Exploring the relation between family involvement and firms' financial performance: A meta-analysis of main and moderator effects

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Abstract
The present work summarizes the theoretical foundations and empirical findings regarding the relation between family involvement and firm performance. From a theory-based perspective we integrate evolutionary psychology and agency theory and describe how conflicting predictions can be made regarding the relation between family involvement and firm performance. Similarly, we describe how the empirical landscape is equally conflicted. Findings from this meta-analysis summarize the observed effects from multiple studies and provide an estimate of the relation across the entire population. Results illustrated that family involvement did not significantly impact firms' financial performance (r = .006). Based on these data, there is no relation between family involvement and a firm's financial performance. Furthermore, we examined multiple conceptual and methodologically-based potential moderating influences—none was statistically significant. Overall, these findings provide the foundation for multiple new areas of inquiry as the domain of family business studies evolves. Moving forward, we advise future research in this area to search for additional moderator effects and explore the defining characteristics, other than performance, that make family businesses distinct from non-family businesses.

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1. Executive summary
From both theoretical and empirical perspectives, there is ambiguity surrounding the relation between family involvement and firm performance. On one hand, we know that from an evolutionary perspective, working in family units can foster substantial advantages such as successors benefiting from the materials (e.g., food, shelter, wealth) previous generations accumulated. On the other hand, recent research suggests that family involvement may foster substantial disadvantages. The present research, a meta-analysis cumulating the extant literature, answers the question: “What is the relation between family involvement and firms’ financial performance?”

Our meta-analytic review used 78 articles reporting 95 samples with a total sample size of 80,421. Findings illustrated that family involvement did not significantly impact firms’ financial performance (r = .006). Based on these data, there is no relation between family involvement and a firm’s financial performance. Furthermore, we examined multiple conceptual and methodologically-based potential moderating influences—none was statistically significant.

The results of this study should be of great interest to scholars, practitioners, and policy makers. The results of this meta-analysis do not support many strong assertions and theory-based conclusions that are made within the literature. For instance,
many researchers characterize the relation between family involvement and firm performance as positive or negative. Interestingly, based on the present findings, the relation is neither positive nor negative. This finding is critical for practitioners and researchers because it indicates that family involvement is not, by itself, a competitive advantage (or disadvantage) and stakeholders in the domain of family business studies may want to shy away from either assertion.

We submit that the present research advances the literature and takes an important step toward settling the current debate regarding the nature of the family involvement–firm performance relation. Based on the present findings, we offer three main recommendations for future inquiry. First, searching for additional moderator effects may prove valuable (e.g., commitment, altruism, growth orientation). Second, and related, we recommend that research continue to further refine the construct of family involvement (e.g., further assessment of psychometric properties; moving beyond measurement of family involvement as specific components such as ownership, management, culture). As currently measured, these components do not seem to have bearing on the family involvement–firm performance relation. Third, we encourage the continued exploration of outcomes, other than performance, that make family businesses distinct from non-family businesses (e.g., family harmony, issues related to succession and intergenerational transmission, family wealth).

2. Introduction

The family is the primary economic unit in human history and has evolved as the dominant “species” of organizational design (Darwin, 1871; Goody, 1996; Megarry, 1995; Nicholson, 2008a, 2008b; Sahlins, 1972). The family unit can foster advantages, in terms of survival and performance, for its members and for the group as a whole—and, not surprisingly, family firms account for roughly three-fourths of all businesses globally (e.g., Goody, 1996; Nicholson, 2008a, 2008b). However, though family involvement in firms can foster substantial advantages, the same form also demonstrates special problems that have hindered its survival and growth (Kets de Vries, 1996; Schulze et al., 2001). Interestingly, family kinship is largely based on a moral order of treating one another altruistically because of genealogical relationships or ties, and this is at odds with the amoral economic logic of modern day markets (Stewart, 2003).

Although the quantity of research examining the effect of family involvement on firm performance has increased (e.g., Anderson and Reeb, 2003; Chrisman et al., 2004), little consensus exists. Several empirical examinations and theoretical contributions (e.g., Chrisman et al., 2005; Dyer, 2003) have expressed concern about the ambiguity surrounding the nature of the family involvement–firm performance relation (Habbershon and Williams, 1999; Litz, 1997). Chrisman et al. (2005) reviewed the literature and concluded that the results, to date, were inconclusive. Dyer (2006) described the mixed results as “puzzling.” Rutherford et al. (2008: 1089) referred to the field as a “jungle” of competing theories and called for “meta-analytic procedures to examine the relation.” Similarly, Sharma (2004: 5) noted, “Clearly, there is a need to conduct a meta-analysis of this research stream to determine what these efforts have collectively disclosed in terms of distinctions between family and nonfamily firms.” The present research answers these calls.

In the present study, we ask the question: “What is the relation between family involvement and firms’ financial performance?” We attempt to answer this question through meta-analytic procedures. Meta-analysis is particularly appropriate when conflicting, or ambiguous, empirical findings exist or when various theory-based perspectives conflict within a literature (Rosenbusch et al., 2011; Schmidt, 1992).

3. Theory

Our theory base relating family involvement to firm performance draws upon work in evolutionary psychology and agency theory. Both of these literatures offer strong rationales for why a relationship may be present, albeit from different perspectives. In the following sections, we illustrate how the literature supports a case for either a positive or negative relation between family involvement and firm performance. The following overview of the ambiguity in the literature sets the stage for the present meta-analysis.

Before reviewing our theoretical context, we make two brief notes. First, we note that we chose to primarily build upon agency theory and evolutionary psychology because we believe that these bases offer the most promise for addressing the root issue of the family involvement–firm performance relation. However, as the resource based view (e.g., Dyer, 2006; Habbershon et al., 2003; Sirmon and Hitt, 2003) and stewardship perspectives (Bubolz, 2001; Corbetta and Salvato, 2004; Zahra, 2005) have been used heavily in the development of the family business literature we draw on these theory bases when relevant. Second, we note that in the present research to operationalize family involvement, we adopt a similar definition to Chua et al. (1999)—family involvement represents a substantial family presence in ownership, governance, management, succession, and/or employment.4

3.1. Family involvement and firm performance from an evolutionary perspective—a positive or negative relation?

In this section, we examine the relation between family involvement and firm performance from an evolutionary perspective. First, we examine the dominant perspective: the case for a positive relation. Then, we also lay out the evolutionary case for a negative relation between family involvement and firm performance.

4 We do recognize, however, that family involvement can be manifested in many ways (Chua et al., 1999) and definitional ambiguity in the study of family business is a commonly cited problem (Sharma, 2004).
Schulze and Gedajlovic (2010: 191) describe how “…competitive forces extinguish inefficient forms of business enterprise, leaving only those that are structurally most fit with respect to prevailing market conditions.” They also note, accordingly, that “…the family enterprise must be a remarkably efficient and robust organizational form: it is the world’s most common form of economic organization” (Schulze and Gedajlovic, 2010: 191). Considering the longevity and prevalence of family businesses globally, it is logical that researchers as well as the lay public would anticipate a positive relation between family involvement and firm performance. On this point, Nicholson (2008b: 74) extols that:

Some of the most admirable and high-performing businesses in the world have had a family interest driving them and shaping their culture–companies like Wal-Mart, Samsung, Cargill, Fiat, Motorola, Tata, and Marriott. Some are extraordinarily enduring–two of the oldest, in Japan, claim 1300-year histories, and one of Japan’s largest, Sumitomo, was founded in 1630. Several European family firms run to 20 generations, and in the United States there are many going back to the middle of the 19th century.

A theoretical base in the domain of evolutionary psychology also supports the premise that the relation between family involvement and firm performance should be positive. Evolutionarily, a multitude of benefits across four main categories (i.e., ownership identity, intergenerational transmission, kin/non-kin dynamics, and wildcard inheritance) accrue in family firms which positively impact firm performance (see Nicholson, 2008a). These benefits include factors such as long term orientation, loyalty, teamwork, and the shared values that family involvement in firms may foster.

The theory of evolution by natural selection illustrates how certain organisms that have adaptive traits and characteristics have higher rates of survival and, by reproduction, “out-compete” other species (Simpson and Beckes, 2010: 35). Overall, humans’ prosocial tendencies, indeed familial attraction, offered an evolutionarily adaptive advantage. In fact, Darwin (1871: 70) conveyed that “…the individuals which took the greatest pleasure in society would best escape various dangers; whilst those that cared least for their comrades and lived solitary would perish in greater numbers.” For this reason, early humans lived in small hunter–gatherer groups. And, one of the earliest survival strategies of humans was substantive participation in, primarily, biologically related clans or tribes. Humans simply found advantage in working together in family units.

Though the arguments above detail why a positive relation might exist between family involvement and firm performance, from an evolutionary psychology perspective the case can also be made for a negative relation. Again, we draw on Nicholson’s (2008a) four category framework (i.e., ownership identity, intergenerational transmission, kin/non-kin dynamics, and wildcard inheritance) that describes both advantages and disadvantages unique to family firms. Specifically, disadvantages that may accrue in family firms include factors such as conservatism, conflict, free-riding, deviance, and complacency (see Nicholson, 2008a).

In summary, from an evolutionary psychology perspective, it is clear that family involvement should impact firm performance. However, conclusions regarding the potential direction of that relation are inconsistent. In the following section, we provide a similar case regarding agency theory.

3.2. Family involvement and firm performance from an agency theory perspective— a positive or negative relation?

The literature related to agency theory is complex, especially with regard to the family firm (e.g., Chrisman et al., 2004, 2007, 2010; Zahra, 2007). In the following section, we outline important aspects with regard to our study rather than review the entirety of this theory. Agency theory is concerned with the degree to which an agent will act in a principal’s best interests (e.g., Dalton et al., 2007; Eisenhardt, 1989; Jensen and Meckling, 1976). It is usually discussed as the relationship between a manager, and how that manager represents an owner. However, it has also been used to characterize the relationship between other dyads (e.g., manager–employee, owner–employee, owner–owner, investor–owner) (Dawson, 2011). Among these dyads, there are two broad types of problems that may occur. The first is adverse selection which is the situation that arises when a principal mistakenly enters into a contract with an incompetent or unsuitable agent (Dawson, 2011). The second, moral hazard, occurs when an agent engages in activities that work in the favor of that agent, but work against the principal. These problems exist because of asymmetric information—the agent generally possesses a greater understanding of the available information than the principal. Importantly though, traditional agency theory asserts that these problems only exist when there is a divergence of interests.

This issue of “interests” is the crux of the debate regarding agency theory predictions about family involvement and firm performance. From an agency theory perspective, when the interests across a dyad overlap substantially (e.g., a manager and an owner share the same perspective) moral hazard problems should be considerably reduced, thereby lowering the overall cost structure for such a firm. This occurs because, when interests diverge, the principal must engage in substantial contracting or risk the agent behaving in ways that threaten the principal, (e.g., shirking, free-riding, fraud). Accordingly, when there is a significant percentage of family present in any dyad (i.e., high family involvement), then that dyad should operate more efficiently. Early studies on the topic (e.g., Fama and Jensen, 1983) proposed that family firms would have few or no agency problems

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5 Reviews of the main theories describing prosocial behavior from an evolutionary psychology perspective are as follows: inclusive fitness theory (Hamilton, 1964), reciprocal altruism theory (Trivers, 1971), group selection theory (Sloan Wilson and Sober, 1994), gene-culture co-evolution theory (Richerson and Boyd, 2005).

6 The genetically inherent desire to pass on one’s genes was increased by familial cooperation (in business endeavors). Also, the group as a whole was reproductively advantaged and this increased the propensity for future generations to prosper (e.g., asset accumulation, intergenerational wealth). Finally, familial cooperation enhanced the norms related to prosocial behavior and punished adverse behavior—thus, a family culture evolved.
because of the overlap between ownership and management. In other words, no conflict exists between the agent and principal because they are usually the same entities. Therefore, increased family involvement should lead to increased performance, ceteris paribus, because individuals in the dyad care for one another and are more likely to act in the best interest of the family firm.

However, from an agency theory perspective, we can also draw the conclusion that the relation between family involvement and performance should be negative. Indeed, the dominant stance that has emerged within the literature holds that family firms do suffer agency-type problems even if significant overlap exists between dyads (2003; Chrisman et al., 2004, Schulze et al., 2001).

Dalton et al. (2007: 20) in their review of the literature noted the “greater potential for mischief when the founding family holds large equity positions and a family member is the presiding officer of the firm, or the chairperson of its board, or both.” Agency costs are incurred because the owner/manager makes decisions that are inefficient and/or ineffective, thus not maximizing shareholder return.7 Research suggests that firms with more family involvement encounter difficulties with regard to enhancing firm performance regardless of outside ownership (Schulze et al., 2001, 2003). These difficulties, manifested as agency costs, include higher levels of entrenchment (Gomez-Mejia et al., 2001; Shleifer and Vishny, 1997), reduced value of the firm (Barclay and Holderness, 1989), special dispensation or compensation (DeAngelo and DeAngelo, 2000; Schack, 2001), lack of incentive to share wealth (Burkart et al., 1997; DeAngelo and DeAngelo, 2000), nepotism (Pollack, 1985), free-riding (Schulze et al., 2003), adverse selection (Lubatkin et al., 2005), and the consumption of unearned perks (Chrisman et al., 2004; Schulze et al., 2001).

3.3. Main research question and conceptual moderators

Overall, this meta-analysis addresses the question: “What is the relation between family involvement and firms’ financial performance?” As detailed above, from both an evolutionary psychology perspective and an agency theory viewpoint, the predicted direction of the relation is inconsistent. Accordingly, we leave our research question an open one, and move to considering possible conceptual moderators of the relation.

Literature regarding the relation between family involvement and firm performance highlights a number of potential moderating influences. Meta-analytical inquiry has the potential to calculate an overall population effect, and also to determine whether any conceptual or methodological moderators influence the overall effect. We examined three conceptual moderators (i.e., public vs. private, firm size, and cultural context).8

3.3.1. Public vs. private

Evolutionary psychologists as well as agency scholars note both the advantages and disadvantages that might accrue in publicly owned firms with a high level of family involvement. Some guidance to address the ambiguity of what happens in public firms with family involvement can be found in the literature related to the resource-based view (RBV) of the firm.

Scholars from the RBV school are largely positive on the effect of both family involvement (e.g., Sirmon and Hitt, 2003), and public ownership (e.g., Anderson and Reeb, 2004), as capabilities that can lead to competitive advantage. Moreover, RBV posits that family involvement and public ownership can interact synergistically. Family involvement offers the intangible resources related to reciprocal altruism to build a culture of stewardship—organizational members develop a responsibility to each other (and the firm) to see the business succeed (Eddleston and Kellermanns, 2007; Zahra, 2003). And, being public offers the more obvious and tangible resource advantage of increased access to capital.

In addition to increased access to resources, being public offers further advantages related to overcoming negative manifestations of high family involvement, referred to as stagnation (e.g., Miller et al., 2008). Stagnation is the tendency of high family involvement firms to be conservative, resource constrained, and possibly dysfunctional (i.e., high levels of conflict). The addition of a professional board tempers these negatives with a more aggressive stance towards growth, increased access to resources, and more professional management. Thus, the tangible resources of being public, coupled with the intangible resources (e.g., reciprocal altruism) of family involvement, provide an interaction leading to increased performance.

Along with this theoretical support, the empirical family business literature is overwhelmingly positive regarding the relation (e.g., Anderson and Reeb, 2004; Chrisman et al., 2004; Lee, 2006). Although becoming public certainly presents challenges (e.g., diminished intimacy and communication), public firms with high family involvement can temper some of the less positive issues that tend to plague family firms as well as dramatically increase the access to resources—this should positively affect performance.

H1. The relation between family involvement and firm performance is more positive and stronger in public firms than in private firms.

3.3.2. Firm size

Regarding the conceptual moderator of firm size, we expect family involvement to more positively impact financial performance in larger firms. Narrative reviews of the empirical studies within the family business literature support this growing

7 The recent literature notes that these costs are not the traditionally described agency costs (Combs, 2008). However, as these costs can be mitigated by the use of formal control mechanisms—the same manner that traditional agency costs are controlled—the case can be made that they do indeed represent agency issues (Schulze et al., 2001).

8 We discuss potential methodological moderators in the Methods section.
consensus (Chrisman et al., 2005; Rutherford et al., 2008) and researchers have noted that a disproportionate number of studies using large firm data found a significant relation (e.g., Lee, 2004; McConaughy et al., 2001).

Similar to the previous moderator of public vs. private ownership, from a RBV perspective, larger firms should benefit from a synergistic relation with family involvement. However, this manifests in a slightly different way—the benefits of absolute size are more structure-based. As firms grow they must, by necessity, formalize (Penrose, 1959). This formalizing has both benefits (e.g., lower cost structures, experience, brand name recognition, and market power), and shortcomings (e.g., inability to respond to change, resistance to change as a result of structural complexity and bureaucracy) (Fiegenbaum and Karnani, 1991; Hambrick et al., 1982; Mintzberg, 1979; Woo and Cooper, 1981, 1982).

We submit that larger firms with greater family involvement, on average, are able to enjoy the size advantages and simultaneously mitigate the disadvantages. Specifically, span of control extends and levels of hierarchy are reduced in high family involvement firms. This occurs because fewer managers are needed to oversee subordinates acting as family stewards who are committed to the success of the organization, and it is more likely that managers can trust their subordinates (Eddleston and Kellermanns, 2007; Stewart, 2003). By condensing layers of management, structural complexity and bureaucracy—and the problems they cause—are reduced, while the ability to leverage size is retained.

**H2.** The relation between family involvement and firm performance is positive and stronger in larger firms than in smaller firms.

### 3.3.3. Cultural context

Cultural context has proven an important consideration in many relations studied in commerce (e.g., De Mooij and Hofstede, 2002), and we expect that it will play an especially important role in the relation between family involvement and firm performance. Because of their value congruence with the family institution, cross cultural psychology asserts that certain nations may provide more fertile grounds for family businesses to prosper (e.g., Markus and Kitayama, 1991) and, accordingly, we propose conceptual moderators related to culture.

Based on the literature related to family business studies, we expect two of Hofstede’s (1980, 2001) five cultural dimensions (i.e., power distance, masculinity, individualism, long-term orientation, and uncertainty avoidance) to moderate the family involvement–performance relation (Farh et al., 2007; Van Der Vegt et al., 2005). Specifically, we focus on individualism and power distance. These two dimensions, as we describe in the following sections, have unique theoretical underpinnings and important implications for the study of family firms (Kellermanns, 2005; Sharma and Manikuttty, 2005; Sundarmurthy and Kreiner, 2008; Zellweger and Astrachan, 2008).

### 3.3.4. Individualism–collectivism

The distinction between individualism and collectivism can be described as the degree to which individuals are integrated into groups (to a lesser degree in individualistic societies, to a greater degree in collectivist) and the extent to which the expectation is that a person will look after his/herself and his/her family (low expectation in individualistic societies, strong expectations in collectivist) (Hofstede, 1980, 2001). Family firms are, by definition, a collective endeavor. Embedding a firm in a collectivistic culture, that accepts, endorses, and legitimizes it, is more likely to lead to improved performance. Embedding a family business in an individualistic environment, however, is contradictory and leads to the issues outlined by Stewart (2003). He holds that inserting a moral organization in an environment characterized by the amoral logic of capitalism is a clash that is likely to lead to reduced levels of growth and profitability. The prosocial nature of the familial advantage gained by humans in the early days of the hunter–gatherer, clan-based, society was predicated on individuals serving the greater community. We would expect that firms that exist in a more collectivistic culture reap the rewards of the prosocial norms inherent in that culture.

Additionally, agency theory informs us that high family involvement firms existing in individualistic cultures may see an elevated level of agency costs when compared to firms residing in collectivistic cultures (Sharma and Manikuttty, 2005). This is essentially because agents in individualistic cultures will be more likely to engage in self-serving activities that are not in the best interest of the firm (e.g., entrenchment, special dispensation, or free-riding) (Ashforth et al., 2000). Agents in collectivist environments, on the other hand, will be more inclined to act as stewards—acting for the good of the collective rather than for personal gain (Sundarmurthy and Kreiner, 2008).

Further support for this line of thinking is provided by work done Gelfand et al. (2004) on Project GLOBE (see House et al., 2004). They state that “Project GLOBE illustrates that societal-level collectivism is highly related to organizational-level collectivism. This provides compelling evidence of the cross-level effects of the constructs, a notion that has thus far been more of an assumption than an empirical fact” (p. 502). Gelfand et al. (2004) explained that “Although organizational individualism and collectivism is distinct from societal individualism and collectivism, the two levels are expected to be interrelated” (p. 447). Specifically, Gelfand et al. refer to the work of Kanungo and Jaeger (1990) who proposed that societal-level culture affects organizational-level culture by shaping managers’ assumptions about how to best manage (Gelfand et al., 2004: 447).

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9 As data from Project GLOBE have emerged, numerous critiques of the data from Hofstede have been asserted regarding reliability, validity, levels of analysis, generalizability, and robustness (see House et al., 2004). Overall, however, correlations regarding the scores from the Hofstede and GLOBE data regarding power distance (.61) and individualism (.82) are acceptable (House et al., 2004).

10 Further support of the relation between societal-level culture and organizational level culture is found in Aycan et al. (2000) who found that managers who perceived a societal culture to be high in collectivism assumed that employees within that company would also exhibit high collectivism (Aycan et al., 1999).
Overall, we argue that family businesses are indicative of a collectivistic mindset (i.e., associated with extended family structures; Gelfand et al., 2004; Triandis, 1989). And, embedding a family business in an individualistic society (e.g., focus on nuclear family structures, not extended family; loose ties between people) will result in disharmony. Societal-level individualism is at odds with organizational-level collectivism where employees may view their relationship with the company as a long-term engagement versus a series of rational, economic, exchanges (Gelfand et al., 2004).11

As internal organizational culture is affected by the larger societal culture in which it is embedded, we predict that family businesses will experience greater levels of performance in cultures higher in collectivism relative to individualism. Thus, given the likely increases in agency costs for a family (i.e., collective) business located in an individualistic society, we derived our hypothesis accordingly.

**H3a.** The relation between family involvement and firm performance is positive and stronger in firms that exist in a more collectivistic culture relative to firms that exist in a more individualistic culture.

### 3.3.5. Power distance

The second cultural dimension we included was power distance. Power distance refers to the extent to which individuals within a country accept that superiors and subordinates have different degrees of power (Hofstede, 1980, 2001). Within cultures where a low power distance norm exists, the tendency for subordinates to question leaders is greater relative to cultures where power distance is high. This has implications related to our agency theory framework—individuals in low power distance cultures are more likely to engage in self-serving opportunistic behavior that may negatively impact the firm. The rationale is as follows.

If individuals do not respect and accept the inequality in power, they are more likely to act in ways to resolve that inequality, which will likely be detrimental to the firm (e.g., embezzling, social loafing, sabotage, insubordination). This, in turn, can be contrasted to situations where individuals in high power distance cultures convey more respect to the power differential and are less likely to engage in detrimental behaviors as a response to it. Therefore, from an agency theory perspective, cultures where there is a high power distance should see performance benefits due to decreased agency costs.

Literature from cultural sociology supports the notion that high power distance societies are fertile places for family firms to grow and thrive. This is because social inequities supports are common in high power distance cultures (e.g., Hofstede, 1980; Markus and Kitayama, 1991). And, these inequities embolden high family involvement firms to exercise inordinate amounts of power over political and economic bodies to protect their own interests and revenue (Ghemawat and Khanna, 1998; Morck and Yeung, 2003, 2004). They do this by leveraging their connections and discretionary wealth to launch persuasive political lobbies, while effectively erecting barriers against those seeking upwardly mobility (Krueger, 1974; Rajan and Zingales, 2001; Veblen, 1899).

To this point, Chakrabarty (2009) tested the hypothesis that countries with greater power distance will have markets dominated by family owned firms. He analyzed firms in 25 countries and concluded that the greater the cultural power distance in a country’s past, the greater the market dominance of family-owned firms in the country.12 Overall, the preponderance of evidence points to firms with higher family involvement in high power distance cultures enjoying economic advantages.

**H3b.** The relation between family involvement and firm performance is positive and stronger in firms that exist in cultures where power distance is high relative to where power distance is low.

### 4. Methods

#### 4.1. Sample

Using a variety of search techniques, we identified more than 3500 articles for potential inclusion. We first entered various combinations of family, family involvement, family ownership, familiness, nepotism, return on assets, return on equity, profit margin, growth, sales, and return on sales, in multiple languages, into electronic databases (e.g., ABI Inform, PsycInfo, Google Scholar). We also requested relevant unpublished and in press articles, including dissertations, on several academic message boards. We concluded our search in December, 2008.

#### 4.2. Inclusion criteria

Our first inclusion criterion was that articles needed to be empirical (e.g., reporting numerical relations between family involvement and firm performance) and the samples used in the study needed to either include a continuous measure of family involvement (e.g., percentage of stock founding family possessed) or a non-family comparison group. This inclusion step

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11 Two notes bear mention. First, some extant literature holds that if a large number of employees and managers are non-family, there can be greater hostility towards people outside the family in collectivistic societies, as outsiders tend to be perceived as belonging to an out-group (Gelfand et al., 2004). Out-group issues have also been reviewed by Triandis and Suh (2002) with regard to ethical issues. Overall, however, our theory base supports the premise that relation between family involvement and firm performance should be positive and stronger in firms that exist in a more collectivistic culture relative to firms that exist in a more individualistic culture.

12 Similar to the individualism–collectivism dimension, a caveat should be mentioned. Power distance relationships are a nuanced topic (for a review see Carl et al., 2004; House et al., 2004). For instance, high level of power distance may result in negative behaviors (e.g., revolts, strikes), and in such settings, these negative actions towards the family firm may be more likely (e.g., Hofstede, 2001).
eliminated roughly 3000 articles and we examined the remaining 500. In examining these final 500, we had no stipulations on year of publication, nationality of sample, or language. However, we did require a fiscal performance outcome (e.g., profit, return on assets, revenue, growth) reported either in the article or by personal communication with the author. This step eliminated approximately 350 articles that either used a performance metric such as respondents’ perception of success compared to competitors (i.e., quasi-perceptual measures) or a non-financial performance metric (e.g., work-family conflict, job satisfaction).

The final criterion was that each effect size needed to reflect a unique sample. Wood (2008) provided detection heuristics to identify and eliminate duplicate samples reported in two or more publications. We identified several instances (ten) that led us to exclude an article due to its likelihood of being a repeat sample. In nearly all cases, the use of the same sample in multiple manuscripts indicated the progress of the article from a dissertation or conference paper to a journal publication. When two or more articles were determined to use the same sample, we recorded each article’s unique effect sizes, and then randomly selected one of the articles to retain the common effect sizes.

4.3. Meta-analytic procedure

We employed Hunter and Schmidt’s (2004) random effects approach for the meta-analyses and used subset analysis for the testing of moderators. All analyses were conducted using SPSS macros provided by David Wilson. Most of the literature coded family involvement as dichotomous with firms either being family owned or not. However, recent conceptualizations of family involvement view the construct along a continuum (e.g., Rutherford et al., 2008) and in reporting results, we opted to provide correlations (r) rather than standardized differences (d). We converted standardized differences and t-values to a correlation metric with r to d and t to r transformation equations provided by Hunter and Schmidt (2004). In fifteen cases, the authors only reported the results of a multivariate test (i.e., regression). In these cases, we converted the standardized coefficient (i.e., beta weight) to a correlation with the Peterson and Brown (2005) technique. There was not a significant difference in reported correlation versus the beta converted correlations (Z = 1.43, p = ns). If sufficient information was not available in a primary study, we requested the effect sizes from authors before excluding it.

4.3.1. Outlier detection

We used Huffcutt and Arthur’s (1995) sample adjusted meta-analytic deviancy (SAMD) statistic for identifying outliers in the meta-analyses with corrections proposed in Beal et al. (2002). The original SAMD was biased due to the non-normality of correlations that result from being constrained to an absolute value of 1.0. Beal et al. (2002) recommended the Fisher Z as the effect size and greater caution when using the proposed cutoff values (i.e., the .05 level). We calculated SAMD statistics for each analysis with the Fisher Z as the effect size and used critical values at the .001 level. Of the 99 effect sizes, four were classified as outliers. We returned to these articles to attempt to see if there were errors in the coding. In all cases, we found no coding or transcription errors and these articles were eliminated from the data set. We did run the analyses with and without the outliers and found no significant change in effect size, altered conclusions or hypothesis tests as a result of the outliers. The elimination of these studies resulted in a final dataset of 95 samples that included 80,421 firms.

4.4. Conceptual moderators

As described in Section 3.3, we examined three conceptual moderators: type of firm (public vs. private), firm size, and culture (individualism–collectivism and power distance). In addition, we also coded and examined certain methodological features (e.g., how the variables in the primary studies were operationalized; publication characteristics) that might also moderate the family involvement–firm performance relation. In the following section, we elaborate on the three conceptual moderators. Then, in the next section, we address the methodologically-based moderators.

4.4.1. Public vs. private

For the distinction between publically traded companies versus privately held companies, we were able to code this information for the individual studies included in this meta-analysis. In most cases, it was simple to determine the source as researchers reported samples such as the S&P 500 (e.g., Anderson and Reeb, 2003, 2004). In ambiguous cases, we contacted the individual authors for clarification.

4.4.2. Firm size

We used the very broad categories of small and large to classify this variable. Number of employees was the most common operationalization of firm size and using the U.S. Small Business Administration definition, firms with more than 500 employees were considered large. For other size operationalizations such as sales, we used a median split to classify firms as large and small. This size moderator captured the differences between studies that used samples primarily composed of large firms versus studies primarily composed of small firms. This allows for family involvement studies conducted with the Fortune 500 to be compared to studies that examined family involvement with small firms.

Table 2 lists the source of each sample—when a study included both public as well as private companies, we noted this accordingly.
4.3.3. Cultural context

We coded cultural context for H3a and H3b, the relations between family involvement and individualism–collectivism and power distance, respectively. For the dimension of individualism–collectivism, defined as the degree to which individuals are integrated into groups and the extent to which the expectation is that a person will look after his/herself and his/her family, we used the nationality of sample from each study included. Using these nations, we accessed the corresponding individualism–collectivism score reported by Hofstede. We did the same for power distance, defined as the extent to which individuals within a country accept that superiors and subordinates have different degrees of power (Hofstede, 1980, 2001). Scores for each nation regarding power distance are also provided by Hofstede (see website referenced above).

4.5. Methodological moderators

4.5.1. Family involvement

Many researchers have pointed out (e.g., Chrisman et al., 2005; Desman and Brush, 1991) that there is a lack of consensus as to how to operationalize family involvement. This issue confounds measurement and seriously limits our understanding of key relationships in the field of family business (Chrisman et al., 2005; Holt et al., 2010; Klein et al., 2005). Our search confirmed this as we identified over thirty definitions of family involvement across the included studies. These articles used between one and eight criteria to determine the family involvement of a firm. Of those using multiple criteria, there was substantial variability in whether meeting a single criterion (e.g., who owns the majority of voting rights; Barontini and Caprio, 2006), multiple criteria (e.g., fractional equity ownership of the founding family and/or the presence of family members on the board of directors; Anderson and Reeb, 2003) or all criteria (e.g., at least two directors have a family relationship and family members control five percent (5%) or more of the voting stock; Stavrout et al., 2007) were necessary to be classified as a family business. Using the Chua et al. (1999) definition, two authors made independent classifications of all samples along the dimensions of ownership, governance, management, succession, and employment. Because a very small number of studies conceptualized governance as being separate from ownership, we combined these two into one category. Likewise, we collapsed management and employment into one category. The first category contained all studies where family involvement was operationalized as ownership. The second category contained family involvement operationalizations that dealt with succession, and the third category contained studies where family involvement was operationalized as a managerial control (e.g., CEO is a family member). The fourth category contained studies where family involvement was self-reported (e.g., Do you consider yourself a family business?). The final category contained all studies that used multiple criteria (more than one of the above) to define family involvement. Each author independently evaluated the definition of family involvement and categorized them into one of the above definitions. The reliability was adequate (ICC1 = .928, 95% CI = .899; .950). The few discrepancies were resolved by discussion among the authors. We created dummy codes for each operationalization of family involvement where one (1) indicated the specific family definition and zero (0) indicated a different operationalization. Thus, a positive coefficient indicates that the strength of the relation was stronger for that family involvement operationalization.

4.5.2. Firm performance

For the moderator of firm performance, we took guidance from Chrisman et al. (2005) and Sharma et al. (1997) who outlined the field of family business and its relation with strategic management—thus, we focused on financial performance outcomes. Multiple types of financial performance were reported throughout the included studies, such as: revenue, sales growth, return on assets (ROA), profitability, return on equity (ROE), growth (general—not otherwise specified), performance factor, value added, return on sales (ROS), employment growth, export propensity, stock return, financial/market performance. We chose to include this moderator because it is generally accepted that different performance measures capture different types of organizational effectiveness (e.g., Dess and Robinson, 1984; Shane and Kolvereid, 1995). In the present research, ROA was the most often reported measure. And, for our analyses described below we compared studies reporting ROA relative to other measures. We chose ROA as the anchor, because as noted by Robins and Wiesema (1995), “the use of ROA as a performance measure allows the results of the analysis to be directly compared with a substantial body of work on related topics in strategy” (p. 290). We recognize that multiple other measures of performance exist, and discuss this as a direction for future research below, in Section 6.2.

4.5.3. Publication and publication quality

We coded if a study had been published or not, as well as the impact of the journal where the published studies appeared. We introduced this moderator to test whether or not the family involvement–firm performance relation differs between published studies and unpublished studies (McDaniel et al., 2006; Rothstein et al., 2005). This potential difference between published and unpublished studies may be a result of publication bias, a lack of methodological rigor, or an insufficient theoretical contribution. We suspected that studies published in journals (or published at all) with greater impact would differ from studies published in journals with lesser impact such that the effect between family involvement and performance would be greater in higher tier journals. We based this on the assumption that a journal’s impact is a reflection of the methodological and analytical rigor as well as the theoretical contribution of the articles. Higher quality research may show a different effect from research conducted.

14 For a list see http://www.geert-hofstede.com/hofstede_dimensions.php.
with less rigor. Journal importance was defined as the Hirsch’s (2005) h index and calculated with Harzing’s (2009) Publish or Perish software. We were able to calculate an h index for 46 of the 51 published articles (59 separate samples in all).

4.5.4. Year of publication
Our final methodological moderator was year of publication. We include this moderator because there is evidence (e.g., Moller and Jennions, 2001; Trikalinos and Ioannidis, 2005) that studies with significant results get published first, and this results in a decline in effect size over time. The quantity of research on the topic of family business studies has increased dramatically over the last fifteen years. With the exception of one study, Jacquemin and De Ghellinck (1980), all of the studies meeting our inclusion criteria had been published in the past twenty years. Thus, we coded year of publication or presentation in the case of conference papers. This enabled us to examine what impact, if any, family involvement in firms has exhibited across time in the literature.

5. Findings

5.1. Overall results of the family involvement–performance relationship
Table 1 provides the results of the overall meta-analysis. Table 2 provides a list of the included studies and relevant characteristics. Effect sizes ranged from the moderately negative (r = −.21; Tsai et al., 2006) to the moderately positive (r = .28; Kellermanns et al., 2008), but the overall relation between family involvement and firm performance was negligible and non-significant (r = .06). A credibility interval indicates the degree of certainty that, “the values in the [population] distribution lie in this interval” (Hunter and Schmidt, 2004: 205). Put differently, this is used to determine the extent that one can generalize validity in terms of both direction and magnitude. The ninety percent credibility interval falls between −.054 and .063 and indicates that across the various sub-populations of family firms (e.g., female managed businesses, restaurants, minority owned, etc.), ninety percent of the effect sizes fall between −.054 and .063. The ninety-five percent confidence interval indicated that even at its extremes (the upper and lower bounds of the interval) the family involvement–firm performance relation is marginal.

Although these results indicated that family involvement was not a predictor of firm performance, it may be the case that the relation is moderated such that some methodological or substantive variable(s) alters the bivariate relation between family involvement and firm performance. We next sought to determine if there were indicators of moderation.

<table>
<thead>
<tr>
<th>Type of firm (k = 89)</th>
<th>n</th>
<th>r</th>
<th>Variance</th>
<th>90% credibility interval</th>
<th>95% confidence interval</th>
<th>Variance attributable to artifact</th>
<th>I²</th>
<th>Between group differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>50</td>
<td>0.2035</td>
<td>0.001</td>
<td>0.006</td>
<td>−0.089; 0.091</td>
<td>−0.020; 0.021</td>
<td>45.1%</td>
<td>55.9%</td>
</tr>
<tr>
<td>Private</td>
<td>39</td>
<td>0.2195</td>
<td>0.005</td>
<td>0.001</td>
<td>−0.037; 0.047</td>
<td>−0.007; 0.017</td>
<td>53.9%</td>
<td>47.4%</td>
</tr>
<tr>
<td>Firm size (k = 92)</td>
<td>n</td>
<td>r</td>
<td>Variance</td>
<td>90% credibility interval</td>
<td>95% confidence interval</td>
<td>Variance attributable to artifact</td>
<td>I²</td>
<td>Between group differences</td>
</tr>
<tr>
<td>Small</td>
<td>42</td>
<td>0.5411</td>
<td>0.006</td>
<td>0.001</td>
<td>−0.034; 0.046</td>
<td>−0.006; 0.017</td>
<td>56.4%</td>
<td>44.9%</td>
</tr>
<tr>
<td>Large</td>
<td>50</td>
<td>0.2028</td>
<td>0.001</td>
<td>0.005</td>
<td>−0.086; 0.087</td>
<td>−0.020; 0.021</td>
<td>46.9%</td>
<td>54.2%</td>
</tr>
<tr>
<td>Cultural—individualism (k = 93)</td>
<td>n</td>
<td>r</td>
<td>Variance</td>
<td>90% credibility interval</td>
<td>95% confidence interval</td>
<td>Variance attributable to artifact</td>
<td>I²</td>
<td>Between group differences</td>
</tr>
<tr>
<td>Low</td>
<td>48</td>
<td>0.4546</td>
<td>0.002</td>
<td>0.002</td>
<td>−0.044; 0.049</td>
<td>−0.010; 0.015</td>
<td>56.9%</td>
<td>44.2%</td>
</tr>
<tr>
<td>High</td>
<td>45</td>
<td>0.3294</td>
<td>0.012</td>
<td>0.003</td>
<td>−0.059; 0.082</td>
<td>−0.005; 0.028</td>
<td>42.8%</td>
<td>58.2%</td>
</tr>
<tr>
<td>Culture—power distance (k = 93)</td>
<td>n</td>
<td>r</td>
<td>Variance</td>
<td>90% credibility interval</td>
<td>95% confidence interval</td>
<td>Variance attributable to artifact</td>
<td>I²</td>
<td>Between group differences</td>
</tr>
<tr>
<td>Low</td>
<td>54</td>
<td>0.3445</td>
<td>0.013</td>
<td>0.004</td>
<td>−0.061; 0.087</td>
<td>−0.003; 0.029</td>
<td>43.8%</td>
<td>57.2%</td>
</tr>
<tr>
<td>High</td>
<td>39</td>
<td>0.4395</td>
<td>0.001</td>
<td>0.002</td>
<td>−0.039; 0.041</td>
<td>−0.011; 0.013</td>
<td>60.3%</td>
<td>41.1%</td>
</tr>
<tr>
<td>Family definition (k = 95)</td>
<td>n</td>
<td>r</td>
<td>Variance</td>
<td>90% credibility interval</td>
<td>95% confidence interval</td>
<td>Variance attributable to artifact</td>
<td>I²</td>
<td>Between group differences</td>
</tr>
<tr>
<td>Ownership</td>
<td>36</td>
<td>0.36310</td>
<td>0.011</td>
<td>0.002</td>
<td>−0.038; 0.059</td>
<td>−0.003; 0.024</td>
<td>55.0%</td>
<td>46.4%</td>
</tr>
<tr>
<td>Multiple criteria</td>
<td>36</td>
<td>0.29678</td>
<td>0.003</td>
<td>0.002</td>
<td>−0.052; 0.057</td>
<td>−0.013; 0.019</td>
<td>52.4%</td>
<td>48.9%</td>
</tr>
<tr>
<td>Succession</td>
<td>7</td>
<td>0.6585</td>
<td>0.029</td>
<td>0.003</td>
<td>−0.033; 0.090</td>
<td>−0.008; 0.066</td>
<td>48.8%</td>
<td>63.4%</td>
</tr>
<tr>
<td>Management</td>
<td>6</td>
<td>0.1516</td>
<td>−0.008</td>
<td>0.008</td>
<td>−0.114; 0.098</td>
<td>−0.080; 0.064</td>
<td>48.9%</td>
<td>59.5%</td>
</tr>
<tr>
<td>Self report</td>
<td>7</td>
<td>0.6332</td>
<td>−0.022</td>
<td>0.002</td>
<td>−0.074; 0.031</td>
<td>−0.056; 0.013</td>
<td>52.0%</td>
<td>55.9%</td>
</tr>
<tr>
<td>Measure of performance (k = 95)</td>
<td>n</td>
<td>r</td>
<td>Variance</td>
<td>90% credibility interval</td>
<td>95% confidence interval</td>
<td>Variance attributable to artifact</td>
<td>I²</td>
<td>Between group differences</td>
</tr>
<tr>
<td>ROA</td>
<td>45</td>
<td>0.34185</td>
<td>0.009</td>
<td>0.002</td>
<td>−0.042; 0.060</td>
<td>−0.005; 0.023</td>
<td>57.7%</td>
<td>43.6%</td>
</tr>
<tr>
<td>Other measure*</td>
<td>50</td>
<td>0.46236</td>
<td>0.004</td>
<td>0.002</td>
<td>−0.056; 0.065</td>
<td>−0.009; 0.018</td>
<td>44.4%</td>
<td>56.5%</td>
</tr>
<tr>
<td>Article source (k = 95)</td>
<td>n</td>
<td>r</td>
<td>Variance</td>
<td>90% credibility interval</td>
<td>95% confidence interval</td>
<td>Variance attributable to artifact</td>
<td>I²</td>
<td>Between group differences</td>
</tr>
<tr>
<td>Published</td>
<td>59</td>
<td>0.42288</td>
<td>0.003</td>
<td>0.003</td>
<td>−0.050; 0.057</td>
<td>−0.009; 0.016</td>
<td>57.0%</td>
<td>44.1%</td>
</tr>
<tr>
<td>Unpublished</td>
<td>36</td>
<td>0.38133</td>
<td>0.010</td>
<td>0.002</td>
<td>−0.050; 0.070</td>
<td>−0.006; 0.025</td>
<td>41.5%</td>
<td>59.6%</td>
</tr>
<tr>
<td>Year of publication (k = 95)</td>
<td>n</td>
<td>r</td>
<td>Variance</td>
<td>90% credibility interval</td>
<td>95% confidence interval</td>
<td>Variance attributable to artifact</td>
<td>I²</td>
<td>Between group differences</td>
</tr>
<tr>
<td>Pre-2007</td>
<td>52</td>
<td>0.40302</td>
<td>0.011</td>
<td>0.003</td>
<td>−0.055; 0.077</td>
<td>−0.004; 0.026</td>
<td>44.4%</td>
<td>56.7%</td>
</tr>
<tr>
<td>2007 and after</td>
<td>43</td>
<td>0.40119</td>
<td>0.002</td>
<td>0.002</td>
<td>−0.043; 0.046</td>
<td>−0.011; 0.015</td>
<td>50.8%</td>
<td>41.7%</td>
</tr>
<tr>
<td>Journal importance (k = 95)</td>
<td>n</td>
<td>r</td>
<td>Variance</td>
<td>90% credibility interval</td>
<td>95% confidence interval</td>
<td>Variance attributable to artifact</td>
<td>I²</td>
<td>Between group differences</td>
</tr>
<tr>
<td>Low</td>
<td>32</td>
<td>0.30807</td>
<td>0.002</td>
<td>0.002</td>
<td>−0.049; 0.053</td>
<td>−0.013; 0.018</td>
<td>51.8%</td>
<td>49.0%</td>
</tr>
<tr>
<td>High</td>
<td>27</td>
<td>0.11481</td>
<td>0.006</td>
<td>0.004</td>
<td>−0.053; 0.065</td>
<td>−0.017; 0.029</td>
<td>64.7%</td>
<td>37.7%</td>
</tr>
</tbody>
</table>

* p < .05, ** p < .01, *** p < .001, k = number of studies, n = sample size, r = mean correlation, I² = indicator of moderation, z = between group difference.

<table>
<thead>
<tr>
<th>Author name(s)</th>
<th>Year</th>
<th>Published?</th>
<th>Categorization of family involvement</th>
<th>Country of sample</th>
<th>Performance indicator</th>
<th>Size of firms</th>
<th>Public vs. private</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abor</td>
<td>2008</td>
<td>Yes</td>
<td>Ownership</td>
<td>Ghana</td>
<td>Profitability</td>
<td>Small</td>
<td>Private</td>
<td>120</td>
</tr>
<tr>
<td>Allouche, Anmm, Jaussaud and Kurashina</td>
<td>2008</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>Japan</td>
<td>ROA</td>
<td>Large</td>
<td>Public</td>
<td>86</td>
</tr>
<tr>
<td>Allouche, Anmm, and Garaudel</td>
<td>2007</td>
<td>No</td>
<td>Ownership</td>
<td>France</td>
<td>Financial/market performance</td>
<td>Large</td>
<td>Public</td>
<td>248</td>
</tr>
<tr>
<td>Anderson and Reeb</td>
<td>2004</td>
<td>Yes</td>
<td>Ownership</td>
<td>U.S.</td>
<td>ROA</td>
<td>Large</td>
<td>Public</td>
<td>403</td>
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<tr>
<td>Astrachan and Kolenko</td>
<td>1994</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>U.S.</td>
<td>Revenues(^*)</td>
<td>Small</td>
<td>Mostly private</td>
<td>614</td>
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<tr>
<td>Barontini and Caprio</td>
<td>2006</td>
<td>Yes</td>
<td>Ownership</td>
<td>Multiple</td>
<td>ROA</td>
<td>Large</td>
<td>Public</td>
<td>610</td>
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<td>Bennedsen, Nielsen, Pérez-González and Wolfzen</td>
<td>2006</td>
<td>No</td>
<td>Succession</td>
<td>Denmark</td>
<td>ROA</td>
<td>Mixed</td>
<td>Mixed</td>
<td>5334</td>
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<tr>
<td>Bertrand, Johnson, Samphantharak and Schoar</td>
<td>2008</td>
<td>Yes</td>
<td>Ownership</td>
<td>Thailand</td>
<td>ROA</td>
<td>Large</td>
<td>Mixed</td>
<td>337</td>
</tr>
<tr>
<td>Bertrand, Johnson, Samphantharak and Schoar</td>
<td>2008</td>
<td>Yes</td>
<td>Ownership</td>
<td>Thailand</td>
<td>ROA</td>
<td>Large</td>
<td>Mixed</td>
<td>249</td>
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<tr>
<td>Blanco-Mazagatos, Quevedo-Puente and Castrillo</td>
<td>2007</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>Spain</td>
<td>ROA</td>
<td>Small</td>
<td>Private</td>
<td>654</td>
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<tr>
<td>Block and Thams</td>
<td>2007</td>
<td>No</td>
<td>Multiple criteria</td>
<td>U.S.</td>
<td>Sales</td>
<td>Large</td>
<td>Public</td>
<td>166</td>
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<td>Block</td>
<td>2008</td>
<td>No</td>
<td>Multiple criteria</td>
<td>U.S.</td>
<td>Value added</td>
<td>Large</td>
<td>Public</td>
<td>153</td>
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<td>Bocatto</td>
<td>2006</td>
<td>No</td>
<td>Multiple criteria</td>
<td>Spain</td>
<td>ROA</td>
<td>Large</td>
<td>Public</td>
<td>86</td>
</tr>
<tr>
<td>Braun and Sharma</td>
<td>2007</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>U.S.</td>
<td>Sales growth</td>
<td>Large</td>
<td>Public</td>
<td>84</td>
</tr>
<tr>
<td>Castro, Desender and Escamilla</td>
<td>2007</td>
<td>No</td>
<td>Multiple criteria</td>
<td>Spain</td>
<td>ROA</td>
<td>Large</td>
<td>Public</td>
<td>206</td>
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<tr>
<td>Chang</td>
<td>2002</td>
<td>No</td>
<td>Ownership</td>
<td>Korea</td>
<td>Profitability</td>
<td>Large</td>
<td>Public</td>
<td>419</td>
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<tr>
<td>Chrisman, Chua and Litz</td>
<td>2004</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>U.S.</td>
<td>Sales growth(^*)</td>
<td>Small</td>
<td>Private</td>
<td>1141</td>
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<tr>
<td>Coleman, Carisky and Kaye</td>
<td>1999</td>
<td>Yes</td>
<td>Ownership</td>
<td>U.S.</td>
<td>ROA(^*)</td>
<td>Small</td>
<td>Private</td>
<td>2808</td>
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<tr>
<td>Cruz, Justo and De Castro</td>
<td>2008</td>
<td>No</td>
<td>Management</td>
<td>Dominican Republic</td>
<td>ROA</td>
<td>Small</td>
<td>Private</td>
<td>537</td>
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<tr>
<td>Ding, Zhang and Zhang</td>
<td>2008</td>
<td>Yes</td>
<td>Ownership</td>
<td>China</td>
<td>ROA</td>
<td>Large</td>
<td>Public</td>
<td>671</td>
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<tr>
<td>Eddleston and Kellermanns</td>
<td>2007</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>U.S.</td>
<td>Performance scale</td>
<td>Small</td>
<td>Private</td>
<td>60</td>
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<tr>
<td>Ehrhardt, Nowak and Weber</td>
<td>2005</td>
<td>No</td>
<td>Ownership</td>
<td>Germany</td>
<td>ROA</td>
<td>Large</td>
<td>Both</td>
<td>124</td>
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<tr>
<td>Fernández and Nieto</td>
<td>2005</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>Spain</td>
<td>Experts</td>
<td>Small</td>
<td>Private</td>
<td>2000</td>
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<td>Filatotchev, Lien and Piese</td>
<td>2005</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>Taiwan</td>
<td>ROA</td>
<td>Large</td>
<td>Public</td>
<td>228</td>
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<td>Gallo, Tápies and Cappuyns</td>
<td>2004</td>
<td>Yes</td>
<td>Self-report</td>
<td>Spain</td>
<td>ROE</td>
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<td>Private</td>
<td>305</td>
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<td>Galve-Górriz and Salas-Fumas</td>
<td>1996</td>
<td>Yes</td>
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<td>Spain</td>
<td>ROE</td>
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<td>Gomez-Meja, Larraza-Kintana and Makri</td>
<td>2002</td>
<td>No</td>
<td>Management</td>
<td>U.S.</td>
<td>ROA</td>
<td>Large</td>
<td>Public</td>
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<td>2007</td>
<td>No</td>
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<td>U.S.</td>
<td>ROA</td>
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<td>Public</td>
<td>360</td>
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<td>Hamelin and Trojman</td>
<td>2007</td>
<td>No</td>
<td>Ownership</td>
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<td>Hossain</td>
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<td>Sweden</td>
<td>Sales</td>
<td>Large</td>
<td>Public</td>
<td>717</td>
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<td>Jacquemin and de Ghellinick</td>
<td>1980</td>
<td>Yes</td>
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<td>France</td>
<td>Profitability</td>
<td>Large</td>
<td>Public</td>
<td>103</td>
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<td>Jaggi, Leung and Gul</td>
<td>2008</td>
<td>Yes</td>
<td>Ownership</td>
<td>Hong Kong</td>
<td>ROA</td>
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<td>Public</td>
<td>269</td>
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<td>Kellermanns, Eddleston, Barnett and Pearson</td>
<td>2008</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>U.S.</td>
<td>Employment growth(^*)</td>
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<td>Khaemasunun</td>
<td>2004</td>
<td>No</td>
<td>Ownership</td>
<td>Thailand</td>
<td>ROA</td>
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<td>Public</td>
<td>315</td>
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<td>Khan, Hadani and Das</td>
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<td>U.S.</td>
<td>ROA</td>
<td>Large</td>
<td>Public</td>
<td>420</td>
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<td>King and Santor</td>
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<td>Canada</td>
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<td>Public</td>
<td>613</td>
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<td>Kotey</td>
<td>2005</td>
<td>Yes</td>
<td>Self-report</td>
<td>Australia</td>
<td>Multiple(^*)</td>
<td>Small</td>
<td>Private</td>
<td>428</td>
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<td>Lee</td>
<td>2006</td>
<td>Yes</td>
<td>Succession</td>
<td>U.S.</td>
<td>Revenue</td>
<td>Large</td>
<td>Public</td>
<td>403</td>
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<td>Lopez-Gracia and Sanchez-Andujar</td>
<td>2007</td>
<td>Yes</td>
<td>Ownership</td>
<td>Spain</td>
<td>ROA</td>
<td>Large</td>
<td>Private</td>
<td>858</td>
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<td>Luo and Chung</td>
<td>2005</td>
<td>Yes</td>
<td>Management</td>
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<td>ROA</td>
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<td>Public</td>
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<td>Markin</td>
<td>2004</td>
<td>No</td>
<td>Ownership</td>
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<td>ROA</td>
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<td>251</td>
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<td>Martinez, Stohr and Quiroga</td>
<td>2007</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>Chile</td>
<td>ROA</td>
<td>Large</td>
<td>Public</td>
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<td>Maury</td>
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<td>ROA</td>
<td>Large</td>
<td>Public</td>
<td>1672</td>
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<td>Miller, Le Breton-Miller, Scholnick</td>
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<td>Yes</td>
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<td>Canada</td>
<td>Growth(^*)</td>
<td>Small</td>
<td>Private</td>
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<td>Mishra and McConaughy</td>
<td>1999</td>
<td>Yes</td>
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<td>U.S.</td>
<td>Profitability</td>
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<td>Public</td>
<td>210</td>
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<td>Mishra, Renday and Jenssen</td>
<td>2001</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>Norway</td>
<td>Sales growth</td>
<td>Large</td>
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<td>Mukherjee and Padgett</td>
<td>2005</td>
<td>No</td>
<td>Multiple criteria</td>
<td>UK</td>
<td>Growth</td>
<td>Large</td>
<td>Public</td>
<td>199</td>
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<td>Mustakkaillo, Auto and Zahra</td>
<td>2002</td>
<td>Yes</td>
<td>Ownership</td>
<td>Finland</td>
<td>Return on sales(^*)</td>
<td>Small</td>
<td>Private</td>
<td>192</td>
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<td>Oswald, Muse and Rutherford</td>
<td>2009</td>
<td>Yes</td>
<td>Multiple criteria</td>
<td>U.S.</td>
<td>Revenue(^*)</td>
<td>Small</td>
<td>Private</td>
<td>2631</td>
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<td>Peng and Jiang</td>
<td>2006</td>
<td>No</td>
<td>Ownership</td>
<td>Multiple</td>
<td>Stock return</td>
<td>Large</td>
<td>Public</td>
<td>744</td>
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<td>Pérez-González</td>
<td>2006</td>
<td>Yes</td>
<td>Succession</td>
<td>U.S.</td>
<td>ROA</td>
<td>Mixed</td>
<td>Public</td>
<td>335</td>
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<td>Perrini, Rossi and Rovetta</td>
<td>2008</td>
<td>Yes</td>
<td>Ownership</td>
<td>Italy</td>
<td>ROE</td>
<td>Large</td>
<td>Public</td>
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<td>Randay and Goel</td>
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<td>Norway</td>
<td>ROA</td>
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<td>68</td>
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Because of the variability and conflicting findings that often accompany tests of potential moderation in meta-analysis, Geyskens et al. (2009) recommended that researchers incorporate more than one strategy to determine if a relation shows signs of moderation. Therefore, we used two indicators to determine if the family involvement–firm performance relation showed signs of moderation. The first and most popular method of detecting whether moderation is likely is the ratio of variance attributable to sampling error to total observed variance (Cortina, 2003). Values less than 75% indicate potential moderation, and with only 50% of the variance attributable to sampling error, this first method supported the investigation of potential moderators. Our second indicator of potential moderation, the I-squared (Higgins et al., 2003), is the ratio of true heterogeneity to total variation in observed effect sizes. The I-squared ranges from zero to one with higher values indicating greater heterogeneity of effect sizes and increased likelihood of moderators. The use of I-squared rather than the Q-statistic or tau-squared is because the I-squared is less affected by the number of studies or the scale used (Bornstein et al., 2009). Cutoffs have been proposed for the I-squared with values greater than .25 (25%) indicating that a search for moderator is justified (Higgins et al., 2003). The I-squared in the present study was 50.8%. Both tests indicated potential moderation, and we investigated the following variables accordingly.

5.2. Moderators

In Table 1 we present the tests of moderation for the categorical variables and continuous moderators with median splits. For the moderators, we used the between-groups z-tests shown in Table 1 to calculate whether the differences in effects sizes were statistically significant.

5.2.1. Conceptual moderators

H1 posited that the relation between family involvement and firm performance would vary between public and private firms. As Table 1 shows, whether the sample in the primary study consisted of public firms or private firms had minimal effect on the family involvement–firm performance relation (z = .807, p = ns). In H2, we proposed that positive and stronger relations between family involvement and firm performance would occur in larger firms relative to smaller firms. However, with nearly identical correlations between samples composed of large firms and samples composed of small firms we once again found that this suspected moderator had little effect on the overall relation (z = .389, p = ns) (see Table 1).

Our next hypotheses (H3a, H3b) dealt with the cultural background of where the family business was located. The results for individualism and power distance are presented in Table 1. Individualism was not statistically significant (z = 1.219, p = ns), and thus we conclude that individualism did not moderate the family involvement–firm performance relation. For H3b, power distance was also not significant (z = −1.701, p = ns).
The methodological moderators dealt with features of a specific construct's operationalization, the publication process, and aspects of the family and non-family samples. Our first methodological moderator was how family involvement was operationalized. As Table 1 shows, the differences in effect sizes between the groups were minimal, ranging from −0.02 to 0.03 and no operationalization of family involvement was significantly different from the other family involvement operationalizations. The second potential methodological moderator we tested was whether a study used the most common operationalization of performance, return on assets (ROA). Studies using ROA were not statistically different from studies using other forms of firm performance \((z = .897, p = ns)\).

The next set of moderators dealt with publication characteristics (i.e., if, when, and where a study was published). The first characteristic was whether a manuscript was published or not. Table 1 reports the result of the subset analysis between published and unpublished studies. The relation between family involvement and firm performance does not differ as a function of publication in a journal \((z = .414, p = ns)\).

The second potential moderator relating to publication characteristics was the effect of time on the family involvement–firm performance relation. Although the trend was in the predicted direction, the results were not statistically significant \((z = −.993, p = ns)\). We concluded that the relation between family involvement and performance has remained relatively consistent over time.

Another publication characteristic is where the study was published. The \(h\) index ranged from journals with very high impact (e.g., Administrative Science Quarterly; \(h\)-index = 281) to journals with marginal impact (\(h\)-indices less than 10). As Table 1 shows, the effect was in the hypothesized direction, but we found no support for the family involvement–performance relation being moderated by publication quality \((z = −1.163, p = ns)\).

### 6. Discussion

The present findings illustrated that family involvement did not significantly impact firms' financial performance \((r = .006)\). Villalonga and Amit (2006: 386) posed the question: “Does family ownership per se create or destroy value?” Interestingly, the answer to this question, based on the present findings, is: neither. Our findings bolster research (Chrisman et al., 2004; Galve and Salas, 1996; Jacquemin and De Gheelinck, 1980) that has found no significant relation between family involvement and firm performance. This finding is critical because it indicates that family involvement is not, by itself, a competitive advantage (or disadvantage) and future research may want to shy away from either assertion.

In addition to examining the overall relation between family involvement and firm performance, we examined conceptual and methodologically-based moderators. Overall, data provided no evidence that these moderators were statistically or practically significant. For our conceptual moderators, we proposed specific hypotheses. Data did not support \(H_1\), which predicted that the relation between family involvement and firm performance would be stronger in public firms relative to private firms. This finding was surprising and contradicts a dominant stance in the literature (e.g., Westhead and Cowling, 1997). There are two broad possibilities to explain this. First, the benefits of being public are overstated. The increased access to resources may not be able to offset the negatives associated with going public (e.g., loss of family culture). Second, the benefits to staying private for family firms are understated. The intimacy and ease of communication that are often present in family firms create value and may be compromised when numerous non-family members have ownership.

We did not find support for \(H_2\) which predicted that the relation between family involvement and firm performance would be weaker within small firms. Family involvement in small firms may provide advantages that have not been illustrated in the literature. It may well be that the relatively recent assertion by some scholars (e.g., Miller et al., 2008) that the propensity for members of smaller firms to display stewardship behaviors explains this finding. On the other hand, family involvement may not provide the advantages in large firms that many researchers propose (e.g., Anderson and Reeb, 2003). Accordingly, strong assertions in the literature regarding the relation between firm size and family involvement (e.g., Chrisman et al., 2005; Rutherford et al., 2008) should be revisited.

\(H_3a\) was not supported. The relation between family involvement and firm performance was not positive and stronger in firms that existed in a more collectivistic culture relative to firms that existed in a more individualistic culture. As mentioned in our rationale supporting our hypothesis, agency costs may actually increase in family firms that exist in collectivistic cultures. This is because non-family managers and employees are perceived as an out-group by the family and may be hostile toward the family firm (Hofstede, 2001) in ways that destroy value. Relatedly, suspicion of outsiders is higher in collectivistic countries than in individualistic ones (Morck and Yeung, 2004), and this suspicion may limit the recruitment and selection of professional managers; which, in turn, may limit growth. Alternatively, that we suspect a non-significant relation may be the result of the simple fact that per capita gross national product (GNP) and individualism are correlated (Hofstede, 1980). Regardless, the finding runs counter to Stewart’s (2003) reasoning that an environment congruent with the institution of the family will be conducive to firm performance, but could potentially lend credence to the argument of authors who find higher levels of performance in family firms residing in individualistic cultures (Kotey 2005; Miller et al., 2008) and those finding lower levels in collectivist cultures (Bertrand et al., 2008; Filatotchev et al., 2005).

\(H_3b\) was not supported. We predicted that the relation between family involvement and firm performance would be stronger in firms that existed in cultures where power distance was high relative to where power distance was low. In fact, there was no significant difference between the two. This is interesting in that it may contradict the tacit belief that family firms in high power distance environments (e.g., Mexico) exercise undue influence (perhaps illegally) to further their own interests. An alternative
explanation may be that family firms in low power distance countries (e.g., United States) also utilize their influence to enhance performance (e.g., Josephson, 1934). These are clearly conjectures and cannot be proven based upon these data, but future studies should examine the underlying issues.

We further examined the data for potential methodologically-based moderating influences. We examined the operationalization of family involvement (i.e., ownership, multiple criteria, succession, management, self-report), performance measures (i.e., ROA versus other measures), and publication characteristics (i.e., published or not, date of manuscript, journal quality). None of these methodological moderating influences was significant.

The finding that operationalization of family involvement was not significant in the categorical moderator analysis was surprising. We believe the relative lack of support for this hypothesis should give researchers cause to reflect. It could be that, regardless of any type of operationalization, family involvement and firm performance are not related. Or, it could be that most significant findings reflect a size effect (e.g., Westhead and Cowling, 1997). Our belief is not that the definition and measurement of family involvement is unimportant. Rather, it may be that the field has, thus far, done an inadequate job of defining and measuring it properly. We suggest that recent developments in the field to refine measurement of family involvement (e.g., Holt et al., 2010; Klein et al., 2005) as a multidimensional construct should continue in earnest.

Our next methodological moderator was performance outcome. Considering the variability of how performance is reported across studies, we looked at ROA vs. other measures of performance. The between groups tests showed no significant difference. Though this is comforting in that results are not being confounded by choice of performance outcome we still, however, recommend what has become common practice in the strategy literature: the use of multiple performance measures (e.g., Carton and Hofer, 2006; French et al., 2004).

We also examined the effect of publishing-related characteristics on the relation between family involvement and performance. Our examination of publication characteristics indicates that there was no significant difference between published studies and unpublished studies, nor did journal quality (of published studies), or year of publication significantly affect the family involvement–firm performance relation. This does not rule out the possibility of publication bias, but we find no indication of a systematic bias in the literature.

6.1. Future directions

In the following section, we offer thoughts related to future directions for research across the categories of measurement, agency theory, and evolutionary psychology. First, regarding measurement, more research is needed on the psychometric properties of family involvement scales. For example, very few studies reported the internal consistency or reliability of their family involvement measure. Even objective measures such as percentage ownership still contain error, and it is incorrect to assume that constructs of primary interest (e.g., family involvement and firm performance) are perfectly measured. Measurement error corrections provide better point estimates of the relation between two variables.

Overall, if the family involvement construct becomes more fully developed, this will enable a more complete look into the “essence” of the family firm, as opposed to simply components-of-involvement the family firm (e.g., Chrisman et al., 2005). Currently, the components-of-involvement approach addresses only facets such as family ownership, employment, management, power, and culture. Essence, alternatively, addresses a deeper form of family involvement similar to culture and value congruence. It may be this essence that can lead to competitive advantage (i.e., familiness) (Habbershon et al., 2003; Rutherford et al., 2008), by and culture. Essence, alternatively, addresses a deeper form of family involvement similar to culture and value congruence. It may be this essence that can lead to competitive advantage (i.e., familiness) (Habbershon et al., 2003; Rutherford et al., 2008), by and culture. Essence, alternatively, addresses a deeper form of family involvement similar to culture and value congruence. It may be this essence that can lead to competitive advantage (i.e., familiness) (Habbershon et al., 2003; Rutherford et al., 2008), by

More clarity regarding the measurement of the construct of family involvement may also further the search for additional moderators of the family involvement–firm performance relation. There may indeed be additional moderators not captured in the current literature (or not captured with enough frequency to enable analysis). The development and testing of potential moderators is one of our primary recommendations towards future research on the family involvement–firm performance relation. For instance, more fine-grained theory building and empirical contributions such as Tsao et al. (2009) on the performance in family firms using the lens of high performing work systems, are needed. More research regarding work systems, control mechanisms (e.g., Daily and Dollinger, 1993), and the environments in which family firms operate may provide important theoretical and practical insights as well. Furthermore, additional moderators including commitment, altruism, growth orientation, and leadership styles within the family business context may be fruitful avenues to pursue.

We offer additional thoughts on future directions for research related to agency theory and evolutionary psychology. First, from an agency theory perspective, some extant research which examines agency theory and relations with firm performance (for a review see Dalton et al., 2007) has found significant results. The results of our research indicate that this is not the case in family firms. Agency theorists maintain that agency costs can be mitigated through effective use of formalized governance mechanisms (Chrisman et al., 2004; Lansberg, 1983; Schulze et al., 2001), and it may be that family firms are able to employ these more effectively than previously thought. It may also be that agency costs are simply less of an issue in family firms, and future research could further explore this possibility (i.e., Jensen and Meckling, 1976).

15 We extend thanks to one anonymous reviewer for this insight.
16 We extend thanks here to the editorial team for guidance.
Second, with regard to evolutionary psychology, the present research found that the advantages which kinship ties brought to family businesses may not hold true in contemporary work settings. Our findings indicated that there is not a significant relation between family involvement and firm performance. This supports work by researchers such as Nicholson and colleagues who highlight both the potential positive as well as negative effects family involvement may have on firm performance. However, it may be that family involvement in firms manifests itself in alternate ways. Thus, rather than asking if family involvement relates to performance, perhaps the question should become: “What do firms do with the family involvement present in their firms?” From an evolutionary psychology perspective, it may be that, if managed properly, the presence of high levels of family involvement possesses some competitive advantage enhancing qualities other than financial performance. Sirmon and Hitt (2003: 340) noted that, within the literature on family business studies, “Few scholars have explored how resources are managed to create a competitive advantage.” To survive in the rapidly evolving competitive marketplace, family firms must identify, acquire, manage, and shed resources efficiently (Sirmon and Hitt, 2003). Future research, from an evolutionary psychology perspective, may find interest in examining how specific resources are managed within the family firm (e.g., structural, cognitive, relational; Pearson et al., 2008).

6.2. Limitations

The findings of the present research are contingent on the accuracy and comprehensiveness of the included studies. As with many meta-analyses, tests of moderation were limited by how often the potential moderator was reported in the primary studies. Some variables such as proportion of females in the family business could not be tested for this reason.

Another concern that is present in virtually all research using firm performance as an outcome is the issue of range restriction. Only a select number of firms will survive long enough to be included in a research sample. Without information on failed firms, the distribution is truncated on the left and observed effect sizes are lower than population effect sizes.

One additional potential limitation is that we calculated ICC statistics only for the moderator of definition of family involvement. We manually, based on the authors’ knowledge, categorized various operationalizations of the term family involvement into five areas (i.e., ownership, multiple criteria, succession, management, self-report). Accordingly, consistent with best practices in the literature, we reported the ICC statistics. However, we did not do so for the other variables, as we did not use subjective judgment in the categorizations. Specifically, for type of firm (i.e., public versus private), we used the explicit description in an article or from correspondence with author(s) (e.g., S&P 500). For firm size, this was a numerical categorization based on objective number of employees or sales. For culture, we simply used the nationality of the sample population. For measure of performance, we simply recorded whether ROA versus “other” was reported. For article source, we simply noted whether the article was published or not published. For year of publication, we simply noted the date of publication. For journal importance, we used data from Harzing’s Publish or Perish. In summary, for the coding of definitions of family involvement, where subjectivity was involved, we calculated the ICC’s. In all other cases, where objective data were used, we chose not to calculate ICC’s.

One added limitation (and area for future inquiry) is our focus on a firm’s financial performance. We focused only on objective financial outcomes. Future research may seek to examine the relations between family involvement and performance using other outcomes. For instance, we did not include quasi-perceptual measures (e.g., ROI vis-à-vis competitors) of performance or other perceived measures of success. Rather, in the present research, we have built on, and are extending, the work of Chrisman et al. (2005) and Sharma et al. (1997) who outlined the field of family business and its relation with strategic management. Thus, we do focus on the financial performance outcomes of family involvement. However, it is important to point out that we are not attempting to diminish the role other outcomes may play in the family-business relation. Some scholars prefer to examine family-related outcomes (e.g., family harmony), and it is simply our purpose here to primarily examine the business side of this dyad by utilizing financial performance as our outcome variable. Future research may discover important relations between family involvement and alternative performance outcomes (Basco and Rodriguez, 2009; Garg et al., 2003) such as performance comparisons with competitors (e.g., Naldi et al., 2007), customer satisfaction and retention, perceived market share, personal goals being met, and/or overall well-being (e.g., Ghobadian and O’Reagan, 2006).

7. Conclusion

In sum, we submit that the present research takes an important step toward settling the current debate regarding the nature of the family involvement–firm performance relation. The findings provide an opportunity for the researchers and practitioners to move forward. We encourage a movement away from questioning the relation between family involvement and firm performance to identifying the other defining characteristics that make family businesses distinct from non-family businesses (e.g., issues related to succession, ownership type, leadership styles). Moreover, we must now seek to assess if new sets of issues, such as these, can assist us in the pursuit of what, if anything, truly differentiates a family business from a non-family business.

References


Noted (*) articles are included in the meta-analytic calculations.


