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Trust, commitment and relationships in family business: Challenging conventional wisdom

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ABSTRACT

Trust, commitment, and closely-knit relationships have been identified in the literature as critical to family business success and longevity. However, the distinct nature, dynamics, processes, antecedents and consequences of trust, commitment and relationships in family business remain underexplored. The articles in this special issue aim to close this apparent gap by providing a more in-depth and granular understanding of the complexities of trust, commitment and relationships in family business, often challenging established paradigms and common wisdom. This article summarizes the content featured in the special issue and presents several suggestions for future research.

Introduction

Trust and commitment are two fundamental pillars upon which much of the positive approach towards family business research is built. These concepts are often used to describe distinct attributes of family businesses like familiness (Frank, Lueger, Nosé, & Suchy, 2010; Irava & Moores, 2010; Zellweger, Eddleston, & Kellermanns, 2010), social capital (Arregle, Hitt, Sirmon, & Very, 2007; Pearson, Carr, & Shaw, 2008; Sirmon & Hitt, 2003), reciprocal altruism (Eddleston, Kellermanns, & Sarathy, 2008; Lubatkin, Durand, & Ling, 2007), family firm identity (Zellweger, Kellermanns, Eddleston, & Memili, 2012) and stewardship (Davis, Allen, & Hayes, 2010; Dibrell & Moeller, 2011; Eddleston & Kellermanns, 2007). However, while the concepts of trust and commitment are commonly used to characterize the distinctiveness of family businesses (Eddleston, Chrisman, Steier, & Chua, 2010; Steier, 2001; Sundaramurthy, 2008), in and of themselves they are inconsistently defined and under-researched. This special issue seeks to explore these concepts in greater depth. The aim is to make the concepts more granular, researchable and ultimately more useful to family business, management and marketing scholars.

Family businesses are unique due to the embeddedness of family relationships within the business (Aldrich & Cliff, 2003). In turn, this leads to relationship issues in the family domain, both positive and negative, that affect relationships at work, and vice versa (Eddleston & Kidwell, 2012; Pieper, Astrachan, & Manners, 2013). While a preponderance of research mentions how the family and business domains are intertwined in family businesses (i.e., Eddleston, Kellermanns, & Zellweger, 2012; Gersick, Davis, Hampton, & Lansberg, 1997; Lansberg, 1983; Olson, Zuiker, Danes, Stafford Heck, & Duncan, 2003), the majority of research on relationship conflict and harmony in family firms has only focused on relationships at work (i.e., Davis & Harveston, 2001; Eddleston & Kellermanns, 2007; Kellermanns & Eddleston, 2004; Zellweger & Nason, 2008) without studying the interplay between the two domains. Additionally, although trust and commitment are often depicted as distinct resources of family firms because of their kinship roots (Sirmon & Hitt, 2003), little research has explored how the establishment of trust and commitment in the family domain transfers to the business domain. We also do not understand how family firms use trust and commitment to develop social capital and to foster cooperative interorganizational relationships. Accordingly, in seeking to understand interpersonal relationships within family businesses as well as the interorganizational relationships that family firms forge with partners, this special issue offers new perspectives on trust and commitment of family businesses.

Although commitment is often used to describe family business relationships, the little research in the area has tended to emphasize nonrelational domains such as commitment to one's job (e.g., Carmon, Miller, Raile, & Roers, 2010; Sieger, Bernhard, & Frey, 2011), rather than relational domains like commitment to a

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partner, family, or other group. The neglect of relational domains is problematic, given the relevance and ubiquity of close relationships in family business (Astrachan, 2010). In particular, both family and business relationships in family business offer multiple targets and means for commitment that can be in synch or run counter to one another which makes the phenomenon an interesting subject of study.

More specifically, norms associated with the family and business systems often compete in family businesses (Lansberg, 1983) which can affect family members' commitment to the firm and willingness to cooperate (Aldrich & Cliff, 2003; Corbetta & Salvato, 2004). For example, although family members may lack affective or normative commitment to the firm, they may still join and remain employed at the family business due to calculative commitment (Sharma & Irving, 2005) that leads them to want to protect their inheritance rights and access to firm resources (Eddleston & Kidwell, 2012). As such, family members may desire a position in the family firm not because of commitment to its goals or prosperity, but because they wish to protect their own children's place in the family business and to reap the financial privileges associated with the business (McCann, 2000). Accordingly, research has argued that those family businesses that are able to channel family members' commitment toward accomplishing the family firms' goals will experience the greatest growth and entrepreneurship (Eddleston et al., 2012; Zahra, Hayton, & Salvato, 2004; Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008). As further discussed below, several articles in our special issue highlight the important role of commitment in enhancing family business performance. Commitment is also shown to be linked to trust in the article by Smith, Hair and Ferguson (2014).

The concept of trust is often mentioned in family business research, yet rarely dissected or directly studied. However, trust can take place at different levels – the individual, interpersonal, inter-group, inter-organizational, or society as a whole (Eddleston et al., 2010). Further, trust can be beneficial such as when it improves predictability and limits agency costs (Steier, 2001), or it can be damaging such as when it leads to blind faith and amoral familism (Kidwell, Kellermanns, & Eddleston, 2012). Therefore, it is important to understand what trust means within the family business context, how trust can have both positive and negative consequences, and how trust can best be measured in family businesses.

Trust appears to weave through multiple levels in family firms, serving to organize and develop reliable relationships. Within an organization, trust can co-evolve across interpersonal and intraorganizational levels (Currall & Inkpen, 2006) and cooperative relations between organizations can spark from trust-laden personal ties (Van de Ven & Ring, 2006). Because the family is embedded in multiple social systems, the relationship between trust and governance in family businesses is profound and distinct. Trust captures family businesses' willingness to rely on family members for help (Cruz, Justo, & De Castro, 2012) and to build network relationships (Lester & Cannella, 2006). Research often suggests that family firms may be particularly capable at capitalizing on trust (i.e., Steier, 2001; Sundaramurthy, 2008). However, there is also a dark side of trust that can lead to opportunism, complacency and blind faith (Eddleston & Kidwell, 2012; Steier, 2001; Sundaramurthy, 2008). Therefore, trust may help to capture the inherent strengths and weaknesses of family firms and to explain how family firms differ from one another and from nonfamily firms.

We envisioned this special issue to advance the understanding of trust, commitment and relationships in family business at various levels of analysis by critically reflecting on their distinct nature, dynamics, processes, antecedents and consequences. As a result, the articles featured in this special issue stem from an eclectic group of authors from varied disciplines and employ a broad range of theories, methodologies, and samples. Taken together they offer a more complex understanding of family firms and often challenge conventional wisdom on family business trust, commitment and relationships.

Articles in this special issue

The first article in the special issue by Cater and Kidwell (2014) looks at leadership succession in family business, and in particular successor leadership teams – a phenomenon that has recently gained prominence in family business practice but remains rarely investigated on the research side. Using an inductive, case-based methodology, the authors study the function and governance of successor leadership teams in family firms and develop a conceptual model with a set of integrated propositions specifying the dynamics affecting the effectiveness of successor leadership teams. The authors propose that excessive competition among successor group members hinders group effectiveness, whereas cooperation and the development of trust enhance successor leadership team effectiveness. Their study challenges the notion that family firm leaders choose multiple successors due to indecisiveness or an unwillingness to trust one heir, to instead demonstrate that the use of multiple successors is a sign of trust for the group of successors and their ability to work together. In turn, their results suggest that shared leadership can foster trust not only among the successors but also among the next generation. Therefore, Cater and Kidwell's article stresses the importance of trust in family business leadership and contributes to our understanding of how the succession process can develop and maintain trust within and across generations.

In the second article, by Craig, Dibrell, and Garrett (2014), the authors merge literature and prior research on upper echelons theory, schematic frameworks and the resource based view to investigate the intricate relationship among family influence, family business culture and flexible planning systems, and their impact on firm innovativeness and performance. Using a sample of 359 small- and medium-sized family businesses and employing structural equation modeling, the authors find that family influence positively affects family business culture, which enhances the ability of families to be strategically flexible, which in turn impacts firm innovativeness, and ultimately increases firm performance. As such, the study suggests that the family is the basis for success in family businesses. That is, their findings suggest that a family's influence and active involvement in the business create a family business culture that reflects support for the firm's goals and pride in the business, which thereby ultimately affects the firm's level of innovativeness and performance. Therefore, their study demonstrates how the intersection between the family and business domains may offer the greatest resource for family businesses (Sirmon & Hitt, 2003). As such, the study highlights the distinct impact of family influence and family business culture on strategic firm behavior and organizational outcomes that shall inform future research in family business and strategic management.

The third article, by Madison, Runyan, and Swinney (2014) investigates differences in strategic posture and performance between family and nonfamily firms. Drawing on prior theory and literature, this gifted team of authors develops the construct of small business orientation (SBO) which refers to a strategic posture that emphasizes an owner's emotional attachment to the business and personal goals. This advancement in family business research is important because it stresses the owner–managers' personal goals, needs and desires, thereby highlighting the owner–managers' personal relationship with the business. Rather than present SBO as the opposite of entrepreneurial orientation (EO), which is often the case in previous research, Madison and