Intellectual Foundations of Current Research in Family Business: An Identification and Review of 25 Influential Articles

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Abstract
This article identifies 25 articles that have been particularly influential in shaping the state of the art of research on family businesses. These works were identified based on a citation analysis of family business articles published over the past 6 years in the four journals that publish most of the research. The authors summarize those influential studies and discuss their most important contributions to scholars’ current understanding of family business. By identifying common themes among those studies, the authors are able to provide directions for future research in the field.

Keywords
intellectual foundation articles, article review, agency theory, resource-based view

The development and trajectory of a field is influenced by prior work in that field as well as related fields of inquiry. Consequently, to understand the state of the art of a field and the likely direction it will take in the future, it is useful to understand the work that has been most influential in its development. In that regard, studies have been conducted to identify the influential research works in fields such as accounting (Chan & Liano, 2009b), economics (Chan & Liano, 2008), finance (Chan, Lung, & Wolfe, 2008), real estate (Hardin, Liano, & Chan, 2006), and risk management and insurance (Chan & Liano, 2009a). However, we are not aware of any studies that identified the work that has had the greatest influence on research in family business. Such studies are particularly important in family business because as an emerging field of study, the initial directions of its research are likely to have a profound impact on the direction and pace of its future development.

Although identifying the influential works in the field is important, to fully appreciate their contributions to the literature, it is also necessary to understand how and why those works have been influential. Indeed, some works contribute by providing the theoretical bases for future inquiry. Other works contribute by providing empirical evidence of relationships that affect the way theory is applied by identifying contingencies that were previously unanticipated or not incorporated into theory.

In this article, we seek to identify specific works that have been most influential in the recent development of the field of family business as measured by citation counts. To better understand the basis of their influence,
we review those works in an attempt to explain how they have contributed to the literature and why those contributions are important. Finally, based on the identification and review of these works, we offer suggestions on how they can be more fully applied to improve future research efforts.

We contribute to the literature by identifying the works that have shaped the recent state of the art in the field of family business. By doing so, we gain a better understanding of why the field has focused on certain aspects of family business behavior as opposed to other aspects that might have been investigated. This will help future research on family business to progress in a manner that is purposeful and maintains the integrity of its intellectual foundations. Furthermore, because several of the influential works come from fields such as finance and economics, our discussion should prove instructive for management scholars who have not yet been exposed to work from those disciplines. Finally, by reexamining those works, we are better able to recognize gaps in the literature as well as the limitations of the current trajectories family business research appears to be following.

Method

A bibliographic selection of recent articles in the area of family business published in *Entrepreneurship Theory and Practice (ETP)*, *Family Business Review (FBR)*, *Journal of Business Venturing (JBV)*, and *Journal of Small Business Management (JSBM)* was downloaded from the Social Science Citation Index of the Web of Science. For *ETP*, *JBV*, and *JSBM*, the period of 2003 to 2008 was analyzed. Because the first year of available data in the Web of Science for *FBR* was 2005, our analysis included articles published between 2005 and 2008 for that journal. The time periods covered were a reflection of our interest in determining the articles that had the greatest influence on current family business research. These four journals account for a large portion of the research in family business and are generally regarded to be among the most appropriate outlets for family business studies (e.g., Chrisman, Chua, Kellermanns, Matherne, & Debicki, 2008; Debicki, Matherne, Kellermanns, & Chrisman, 2009). During the period analyzed, the four journals published 182 family business articles that contained more than 9,000 citations. The 25 most frequently cited articles included work published in a number of different journals over a period of more than 30 years. The topics of the articles also varied. For most, family business was the primary topic, but this was not always the case; some articles dealt with family business only tangentially or not at all but rather were instrumental in the development of theories that have later been applied to family business studies.

Results

Table 1 identifies the 25 articles that received the most citations by family business articles published in *ETP*, *FBR*, *JBV*, and *JSBM* during the period of analysis. The five most frequently cited articles are Schulze, Lubatkin, Dino, and Buchholtz (2001), with 60 citations; Chua, Chrisman, and Sharma (1999), with 57 citations; Jensen and Meckling (1976) and Habbershon and Williams (1999), with 49 citations each; and Habbershon, Williams, and MacMillan (2003), with 41 citations.

Of the 25 most cited articles, 15 (60%) were published in family business or entrepreneurship journals, with 6 (24%) each in *FBR* and *ETP* and 3 (12%) in *JBV*. Of the remaining articles, 5 (20%) appeared in mainstream management journals and 5 appeared in finance journals. In the following sections, we briefly discuss the content and contribution of each of the articles listed in Table 1. We organize the discussion according to topic area, and within each topic area, the articles are discussed chronologically. In the first section, we discuss general family business articles including literature reviews and studies that focus on definitional issues and other topics. The second and largest section discusses articles that are based on agency theory, whereas the third section deals with articles that are based on the resource-based view (RBV) of the firm.

General Articles

Tagiuri and Davis (1992). The study by Tagiuri and Davis (1992) investigates the importance of 74 goals using a sample of 524 family firms. The authors rely on factor analysis to identify six sets of goals related to employee satisfaction, financial security, products, personal advancement, corporate citizenship, and job security. However, they find a wide divergence in perceptions with no single goal rated as the most important by more than 8% of respondents. They attribute this finding to the fact that family firms represent a confluence of stakeholders involved to varying degrees in ownership, family, and the business. As the three groups cannot be separated from each other and at the same time do not entirely
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overlap, the resulting goal conflicts, particularly if the goals are not made explicit, present family firms with unique challenges. Tagiuri and Davis contribute to the literature by empirically demonstrating that many of the goals of family firms are noneconomic in nature, thus foreshadowing later studies that explicitly focus on noneconomic goals and benefits in family firms (e.g., Astrachan & Jaskiewicz, 2008; Gómez-Mejía, Hynes, Núñez-Nickel, & Moyano-Fuentes, 2007; Zellweger & Astrachan, 2008). They also contribute by emphasizing the potential for divergence in the goals of family firm stakeholders, which has provided direction for subsequent investigations of how conflict and consensus emerge within family firms (e.g., Kellermanns & Eddleston, 2004).

**Kets de Vries (1993).** The study by Kets de Vries (1993) is based on consultations and interviews with a large number of family businesses. The article provides a foundation for subsequent research on the advantages and disadvantages of family-controlled firms as well as the impediments to effective intrafamily succession. Kets de Vries notes that their long-term orientation, culture, resilience, knowledge, and flexibility provide family firms with natural advantages over nonfamily firms. However, limited access to capital markets, the danger of nepotism, paternalistic practices carried to the extreme, and psychological issues among family members that spill over into the business can nullify those advantages.

Aside from his contributions to a practical understanding of family firms, Kets de Vries (1993) anticipates the application of altruism to both agency theory and the RBV in the study of family firms. Although not formally stated, the article provides numerous propositions on family firms that scholars more than 15 years later are still rediscovering.

**Sharma, Chrisman, and Chua (1997).** Noting that most of the literature on family business had focused on family
relationships without considering how those relationships affect the performance of the business, Sharma et al. (1997) use a strategic management perspective to analyze the family business literature. Their major message is that studies need to focus more attention on the outcomes of family and business behaviors and the trade-offs associated with the conflicting interests of the dual systems present in a family firm. Aside from providing summaries of prior research and a host of questions to guide future research, their contributions include providing an umbrella framework for future family business research and identifying a number of facets of family firms within that framework that are likely to differ in important ways from nonfamily firms.

Chua et al. (1999). Chua et al. (1999) review the various definitions of family business and conclude that the field must first develop a theoretical definition before it can effectively develop an operational definition. They argue that the theoretical definition must be based more on the essence of family influence than the components of family involvement because the important distinguishing feature of family and nonfamily firms is their behaviors. They propose that intentions and vision of a dominant family coalition and the potential transgenerational sustainability of that vision are the theoretical features that distinguish family and nonfamily firms. Chua et al. contribute to the literature by providing an alternative approach to defining family firms that is not only based on family involvement and by making it clear that a theory of the family firm must emphasize the differences between family and nonfamily firms, and among family firms, to understand the family form of organization.

Astrachan, Klein, and Smyrnios (2002). Viewing the convergence of family firm definitions as unlikely, Astrachan et al. (2002) developed the Family Power Experience Culture Scale (F-PEC) to measure family involvement. The scale has subsequently received some validation by Klein, Astrachan, and Smyrnios (2005) and Holt, Rutherford, and Kuratko (2010). The authors suggest that the F-PEC has the advantage of being a continuous scale of family involvement and therefore avoids the problem of artificially dichotomizing family and nonfamily firms. The three elements of the F-PEC scale include power (family ownership, governance, and management), experience (the generation and the number of family members involved in the firm), and culture (family commitment to firm and the overlap of family and business values). The authors contribute to the literature by providing an instrument for assessing the involvement and influence of a family in a firm that can be used to investigate how different levels and types of involvement and influence affect firm behavior and performance.

Aldrich and Cliff (2003). According to Aldrich and Cliff (2003), the family and the business are inextricably intertwined. To better conceptualize this relationship, they introduce the idea of family embeddedness. They argue that changes in the composition of families that have occurred over time are altering the opportunities and resources available for venturing. They contribute to the literature by discussing the trends in family members’ roles and relationships and emphasizing the importance of considering family embeddedness in the conceptualization and study of entrepreneurship. They further contribute by explaining how the changing roles of women, children, and relationships among family members might affect the process of new venture creation and new venture performance.

Sharma (2004). Sharma (2004) provides an alternative perspective of the family business literature by organizing her review according to the unit of analysis rather than the topic areas of strategic management, as was done first by Sharma et al. (1997) and subsequently by Chrisman, Chua, and Sharma (2005). Thus, she categorizes the literature according to its focus on individuals in family firms (founders, members of the next generation, women, nonfamily employees), interpersonal relationships (contractual agreements, conflicts, intergenerational transfers), family organizations (RBV, capital, strategic processes), and the role of family firms in society. Aside from her review and interpretation of previous literature, she contributes to the field by identifying research gaps (e.g., studies of women and nonfamily employees in family firms) and presenting strategies for further knowledge creation and dissemination.

Chrisman et al. (2005). Building on Sharma et al. (1997), Chrisman et al. (2005) discuss the convergence of family firm definitions, family firm performance issues, and the progress of research taking an agency theory and RBV perspective. Their article contributes to the literature by further explaining the differences between the components of involvement and essence approaches to the definition of family business in the literature, reiterating the notion that the components of involvement (e.g., family ownership, management, governance) are necessary but not sufficient to classify
a firm as a family firm. In the second part of their article, they suggest that both agency theory and RBV are useful theoretical perspectives for explaining the distinctiveness of family firms but that most of the work that has been done is based on the assumption that firms solely pursue economic goals. They suggest the importance of relaxing this assumption and suggest that both theoretical frameworks can accommodate a more realistic view of the goals that drive family firm behavior.

Summary. Taken together, the influential articles reviewed above suggest that studying family businesses from a strategic management perspective (Chrisman et al., 2005; Sharma et al., 1997) is fruitful and that such a perspective must start with an explicit acknowledgment of the importance of the involvement, noneconomic goals, vision, and culture of the family in the firm in determining family firm behavior (Astrachan et al., 2002; Chua et al., 1999; Tagiuri & Davis, 1992). Indeed, a family’s involvement and its influence on a firm seem to be sources of unique entrepreneurial opportunities as well as distinctive advantages and disadvantages (Kets de Vries, 1993), depending on the individuals who participate and the family structure (Aldrich & Cliff, 2003; Sharma, 2004). Given the potential for common or conflicting goals and synergistic or countervailing strengths and weaknesses, it is fitting that the agency theory and the RBV in family firms are the themes for the remaining works identified in this article because these theories are specifically designed to deal with those issues. Below, we start with a discussion of agency theory studies, before we review the studies identified in the realm of the RBV.

Agency Theory Articles

Jensen and Meckling (1976). In this seminal article, Jensen and Meckling (1976) define agency costs as the expenditures associated with monitoring by the principal, bonding by the agent, and the residual loss owing to divergent interests and contracting imperfections. Although confining their discussion to contracts between owners and CEOs in corporations, Jensen and Meckling (1976) note that agency costs are similar to the problems of team production (Alchian & Demsetz, 1972) in that they can exist in any cooperative effort and at any organizational level even when the distinction between principals and agents is ambiguous. The authors make it clear that they consider owner–managers to be utility maximizers and that utility is derived from a combination of pecuniary and nonpecuniary benefits. Potential shareholders or bondholders bear some of the costs but do not share proportionally in the benefits of an owner–managers’ consumption of nonpecuniary benefits or assumption of risks. Thus, outsiders will take potential agency costs into account when purchasing shares or bonds. Put differently, when moving from a solely owned to multiowner firm, the owner–manager bears the entire cost of monitoring or bonding and therefore has an incentive to minimize these agency costs whenever this can be done advantageously.

Jensen and Meckling’s (1976) development of agency theory has substantially contributed to the study of family firms. Importantly, they argue that the value of a firm will be higher when ownership is concentrated rather than dispersed. This provocative conclusion has led to several studies that have suggested that publicly traded family firms often outperform publicly traded nonfamily firms (e.g., Anderson & Reeb, 2003; Villalonga & Amit, 2006). When considering that in an owner-managed firm value represents the confluence of pecuniary and nonpecuniary benefits that flow to the owner, Jensen and Meckling’s work supports the idea of the importance of considering economic and noneconomic goals in judging the performance of family firms. Furthermore, as those authors suggest, agency costs exist at every organizational level. Thus, the greater pursuit of noneconomic goals in family firms through altruism and other mechanisms, such as a desire for the transgenerational sustainability of the firm, the family, and its reputation (Anderson & Reeb, 2003; Chua et al., 1999), seems to have countervailing economic benefits and costs that might not have come to light without Jensen and Meckling’s work.

Fama and Jensen (1983). Although the separation of ownership and management control can lead to agency problems, Fama and Jensen (1983) argue that in complex organizations the efficiencies gained from separating residual claimants from decision makers exceed the costs. These benefits include more efficient decision making owing to specialization at all organizational levels and willingness to accept risk because of unrestricted risk sharing.

This article contributes to the family business literature by providing an explanation for why family firms are generally more conservative in their decision making and why family governance is more dominant among smaller firms (because of greater ability to monitor and discipline family managers) than among larger firms. An
untapped research implication of the family form of governance from Fama and Jensen’s (1983) work is their discussion of mutual monitoring systems by managers and employees. The possibility of biased performance evaluations in favor of family members (Chua, Chrisman, & Bergiel, 2009) could reduce the propensity of nonfamily employees to monitor each other to lower the uncertainty of rewards from effort and ability and therefore increase the agency costs of family firms.

**Morck, Shleifer, and Vishny (1988).** Using a sample of *Fortune* 500 firms, Morck et al. (1988) investigate the relationship between managerial ownership and firm performance, measured by Tobin’s *Q*. They contribute to the literature by comparing the convergence of interests hypothesis (Jensen & Meckling, 1976) to the management entrenchment hypothesis (Demsetz, 1983; Fama & Jensen, 1983). They find that performance initially rises sharply as the ownership interests of managers increases from negligible to small levels (5%), decreases as ownership increases to moderate levels (5% to 25%), and then increases slowly as managerial ownership becomes large (more than 25%). They also find that family management has a negative relationship with performance in older firms and a positive relationship to performance in younger firms. They suggest that entrenchment is more likely a function of firm attributes than managerial control of a firm’s voting rights. They also suggest that entrenchment might not imply inefficiency but rather an owner–manager’s pursuit of a strategy that balances firm profits and private benefits.

Morck et al.’s (1988) study was one of the first to identify the potential for agency problems between owners who have varying capabilities to extract private benefits from a firm at the expense of profit maximization, an idea that is beginning to gain traction in the family business literature (Astrachan & Jaskiewicz, 2008). Their research also buoyed the intellectual foundations for recent studies on the impact of family ownership and family management on firm performance (e.g., Anderson & Reeb, 2003; Villalonga & Amit, 2006).

**La Porta, Lopez-de-Silanes, and Shleifer (1999).** Studying the ownership structure, measured through voting rights, of large publicly traded companies around the world, La Porta et al. (1999) find that outside of the United States, fewer firms are widely owned than one would expect. Put differently, block owners, particularly families, have effective control of the majority of the large corporations in the world far in excess of their cash flow rights. La Porta et al. confine their analysis to large firms in the 27 richest countries in the world but suggest that ownership concentration is even more prevalent in poorer nations. They find that pyramidal ownership structures and involvement in management are the two primary means by which families maintain corporate control. They also suggest that family control is more prevalent in countries with weaker legal protections for minority shareholders.

La Porta et al. (1999) contribute to the literature by emphasizing the relatively greater importance of owner–owner agency problems than owner–manager agency problems in large family firms around the world. They further contribute by illustrating the differences in governance issues across the world and in showing that the situation in the United States is more of the exception rather than the rule. The subsequent articles by Anderson and Reeb (2003), Morck and Yeung (2003), and Villalonga and Amit (2006) tend to provide some support for this exception. All in all, their study suggests that cross-national generalizations must be done with caution and that family firms may have negative as well as positive implications for corporate governance.

**Schulze et al. (2001).** Drawing on the household economics literature (e.g., Becker, 1974), Schulze et al. (2001) introduce the problems of altruism and self-control into the study of family business. They show how family ownership and management can expose family firms to agency problems that were not anticipated in the standard agency theory framework developed by Jensen and Meckling (1976). Their study contributes to the literature in several ways. First, they provide evidence that agency problems exist even in family firms with concentrated ownership and management. Second, by introducing the concept of altruism to the management literature, they draw attention to a unique attribute of family firms that is likely to affect family firm behavior and performance. Third, their study helps explain why employee sacrifices and commitments appear to coexist with interpersonal conflict and ineffective monitoring and controls in family firms.

By illustrating the utility of agency theory in family business studies, Schulze et al.’s (2001) work has led to a number of additional studies on corporate governance, which is now the most widely researched topic in the family business literature (Debicki et al., 2009). Their application of the concept of altruism to family firm research has provided a theoretical explanation for why
family firms pursue noneconomic goals as well as an indication of the economic consequences of such pursuit.

Gómez-Mejía, Núñez-Nickel, and Gutiérrez (2001). The insights by Gómez-Mejía et al. (2001) in concert with the work of Schulze et al. (2001) contribute to the literature by increasing our understanding of the sources and consequences of agency problems in family firms. Gómez-Mejía et al. use the population of Spanish newspapers over a 27-year period to study management entrenchment in family and nonfamily firms. They suggest that management entrenchment in family firms is a consequence of emotion-laden relational contracts that reduce sensitivity to poor performance or excessive risk taking. Their findings indeed show a weaker relationship between executive tenure and performance and stronger relationship between CEO dismissal and survival in family firms.

Gómez-Mejía et al.’s (2001) results suggest that aside from owner–manager agency problems emanating from altruism, family firms may suffer from owner–owner agency problems owing to the likely divergence between the interests of family CEO–owners and other shareholders. Their findings that lower level executives are more likely to be held accountable for poor firm performance also lead them to conjecture that executives who are not members of the family may be used as scapegoats in family firms. So far as we are aware, no one has tested this conjecture in spite of its obvious implications for organizational justice (cf. Barnett & Kellermanns, 2006) and the ability of family firms to access talent in the managerial labor market (Lee, Lim, & Lim, 2003).

Schulze, Lubatkin, and Dino (2003a). Schulze et al. (2003a) study the effect of ownership dispersion on the use of debt in privately owned family firms from an agency theory perspective. They find that a curvilinear relationship exists with both high and low levels of ownership dispersion being associated with greater use of debt than medium levels of dispersion in times of high market growth. Schulze et al. contribute to the literature by explaining how altruism, overinvestment, free riding, and hold up in family firms can give rise to both owner–manager and owner–owner agency problems. They further contribute by showing that these dual agency problems may be most severe when ownership is divided in roughly equal proportions among a small number of family members, as is typically the case in sibling partnerships. Along with the work of Gómez-Mejía et al. (2001), their study is among the first to extend the research of Morck et al. (1988) in the realm of family business and further illustrates the applicability of agency theory in that domain.

Schulze, Lubatkin, and Dino (2003b). In this study, Schulze et al. (2003b) extend the work of Schulze et al. (2001) by showing that in certain situations a family’s welfare may be positively related to the use of pay incentives for family managers owing to altruism on the part of the owner–CEO. Altruism can subject family firms to problems of adverse selection as well as lead to capricious decision making that motivates family managers to monitor the CEO’s behavior. Consequently, Schulze et al. hypothesize and empirically demonstrate that there is a positive relationship between firm performance and pay incentives (a) when CEOs plan to sell the family firm, (b) when estate and share transfer plans have been communicated, and particularly (c) if the date of transfer is in the near rather than distant future. The authors contribute to the literature by providing further evidence of the importance of altruism in shaping family firm behavior and performance. They further contribute by identifying important contingency factors that influence the effectiveness of pay incentives, an important agency cost control mechanism. In this regard, it is instructive to note that a defining feature of family firms (Chua et al., 1999)—intentions for transgenerational sustainability and how those intentions are operationalized—appears to be a primary driver for the presence and degree of altruism-induced agency costs in family firms.

Anderson and Reeb (2003). Anderson and Reeb (2003) analyze a sample of 403 S&P 500 companies to investigate if the performance of family and nonfamily firms differs and whether these potential differences are a function of the age of the firm, level of family ownership, or family status of the CEO. As noted in the literature, family ownership might serve to mitigate owner–manager agency costs because concentrated ownership among family members with a long history of involvement may lead to more efficient monitoring of managerial agents. On the other hand, family owners might possess, and be in a position to pursue, objectives that conflict with shareholder value maximization. Consequently, owner–owner agency costs might be enhanced through family ownership. Anderson and Reeb find that family firms outperform nonfamily firms with the following qualifications. First, the relationship between the level of family ownership and performance is nonmonotonic because performance initially rises then declines as family ownership increases (Morck et al., 1988). Second,
profitability among family firms is related to having a family CEO, but market performance is improved only by having a founder or an outsider serve as CEO.

Anderson and Reeb (2003) contribute to the literature by providing one of the first comparisons of the performance of large, publicly traded family and nonfamily firms and thereby providing initial clues on the relative importance of managerial and owner opportunism. Because their results could have been a function of legal protections for minority shareholders found in the United States or how they operationalized family firms (equity holdings or board participation by members of the founding family), their study opened the doors for further investigations, which have extended their fundamental conclusions (e.g., Miller, Le Breton-Miller, Lester, & Cannella, 2007; Villalonga & Amit, 2006) but, with the exception of Sciascia and Mazzola (2008) have, unfortunately, not been followed by studies of small, medium-sized, and/or privately held companies.

Morck and Yeung (2003). Much of the family business literature at least implicitly works under the assumption that family firms are positive contributors to the economy of a nation. Taking La Porta et al.’s (1999) cautionary statements a step further, the article by Morck and Yeung (2003) provides a compelling argument why that may not always be the case. Those authors suggest that in most countries, except the United States and Great Britain, economies are dominated by large family groups, which are often organized in pyramidal structures. Unfortunately, these structures tend to lead to agency problems such as entrenchment, moral hazard, and tunneling. Furthermore, self-interest may motivate these family business groups to engage in political rent seeking at the expense of innovation and economic development.

Morck and Yeung (2003) contribute to the literature by specifically dealing with costs rather than the benefits of the family form of organization and by drawing the attention of family business scholars to some of the characteristics of the governance structures outside the United States. They also show that the owner–owner agency problems in large family firms may have implications that extend far beyond the boundaries of the firm.

Chrisman, Chua, and Litz (2004). Taking the work of Schulze et al. (2001) a step further, Chrisman et al. (2004) address the question of whether the agency costs in family firms are higher or lower than the agency costs in nonfamily firms. To do so, they present an accounting of the potential agency costs in both types of firms and then investigate whether there is a moderating influence of family involvement on the relationship between agency cost control mechanisms and performance. They find that agency cost control mechanisms positively influence performance in nonfamily firms more than in family firms, suggesting that agency problems are greater in the former as opposed to the latter.

Their contributions to the literature include the accounting of agency costs and the comparison of agency costs in family and nonfamily firms. Furthermore, they extend the traditional literature by showing that agency theory can be effectively applied to small, privately held family and nonfamily firms. In this sense, they are consistent with the original arguments of Jensen and Meckling (1976), who argue that agency relationships can exist at any level of the managerial hierarchy as well as between owners and managers. This is particularly useful in family firms where majority ownership is often held by the dominant family manager and agency problems are more likely to occur between that individual and other family owners or managers as well as nonfamily managers.

Carney (2005). According to Carney (2005), the governance structure of family firms is a potential source of competitive advantage for this organizational form over others. To make his case, he compares family governance with managerial and alliance governance structures. Based on his analysis, Carney identifies three unique attributes of family governance: parsimony (rooted in the fact that family firms make decisions about their own money), personalism (the ability for unconstrained decision making owning to unification of ownership and control), and particularism (the use of idiosyncratic criteria in decision making). These three characteristics have the potential to contribute to value creation in family firms by enabling them to better able to compete in scarce environments, utilize social capital, and engage in opportunistic investing. The article suggests that the effects of family governance may lead to efficiency and effectiveness advantages in smaller family firms and that although some of these advantages may diminish with firm size, the social capital of family firms may be more scalable. Indeed, recent research has suggested that social capital may be a primary competitive advantage of family firms (e.g., Arregle, Hitt, Sirmon, & Very, 2007; Pearson, Carr, & Shaw, 2008; Sharma, 2008).

Summary. The application of agency theory to the study of family firms suggests that because of, or in spite of, altruistic tendencies (Schulze et al., 2001),
family firms in general appear to possess lower owner–
manager agency costs than nonfamily firms (Chrisman et al., 2004; Jensen & Meckling, 1976). The potential
agency advantage of family firms is enhanced by family
social capital (Carney, 2005) but may also be mitigated
to the extent that agency problems with owners lead to
hold up, excessive risk aversion, or managerial entrench-
ment (Gómez-Mejía et al., 2001). Furthermore, although
from a firm performance point of view owner–owner
agency problems do not appear to reduce performance as
much as owner–manager agency problems (Anderson &
Reeb, 2003), they can become more important when
ownership is equally dispersed among family members
or succession is imminent (Schulze et al., 2003a, 2003b).
Finally, owner–owner agency issues appear to have
important social welfare implications, particularly in
regions with weak legal protections for minority share-
holders (La Porta et al., 1999; Morck & Yeung, 2003).

**RBV Articles**

**Barney (1991).** Relaxing the assumptions that the
resources of firms are homogeneous and perfectly mobile,
Barney (1991) argues that the heterogeneity and imper-
fect mobility of firm resources can lead to sustainable
competitive advantages that are not necessarily eroded
by competition over time. Barney identifies three types
of resource (physical capital, human capital, and organ-
izational capital) and four attributes of resources that
lead to sustainable competitive advantage: (a) valuable
for implementing a strategy that improves a firm’s effi-
ciency or effectiveness, (b) rarity in comparison to the
resources possessed by other firms, (c) imperfect ability
of competitors to imitate the resources used to imple-
ment a strategy, and (d) an absence of resources that can
act as substitutes that permit the same strategy to be
implemented.

Barney’s contribution to family business comes from
the interplay between resource types and resource attrib-
utes that have been proposed to exist in family firms.
For example, the systemic relationship between the
family and business is a potential resource that can be
used strategically. Indeed, several articles in our most
cited list build on this assumption by showing that these
relationships are based on historical conditions and
social complexities that are unique to an individual fam-
ily firm and can lead to sustainable competitive advan-
tages (Habbershon & Williams, 1999; Habbershon et al.,
2003). Thus, Barney’s work provides a basis for under-
standing how family and nonfamily firms differ and
why variations in the behavior and performance of
family firms with different resource configurations
might exist (e.g., Chrisman, Chua, & Kellermanns,
2009; Eddleston, Kellermanns, & Sarathy, 2008).

**Habbershon and Williams (1999).** Noting that family
firms are perceived to behave differently than nonfamily
firms but that a theoretical rationale for such dif-
fferences was lacking in the literature, Habbershon and
Williams (1999) use the RBV of the firm in an effort to
understand the competitive advantages and disadvan-
tages of family firms. Habbershon and Williams (1999)
contribute to the literature by introducing the concept of
“familiness,” which is “the unique bundle of resources a
particular firm has because of the systems interaction
between the family, its individual members, and the
business” (p. 11). They further contribute by outlining
a process and research agenda for identifying and exam-
ining the unique resources, capabilities, and strategies
of family firms.

**Cabrera-Suárez, Saá-Pérez, and García-Almeida (2001).**
Cabrera-Suárez et al. (2001) utilize the RBV and the
knowledge-based view (e.g., Bierly & Chakrabarti, 1996;
Spender, 1996) to develop an integrative model of knowl-
edge transfer and successor development in family
firms. They explain that if the distinctive tacit assets that
reside in family firms (e.g., commitment, trust, reputa-
tion, know-how) can be transferred across generations,
the likelihood of continued survival and growth can be
enhanced. Indeed, although an understanding of the suc-
cession process is crucial (Sharma, Chrisman, & Chua,
2003) and a significant amount of family firm research
focuses on it (Debicki et al., 2009), we still need a better
understanding of how to improve the succession pro-
cess because the performance of later generation firms
seems to decline more often than not (Anderson &
Reeb, 2003; Villalonga & Amit, 2006). Cabrera-Suárez
et al. therefore contribute to the literature by discussing
critical factors that influence the effectiveness of the suc-
cession process and how the needed transfer of knowl-
edge between the incumbent and successor should be
managed.

**Habbershon et al. (2003).** Amplifying on their previ-
ous work (Habbershon & Williams, 1999), Habbershon
et al. (2003) provide more explicit linkages among indi-
vidual family members, the family unit, and the family
business by further developing a unified systems model
of family firm performance. Habbershon et al. argue that distinctive familiness can lead to family-based advantages that are the vehicle by which enterprising families achieve the goal of transgenerational wealth creation. They contribute to the literature by specifying a systems perspective of the RBV of family firms and by emphasizing the systemic synergies possible between the family and firm. Their identification of transgenerational wealth creation as the defining function of the family business system contributes to a theory of the family firm by providing an economic rationale for why family firms exist. However, as discussed by Chrisman, Chua, and Litz (2003), Habbershon et al.’s systems model can be an equally powerful conceptual tool even when replacing transgenerational value creation (i.e., including both economic and noneconomic goals) for the more restrictive assumption of transgenerational wealth creation as the defining function of the family business system, a point which Pearson et al. (2008) and Sharma (2008) develop further with respect to social capital.

**Sirmon and Hitt (2003).** Sirmon and Hitt (2003) use the precepts of the RBV of the firm to develop a model explaining the resource management process in family firms and how the idiosyncratic nature of that process can create advantages and disadvantages vis-à-vis nonfamily firms. They contribute to the literature by explaining the challenges and opportunities family firms possess in managing resources and providing propositions regarding the evaluation, shedding, adding, bundling, and leveraging of resources. They further contribute by identifying five types of resources that family firms are more likely to possess than nonfamily firms: human capital, social capital, patient financial capital, survivability capital, and governance structures. By doing so, Sirmon and Hitt helped move the RBV to its current position as the major alternative to agency theory for explaining the differences in behavior and performance of family and nonfamily firms (Chrisman et al., 2005).

**Summary.** As the above discussion suggests, Barney’s (1991) work forms the basis for obtaining a better understanding of how family firms differ from nonfamily as well as the variations in the behavior and performance among the population of family firms with different resource configurations. Habbershon and Williams (1999) and Habbershon et al. (2003) extend Barney’s work by describing the interactions between the family and business that might lead to competitive advantages, whereas Sirmon and Hitt (2003) identify specific types of resources that family firms may uniquely have at their command. Finally, Cabrera-Suárez et al. (2001) apply the RBV to the succession process to explain the opportunities and challenges family firms face in attempting to make their competitive advantages sustainable across generations.

**Discussion**

The above review highlights the content and contributions of the articles that have been most influential in the recent literature on family business. However, there are several common themes among these articles that have still not been developed to the extent necessary to fully advance our understanding of the behavior and performance of family firms or their importance in societies and nations across the world. In this section, we discuss those themes.

**Family Governance Systems**

Agency theory deals with opportunistic behaviors of principals and agents that develop from conflicts of interest, bounded rationality, and asymmetric information (Jensen & Meckling, 1976). Typical remedies for agency issues include the alignment of interests and monitoring of agents. In the family business literature, some attention has been given to incentives that facilitate the alignment of interests (e.g., Schulze et al., 2001; Schulze et al., 2003b), but relatively little attention has been paid to monitoring mechanisms (Chrisman, Chua, Chang, & Kellermanns, 2007). This is in spite of the fact that the importance of understanding how family owners monitor family agents, and vice versa, has emerged as explicit or implicit implications in several studies (Chrisman et al., 2004; James, 1999; Pollak, 1985; Schulze et al., 2003a). There seems to be a possibility for useful future research especially if, as Daily and Dollinger (1992) suggest, family firms are more likely to use informal control systems than nonfamily firms. Gaining an understanding of the specifics of what such control systems entail, how they work, and how well they work would seem to be of value.

Furthermore, although there has been some work that has considered the boards of directors in family firms (Chrisman et al., 2004; Schulze et al., 2001), they seem to suggest that these boards do not work particularly well or at least their composition has little positive impact on family firm performance. Because these studies have focused primarily on outside directors, these results are
surprising. Although Ford (1988) suggests that outside board members in privately held firms may have little independence and power, we still know relatively little about their functioning in small, medium, and large family firms. Thus, an important implication of the work by Fama and Jensen (1983), Gómez-Mejía et al. (2001), and Morck et al. (1988) is the need to more fully investigate the composition, functioning, and policies of boards of directors (and advisors) and their relationship to performance in family firms.

Owner–Owner Agency Costs

The general inability in the literature to find relationships between the composition of boards of directors and performance is relevant to the second topic that requires further study—that of owner–owner agency costs in family firms. Owner–owner agency costs exist when controlling owners are able to extract private benefits from the firm at the expense of minority owners (Morck et al., 1988). It could be conjectured that the primary monitoring mechanism to control both owner–management and owner–owner agency costs would be the board of directors. Given that owner–manager agency costs seem to be lower in both small (Chrisman et al., 2004) and large family firms (Anderson & Reeb, 2003; Villalonga & Amit, 2006), it might be reasonable to surmise that the ability of boards to control owner–owner agency costs would be enhanced owing to a greater ability to focus on that problem. The contrary evidence that owner–owner agency costs are high in family firms, although total agency costs appear to be lower (Anderson & Reeb, 2003; Villalonga & Amit, 2006), could be a consequence of family firms’ preference for affiliate directors (Jones, Makri, & Gómez-Mejía, 2008) who may tend to support rather than check the pursuit of self-interest on the part of controlling owners. Nevertheless, owner–owner agency problems appear particularly persistent in family firms (Anderson & Reeb, 2003; Morck et al., 1988; Schulze et al., 2003a), and the implications of such problems may have social welfare implications that extend far beyond firm performance (La Porta et al., 1999; Morck & Yeung, 2003).

There are several questions regarding owner–owner agency costs that have yet to be answered. First, if Morck et al. (1988) are correct in assuming that entrenchment (a form of owner–owner agency costs) is more likely a function of firm attributes than control of voting rights, then research is needed to assist in understanding the attributes that give rise to this type of agency problem. Second, regardless of whether voting rights or firm attributes or both are key, why does it appear that owner–owner agency costs reduce firm performance less than owner–manager agency costs in the United States (Anderson & Reeb, 2003; Villalonga & Amit, 2006)? Although La Porta et al. (1999) explain how legal protections may explain the variance in owner–owner agency costs across cultures, this does not fully explain the differences in the two types of agency costs in the United States because legal and firm governance protections against managerial expropriation exist as well. Furthermore, minority shareholders often consist of powerful institutional shareholders as well as atomistic individual shareholders. Thus, research that helps us understand the forces that facilitate or mitigate the power of controlling owners to expropriate minority shareholder wealth (compared to the ability of managers to expropriate shareholder wealth in general) in family firms would be valuable. One possible conjecture is that if family holdings are dispersed among family members with varying abilities to extract and profit from private benefits, altruism might serve as a check on such practices because both less powerful family owners as well as nonfamily owners might bear the cost of opportunism by controlling owners.

Finally, as noted above, owner–owner agency costs appear to have significant social welfare implications. Although La Porta et al. (1999) explain how less developed legal systems enable owner opportunism and Morck and Yeung (2003) present some compelling, albeit circumstantial evidence of the darker side of family ownership, much more research is needed on this topic. For example, in less developed economies, the absence of adequate legal protections and a potential inability to trust strangers seem to make family firms a preferred organizational form (Burkart, Pannunzi, & Shleifer, 2003). Given the inability to trust strangers, the alternative governance mode for the development of such economies may be the state rather than widely held nonfamily firms. This raises the question of whether the potential disadvantages of the family form of organization cited by Morck and Yeung (2003) are offset by their advantages in comparison to the available alternatives in less developed economies. Furthermore, because family firms seem to flourish in less economically developed regions, even in the United States (Chang, Chrisman, Chua, & Kellermanns, 2008), one must wonder how the social welfare losses from owner–owner agency costs compare to the social welfare losses from owner–manager agency...
costs. Because it has already been shown that the former appear to reduce firm performance less than the latter, future research on the overall welfare implications of the family form of organization is clearly needed.

Noneconomic Goals

Overlaying and further complicating studies of owner–owner and owner–manager agency costs and the mechanisms used to control such costs is the growing evidence that family firms have noneconomic goals and that those goals have idiosyncratic affects on their behavior (e.g., Carney, 2005; Gómez-Mejía et al., 2001; Gómez-Mejía et al., 2007; Lee & Rogoff, 1996). For example, Schulze et al.’s (2001, 2003a, 2003b) use of altruism as the basis for their agency theoretic research on family firms depends on the presence of explicit or implicit noneconomic goals. Indeed, the need to improve our knowledge of noneconomic goals in family firm research is an implication of many of the influential studies reviewed in this article (Chrisman et al., 2004; Chua et al., 1999; Kets de Vries, 1993; Sharma, 2004; Sharma et al., 1997). This is especially important because neither the traditional agency theoretic nor the RBV research lens uses noneconomic goals as a dependent variable (Chrisman et al., 2005). If we are to contribute to better management practices in family businesses, we need to take these goals into consideration.

Moreover, understanding the noneconomic goals of family firms is critical because they could affect firm behaviors and performance such that (a) agency problems from both the perspective of the firm and society are either exacerbated or mitigated, (b) the firm pursues long-term investments and innovations or shies away from such activities, and (c) family and nonfamily human capital is developed or nepotism stifles such development. Put differently, we need to understand why, when, or how the pursuit of noneconomic goals might lead to distinctive or constrictive family firm resources (Habbershon et al., 2003; Sirmon & Hitt, 2003).

For example, the desire to preserve socioemotional wealth through transgenerational control of the family firm could serve to limit altruism when such behavior is seen as a threat to the firm’s viability. Likewise, noneconomic goals that tie the firm to its community and environment could promote stewardship and socially responsible behavior (e.g., Chrisman, Chua, & Zahra, 2003; Davis, Schoorman, & Donaldson, 1997; Dyer & Whetten, 2006; Eddleston & Kellermanns, 2007). Conversely, control desires could promote efforts to increase the family’s power both inside and outside the firm with the deleterious consequences noted by authors such as Morck and Yeung (2003). As suggested above, we need to better understand how the mixture and application of noneconomic goals affect such behaviors and why some family firms with similar goals might take actions that increase social welfare and others follow the opposite path.

Furthermore, as suggested by Chua and Schnabel (1986), the pursuit of noneconomic goals can provide family firms with a significant competitive advantage if it serves to lower their cost of equity (by reducing family owners’ aspiration levels) and consequently their reservation price for opportunities. If this is so, noneconomic goals can increase the long-term orientation of family firms (e.g., James, 1999; Zellweger, 2007) and their willingness to invest patient capital in innovations with less certain (and hence lower) expected returns in comparison to nonfamily firms. On the other hand, noneconomic goals might also cause family firms to behave more conservatively and myopically if such investments are seen to threaten their ability to maintain transgenerational control (Gómez-Mejía et al., 2007). In addition, noneconomic goals could direct the firm’s effort toward projects that are unviable, if economic and noneconomic goals collide. Again, in spite of the work that has been done on the long-term orientation of family firms (e.g., Le Breton-Miller & Miller, 2006), we still do not know exactly where and how noneconomic goals fit into the strategic equations of family firms.

Finally, noneconomic goals can have a considerable impact on the ability of family firms to obtain, retain, and develop human capital. For example, intentions for sustainable transgenerational control could lead the family firm to invest in the development of family members’ managerial capabilities (Cabrera-Suárez et al., 2001; Sirmon & Hitt, 2003) and providing a just work environment for nonfamily employees (Barnett & Kellermanns, 2006). On the other hand, scapegoating (Gómez-Mejía et al., 2001), unjust compensation and performance evaluation (Chua et al., 2009), and nepotism (Sharma et al., 1997) have also been observed. Human resource policies with regard to family and nonfamily members can influence the extent to which employees behave as stewards or agents, a relationship that appears to evolve and require adjustments over the course of a family business’s development (Karra, Tracey, & Phillips, 2006). Consequently, as suggested by Gómez-Mejía et al. (2001) and Sirmon...
and Hitt (2003), more work is needed to better comprehend how family owners’ quest for noneconomic goals influences the manner in which family and nonfamily managers are selected, compensated, and evaluated.

**Limitations**

Our review of the most cited articles in family firm research from 2003 to 2008 is not without limitations. The ranking produced research articles both inside and outside the realm of the family firm research. As such, the listed articles reflect a recent call in the literature to go beyond common topical collaborations and management research to broaden our research perspectives (Steward, 2008). However, in establishing the most cited articles, we utilized only four journals: *ETP*, *FBR*, *JBV*, and *JSBM*. Although the majority of family firm articles are published in these journals, the possibility that a wider journal selection could have changed the actual rank order of articles presented in this article cannot be excluded.

Furthermore, as in previous studies of influential works in a field, we did not include books in our review (Chan & Liano, 2008, 2009a, 2009b). However, this is not to say that influential books do not exist or that books outside of the realm of family firm research have had no impact on the field. For example, the book by Penrose (1959) has been critical in developing the RBV. Furthermore, books by Ward (1987) and Gersick, Davis, Hampton, and Lansberg (1997), among others, have significantly influenced the family firm literature. In addition, other more recent books also have the potential to provide valuable insights and spark additional research in the field (e.g., Gordon & Nicholson, 2008; Miller & Le Breton-Miller, 2005). Therefore, in developing and testing family business theory, we encourage readers to expand their horizons to influential articles and books that fall outside the scope of the current study.

**Conclusion**

This article contributes to the literature in three ways. First, through a citation analysis of family business studies published over a period of 6 years in the four journals that publish the bulk of that research, we identify the articles that have been most influential in shaping recent advances in knowledge. Second, we provide a summary of the findings and intellectual contributions of those articles. This should be useful for scholars because understanding the relationship between past and present research provides a perspective of why the field has taken its current course of development. Finally, by searching for common themes among those past works, we are able to spot directions for future research that appear particularly promising.

In conclusion, enormous strides have been made in coming to grips with some of the central theoretical and practical issues related to family business management by building in a focused way on two important theories—agency theory and the RBV—borrowed from other disciplines. It appears to us that the future progress in the field can continue apace if we continue to selectively draw on agency theory and the RBV as well as other theoretical approaches (e.g., institutional theory, stakeholder theory, transaction cost theory) to develop a theory of the family firm.

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