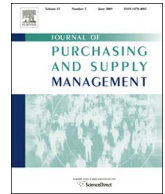




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Supply management and family business: A review and call for research[☆]

Michael J. Maloni^{*}, Mark S. Hiatt, Joseph H. Astrachan

Department of Management & Entrepreneurship, Coles College of Business, Kennesaw State University, Kennesaw, GA, USA

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ABSTRACT

Family-owned enterprises dominate global business, generating 70–90% of the world's gross domestic product. Existing management research has validated that family businesses often behave differently than non-family businesses, primarily by focusing on idiosyncratic non-economic goals that are not typically assessed in traditional business research. Extant supply management literature has yet to investigate the influences of family business, thus overlooking a potential significant source of variation in our research as well as limiting our managerial relevance. The objective of this paper is to introduce supply management scholars to family business, including its prominence and unique characteristics. Applying socioemotional wealth as a theoretical lens, we develop a research agenda from existing supply management and family business literature by offering propositions for future research where family business influences may permeate contemporary supply management topics including strategic supply management, sourcing strategy, supplier relationships, sustainability, risk, and e-procurement. In doing so, we provide an initial foundation for supply management scholars to both incorporate family business effects into research and launch new research streams. This is one of the first papers to our knowledge that introduces the field of family business to supply management scholars.

1. Introduction

The quantity, breadth, and rigor of research in supply management has greatly expanded in recent decades (Spina et al., 2013; Wynstra, 2010). Yet consider the possibility that despite such a voluminous research effort and literature base, the supply chain academic field has overlooked a key variable that could potentially increase the explanatory power and managerial relevance of our work. We contend herein that such is the case with family business.

For this paper, we follow the widely-accepted European Family Businesses (2016) definition of a family business as “an organization with decision-making control (direct or indirect) held within a family and at least one family member actively involved in governance of the organization.” This definition is effective regardless of firm size and age (longevity). Family enterprises dominate business by creating an estimated 70–90% of annual global gross domestic product (GDP) and 50–80% of job growth in a majority of countries worldwide (International Family Enterprise Research Academy, 2003). Despite its global ubiquity and prominence, family business represents a relatively new, maturing field in academia (Litz et al., 2012). Although highly-regarded family business publications have emerged

in recent decades and other important business journals are publishing family business work, the field remains relatively under-researched (Astrachan, 2010). Nevertheless, existing literature consistently demonstrates that family firms behave and perform differently than non-family firms (Astrachan, 2010; Benavides-Velasco et al., 2013; Chrisman et al., 2010). Their objectives, capabilities, and business practices frequently differ from traditional expectations.

Such differences between family and non-family enterprises likely extend to supply management in profound ways, potentially impacting practices such as sourcing strategy and supplier integration as well as risk and sustainability (Jayaram et al., 2014). To initially investigate this contention, we conducted a comprehensive, systematic literature review (Tranfield et al., 2003), which we detail later herein, and found extremely few papers focusing on either family business effects on supply management or supply management practices in family firms. This includes no papers in supply chain journals and just a handful in management journals. The limited research that does exist suggests that supply chains for family firms behave and perform differently than those of non-family firms to some extent (Smith et al., 2014; Stanley and McDowell, 2014). Yet, the general paucity of literature greatly urges more research.

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^{*} Corresponding author.

E-mail address: mmaloni@kennesaw.edu (M.J. Maloni).

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A parallel can be made with supply chain in small to medium-sized enterprises (SMEs), which went unexplored until recently (Ellegaard, 2006; Zheng et al., 2007). Since then, research has found not only many SME distinctions from larger firms but also overall SME supply chain performance gaps (Arend and Wisner, 2005; Thakkar et al., 2008). We contend that scholars will also find supply chain distinctions with family firms.

Given the lack of supply chain research in family business, our literature has largely ignored an important variable that could significantly advance the explanatory power of our research and perhaps yield insight for more effective supply management practice. Stated differently, family business may represent a missing link in supply management research. To address this gap, this paper develops a research agenda for family business supply management. Applying socioemotional wealth (SEW) as a theoretical lens (Berrone et al., 2012; Gómez-Mejía et al., 2007), we pursue two research objectives to provide an initial foundation for supply management scholars to incorporate family business effects into new avenues of research in the field:

- Introduce supply management scholars to family business, including those differentiating characteristics that make family businesses distinct from non-family businesses.
- Integrate existing supply management and family business literature to develop propositions for future research wherein family business effects might permeate contemporary supply management research topics.

Below, we first introduce the field of family business, highlighting differences from non-family businesses as well as providing an overview of socioemotional wealth used as theoretical support for the research propositions. We next describe our systematic review of supply management and family business literature that yielded a small number of articles. Given the absence of such research, we then identify prominent supply management research topics, relating family business influences to these topics to build research propositions. The propositions synthesize supply management and family business research while providing critical thought and specific starting points for scholars to pursue future research. We close with thoughts on how to proceed with such research. Ultimately, we hope that this paper launches new interdisciplinary research and strengthens the explanatory power of supply management research.

2. Family business

Given the definition of family business relating to decision-making control and governance (European Family Businesses, 2016), family businesses come in all sizes. Fiat, Wal-Mart, Volkswagen, Ford, BMW, ArcelorMittal, and Anheuser-Busch InBev represent a few of the many family businesses with individual annual revenues of more than 25 billion Euros. At the opposite end of the continuum, tens of millions of family businesses, either because of their own interest or as a result of market conditions, remain small (Fairlie, 2013).

The global impact of family business is irrefutable. Family businesses in Europe account for 1 trillion Euros in turnover (revenue) and 60% of all companies (Family Firm Institute, 2015). Other industrialized nations show similar impacts. Just over half of all publically-listed U.S. firms are family-owned (Family Firm Institute, 2015), and as a whole, family businesses generate 62% of U.S. employment, up to 60% of GDP, and 78% of new job creation (Astrachan and Shanker, 2003; Sharma et al., 2014). In China, 85% of private enterprises are family-owned, and two-thirds of India's GDP and 90% of its gross industry output are produced by family firms (Family Firm Institute, 2015). Lastly, 60% of Latin American businesses are family-owned (Blodgett et al., 2011; La Porta et al., 1999). With the prominence of family business, supply management scholars have most likely been unin-

tionally collecting data from family businesses but generally have yet to investigate family effects.

2.1. Characteristics of family businesses

With family influences in decision-making control and governance, existing literature highlights numerous meaningful distinctions between the characteristics of family and non-family firms, many of which could impact supply management practices. To start, family businesses tend to be more long-term oriented, fiscally conservative, and risk averse in their business considerations (Cassia et al., 2012; Levenburg and Magal, 2005). Specifically, there is a strong intent among family firm owners to preserve associated financial and non-financial business benefits for family members as well as enhance the longevity of the family and business (Berrone et al., 2012; Gómez-Mejía et al., 2007). Moreover, family relationships within the firm can translate to similar ties with external stakeholders as development of a strong social capital position allows family businesses to have long-standing relationships across generations, including with suppliers and other external partners (Dyer Jr and Whetten, 2006). A related characteristic of family business is organizational isomorphism wherein family businesses seek business partners with their similar characteristics (Dacin, 1997; Deephouse, 1996; DiMaggio and Powell, 1983; Martinez and Aldrich, 2014). A desired partner is thus likely to be another family business of the same size and longevity that shares similar long-term relational and family orientations.

Family businesses differ from their non-family counterparts in other ways. Setting aside internal strife and politics as well as succession of leadership, family companies generally make decisions and move towards business opportunities more quickly than more bureaucratic non-family firms (Allio, 2004; Stanley and McDowell, 2014). Long-term internal relationships as well as concentrated ownership allow decision-making to proceed at a much more efficient and swift pace. Likewise, resource availability is another advantage as family businesses typically retain greater control of cash for reinvestment than in non-family firms (Allio, 2004). These conditions enable managers to move quickly to realize growth opportunities.

Additionally, opportunism and associated agency and governance costs can be lower in family firms (Anderson and Reeb, 2003a; Lester and Cannella Jr., 2006; Memili et al., 2011). Specifically, family firms generally pay their CEOs less (Gómez-Mejía et al., 2003; McConaughy, 2000), can more easily moderate agency costs (Uy, 2014), and have greater borrowing capacity due to lower debt levels and cost of debt than non-family businesses (Anderson et al., 2003; Anderson and Reeb, 2003a; Gallo, 2004; Romano et al., 2001), all indicating that they have resources available for reinvestment and can take rapid advantage of beneficial opportunities when they arise. Conversely, family firms tend to view creativity and innovation as being of lower importance compared to non-family firms. This results in less innovation in new product development (Donckels and Frolich, 1991), though recent research demonstrates a higher rate of return on innovation (Chrisman et al., 2015; Classen et al., 2014; De Massis et al., 2012; Duran et al., 2016; Sciascia et al., 2015). Further, the drive to create and lead change is lessened in family firms from generation to generation as later age groups tend to become less innovative and more complacent (Stoy Hayward/BBC, 1992). Furthermore, nepotism may increase the risk of management ineffectiveness and lack of professionalism (Mehrotra et al., 2011).

Firm performance represents another significant family business distinction. Family business literature contends that the family itself can provide exclusive, difficult-to-imitate resources that lead to stronger firm performance (Anderson and Reeb, 2003a; Chrisman et al., 2009) with evidence that family firms financially outperform non-family firms (Anderson et al., 2003; Villalonga and Amit, 2006; Zellweger et al., 2007). Dyer Jr (2006) highlights the need to examine the performance advantages and disadvantages of family businesses in

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