ENTREPRENEURIAL ORIENTATION AND PERFORMANCE IN FAMILY-OWNED FIRMS: THE ROLE OF FAMILY MANAGEMENT (INTERACTIVE PAPER)

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INTERACTIVE PAPER

ENTREPRENEURIAL ORIENTATION AND PERFORMANCE IN FAMILY-OWNED FIRMS: THE ROLE OF FAMILY MANAGEMENT

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Principal Topic

Many moderators of the EO-P relationship have been previously identified, but research on management-related factors conducive to EO effectiveness remains insufficient. In particular, no scholar asked whether the effectiveness of EO is facilitated or hampered by a family management (FM). FM can be referred both to the percentage of managers who are family members (PMFM) and to the number of generations involved in management (NGI). In this research we seek to explore how PMFM and NGI influence the EO-P relationship. Drawing on the agency (Jensen and Meckling, 1976; Schulze et al., 2001) and the upper echelon theories (Hambrick & Mason, 1984), we theorize and empirically test that the more a family is involved in the management of the firm, the lower EO effectiveness. In other words, we test that both PMFM and NGI play the role of negative moderators of the EO-P relationship.

Method

Data for this study were collected from Swiss family firms based in Canton Ticino. We received 200 replies for a response rate of 33.78%. EO was assessed by adopting a 7-item scale developed by Miller (1983). Performance was assessed through four performance-related questions regarding profit, sales growth, cash flow, and growth of net worth. In order to measure NGI, we asked respondents to report if the generations involved are one, two, three or more than three generations. In our data-set, no more than three generations were involved. PMFM was captured by the number of family top managers divided by the total size of the firm’s top management team. Regression analyses have been run and our hypotheses were confirmed.

Results and Implications

We found that only NGI acts as a negative moderator of the relationship between EO and P. More precisely, the relationship between EO and P is markedly positive when one generation is involved in the management of the firm; it is lightly positive when two generations are involved; it becomes negative when the generations involved are three. Rather, PMFM does not moderate the EO-P relationship and even has only a positive direct influence on P. We contribute to the academic conversation on the EO-P relationship by adding a new moderating variable and consequently developing a more comprehensive understanding of the entrepreneurial dynamics when a family is involved in a firm’s management.

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