Role of in-group collectivism in the longevity of family firms

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Abstract The cultural dimension of in-group collectivism is connected with the concept of social capital, which has been shown in prior research to be a key factor in resource access and longevity of firms. In this paper, we formulate a set of propositions on how the cultural dimension of in-group collectivism moderates the relationship between the characteristics of family businesses and longevity. We look at six characteristics of family businesses: boundary regulation, business reputation, bridging relationships, organizational professionalism, regulated family power, and competitive succession. We discuss some boundary conditions on the proposed set of relationships.

Keywords In-group collectivism · Family firms · Culture · Longevity

Introduction

Only 2–3 % of the family businesses survive beyond the fourth generation (Vallejo 2008). The longevity of family businesses is hindered by several factors. The most cited factors preventing survival are the complexity of family relations, and the conflicts that occur among the family members, and the challenges of managing these conflicts (Sharma et al. 2003). There are also succession challenges related to the conflicts among siblings, between parents and children, between the prospective

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successors and the employees and other stakeholders of the family business (Morris et al. 1997). The successor generation may also lack sufficient interest, motivation, or competencies (Ward 1987). Add to this the differences in the characteristics of the various sub-systems, particularly the family, the business, and the environment, each with their own logics (Minuchin 1974). Lack of boundaries, communication, connections, and sharing among these sub-systems tends to hinder the functioning of family firms (Ward and Aronoff 1993). For instance, the longevity of family businesses may be compromised by the fragmentation of the family-estate among different successor lineages.

On the other hand, vision, mission, values, language, and commitment are important mechanisms in all organizations for building enduring inter-connections at the core, which allow them to thrive (Bartlett and Ghoshal 1989). Ward (1987) concluded that a healthy owning family with strong values is the greatest resource for a family business. The factors such as family meetings that facilitate open communication help family business ownership to tap the potential power of the family to drive the family business. Thus, business can be used as an opportunity for the family to grow, develop its potential, and manifest its values and dreams in the society. The future of the business as well as of the family involvement and succession can be planned in an orderly and constructive way. However, the concept of healthy families who meet on a frequent basis, an independent board of directors, and who strategically plan for the succession process and for the new streams of value may be culture specific. For instance, the longevity of the Japanese firms—though not including only family firms—during the twentieth century was because they let strategy evolve and form, rather than plan for it. The American firms that planned their strategies found it difficult to adjust and adapt to the changed global environment, and many failed to survive as a result (Aoki and Choi 1999).

Several theories predict geography effects in the factors associated with organizational longevity. For instance, organizational adaptation/change/complexity theories predict the firms need to adapt to the changes in their geographical context (Gersick 1991). Contingency theory predicts the firms need to organizationally match the diversity in their geographical context (Lawrence and Lorsch 1967). Institutional theory predicts the firms' legitimacy depends on their imitation of the changes supported by the institutions, and negotiation of various changes with the diverse institutional groups (Lawrence 1999). Resource advantage and dependence theories predict the firms need to manage the power and dependence relationships associated with the scarcities in their geography (Barney 2001).

Similarly, theoretical rationale exists for the cultural group-effects on the factors associated with organizational longevity. Cultural theory suggests for some cultural groups, organizational boundaries will be a source of advantage; but for others, these will be a source of disadvantage (Hofstede 2001; House et al. 2004). For instance, the high context cultural groups tend to emphasize diffused relationships and permeable boundaries. Thus, boundaries between family and business are also likely to be viewed permeable, and such permeable boundaries may be a basis for the competitive advantage of family businesses in these cultures. The low context cultural groups on the other hand emphasize specific relationships and defined boundaries (Hall 1976). In these contexts, systems for regulating boundaries

between family and business are likely to be strong, and be a basis for the competitive advantage of family businesses in these cultures.

In this paper, we construct a conceptual model for explaining the role of the cultural factor in the longevity of family businesses.

Research model

Culture may have two types of effects on the factors associated with organizational endurance: (1) independent and (2) moderating (see, for instance, Tsui et al. 2009). In this paper, we focus on the moderating effects. Scholars often find that the relationships between the proposed factors and the consequential outcomes vary in different cultural geographies. For instance, Robert et al. (2000) found empowerment to be negatively related with job satisfaction in India, but positively related in the US, Mexico, and Poland. In these cases, specific measures of cultural dimensions, such as power distance, can help explain the variations.

Based on these insights, a research model for the cross-cultural variations in the endurance of family firms is summarized in Fig. 1. In this model, culturally sensitive family business organizational dimensions are proposed to be related with organizational endurance. The culture is proposed to have an independent influence, captured as fixed geography effects, on these organizational dimensions; as well as a moderating influence in their relationship with the family business endurance.

We rely on the CASE project for the typology of culturally sensitive family business organizational dimensions (Gupta et al. 2008b). The Culturally sensitive Assessment Systems and Education (CASE) project is an important source of assistance to global managers. Over 2005–2009, building upon the GLOBE Program, a five member research team applied the GLOBE regional clusters framework to the study of family business in 10 cultural regions of the world. A special side study of gender issues in family business was also added. While a growing body of knowledge about family business in different cultures exists, it tends to be centered on a few cultures (e.g., Anglo) and is dispersed. The CASE project is a pioneering effort to: (1) examine the varying conceptions of family business around the world, (2) formulate culturally sensitive typology of family business dimensions, (3) construct culturally varying models of family business, including the gender aspect, in different cultural regions, (4) to compare and contrast family businesses in different cultural regions, and (5) to examine the factors accounting for the cross-cultural variations in the family business dimensions.

The CASE project uses a typology of nine dimensions of family business characteristics. The first three examine the correlation of the family business with the family, with the community, and with the society at large. The next three examine the correlation of the family business with organization, with management, and with leadership. The final three examine the correlation of family business with gender (linking family and leadership), time (linking society-at-large and organization), and space (linking community and management). These dimensions are summarized in Fig. 2 and Table 1. In this paper, we focus on first two sets of these dimensions.

Fig. 1 Culturally sensitive model of family business endurance

Fig. 2 CASE framework for identifying cross-cultural family business dimensions

In this paper, we specifically examine the moderating effects of culture, i.e., how cross-cultural variations in the endurance of family businesses are influenced by their culturally sensitive characteristics. In Table 2, we advance specific propositions on how the cultural dimension of in-group collectivism will moderate the relationship between family business characteristic and endurance of family businesses. The cultural dimension of in-group collectivism (House et al. 2004; Schwartz 2009) focuses on the pride and cohesion among the members of the family and in-group. We expect this to be a critical dimension moderating all aspects of family business characteristics.

Table 1 Description of CASE dimensions of family business characteristics

#	Dimension	Description of CASE dimensions of family business characteristics
1	Regulated boundary	The criteria for the family business' access and the access to family resources are clearly regulated
2	Business reputation	Family resources are involved only if it makes business sense; the involvement of these resources is not guided primarily by family interests
3	Bridging relationships	Family business breaks out to access resources outside the family networks; it is not tied to only the family networks for core resources
4	Organizational professionalism	Family business employs professional manpower and methods at all levels; these are not limited to only the lower levels or to only select parts of the organization
5	Regulated family power	Family business has a structure to be protected from the dynamics of family; family—as a collective or a divisive entity—does not create uncertainty for it
6	Competitive succession	The successors must demonstrate competence to earn employment and leadership in the family business; kinship alone does not create the privilege to be employed and to lead the family business

In-group collectivism as a moderating cultural factor

According to the GLOBE project, the construct of In-group Collectivism refers to the degree to which members in a culture express pride, loyalty, and interdependence in their families (House et al. 2004). The construct is concerned with if individuals relate to their family as an autonomous identity, or alternatively as conscious of embedded responsibilities toward their family. It is associated with pride in affiliation and a general affective commitment toward family, group, community, and nation (Triandis et al. 1988). It is therefore also referred to as family collectivism or embeddedness construct.

In strong family or embedded cultures, people are incorporated into resilient, unified in-groups, which protect them in exchange for unconditional loyalty throughout their lifetime (Hofstede 2001). There is an emphasis on collaboration, cohesiveness and harmony, as well as an effort by people to apply skills for the benefit of their family or in-group. Put differently, family collectivism represents a strong sense of “family integrity” (Triandis et al. 1988).

On the other hand, in strong family or embedded cultures, the role of rationality is often diminished and enacting divisive goals and behaviors is discouraged, as these actions may destabilize harmony (Schwartz 2009). Responsibility and identity begins with the immediate group, and then gradually extends externally.

The essence of the concept of in-group collectivism is the issue of networks and ties. Previous studies have demonstrated the important role networks play the acquisition of multiple types of resources (Jenssen 2001; Shane and Cable 2002). For example Stuart and Sorensen (Stuart and Sorenson 2007) show how networks play a role in the acquisition of financial capital, skilled labor, and tacit knowledge. Resource acquisition could be a factor in the longevity of firms from high in-group cultures. Resource providers to firms are often faced with high levels of uncertainty

Table 2 Summary of culturally moderated propositions on family business endurance

CASE family business dimension	GLOBE societal culture moderator	Level	Effect on family business endurance
Regulated boundary	In-group collectivism	Hi	– (permeability seen as a motivator)
		Lo	+ (overflow seen as a conflict)
Business reputation	In-group collectivism	Hi	– (focus on family face/loss of face)
		Lo	+ (express autonomous strengths)
Bridging relationships	In-group collectivism	Hi	– (bonding anchors core advantage)
		Lo	+ (heterogeneous sectors need bridges)
Organizational professionalism	In-group collectivism	Hi	– (able to rely on family/kinship pool)
		Lo	+ (lack family/kinship pool)
Regulated family power	In-group collectivism	Hi	– (intrusive paternalism expected)
		Lo	+ (usurping paternalism is suspect)
Competitive succession	In-group collectivism	Hi	– (patriarchal norms)
		Lo	+ (if not, conflicts/favoritism charge)

Note The proposed effect will reverse at extreme levels of societal culture characteristics and may also deviate with transformative strategic leadership; will be stronger for the larger firms

such as about the market and the team (Stinchcombe 1965). The higher the uncertainty, the more reluctant is the resource provider. For high in-group cultures, this uncertainty is negated. In high in-group cultures the resource provider will possess more information and knowledge about the family enabling them to make a better judgment on the family's quality (Levin and Cross 2004). Along with the direct provision of resources, network ties can also be helpful by acting as a third party referral source to other parties (e.g., Stuart and Sorenson 2007). From the network theory perspective, it has been claimed that the role a third party can play in a network can be twofold. On the one hand, a broker or third party can act as a *tertius gaudens*, or “third who benefits and enjoys.” This *tertius gaudens* is often referred to by Burt (2005), who stresses the advantages of a third party brokerage position between two unconnected parties. This position creates opportunities and can be used to exploit these two unconnected partners to the benefit of the broker. The *tertius gaudens* strategy is therefore often associated with negative or suboptimal results for parties that are both tied to the *tertius gaudens* but are not connected to each other. These suboptimal results would be expected more in low in-group cultures where firms are acting in their own best interests.

With regard to its influence on family business longevity, the construct of in-group collectivism is a double-edge sword. On the positive side, it supports the internal alignment among members, by fostering a unified sense of purpose and identity. But on the negative side, it inhibits the external alignment with non-members, thereby limiting access to external resources and resilience to change. These two aspects of in-group collectivism are related to the concept of social capital.

The concept of social capital can be understood in two ways—sociological and economic. From a sociological perspective, social capital refers to the “sociability”

or “cohesiveness,” and is defined by Hanifan (1920) as “those intangible assets [that] count for most in the daily lives of people: namely, goodwill, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit.”

From an economic perspective, the concept of social capital focuses more on “capital,” and is the ability to translate group membership into resources or capital (Coleman 1990). Thus Bourdieu (1985, p. 248) defined it as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition.” From a capital perspective, high levels of social solidarity or in-group collectivism are not necessarily related to positive development (Pones and Landolt 1996). In Kenya, a participatory poverty assessment recorded more than 200,000 community groups that were active in rural areas, but most were unconnected to outside resources and were unable to improve the lot of the poor (Narayan and Nyamwaya 1996). Burt (2005) claims that optimal network value is created by structural holes, i.e., by brokering connections between segments that would be otherwise unconnected. Such a network provides unique information and control benefits to that actor.

Two aspects of social capital are emphasized in the literature: bonding relationships that tend to emphasize solidarity within groups and bridging relationships that extend beyond group boundaries, as in Granovetter’s (1973) notion of “weak ties.” They may also be distinguished as internal and external social capitals that provide distinctly different types of resources. While the former is associated with solidarity and benefits within the community, a by-product of community identity, the latter is associated with access to resources outside the immediate community (Woolcock 1998). In a culture of strong in-group collectivism, the bonding relationships tend to be strong, but the bridging relationships tend to be weak.

The effect of the family business characteristics on family business endurance is likely to be moderated by the culture of in-group collectivism. For instance, under strong in-group collectivism, an emphasis on family relationships is likely to yield limited incremental benefits of bonding capital. But under such conditions, an emphasis on professional relationships may help generate bridging capital, and thereby contribute to family business endurance. Conversely, when in-group collectivism is weak, an emphasis on family relationships may help generate bonding capital, and thereby contribute to family business endurance.

Put differently, we expect that the networks of be families from embedded/high in-group cultures would be similar to those of Coleman, i.e., cohesive networks and redundant ties; both imply a tightly knit social framework with people working for the betterment of the group. On the other hand, the networks of families from autonomous/low in-group collectivism cultures will be more similar to those described by Burt, i.e., brokering connections between otherwise unconnected segments. For instance, when family businesses maintain cohesive networks, the need to signal transparency by regulating the boundaries between the family and the business may be low. In contrast, when family businesses rely on brokering networks, the need to signal such transparency might be high.

In the GLOBE study, Asian (including Confucian Asia,¹ Southern Asia and the Middle East), Latin American and Eastern European societies are identified as being high in societal in-group collectivism practices. The Protestant societies, including Anglo,² Germanic and Nordic Europe, are identified as being low in societal in-group collectivism practices (House et al. 2004).

Next we explore specific propositions on how in-group collectivism moderates the relationship between family business characteristics and family business endurance.

Propositions

Relationship with the family—regulated boundary and family business endurance

Do people in a culture hold a positive or negative view toward boundaries between the family and the business? Regulated Boundary refers to the extent to which the criteria for the family business' access to family resources, and the access itself, are clearly regulated (Gupta et al. 2008b). Regulated boundary is about the criteria or rules that families use to achieve and grant the desired level of access to information, space, and the resources of the family business (Altman 1975). In individualistic cultures, the boundaries between the family and the business are strongly regulated; but in collectivist cultures, they are permeable. An important basis for these differences is the distinction between the philosophies of individualism and of collectivism. In an individualistic worldview, the philosophical foundation is one of atomism. Sharp boundaries are drawn between different entities and life domains, with each entity and life domain being a complete unit and independent. In contrast, in a collectivism worldview, the philosophical foundation is holistic. Different entities and lifedomains are seen as interdependent and part of a larger holistic system (Markus and Kitayama 1991). The people tend to develop “shared identities” as the result of “sharing food, water, land, spirits, knowledge, work, and social activities” (Linnekin and Poyer 1990, p. 8). In addition, in the individualistic societies, stronger boundary regulation offers greater legitimacy to business; while in the collectivistic societies, permeable boundaries confer greater legitimacy. If the resources of a business are intermeshed with those of the family, in individualistic societies, the outsiders perceive a high risk of family demands over the business resources; but in collectivist societies, the outsiders tend to consider family as a source of support in times when a business might face resource constraints.

Accordingly, families from high in-group collectivism cultures embed their business relationships with their family context. In such societies, making a business

¹ Confucian Asia in GLOBE refers to the societies strongly influenced by Confucian ethic, and includes China, Japan, South and North Korea, Singapore, and Vietnam.

² Anglo in GLOBE refers to the societies with Anglo-Saxon heritage, and includes the US, the UK, Canada, South Africa (white sample), New Zealand, and Australia.

partner or employee a part of one's family allows building a relationship of trust (Lin 2009), and offers a larger meaning and identity of being a member of the community. Similarly, families expect to be able to use business resources for their personal use, in return for their willingness to lend extra help when needed. *Thus,*

Proposition 1a *Boundary regulation will hinder family business endurance in high in-group collectivism cultures.*

In contrast, families from low in-group collectivism cultures keep their family context independent from their business relationships. Overflow of work into family life is seen as a source of conflict, as is the overflow of family obligations into work (Haynes et al. 2008). Efforts are made to minimize or avoid these conflicts, through flexible work arrangements and building slack to allow each system to work autonomously. *Thus,*

Proposition 1b *Boundary regulation will promote family business endurance in low in-group collectivism cultures.*

Relationship with the community—business reputation and family business endurance

What governs the relationship of a family business with its broader community? In some cultures, the relationship of a family business is guided by reputation for quality and transparency of its business conduct is—i.e., how far it meets the codes and standards set by the business community and the legal system (Richman 2006). In others, the concept of family identity, stature, and trustworthiness plays a more important role (Ben-Porath 1980). The family identity accrues through family members' inter-generational involvement in community and industrial activities, and may transfer across multiple and diverse businesses a family is involved in (Iyer 1999). Business reputation influences the logic of involvement of family resources—it reflects the extent to which family resources are involved only if it makes business sense, and the involvement of these resources is not guided primarily by family interests (Gupta et al. 2008b).

In collectivist societies, family face (i.e., reputation and standing in the society) is very important, and yields several advantages. Extended kinship networks stemming from “family reputation” allow privileged access to community resources such as manpower, monetary power, know-how, and market intelligence (Light and Bonacich 1988). Therefore, families from high in-group collectivism cultures are deeply concerned with the family face, and on family roles and obligations. They operate within a tightly knit social framework, where the family is expected to take care of the in-group, and subordinate the business interests to the needs and well-being of the in-group. Not doing so results in a loss of face, i.e., brings shame and embarrassment to the whole family (Yan and Sorenson 2006). On the other hand, building and protecting family face is perceived as key to enduring organizations. Having a successful portfolio of businesses is an important factor in building a family's reputation; conversely, reputed families are seen to be trustworthy by the partners, employees, distributors, and vendors (Gupta et al.

2009). This is particularly true when the family's name is attached to the business, as is the case with Sohaff Shawls, which is set in Pakistan (Rana 2005). Sohaff Shawls was considered to be the market leader in quality; consequently, when acrylic emerged in the late 1970s as a substitute for wool, the family initially resisted switching to the new fiber since they felt that this was not the “real thing” and that it was not worthy of the Sohaff name. It was only after a great deliberation of the impact on family face, that the company eventually began producing acrylic shawls. *Thus, we propose:*

Proposition 2a *An emphasis on business reputation will hinder family business endurance in high in-group collectivism cultures.*

In contrast, families from low in-group collectivism cultures seek to express internal strengths of each sub-system on a standalone basis (Schwartz 2009). When a business fails, the family is unlikely to try to salvage its reputation by committing to assume the debts and other obligations from its private resources (Gupta et al. 2009). Longevity and legitimacy of a family business depends on the reputation each business has created, irrespective of the family that might be connected with a business. *Thus, we propose:*

Proposition 2b *An emphasis on business reputation will promote family business endurance in low in-group collectivism cultures.*

Relationship with the society at large—bridging relationships and family business endurance

As noted earlier, individualistic versus collectivist cultures tend to differ in their emphasis on the type of social capital. In collectivism cultures, the emphasis is on the internal social capital based on bonding relationships that tend to emphasize solidarity within groups. In individualistic cultures, the emphasis is on the external social capital based on bridging relationships that extend beyond group boundaries (Woolcock 1998). Bridging relationships refer to the extent to which the family business does not rely exclusively on resources within the family and home community; instead, it breaks out to form new relationships (Gupta et al. 2008b). Bridging relationships extend to society at large, versus bonding relationships that occur within kinship and friendship enclaves (Putnam 1995).

In collectivist cultures, thus, family businesses gain legitimacy and support by maintaining strong co-ethnic bonds with the local community, in the form of vendor, partner, financier, consultant, as well as client relationships (Gomez 2007). In addition, families from high in-group collectivism cultures find meaning in life largely through social relationships, through identifying with the group, participating in its shared way of life, and striving toward its shared goals (Sharma 2008). Therefore, we propose:

Proposition 3a *An emphasis on bonding relationships will promote family business endurance in high in-group collectivism cultures.*

However, in individualistic cultures, ethnic ties tend to be weaker, and efforts are needed to build bridges across ethnic and other boundaries, in order to gain legitimacy and discover opportunities. Unlike in the collectivist societies, the market is not characterized by dense and thick relational bonds. Families from low in-group collectivism cultures tend to efficiently build bridges transcending ethnic and other local identities. Social capital research suggests that these bridges may be appropriated by entities for diverse purposes, based on shared systems of meaning, through deeply and historically embedded language, stories, and culture, and common visions and purpose (Nahapiet and Ghoshal 1998). Therefore, we propose:

Proposition 3b *An emphasis on bridging relationships will promote family business endurance in low in-group collectivism cultures.*

Relationship with the organization—organizational professionalism and family business endurance

What is the value placed on professional management and system in organizations across different cultures? Organizational professionalism refers to the extent to which a family business employs professional manpower and methods at all levels; they are not limited to only the lower levels or to selected parts of the organization (Gupta et al. 2008b). The dimension of organizational professionalism blends the organizational systems with the professional systems (Kadushin and Harkness 2002). In other words, organizational strategies and structures are designed in a way that upholds professional principles and objectives. This allows organizations to involve non-family resources, with their distinctive capabilities and competencies, in key decisions and their implementation (Yeung 2004).

Perkin (2002) notes how a low concern to secure financial independence for successors was a key driver in the rise of professionalism in individualistic societies such as the US, where organizational rules and authority were based on educational qualifications. In collectivist societies, on the other hand, the tradition of family values emphasizing loyalty, commitment, and the contribution of individuals to family limited the widespread adoption of professional systems.

Families from high in-group collectivism cultures tend to develop extended kinship relations, which offer a large and diverse pool of talent and resources for meeting the needs of family business (Gupta et al. 2008b). Further, in these embedded cultures, several layers of relationships are formed like an onion (Altman and Taylor 1973), starting with the strongest bonds with the immediate family members, extending to close and distant cousins, and then to long-serving employees, business partners, and key members of the local and ethnic community, including those migrated and settled in overseas and distant geographies. These bonds offer access to quality, prompt information about the relevant resources, and solutions unique to the ethnic group. To insure loyalty and dedication from the kinship resources and their availability during the times of all crisis and other needs, it is critical that a family business gives precedence to the logic of paternalism over that of professionalism (Farh and Cheng 2000). Therefore, we propose:

Proposition 4a *An emphasis on organizational professionalism will hinder family business endurance in high in-group collectivism cultures.*

In contrast, families from low in-group collectivism cultures lack access to broad and dense kinship relationships, and cannot depend on securing the requisite resources from the kinship pool. They must create a professional work culture to gain credibility and assurance in relationships with outsiders (Yeung 2004). Therefore, we propose:

Proposition 4b *An emphasis on organizational professionalism will promote family business endurance in autonomous/low in-group collectivism cultures.*

Relationship with management—regulated family power and family business endurance

Is the influence and power of the members of the family on the business regarded positively or negatively by the stakeholders in a culture? Regulated family power refers to the degree to which the family business has a structure to protect against the family's power play (Gupta et al. 2008b). In many cultures, family businesses are expected to establish legitimacy with customers, employees, and investors by regulating the family's exercise of power (Muntean 2008). In individualistic cultures, stakeholders frown upon family's paternalist control of management, and have mechanisms that protect the family business from the vagaries of family conflicts and splits. However, in collectivist cultures, family's paternalist power may provide reassurance and certainty for stakeholders, who are aware of the family's beliefs and priorities (Gupta et al. 2008b).

Studies suggest that families from high in-group collectivism cultures consider intrusive and operational family control of the business leadership, management, and strategy to be beneficial. In Chile, for instance, employment culture is based on the agricultural hacienda system whereby workers were at their landlord's disposal at all times in exchange for being “looked after” (Rodriguez and Rios 2007). The “workers expect their organization to play a significant role in their lives and expect their superiors to participate as a parental or guiding figure...as someone who will help a group attain its goals (Khatri and Tsang 2003). If there are limits and rules on the exercise of family power, then the family will not be able to benevolently support the family business members. Therefore, we propose:

Proposition 5a *Regulated family power will hinder family business endurance in embedded/high in-group collectivism cultures.*

In contrast, families from low in-group collectivism cultures consider autonomy and consent more important than benevolence and benefits; as the latter are seen as “usurping” the decision making power or the freedom of choice, and are presumed morally suspect (Crossley 1999). To illustrate, in the individualistic Anglo cultures, the family power tends to be highly regulated. Consider the example of Young Electric Sign Co. founded in 1920 in Salt Lake City, USA, where the regulation of family power has been a core family value, identified as a key to endurance. The current President, Michael Young, says, “We were brought up, and my father was

brought up by his father who founded the company, [to believe] that we work for the company, the company does not work for us.” “Another way to describe it is our principle is one of stewardship rather than ownership.” (Perman 2008) In such cultures, clear rules are laid down regarding the domains where the family may exercise its power, and to buffer the family business from any conflicts that might occur among the family members—such as the mechanisms for some family members to buy out the stake of the dissenting members (Ward 1987). Therefore, we propose:

Proposition 5b *Regulated family power will promote family business endurance in low in-group collectivism cultures.*

Relationship with the leadership—competitive succession and family business endurance

What factors go in evaluating the successor competence in a culture? Cultures vary in terms of how competitive the process is for selecting, nurturing, and advancing leaders (Handler 1994). Competitive succession refers to the degree to which the successors must demonstrate their competence to earn employment and leadership in the family business; kinship alone does not guarantee the right to be employed or the privilege of leading the family business (Gupta et al. 2008b). In collectivist cultures, the leadership is decided based on nepotist norms, such as kinship and kinship-like relationships; but in individualistic cultures, merit and competency criteria guide the process that is generally more competitive and transparent.

To illustrate, in the individualistic Anglo cultures, succession is usually competitive, entailing “rigorous selection process of the successor and strict adherence to meritocracy, including external evaluation, coaching, and experience for family members to achieve management positions.” (Chittoor and Das 2007) For instance, in the Young family of Salt Lake city, the potential successors are “given a set of opportunities and expectations up front.... If they are given the opportunity to work for the company, they have to understand the business comes first—this is not a get-rich program” (Perman 2008). The company works hard to put the interests of the business above those of individuals and the family. However, in the collectivist cultures of Confucian Asia, the norms of cooperation, harmony, mutual trust, and compliance with the parental decisions help reduce the competitive conflicts among different successors. The succession decisions are based on what is good for the family such as who works well with all the family members, and not the business merit of the successor alone (Yan and Sorenson 2006).

Families from high in-group collectivism cultures tend to follow patriarchal norms for succession with an emphasis on the collective interests of the family. Breaking the patriarchal cooperative norms can result in considerable discord and strife in the family, and destabilize the business. The resistance to succession from the incumbents is low, because even when children assume business leadership, they are expected to consult with their father and show him respect (Yan and Sorenson 2006). The prospective successors grow up having social relationships

with the senior employees, who continue to support them in advisory and complementary roles even after succession even if the successors lack some skills to be effective leaders or managers. Therefore, we propose

Proposition 6a *Competitive succession will hinder family business endurance in embedded/high in-group collectivism cultures.*

In contrast, families from low in-group collectivism cultures are guided by the individualist orientations, such as internal locus of control. Individualist orientations may require considerable psychological adjustments for the family leaders—including overcoming possible financial insecurities—to prepare the next generation of successors, and to pass on the business to them (Goldberg and Wooldridge 1993). The family leaders often develop a sense of indispensability and resist giving up control, as they associate their identity with the business (Yan and Sorenson 2006). Similarly, successors may resist succession because their career and personal interests may be inconsistent with a career in the family business (Handler 1994). Further, siblings may contest successor selection claiming favoritism. Similarly, the non-family employees may also do so, fearing changed terms of employment because of organizational changes after the succession (Lansberg 1988). Insuring smooth and effective succession requires the process and criteria to be well defined and competitive. Therefore, we propose:

Proposition 6b *Competitive succession will promote family business endurance in autonomous/low in-group collectivism cultures.*

Discussion

Two types of boundary conditions need to be considered in the application and test of the family business endurance proposition:

- (a) Generalizability of the proposed relations
- (b) Critical deconstruction of the concept of enduring family business

Generalizability of the proposed relations

Three factors qualify the generalizability of the relationships proposed in this paper.

First, family businesses as well as societal cultures do not have homogeneous or constant characteristics. Some degree of balance is required in all family businesses and societal cultures. The tipping point for the imbalance is most likely to be observed at the extremes, except for some of the family businesses and/or societal cultures. For a cross-cultural sample as a whole, at their extremes, the impact of factors on family business endurance is likely to reverse. For instance, in the high in-group collectivism cultures, if a family business begins exploiting its kinship relations heavily, then the incentives and the capacity of these kinship relations to continue supporting family business in times of its needs may wane. Thus, even under cultures of in-group collectivism, an extremely strong family logic may

hinder organizational endurance. Similarly, when the culture of in-group collectivism is very strong, then it may result in perspective insularity and resource redundancy whereby the environmental shifts are not understood in time, turning prospective opportunities into real threats.

Second, family leadership visions and organizational cultures may provide an alternative cultural condition supporting what is identified as the best practice family business characteristics. For instance, in collectivist cultures, bridging relationships might help leaders “bypass existing institutional and other barriers to entry, learn to assemble resources and skills quickly, and master the skills needed to build a presence in foreign markets” (Miller et al. 2009).

Third, size matters. Size of the family business has important symbolic and substantive meaning. The propositions are likely to have stronger validity for the family businesses that have resources to complement those accessible based on the compatibility of their organizational characteristics with their societal cultures. Selection forces, based on the compatibility of organizational work culture and societal culture, operate more strongly on the larger firms. The larger firms are more visible in the society, and are expected to have practices that are compatible with the societal norms—either through conformity or through leading a change in the societal culture (Söderbom et al. 2006). The smaller firms, on the other hand, can be much more entrepreneurial and nimble, and experiment with the alternative practices, by investing only limited resources. Also, the smaller family businesses may be founded for motivations other than being endured trans-generationally (Söderbom et al. 2006). For instance, the motivation may be simply to provide a source of employment to children or to retired parents in the times and contexts of high unemployment and lack of other opportunities. The family business may be dissolved when new opportunities emerge, or when the need for supplemental income or self-employment of some family members diminishes.

Deconstructing the concept of enduring family firms

When one talks about an enduring family firm, it is important to clarify what is being endured. A narrow view assumes a family firm to have endured if its ownership, leadership, and management remain in the hands of the founder family, typically along the patriarchal lines. However, family businesses around the world do not conform to this assumption (Gupta et al. 2008a). Family businesses may be founded by a consortium of families, or be succeeded to several family successors, who may part ways or split the family business later. Family businesses may also bring in strategic non-family owners, leaders, and/or managers, to play a minority or dominant role. Families may close the founder business, and then start a new business under the same family business name; or they may close one business, and then start another business in the same industry using a different name. Often, families may be engaged in business over successive generations living in the same city or even the same ancestral house, and may have taken their family name from the ancestral line of business even as each generation runs the business under separate name. Some of the family groups may be the prominent names in their locales, with leadership positions in the industry and the community; yet, they may

operate under intangible common connections of same family values, visions, mission, language, and social networks and honor the same family elders, but have distinct tangible business names, ownership, management, and leadership. In some cases, daughters might have married and taken the family legacy to other geographies and other family groups, and passed that on to start new family businesses with their husbands or their children.

In imposing a particular definition of endurance, one that conforms to the ideal-typical Anglo view of separating the family from the business, the danger is of losing the richness and power of the family business organization and of devaluing the diversity that various cultures offer to our world (Gupta et al. 2008a). Research also suggests how families infuse their distinct visions, missions, values, and aspirations into the family businesses, including a worldview of “how to construct a resource base given the resource limitations that family firms often face in exploiting perceived market opportunities or responding to market threats” (Steen and Welch 2006) and how to exploit that resource base and what opportunities to pursue (Chrisman et al. 2003). These family legacies could continue to endure, and remain a major formative force, even after a majority or the complete ownership, leadership, and management is taken over by another non-family enterprise.

Conclusions

This paper adds to the continuing discussion surrounding organizational longevity for family business firms. In this paper we have constructed a conceptual model for explaining the role of the cultural factor in the longevity of family business. In the model, culturally sensitive family business organizational dimensions (see Table 1) are proposed to be related with organizational endurance. The culture is proposed to have an independent influence, captured as fixed geography effects on these organizational dimensions; as well as a moderating influence in their relationship with the family business endurance. We focus on in-group collectivism as the moderating cultural factor. Our propositions theorize that depending on the level of in-group collectivism and the location of the firm the family business dimension characteristics will have a positive or negative effect on family business endurance.

We propose that in high in-group collectivism cultures the six family business dimension characteristics will have a negative effect on family endurance. This is a direct result of the nature and network configuration of these types of firms, i.e., the strong sense of cohesion and family. On the other hand, for family firms from low in-group collectivism cultures we propose that the family business dimension will have a positive effect on all six characteristics. These low in-group collectivism cultures are more autonomous and the networks will be more dispersed as a result and will need brokering connections to function effectively.

This study offers several directions for further research. First and foremost is to test the model empirically. Furthermore, differences in the nature of family businesses, and variations in the cultural contexts of their operation, offer each family business unique pathways based on its unique features and unique context to manage the challenge of longevity; research in this area can advance the body of

knowledge. Our study emphasizes the need to clearly recognize the appropriate cultural and organizational context, before deciding on specific scholarly premises about the generalizability and validity of these solutions. In particular, multi-level, multi-focal nature of culture and cultural influences; the differing meanings of the context and contextual characteristics for different members and investigators; and the changing aspirations and values of the leaders and the members, should be appropriately considered.

For practitioners, the differences in the nature of family businesses and variations in cultural context are also salient. From a consultancy perspective being aware of these differences can help in assisting such companies. Also, in the context of international trade, and/or mergers and acquisitions understanding the appropriate societal and organizational context can assist firms in fostering trade and potentially make the transition following a merger/acquisition smoother.

Some of the limitations of the study have been addressed in the “[Discussion](#)” section but one further limitation relates to how our study is limited in terms of the factors included in the model. Additional family business and societal cultural characteristics may offer complementary or competing solutions for growing and enduring family businesses. Further, competitive, cooperative, and institutional factors will also play a role in the family business endurance. These factors have informed the proposed model, but their fuller integration in future research could offer richer and diverse perspective.

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