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A SYSTEM PERFORMANCE MODEL TO CAPTURE THE POTENTIAL FOR ENTERPRISING FAMILY ADVANTAGE AND CORRESPONDING PERFORMANCE OUTCOMES (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

A SYSTEM PERFORMANCE MODEL TO CAPTURE THE POTENTIAL FOR ENTERPRISING FAMILY ADVANTAGE AND CORRESPONDING PERFORMANCE OUTCOMES

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Principal Topic

Family business advocates claim family enterprises have an advantage over their non-family counterparts. However, for every positive supposition, not surprisingly, there is an alternate argument that counters any family enterprise advantages are short-lived and families in business struggle over the long-term due to the inherent conflict at the interface of business and family systems. In this study, our research question is: To what extent does the family enterprise advantage create a competitive advantage for family businesses? We answer our research question by introducing and testing a system performance model to capture the enterprising family advantage and corresponding performance outcomes, as outlined below. The motivation for the tested relationships is drawn from a conceptual model introduced by Habbershon and Williams and reasoning raised by, among others, Chrisman, Steier, and Chua.

Method

Using our sample of 201 family enterprises and established scales, we tested the above model through structural equation modeling. Our results indicate that family involvement in management is positively related to (a) family business culture and (b) stewardship culture. Family involvement in ownership was found to be positively associated with (a) family business culture and (b) stewardship culture. Family business culture and stewardship culture were both positively associated with strategic adaptations. As well, (1) strategic adaptations did successfully lead to increasing firm innovativeness (2) firm innovativeness positively led to firm performance, and (3) to strategic planning processes. Strategic planning processes were also found to be positively associated with (a) family business culture and (b) the stewardship culture of the firm.

Results and Implications

In this study, familiness is introduced in terms of family-centric as well as (stewardship theory-grounded) business culture. Combined, we position family input and familiness as resources idiosyncratic to business families, which aid in the development of a capability we capture as strategic adaptability. This capability contributes to competitive advantage in our model through innovativeness. But, importantly, the recursive model we introduce and test demonstrates the vital role of strategic planning in ensuring familiness is identified as an ongoing resource that contributes to the capability to respond to events in the external environment.

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