Asia Pac J Manag (2017) 34:901–930
DOI 10.1007/s10490-017-9509-0

Family values and inter-institutional governance of strategic decision making in Indian family firms

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Published online: 30 March 2017
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Abstract In this paper we use new venture creation in Indian family firms to explore the family firm as an inter-institutional system. We argue that in societies where the traditional family dominates social and economic life, the relationship between the two institutions, the firm and the family, is managed via inter-institutional logics. These inter-institutional logics help reconcile the tensions that often arise in the family firms during strategic decision making. We use archival and interview data on 36 new ventures in eight Indian family firms to identify these logics. Our analysis shows that the interaction between firm and family institutional logics in Indian family firms generates four sub-logics: economic, expertise, reputation and attachment. These four logics are used to frame and screen new venture opportunities and justify resource allocation.

Key words Family firms · Family values · New venture creation · Emerging markets · Inter-institutional system

The evolution of family firms in traditional societies is influenced by the key strategic decisions that members of the family make, both in their capacity as owners who must protect the long-term interests of the family, and in their capacity as decision makers who must guide the growth of the firm. Broadly speaking, there are two views of how family firm evolution shapes this interaction. The first, which is often labeled the

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"convergence" thesis (Yoshikawa & Rasheed, 2009), argues that social change and economic development in emerging economies leads to a structural separation between the family and the firm that we observe in more mature economies. Thus, we should expect this separation to result in family members exercising influence on strategy through membership on the board, while an executive team composed of professional managers formulate and execute strategy within the firm. The second perspective on the same issue is rooted in the so called "varieties of capitalism" perspective (Carney, Gedajlovic, & Yang, 2009; Hall & Soskice, 2001). This perspective rejects the inevitable separation of decision-making powers between family and management proposed by the convergence thesis, and argues instead that strategic decision making in traditional family firms is shaped by an intimate, and ongoing, interaction between the family as an institution that is embedded in the local sociocultural environment, and the firm as an institution that responds to market imperatives that are national or even international (Alesina & Giuliano, 2015).

An institutional, or more precisely inter-institutional, perspective that adopts a varieties of capitalism perspective on the dual role that the family occupies in a traditional family firm raises the question that we wish to address in this paper: How does the family in a traditional society make strategic decisions while at the same time meeting the norms and expectations that are intrinsic to the family as an institution and the firm as an institution? The theoretical perspective that we use to answer this question is the general theory of inter-institutional systems as originally formulated by Friedland and Alford (1991), and further developed by Leaptrott (2005), Greenwood, Diaz, Xiao Li, and Lorente (2010), and Miller, Le Breton-Miller, and Lester (2011). Our empirical approach is to focus on a single type of strategic decision: the launch of new ventures. This, we believe, will allow us to compare with greater precision how interaction between family and firm logics in the Indian family firm influences strategic decision making by looking at new venture creation in the family firm.

The empirical setting we use to explore the predictions of inter-institutional systems is strategic decision making by Indian family firms. We use multiple case research design (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2009), specifically looking at new ventures created by family businesses that are listed on the Indian Stock Exchange. Our focus is on examining logics which influence decision to allocate or not to allocate resources to a new venture based on the case that family members make for the venture.

Our analysis of this data suggests that new venture creation is shaped by four sub-logics that emerge from the interaction of family and firm institutional logics: economic, expertise, reputation and attachment (abbreviated as EERA in this paper). More specifically, we show that family EERA logic guides how the family interprets the economic contribution and financial risks of new venture opportunities. Second we point out that EERA logic will focus attention on the contribution that new venture opportunities can make to developing entrepreneurial talent and improving managerial expertise among the family members. Third, we show that EERA logic leads family decision makers to examine the reputational risks and benefits of potential new venture opportunities before lending their support. Finally, we show that family decision makers will view new venture opportunities through the lens of inter-generational cohesion, lending their support to new ventures if they increase attachment and commitment of younger family members to the family business.

Our research draws on, and makes a contribution to, two research streams. The first, and most immediate contribution, is to the emerging research stream on institutional logics, in particular literature that looks at the family's role as a nonmarket institution with its own institutional logic (i.e., firm is organized to serve family members) (Greenwood et al., 2010; Pache & Santos, 2013; Reay, Jaskiewicz, & Hinings, 2015; Thornton, Ocasio, & Lounsbury, 2012). The second, and more general contribution, is to the literature on entrepreneurship within family firms (Cruz, Howorth, & Hamilton, 2013; Schjoedt, Monsen, Pearson, Barnett, & Chrisman, 2013; Steier, Chua, & Chrisman, 2009). Here, we make a contribution to research on entrepreneurship processes by, and within, family firms. Most current research on this area tends to focus on how family firms evaluate the economic aspects of new venture creation, with particular attention to transgenerational entrepreneurship, and the preservation of inter-generational wealth (Zellweger, Nason, & Nordqvist, 2012). Our study broadens the criteria used to evaluate new ventures, thus throwing new light on entrepreneurship in family firms that operate in traditional societies.

Our research also has practical implications. Often family members and non-family managers involved in new venture projects, including their sponsors, do not have a clear idea about the relative importance of family logic or the multiple dimensions of family logic. In the absence of clearly discussed and accepted criteria, families are more likely to take sub-optimal decisions or may delay decisions to the detriment of the family and the firm. We highlight that attention to family EERA logic enables family firms to plan and execute new venture opportunities more successfully while attending to the family's and firm's needs. For instance, family firms may be able to adjust the weight assigned to each of the four dimensions of family logics, such as expertise or attachment, during key events such as arrival of the next generation in the family business or the decision by a family member to pursue a new venture opportunity outside the core business.

Theoretical foundation

Family firm as an inter-institutional system

Scott (2014: vii) pointed out that crafting a definition of institutions that is inclusive and rigorous is difficult (see also Alesina & Giuliano, 2015: 902). For the purposes of our paper we use two definitions of institutions, the first is general, and the second is more specific. Hodgson (2006: 18) defined institutions as "systems of established and embedded social rules that structure social interactions." In our case, we need to focus on organizations. Here it is useful to cite Lopez and Scott's (2000: 3) definition of institutional structure as "cultural or normative patterns that define the expectations that agents hold about each other's behavior and that organize enduring relations with each other."

Institutions give rise to institutional logics. Thornton and Ocasio (1999: 804) defined institutional logics as "the socially constructed historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to social reality." Institutional logics are used as a conceptual building block for understanding

how organizations rooted in multiple institutions manage the inevitable tensions that arise between the core institutional sectors of society—the family, the state, the corporation, the professions, and the market (Friedland & Alford, 1991). Research on institutional logics has flourished over the last decade, but until recently most of this research focused on how some institutional logics lose their power whereas others become dominant, and how this dominance shapes managerial practices (Thornton et al., 2012). The basic premise of this research is that multiple institutional logics cannot co-exist indefinitely without one marginalizing the other as organizational fields evolve. For example, Thornton (2004) showed how structural change in the US publishing industry led to the increasing dominance of market institutional logic at the expense of editorial institutional logic. Haveman, Rao, and Paruchuri (2007) showed how the influence of the progressive movement on the California thrift industry led to the replacement of institutional logic based on direct social ties by an institutional logic based on impersonal bureaucratic coordination. Ahlstrom, Young, Nair, and Law (2003) examined the challenges faced by foreign firms in China and highlighted the importance of managing the competing institutional logics in an informal institutional environmental setting (see also Hitt, Li, & Xu, 2016). Finally, Zajac and Westphal (1994) showed how institutional logic that derives its legitimacy from agency theory competed with institutional logic that is based on CEO autonomy, with the former in ascendancy until 1980, and the latter making a comeback later on.

By contrast, current research on institutional logics is increasingly focusing on situations where multiple institutional logics not only co-exist, but also often intermingle. For example, Lounsbury (2007) showed how trustee and performance logics in the mutual funds industry interact to produce variation in how mutual funds establish contracts with professional money management. Similarly, Delmestri and Walgenbach (2009) concluded that variations in British, French, German, Italian, UK, and US adoption of Assessment Centers can be traced to “interference” between two institutional logics, the first based on national business system, and the second derived from the human resource profession. Kostova and Roth (2002) explored the interaction of multiple institutional logics under conditions of “institutional duality” specifically the interaction of local institutional logic, and relational institutional logic in multinational corporations. Finally, Battilana and Dorado (2010) saw the emergence of commercial microfinance organizations as a hybrid of “development logic,” the microfinance mission to help the poor, and “banking logic” that mandates profits as a fundamental requirement for creating sustainable lending operations.

Studies of family firms have been late to recognize the usefulness of multiple logics as an explanatory framework. A dual institutional interpretation of family firms would suggest that they straddle two distinct institutions, the family and the firm (Leaptrott, 2005). More precisely, to use the term originally employed by Friedland and Alford (1991), the “family firm” is an “inter-institutional system.” In inter-institutional systems, as Thornton and Ocasio (2008: 105) pointed out, “key constructs in the analysis of organization, such as efficiency, rationality, participation, and values are not neutral, but are themselves shaped by the logics of inter-institutional system.” In the case of family firms, the logic of the inter-institutional system must therefore combine two distinct institutional logics. The *first* is a logic that is rooted in family

dynamics and arises from genealogical history, blood relations, marital affiliations, and cultural ideologies, and the *second* is a logic that is shaped by the firm's obligations to shareholders.

Institutional logics direct attention and shape interpretations. They are, in the words of Biggart and Guillén (1999: 725): "sense-making constructs expressed as conventionalized understanding of what is appropriate, normal, and reasonable." But precisely because institutional logics define what is legitimate, they also provide actors with a set of "justifying practices" which they can use to appeal for resources and support (Tilly, 2006).

Within the family, as Sillars (1995: 377) pointed out, requests for resources and support are justified by appeals to "collectivist values such as sharing, cooperation, unity, loyalty, respect, and restraint, as well as behavioral norms pertaining to mutual assistance, family obligations, subordination of individual needs to family needs, and preservation of family honor or dignity." In contrast, within the firm appeals for resources and support are justified by reference to market opportunities and financial returns.

A family firm as an inter-institutional system therefore faces the challenge of balancing the collectivist orientation of the family with the market and financial orientation of the firm. Research suggests that family firms in Western economies where rapid industrial and social change took place simultaneously had difficulties discovering or sustaining this balance. For example, Ingram and Lifschitz's (2006) study of family firms in the Scottish shipbuilding industry shows that "relationship-based capitalism" did not survive because of the inherent tension between capitalism based on family relationships and the logic of shareholder capitalism (taken from Greenwood et al., 2010: 527; see also Franks, Mayer, & Rossi, 2005). In the struggle between family and firm logics, the latter came to dominate at the expense of the former. Dispersion of shareholding among family members over successive generations played an important role in accelerating the process. As shareholding expands beyond the nuclear family emotional bonds that play a role in decision making recede in importance (Le Breton-Miller & Miller, 2013; Rau, 2013).

Research suggests that family decision makers are usually concerned with maintaining what Gomez-Mejia, Makri, and Kintana (2010: 223) referred to as the family's socioemotional endowment: the "family's ability to exercise authority, the enjoyment of personal control, 'clan membership,' a sense of belonging, affection, and intimacy, as well as an active role in the family dynasty." Preserving socioemotional endowment is a preoccupation in all family firms (Labaki, Michael-Tsabari, & Zachary, 2013; Leitterstorf & Rau, 2014), but it tends to be particularly strong in family firms that operate in traditional societies where the extended family not only shapes individual identity but also holds sway over their adult lives. In these societies, to quote Sharma and Manikutty (2005: 301), "leaders are viewed as stewards of the family business and are more likely to feel the pressure to act in concert with the wishes of the family collective."

Families in traditional societies are therefore more likely to reinforce the role of family logic in the business by cultivating identification with the business among the younger generation from early age. Family patriarchs in such societies are also more likely to prefer arranged marriages for their children

based on the needs of the family business (Mehrotra, Morck, Shim, & Wiwattanakantang, 2011). Such marriages are often used to expand family influence by forming familial bonds with important families or individuals, but they also serve to reduce the family vulnerability to inter-generational loss of interest by core members by bringing in new family members that are potentially interested in working in the family firm. To quote Mehrotra et al. (2011: 1124), “arranged marriages might bring in highly capable sons-in-laws (or daughters-in-law) who can take management roles in the family business; or sons-and daughters-in laws thought better able to foster talent in their children.”

In this paper we argue that institutional logics exercise pervasive influence on the management and evolution of family firms. In general, however, this influence is covert and informal. It becomes more explicit when key strategic decisions such as new venture formation require formal deliberation and major resource commitment.

Exploring the tensions between firm and family logics in new venture formation

To explore the interaction between family and firm logics we decided to focus on new venture creation. The main reason we chose new venture creation in this instance is the relatively clear sequential decision-making process, and set of evaluative criteria, that most studies use to describe new venture creation. Briefly put, the literature separates the new venture creation process into three phases: conception, screening and implementation. The conception phase comprises of opportunity detection and framing. The screening phase lends explicit support to some ventures while setting aside others. Finally, once the venture gains approval and resources are committed to implementation, it moves towards becoming a new enterprise with its own organizational structure and budget.

Research on new venture creation highlights a set of criteria that are used to evaluate ideas and alternatives during each of these phases. During conception managers are expected to analyze new venture opportunities in function of “changes in technology, consumer preferences, or some other attributes of the context within which a market or industry exists” (Kirzner, 1973: 10). The key criterion during the new venture selection phase is the expected rate of return, usually set by top management on the basis of what they see as an acceptable risk level. Finally, implementation calls for appointment of key personnel based on their suitability and past experience.

In total these criteria express firm logic as it applies to new venture creation. They are in effect normative in as much as they structure expectations of how professionally managed firms must judge potential economic value, risk, and how they should go about achieving the desired outcome. Our reading of the family firm literature suggests that family internal dynamics often lead to departures from this normative logic in many business decisions, including venture creation. Empirically, we may therefore expect new venture creation to bring to the surface tensions between family and firm logics that are common in other types of decisions as well. These tensions speak to the basic difference between firm logic and family logic, which in turn allows us to more clearly see values that frame family logic. Based on current

literature on family firms, we would expect tensions between firm and family logics to arise in the following areas:

Official vs. "behind the scenes" decision making Firm institutional logic derives its legitimacy from the legitimacy of firm governance. In developed economies with strong codes of corporate conduct, maintaining the legitimacy of firm governance calls for family members to acknowledge a separation of decision-making powers between the board where the family is represented, and the firm where corporate officers are authorized by their position to make strategic decisions. In emerging economies, however, weak, or weakly enforced, codes of corporate conduct allow family members to blur the boundaries between the family and the firm. To some extent the blurring of the boundaries is due to the fact that corporate officers in these family firms are frequently also family members who unavoidably participate in family meetings where the same issues are discussed and debated. But at a deeper level the tendency of decision making to move back and forth between the family and the firm is due to a culture that is comfortable with strategic decision making taking place in family councils where the interests of the owner-family are simultaneously considered with the needs of the company (Mustakallio, Autio, & Zahra, 2002: 208). This culture is strongly shaped by a web of formal and informal affiliations that extends throughout the family, and beyond. These affiliative mechanisms are reinforced by societal institutions such as weddings and religious celebrations that bring together the family, but also pay highly visible role in the life of the community. These highly scripted events are not only used to affirm family ties, but also used by the family to reinforce existing networks of influence in the political establishment and the wider community by inviting influential members of government and business leaders (Liu, Ahlstrom, & Yeh, 2006: 419; McDonald, Khanna, & Westphal, 2008).

New venture evaluation criteria Firm institutional logic requires decision makers to evaluate the merits of new ventures purely on the basis of the risks they pose to the firm, and the benefits that will accrue to the firm, and indirectly to the shareholders (without regard to whether the shares are held by the family or outside investors). Family institutional logic, on the other hand, will support new venture creation that increases firm wealth (since the family also benefits), but will often bring other criteria to bear that are not legitimately part of firm logic. Specifically, firm institutional logic will often lead decision makers to evaluate the benefits of new ventures to factors such as inter-generational cohesion. From the point of view of family logic selecting and resourcing a new venture as a way of reinforcing the commitment of younger family members to the family firm is perfectly legitimate. The same is the case if new ventures provide younger members with an opportunity to develop managerial skills. However, from the point of view of firm institutional logic these criteria are not legitimate, and hence officially cannot be part of the evaluation of new venture creation. This sets up a tension between firm and family logics when evaluation of new ventures deviates from the process mandates by firm logic. This tension is usually managed informally through compromises and political accommodations that reinforce the influence of inter-institutional logics.

Methodology and data

This study adopts a qualitative approach of eight case studies using interview narratives, observations and secondary data from family firms. The general approach of this study is "theory elaboration" (Eisenhardt, 1989; Lee, Mitchell, & Sablynski, 1999; Yin, 2009). We do this by using extended case method to guide our data analysis. This methodological approach uses empirical data gathered through case studies to reconceptualize and extend existing theory (Burawoy, 1991; Santos & Eisenhardt, 2009). The researcher explores the literature relevant to his/her problem area, and employs the empirical case data to fill in its gaps, reveal its flaws, elaborate its meaning, and extend its coverage (Danneels, 2007). We drew on current research on new venture creation, resource allocation, and family firms to develop an interview guide (Siggelkow, 2007). The data emerged in the form of narratives that are often used to explore how individuals view their surrounding environments (Boje, 1991). Through narratives, individuals draw on memory and current experience, bridging the past and present (Bartel & Garud, 2009).

Data collection

Our research was based in India. The data collection involved interviews, observations, a round-table discussion and secondary data. It was conducted over a 13-month period from February 2009 to March 2010. We used CapEx database from the Center for Monitoring Indian Economy (CMIE), which tracks new and ongoing investment activities in India. The database allows researchers to select new units launched by Indian family businesses. CMIE databases have been widely used by researchers working on Indian firms (Khanna & Palepu, 2000).

From this database we selected announcements for 86 new ventures made over the 18-month duration of the study. The new ventures were part of 22 family firms, and were not merely an expansion of existing business unit but involved launch of new products and services. We then contacted the corporate head offices to verify the status of new ventures, with particular focus on whether the announcement for a new unit was actually a new venture. It is widely known that the precise nature of most new ventures is kept off the "radar screen" of publicly available records (Aldrich, 2000). For instance, some new unit announcements turned out to be merely capacity expansion projects of an existing manufacturing plant. We were specifically interested in ventures, which were set-up or expected to be incorporated as a separate private firm. If the family firm was deliberating over announcing any other new ventures in the next six months we sought further information on the new venture. As a result, we were only able to retain 12 family firms in our sample.

Ours was a diverse sample. The family firms had distinct family contexts. These ranged from founder-controlled which had at least two family members active in the business to sibling partnership to cousin-consortium where multiple family members from different generations were involved. Studying diverse set of firms is known to lead to firmer grounding of theory than studying a more homogeneous one (Eisenhardt & Santos, 2009; Harris & Sutton, 1986).

Initial approaches were made to these 12 firms using our network, and previous research and consulting relationships. We were able to secure access into eight family firms. In total we were able to observe 36 new ventures in various stages of development. Out of this seven new ventures were under review during our study, and 29 new ventures had been selected and provided resources for implementation. None of the new ventures were yet listed entities. Table 1 includes descriptive details of the sample.

Once this initial connection was made, the family usually agreed to accommodate further requests for research, including interviews in informal settings in family homes or after office hours. Field data were collected by the second and third authors. In all eight cases, after initial interviews the authors were invited to sit as observers on the board meeting and informal family meetings where the new venture ideas and resource allocation was discussed. In total, we conducted 19 observation sittings, where the authors independently took handwritten notes. We also conducted 27 face-to-face semi-structured interviews lasting from one to two hours. We interviewed at least two family members representing the family in the board. In seven cases, we interviewed the executive chairman, and in one case we interviewed the CEO. To further understand the new ventures resource seeking from the parent family firm, we interviewed family and non-family managers who had championed the new venture creation process. All interviews were conducted in English. Almost all the interviews were tape-recorded and transcribed, and authors made extensive notes independently during and immediately after each interview and observation sitting.

The interview with each family chairman began by introducing the research project, and then inquiring whether the firm had launched a new venture in the recent 18 months, or was about to launch a new venture. Once this was established, we moved to open-ended questions that dealt with how new venture opportunities are identified, and to what extent they are related to the core business or not. We explored the criteria the interviewees used to select each of the new ventures; the nature of family's and non-family managerial involvement during idea-generation stage; the start-up budget and commitment to keep to this budget; the specific performance objectives for the new venture. For instance, if it was required to attain a specific rate of return or break-even after specified time-period and if there was any request for additional resources from the new venture team as the idea matured and entered evaluation stage. During the discussion, we probed respondents to explain the key familial dimensions that influenced new venture creation process, and rate the impact of these dimensions (which comprised family logic) on resource allocation from low to moderate to high.

In the course of the interviews, family executives were asked for contact information for new venture champions from family or non-family who might be interviewed. Next, the new venture champions from the family and non-family were interviewed following a similar open-ended interview process outlined above. The interviews with new venture champions were used to corroborate information gathered from family chairmen, but they also focused on questions such as: To what extent did the new venture champions have autonomy in making strategic and operations decisions during the opportunity evaluation and development stages? To what extent was the family willing to allocate additional resources in cases where the resource requirements escalated during the new venture creation process? At the conclusion, interviewees were asked to share any other thoughts or information that seemed relevant.

Table 1 Overview of family firms (not the family firm's real names)

Family firm	Launch year	Sales (USD in millions)	Number of employees	Key business areas	Number of business units	Family generation
Shri Science	1986	527	6,300	Pharmaceuticals, Pharma packaging, Clinical research	9	1st and 2nd Founder Controlled and Managed
Intellect	1991	193	7,000	Engineering services, Geospatial services, IT services	5	1st and 2nd Founder Controlled and Managed
Gene Tech	1984	980	11,228	Pharmaceuticals generics, Bio-pharma, Clinical research, New chemical entities	8	2nd Sibling Partnership
Kohinoor Enterprises	1965	135	3,200	Automobile parts oils, Engineering	6	2nd Sibling Partnership
Links Limited	1990	740	8,500	Commodities, Textiles, Infrastructure	4	2nd Sibling Partnership
Rao Corp	1900	2,400	32,000	Agriculture, Commodity consumer durables, Engineering products & services	29	5th Cousin Consortium
Motilal & Sons	1923	120	3,750	Cotton trading, Manufacturing paints, Steel, Real estate, Electrical distribution, Financial services	7	3rd Cousin Consortium
Lohia Sons	1960	151	8,800	Rice bran oil, Food products, Textiles, Retail	5	4th Cousin Consortium

In addition, we gathered secondary data about the firm, the family, and new ventures from company reports, corporate materials and information from news media, such as press release to announce commitment of resources to a new venture being launched by the family firm. Towards the end of the study (after the interviews and observational data had been collected), we organized a round-table discussion around the topic: "New Venture Creation in Family Firms," which was attended by member of the top management team from the participating family firms. One of the authors acted as a moderator of this session. This session was video-recorded, and a transcription of the session was prepared.

The triangulation of interview narratives, internal company documents, and publicly available information allowed us to produce detailed descriptions for each family firm and the new ventures. Following Eisenhardt and Graebner (2007), we took several steps to reduce the informant biases. First, the sample comprised cases in which the new venture ideas were in the process of being discussed, and no decision had yet been made. Second, the sample comprised cases in which new venture opportunities were still under evaluation stage, or new ventures that were created no more than 18 months prior to data collection. We sought to minimize retrospective bias by collecting data from other sources such as observations, round-table discussion, presentations, and news media. This enabled us to triangulate our findings to construct reliable interpretations (Yin, 2009; Zott & Huy, 2007). Second, we interviewed highly knowledgeable informants, such as the chairman or the new venture top managers, who were at the center of the new venture creation process. Third, we interviewed family and non-family executives. Fourth, to encourage frank and open discussion we guaranteed respondents confidentiality. Identities of all family firms, family members and new ventures are therefore disguised in line with these assurances (Glick, Huber, Miller, Doty, & Sutcliffe, 1990). Below we provide details on the sources of the data collection for this research (See Table 2).

Data analysis

Our data analysis involved several steps. The first analytical step involved organizing the data on each of the family firms, identifying new ventures they had launched, and writing detailed case narrative (Eisenhardt, 1989). We included informant quotes as well as tables for each new venture encapsulating the key facts for each new venture to prepare the transcript for each family firm. At this point, we also re-evaluated available documents independently (notes from observation meetings, notes from the video-recording of the round-table discussion, press reports, company documents) to verify whether notes from our interviews were consistent with the content of these documents. All interview transcripts and other relevant documents, were read repeatedly by all three authors throughout the analysis process. The authors made notes in the margins of the printed pages about key themes before coding these in categories such as "new opportunities," "market reasoning," "family justification," "resource allocation," and "family governance practices."

We compared and discussed our coding with one another. A fourth coder, a research assistant who was not involved in the data gathering, was used to validate our definitions of the coding categories. She separately read through the transcripts and

Table 2 Data sources

Family Firm	Interviews		Observations		Round-table discussion	Archival material
	Number	Designation	Board meetings	Family meetings	Number	
Shri Science	4	Chairman (F) R&D Director (NF) CFO (NF) Business Unit Head (F)	2	1	1	Company Report Articles Presentations
Intellect	3	Chairman (F) CEO (F) Business Unit Head (NF)	1	1	1	Company Report Articles Presentations
Kohinoor Enterprises	2	Chairman (F) Business Unit Head (F)	1	1	1	Company Report Articles
Links Limited	3	Chairman (F) Vice President (F) Business Unit Head (NF)	1	1	1	Company Report Business Plan Presentations
Gene Tech	4	CEO (F) COO (F) Director- New Business Development (NF) Director- Emerging Markets Group (NF)	1	1	1	Company Report Articles
Rao Corp	3	Chairman (F) CEO (F) Director Strategy Planning (NF)	1	2	1	Company Report Presentations
Motilal & Sons	3	Chairman (F) CFO (NF) Business Unit Head (F)	1	1	1	Company Report Presentations
Lohia Sons	5	Chairman (F) CEO (F) CFO (F) NV Directors (F)	1	2	1	Company Report Presentations Business Plans

F Family, *NF* Non-Family

reviewed our coding, pointing inconsistent interpretations of our explanations of the coding categories. This was used to refine and adjust the coding categories. Following Eisenhardt (1989) and Yin (2009), we used the coding categories to identify themes in the interviews (within-case analysis) and across the complete string of cases (cross-case pattern search). Major categories and sub-categories were noted and continuously modified with emerging evidence from primary and secondary data. We then had another set of meetings to reach agreement on the final version of narrative of each new venture creation process within each of the eight family firms. We shared these case narratives with all eight family firms and followed up in person to check if there were any discrepancies. We incorporated the input we received in the form of additions or corrections. Following this interpretation process provided an additional check on interpretation bias and internal validity (Boland, Lyytinen, & Yoo, 2007; Burgelman, 2002).

The three most important categories for the analysis for each case were (1) the characteristics of the family (whether it was a first, second or third generation firm; emphasis placed on values such as family heritage, development of entrepreneurial talent, and family reputation; (2) the source of new venture opportunity search; how it developed the firm logic for the resource allocation; and (3) the role played by the governance process-formal and relational family practices in influencing the resource allocation decisions during the opportunity conception, screening and implementation.

Findings

New venture ideas can emerge because of “changes in technology, consumer preferences, or some other attributes of the context within which a market or industry exists” (Kirzner, 1973: 10). More generally, new venture ideas may be the product of individual’s perception of market signals, willingness to experiment and learning from prior experiments (Alvarez & Barney, 2010). But detecting new venture opportunities is very different from persuading the rest of the organization to engage in serious discussion about their merits, let alone obtaining the resources needed for implementation.

New venture opportunities and inter-institutional logics

Our study focuses on potential tensions between family and firm logics. We expected these tensions to surface more explicitly when family members and non-family executives debate the relative merits of new venture opportunities. We observed that non-family executives were much more constrained by firm logic when it came to justifying why a particular new venture deserves serious attention. For managers, championing new venture opportunity required legitimation in function of the firm’s current products, technologies, or market position. More generally, managers always used criteria based on the firm’s current strategy to champion new venture opportunities, usually by showing how the new venture extends and reinforces the firm’s core business. A good example is the case of Gene Tech where a new venture proposal that was championed by a non-family executive ran into opposition from the family CEO who felt that the proposal did not accord with family interests. Specifically, the family felt that the venture posed strong reputational risks that could pose a problem well into the future. Our interview

with the family CEO took place just as the process was ongoing. He described the situation as follows:

> The management team developing the Korean proposition was very passionate. They had done lot of homework on their proposal and the return we can expect. We have seen them working on it day and night on this proposal. Last Wednesday they flew in a reputable Korean consultant from Seoul to give us the insights on Korean generics market and how rapidly it is evolving. We did not interfere with this process. It is important that non-family executives come up with new venture proposals in the best interest of the firm. But as guardians of Krishnan family's interests, we have to bless the whole thing and we have clear criteria of not entering markets where the family's credibility and long-term interests could be in jeopardy. When your family's name is associated with the business, you cannot take a gamble and we will only enter a new market when we are absolutely sure. We owe it to next generation of Krishnan's which is getting ready.

The above statement was unusual in its bluntness. In most of the interviews, family members who were also executives were more reserved when it came to using family logic to justify decisions. In some cases, family members championed new venture opportunities using firm rather than family logic. This tended to occur when family and firm logics were consistent with each other as far as the economic advantages of the new ventures were concerned, and did not conflict in other areas such as intergenerational cohesion or family reputation. Clearly, from the point of view of legitimizing the decision, family executives preferred firm logic when dealing with new venture opportunities in their managerial capacity unless tensions between the two logics stood in the way.

Generally speaking, family members found it advantageous to use family logic when legitimizing new ventures, and non-family executives preferred firm logic. Family executives alternated between the two, depending on the economic strength of the case for the new venture. If the economic case for the new venture was strong, but some family members raised questions about the value to the family, family members and family executives drew heavily on firm logic to make their case for moving forward. On the other hand, if the economic rationale for the new venture was weak, family members and family executives tended to use family logic to legitimize the new venture.

Arguing for a new venture in spite of weak economic rationale tended to occur when the family employed other logics to assess the merits of the new venture. Our research pointed to three areas where this was likely to occur. First, family members evaluated the new venture not only on the basis of market risk and wealth generating potential, but also as contributing (or potentially damaging) family reputation in the community. Research suggests that firms see reputation as primarily an asset with market and financial implications (Boyd, Bergh, & Ketchen, 2010; Deephouse & Jaskiewicz, 2013). The Indian families that we studied saw reputation more broadly as having impact on the social and political standing of the family with significant impact on the family's ability to forge alliances and influence the external environment. Tensions between family and firm logics emerged when family assessment of new venture reputational advantages or disadvantages influenced decision making. This tended to

happen not only early on during the screening of the new venture ideas, but also later when new ventures ran into difficulties. In these circumstances, families were often influenced by the reputational damage to their standing in the community that may arise if the new venture is shut down. For instance, when a new venture set-up by Motilal & Sons experienced difficulties during its first year, the family decided to inject resources by selling jointly held family land holdings in order to preserve the family reputation.

New venture evaluation and inter-family dynamics

Our research also showed that the evaluation of new ventures was also influenced by intra-family dynamics. As an institution, internal dynamics in Indian family are shaped by two strong imperatives: The first is the deference that the young must show towards their elders, and second the overriding importance of maintaining inter-generational family cohesion. These two imperatives increasingly come into conflict as the family firm expands beyond founder controlled, to sibling partnership, and later into cousin-consortium.

Intra-family dynamics in founder controlled family firms illustrate how Indian family firms balance these two imperatives. In principle, founders in Indian family firms have unlimited discretion. They can, and do, pursue new venture opportunities based on their personal preferences knowing that the rest of the family must show deference to their decisions. But making arbitrary decisions, and relying on deference alone, risks undermining the cohesion of the family since it conflicts with shared understanding of rights and obligations within the family as institution: The founder may have the right to demand obedience, but he (all the founders in our sample were men) is also obliged to explain how a decision protects and strengthens the family. In our study we observed a number of instances where founders went beyond the economic case to highlight how the new venture will benefit the family more generally. Consider the case of Intellect, a family firm founded by Kumar Naidu as a technology services company that focuses on serving engineering clients. While Kumar's brother and nephews got involved in business very early on, Kumar's only son, Vijay decided to start his career in the US working for a global technology firm after graduating from Wharton. When Kumar detected a new venture opportunity—developing a geographical information system to track generation and distribution of electricity in the Indian market—in which Vijay showed interest, he moved quickly to use this as an opening to bring Vijay into the family business. But rather than schedule a formal meeting with family members to discuss his idea, he broached the subject during one of the family dinners that regularly brings the extended family together. The proposal was sympathetically received by the extended family who in turn asked Kumar to give Vijay the mandate to take the venture idea to next level.

In our data many new venture ideas originated from young family members. In principle, young family members should be at a disadvantage when it comes to proposing new venture ideas in a family system where deference to seniors is paramount. In practice, we found that senior family members were willing to legitimize new venture ideas that were championed by young family members on the grounds that rejection of such ideas would lead to their alienation, and hence represent erosion of family cohesion. The family legitimation was particularly striking when the proposed new

venture had little to do with core business. A comment by Samir Lohia (2nd generation), from Lohia Sons, a cousin consortium family firm, captured this dilemma well:

> The 3rd or the 4th generation entering the family business is less interested in expanding the core business. Maybe they have studied abroad and consider the food business boring, or maybe they feel that they will be dominated by the elder generation. In fact, there was a point last year, where we sat together with the 3rd generation family members, and told them that the new venture ideas they have been looking at are not only outside our mainstream businesses, but they are also going to give far lesser return. But it doesn't gel with the new generation. Despite the financial incentive being there, they seek opportunities in biopharma or international retail to seek independence, and maybe to prove to us that they can make it on their own.

The need to maintain inter-generational family cohesion meant that new venture ideas were discussed seriously even when they did not meet the standard criteria of relatedness to mainstream business and rate of return. Given their youth and relative inexperience, young family members should have been at a disadvantage when arguing for a venture that did not fit with the core business. But they compensated for this disadvantage by implicitly or explicitly relying on their role in maintaining family cohesion. Appealing to family logic they therefore legitimized the use of venture criteria that are not as a rule included in the decision process. This often meant that criteria such as relatedness to mainstream business and rate of return that were customarily used to evaluate new venture ideas when they are proposed by managers, were altered to favor new venture ideas proposed by family members.

Krishnan Rao, Chairman of Rao Corp reflected on the vital role that he as the family patriarch played in accommodating the interests of younger family members while seeking to maintain family cohesion:

> When my nephew Srini (fifth generation) completed his technology degree in US, he, like his other cousins had the option to join one of the business units in an executive role. Srini, however, was keen to start a new technology venture. He approached his father who in turn suggested he first discuss this with his grandfather- Senior Rao. Senior Rao suggested Srini to make a start by locating the venture within an existing business unit. Until late last year, Srini however struggled to secure resources to broaden the scope of his venture, which had little synergy within the core business. Obviously this was really frustrating for him. He regularly talks to Senior Rao, who keeps a close eye on family. Earlier this year when the whole family was together for the annual get together, Senior Rao called all of us in his room and made it clear to us that he endorsed Srini's initiative and even wrote a substantial cheque as a start-up capital. Following this, other family members have come forward to provide seed capital and Srini's venture is taking off with the family's blessings.

Relaxing the criteria that govern new venture screening and funding when decisions are made within firm logic to accommodate the wishes and ambitions of younger family members can potentially politicize the new venture creation process. This in turn

may have adverse impact on family cohesion if other members of the family feel that key family interests, specifically economic wealth, are being jeopardized. In the family firms we observed, there were consultation processes in place that allowed for open discussion of new venture ideas, even when in principle senior family members had the final say. When consensus could not be achieved, senior family members initiated more formal family proceedings to resolve potential tensions. Shiv Lohia, the family patriarch and founder of Lohia Sons, describes the process in the following way:

> …once every working family member has received [the new venture] document, a date and time are fixed for an informal discussion. Prior to this meeting, family members with technical and financial competence do their evaluation and there is a discussion on every aspect of the project. For instance, two members of the second generation have in-depth knowledge of family wealth and how much risk the family can take with new investments. There may be series of meetings but as a general rule there are never more than three, and the outcome must be based on 100% family agreement. For instance, if the house is divided, we never go by majority. The venture only receives a green light if it has 100% approval, otherwise the project will be put on the hold.

To sum up, our interviews with family members point to key criteria as playing a crucial role in the evaluation of new venture opportunities: (1) economic value of the new venture opportunity, or more specifically the impact of the new venture on family wealth, played a role; (2) maintaining family cohesion by legitimizing discussion of new venture opportunities that are not within the scope of mainstream business; (3) the potential value of new ventures to upgrade the business skills of younger family members, in effect, preparing them for senior positions down the line; and finally (4) the use of new venture opportunities to project family's reputation in the community, an important aspect of the family as an institution in Indian society. Seen from the perspective of inter-institutional logics these four can be summarized in the following seven propositions.

Proposition 1 Family members that champion new ventures are more likely to emphasize family logic in their proposal if the new venture is difficult to justify using economic logic.

Proposition 2 A new venture that is difficult to justify using economic logic will often get the go head if it can be shown to generate substantial reputational benefits for the family.

Proposition 3 A new venture that is difficult to justify using economic logic will often get the go head if evaluation using attachment logic suggests that the new venture will strongly contribute to present and future family cohesion.

Proposition 4 A new venture that has strong economic case but may potentially damage the family reputation logic is likely to not receive the go ahead.

Proposition 5 A new venture that has strong economic case but may potentially cause divisions within the family is likely to not receive the go ahead.

Proposition 6 Proposed new venture opportunities that are outside the core family business are more likely to be allocated resources if evaluation using expertise logic suggests that they will add substantially to family expertise.

Proposition 7 Proposed new venture opportunities that are outside the core family business, but are championed by young family members, are more likely to be allocated resources if evaluation using attachment logic suggests that they will encourage these family members to remain with the family.

Discussion

Contributions

Our research points out that in the case of Indian family firms (all firms were publicly listed), resource allocation to new venture initiatives is deeply influenced by the family aiming to uphold its family logic. Our findings from new venture creation process presented above show interaction of four sub-logics operating within the family logic (see Fig. 1). These are:

> *Family Economic Logic* – The market and financial rationale for strategic decisions must be consistent not only with the strategic position of the firm, but also with the wealth they can generate for the family. When it comes to recruiting resources and obtaining support, Indian families in our sample were more likely to pay attention to decisions that can substantially impact their wealth; responding positively if the decisions in question are shown to increase family wealth, and negatively when they do not. In all eight cases, capitalizing on new venture opportunities emerging in a growing Indian economy was regarded as vital to increasing family wealth for current and future generations. As a result, in most cases, families were open to evaluating new venture opportunities framed by family members outside the core family business.
>
> *Family Expertise Logic* – Firms invest in expertise in order to maintain and improve their strategic position. Our data shows that Indian families (all eight cases), were also intensely interested in investing in expertise of family members as part of a long-term effort to enrich the family's human capital. The logic of the family and the firm therefore comes together when decisions that enrich expertise have positive significance for the family and the firm. In particular, in sibling partnership and cousin consortium family firms such as Rao Corp or Lohia Sons, senior family members were acutely aware of the need to nurture family expertise and displayed willingness to compromise on economic logic if family expertise was augmented by the proposed NV opportunities.
>
> *Family Reputation Logic* – Research suggests that firms see reputation as primarily an asset with market and financial implications (Boyd et al., 2010). Indian families

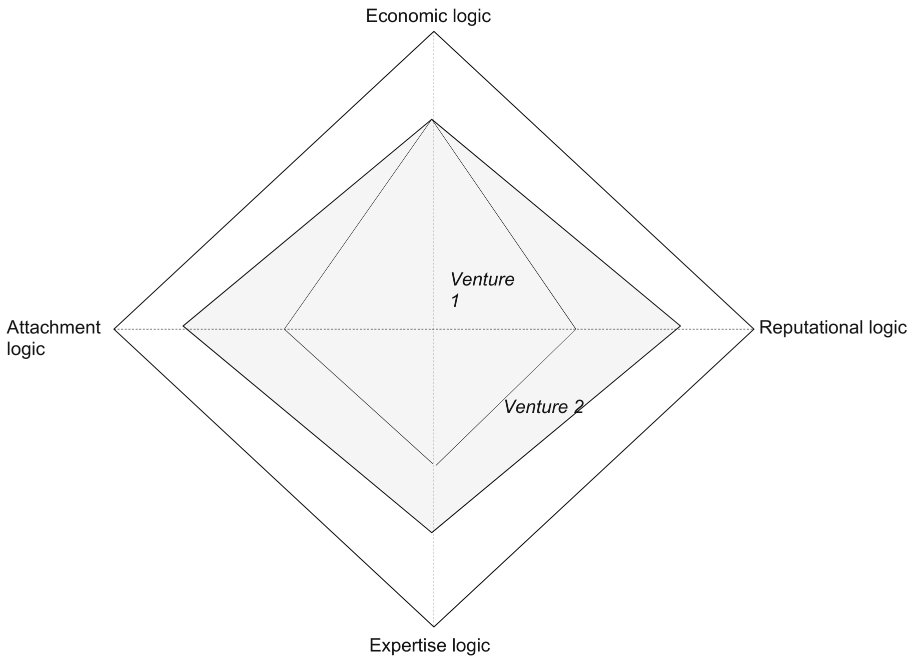

Fig. 1 New venture creation and EERA logic in family firm

in our study, by contrast, saw reputation more broadly as having impact on the social and political standing of the family with significant impact on the family's ability to forge alliances and influence the external environment. Family and firm logic therefore came together when decisions that have an impact on reputation concerned not only business consideration, but also the social and political standing of the family. For instance, when a new venture set-up by Motilal & Sons experienced difficulties during its first year, the family decided to inject resources by selling jointly held family land holdings in order to preserve the family reputation.

Family Attachment Logic – Firms are usually concerned with psychologically and socially binding employees to the organization (Hekman, Bigley, Steensma, & Hereford, 2009). Researchers have established that as family firms evolve from being founder-controlled to sibling partnership to cousin consortium, the pressure to manage ties with an eye to the future multiplies (Schulze, Lubatkin, & Dino, 2003). To counteract ownership fragmentation and go-it-alone opportunism, Indian families in our study reinforced the inter-institutional system that binds the family to the firm. Our data showed that family members reinforced ties by encouraging family celebrations and family get-togethers. The same logic holds when strategic decisions that involve family members arise. Strategic decisions were evaluated according to whether they will increase or decrease family members' ties to the organization. In particular sibling and cousin-consortium family firms such as Lohia Sons were committed to keeping the family together, and looked towards both family governance practices and informal family forums held on sidelines of family get-togethers to preserve affiliation and discuss the implications new venture opportunities could have for family logic.

Figure one illustrates the proposed interaction between these four sub-logics when two hypothetical venture opportunities with similar economic logic were under review. For purposes of comparison we show two ventures V1 and V2. Economic logic results in similar evaluation of the case for each venture, but they differ in evaluation when it comes to the other three logics. Looking at the area enclosed by V1 and V2, one can see that the area demarcated by V2 is much larger than V1. If the area stood for probability of obtaining a go ahead for the new venture, then comparatively speaking we would expect a much higher probability that V2 will obtain the go head than V1.

Figure 1 is useful as a starting point for evaluating the relative strength of the case for a new venture when each of the four logics is used separately. The figure, however, is static; it does not take into account the dynamic interaction among the logics. Our analysis of the data, however, suggests that the four logics may be in opposition or may reinforce each other during new venture creation. Furthermore, the interaction among the four logics often depends on variety of factors that are contingent on the new venture project. For example, opposition between economic logic and attachment logic is more likely to arise if the new venture being championed is not related to the core business. Similarly, stronger complementarity will arise between attachment and expertise logic when new venture opportunity is championed by young family member who has spent time obtaining advanced business education. To sum up, our research shows that family firms operate as an inter-institutional system, where strategic decision making and new venture resource allocation process is influenced by family EERA logic. A summary of new ventures, the relatedness with core business units, the impact on the family EERA logic as perceived by the top family executives, and the process adapted for resource allocation for each new venture is provided in Table 3.

Limitations and future research

Our research carries a number of limitations. To begin with, as with all case studies and convenience sampling, it is not possible to generalize our findings to the whole population with the degree of confidence that we obtain from large samples (Yin, 2009). Second, the sample has a success bias since it is dominated by new ventures that were formally recognized by the organization as potential ventures, leaving out new venture ideas that may have been discussed informally but never made it to the screening stage. A third limitation is a respondent bias that arises when information is obtained only from individuals who agreed to participate in the research. Taken together, these biases prevent us from observing the full range of values on outcome variables; however, the methodology is suitable for our purpose of examining the logic for new venture creation within family firms.

Going forward, our study suggests a number of directions for future research. To begin with our study suggests that in family firms new venture opportunities are evaluated using an inter-institutional logic, which includes an assessment of family economic, expertise, reputation and attachment factors. These four logics interact to produce a go/no-go decision for the new venture proposals and have implications for resource allocation decision before and after the new venture implementation. Second, the question posed by our findings is the degree to which the strength of one logic makes up for the weakness of the other. For instance, a new venture proposal, which has a relatively weak economic case, may get a go-ahead because it delivers on the family reputation

Table 3 New venture process and influence of family EERA for each new venture

Family firm and the NVs	Source of NV idea	Relatedness to the core business	Perceived importance of upholding family logic	Venture selection process and the influence of family EERA Family meetings	Resource allocation decision
Shri Science					
1. New drug unit	NF	High	Low	*"I talk to Dr. AK (senior executive and related to family) and then I sound it out with Bharat (son). I rely on him because he is very clued in. He respects Dr. AK too."*	Yes
2. Clinical research venture	NF	Low	Low		Yes
3. Drugs packaging business	F-Brother	Low	Low		Yes
4. Biotech venture	F-Son	Low	High		Yes
5. European venture	F-Founder	High	Low		Under review
Gene Tech					
1. Clinical research organization	F-2nd Gen	Low	High	Formal process followed but family makes key decisions.	Yes
2. Korea venture	NF	High	Low	*"We follow formal process for vetting opportunities proposed by managers. We don't interfere with the process. We usually talk every evening. Ultimately the decision rests with us."*	Under review
Intellect					
1. Aircraft engineering JV	F-Founder	High	Low	Founder active in spotting opportunities; Consultations with son and family meeting play vital role in screening which opportunity to explore further.	Yes
2. Geospatial India unit	F-Founder	High	Low	*"Vijay (son) said why don't we create the same structure we did with the GIS domestic business. We give Amit (member of extended family) some percentage to make him feel he is really part of our family."*	Yes
3. GIS to Global customers JV	F-Founder	High	Low		Yes
4. Retail services application	F-Son	High	Low		Under Review
Kohnioor Enterprises					
1. Auto oils Middle East venture	F-2nd Gen	High	Low	Founder and family play vital role in screening venture opportunities.	Yes
2. Electrical auto pumps unit	F-Founder	High	Low		Yes

Table 3 (continued)

Family firm and the NVs	Source of NV idea	Relatedness to the core business	Perceived importance of upholding family logic	Venture selection process and the influence of family EERA Family meetings	Resource allocation decision
3. GPS car navigation system	F-2nd Gen	Low	Low	*"I have to respect the elders and keep the personal interest at bay to uphold our family tradition of respecting elders. Dad has the final say. He said we cannot let the personal interest interfere with the family interest. We got to move together. Now I have three novel business ideas, all of which have tremendous potential."* *(Next generation family member commenting upon rejection of venture idea)*	Under review
4. Manufacturing auto parts	F-2nd Gen	Low	High		No
Links Limited					
1. Shipping port	F-Founder	High	Low	Family consisting of founder and his two sons screen venture opportunities and meet most days of the week for dinner to review business and discuss potential opportunities. *"As a family we meet very frequently. We are also guided by the family board which meets twice a year to take decisions in the interest of family members. We do not invest in NVs, which do not meet the family's ROI threshold. The executive board has never dismissed the interest of family or the decision proposed by the family."* *"I am looking for NV opportunities in Australia related to iron ore and the family is 100% behind me. We will make a case and I do not think board will have a problem."*	Yes
2. Coal and iron ore mining venture	F-2nd Gen	High	Low		Yes
Motilal & Sons					
1. Real estate venture	F-3rd Gen	Low	High		Yes

Table 3 (continued)

Family firm and the NVs	Source of NV idea	Relatedness to the core business	Perceived importance of upholding family logic	Venture selection process and the influence of family EERA Family meetings	Resource allocation decision
2. International trading venture	F-3rd Gen	High	Low	Family screens venture opportunities and decides collectively which one will be allocated resources. "*Our family follows the policy laid by my great grandfather that one person looks after one business and of course we have started NVs to adhere to that policy. We don't have written rules but aim for consensus.*" "*The emotional bonding within the family is very strong. Our family has been through lot of emotional ups and downs when my eldest uncle started his independent enterprise in the mid 1980s.*"	Yes
3. Financial services venture	F-3rd Gen	Low	Low		Yes
Lohia Sons					
1. Biotechnology venture	F-4th Gen	Low	Low	Family has clear process in place to balance the family EERA logic. In case member of 3rd generation spots the opportunity, he needs to gain endorsement from member of 2nd generation. Every venture opportunity is then presented and discussed at Family Meeting which is held regularly or is called on need basis. "*The rules are desirable. Though they are followed mostly, but there are some family members who see this them as superfluous.*" "*The venture only receives a green light if it has 100% approval, otherwise the project will be put on the hold. If there is an opinion making, father has the final say, and everybody falls in line.*"	Yes
2. Biomass power plant	F-3rd Gen	Low	Low		Yes
3. Retail chain in Australia	F-3rd Gen	Low	Low		Yes
4. Packaged food for Indian retail	F- 3rd Gen	High	High		No
5. Food processing business in Ghana	F-2nd Gen	High	High		Yes-Resubmit
6. Real estate business in Tamil Nadu	F-3rd Gen	Low	Low		Yes
7. Shipping terminals venture	F-2nd Gen	Low	Moderate		Yes
8. Clothing business in China	F-3rd Gen	Low	Low		Yes
9. Solvent fractionation venture	F-2nd Gen	High	Low		Yes
10. Oil pump manufacturing	F-3rd Gen	Low	Low		Yes
11. Agro business in South America	F-2nd Gen	Low	Moderate		Yes
Rao Corp					

Table 3 (continued)

Family firm and the NVs	Source of NV idea	Relatedness to the core business	Perceived importance of upholding family logic	Venture selection process and the influence of family EERA Family meetings	Resource allocation decision
1. Spirulina algae manufacturing venture	F- 4th Gen	Low	Moderate	"*Uncle commissioned research on Spirulina. It did not fit in our businesses. Since the outlay was low, the family said OK.*"	Yes-staged
2. Rural retail venture	NF	Low	Low	"*We are trying to put in flexible rules to encourage family members to start NVs.*"	Yes
3. New venture on ceramic colors	NF	High	Low		Yes
4. Information services venture	F-5th Gen	Low	Moderate		Yes
5. Water conservation products	NF	Low	Low		Under review
6. Living spaces	NF	Low	Low		Under review

F Family, *NF* Non-Family, *Gen* Generation, *JVs* Joint ventures, *NVs* New ventures

and expertise dimensions. Research on this process could address the question of how this evaluation takes place: Do family firms consider all four EERA sub-logics simultaneously or sequentially? Do they weigh them separately or relative to each other?

Future research could also examine the new venture selection and EERA interaction from an attention-based view perspective (Ocasio, 1997). In particular, we need to know more on the processes that lead key family decision makers in founder-controlled versus sibling partnership or cousin-consortium family firms to allocate substantial attention and resources to some new venture proposals at the expense of others. More specifically, to what extent do sub-logics influence the attention that new venture ideas receive in cousin-consortium versus sibling partnership? By the same token, will new venture ideas receive more systematic evaluation if they are high on certain sub-logics than others?

Researchers could also examine how EERA logic influences other strategic decisions such as family's propensity to pursue mergers and acquisitions, or to devote resources to innovation. For instance, recent research by Liu, Chen, and Wang (2016) showed that firms with higher level of family ownership have significantly lower internal innovation in terms of R&D investment. Future studies could examine: How EERA logics influences strategic decisions such as R&D investments in family firms at different life stages (i.e., founder-controlled, sibling partnership and cousin-consortium)?

Conclusions

Challenging the prevailing agency view of family firms, Miller et al. (2011) and Miller, Le Breton-Miller, and Lester (2013) argued that institutional logics represent a promising alternative to agency theory explanations of strategy in family firms. The work of these authors, as is the case in most family firms research, concentrates on the dynamics of family firms in advanced Western industrial countries.

In Western countries, a key problem facing family firms that rely on capital markets is the tension that arises between preservation of socioemotional wealth (Deephouse & Jaskiewicz, 2013; Labaki et al., 2013; Leitterstorf & Rau, 2014; Rau, 2013), and the institutional logic that institutions such as stock markets and independent investors subscribe to (Miller et al., 2013). Because moves that preserve socioemotional wealth often invites criticism from actors that follow the institutional logic of capital markets, family firms will seek greater legitimacy by exercising greater financial prudence and by conforming more closely to business standards in their sector. In principle, at least, such conformity should impact the long-term financial performance of the family firm, and may contribute to the transition to professionally managed organization that is the life cycle of so many family firms in advanced Western economies.

Our study builds on the work of Miller et al. (2011, 2013) in as much as we also adopt an institutional approach to the strategic behavior of family firms. Our study, however, differs from this research in a number of significant areas.

First, our study examines family firms in traditional societies where the family as an institution carries strong legitimacy not only within the firm, but also in the wider society. Thus, while preservation of socioemotional wealth may be as important to Indian family firms, as would be the case for American or French firms, decisions that

enhance this wealth will attract far less hostility from external actors in the Indian context than would be the case for family firms in the United States or Europe. In effect, the legitimacy that the family carries in traditional societies means that it can justify decisions that serve family interests more easily than is the case in advanced Western economies where family interests are viewed as private matters that should not influence the financial and strategic conduct of the firm. With less criticism to contend with, family firms in traditional societies have greater flexibility when it comes to balancing the tensions that may arise between family and firm institutional logics than is the case in advanced Western economies.

The second area where our study differs from previous family firms research that takes an institutional perspective is our analysis of institutional logics that govern strategic decision making. Miller et al. (2011, 2013) emphasized the preservation of socioemotional wealth as an institutional logic that operates alongside institutional logics that are embedded in capital markets. Our study looks at family firm governance from the perspective of multiple institutional logics that manage the tension between family and firm. In effect, we see the tension between family and firm logics from an internal perspective, rather than as a problem of balancing internal family interests with external public scrutiny. This leads us to distinguish between four sub-logics that regulate the strategy process in family firms: Economic institutional sub-logic that sets evaluative market and financial criteria, expertise sub-logic that evaluates the extent to which strategic decisions enrich family human capital, reputation sub-logic that examines the reputational impact of strategic decisions on the family standing in the community, and attachment sub-logic which evaluates the impact of strategic initiatives on inter-generational cohesion.

Mapping the institutional logics of family firms is an important step towards understanding how the family firm operates as an inter-institutional system. This is of interest not only for researchers, but also for family firm decision makers. To begin with, the influence of institutional logics is a function of socialization and enculturation of family members to each other, and to the family as an institution that occupies an important role in society. The process is to some extent tacit, but must be explicitly recognized and reinforced if it is to exercise enduring influence over decision making. Second, the relationship among the institutional logics we outline in this paper is dynamic: At any point in time some institutional logics are more likely to exercise greater influence than others. Of considerable concern to family firm decision makers is the risk that short-term emphasis on some institutional logics will lead to the gradual suppression of other institutional logics; which may in some cases result in breakdown in the relationship between family and non-family managers, while in other cases may undermine the long-term survival of the family as a cohesive unit. To counteract this risk, family decision makers should not only regularly affirm the intrinsic importance of each of the institutional logics, they should also be alert to the consequences of placing excessive emphasis on some institutional logics at the expense of others.

Acknowledgements We would like to thank Senior Editor Anil Nair and two anonymous reviews for their helpful comments and suggestions throughout the review process. We are also grateful to Patricia Thornton, William Ocasio, Naga Lakshmi Damaraju and Dishan Kamdar for their useful suggestions and comments. Ajay Bhalla acknowledges the support of Thomas Schmidheiny Centre for Family Enterprise for data collection during his stay as visiting scholar at Indian School of Business. This paper also benefited from

the constructive feedback of audiences at the 2010 Strategic Management Society Conference, 2012 Academy of Management Conference, and the 2013 EGOS conference.

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