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Exploring what makes family firms different: Discrete or overlapping constructs in the literature?

Alexandra Dawson[a,*], Donata Mussolino[b,1]

[a] Department of Management, Concordia University, 1455 De Maisonneuve Blvd. West, Montreal, QC, Canada H3G 1M8
[b] Department of Business Administration, University of Naples "Federico II", Via Cinthia, Complesso Universitario Monte Sant'Angelo, 80126 Naples, Italy

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ABSTRACT

The theory, research, and practice of family business have evolved significantly over the last quarter of a century. The field has experienced significant transformations; however, scholars are still debating what makes family businesses unique and distinct from nonfamily businesses. Three constructs have been proposed in the literature to address this issue: socioemotional wealth, the essence of family business, and familiness. Through a systematic review of the literature, we analyze these constructs by providing definitions, identifying antecedents, outcomes, and measurements, and by summarizing differences and similarities. We incorporate our key findings in a conceptual model to guide researchers in their future efforts.

1. Introduction

By combining two of the most important ingredients in an individual's life—family and work—family businesses exercise an undeniable and gripping influence on scholars and practitioners (Gersick, Davis, Hampton, & Lansberg, 1997). One of the crucial, yet ongoing, challenges of the ensuing scholarly research has been to identify the uniqueness of family businesses to understand what they are and how they differ from nonfamily businesses (Chrisman, Steier, & Chua, 2008; Sharma, 2004). A recent review of the most influential scholarly work on family business (Chrisman, Kellermanns, Chan, & Liano, 2010) grouped articles into three categories. First, articles based on agency theory explained the "particularism" of family firm behavior (Carney, 2005) through the noneconomic goals that they pursue, introducing the construct of *socioemotional wealth* (Gomez-Mejia, Haynes, Nuñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Second, general articles dealt with the definition of family firms, focusing on the importance of family involvement (Astrachan, Klein, & Smyrnios, 2002) and advocating for moving beyond a components-of-involvement definition toward a more theoretical definition exemplified by the so-called *essence-of-family-business* approach (Chrisman, Chua, & Sharma, 2005; Chua, Chrisman, & Sharma, 1999). Third, articles based on the resource-based view explained the distinctiveness of family firms based on their resources—that is, *familiness* (Habbershon & Williams, 1999; Sirmon & Hitt, 2003).

Scholarly research has enriched our understanding of the differences between family firms and nonfamily firms, as well as among family firms (e.g., Chrisman, Steier, & Chua, 2008). However, there appears to be overlap among the three constructs of socioemotional wealth (Gomez-Mejia et al., 2007), the essence of family business (Chua et al., 1999), and familiness (Habbershon & Williams, 1999). For example, socioemotional wealth has been referred to as "the single most important feature of a family firm's essence," explaining why they behave distinctively (Berrone, Cruz, & Gomez-Mejia, 2012: 260). In turn, the essence of family business has been identified as being one of the dimensions of familiness, together with involvement and organizational identity (Zellweger, Eddleston, & Kellermanns, 2010). Finally, familiness has been considered to be one of the components making up the essence of a family business (Chrisman, Chua, & Sharma, 2005).

In this article, we review the existing literature on these three key constructs in family business research to provide a definition and identify their antecedents, outcomes, and measurement (e.g., Raisch & Birkinshaw, 2008; Short, Ketchen, Shook, & Ireland, 2010). Our aim is to contribute to the advancement of family business research by highlighting the differences among constructs and disentangling their similarities and overlapping areas.

The remainder of the article proceeds as follows. First, we present a theoretical background to introduce the three constructs

* Corresponding author. Tel.: +1 514 848 2424x2144; fax: +1 514 848 4292.
E-mail addresses: adawson@jmsb.concordia.ca (A. Dawson), dmussoli@unina.it (D. Mussolino).
[1] Tel.: +39 081 675080; fax: +39 081 2478738.

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of socioemotional wealth, the essence of family business, and familiness. Second, we outline our review approach. Third, we analyze the results of our literature review, offering definitions, and identifying antecedents, outcomes, and measurements. Fourth, we propose and discuss a conceptual model summarizing our analysis. Last, we offer concluding remarks and suggest future directions of research.

2. Theoretical background

While some variation still exists, there appears to be growing consensus about family involvement in the ownership and management of a firm (Handler, 1989) being a necessary, but not sufficient, condition for a firm to be considered a family firm (Chrisman, Chua, & Sharma, 2005; Chua et al., 1999). What really defines a family business, beyond this components-of-involvement approach (Chrisman, Chua, & Sharma, 2005), are its intrinsic nature and fundamental qualities, which determine its unique and distinctive character. Given that firms with comparable levels of family involvement in ownership and management may or may not consider themselves to be or behave like family businesses, it is crucial to capture their distinctive behavior (Chua et al., 1999). Such distinctive behavior has been labeled "particularism" (Carney, 2005), meaning that owners of family firms view the firm as theirs and intervene in business decisions using altruism or nepotism as well as (or instead of) rational-calculative criteria. This often differs from the behavior of nonfamily firms, where there are greater internal bureaucratic controls or external accountabilities (Chrisman, Chua, Pearson, & Barnett, 2012).

What determines such distinctive behavior? The uniqueness of family firms has been explained by scholars who have developed three constructs over time. First, the preservation of socioemotional wealth is viewed as having a strong influence on strategic decision making in family firms (Gomez-Mejia et al., 2007). Socioemotional wealth represents noneconomic utilities or affective endowments (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010), including affective needs for identity, the ability to exercise family influence, and the preservation of the family dynasty (Gomez-Mejia et al., 2007). Second, scholars have introduced the essence of family business, consisting of the controlling family's vision aimed at sustaining the business across generations (Chua et al., 1999). Third, familiness has also been put forward to illustrate the unique bundle of resources resulting from the interaction of the family and business systems (Habbershon & Williams, 1999; Habbershon, Williams, & MacMillan, 2003) and leading—if there are systemic synergies—to distinctive familiness, which is associated with competitive advantage. To improve our understanding of the uniqueness of family businesses, we carried out a review of the literature focusing on these three constructs.

3. Review method

To identify relevant articles, we conducted Boolean title, abstract and keyword searches using truncated combinations of the terms "family business," "family firm," and "family enterprise" with one of the three variables of interest (socioemotional wealth, the essence of family business, and familiness). Additionally, an article had to provide either a conceptual advancement or an empirical test (Salvato & Moores, 2010). We focused on peer-reviewed articles and excluded invited publications and book reviews. Our search included the following databases: EBSCO (Academic Search Complete and Business Source Complete), ProQuest/ABI Inform Global, Sage Journals Online, Science Direct, and Wiley Interscience Electronic Journals. In the selection of journals, we followed earlier studies (Chrisman, Chua, Kellermanns, Matherne, & Debicki, 2008; Chrisman et al., 2010; Debicki, Matherne, Kellermanns, & Chrisman, 2009; Shane, 1997). As a result, our list of 31 journals included leading outlets for entrepreneurship research, family-specific journals, and other journals that have published several family business articles. We did not impose time constraints to be able to capture all relevant contributions up to April 2013. To categorize the articles, one of the coauthors examined the abstract and reviewed the entire article, using the exclusion criteria in a conservative fashion favoring inclusion rather than exclusion. In cases of uncertainty, the other coauthor carried out a separate analysis to reach a consensus. Articles that had more than one variable as their main focus were included more than once (Fink, 2010).

We found a total of 50 articles meeting the selection criteria. Whilst socioemotional wealth is a relatively recent construct, having been introduced in 2007 (Gomez-Mejia et al., 2007), scholars started writing about the essence of family business (Chua et al., 1999) and familiness (Habbershon & Williams, 1999) in 1999. Although it is a newer construct, socioemotional wealth has received almost as much attention as familiness (20 versus 21 articles, respectively). Only nine articles have focused on the essence of family business (see Fig. 1).

We summarize the main elements of each article in Table 1. When reviewing the conceptual articles, we analyzed the theoretical or literature base as well as the key results and contributions to knowledge with respect to the individual variable. When reviewing empirical articles, we examined the study design, the theoretical or literature base, and the key findings.

4. Analysis

The next step was to carry out a thorough analysis of the articles previously selected to provide a definition for each of the three constructs, identify their antecedents and outcomes by level of analysis (individual, family, firm and external), and indicate measurements suggested or used in the literature (see Table 2).

4.1. Socioemotional wealth

4.1.1. Definition

Socioemotional wealth is defined as the "stock of affect-related value" that family members have invested in the firm (Berrone et al., 2010: 82). It is also referred to by the terms "noneconomic utilities" or "affective endowments" (Berrone et al., 2010) and is characterized by affective needs for identity, the ability to exercise family influence, and the preservation of the family dynasty (Gomez-Mejia et al., 2007). Preserving the family's socioemotional wealth represents a key goal for members of the controlling family (Gomez-Mejia et al., 2007). In fact, socioemotional wealth is considered to be a unique feature of family firms, explaining why they behave distinctively (Berrone et al., 2012). Scholars have identified five dimensions of socioemotional wealth: family members' control and influence over strategic decisions, unique identity deriving from family members' identification with the firm, binding social ties based on kinship and reciprocity, emotional attachment to the family business, and renewal of family bonds to the firm through dynastic succession (Berrone et al., 2012).

4.1.2. Antecedents

There are three levels of analysis—individual, family and firm—in studies addressing the antecedents of socioemotional wealth. At the individual level, affect (i.e., feelings and emotions) influences the formation of socioemotional wealth, driving family owners' value perceptions (Zellweger & Dehlen, 2012). Such affect grows over time, and executives in family firms are more likely to take advantage of socioemotional benefits thanks to their longer