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ARTICLE

''Where do you want to take your family firm?'' A theoretical and empirical exploratory study of family business goals

Rodrigo Basco

Sheikh Saoud bin Khalid bin Khalid Al-Qassimi Chair in Family Business, School of Business Administration, American University of Sharjah, PO Box 26666, Sharjah, United Arab Emirates

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Abstract Family business scholars assume that family business goals represent the nature of the firm's decision making and are driving forces (i.e., antecedents) of family firm behavior, performance, continuity, competitiveness, and sustainability. Without measuring family business goals, family business research—specifically, the family business theorizing process—is floating in the midst of assumptions used to justify observational descriptive data, such as differences between family and non-family firms and differences among various types of family firms. There remains a lack of clarity surrounding the theoretical definition of family business goals and an absence of methodological approaches to make the concept operative. In order to address this gap, this research applies an exploratory step-by-step methodology that combines both a theoretical and an empirical approach. First, following an inductive literature review, I theorize family business goals as a multidimensional concept combining two scales: economic versus non-economic orientation and family versus business orientation. Second, by using a unique Spanish database of family business, I use the partial least squares structural equation modeling method to confirm and extend the proposed theoretical multidimensional concept of family business goals.

Introduction

One of the main challenges that the family business field had to address was gaining external legitimacy in social science (Pérez Rodríguez and Basco, 2011), but this research stream is still in the adolescent stage (Gedajlovic et al., 2012). External legitimacy is a necessary but insufficient condition for achieving a mature stage of knowledge development, which requires a theory—a family business theory—to explain, describe, and predict the object of study (Basco, 2015). The most common method for achieving legitimacy was to apply mainstream theories and approaches to family business samples in order to understand the object of study (i.e., the borrowed-research strategy). Despite knowledge advancement, the field is still phenomenologically driven

E-mail address: bascorodrigo@gmail.com

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because of this strategy. Specifically, the borrowed-research strategy has created a general consensus that the family is responsible for the distinctive behavior of family firms,[1] but the observable differences between family and non-family firms and among types of family firms are assumed to be produced by specific family business goals and motivations.

The literature review shows that family business scholars have justified differences in firm goals because of the meaning that family members give to the firm, for instance, emotional ownership (Pieper, 2010). This posture shifts the aim of the firm itself from purely profit maximizer to utility maximizer. This shift changes the traditional profit-maximization model of the firm as an efficient black box to a human institution with different possible meanings. The latter posture leads to a broad variety of goals emerging, making the family firm unique and guiding the way resources are created, organized, and allocated—namely, an idiosyncratic decision-making process arises (Carney, 2005).

Family business goals have been studied since the nascent stage of the family business field (e.g., Astrachan and Jaskiewicz, 2008; Dunn, 1995; Lee and Rogoff, 1996; Tagiuri and Davis, 1992; Westhead and Howorth, 2007). However, there remains a lack of clarity surrounding the theoretical definition of family business goals and an absence of methodological approaches to make the concept operative (Miller and Le Breton-Miller, 2014). Consequently, family business research is mainly operating under presumptions regarding the specific goals that families incorporate into the firm—namely, objectives that have hardly been tested but may affect family firm behavior. Even though there are some exceptions (e.g., Kim and Gao, 2013) that attempt to measure family firms goals, these measures are incomplete and only combine proxy items (e.g., see Zellweger et al., 2013) without providing a systematic interpretation of the concept of family business goals.

This article proposes that the theory-building process for family business research needs to increase knowledge on the emerging goal patterns of two different logics—family logic and business logic—by incorporating new conceptual (Pearson and Lumpkin, 2011), relational (Reay and Whetten, 2011), and methodological perspectives (Wilson et al., 2014). In order to address this gap, I approach the phenomenon (i.e., family business goals) as it relates to the interaction between the family and business logics by applying an inductive research method. The aim is to create an exploratory step-by-step methodology combining both a theoretical approach and an empirical approach. This methodology attempts to define concepts, explore data, and determine to what extent theoretical representations are supported by empirical data from real life.

In the first step, using an inductive theoretical interpretation, I theorize family business goals as a multidimensional concept formed by economic and social aspects that combines two scales: economic versus non-economic orientation and family versus business orientation. In the second step, using an inductive empirical approach, I operationalized the proposed multidimensional concept of family business goals. Because the research aim is exploratory in nature, both factor analysis and partial least squares structural equation modeling (PLS-SEM) were used to explore the data (Hair et al., 2012a), which was composed of 25 goals. The empirical exploration confirms and extends the proposed multidimensional concept of family business goals.

This research makes several contributions. Regarding academic contributions, this article has theoretical and methodological implications. First, this article addresses the call made by Miller and Le Breton-Miller (2014) about the current limitation in family business research of putting multiple priorities for family firms under the same umbrella of ''socio-emotional wealth.'' In this sense, this study is important for the theory-building process because it theorizes about the dimensionality of family business goals by considering for whom goals are important and the specific contexts created by the family-business relationship. Second, this article attempts to address the need for the family business field to develop operative concepts by ensuring the measurement accuracy of constructs/dimensions (Pearson and Lumpkin, 2011), specifically relating to the need to find multifaceted and fine-grained measures of priorities or goals (Miller and Le Breton-Miller, 2014). Empirically, this study selects and combines a set of measures and defines specific methods to validate the concept of family business goals. Finally, this article theoretically and empirically answers the question of what makes family firms behave differently by addressing Carney et al.'s (2015) suggestion that studying family firm behavior (e.g., strategic choices) and firm performance requires researchers to analyze firms' economic and non-economic preferences. Therefore, by focusing on family business goals, this article sheds some light on testing the assumptions of family priorities and objectives in the firm, which may explain differences between family and non-family firms as well as among types of family firms.

This research also has practical implications for family owners, family members working in family firms, practitioners, and non-family minority investors in family firms because it provides a framework to understand the constellation of family business goals along two different scales: economic/non-economic orientation and business/family orientation.

This paper is organized as follows. Next, I briefly explain the importance of family business goals for family business research as a way to position this study. Then, I develop the methodological part of the article by presenting the exploratory theoretical approach for defining family business goals as well as the exploratory empirical approach for operationalizing the concept of family business goals. Finally, the article ends with a discussion and conclusion section, in which I present theoretical and practical implications, limitations, and future research lines.

[1] Differences between family and non-family firms and have been demonstrated, for instance, in relation to innovation (Block et al., 2013; Classen et al., 2014), open innovation search strategies (Classen et al., 2012), entrepreneurial orientation (Boling et al., 2015), reputation (Deephouse and Jaskiewicz, 2013), environmental performance (Dekker and Hasso, 2014), and corporate misconduct (Ding and Wu, 2014), among other management and government decision making. Even more, because family firms are not a homogenous group, differences have been observed among types of family firms. More specifically, different degrees of family involvement in ownership, governance, and management affect firm behavior, for instance, regarding internationalization (Mazzola et al., 2013), strategic behaviors (Basco, 2014), and family leadership (D. Miller et al., 2013b).