MEASURING THE EFFECT OF FAMILY IDEOLOGY ON FAMILY BUSINESS PERFORMANCE (SUMMARY)

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SUMMARY

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Principal Topic

This paper addresses the effect that ideology, defined as the meaning that the family business has for the family members (Schutz, 1970), has in the performance of the family business. Based on a seminal work of Otálora, Vilanova and Gimeno (1999) developed by Gimeno (2004), the authors’ model focuses on how ideology affects family business management and, consequently, family business performance. The model proposes three main family ideology orientations: Protective, Venture and Financial; and two management dimensions: Family Management and Business Management. Family business performance is defined according to an Economic dimension (profit growth) and a Relational dimension (family satisfaction).

Method

The propositions can be synthesised as follows:

The family ideology (three different orientations) has a direct effect on family business management

Family business management has a direct effect on performance

The authors have collected data for 235 family businesses from Madrid (Spain), representing 7% of the universe of family businesses with turnover over 600,000 Euro. Different statistical techniques were used: regression factor scores (to approximate the three orientations), and multiple correspondence analyses using the Homals (to evaluate family and business management). The direct effects between the variables were presented in a linear structural equation model, estimated using the ML estimation procedure available in LISREL (Jöreskog and Sörbom, 1993).

Results and Implications

The results suggest that the ideology dimension has a direct effect on both, family and business management. These results clearly confirm that when “family is first” (Protective orientation), these values hinder the development of family and business management practices and lead to a negative indirect effect on performance. As expected, when the Venture ideology is the dominant orientation, it leads to a reinforcement of family management, with a positive direct effect. No direct effect is found, however, on business management, suggesting that these values can co-exist with either professional or ad-hoc management. No relation was found between Financial orientation and family and business management and, therefore no relation was found with performance. These results have an important implication for researchers, as it verifies the effect of ideology on performance, for policymakers, as it opens the possibility of adding cognitive dimensions of ideology to their policy portfolio and for business families by adding ideology to their existing challenges of family business management.

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