

Illuminating 'The Fredo Effect'

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Professor Kimberly Eddleston studies family business. Photo by Craig Bailey

(PhysOrg.com) -- Kimberly Eddleston wants to know how the “family” in family-run businesses either serves to constrict or promote a firm’s success.

“Are they suffering from ‘The Fredo Effect,’—meaning, are they employing someone in the family [business](#), like the famous character in ‘The Godfather,’ who could never get a job elsewhere?” asks the Northeastern associate professor of entrepreneurship and innovation. “Or are they practicing good stewardship and really moving the business forward?”

No stranger to the ins and outs of family-run businesses—Eddleston’s

father owned a law firm, and her grandfather owned a hotel—the professor surveyed entrepreneurs at smaller-scale businesses to reveal aspects of family-business dynamics, and glean insights into the ways in which a family can help or hinder its own company’s success.

Eddleston recently concluded her data collection, discovering upwards of 20 percent, possibly 30 percent of companies admit to employing a nonproductive family member.

In many cases, CEOs acknowledged that they are employing a family member, a “Fredo,” as she describes them, who’s more of a hindrance than a help to the operation.

“The Fredo Effect is about deviance in the family firm, about nepotism, or children given a place in the firm because of their last name, not their abilities,” Eddleston says.

On the flip side, a business can prosper under the direction and stewardship of a family when family members volunteer their own time or special skills so that the enterprise may prosper, she says.

“An example of this might be found in a family-owned restaurant, where you might see the kids working, and maybe the wife does the bookkeeping,” Eddleston says.

“In down economic times,” she adds, “[family members](#) may say they don’t need to be paid as a way of preserving human capital.”

Eddleston conducted her research via surveys of CEOs over the course of many months.

Eddleston has published numerous articles on the role of the family in business. They include, “Destructive and productive family relationships:

A stewardship theory perspective” in the Journal of Business Venturing, 2007; “The prequel to family firm culture and stewardship: The leadership perspective of the founder,” in Entrepreneurship Theory and Practice, 2008. In addition, “The impact of family versus career role salience on the performance of family and non-family firms” is slated to appear soon in *Family Business Review*.

Provided by Northeastern University ([news](#) : [web](#))

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