NON-LINEAR EFFECTS OF FAMILY MANAGEMENT ON ENTREPRENEURIAL ORIENTATION IN FAMILY-OWNED FIRMS (SUMMARY)

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SUMMARY

NON-LINEAR EFFECTS OF FAMILY MANAGEMENT ON ENTREPRENEURIAL ORIENTATION IN FAMILY-OWNED FIRMS

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Principal Topic

Only a few studies explore the effects of family management (FM) on entrepreneurial orientation (EO) and hold conflicting positions. Thus, we attempt to shed some light on how FM impacts on EO. Past empirical studies tend to overlook the multifaceted nature of the concept of FM. For this reason, we conceive FM not only as the number of generations involved in the management of the firm (NGI) but also as the percentage of managers who are family members (PMFM). We contend that the benefits of NGI, captured in previous literature by the stewardship theory, should be coupled with the costs of involving several generations, introduced by the so-called stagnation perspective. These costs are related to the ownership-management overlap, the possibility of conflicts and the lack of resources that usually characterizes new generations. Moreover, we argue that PMFM induce negative effects similar to the above-mentioned ones, without the benefits that instead NGI brings. Thus, we develop and test a hypothesis on an inverted U-shaped relationship between NGI and EO, and a hypothesis on a negative relationship between PMFM and EO.

Method

Data for this study were collected from Swiss family firms based in Canton Ticino. The survey targeted the family member CEOs or highest family member senior executives. We received 200 replies for a response rate of 33.78%. A second copy of the questionnaire was sent to a second senior manager from the 200 responding companies. We checked the absence of common method bias and multicollinearity. Regression analyses have been run to test our hypotheses.

Results and Implications

Our hypotheses were both confirmed. In particular, we underline that EO is maximized when two generations are involved. EO is higher when the generations involved are two rather than one because the stewardship effects may not manifest so strongly when only one generation is involved. At the same time EO is lower when the number of generations involved is three because the stagnation effects may be amplified, especially in terms of inter-generational conflicts. We contribute to the conversation on the determinants of EO by clarifying the effects of FM on EO. We consequently suggest family owners to open the management team to non-family managers and not to involve three generations in the management of the firm.

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