Family members' emotional attachment limits family firm growth

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While non-active family members as major shareholders and non-family members on boards and in top management teams will push for profit and encourage growth through their entrepreneurial drive, there is less risk-taking from active family members. This is especially true when there are multiple generations of the same family involved in senior roles.

New research led by Lancaster University Management School's Centre for Family Business shows family-related considerations often trump a desire to grow and expand among firms with a greater presence of family members in management.

The study, involving the University of Bergamo and the CYFE, in Italy, is published in *European Management Review*. It takes in 587 multi-generational family companies from 35 countries around the world who took part in the STEP (Successful Transgenerational Entrepreneurship Practices) survey.

Growth strategies can threaten the family need for liquidity and control over the business, meaning some firms deliberately limit their growth, while others see it as a way of dealing with multiple challenges and helping them pursue a wealthy company.

Family members tend to be more conservative when it comes to business decisions, seeking stability and security for the family and being more loss averse, sticking with past strategies and established routines. This generally encourages inertia and hampers the potential for growth, but the new research looks at the different roles family members can play in senior positions as owners or managers, rather than treating them in a uniform fashion.

"Family involvement in the top management team is particularly important in determining a firm's growth, due to the critical role of top managers in strategic planning and execution," said co-author Dr. Giovanna Campopiano, of Lancaster University.

"A higher family involvement of family members as owners sees a reduction in that desire to grow the company, as they placed other factors as higher priorities and were more risk-averse when it came to change and expansion."

"Contrarily, we found that the presence of non-family members as shareholders and passive family members—who do not have an active role in operations—as majority shareholders both increase entrepreneurial orientation of companies, and thus encourage growth. Non-family members and passive family members are less concerned with emotional ties to the company and instead favour financial reward. They provide a level of objectivity not seen among family members and appointing such people to boards would guarantee financial motives drive strategic decisions."

She added: "When there are multiple generations of the same family involved in management, the older generation pushes the younger generation to defend their values, with financial decisions secondary. There is a confining legacy which limits the pursuit of growth in favour of other factors tied to the connections between family and business."

More information: Giovanna Campopiano et al, Does Growth Represent Chimera or Bellerophon for a Family Business? The Role of Entrepreneurial Orientation and Family Influence Nuances, *European Management Review* (2019). DOI: 10.1111/emre.12351

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