

Family Business from a Strategic Management Perspective

Literature Review

Robert Forto

School of Business, Liberty University

BMAL 703

Dr. Kevin Bell

October 11, 2020

Authors Note

By submitting this assignment, I attest this submission represents my own work, and not that of another student, scholar, or internet source. I understand I am responsible for knowing and correctly utilizing referencing and bibliographical guidelines.

Abstract

Strategic management in a family-run business is a relatively new topic in the research literature. This topic is timely and vital, as it relates to the Christian and secular scholarly literature regarding contemporary organizational management. A literature review was conducted to develop a synthesis of organizational behavior, team management, and Christian principle-driven research to promote strategic renewal in privately held family firms. An analysis was performed on how these concepts can be applied toward goal setting, outcome-driven objectives, risk management, and relationship development related to family-run firms. These studies provide a clearer understanding of what is available in the literature. It provides an objective overview of the research related to the family business's topic from a strategic management perspective.

Keywords: strategic management, family-run businesses, Christian family business, risk management, social capital, family business innovation

Table of Contents

Abstract 2

Introduction 4

Literature Review..... 4

Decision Making and the Family Business.....5

Team Management.....6

New Thoughts 6

A Christian Perspective7

Conclusion 8

References..... 9

Literature Review of Family Business from a Strategic Management Perspective

Introduction

The literature regarding family business from a strategic management perspective is relatively novel. A review of the literature was conducted to explore the importance of family-run firms' organizational behavior from the lens of team management, and decision-making was examined. Additionally, secular and Christian literature was compared and analyzed to find a synthesis between the two areas of scholarship and provide new insight for this author as he moves forward in his research on family-run firms. Through this thorough analysis, it was ascertained on an objective comparison of the current body of knowledge.

Literature Review

Generally, strategic management processes aim to enhance their competitive advantage and improve a family firm's performance. (Daspit et al., 2017) Management of such business is complicated because of their features, the overlap between family and company, roles played by several members of the owning family. (Díaz-Fernández et al., 2019) Decision making is closely related to the composition of the family-run firm, and it is often the most challenging part of the work due to the mix of family and business emotions. (Penney et al., 2019) Moreover, family businesses are perceived as value-based organizations. Religious values represent a set of values that many family businesses incorporate in their decision making. (Ramzi et al., 2020)

This literature review examines family business from a strategic management perspective. Additionally, it illustrates how decision-making and team management also intersect with strategic planning and how these processes help obtain the family-run organization's goals and objectives. The family business study from a strategic management perspective is a relatively new topic in the research literature. The subject is of importance as it relates to both

the Christian and secular scholarly literature. Further insight was obtained on how family-run firms can add to their success and prominence in the marketplace regarding strategic management with a Christian focus.

Decision Making and the Family Business

According to some estimates, family businesses are the most common business structure globally, accounting for more than 90 percent of companies. (Anderson and Reeb 2003; as cited in Penney, 2019) A fundamental tenet of the strategic management literature is that business successes and failures are often the top managers' results. (Penney, 2019) A vital component of a firm's success or failure is innovation and innovative ideas that separate the firm from its competition. The research of Sanchez-Famoso (2017) found that innovation cannot be fully understood without accounting for the family's participation in management and decisions. Secondly, the work of Sreih (2019) found that the probability of success in a family business can be measured by profits, growth, and meeting expectations.

Innovation also includes inherent risks. Although many family firms find risk management difficult, the research of Le Brenton Miller et al. (2013; as cited in Visser, 2018) found that those that include risk management in their decision making experience fewer external restrictions regarding controls on business activities. It is important to note that risk does come at a cost, and those costs must be mitigated. Sharma (2004; as cited in Cater, 2016) found that both the family and the business must respond to external disturbances. Therefore, if the family is content, the company is successful, and if they both react appropriately to external disturbances, the family business will be successful. (Cater et al., 2016) This family dynamic is participatory by nature. Having a participatory effort by those involved in a family firm's top management decisions will provide a better position to meet the organizational objectives and

goals moving forward while mitigating risk, spurring innovation, and upholding a robust value system.

Team Management

Teams are pivotal organizational structures, and their importance has prompted researchers to study what organizations can use to gain a competitive edge. In the family-business environment, multi-generational teams play a role. Outcome driven objectives are essential as well. Aronoff (1998; as cited in Sreih, 2019) argues that subsequent-generation family firms are more likely to be involved in team management. All the involved family members engage in critical decision-making, even if one family member is still the business's nominal leader. Daspit (2017) found that this outcome-driven, team management approach enhances the competitive advantage and improves performance. Collectively, these groups generate relationships among members that offer lasting value, even after teams disband. (Maloney et al., 2019) Furthermore, the research of Bharanitharan (2020), Shaban (2016), and vanKleef (2017) support that relationships, family or otherwise, can provide meaningful interaction, social support and contribute to high regard toward work ethic and the ability to accomplish goals and objectives within the firm. Couple these concepts together and the literature supports that team management efforts are an essential aspect of strategic management in the family-run firm.

New Thoughts

As Carter (2016) suggests, family businesses are dynamic and complex. Having a keen understanding of strategic management principles, particularly in team management and decision-making concepts, provides new insight into existing family-run firms even though this research body is a relatively novel and unique area in the literature. A synthesis between the

secular scholarly literature and Christian research is paramount to understanding these concepts and how best to utilize them in a thorough literature review. Objectively, this author compares the existing knowledge and applies new ideas, particularly a focused Christian approach to his own family-run business.

A Christian Perspective

As this author moves forward through his doctorate program, a more nuanced approach is being developed regarding managing his family-run business. One of the critical areas of change is a distinctive approach to a Christian perspective of management. A strategic management perspective that focuses on religion's role in family cohesion can translate into ethical business practices. When a family strongly identifies with a particular religion, religious values influence how family members think and behave while navigating family business practices. (Ramzi et al., 2020) Astrachan (2020) examined the relationship between religion and spirituality and a family firm's ethical behavior. The authors suggest that further research be conducted examining risk-taking propensity and other stakeholder relationships.

Angela (2020) argues that a faith-led family business affects organizational stewardship and their findings suggest that these corporate practices have significantly more repercussions than previously thought. The literature also suggests that religious identity is key to promoting strategic renewal in privately held firms. Abdelgawad (2020) postulates that this religious identity can significantly and positively affect a family-run business's economic activity, assist in conflict resolution, and allocate decisions. Although it is limited, a review of the Christian literature provides new insight into what scholars find that works well in family-run businesses. Having this knowledge moving forward will allow this author to make more competent decisions in the future.

Conclusion

An increased focus has been placed on strategic management research in family-run firms that surround the areas of team management, decision-making opportunities, and organizational behavior in both the secular and Christian literature. In the area of decision-making, the work of Sanchez-Famoso (2017), Penney (2019), and Carter (2016) found that those involved in a family firm's top management decisions will provide a better position to meet the organizational objectives and goals moving forward. In the area of team management, the research of Sreih (2019), Daspit (2017), and Maloney (2019) support that relationships, family or otherwise, can provide meaningful interaction, social support and contribute to high regard toward work ethic and the ability to accomplish goals and objectives within the firm.

Furthermore, new insight was gained in a review of the literature, in particular, the Christian or religious-focused research of Abdelgawad (2020), Angela (2020), and Astrachan (2020) shows that a strategic management perspective that incorporates a focus on religion's role in family cohesion can translate into ethical business practices, organizational stewardship and increased positive economic activity. Couple all of these concepts together and a strategic management process can be developed in family-run organizations that can have a lasting impact on their vitality, their innovation, and social stance in their community.

References

- Astrachan, J. H., Binz, A. C., Giovanna, C., & Baù Massimo. (2020). Values, spirituality and religion: Family business and the roots of sustainable, ethical behavior: *JBE. Journal of Business Ethics*, 163(4), 637-645.
doi:<http://dx.doi.org.ezproxy.liberty.edu/10.1007/s10551-019-04392-5>
- Angela, C., Ricardo, Z., & Discua, C. A. (2020). Exploring a faith-led open-systems perspective of stewardship in family businesses: *JBE. Journal of Business Ethics*, 163(4), 701-714.
- Abdelgawad, S. G., & Zahra, S. A. (2020). Family firms' religious identity and strategic renewal: *JBE. Journal of Business Ethics*, 163(4), 775-787.
doi:<http://dx.doi.org.ezproxy.liberty.edu/10.1007/s10551-019-04385-4>
- Bharanitharan, D. K., Lowe, K. B., Bahmannia, S., Chen, Z. X., & Cui, L. (2020). Seeing is not believing: Leader humility, hypocrisy, and their impact on followers' behaviors. *The Leadership Quarterly*, 101440. DOI:10.1016/j.leaqua.2020.101440
- Cater, J., & Young, M. (2016). Family Factors in Small Family Business Growth. *Journal of Applied Management and Entrepreneurship*, 21(4), 56-86.
<http://dx.doi.org.ezproxy.liberty.edu/10.9774/GLEAF.3709.2016.0C.00005>
- Daspit, J. J., Chrisman, J. J., Sharma, P., Pearson, A. W., & Long, R. G. (2017). A strategic management perspective of the family firm: Past trends, new insights, and future

directions: JMI. *Journal of Managerial Issues*, 29(1), 6-29,4. Retrieved from <http://ezproxy.liberty.edu/login?qurl=https%3A%2F%2Fwww.proquest.com%2Fdocview%2F1927469098%3Faccountid%3D12085>

Díaz-Fernández, M. C., M Rosario, G., Pawlak, M., & Simonetti, B. (2019). Family firm's management composition: the role played by family members' age in TMT and supervisor levels. *Quality and Quantity*, 53(5), 2421-2438. <http://dx.doi.org.ezproxy.liberty.edu/10.1007/s11135-018-0760-3>

Maloney, M. M., Shah, P. P., Zellmer-Bruhn, M., & Jones, S. L. (2019). The lasting benefits of teams: Tie vitality after teams disband. *Organization Science (Providence, R.I.)*, 30(2), 260-279. DOI:10.1287/orsc.2018.1254

Penney, C., Vardaman, J., Marler, L., & Antin-Yates, V. (2019). An image theory of strategic decision-making in family businesses. *Journal of Family Business Management*, 9(4), 451-467. <http://dx.doi.org.ezproxy.liberty.edu/10.1108/JFBM-05-2019-0032>

Ramzi, F., Yusuf, S., & Khalil, S. (2020). How Religion Shapes Family Business Ethical Behaviors: An Institutional Logics Perspective: JBE. *Journal of Business Ethics*, 163(4), 647-659. <http://dx.doi.org.ezproxy.liberty.edu/10.1007/s10551-019-04383-6>

Sanchez-Famoso, V., Maseda, A., & Iturralde, T. (2017). Family involvement in top management team: Impact on relationships between internal social capital and

innovation. *Journal of Management and Organization*, 23(1), 136-162.

doi:<http://dx.doi.org.ezproxy.liberty.edu/10.1017/jmo.2016.2>

Shaban, A. (2016). Managing and leading a diverse workforce: One of the main challenges in management. *Procedia, Social and Behavioral Sciences*, 230, 76-84.

DOI:10.1016/j.sbspro.2016.09.010

Sreih, J. F., Lussier, R. N., & Sonfield, M. C. (2019). Differences in management styles, levels of profitability, and performance across generations, and the development of the family business success model. *Journal of Organizational Change Management*, 32(1), 32-50.

doi:<http://dx.doi.org.ezproxy.liberty.edu/10.1108/JOCM-01-2018-0030>

vanKleef, G. A., Heerdink, M. W., & Homan, A. C. (2017). Emotional influence in groups: The dynamic nexus of affect, cognition, and behavior. *Current Opinion in Psychology*, 17,

156-161. DOI:10.1016/j.copsyc.2017.07.017

Visser, T., & van Scheers, L. (2018). Can family business managers manage family business risk? *Management: Journal of Contemporary Management Issues*, 23(1), 123-137.

doi:<http://dx.doi.org.ezproxy.liberty.edu/10.30924/mjcmi/2018.23.1.123>