emergence of co-CEOs in dual-family firms where both families had equal ownership. Additionally, in dual family firms where one of the family owners has dominant ownership, the succeeding CEO is more likely to be from the dominant family. As such, the introduction of the dual-family firm concept provides a way of exploring the diversity of family firms, and adds a layer complexity that provides a more nuanced understanding of family firms.

CONTACT: Musab Almutawa; malmutawa.phd2017@student.ie.edu; (T): +34 91568 97 31; Doctoral Programs Department, Maria de Molina 12, Bajo, Madrid, Spain, 28006.