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Managing Family Businesses Heterogeneity: Global Strategies for Family Business Economic and Social Performance

Georges Samara

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Presented by	**Georges Samara**
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Directed by	**Dr. Jonathan Wareham** **Dr. Maria José Parada**

“For me, I am driven by two main philosophies: Know more about the world today than I knew yesterday and lessen the suffering of others. You’d be surprised how far it gets you.”

Neil deGrasse Tyson

For God,
For Lebanon, for the United States of America, and for Spain,
For my family,
For all that is kind, genuinely good, and just in the world.

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Abstract

How can family businesses be managed and directed to achieve better economic and social outcomes? Despite that family businesses are a group of heterogenous companies, little attention has been given to governance and institutional contingencies when discussing the family business economic and social performance. This resulted in several theoretical debates and conflicting evidence found in the literature. This thesis accounts for family business heterogeneity to shed further light into the managerial and governance choices that can catalyze family businesses economic and social performance. Three understudied sources of family businesses heterogeneity are explored: The various attitudes, skills, and services of the family business human capital, the different levels of family involvement in the business, and the institutional geographical setting in which family businesses are embedded. This thesis theoretically argues for and empirically explores managerial and governance choices that can catalyze family businesses economic and social outcomes. By doing so, this work offers several theoretical contributions that can help reconcile conflicting views found in the literature and provides finer-grained recommendations for practitioners.

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1

General Introduction

Family businesses are highly present all over the world and can account for up to 90% of all forms of enterprises (La Porta et al., 1999; Parada, 2016). As a result, family businesses became extremely important for the world economy (Anderson and Reeb, 2003), by significantly contributing to their country's GDP and by providing a major source of employment. These elements increased scholarly interest in family business research to answer important questions that can serve practitioners and policy makers in better managing family businesses.

Family business research starts from the assumption that family and business are two interconnected institutions having both conflicting and harmonious logics (Miller et al., 2011; Sharma, 2004). Research suggests that family businesses are formed by two sub-systems (i.e. family and business) and that their combination has the potential to yield a competitive advantage or disadvantage for the family organization (Habbershon et al., 2003). In this regard, scholarly inquiry has focused on determining how to effectively manage the family inside the business to achieve better economic and social outcomes (Sharma et al., 2007). In the last four decades, a significant body of theoretical and empirical work accumulated (e.g. Daspit et al., 2017). These studies have shown that management of family businesses differs significantly from that of non-family firms (e.g. Anderson and Reeb, 2003, 2004; Gomez-Mejia et al., 2007; Berrone et al., 2010, 2012; Kellermanns et al., 2012; Schulze et al., 2001, 2003). Particularly, it has been shown that governance, goals, resources, and the ability of family controlling owners to have some level of self-control (Lubatkin et al., 2007) are key factors distinguishing family businesses from their non-family counterparts (e.g. Carney, 2005; Chrisman et al., 2013; Gedajlovic et al., 2012; Sharma, 2004).

Yet, while we know that family businesses are different, little consent exists on how and why do family businesses differ from their non-family counterparts. This is exacerbated by the fact that there is still little to no consent on how family businesses should be

directed and managed to achieve optimal performance outcomes. Moreover, performance should be measured according to the firm's goals. In the distinctive context of family firms, non-economic goals are at least as important as economic outcomes (Gomez-Mejia et al., 2007; Chrisman et al., 2012). Hence, a single focus on economic goals paints an incomplete picture of family firm performance (Chrisman et al., 2012). Therefore, this thesis addresses aspects reflecting family business economic goals (reflected by firm economic performance) and non-economic goals (reflected by a desire to be perceived as socially responsible through achieving fairness in the workplace, and through increasing environmental social performance). Yet, consent on how can family businesses achieve their economic and non-economic goals is still missing. For example, while some scholars argue that family employees are opportunistic and self-interested and recommend agency governance mechanisms to control their behavior (e.g. Anderson and Reeb, 2004; Chua et al., 2009; Kellermanns et al., 2012; Schulze et al., 2001,2003; Verbeke and Kano, 2012); others argue that family employees are stewards of the business showing extraordinary commitment in the workplace and sacrificing their own self-interest for the family group's interest (e.g. Arregle et al., 2007; Corbetta and Salvatto, 2004a; Denison et al., 2004; Davis et al., 2010; Eddleston and Kellermanns, 2007). As a result, empirical work has yet to provide conclusive evidence on how family business employees should be managed and directed and how family involvement affects business economic and social outcomes (Madison et al., 2016).

One of the main reasons for these competing claims and conflicting results is that, in the literature, there is still no agreement on a single definition or a single operationalization of a family firm (Chua et al., 2012) or on the behavioral assumptions that reflect the attitudes of family business employees in the workplace (Madison et al., 2016). Consequently, heterogenous forms of family businesses have been theoretically considered and empirically operationalized as a homogenous group of companies (Garcia-Castro and Cassasola, 2011). This homogenous consideration is surprising and unfortunate, especially that the variation of behaviour among family businesses can be greater than the variation of behaviour between family and non-family businesses and can explain several competing arguments and conflicting evidence found in the literature (Chrisman and Patel, 2012; Chua et al., 2012). For example, can family businesses embedded in a Collectivist cultural setting (where individuals prioritize the family group interests over their self-interest) be treated the same as family businesses embedded in an

Individualist cultural setting (where individuals prioritize their self-interest over the family group interests)? To complicate things more, can a 100% family owned company be treated the same as the 5% family owned firm? Moreover, in practice, family firms might be fully managed and directed by family members, fully managed and directed by non-family members, or have a mix of family and non-family members in the management team and on the board of directors.

Each of these governance configurations might create different opportunities and challenges for family businesses to achieve optimal levels of economic and social performance. Hence, as nicely expressed by Chrisman et al. (2007 p.1006): "Knowledge about different types of families in business and the mixtures of interests, involvement and relationships found in those families and businesses will contribute to the ability to explain variations in family firm behaviour and performance." In this regard, three sub-groups of contextual factors are recognized to be the source of family businesses heterogeneity: 1) the chrono context which traces the changes and evolutions in the organizational life 2) the meso-context which encompasses the governance, resources, and goals of the family business; and 3) the institutional context which is broadly characterized by the economic, legal, social, political, and cultural context in which family businesses are embedded (Wright et al., 2014).

The focus of this thesis is on the meso-context and on the institutional context in which family businesses are embedded. More specifically, the focus of this thesis is on the heterogeneity of attitudes of family business employees inside the business (Barnett and Kellermanns, 2006; Chua et al., 2009; Lubatkin et al., 2007), on the level of family involvement in ownership management and direction (Garcia-Castro and Casasola, 2011), and on the wider institutional cultural and legal context in which family businesses are embedded (Sharma and Manikutty, 2005). All these elements are considered as critical but understudied sources of family businesses heterogeneity that can either foster or constrain family businesses ability to achieve their economic and non-economic goals (Wright et al., 2014). To address these gaps, through conceptual and empirical research, this thesis provides a step forward towards reconciling several competing arguments and conflicting evidence found in the literature, therefore bringing context to sensitive theoretical contributions and making finer-grained recommendations for family business controlling owners, managers, and policy makers.

In the empirical papers, a configurational approach is used to explore family business economic and non-economic performance outcomes, therefore heeding the growing calls to explore the consequences of family business heterogeneity through a configurational approach (Nordqvist et al., 2014). Particularly, empirical papers use fuzzy set qualitative comparative analysis (FsQCA) as an analytical research method. FsQCA is an increasingly popular research method in management (Fiss, 2007, 2011) and in family business research (Garcia-Castro and Casasola, 2011; Garcia-Castro and Aguilera, 2014) that allows to investigate heterogeneous combinations of causal conditions leading to a certain outcome (Ragin, 2008). Through adopting a configurational approach and embracing equifinality, FsQCA combines the in-depth understanding provided by qualitative research with the rigor of quantitative methodologies in a way that allows a deeper understanding of the sufficient and necessary causal conditions that explain an outcome (Fiss, 2007, 2011; Ragin, 2008). The advantages and disadvantages of this novel research method are extensively discussed in chapters 3 and 4 of this thesis.

The body of this thesis is formed by a compendium of three publications to which the author has contributed to theory building, data collecting, and data analysis. The author also took the lead in writing the introduction and discussing the results. The body of this thesis is structured as follows. Chapter 2 explores how should fairness be practiced in the family business workplace? There has been a taken for granted assumption in the literature that the privileged treatment of family business employees relative to their non-family counterparts will always be non-meritocratic, will automatically indicate unfairness, and will always lead to negative reputation and performance consequences. This assumption is challenged in this chapter by highlighting that greater equality does not necessarily mean greater equity. Previous literature shows that the skills, attitudes, and services of family and non-family employees differ by nature. Hence, to answer whether fairness exists, one must make careful consideration to the work inputs of each individual of these two groups. To deal with this complicated endeavour, this chapter builds on Leventhal's (1980) and Van der Heyden et al's. (2005) discussion of a fair process to provide a prerequisite and four steps as a possible solution for family business decision makers to achieve fairness between family and non-family employees. In addition, through several exemplary cases, this chapter shows that the privileged treatment of family employees is sometimes, but not always, non-meritocratic. In

addition, this chapter shows that, when fairness exists, the family business is able to gain reputation and performance advantages.

While chapter 2 focuses on fairness in the workplace as a social outcome, chapter 3 explores the effect of family involvement on the environmental social performance of family firms. Previous studies have investigated the environmental social performance of family firms compared to that of non-family firms. However, the literature is surrounded by competing arguments and conflicting evidence (e.g. Berrone et al., 2010; Campopiano et al., 2014; Cennamo et al., 2012; Cruz et al., 2014; Morck and Yeung, 2004). For that reason, the question has shifted from simply asking whether family firms exhibit higher social performance than their non-family counterparts to explore, among family firms, what are the optimal governance configurations that can drive forward their environmental social performance? This chapter builds on the socio-emotional wealth (SEW) perspective by arguing that family firms may sometimes, but not always, exhibit high levels of environmental social performance. Through this paper, heterogenous family business forms are empirically explored using data collected by the Successful Transgenerational Entrepreneurship Project which provides information about companies from all over the world. This allows to explore optimal configurations of family business governance structures across different institutional settings.

Chapter 4 focuses on economic performance which is at least equally important for family businesses as their social performance. Economic performance enables family businesses to fulfil their desire to preserve the family dynasty through the business and to transfer a successful business to future generations (Bingham et al., 2011; Gomez-Mejia et al., 2011). In this regard, the family business governance structure is considered as a key determinant for its success or failure (Steier et al., 2015). When discussing governance structures, one of the most important institutions, if not the most important institution, in organizations is the board of directors. The board of directors sets the strategic direction of the firm and is responsible for maintaining its long-term performance (Judge and Talaulicar, 2017). In environments where family ownership is ubiquitous, the importance of the board of directors' structure is exacerbated (Anderson and Reeb, 2004; Bammens et al., 2011; Corbetta and Salvatto, 2004b). This is because there is still no consent on whether family members involved in the business should be considered and treated as agents (Chua et al., 2009; Schulze et al., 2003) or as stewards (Corbetta and Salvatto,

2004; Eddleston and Kellermanns, 2007). This creates a challenge when deciding whether agency or stewardship governance mechanisms must be in place and when deciding who should sit on the board of directors. Using qualitative comparative analysis on a sample of 74 Lebanese companies, this chapter explores the effect of having independent directors on the board across different configurations of family business governance structures in an intriguing Collectivist cultural setting. Results show that, depending on the family business governance structure, the presence of independent directors may lead to either positive or negative performance consequences.

Therefore, without further ado, how can we manage family business heterogeneity to achieve better economic and social outcomes?

2

Practicing fairness in the family business workplace

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One of the main challenges facing family firms is achieving fairness between family and non-family employees in the workplace. Family and non-family employees have the potential to offer unique and distinct contributions to the firm, which makes the achievement of fairness between them messy and complicated. Hence, two interesting questions are worth exploring: Given the complex nature of the family business human capital, how can family firms achieve fairness between family and non-family employees? Why should family business decision makers and advisors promote fair practices in the family business workplace? We first introduce a fair process model as a possible solution for family businesses to achieve fairness between family and non-family employees. Then, based on several examples and studies, we show that family business owners can benefit significantly from promoting fairness in the workplace both in terms of preserving business reputation and in terms of achieving long-term family business survival and success.

2.1 Fairness in the family business workplace

At Jones Food, family members exclusively held top managerial positions (Schein, 1999). At Lazard LLC, family employees received higher salaries than their non-family counterparts even when both parties occupied the same hierarchical level (Subramanian & Sherman, 2007). At Magid Glove, only family employees are permitted flexible work schedules (Ward & Perricelli, 2005). At HOLDAL Group, family members exclusively occupy seats on the board of directors. Does this preferential treatment of family employees always reflect unfair practices in the family business workplace, and how do these actions affect firm function and performance?

Recent articles have suggested that family businesses exercise unfair practices in their workplace by offering preferential treatment to family employees (e.g., Chua, Chrisman, & Bergiel, 2009; Cruz, Larraza-Kintana, Garcés-Galdeano, & Berrone, 2014; Kellermanns, Eddleston, & Zellweger, 2012; Zientara, 2015). In this regard, Kidwell, Eddleston, Cater, and Kellermanns (2013) emphasized that the preferential treatment of an unqualified family member can lead to detrimental effects on the function and performance of a family business. Similarly, Khanin (2013) showed that turnover intentions of unqualified family members should be supported and encouraged to achieve optimal firm performance. However, Khanin also argued that having qualified family employees in top managerial positions should be maintained, encouraged, and supported because family employees are able to offer unique skills and services that cannot be offered by non-family employees. Accordingly, the privileged treatment of family employees (e.g., family employees occupying top managerial positions, overcompensation of family members relative to their non-family counterparts) does not necessarily reflect unfair practices in the workplace. In fact, the family firm human capital is complex as family and non-family employees' knowledge, abilities, skills, and sources of motivation differ by nature (Dawson, 2012; Habbershon & Williams, 1999). This makes achieving fairness in the family business workplace a messy and complicated endeavor (Lansberg, 1989).

To deal with this complex situation, we offer an in-depth discussion of these two questions: Given the complex nature of the family business human capital, how can family firms achieve fairness between family and non-family employees? Why should

family business decision makers and advisors promote fair practices in the family business workplace?

Through this article, we first highlight the distinctive features of a family firm. Second, we discuss the complex nature of the family firm human capital and we argue that a mix of equality and equity should be present in the family firm workplace in order to achieve fairness between family and non-family employees. In this regard, we introduce for family business owners, managers, and advisors four steps and a prerequisite as a possible solution for family firms to achieve fairness in the workplace. Last, we outline the threats family businesses face as a result of unfair workplace practices and what advantages family businesses can gain from promoting fair practices in the family business workplace.

2.2 What are family firms?

Chua, Chrisman, and Sharma (1999, p. 25) defined a family firm as:

A business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.

Moreover, it has been suggested that what distinguishes family firms from other forms of enterprises is the desire of family business controlling owners to preserve their socioemotional wealth (SEW) (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). At its core, SEW represents the stock of affect-related value that the family gains from its involvement in the business. It includes an emotional attachment to the firm, a close identification with its name, a desire for family influence and control, endurance, long-term performance, and family succession (Berrone, Cruz, & Gomez-Mejia, 2012). Gains and losses of SEW are considered a critical reference point that guide the decisions of family controlling owners (Gómez-Mejía et al., 2007).

As such, because of the controlling owners' concern with preserving family influence and control, a significant number of family firms extend preferential treatment exclusively to family employees (e.g., Cruz et al., 2014; Zientara, 2015). For example, family employees receive better performance appraisals (Verbeke & Kano, 2012), are overcompensated (Chua et al., 2009), and are provided with better leadership opportunities (Covin, 1994) relative to their non-family counterparts. Moreover, non-

family employees are often considered as ineligible for stock option rewards (Gedajlovic & Carney, 2010) and are excluded from opportunities for succession (Lubatkin, Schulze, Ling, & Dino, 2005).

Yet, the disparity between family and non-family employees, while existing, does not necessarily indicate unfairness. Family and non-family employees have different sets of knowledge, skills, capabilities, and sources of motivation (Block, Millán, Román, & Zhou, 2015; Davis, Allen, & Hayes, 2010; Dawson, 2012; Habbershon & Williams, 1999). As a result, a starting point to promote fairness in the family firm workplace is to understand the complex nature of the family firm human capital, which we discuss in the next section.

2.3 The complex nature of family firm human capital

Both family and non-family employees have the potential to offer unique and distinct contributions to the family firm. Non-family employees can offer a point of view based on logic and rational analysis (Dyer, 1986) and might be less likely than family employees to generate costs from consuming private benefits (Block & Jaskiewicz, 2007). Additionally, non-family employees come from a larger pool of talent (Chua et al., 2009) and therefore may have more outside experience and better training than family employees (Chirico, 2008; Chrisman, Memili, & Misra, 2014). In addition, experienced non-family employees can act as mentors for future generations of family workers, preparing them to take control of the business (Lee, Lim, & Lim, 2003).

At the same time, family employees have the potential to offer skills and services that are not easily imitated or acquired by non-family members (Dawson, 2012; Habbershon & Williams, 1999; Khanin, 2013). Research shows that family employees can develop their knowledge of the business at a very early age. They can be educated about the business at home, can participate in the family firm through summer jobs (Memili, Chrisman, Chua, Chang, & Kellermanns, 2011), and can join in “at-the-dinner-table” business conversations (Denison, Lief, & Ward, 2004, p. 64). As a result, family employees have the potential to acquire deep tacit knowledge of the firm, a kind of knowledge that is not easily transferred to non-family employees either through education or through training activities (Miller, Le Breton-Miller, & Lester, 2011). Thus, family employees can develop an innate understanding of the business, its processes, customers, and

competitors (Dyer, 1986). In turn, this may enable family employees to build and maintain trust-based, long-term relationships with customers and suppliers. Moreover, due to their emotional attachment and identification with the business, family employees can display a lower rate of absenteeism (Block et al., 2015) and may be willing to put extra effort, work, and time into the business without additional pay (Danes, Stafford, Haynes, & Amarapurkar, 2009). Moreover, the emotional attachment and identification that family employees have toward the business can lead them to have higher job satisfaction (Block et al., 2015) and a stronger alignment of interest with the organization (Sharma & Irving, 2005). All these elements allow family employees potentially to be more motivated and committed to the family business (Dawson, 2012). Given all of these elements discussed in the literature, it is debatable whether non-family employees are always eligible for superior or equal rewards compared to their family counterparts, and at least calls into question whether they can be judged by the same criteria.

Yet, while family and non-family employees have the opportunity to offer different valuable contributions to the firm, it is also true that family employees do not always show these positive behaviors (Chua et al., 2009; Khanin, 2013; Kidwell et al., 2013) and, conversely, that non-family employees are not always better qualified than family employees (Dawson, 2012; Habbershon & Williams, 1999). Family and non-family employees have the potential to offer unique sets of knowledge, abilities, skills, and services (Habbershon & Williams, 1999). Ideally, both family and non-family employees exercise these positive attributes, but their willingness to do so is less known (Dawson, 2012; Kidwell et al., 2013). At any rate, how can fairness be achieved if only some of the individuals from each group practice their idiosyncratic skills and services in the business? To manage these two types of human capital in this complex situation we suggest that, to promote fairness, a starting point would be for family business decision makers to practice a mix of equality and equity inside the family business workplace.

2.4 Equity and equality

Equity and equality are two different concepts related to fairness. Equality means leveling or minimizing disparities between people regardless of their contributions (Cohen, 1987). Equity, by contrast, deals with the achievement of fairness through allocations that correspond with the contributions that individuals provide (Utting, 2007). Equality simply involves an objective assessment, by which all individuals receive the same

treatment. Equity, however, mixes this assessment with a judgement of individuals' contributions, which bypasses the simplicity of treating all people equally (Bronfenbrenner, 1973). Such a "contribution view to fairness" would say that "a worker's just share of the resulting revenues [generated by the firm's activity] is the amount that he or she contributes to production" (Boatright, 2010, p. 172). However, in addition to the difficulty of isolating and measuring the link between contribution and revenues generated for each employee, especially in family businesses wherein family and non-family employee contributions are diverse and distinct, fairness in the workplace involves questions about respect, expectations, and commitment that need to be considered (Arnold & Bowie, 2003; Moriarty, 2014). At any rate, greater equity does not mean greater equality. On the contrary, greater equity may indicate greater inequality (Van der Heyden, Blondel, & Carlock, 2005). For example, if the family employee has tacit knowledge of the firm, puts more time and effort in the business, and is more motivated at work than his or her non-family counterpart, then providing privileged treatment for the family employee indicates more equity but less equality. Similarly, if the non-family employee has greater knowledge and experience, is less likely to consume company resources for private benefits, and offers a rational and logical opinion that cannot be obtained by the virtue of family employment, then providing privileged treatment for the non-family employee indicates more equity and less equality. At the same time, before fully promoting equity in the family business workplace, there should be some minimum level of equality to achieve fairness. In fact, all employees deserve to be treated in a decent and respectful way. There are some levels of human dignity that need to be preserved in any kind of organization to prevent discrimination or harassment due to, for example, gender, race, religious orientation, or family adherence.

Although equality has been characterized by five main principles (Eckhoff, 1974), for the purpose of this article we view equality as providing equal opportunities for family and non-family employees. In fact, providing equal opportunities reflects an anti-discriminatory philosophy that will ensure the preservation of human dignity and that equitable practices will reflect merit and desert accurately.

Consequently, given the different nature of family and non-family employee knowledge, skills, and services, how can decision makers achieve equal opportunities and equity in the family firm workplace? For example, in Jones Food, how can family business

controlling owners decide who deserves to be seated in the top managerial positions? In the following, we build on Leventhal's (1980) and Van der Heyden et al.'s (2005) discussion of a fair process to provide four steps and a prerequisite through which equal opportunities and equity can be mutually attained in the family business workplace. We suggest the fair process to be the path that guides family business decision makers to achieve fairness between family and non-family employees in the workplace through the application of practices that reflect respect for human dignity, merit, and desert.

2.5 Toward a fair process in the family business

The concept of a fair process was first introduced by Thibaut and Walker (1975), who showed that fairness in legal procedures led to higher individual satisfaction and compliance with the outcomes of a decision. Leventhal (1980) built on this work and asserted that fair process is equally relevant outside legal settings, suggesting six rules by which a decision could be judged as fair:

1. Consistency of the procedure across persons and time;
2. The suppression of bias by the decision maker;
3. Accuracy of information by which the decision is made;
4. Correctability, or the ability to revise the decision when it is perceived as unfair;
5. Voice, which reflects the ability of all involved individuals to present their basic concerns with the decision made; and
6. Ethicality, which reflects the standards of ethics and morality of the procedure

In the context of family businesses, Van der Heyden et al. (2005) showed how applying a fair process for allocation of resources between family members not only ensures the presence of fairness but also minimizes conflicts between family members involved in the workplace.

For the application of a fair process in the family business workplace, taking into account both family and non-family employee contributions, we suggest that commitment to fairness by family business decision makers is an important prerequisite toward attaining this goal. Although commitment to fairness is not included in the six rules suggested by Leventhal (1980), we suggest that it is indispensable insofar as it implies that the family believes in fairness, desires its application, and considers it as a relative concept that must

be constantly aimed for (Kim & Mauborgne, 2003). As such, commitment to fairness indicates that the principles we discuss in the next steps will not only be claimed (i.e., these principles will be simply written in the code of ethics), but will also be properly implemented and executed (Van der Heyden et al., 2005). In contrast to Van der Heyden et al. (2005), we understand commitment to fairness to be a prerequisite rather than a final step because, when dealing with family and non-family employees, family controlling owners are often prone to discriminate against non-family employees (e.g., Chua et al., 2009; Covin, 1994; Gedajlovic & Carney, 2010; Verbeke & Kano, 2012). Hence, it is essential for family business controlling owners to have some level of self-control (Lubatkin, Ling, & Schulze, 2007) that can lead them to implement and execute the steps leading to fairness effectively. Self-control refers to the ability of family business controlling owners to refrain from providing privileged treatment to a family member solely on the basis of family loyalty. It implies a willingness from the family business decision maker to adopt steps that will ultimately lead to fairness in the workplace (Lubatkin et al., 2007). Once the family is committed to fairness, there are four key steps that will help the family business to achieve fairness in its workplace. These steps have to do with giving equal opportunities for family and non-family employees and with achieving equity between all family business employees. Giving equal opportunities for family and non-family employees can be very problematic. For example, it might be almost impossible for family business controlling owners and human resources managers to give the opportunity for non-family employees to acquire the deep tacit firm knowledge that family employees have developed as a result of their early involvement in the business and their participation in at-the-dinner-table business conversations (Denison et al., 2004; Memili et al., 2011; Verbeke & Kano, 2012). Given this situation, a minimum level of equal opportunities must be met through different steps and procedures. Table 1 summarizes the steps by which a family firm can aim toward achieving fairness in its workplace.

Table 1. A fair process in the family business

Steps	Description	Course of Action	Responsible for Application
Pre-Requisite	Family business decision makers must be committed to fairness.	The family is committed to implement and execute fair practices in the business workplace.	Family business owners, decision makers, or advisors.
Step One	Clearly explaining the expectations for entitlement.	The expectations for entitlement must be clearly specified to all employees before signing the employment contract.	Family business decision makers, human resources manager, or human resources employees.
Step Two	Giving equal opportunities to have a voice.	Family business employees must know, before their first day at work, that they can freely and safely discuss their concerns with perceived unfair decisions.	Family business decision makers, human resources manager, or human resources employees.
Step Three	Considering the correctability of the unfair decision.	A committee can meet monthly to consider the correction of the alleged unfair decision voiced by the family or non-family employee.	Committee that can be composed by a representative of family business employees, the human resources manager, and a family owner.
Step Four	Consistently applying decisions across people and over time.	Decisions must be free of bias and consistently be applied to all employees.	Family business decision maker, human resources manager, or family business advisors.

First, equal opportunities for family business employees can be achieved by clearly specifying the expectations for all family business employees that—when met—warrant privileged treatment (Leventhal, 1980; Van der Heyden et al., 2005). Family business decision makers and human resources managers need to highlight clearly what qualifications, services, and practices will qualify family business employees for privileged treatment. Does the company place higher value on outside experience or on early involvement in the business? Does the company reward spending extra time in the workplace by authorizing a flexible work schedule? These expectations must reflect the specific needs of the family firm by taking into consideration the environment in which

the family business operates. For example, training, education, and outside experience are essential prerequisites in environments characterized by high technological intensity or managerial complexity. In these environments, the presence of a skilled, educated, and experienced workforce will be an imperative need for the survival and success of a family business (Verbeke & Kano, 2012). Conversely, when business exchanges are done recurrently with the same partners and necessitate trust-based relationships, the presence of a workforce that has built a healthy rapport with exchange partners will be more valuable. These expectations should be specified clearly to all family business employees before signing their employment contract and before starting their first day at work.

Second, family and non-family employees must be given equal opportunities to voice their concerns with the decisions made. In fact, the ability to have a voice has been considered as a fundamental component reinforcing fairness (Lind & Tyler, 1988). Giving voice ensures that the views and concerns of both family and non-family employees are discussed and allows for greater clarity of information. Giving voice can be achieved through making family business employees know, before their first day at work, that they can freely and safely discuss their opinions about the decisions made with family business decision makers or human resources managers.

Yet, giving voice alone loses its impact if it is not accompanied with a third key principle: correctability. In fact, if parties are given equal opportunities to voice their concerns with the decisions made but no action is taken to alter an unfair situation, then giving voice loses its impact. At this stage, the unfair situation alleged by family business employees must be examined by mixing a quantitative assessment with a moral and ethical judgement to decide whether the decision is unfair and needs to be corrected. Correctability of a decision can be decided by a committee that will examine whether the case voiced by the family or non-family employee is unfair. This committee can be composed of, for example, a representative of family business employees, the human resources manager, and a family business owner. This committee can meet monthly to discuss all the alleged unfair practices that are claimed by family business employees and to correct unfair decisions.

Once those principles are applied in the family firm workplace, the fourth key step to achieve fairness is the consistent application of decisions across people, over time, and

with agreed values and norms (Leventhal, 1980; Van der Heyden et al., 2005). Consistently applying decisions based on values and norms reflecting fairness, clarity of information, voice, and correctability supports the ethicality of decisions made as well as the suppression of bias in decision making (Van der Heyden et al., 2005).
Hence, if both family and non-family employees are showing positive behaviors in the business, but either party feels that they are not being fairly rewarded, then clearly highlighting the standards for entitlement in the company, giving family business employees a voice, considering the correctability of unfair situations, and consistently applying norms and values reflecting fairness across people and time will result in the achievement of fairness in the family business workplace.

Our initial question was: How can family firms achieve fairness between family and non-family employees? In this regard, we have offered four steps and a prerequisite that can guide practitioners and researchers to answer this question. To follow, we discuss our second question: Why should family business decision makers and advisors promote fair practices in the family business workplace?

2.6 Consequences of unfair practices on family business reputation

Because of their concern with maintaining the good reputation of the family firm (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Berrone et al., 2012; Gómez-Mejía et al., 2007), family business controlling owners constantly try to show that they practice socially responsible behavior in the workplace (Marques, Presas, & Simon, 2014; Zientara, 2015). In fact, the controlling owners of the majority of firms with family influence rank social responsibility in the workplace as the first social concern of their company (Marques et al., 2014). In their qualitative study, Marques et al. (2014, p. 9) quoted one family manager as saying: “The most important asset for a firm is its human capital. We look for the participation and well-being of our employees.” Moreover, family firms invest in their staff training, offer broad jobs and responsibilities for their employees (Danco, 1975), and encourage their employees’ innovative work involvement (Bammens, Notelaers, & Van Gils, 2015) in an attempt to preserve a good image and to be perceived as socially responsible in the workplace (Zientara, 2015).

At the same time, unfair workplace practices can place the family business at risk of being perceived as socially irresponsible (Cruz et al., 2014; Zientara, 2015). In fact, companies

can be both socially responsible and irresponsible (Strike, Gao, & Bansal, 2006). While social responsibility is related to what managers should do, social irresponsibility looks at the problem of what managers should not do. At its extreme, social irresponsibility can entail breaking the law and engaging in fraudulent behavior (e.g., the cases of Enron and WorldCom). In the context of family businesses, although unfair workplace practices (e.g., providing leadership opportunities for unqualified family members) are not considered illegal, they are considered irresponsible social practices (Cruz et al., 2014; Zientara, 2015). These practices can be detrimental for the family business reputation, especially given today's open access to social media. Be it electronically or through day-to-day word of mouth, irresponsible behavior caused by unfair practices in the family business workplace will not remain unnoticed (Zientara, 2015). Therefore, due to the family's concern with preserving its SEW, particularly the desire to protect the family reputation, family firms have incentives to promote fairness in the family business workplace.

As previously discussed, contrary to some hasty reactions, promoting fairness in the family business workplace does not entail equal treatment of family and non-family employees regardless of their contributions. Rather, equal opportunities and equitable practices should both be present to achieve fairness in the workplace. When family businesses implement fair practices properly, the family is not only able to protect its reputation but is also able to gain advantages in terms of long-term survival and performance.

2.7 Consequences of fair and unfair practices on family business performance

We started this article by highlighting many examples in which family firms offered privileged treatment for family employees. Indeed, the consequences of these actions are highly contingent on whether the privileged treatment of family members is based on merit and desert or on family partiality and bias.

At Jones Food, family managers were less competent than their non-family subordinates. Accordingly, non-family employees were dissatisfied with the lack of access to managerial positions and one non-family employee branched out and started a competitive business. Consequently, the Jones family was forced to sell off the company because of incompetent leadership, increased competition, and a lack of employee

motivation (Schein, 1999). At Lazard LLC, the unfair disparity in compensation favoring family employees led experienced and qualified non-family employees to form turnover intentions (Khanin, 2013) and leave the company, resulting in a major loss of managerial talent and a drop in profitability (Subramanian & Sherman, 2007). These cases are reflected accurately in academic argumentation. Kidwell et al. (2013) argued that the preferential treatment of an unqualified family employee can lead to negative family firm outcomes. Moreover, Chrisman et al. (2014) contended that family firms that constantly offer preferential treatment for unqualified family members will have a limited ability to attract qualified non-family employees to work in the business, which can lead to detrimental effects on long-term family business performance.

However, when the privileged treatment of family employees is based on the application of fair practices, the family business is able to achieve a competitive advantage and, consequently, better performance. At Magid Glove, family employees are required to have outside experience before joining the family business. In addition, family employees are willing to spend extra time in the workplace without additional pay. This is why Magid Glove—despite its provision of flexible work schedules exclusively to family employees—is able to retain its non-family managerial talent and, consequently, to remain competent as a world leader in industrial safety equipment (Ward & Perricelli, 2005). At HOLDAL Group, the exclusive presence of family members on the board of directors serves the company well and does not reflect a lack of fair practices in the workplace. Similarly, the presence of family members on the management team does not reflect a lack of fairness. In fact, at HOLDAL Group the opportunities for promotion are based on the abilities and the quality of the employees' work. Moreover, one of the main core values of HOLDAL Group is listening to employees and giving and receiving feedback from them[1]. Accordingly, the exclusive presence of family members on the board and the presence of family members in the management team does not reflect a desire to pursue non-meritocratic unfair practices. In fact, family members involved in HOLDAL Group were involved early in the business, acquired deep tacit firm knowledge, and some of them had outside work experience before joining the company (Noronha, 2016). This is perhaps one of the main reasons that HOLDAL Group has, for the second consecutive year, been named as one of the top 100 companies in the Middle East (Forbes Middle East, 2014). In addition, this case accurately reflects recent research that suggests that nepotism (owner and manager preference to hire family members) is

not always problematic and bad for the company. Rather, when the preference for family members' employment and promotion takes into account merit and desert this can significantly contribute to the firm's ability to acquire, transfer, derive utility from, and protect tacit knowledge within the firm. In turn, the meritocratic appointment of family members in the management team and in the board of directors will contribute to improving the competitive advantage of the family firm (Dawson, 2012; Jaskiewicz, Uhlenbruck, Balkin, & Reay, 2013; Khanin, 2013).

2.8 Lessons learned

How and why should fairness be practiced in the workplace of family firms? We suggest that since family and non-family employees have different attributes, the privileged treatment of family or non-family employees does not necessarily indicate a lack of fairness in the family firm. In this regard, we built on Leventhal (1980) and Van der Heyden et al.'s (2005) discussion of a fair process to propose four steps and a prerequisite (see Table 1) that can help to promote fairness in the distinctive context of the family business workplace. While Van der Heyden et al. (2005) centered on the fair process as a means of achieving justice between members of the same family, we extend their discussion by arguing that a fair process, with the modifications that we propose, can be equally relevant to cope with the messy and complicated situation family firms face in achieving fairness between family and non-family employees.

Accordingly, we suggest that the essential question that needs to be addressed by family business owners, advisors, and researchers in order to answer appropriately whether fairness is present in the family business workplace: Does the family firm offer equal opportunities and exercise equitable practices in its workplace? In this regard, the presence of the steps that we propose (see Table 1) may be a good starting point for family business owners, decision makers, and advisors to evaluate whether fairness is practiced in the family business workplace.

As we have shown, the privileged treatment of a family employee can be considered as a double-edged sword. If this privileged treatment takes into account merit and desert, it can contribute to better family business outcomes (e.g., the cases of Magid Glove and HOLDAL Group). However, if the privileged treatment of the family employee is based on unfair practices that are caused by family partiality and bias, it can lead to negative effects on the attitudes of all family business employees and, consequently, to detrimental

effects on the family business reputation, image, long-term performance, and survival (e.g., the cases of Jones Food and Lazard LLC).

To conclude, the steps that we suggest can be used by family business owners and advisors to cope with the complex nature of their human capital and to ensure that the privileged treatment of family or non-family employees is based on fair standards. Family business owners, managers, advisors, and researchers can use the steps presented to investigate, evaluate, and ameliorate fair practices in the family business workplace. Achieving fair practices in the workplace should be a central concern for family businesses, especially since the presence of fairness is crucial for business reputation, profitability, and long-term survival—and thus on the ability of the family to preserve its socioemotional wealth (Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012;Cruz et al., 2014; Vallejo, 2009; Zientara, 2015).

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3

Who are the best performers? The environmental social performance of family firms:

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Despite that family businesses are a group of heterogeneous companies with different levels of family involvement in the business, research has given little attention to these important contingencies when discussing family business environmental social performance. Building on the socio-emotional wealth (SEW) framework and using qualitative comparative analysis, we explore optimal configurations of governance antecedents that can catalyze the environmental social performance of family firms across Anglo-Saxon and non-Anglo-Saxon countries. Findings reveal two governance configurations that, regardless of the institutional setting, can catalyze the environmental social performance of family firms: 1) the combination of 100% family ownership, first generation leadership, high family presence on the board, and low family involvement in management; and 2) the combination of 100% family ownership, first generation leadership, high family involvement in management, and the presence of outside directors

on the board. Specific configurations for non-Anglo-Saxon countries are also identified. Theoretical and practical implications are discussed.

3.1 Introduction

Increased toxic emissions, climate change, nutrition security, and the provision of healthcare to an increasing worldwide population are few examples of the social challenges that the global world is facing (World Economic Forum, 2016). Given their dominant worldwide presence (La Porta et al., 1999) and their substantial contribution to the world economy (Morck and Yeung, 2003), family firms are perhaps the most influential organizational form with the potential to assist governments and social welfare institutions to address the social challenges that the world is facing (Van Gils et al., 2014).

In this context, research around the role of the family as an internal stakeholder capable of affecting the firm's environmental social performance (e.g. Aragón Amonarriz, Iturrioz Landart, 2016; Dyer and Whetten, 2006; Kim et al., 2016; Zellweger and Nason, 2008) has increased over the last decade (Vazquez, 2016). Yet, comparative research on family versus non-family firms environmental social performance has produced competing arguments and mixed results (e.g. Berrone et al., 2010; Campopiano et al., 2014; Cennamo et al., 2012; Cruz et al., 2014; Feliu and Botero, 2016; Morck and Yeung, 2004; Uhlaner et al., 2014). As nicely expressed by Le Breton Miller and Miller (2016, p:1;2) "for every story of a well-run and socially responsible family firm, there also exist tales of incompetence, family feuds, opportunism and even corporate malfeasance". The salience of competing arguments and contradictory evidence suggests that family businesses are a group of heterogeneous companies and that they may sometimes, but not always, be socially performant.

Studies have emphasized different sources for family business heterogeneity such as the founder's involvement (Bingham et al., 2011), the generational ownership stage (Déniz and Cabrera, 2005), family values (Marques et al., 2014), and the personal characteristics of managers (Niehm, Swinney, and Miller, 2008). To the best of our knowledge, research has yet to consider how the combination of different levels of family involvement in the company can jointly shape the environmental social performance of family firms. This is surprising given recent evidence that shows that different combinations of family business governance contingencies can act in complementarity yielding different family

business outcomes (Déniz and Cabrera, 2005; Garcia-Castro and Aguilera, 2014; Marques et al., 2014). For example, qualitative evidence suggests that absolute family ownership of the business, when combined with high family involvement in management, can lead the family to have higher identification with the business and higher commitment to socially responsible practices (Marques et al., 2014). To address this important gap in the literature, we build on several firm governance contingencies (i.e. family involvement in ownership, family involvement in management, and board composition) introduced by Le Breton-Miller and Miller (2016) to explore the following question: What are the optimal governance configurations that can drive forward the family business environmental social performance?

To that aim, we will first ground our analysis in the theoretical views of Socio-Emotional Wealth (SEW) (Gomez-Mejia et al., 2007). Given that the main reference point that family firms use to make decisions is the preservation of their SEW (e.g. Gomez-Mejia et al., 2007; Berrone et al., 2012), we focus on environmental social performance as it relates to a strong family identification with the business (Marques et al., 2014; Sharma and Sharma, 2011), to the family reputation (Cennamo et al., 2012), and to the desire to keep the family dynasty and reign over the business across generations (Kim et al., 2016). Furthermore, building on the work of Kellermanns et al. (2012), we consider SEW as a double-edged sword that, depending on the combination of several governance contingencies, can either foster or constrain the ability of family businesses to increase their social performance. Second, we will use fuzzy set qualitative comparative analysis (fsQCA) on survey data provided by the Successful Transgenerational Entrepreneurship Project (STEP) to explore different configurations of governance structures that can catalyze the family business environmental social performance. The STEP database offers rich information about companies embedded in 35 different countries. This gives the opportunity to explore family business governance orientations across different legal systems (i.e. Anglo-Saxon versus non-Anglo-Saxon countries) and implications for environmental social performance.

In so doing, we make four important contributions to the scant literature on this important topic. First, exploring different configurations of family business governance contingencies allows a better understanding of the mutual dependence factors in management and ownership along with governance choices that lead to better family firm

environmental social performance (Le Breton Miller and Miller, 2016; Nordqvist et al., 2014). Second, we contribute to the debate on when and how SEW increases the environmental social performance of family firms (Berrone et al., 2012; Cennamo et al., 2012; Cruz et al., 2014; Kellermanns et al., 2012); thereby reconciling previous competing arguments and conflicting evidence found in the literature. Third, by exploring how different levels of family involvement in the business combine within varying configurations to affect the firm's social performance, we heed calls for examining the interplay between different governance contingencies affecting the environmental social performance of family firms (Marques et al., 2014; Van Gils et al., 2014) across different legal settings and systems (Le Breton Miller and Miller, 2016). Fourth, this research alerts family business owners, advisors, and policy makers to the relevant combination of governance antecedents that can catalyze the environmental social performance of their firms.

3.2 Environmental Social Performance of Family Firms

Social performance is broadly defined as "a business organisation's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs and observable outcomes as they relate to the firm's societal relationships" (Wood 1991, p. 693).

Social performance constitutes a holistic model that comprises *legal*, *ethical*, *and discretionary* social actions that aim to increase the benefits that the organization offers to its environment and to reduce and alleviate the harms resulting from the firm´s activities (Wood, 2010). Corporate social responsibility and firm philanthropy constitute a subset of the holistic social performance model as they specifically relate to the *voluntary* actions taken by the company to improve the social state and wellbeing of its stakeholders (Bowen, 1953; Mackey et al., 2007; McWilliams and Siegel, 2001; Freeman, 1984).

In this paper, we focus on environmental social performance which is mostly used in the literature to investigate family firms' social performance (e.g. Berrone et al., 2010; Bingham et al., 2011; Craig and Dibrell, 2006; Cruz et al., 2014; Marques et al., 2014; Neubaum et al., 2012); allowing comparability and continuity with previous research. Environmental social performance is defined as the firm's commitment to meeting and

exceeding societal expectations with respect to concerns about the environment in which the firm operates (Judge and Douglas, 1998). Environmental social performance refers to commitment to socially responsible behavior towards the environment at large; including the natural environment in which the company is embedded, the community (e.g. charitable donations), and the development of services and products through transparent and responsible procedures (Cruz et al., 2014).

If SEW is the main reference point that explains the family business attitude towards its environment (Berrone et al., 2010; Cruz et al., 2014; Gomez-Mejia et al., 2007; Kellermanns et al., 2012; Zellweger et al., 2012), then the environmental social performance of family firms can be highly contingent upon whether the bright or the dark side of SEW is prevalent (Kellermanns et al., 2012). Decision makers can practice self-serving behavior placing family needs above all other stakeholder claims (e.g. Cruz et al., 2014; Kellermanns et al., 2012), which outlines a potentially dark side of SEW. Alternatively, decision makers can be concerned with the long-term reputation of the business and with preserving a healthy and prosperous environment in which the firm will continue to thrive (e.g. Marques et al., 2014; Berrone et al., 2010). This is the bright side of SEW. In the following, we outline the main elements of the SEW perspective (Gomez-Mejia et al., 2007) and we summarize arguments related to how different governance contingencies can shape the circumstances under which SEW can foster or restrict the willingness and ability of family firms to increase their environmental social performance.

3.3 SEW

Derived from the behavioral agency model (Wiseman and Gomez-Mejia, 1998), SEW represents "the stock of affect-related value that the family has invested in the firm" (Berrone et al., 2010, p. 82; Gomez-Mejia et al., 2007). Its main premise is that family members manage the business in a way to preserve and increase the social and economic benefits that the family gains from its involvement in the firm. As such, family decision makers may put the firm´s financial success at risk to preserve and/or increase their SEW (Gomez-Mejia et al., 2007).

Berrone et al. (2012) decompose SEW into five dimensions: a desire for family influence and control, a close identification with the business, binding social ties, an emotional

attachment to the firm, and a desire for renewal of family bonds through dynastic succession. In the early stages of its development, SEW has been considered as a pro-social stimulus that increases family firms social performance (Berrone et al., 2010, 2012; Cennamo et al., 2012). Recent works, however, show that SEW can be considered as a double-edged sword that can either reveal its bright or dark side (Cruz et al., 2014; Kellermanns et al., 2012; Kim et al., 2016). For example, due to the desire to preserve a good family image, family firms are less likely to greenwash and more likely to follow through on their proclaimed environmental commitments (Kim et al., 2016). At the same time, due to their concern with preserving the business financial stability and a sense of financial responsibility for preserving family wealth across generations', family firms are less likely to invest in the protection of the environment; considering investments in environmental sustainability as a net cost (Kim et al., 2016).

In the following, we draw on different governance contingencies that can act as a driver for the prevalence of the bright side of SEW and that can mitigate the consequences of its dark side.

3.4 Governance Contingencies

As previously argued, central to the SEW perspective is that family firms strive to pursue non-economic family-centred goals (Gomez-Mejia et al., 2007; Berrone et al., 2012). Chrisman et al. (2012) show that the percentage of family involvement in ownership and management of the firm is positively associated to the desire of the family to pursue non-economic goals. At the same time, research shows that there might be eight different configurations of family involvement in ownership, management, and direction of the business (Garcia-Castro and Casassola, 2011), and that the combination of these contingencies may yield different family business outcomes (Garcia-Castro and Aguilera, 2014; Samara and Mirabent, 2017). In other words, each variable by itself can produce a "questionable" positive or negative net effect on the firm´s environmental social performance. Research shows that the effect of a specific contingency (e.g. absolute family ownership of the business) can change when combined with another contingency (e.g. high family involvement in management) (Garcia-Castro and Aguilera, 2014; Marques et al., 2014; Samara and Berbegal-Mirabent, 2017). Building on these findings, we discuss competing arguments reflecting the bright and the dark side of different family

business governance structures that, in turn, can foster or restrain the ability of family firms to increase their environmental social performance.

3.4.1 Absolute Family Ownership: The Bright and the Dark Side

The Bright Side

When the family owns 100% of the business, the likelihood that controlling owners will desire to transfer the business legacy to future generations will be high (Bingham et al., 2011; Campopiano et al., 2014). Moreover, absolute family ownership implies that the family's reputation will be closely associated to that of the firm (Campopiano et al., 2014; Bingham et al., 2011; Dyer and Whetten, 2006; Lähdesmäki, 2012). Consequently, the family's desire for inter-generation succession and for preserving a good family image will likely increase the firm´s social performance. For example, when the 100% family owned firm increases its environmental social performance, this will further bolster the good reputation of the family itself and can amplify the chances of the family to transfer a well-reputed and long-term oriented business to future generations (Dyer and Whetten, 2006; Sharma and Sharma, 2011). Moreover, if the family shares business ownership with outsiders, this can distance the firm from family values, can decrease the association between the family reputation and the business reputation, and can catalyze a short-term orientation and a desire for short-term financial profits (Le Breton Miller and Miller, 2016). Furthermore, the presence of institutional investors can be associated with a desire for short-term gains and for self-interested behavior (Wiklund, 2006) and can create a principal-principal conflict of interest between family owners and outsiders (Anderson and Reeb, 2004), which impedes effective decision making and limits available funds to invest in environmental friendly activities. Consequently, absolute family ownership can increase the family firm environmental social performance (Campopiano et al., 2014; Le Breton-Miller and Miller, 2016).

The Dark Side

At the same time, when the family owns 100% of business equity, it will have absolute power to pursue its non-economic family centred goals (Chrisman et al., 2012). Employment of family employees regardless of meritocratic considerations (Chrisman et al., 2014; Kidwell et al., 2013) and preserving financial resources within family hands at the expense of investments in the welfare of the environment (Kim et al., 2016) become easier to achieve. In other words, absolute family ownership grants the family the power

and the legitimacy to do whatever it takes to preserve its control over business resources. For example, Neubaum et al (2012) suggest that family ownership may free controlling owners from pressures to be responsive to stakeholders' environmental demands. Moreover, recent evidence indicates that institutional investors can be dedicated owners that care about the long-term strategy of the company (Connelly et al., 2010). Dedicated institutional owners usually hold their equity stake for a longer period in a smaller number of firms (Porter, 1992); which makes them concerned with the long-term welfare of the environment in which the company is located. Hence, absolute family ownership of the business may decrease the incentives and limit the opportunities for family businesses to increase their environmental social performance.

3.4.2 High Family Involvement in Management: The Bright and the Dark Side

The Bright Side

When family involvement in management is high, this will further strengthen the close emotional and reputational association that family employees have with the business, leading them to be more sensitive to the reputation of their firm (Bingham et al., 2011). High family involvement in management indicates that the family has sufficient power to influence the firm's social performance (Le Breton-Miller and Miller, 2016; Sharma and Sharma, 2011). Hence, family managers will have the willingness (i.e. emotional and reputational incentives) *and* the ability (i.e. managerial power) (De Massis et al., 2014) to lead the firm towards increasing its environmental social performance (Sharma and Sharma, 2011). Moreover, the presence of non-family executives can be associated with self-serving, short-term, rent seeking behaviors. Due to their ineligibility for succession, non-family executives may be tempted towards short-term financially driven priorities (Le Breton-Miller and Miller, 2016; Bingham et al., 2011), neglecting the needs of the natural environment in which the business operates (Le Breton-Miller and Miller, 2016; James, 1999). Consequently, high family involvement in management can increase the family business environmental social performance.

The Dark Side

However, another view associates high family involvement in management with the presence of asymmetric family altruism (e.g. Kellermanns et al., 2012; Schulze et al., 2001, 2003). This behavior may lead family members to act opportunistically where each family member involved in the business seeks to achieve her/his own self-interest and/or

his/her nuclear family interests (especially when latter generations become involved in the business); leading to increased conflicts and competing needs and claims in the family firm (Chirico and Bau, 2014). As more generations become involved in the business, struggles over influence and control can create relationship conflicts between family members who have equal power to pursue divergent goals (Chirico and Bau, 2014) and who will likely disagree on how and where resources should be invested (Le Breton-Miller and Miller, 2016). Consequently, these behaviors can restrict the ability of family businesses to pursue activities that promote the welfare of the social environment in which they operate (Campopiano et al., 2014; Le Breton-Miller and Miller, 2016). In sum, high family involvement in management can indicate a lack of professionalism and can create distractions coming from intra-family conflict, which will eventually lead to a decrease in resources available to increase the environmental social performance of family firms (Le Breton-Miller and Miller, 2016).

3.4.3 Presence of Outside Directors on the Board: The Dark and the Bright Side

Outside directors respond to either affiliates or independent directors. The main difference between them is that affiliates are people who have had a previous relationship with the family or the business. Independent directors, however, are people who have had no previous relationship with the family or the business. Instead, their association with the business begins with their directorship. Shareholders usually appoint independent directors on the board for their objectivity and impartial views, which allow them to provide a monitoring role, and service and advice to the company (Anderson and Reeb, 2004; Bammens et al., 2011). Research shows that independent directors can act as a linking mechanism between the organization and its environment and can increase the business concern with answering the needs of other stakeholders (Gabrielsson & Huse, 2005).

The Dark Side

Cuadrado-Ballesteros et al. (2015) argue that family controlling owners are highly concerned with preserving their influence and control over business decisions. Consequently, family controlling owners will appoint outside directors on the board based on their family ties and personal connections; making the board dominated by affiliates and family members. Hence, family ownership reduces or even eliminates the board independence making it coerced to comply with family desires. This leads all

outside directors to be less independent, and reduces the board´s ability to monitor the management team and to offer idiosyncratic service and advice for the company (Cuadrado-Ballesteros et al., 2015; Chen and Jaggi, 2001). In turn, a less independent board limits the capabilities (e.g. monitoring self-interest of family decision makers; reducing the principal-principal conflict of interest) and resources (e.g. additional service and advice that independent directors can bring) available in the family firm to increase its environmental social performance.

The Bright Side

The arguments Cuadrado-Ballesteros et al. (2015) make start from the assumption that family ownership eliminates the independence of the family business board. However, family businesses are a group of heterogeneous companies and they may sometimes, but not always, appoint outside directors on the board due to their close relationship with the family. In other words, family firms are not always prone to make family control a priority and can appoint outside directors for their monitoring and advisory role. In this regard, Lane et al (2006, p.154) argue: "independence is a mindset of disinterest that cannot be predicted by the lack of prior relationships of the parties involved". Outside directors, regardless of whether they are affiliates or independent directors, can have an independent mind-set (Lane et al., 2006), can monitor self-serving behavior, and can contribute to the firm's knowledge about opportunities where it can increase its environmental social performance (Hillman and Dalziel, 2003; Le Breton-Miller and Miller, 2016; Bammens et al., 2011). However, the presence of outside directors alone without any family presence on the board may divorce business owners from the realities facing their company. This undermines efficient allocations of resources and limits the family business ability to increase its environmental social performance (Le Breton-Miller and Miller, 2016). Therefore, a mix of family and outside board members will be most efficient to increase the environmental social performance of family firms (Le Breton-Miller and Miller, 2016).

Proposition

Based on the competing arguments outlined above, we use a configurational approach to examine the following proposition:

The presence or absence of different levels of family involvement in ownership and management, and board composition combine into specific configurations leading to high family business environmental social performance.

We move the discussion forward by exploring how the combination of the presence and/or absence of the previously outlined governance contingencies can, in complementarity, increase family firms' environmental social performance. We do so by leveraging on the diversity of nationalities of companies present in the STEP project, therefore accounting for the legal system in which the companies are operating. We differentiate between Anglo-Saxon and non-Anglo-Saxon countries as they have been identified to be "two contrasting ideal-type national models of corporate governance" (Garcia-Castro et al., 2013, p.3). Anglo-Saxon countries (e.g. U.K., Australia, and the U.S.A) have a strong shareholder value orientation, a deep stock market capitalization, a focus on the protection of outside investors, and usually link managers' compensation to firm profitability (La Porta et al., 1999). Non-Anglo-Saxon countries (e.g. Spain, Greece, Germany, Mexico), by contrast, have a long-term stakeholder welfare orientation, have a smaller percentage of companies that have their total stock in free float, and are less likely to link managers' compensation to firm profitability (Garcia-Castro et al., 2013). In the closing sections, we show how the results coming from the configurational approach can be used to discuss under what conditions SEW is likely to reveal its bright side and increase the environmental social performance of family firms.

3.5 Methodology

3.5.1 Sample Description

We use the STEP survey data for our empirical analysis. The STEP project was founded in 2005 by six leading schools with the aim to study how family businesses transmit entrepreneurial behavior throughout generations. Nowadays, the project includes more than 40 academic institutions around the world.

The STEP survey data was collected during the period of September 2013 to February 2015 by universities located in North America, Latin America, Asia, and Europe. The STEP database offers rich information about family firms located in 35 countries. The survey adopts a multi-respondent methodology by which two members of the same participating family have been asked to complete the same survey. Professional translators have translated the survey into 13 languages. The survey was then sent by email to 4162 eligible participants. Out of the 4162 participants, 1344 completed the survey, resulting in a response rate of 32.2%. Moreover, 382 companies successfully had two respondents of the same family firm completing the survey; resulting in 764 total respondents. Out of the 382 companies, we included in our analysis 146 family firms where respondents indicated that the family firm has a board of directors and where both respondents provided full information about their perception of the family business environmental social performance. Table 1 shows the countries included in the study.

Table 1: Countries included in the study

Country	Number of companies	[a]Anglo-Saxon Country
Belgium	1	No
Canada	5	Yes
Chile	9	No
Colombia	9	No
France	3	No
Germany	1	No
Hong Kong	8	No
Ireland	10	Yes
Italy	11	No
Mexico	2	No
Peru	3	No
Puerto Rico	1	No
Spain	16	No
Sweden	13	No
Switzerland	9	No
U.K.	4	Yes
U.S.A.	39	Yes
Venezuela	2	No

[a] Total Anglo-Saxon countries: 58.
[a] Total non-Anglo-Saxon country: 88.

To address potential selection bias problems, we have compared the sample of full responses to the sample that did not provide full information about our variables of interest. We performed non-response bias tests comparing the year founded, the location, and the perceived environmental social performance of family firms. We found no

statistically significant differences in the responses of the two groups, corroborating that non-response bias cannot be considered a problem in this study.

3.5.2 Measures

The outcome variable is the environmental social performance of family firms. Following Judge and Douglas (1998), the STEP survey measures environmental social performance of family firms using a 5-point Likert scale across four items: Complying with environmental regulations, Limiting environmental impact beyond compliance, Preventing and mitigating environmental crisis, and Educating employees and public about the environment. Participants were asked to rate their primary company performance to that of their closest competitors over the last 3 years. Answer choices range from “Much worse” to “Much better”. We then added individual scores across the four items to compute an overall environment social performance score. We computed the final environmental social performance score in two ways: 1) as the mean of the overall rating provided by the two respondents of the same company and 2) by keeping the score of the respondent that had more work experience in the company (in cases where the two respondents had similar work experience or where data about the work experience was missing, we selected the respondent that had the higher work position in the company).

Consistent with the previous argumentation, we use three causal conditions as antecedents for higher environmental social performance. The first is family ownership, measured as the percentage of total equity owned by the same family. The second is family involvement in management, measured as the proportion of family members involved in the total top management team. The third is the presence of outside directors on the board, measured as the proportion of outside directors to total board members. We complement these causal conditions with two important control variables that may affect our results: The generation of the management team (first versus later generations) and the legal system in which the company operates (Anglo-Saxon versus non-Anglo-Saxon countries). Table 2 shows descriptive statistics of the causal and the control variables used.

Table 2: Descriptive statistics of the causal variables and control variables explored

	N	Range	Minimum	Maximum	Mean
Totalfamown[a]	146	75	25	100	94.16
Percnonfboard[b]	146	1,00	,00	1,00	,3321
Percentfammgmt[c]	146	1,00	,00	1,00	,5203
Anglcrsp[d]	146	1	0	1	,39
Secondgenman[e]	146	1	0	1	,22
Valid N (listwise)	146				

[a] total family ownership of the business
[b] Percentage of non-family members on the family business board
[c] Percentage of family members in the top management team
[d] Anglo-Saxon countries
[e] Second versus later generation management team

Analytical Technique

Because the purpose of this study is to explore the combination of governance antecedents that affect the firms' environmental social performance, we use fsQCA as our analytical technique. FsQCA is an increasingly popular method in management (e.g. Fiss, 2007, 2011; Bell et al., 2014) and in family business research (e.g. Garcia-Castro and Casasola, 2011; Garcia-Castro and Aguilera, 2014, Kraus et al., 2016; Samara and Berbegal-Mirabent, 2017) that allows us to investigate different combinations of causal conditions leading to a certain outcome (Ragin, 2008).

FsQCA uses Boolean algebra to compare cases in relation to a specific outcome (i.e. the dependent variable). Accordingly, fsQCA offers different advantages over traditional statistical regression analysis. First, by assuming asymmetrical relationships among variables, fsQCA is able to overcome limitations coming from linearity and complementarity of associations between variables. In other words, rather than assuming each causal condition as analytically distinct, fsQCA assumes causal complexity and allows to investigate the effect of the combination of different antecedent causal conditions (either their presence or absence) on the outcome (Longest and Vaisey, 2008; Roig-Tierno et al., 2016). For example, rather than examining whether high family involvement in management produces a net effect on the social performance of family firms while controlling for family involvement in ownership and board composition, fsQCA examines how these variables combine within configurations to affect the social

performance of family firms. Second, fsQCA is based on equifinality; meaning that it allows to have more than one combination of antecedent causal conditions that explain the outcome (Fiss, 2007). In other words, equifinality acknowledges the possibility of existence of heterogeneous pathways to achieve the same outcome (i.e. high environmental social performance). Relatedly, the configurational approach may be more robust than regression based models, as it is not sensitive to outliers. Rather, the configurational approach identifies outliers and displays their coverage and consistency values as part of the equifinality of solutions (Pappas et al., 2016). Last, fsQCA is not sensitive to sample size and is able to perform well with large and small samples (Fiss, 2011).

Although the configurational analysis provides several advantages, it has also some limitations that we acknowledge. First, using fuzzy methods does not enable researchers to isolate the effect of a unique variable on a certain outcome. However, because the aim of the research is to identify the combination of optimal levels of family involvement in the business leading to increased environmental social performance, the unique effects of a variable do not fall under the main objectives of this paper. Perhaps the most important limitation is that fsQCA does not test for the validity and reliability of the variables of interest. Therefore, following the recommendation of Pappas et al. (2016), we first test the construct validity of the measure of environmental social performance. Using XLSTAT software, we perform confirmatory factor analysis (maximum likelihood estimation) with Kendall correlation analysis as a basis to conduct the maximum likelihood procedure (because the data is ordinal with a restricted range of categories) to test the construct validity of the environmental social performance. Table 3 shows summary statistics about the underlying variables forming the environmental social performance construct.

Table 3: Descriptive statistics of the variables constituting environmental social performance

Variable	Observations Obs. with missing data	Obs. without missing data	Minimum	Maximum	Mean	Std. deviation
Complyenv[a]	146	146	1,000	5,000	3,667	0,939
Limitenvimp[b]	146	146	2,000	5,000	3,769	0,820
Mitigatenvcrisi[c]	146	146	2,000	5,000	3,558	0,741
Enveducation[d]	146	146	2,000	5,000	3,531	0,779

[a] Complying with environmental regulations,
[b] Limiting environmental impact beyond compliance,
[c] Preventing and mitigating environmental crisis,
[d] Educating employees and public about the environment

Table 4 shows the results of the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (0.706). This indicates that common variance is not a major problem and that our data is suitable to perform confirmatory factor analysis.

Table 4: Kaiser-Meyer-Olkin measure of sampling adequacy:

Complyenv	0,720
Limitenvimp	0,798
Mitigatenvcrisi	0,652
Enveducation	0,697
KMO	0,706

Table 5 shows the result of the goodness of fit test. As the p-value of the Chi-square test is higher than 0.05, this indicates that we cannot reject the hypothesis that one factor is enough to describe the data. The risk to reject this hypothesis while it is true is 11.09%. Therefore, we conclude that the environmental social performance shows acceptable scores for construct validity.

Table 5. Goodness of fit test

Chi-square (Observed value)	4,399
Chi-square (Critical value)	5,991
DF	2
p-value	0,111
Alpha	0,05

After determining the validity of the environmental social performance construct, we move forward to discuss its reliability. Regarding internal reliability, this construct shows acceptable scores with a Cronbach's Alfa of 0.753. The inter-rater reliability of this measure was 0.675. Because the inter-rater reliability is relatively low, we consider in our analysis the score of the respondent that has the higher work experience in the company.

FsQCA requires expressing variables into sets and sub-sets according to their degree of membership to a specific condition. Developed by Ragin (2008), the fsQCA software allows to transform values into crisp and fuzzy terms and to conduct the empirical analysis. Scores in crisp sets are operationalized as dummy variables that take the value of "1" (presence of the variable) or "0" (absence of the variable). Scores in fuzzy sets range from "1" (full membership) to "0" (full non-membership). Cut-off points allow calibrating all values into membership values. Table 6 shows and explains the way variables have been calibrated.

Table 6. Variable definition and calibration values

Condition	Description	Membership threshold		
		Full non-membership	Crossover point	Full membership
Environmental social performance[a]	The overall score for environmental social performance	10.5 (0.01)	14 (0.5)	18 (0.95)
Family ownership[b]	Percentage of the business equity held by the family group (100%=1; <100%=0)	0		1
Family involvement in the top management team[a]	Calculated as the ratio of family top managers to the total top management team	0.11 (0.01)	0.46 (0.5)	1 (0.95)
Presence of mix of outside directors and family directors[c]	Percentage of presence of outside directors' relative to total board seats	0 (0.01)	0.3 (0.5)	0.6 (0.8)
Anglo-Saxon countries[b]	Anglo-Saxon versus non-Anglo-Saxon countries	0		1
First generation managers[b]	Whether the top management team includes first generation managers or later generations	0		1

[a] To maximize our ability of differentiating between the most socially performant companies, observations falling in the percentile-95 are considered to represent full set membership. Percentile-0.01 is the threshold value for indicating full non-membership. The crossover point is defined by the median (0.5).
[b] Variables expressed in crisp-set terms. We operationalized family ownership as a crisp set as 73,28% of the companies had 100% family ownership and 26.72% had less than 100% family ownership.
[c] We choose 0.8 instead of 0.95 as the threshold for full membership as it enables us to account for the mix between outside directors and family members on the board (0.6) rather than measuring a board dominated by outsiders.

After calibrating values, the building and analysis of the truth table constitutes the next step. The table has as many rows as logically possible combinations of conditions (Fiss, 2011). FsQCA uses Boolean algebra to compute the commonalities among the configurations that lead to the outcome. With fsQCA the Quine-McCluskey algorithm performs the logical reduction of statements (Fiss, 2007). Two parameters indicate the goodness of fit of the final solution: coverage and consistency. Coverage expresses the empirical relevance of the solution found and is analogous to the effect size in statistical hypothesis testing, while consistency quantifies the extent to which cases sharing similar conditions present the same outcome and is analogous to significance metrics in statistical hypothesis testing (Kraus et al., 2016; Woodside and Zhang, 2012).

3.5.3 Results

Because fsQCA assumes causal complexity and asymmetrical relationships, the first step is to analyze whether the absence or presence of each causal condition is, by itself, necessary to produce the outcome (Meyer et al., 1993). A condition is considered as necessary when its consistency value is equal to, or exceeds 0.9 (Schneider & Wangemann., 2010). Table 7 displays the consistency and coverage values for all antecedent causal conditions related to environmental social performance. Since the highest consistency value among all causal conditions is 0.7263, this means that none of the variables alone can be considered as a necessary condition to produce the outcome.

Table 7. Analysis of necessary conditions for high environmental social performance

Conditions tested*	Consistency	Coverage
family ownership	0.7263	0.4869
~family ownership	0.2736	0.5708
proportion of family managers in the top management team	0.6006	0.5817
~ proportion of family managers in the top management team	0.6597	0.7029
Mix between outside directors and family directors on the board	0.6705	0.6628
~ Mix between outside directors and family directors on the board	0.5248	0.5470
First generation managers in the management team	0.5012	0.5227
~ First generation managers in the management team	0.4987	0.4927
Anglo-Saxon Countries	0.3687	0.4774
~ Anglo-Saxon Countries	0.6312	0.5266

* The symbol (~) represents the negation of the characteristic.

Table 8 displays the results of the intermediate solution for environmental social performance, as recommended by Ragin's (2009). Using the notation introduced by Ragin & Fiss (2008), black circles (●) denote the presence of a condition, white circles (○) represent its absence, and blank cells indicate that the condition is not binding in that particular configuration.

Table 8. Antecedent governance contingencies for high environmental social performance

Configuration no.	Antecedent conditions					Raw Coverage	Unique Coverage	Consistency
	Family ownership	Family involvement in Management	Outside directors on board	First generation managers	Anglo-Saxon Countries			
1	●	○	○	●		0.0757	0.0466	0.9211
2	●	●	●	●		0.06887	0.0064	0.7932
3		●	●		○	0.2378	0.1051	0.8001
4	○		●		○	0.1559	0.0766	0.8060
5	○	●		●	○	0.0266	0.0111	0.8717
	Solution coverage: 0.3875 Solution consistency: 0.8197							

Frequency Cutoff: 1.0000
Consistency Cut-off: 0.7509

We found five causal combinations for high environmental social performance, therefore validating the initial proposition that different combinations of governance contingencies can increase the family business environmental social performance. Table 8 reveals that the solution consistency is 0.8197 which is above the solution consistency cut-off and which meets the recommendation of Ragin (2008). The solution consistency indicates that these different causal conditions are sufficient for the family firm to show high environmental social performance. Moreover, the solution coverage equals 0.3875, which indicates that the extracted causal recipes explain an acceptable proportion of variation in environmental social performance of family firms and is similar or higher than coverage values found in previous research (e.g. Garcia-Castro and Aguilera, 2013; Garcia-Castro et al., 2013; Kraus et al., 2016).

Two further robustness checks were performed. We first replaced absolute family ownership by 90% family ownership or higher. Second, we changed the calibration of the presence of outside directors to capture a higher involvement of outside members on the board. As can be seen in table 9 and 10, the majority of configurations that show acceptable coverage and consistency scores are congruent with the main configurations found in table 9. Moreover, when we replace 100% family ownership by 90% ownership, the overall solution coverage drops to 0.30. We therefore conclude that the outcome is better modelled when considering family firms that desire to keep business ownership exclusively within family hands.

Table 9. Robustness check by replacing absolute family ownership with 90% family ownership

Configuration no.	Antecedent conditions					Raw Coverage	Unique Coverage	Consistency
	Family ownership 90%	Family involvement in Management	Outside directors on board	First generation managers	Anglo-Saxon Countries			
1	●	○	○	●		0.0814	0.0719	0.9262
2	●	●	●	●	●	0.02174	0.0123	0.8024
3		●	●	○	○	0.1689	0.1238	0.8024
4	○	○	●	●	○	0.0180	0.0118	1.0000
5	○	●	●	●	○	0.0266	0.0111	0.8717
	Solution coverage: 0.3085 Solution consistency: 0.8542							

Frequency Cutoff: 1.0000
Consistency Cut-off: 0.8001

Table 10. Robustness check by changing the calibration of outside board directors

Configuration no.	Antecedent conditions					Raw Coverage	Unique Coverage	Consistency
	Family ownership	Family involvement in Management	Outside directors on board	First generation managers	Anglo-Saxon Countries			
1	●	○	○	●		0.0868	0.0422	0.9238
2	○	○	●	○		0.1389	0.0444	0.8298
3		●	●		○	0.2374	0.1282	0.8218
4	○		●		○	0.1513	0.0145	0.8479
5	○	●		●	○	0.0266	0.0111	0.8717
6	●	●		●	●	0.0334	0.0186	0.7798
	Solution coverage: 0.4406 Solution consistency: 0.8254							

Frequency Cutoff: 1.0000
Consistency Cut-off: 0.7517

3.6 Discussion

We started this paper by highlighting that competing arguments and conflicting results are associated with the comparison of family and non-family firms' environmental social performance. Accordingly, because family businesses are a group of heterogeneous companies, we set to explore optimal combinations of governance antecedents that can catalyze the family firm environmental social performance. Specifically, our empirical findings show that different levels of family involvement in ownership and management, and the board composition combine into configurations to increase the family firm environmental social performance. Therefore, we make theoretical and practical contributions to this important topic by identifying specific boundary conditions under which SEW reveals its bright side and increases the family business social performance.

We identify five different causal paths that lead to increased family firm environmental social performance. The first two causal paths apply to all family businesses and the last three causal recipes apply specifically to non-Anglo-Saxon countries. Configuration #1 indicates that SEW reveals its bright side when the family owns 100% of the business, when first generation managers are still involved in the management team, when the

board is dominated by family members, and when there is high involvement of *non-family* executives in the management team. The presence of non-family executives in the management team indicates that the family´s concern with preserving its influence and control is tempered by a desire for professionalism. In other words, the desire to preserve SEW does not manifest itself in random employment and privileged treatment of family members regardless of meritocratic principles. First generation family business leaders have a close identification with the business and are more likely concerned with transferring a long-term oriented well-reputed business to future generations. This leads them to apply meritocratic criteria when deciding whom to appoint on the management team. Under these circumstances, family members may be better suited to sit on the family business board than outside directors (Samara and Arenas, 2017). Family directors that are primarily concerned with the business long-term survival may have a better understanding of family dynamics (Garcia-Ramos & Garcia-Ollala, 2011) which facilitates decision making on the board and increases the capability of the family business to increase its social performance.

However, as configuration #2 suggests, when first generation family members tend to employ exclusively family members in the management team, SEW can reveal its dark side if essential control mechanisms are absent. While recent works indicate that increased family involvement in ownership and management leads the family firm to increase its social performance (Marques et al., 2014; Dyer and Whetten, 2006), we find that family firms are only able to do so when a mix of outside directors and family members are present on the board. To be able to capitalize on the bright side of high family involvement in ownership and management while reducing its dark side, the presence of outside members on the board becomes essential. Outside board members can offer external and objective points of view and can link their personal connections and ties to the family business. In turn, impartial views can help mitigate intra-family conflict of interest and the additional ties brought into the business can counterweight the loss of social capital that results from the absence of non-family executives on the management team. In addition, outside directors can bring diversity into the board and can increase the family firm's knowledge about opportunities for increasing its social engagement and social performance (Le Breton Miller and Miller, 2016). This finding is therefore congruent with the results of Bingham et al (2011), who found partial support for the thesis that increased family involvement in management is associated with better

environmental social performance. In fact, increased family involvement in management can lead to an increase in social performance depending on the presence of other relevant governance contingencies such as having outside directors on the board (Le Breton-Miller and Miller, 2016), and absolute family ownership (Marques et al., 2014).

While these findings apply to both Anglo-Saxon and non-Anglo-Saxon countries, results also reveal three recipes that are specific to non-Anglo-Saxon countries. As previously argued, non-Anglo-Saxon countries have a general tendency to have a long-term stakeholder welfare orientation and to be less concerned about linking managerial compensation to firm profitability. Under these circumstances, when a management team dominated by family members is combined with the presence of a mix of outside and family directors on the board, the family business will be able to capitalize on the bright side of high family involvement in management. The close emotional and reputational association of family managers with the business *and* the ability of outside directors to mitigate intra-family conflict of interest and to provide additional advice on social issues, jointly lead to an increase in the family firm environmental social performance regardless of the level of family ownership of the business and the generation leading the family business.

Similarly, as shown in configuration #4 the family firm can increase its environmental social performance when the family shares business ownership with outsiders and when outside board members are present to mitigate the conflict of interest that may arise between family owners and outsiders. In non-Anglo-Saxon countries, a smaller percentage of companies have their total stock in free float. In these countries outside investors are more likely to be dedicated owners that care about the long-term welfare of the environment in which the company operates. Therefore, the presence of dedicated owners can bind the freedom that absolute family ownership grants to pursue solely family-centred goals and can increase the diversity of opinions in shareholder meetings. When this circumstance is combined with the presence of outside board members that mitigate any conflict of interest that may arise between dedicated outside investors and family owners, the family business can increase its environmental social performance regardless of the top management team composition and the generation leading the business.

Finally, the last configuration displayed very low coverage value (0.0266). This means that it represents a very small number of potential cases. This finding is intriguing as it indicates that in non-Anglo-Saxon countries, shared business ownership between family members and outsiders and a top management team dominated by first generation family members are sufficient conditions to increase the family firm's environmental social performance regardless of the board composition. This might be explained by the willingness and ability of first generation managers to perform independent director roles. Due to their long-term association with the business, their seniority, and their power (both in the family and the business), first generation family members can mitigate intra-family conflicts that may arise in the management team, and may be able to capitalize on the diversity of shareholders to increase the opportunities and resources that the family business can use to invest in environmental friendly activities. However, due to the very low coverage found, future research must more deeply assess the plausibility of this finding.

To sum up, among family firms, there is no "one size fit all" recipe to achieve increased levels of environmental social performance. Our results suggest several boundary conditions within which SEW reveals its bright side and increases the social performance of family firms. Given the importance of environmental social performance of family firms to address the social challenges that the world is facing (World Economic Forum, 2016) and to increase overall family business performance (Neubaum et al., 2012), we outline below the important implications of our findings for SEW theory and for practitioners.

3.7 Implications for SEW Theory

This research empirically validates Kellermanns et al's (2012) conceptual claim that SEW may sometimes, but not always, lead to proactive stakeholder engagement. While we only focused on proactive engagement towards the environment, this study reveals several boundary conditions within which SEW is able to reveal its bright side while reducing its dark side. Findings indicate that when the desire for family influence and control (reflected by 100% business ownership and a board dominated by family members) is tempered by a desire for professionalism (presence of non-family members in the management team), the family business is able to leverage the bright side of SEW. Similarly, the potential dark side of SEW that can manifest itself by an "us-against-them"

mentality and by increasing intra-family struggles for power (Gordon and Nicholson, 2008) can be mitigated when outside directors are present on the board. The presence of outside directors, regardless of whether they are affiliates or independents, may contribute with external point of views regarding business and family issues and may enrich the social capital of the board while mitigating intra-family conflicts. Our findings also indicate that the consequences of the desire to preserve SEW might be context dependent. Specifically, in non-Anglo-Saxon countries, where there is a general tendency to have a strong stakeholder welfare orientation, the domination of family members in the management team and shared business ownership between the family and institutional owners might lead SEW to reveal its bright side, conditional on the presence of outside directors on the board. This suggests that future research using the SEW perspective must make careful consideration of contextual institutional factors when discussing its positive or negative valence (Kellermanns et al., 2012).

3.8 Implications for Practice

Our results suggest for family controlling owners and advisors that, when the family owns 100% of the business and when family involvement in management is high, the presence of a mix of outside directors and family members on the board is essential to increase environmental social performance. However, when first generation family members are still involved in the business and when decision makers are not inclined to make family control a priority regardless of meritocratic considerations (i.e. in the presence of a professionalized management team), family members may be better suited to sit on the family business board to increase the family business social performance. Moreover, our results provide specific recommendations for family businesses embedded in non-Anglo-Saxon countries. To be able to gain benefits from family employment, family firms that encourage family participation in the management team must appoint outside directors on the board to counterweight the loss of social capital that results from the absence of non-family executives and to mitigate the possibility of intra-family conflict of interest. Similarly, to be able to reap benefits out of shared business ownership between family members and outsiders, family controlling owners must encourage the appointment of outsiders on the board.

3.9 Limitations and Avenues for Future Research

This exploratory study presents findings that provide several opportunities for future research to increase existing knowledge of the drivers of the environmental social performance of family firms. First, the study only focused on family involvement in ownership and management and on board composition as antecedents leading SEW to increase the environmental social performance of family firms. Although these governance contingencies are the most argued for and the most studied in the literature (e.g. Berrone et al., 2010; Campopiano et al., 2014; Dyer and Whetten, 2006; Sharma and Sharma, 2011; Cruz et al., 2014; Wiklund, 2006), it would be interesting to include other governance contingencies that may affect family business behavior. For example, implicit in our analysis is that high family involvement in management is associated with the presence of a family CEO. Unfortunately, the STEP data does not provide information about this variable. Future research can explicitly include whether the family business CEO is a family member. In fact, the average tenure of family CEOs can be three to five times greater than that of non-family CEOs. This may lead family CEOs to have incentives to increase the social performance of the firm, as they will be able to gain long-term reputational benefits out of environmental friendly activities (Le Breton-Miller and Miller, 2006). Alternatively, the expectation of long tenures can make family CEOs entrenched in their positions displaying conservative behavior and discouraging the employment of new qualified non-family blood (Henderson et al., 2006).

Moreover, it would be equally interesting to study how the presence of women in management would act in complementarity with other governance contingencies to affect the firm social strategies. While some literature emphasized the invisibility of women in family firms by having their opinions strongly influenced by family leaders (Martinez Jimenez, 2009); recent evidence suggests that the presence of women can positively influence the community satisfaction with socially responsible activities undertaken by the family firm (Peake et al., 2015; Del Mar Alonso-Almeida et al., 2017; Rodriguez-Ariza et al., 2017).

In addition, although our results indicate two general configurations for all family businesses and specific configurations for family businesses in Non-Anglo Saxon countries, the configurational approach could not identify specific configurations that apply to Anglo-Saxon countries. As a remedy, future research can replicate this study exclusively in Anglo-Saxon countries which will increase existing knowledge on other

combinations of governance contingencies that can affect the environmental social performance of family firms.

Last, other family related variables can be used to explore drivers for increased family business environmental social performance. Family values, parenting, and the educational experiences of the family management team can be important variables that may affect the family firm social practices and are worth according systematic consideration in future scholarship (Le Breton Miller and Miller, 2016; Marques et al., 2014; Sharma and Sharma, 2011).

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4

Independent directors and family business performance: Does one size fit all?

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How will the presence of independent directors affect family business performance? This question is still theoretically debated and empirically inconclusive. Because family businesses are a group of heterogeneous companies with different levels of family involvement in the business, the purpose of this paper is to empirically explore how the combination of different family business governance structures jointly shape the effect of independent directors on family business performance in an understudied Collectivist cultural setting. Using Qualitative Comparative Analysis (QCA) on a sample of 74 Lebanese family firms this study finds that, depending on the family firm governance structure, the presence of independent directors on the board can lead to either positive or negative firm performance. Theoretical and practical implications are discussed.

4.1 Introduction

Holdal Group, a Lebanese 100% family owned firm, has been featured in 2014 for the second consecutive year as one of the top 100 companies in the Arab world (Forbes

Middle East 2014). One of the distinctive features of this company is that the chairs of its board of directors are exclusively held by family members. This contradicts the common prescription in corporate governance codes around the world that suggests that the presence of independent directors on the board is necessary to achieve firm survivability and success. In fact, in the distinctive context of family businesses, the relationship between the presence of independent directors on the board and firm performance is theoretically debated and empirically inconclusive. Theoretically, research adopts agency (Jensen and Meckling 1976) and stewardship theories (Davis et al. 1997) as separate lens to determine the effect of independent directors on firm performance (Madison et al. 2016). Empirically, positive (e.g. Anderson and Reeb 2004; Arosa et al. 2010; Kuo and Hung 2012), negative (e.g. Agrawal and Knoeber 1996; García-Ramos and García-Olalla 2011), and no effect (e.g. Cuadrado-Ballesteros et al. 2015; Dalton et al. 1998; Gnan et al. 2015) of independent directors presence is associated to family business performance.

The existence of competing arguments and inconclusive findings indicates that the presence of independent directors on the family business board may sometimes, but not always, contribute to family business performance. Despite recent evidence which shows that family businesses are a group of heterogeneous companies with different levels of family involvement in the business (Chrisman and Patel 2012; Garcia-Castro and Aguilera 2014) and that the Collectivist culture is an important institutional setting that affects the success or failure of governance mechanisms in family firms (Pagliarussi and Rapozo 2011; Sharma and Manikutty 2005), little attention has been devoted to these important contingencies when discussing the effect of independent directors on family business performance. To address these gaps, the aim of this paper is to explore the following question: in a Collectivist culture, how do different family business governance contingencies shape the effect of independent directors on family business performance?

Using QCA, this paper explores different governance contingencies that shape the effect of independent directors on the performance of 74 Lebanese companies. QCA is an increasingly popular method in management (Huarng 2015) and in family business research (e.g. Garcia-Castro and Aguilera 2014; Kraus et al. 2016) that allows to investigate heterogeneous combinations of causal conditions that lead to a certain outcome (Ragin 2010).

Through the recognition of complexity theory, this study offers several theoretical and practical contributions. This study offers an interesting case for the comparison of previous research employing the simplistic narrative of linear relations among variables against results employing a more nuanced analytical technique that allows for the identification of counter-intuitive and multi-dimensional causal recipes. By doing so, this study is able to empirically validate the mutual ability of agency and stewardship theories to explain family business performance (Madison et al. 2016), thereby reconciling previous competing arguments and conflicting results found in the literature. Moreover, by exploring Lebanese family businesses, this paper heeds calls from Anderson and Reeb (2004), Evert et al. (2016), and Villalonga and Amit (2006) to explore new geographical cultural settings to truly understand strategic decision making in family firms. The study also responds to calls from Chrisman et al. (2013) and Nordqvist et al. (2014) to start using a configuration approach to unfold the complex systems of interdependencies that allows for a better explanation of family business performance outcomes. Particularly we find that, depending on the combination of several governance contingencies, the presence of independent directors on the family firm board can either be an asset or a liability. For practitioners, this paper offers several governance recipes that can assist Collectivist family business owners and advisors to decide when the appointment of independent directors should be encouraged or discouraged to achieve better firm performance.

The remainder of the paper is structured as follows. In the next section, we clearly differentiate independent directors from other board members. Next, we review relevant research in agency and stewardship theories to provide an explanation of the different theorized roles of independent directors on the family business board. Moving forward, we argue how the Collectivist cultural setting shapes the attitudes of family members inside the firm. Then, we discuss how different governance contingencies influence the effect of independent directors on family business performance. The subsequent sections present and explain our data and results. Lastly, we elaborate on the theoretical contributions and conclude with the practical implications.

4.2 Board of directors: Insiders, affiliates, and independents

The members of the board of directors are classified as insiders or outsiders. Insiders include firm employees, retired employees and/or family members. Outside directors

respond to either affiliates or independent directors (Jensen and Meckling 1976; Voordeckers et al. 2007; Zahra and Pearce 1989). Affiliates are directors that have potential or existing personal relationships with the family and/or the firm (e.g. Anderson and Reeb 2004; Jones et al. 2008). Examples of affiliates include lawyers, investment bankers, financiers, and consultants (e.g. Anderson and Reeb 2004; Arosa et al. 2010). Independent directors are outsiders that have no social ties neither with the company nor with the family. Instead, their sole relationship with the business begins with their directorship. The main difference between affiliates and independent directors is that affiliates, due to their long term business relationship, are able to forge strong social ties with the top management team. However, independent directors usually serve for a shorter period of time and have less opportunity to forge social ties with the management team or the family. While affiliates can play an advisory role without affecting the perceived control of the family over the business, independent directors can be perceived as a threat to the family's control and decision making ability (Anderson and Reeb 2004; Jones et al. 2008; Westphal 1999). The following section presents agency and stewardship theories to discuss the effect of the presence of independent directors on family business performance.

4.3 Theoretical framework: Agency and stewardship theories

4.3.1 Agency theory

Agency theory suggests that principals (i.e. owners) delegate some agents (i.e. managers) to run the company on their behalf. Agency theory predicts that a conflict of interest arises when opportunistic managers seek to achieve their own self-interest on the detriment of the interests of less informed shareholders (Jensen and Meckling 1976). As a remedy for this conflict of interest, Fama and Jensen (1983) suggest that monitoring by independent directors can be one of the effective measures to control opportunistic behavior of agents and to re-align interests of owners and managers.

When considering whether family firms need independent directors to monitor the management team research offers two competing stances. The first stance suggests that family involvement in ownership and management creates an automatic alignment of interest between shareholders and family managers; which mitigates information asymmetries and reduces agency costs (Chrisman et al. 2004; Herrero 2011; Jensen and Meckling 1976; Zahra and Stanton 1988). In addition, motivated by the protection of the family's financial wealth, family managers are in a good position and have strong

incentives to monitor other non-family employees (Anderson et al. 2009). Given the aforementioned considerations, the presence of independent directors has been considered as an additional unnecessary cost when the business is family owned (Fama and Jensen 1983).

The second stance stretches the theoretical boundaries of agency theory; suggesting that non-traditional agency problems such as asymmetric altruism (Chua et al. 2009; Schulze et al. 2001) and family entrenchment (e.g. Villalonga and Amit 2006) result from opportunistic attitudes of family managers. Asymmetric altruism creates a moral hazard agency problem where family controlling owners are excessively generous towards their kin and hold back from monitoring unqualified opportunistic family members (Chua et al. 2009; Schulze et al. 2001). Also, entrenchment creates an adverse selection problem where family controlling owners employ family members regardless of their qualifications; resulting in the presence of an unqualified management team and in the loss of managerial talent (e.g. Chrisman et al. 2014; Schulze et al. 2001). These problems are identified as a type one agency problem.

A principal-principal conflict of interest is also identified as a type two agency problem. Due to the dominant family shareholders desire for income and wealth preservation within the family, family shareholders become more risk averse and have incentives to engage in non-profit maximizing objectives that only serve family interests (Anderson and Reeb 2004; Le Breton-Miller and Miller 2009; Pagliarussi and Rapozo 2011). This conflict of interest also occurs in the presence of a multi-family firm where different extended family groups own the business (Pagliarussi and Rapozo 2011). For example, family shareholders are prone to extract private rents through special dividends, excessive compensation schemes, and through diverting company assets for private use (Anderson and Reeb 2004). Recent evidence suggests that this principal-principal conflict of interest is especially likely when firm performance deteriorates, when the CEO is a family member, and when the founder is no longer involved in the business (Martin et al. 2016). Based on the aforementioned arguments, the presence of independent directors on the family firm board becomes an essential control mechanism that contributes to reducing agency costs and to achieving better firm performance (e.g. Anderson and Reeb 2004; Bammens et al. 2011).

4.3.2 Stewardship theory

Alternatively, stewardship theory holds different assumptions on the behaviors of family business employees and on the role of independent directors inside the firm. Stewardship theory is anchored in a humanistic model where people are motivated by serving others. The organization is seen as an involvement oriented and empowering structure where mutual trust-based relationships develop. Organizational members work as a collective, are trustworthy, and display pro-organizational conduct (Davis et al. 1997).

When applied to family firms, stewardship theory suggests that relationships inside the family business will be dominated by reciprocal altruism and a participative strategy (Corbetta and Salvato 2004b). Because of their emotional and social attachment to the business, family members practice self-restraint and carefully consider the consequences of their actions on the firm (Eddleston and Kellermanns 2007). The use of a participative strategy that empowers employees leads them to be more engaged in the long-term business strategy and to have greater commitment and motivation to work in the business (Davis et al. 1997; Zahra 2003). For instance, research shows that identification with the family firm and commitment to family business prosperity and success are common traits of family business managers (Davis et al. 2010). This leads family employees to place the business objectives ahead of their own (Miller and Le Breton-Miller 2005; Salloum et al. 2013b). Stewardship behavior reduces relationship conflict inside the business and increases the level of collaboration, harmony, and knowledge sharing between employees (Eddleston and Kellermanns 2007). Practices such as the ones described above enable family businesses to develop an important source of competitive advantage over their non-family counterparts (Corbetta and Salvato 2004b).

Through stewardship theory lenses, the essential role of independent directors is not to provide contractual controlled monitoring. Instead, controlling owners mostly rely on trust-based monitoring. Independent directors are appointed on the board for their ability to provide service and advice to shareholders. Therefore, the presence of independent directors is considered as an added value for the company because they are able to bring industry-specific expertise that cannot be obtained by the virtue of insiders or affiliates appointment (Anderson and Reeb 2004; Corbetta and Salvato 2004b; García-Ramos and García-Olalla 2011).

4.3.3 Complementarity of agency and stewardship theories predictions

When compared, agency and stewardship theories differ in their consideration of two elements: the attitudes of family business employees inside the business (i.e. opportunistic agents/good stewards) and the role of independent directors (i.e. controlled monitoring/service and advice) on the board. Table 1 summarizes the main behavioral assumptions of agency and stewardship theories.

Table 1. Agency and Stewardship theories main behavioral assumptions and arguments

	Agency Theory		Stewardship Theory
Main behavioral assumption	People are self-interested and opportunistic by nature		People are stewards by nature and are motivated by serving others
Effect of family employment inside the business	Automatic alignment of interest between shareholders and management. Family managers are able to monitor other non-family employees.	Type one agency problem: entrenchment and asymmetric altruism. Type two agency problem: a principal-principal conflict of interest between family shareholders and minority shareholders/between different family groups owning the business.	Reciprocal altruism and a participative strategy will dominate business relationships. Emotional and social attachment of family members to the business. Family members have more commitment and motivation to work in the business.
The role of independent directors	Controlled monitoring for the firm management team and/or mitigate the principle-principle conflict of interest.		To provide service, advice, and industry-specific expertise.
The effect of independent directors	An additional unnecessary cost.	Improves firm performance by reducing type one and type two agency costs.	Improves firm performance by providing service and advice to the firm.

As previously argued and as shown in Table 1, competing arguments and conflicting results surround the relationship between the presence of independent directors on the board and family business performance. Plausibly, the main reason for these competing views is that research has so far considered family businesses as a homogenous group (Chrisman et al. 2013; Nordqvist et al. 2014). However, recent works indicate that family businesses are a group of heterogeneous companies (Chrisman and Patel 2012; Garcia-Castro and Aguilera 2014) with different governance structures and needs (Corbetta and Salvato 2004a). In other words, the recommendation of having independent directors on the board does not fit all family businesses. Theoretically, a starting point to account for

family business heterogeneity is not to consider family business protagonists exclusively as agents or stewards. Particularly, different cultural and governance contingencies can shape the attitude of family members inside the business (Ashforth and Mael 1989; Chen et al. 2002; Pagliarussi and Rapozo 2011); which, in turn, can determine whether the presence of independent directors can be considered as an asset or a liability for the family firm. In the next sections, we theoretically discuss and empirically explore how different governance contingencies jointly shape the effect of independent directors on family business performance in an understudied Collectivist culture.

4.4 Agency and stewardship in collectivist family businesses

Three reasons motivate the exploration of the Collectivist national cultural setting. First, the domination of family businesses as an organizational form is greater in Collectivist cultures than in Individualist cultures (Chakrabarty 2009); yet, few studies built theory considering this distinct cultural setting (Pagliarussi and Rapozo 2011; Sharma and Manikutty 2005). Second, the Collectivist cultural setting is more predictive than other cultural dimensions in managerial decision making (Crossland and Hambrick 2011), being considered as a core dimension for distinguishing cultures (e.g. Cannon et al. 2010), and appearing in several recognized frameworks in the literature as a predictor of behaviors of family employees (e.g. Pagliarussi and Rapozo 2011; Sharma and Manikutty 2005). Third, Collectivism hints at the prevalence of an extended family structure where values of reciprocal altruism are dominant between members of the in-group (Hofstede 1984; Sharma and Manikutty 2005).

An important implication of family business embeddedness in a Collectivist culture is that family members will prioritize the in-group interest over their own (Husted and Allen 2008; Triandis 1995). At the same time, family members will regard people that have no prior relationship with them as part of the out-group. In-groups will form higher prejudice and formalization when dealing with people from the out-group (Chen et al. 2002; Hofstede 1984). As a result, in-group/out-group perceptions create a mixed organizational culture inside the family firm. A clan and adhocracy based organizational culture will be dominant when interactions occur between members of the in-group and a market and hierarchical culture will be dominant when interactions occur between members of the out-group (Corbetta and Salvato 2004b; Hofstede 1984; Cameron and Quinn 2005). The former configuration is characterized by a friendly work environment

that is found to facilitate relationship exchange and tacit firm knowledge sharing. Hence, stewardship behaviors are more likely to be dominant when interactions occur between members of the in-group. However, the latter (a market and hierarchy culture) has been characterized by a transactional hierarchical structure which is found to negatively impact tacit knowledge sharing among individuals (Suppiah and Singh Sandhu 2011). Therefore, an agency environment is likely to occur when interactions occur between members of the out-group (Ashforth and Mael 1989; Chen et al. 2002). Hence, because family business employees and affiliates have already forged social ties with the family, they are likely to be considered as members of the in-group. Independent directors, however, usually serve for a shorter period of time and do not have the opportunity to forge a social relationship with family members involved in the business. Consequently, they are more likely be considered as members of the out-group.

4.5 Governance contingencies

This section builds on the previously contextualized agency and stewardship theoretical frameworks to discuss several governance contingencies that shape the effect of independent directors on family firm performance.

4.5.1 Family ownership

When the extended family owns 100% of the business equity, family employees will more likely regard the company as an economic wealth generating institution for all family members (Herrero 2011; Miller et al. 2013). Absolute family ownership of the business implies that gains and losses coming from the business revenues will be directly endured by the family, giving family employees strong incentives to reciprocate altruism when shown to them (Demsetz and Lehn 1985; Eddleston and Kellermanns 2007). In addition, the principal-principal conflict of interest that results from the presence of minority shareholders and/or different extended family groups owning the business is automatically nullified. For example, there is no need for the family to try to extract private rents through special dividends as the family will directly benefit from the reinvestment of profits in the business.

Conversely, when the business is less than 100% family owned, Anderson and Reeb (2004) suggest a risk of a principal-principal conflict of interest between minority shareholders' against and the majority controlling owners. Specifically, when businesses

are privately held, a conflict of interest is likely to occur when different extended families share business ownership (Pagliarussi and Rapozo 2011). In addition, managers and directors coming from different extended families will find it difficult to monitor other family members working in the organization. The latter statement is exemplified by the words of a family manager in Brazil discussing his incapacity to monitor the work behavior of the son of his business partner: “How am I going to tell the son of my partner—someone I love, that I treat like a brother—that he can’t act a certain way? How am I going to tell him he’s wrong if he thinks he can manage a company while only arriving at 10 in the morning? If I said anything it would hurt his father, see?” (Pagliarussi and Rapozo 2011, p.178).

The previous argumentation suggests that independent directors are not needed when the family owns 100% of the business. Under this circumstance, family members involved in the business have less incentives to show opportunistic behavior and more incentives to show stewardship behaviors (Herrero 2011). This makes the presence of independent directors an additional unnecessary cost for the family firm; which can consequently constrain firm performance.

However, when the family owns less than 100% of the business, the presence of independent directors becomes essential to mitigate the possible principle-principle conflict of interest that initiates between different family groups owning the business (Villalonga and Amit 2006) and to effectively monitor the family business management team (Pagliarussi and Rapozo 2011). All these elements increase the family business need for controlled monitoring by independent directors to improve firm performance.

4.5.2 Family management

When the business is 100% family owned and there is a high family involvement in management, family members have incentives to perform the role of independent directors. Driven by their perception of the business as a wealth generating institution, family employees have incentives to monitor other non-family employees (Anderson et al. 2009) and to draw on their privileged access to exclusive networks, personal relationships (Zahra 2010), and family derived social capital (Arregle et al. 2007) to provide service and advice to the firm. In this context, the risk of family employees

perceiving independent directors as out-group members who interfere in their family affairs increases (Westphal 1999); which can create conflict in the family business. For example the founder of Otsuka Kagu, a Japanese furniture producer, fired his daughter from her managerial position for bringing an outside director to sit alongside family members on the firm's board (Economist 2015, p.52).

However, low family involvement in management creates the risk of having unmonitored non-family agents on the management team. As family involvement in management decreases, the ability of obtaining benefits from the family derived social capital decreases and the need for monitoring, service and advice by independent directors increases (Anderson and Reeb 2004). Tensions that may arise between family members and independent directors are also automatically reduced.

From these arguments, it can be inferred that high family involvement in management makes the presence of independent directors an additional unnecessary cost. In addition, the presence of independent outsiders (e.g. out-group members) can create conflict inside the business; which can consequently lead to a decrease in firm performance (Jaskiewicz and Klein 2007; Corbetta and Salvato 2004a).

However, when family involvement in management is low, the threat of conflict of interest between ownership (by the family) and management (by non-family members) is reestablished. Accordingly, the presence of independent directors becomes essential to monitor any conflict of interest between ownership and management and to obtain benefits from the external social capital that independent directors bring (Anderson and Reeb 2004). All these elements suggest that, when family involvement in management is low, independent directors can catalyze firm performance.

4.5.3 Founder CEO

Founder led family businesses are able to capitalize on the positive side of parental altruism which facilitates trust, knowledge sharing, and reciprocity among family members (García-Ramos and García-Olalla 2011). Because of their superior emotional attachment and their identification with the firm, founders can monitor firm employees and can use their social capital to direct the business towards achieving optimal performance (e.g. Dyer 1988; Miller et al. 2013).

When founders are no longer present in the firm, parental altruism can reveal its dark side (Lubatkin et al. 2005; Bammens et al. 2008). Shared business ownership between different extended family groups creates a risk of a principal-principal conflict of interest between different extended family group members involved in the business. In fact, there is a risk that future generations pursue their own family interests on the detriment of other family shareholders involved in the business and, eventually, on the detriment of the firm (Basco and Voordeckers 2015).

Given the aforementioned observations it can be inferred that when founders are still involved as CEOs of the family business they have both the incentive and the power to perform the role of independent directors (Miller et al. 2013), making therefore, the presence of independent directors an additional unnecessary cost.

However, future generations CEOs have less incentives to perform independent directors role. Furthermore, the struggle for power over the CEO position increases the need for outside impartial views to mitigate any potential conflict between different nuclear family groups involved in the business. Consequently, this increases the need for the services of independent directors to mitigate all these conflict of interests and to achieve better performance (Basco and Voordeckers 2015; Lubatkin et al. 2005).

4.5.4 Board size

When the board is small, research shows that there will be a higher alignment of interest between principals and agents; which eliminates the need for formal monitoring by independent directors (Jaskiewicz and Klein 2007). Conversely, empirical research shows that larger boards are associated with less alignment of interest between ownership and management (Jaskiewicz and Klein 2007). Specifically, larger boards inhibit individual responsibility as it becomes more difficult to hold directors responsible for family business performance outcomes.

Consequently, we argue that if small boards are dominated by family directors that are monitoring the management team and that are using their family derived social capital to provide service and advice for the firm, the presence of independent directors can become an additional unnecessary cost that can constrain firm performance.

However, in large boards where individual responsibility is inhibited, the risk of opportunistic behavior and/or neglect of duties (Lane et al. 2006) increases. Under these circumstances, having diversity on the board (i.e. family members, affiliates, and independent directors) by appointing independent directors becomes more important to achieve better firm performance.

4.6 Data and method

4.6.1 Data

The Middle East provides an understudied geographical context where family businesses are rooted historically and economically (Welsh and Raven 2006). Specifically, this paper focuses on Lebanon, a Collectivist culture where families dominate political rule and business ownership (Welsh and Raven 2006). Although an interesting and special environment where several new insights can be gained (Zahra 2011), the Middle East is an extremely challenging empirical setting since response rate to mail surveys is low and archival data is rare and questionable in quality (Welsh and Raven 2006; Zahra 2011).

We initiated the data collection procedure by purchasing a database from www.reachgulfbusiness.com. This website offers personal contact names, phone numbers, and emails of owners and managers of Lebanese companies. The database included 3951 Lebanese companies. Given the challenging nature of data collection through mail surveys in the Middle East (Zahra 2011), this paper follows Arosa et al. (2010) by collecting survey data through telephone interviews. All interviews were done in English language. There was no language barrier in the interviews as the majority of Lebanese business owners, managers, and employees speak and understand English language. Considering cost efficiencies, 100 companies that have the legal form of “Lebanese Joint Stock Company” were selected and contacted. We chose this specific legal form of companies as they are forced by law to have a board of directors. 77 companies agreed to participate in the survey. Data was collected during the months of May and June, 2016. To limit the threat of social desirability, we guaranteed respondent anonymity to all the interviewees before starting data collection. Guarantying anonymity has been argued to reduce the threat of common method bias (Podsakoff and Organ 1986; Podsakoff et al. 2003).

The dataset included privately held family businesses which are an understudied population (Carney et al. 2015) that largely dominate the Lebanese economy. The analysis was also limited to companies that have at least 25% family ownership and at least one family member in the management team of the business. These are the two criteria that are most adopted in the literature to identify family firms (De Massis et al. 2012). Three companies were eliminated because they had less than one family member in the management team or because the family owned less than 25% of the business. The final sample included 74 Lebanese private Joint Stock Companies. More than 75% of the respondents were either shareholders, and/or members of the management teams, and/or members of the board of directors. The remaining respondents were firm employees with at least two years of experience. Respondents were thus well informed about the company characteristics. In terms of company age, the sample covered a wide range of companies. The oldest company was founded in 1857 and the youngest company was founded in 2014. Table 2 and Table 3 show the distribution of companies in terms of the sector of activity and the education level of the respondents, respectively.

Table 2. Distribution of companies according to sector

Sector	Frequency	Percent	Valid Percent	Cumulative Percent
Food and Beverages	20.0	27.0	27.0	27.0
Banking. Finance and Insurance	2.0	2.7	2.7	29.7
Manufacturing	9.0	12.2	12.2	41.9
Tourism	11.0	14.9	14.9	56.8
Telecommunications	6.0	8.1	8.1	64.9
Other	3.0	4.1	4.1	68.9
Real Estate	6.0	8.1	8.1	77.0
Media	3.0	4.1	4.1	81.1
Retail	14.0	18.9	18.9	100.0
Total	74.0	100.0	100.0	

Table 3. Distribution of respondents according to educational level.

Highest level of education	Frequency	Percent	Valid Percent	Cumulative Percent
High School	4.0	5.4	5.4	5.4
Bachelor’s Degree	46.0	62.2	62.2	67.6
Master’s Degree	24.0	32.4	32.4	100.0
Total	74.0	100.0	100.0	

As shown in Table 2, companies surveyed are highly diversified in terms of sector and show an accurate representation of sectors commonly found in the Lebanese economy (Salloum et al. 2013a) increasing the external validity of the study. Table 2 also reveals that all respondents had a good educational level, corroborating that respondents were qualified to understand and answer questions related to business governance and performance.

4.6.2 Philosophical assumptions regarding the nature of social reality

This paper adopts a positivist philosophical approach to fill a void in existing knowledge. The phenomenon is examined in its naturalistic context with the purpose of confronting theory with the empirical reality (Piekkari et al. 2009). Reality is considered as objective and the research purpose is to generate knowledge "in the form of measurable regularities, laws and patterns" (Leppäaho et al. 2016, p.2) that allows for a replication logic and for the search for general patterns (Langley and Abdallah 2011).

4.6.3 Method

Based on the positivist philosophical orientation and consistent with the aim to explore how the combination of different governance contingencies shapes the effect of independent directors on family business performance in a Collectivist culture, this paper uses qualitative comparative analysis (QCA). Because the management field is causally complex (Kostova and Zaheer 1999), it requires alternative analytical methods. QCA fills this gap by offering a series of advantages over traditional multiple regression analysis (Woodside 2013). First, comparative research methods such as QCA are particularly suitable for multilevel explanations and influences. QCA overcomes the limitations coming from linearity and complementary associations between variables by assuming asymmetrical relationships (Fiss 2011). That is, QCA does not require researchers to assume that the antecedent conditions (the independent variables) are only linear-additive, but rather necessitates the analysis of net effects (Mills et al. 2006). Second, while in regression analysis the main goal is to discover the effect of a variable on a particular outcome, in QCA the focus is on what combination of antecedent conditions lead to a given outcome (Longest and Vaisey 2008). Third, QCA entails equifinality, meaning that there are multiple paths (configurations or causal recipes in QCA terminology) that can conduce to the same outcome. Feasible recipes are not just combinations of antecedent conditions (either positive or negative) but also of their

absence (Wu et al. 2014). Lastly, QCA has the advantage of performing well with large and small samples, allowing the generalization of findings to populations (Fiss 2011). Hence, all these elements make the QCA method particularly relevant and mostly appropriate for this study.

QCA requires expressing variables into sets according to their degree of membership to a specific condition. Scores range from “1” (full membership) to “0” (full non-membership). Cut-off points allow calibrating all values into membership values. Usually, 0.95 indicates full membership, 0.05 full non-membership and 0.5 the cases with the maximum ambiguity (Ragin 2009). The building and analysis of the truth table constitutes the next step. This data matrix has 2k rows, where k is the number of causal conditions in the analysis. The range of conditions in the analysis defines a property space with k dimensions. Consequently, the property space is a vector space with two corners corresponding to the locations. Each row reflects a specific combination of attributes, and each column represents a condition. Each case belongs to the combination in which its membership score is greater than 0.5 (Fiss 2011). The next step is to reduce the number of rows in the truth table. Although several algorithms can logically minimize a truth table, the most common choice in fsQCA is a version of the Quine–McCluskey algorithm (Quine 1952).

QCA uses Boolean algebra to compute the commonalities among the configurations that lead to the outcome. With fuzzy set QCA the Quine-McCluskey algorithm performs the logical reduction of statements (Fiss 2007). Two parameters indicate the goodness of fit of the final solution: coverage and consistency. The former expresses the empirical relevance of a solution and is analogous to the effect size in statistical hypothesis testing. Consistency quantifies the extent to which cases sharing similar conditions present the same outcome and is analogous to significance metrics in statistical hypothesis testing (Wu et al. 2014).

4.6.4 Measures

The outcome measure is the performance of Lebanese family firms. Given that companies surveyed were privately held, it is difficult to collect objective economic performance measures (Love et al. 2002) especially in the Middle East where people are more conservative about sharing sensitive information (Zahra 2011). Accordingly, this study

follows the recommendations of Dess and Robinson (1984) and Eddleston and Kellermanns (2007). Dess and Robinson (1984) empirically show that subjective and objective performance measures are strongly correlated and have strong convergent validity. These authors suggest that subjective measures can serve as a remedy to measure firm performance when objective data are unavailable. Following this rationale, performance is captured through eight perceptual questions related to growth in sales, growth in market share, growth in employees, growth in profitability, return on equity, return on total assets, profit margin on sales, and the ability to fund growth from profits (Eddleston and Kellermanns 2007). Respondents were asked to rate their company along these dimensions compared to their closest competitors over the last 3 years (2015, 2014, and 2013). Answers range in a 5-point Likert scale from "1" (much worse) to "5" (much better). Reliability of this performance measure was very high (Cronbach's $\alpha = 0.92$) which is in line with previous studies that found similar high reliability (e.g. Eddleston and Kellermanns 2007; Love et al. 2002). Individual scores were then added to compute an overall performance score (Dess and Robinson 1984; Eddleston and Kellermanns 2007; Love et al. 2002). By asking respondents to rate their company performance in comparison to its closest competitors, firm size and industry effects are automatically controlled for (Eddleston and Kellermanns 2007; Love et al. 2002).

Consistent with the previously outlined argumentation, this study uses 5 causal conditions to explain family business performance: family ownership, family management, founder involvement in the business as a CEO of the family firm, board size, and the presence of at least one independent director on the board. The questions asked to collect these data are displayed in Appendix 1.

Although the presence of a family CEO and CEO duality can be important variables that affect performance (Bammens et al. 2008; Villalonga and Amit 2006), they are not included in the analysis since data did not display enough variability regarding these variables. In fact, 94.6% of the cases display CEO duality and 95.9% of the cases have a family member as a CEO. These two conditions are very common in the Lebanese economy. We triangulated the data collected about the governance structure of companies by verifying the answers of respondents through the website www.kompass.com. This website provides information about the full names of the top management team and the board members of the company, which we used as a proxy to determine the number of

family members in the top management team and on the board of directors. The answers provided in the phone interviews and the information available on the website were completely congruent.

Table 4 shows the transformation of the outcome and the antecedent conditions into fuzzy or crisp set terms. The way fuzzy variables are operationalized is consistent with our argumentation and with previous literature on family firms (Kraus et al. 2016).

Table 4. Variable definition and calibration values

Condition	Description	Membership threshold values[a]		
		Full non-membershi p (0.05)	Crossover point (0.5)	Full membership (0.95)
Firm performance[a]	The sum of individual perceptual performance measures	13.75	30.00	36.00
Family ownership[c]	Percentage of the business equity held by the same family group (100%=1; <100%=0)	0		1
Independent directors[c]	Indicates the presence of independent directors on the board (yes=1; no=0)	0		1
Founder CEO[c]	Captures whether the founder is still involved as CEO of the company (yes=1; no=0)	0		1
Family management[a]	Percentage of family members in the management team	13.49%	50.00%	100.00%
Board size[b]	Number of members in the board of the firm	3.00	4	9.00

[a] Observations falling in the percentile-95 are considered to represent full set membership. Percentile-1 5is the threshold value for indicating full non-membership. The crossover point is defined by the median.
[b] Observations falling in the percentile-95 are considered to represent full set membership. Percentile-02 is the threshold value for indicating full non-membership. The crossover point is defined by the mean.
[c] Variables expressed in crisp-set terms

4.6.5 Results

Because QCA assumes complex causality and focuses on asymmetric relationships, the QCA methodology requires the analysis of necessary conditions to produce the outcome which, in this study, is the performance of family firms (Meyer et al. 1993). A condition is necessary when its consistency score is equal or above 0.9 (Schneider and Wagemann 2010). Table 5 summarizes the consistency and coverage values for all antecedent conditions. As the highest consistency value among all conditions is 0.7201, none of the variables is a necessary condition to “produce” high family business performance.

Table 5. Analysis of necessary conditions

Conditions tested*	Consistency	Coverage
family ownership	0.5778	0.5161
~family ownership	0.4222	0.4950
independent directors	0.5338	0.5891
~independent directors	0.4662	0.4373
CEO founder	0.5163	0.4967
~CEO founder	0.4837	0.5186
family management team	0.6093	0.6906
~family management team	0.6778	0.6218
board size	0.4784	0.7014
~board size	0.7201	0.5581

* The symbol (~) represents the negation of the characteristic.

Table 6 displays the results of the intermediate solution as recommended by Ragin's (2009). Using the notation introduced by Ragin and Fiss (2008), black circles (·) denote the presence of a condition, white circles (○) represent its absence, and blank cells indicate that the condition is not binding in that particular configuration.

Table 6. Sufficient configurations of antecedent conditions for performance

Configuration no.	Antecedent conditions					Coverage		Consistency
	Family ownership	Independent directors	CEO founder	Family management team	Board size	Raw	Unique	
1	○	●	○	○		0.2188	0.0760	0.8202
2	○	●		○	●	0.2343	0.0914	0.8509
3	●	●	●		○	0.0445	0.0445	0.7076
4	●	○	●		●	0.0560	0.0053	0.7955
5	●	○		●	●	0.1154	0.0394	0.9292
6	●	○	○	○	○	0.0784	0.0530	0.8122
Solution coverage: 0.5285 Solution consistency: 0.8137								

Frequency threshold = 1; consistency threshold = 0.8122.

Six different causal paths lead to high family business performance. Four of them present acceptable consistency indices. Raw coverage indices range from 0.04 to 0.23. This variety of recipes suggests that these configurations are sufficient but not necessary.

Consequently, no unifying causal governance recipe explains alone family business performance.

Following Ragin's (2010) recommendation, the causal paths with high raw coverage (configurations #1, #2 and #5) deserve further attention. This translates into saying that these configurations are the most meaningful ones in explaining the outcome and cover the greatest proportion of cases that can be explained exclusively by these recipes. Particularly, the first two recipes converge in suggesting that when the business is less than 100% family owned and when there is low involvement of family members in the management team, the presence of independent directors' becomes a necessary condition to achieve high family business performance. The main difference between the two configurations is found in the absence of the founder as the CEO (configuration #1) and in having a large board (configuration #2). In fact, large boards are significantly linked to the age of the firm (Jaskiewicz and Klein 2007). Hence, configuration #2 signals that the founder has likely retired or deceased and that the business has been inherited by future generations and is thus congruent with configuration #1.

Configuration #5 also displayed high consistency (0.92) and thus deserves further attention. This causal path is interesting as it suggests that under the conditions of 100% family ownership, high family involvement in management, and the presence of a large board, the absence of independent directors is necessary to achieve high family business performance.

Several robustness checks were performed. Firstly, we have calculated the average age of companies (35 years old) and we have split the sample between older (≥35 years) and younger (<35 years) companies. As shown in Tables 8 and 9 in Appendix 2, when we compare older companies to younger companies, the acceptable consistency threshold value indicates that the recipes found hold better for older companies (≥35 years). This is probably because the founder is retired or has deceased, which gives further legitimacy for the main configurations found in Table 6. In the third robustness check we have replaced independent directors by affiliates who usually have larger tenure on the board of directors (Jones et al. 2008). As it can be seen in Appendix 2 Table 10, under these circumstances, the solution coverage drops to 0.4711 and the solution consistency (0.8067) does not meet the recommended consistency threshold (0.8085). We therefore

conclude that the outcome is better modelled when including in the analysis independent directors who usually have shorter tenures than affiliates.

4.7 Discussion

This paper started by highlighting that the relationship between the presence of independent directors on the board and family business performance is still theoretically debated and empirically inconclusive. Accordingly, the question has shifted from simply asking "how will the presence of independent directors affect family business performance?" to discussing the circumstances under which the presence of independent directors on the board should be considered as an opportunity or a threat for achieving high family business performance.

Despite the many theoretical arguments (Corbetta and Salvato 2004a; Nordqvist et al. 2014) and anecdotal evidence (Samara and Arenas 2017) that suggest that the presence of independent directors might not be beneficial to all family businesses, to the best of our knowledge, this is the first paper that empirically explores when the presence of independent directors on the board should be considered as an asset or a liability for achieving high family business performance. As expressed by Corbetta and Salvato (2004a), p.120): "no single corporate governance arrangement can fit the multifaceted needs of companies embedded in different cultural, historical, and institutional settings". Hence, exploring the effect of independent directors on firm performance across different combinations of family business governance structures in an understudied yet intriguing Collectivist culture offers important theoretical and practical contributions.

Theoretically, these findings empirically validate the ability of agency and stewardship theories to offer mutual enabling explanations of family business performance (Madison et al. 2016). Hence, instead of arguments grounded in stewardship theory and agency theory being presented as a dichotomy, our results show that both theoretical threads anchored in agency theory and in stewardship theory can be applicable in accounting for the results obtained from different configurations. Hence, future research should consider employing these two lenses complimentarily rather than strictly considering one or the other as mutually exclusive frames. Moreover, the novel Collectivist cultural setting that we offer heeds calls in the literature to explore new institutional settings that can offer

richer information on family business governance needs across cultures (Evert et al. 2016; Villalonga and Amit 2006).

For practitioners, these findings inform family business owners, advisors, and policy makers embedded in the Middle East region that they must make careful attention to the family business governance structure before deciding/advising/recommending the appointment of independent directors on the board. Specifically, our results show that independent directors contribute to business performance when the business is less than 100% family owned, when family involvement in management is low and when future generations become involved in the business. However, when the family owns 100% of the business, when family involvement in management is high, and when future generations take control of the business, the absence of independent directors becomes a necessary condition for better firm performance. Moreover, although families live in the larger cultural setting, the mind-sets and reactions of family business employees can significantly be influenced by the family structure. Extended family structures that dominate Collectivist cultures can also be present in other parts of the world (Sharma and Manikutty 2005). Therefore, policy makers and practitioners worldwide must make careful consideration to the above outlined contingencies before recommending the presence of independent directors on the family business board.

In addition to the theoretical and practical contributions, our research builds on and extends previous studies on the effective governance of family businesses. Configuration #1 and configuration #2 are in line with the thesis of Anderson and Reeb (2004) stating that the presence of independent directors is essential for firm performance when a conflict of interest between minority and majority shareholders is likely to occur. While Anderson and Reeb (2004) investigated public companies, we contribute to this conversation by arguing that, in the context of privately held family businesses embedded in Collectivist cultures, the principal-principal agency problem may also arise when different extended family groups share business ownership. When this condition is coupled with the absence of the founder and low family involvement in management, the findings of this paper suggest that the presence of independent directors becomes essential to achieve better firm performance. Congruent with both agency and stewardship theories, under the aforementioned conditions, the family business will need independent directors to monitor its non-family top management team (Jensen and

Meckling 1976) to mitigate the principal-principal conflict of interest (Anderson and Reeb 2004; Pagliarussi and Rapozo 2011) and to provide industry specific expertise (Corbetta and Salvato 2004b).

However, configuration #5 converges with the work of Herrero (2011) who shows that, in small family businesses, agency costs are significantly reduced. Results of this paper extend the finding of Herrero (2011) by showing that, when the business is 100% family owned and when family involvement in management is high, the need for independent directors does not only disappear, but can also lead to a decrease in firm performance. This finding can be attributed to the Collectivist geographical cultural context in which Lebanese family businesses are embedded (Hofstede 1984). As previously argued, in Collectivist cultures, strong in-group/out-group perceptions are likely to be formed (Chen et al. 2002). Family members are likely to consider their blood-related relatives, family friends, and business partners as part of the “in-group” and people that have no prior relationship with the family or the business as part of the “out-group” (Ashforth and Mael 1989). Based on the latter, family business executives may accumulate specific knowledge of the firm and independent directors may lack the understanding of family dynamics (García-Ramos and García-Olalla 2011; Harris and Raviv 2008), both of which are crucial for family businesses performance (Sharma and Manikutty 2005). Under these circumstances, the presence of independent directors decreases cooperation and knowledge sharing inside the family business and eventually leads to a decrease in its performance.

4.8 Limitations

As with all research, this study is subject to some limitations. First, in terms of external validity, the sample only includes Lebanese companies. Hence, it would be interesting to replicate this study in other Collectivist countries. While the Lebanese Collectivist cultural setting is similar to that of the Arab world, it would be interesting to replicate this study in other Collectivist geographical settings such as India, China, Japan, or Latin America where the countries score for Collectivism can even be higher than that of the Middle East region.

Second, given the difficulty of collecting data from the Middle East (Zahra 2011), the survey was answered by a single respondent. Although anonymity was assured prior to

the phone interviews and although most respondents occupied top managerial positions and were well informed about the family business performance, common method bias can constitute a threat for the internal validity of the results. Triangulating our results with objective data would have been desirable but, given that all the companies surveyed were privately held, public and secondary data were not accessible.
Third, fuzzy methods are sensitive to set calibration. While we have tried to remedy this threat by performing several robustness tests, we encourage family business scholars to provide clear guidelines in family business research on how to calibrate fuzzy sets, which will significantly increase research comparability and the ability of researchers to reach better membership breakpoints (Garcia-Castro and Aguilera 2014).

4.9 Avenues for future research

This study offers several opportunities for future research to contribute to the entrepreneurship and family business governance literature. As our results show, the cultural setting in which the family business is embedded must carefully be accounted for in any study that explores family business governance needs. In this regard, future research can perform a cross-cultural study exploring the effect of independent directors on firm performance in Individualist and Collectivist countries. This will contribute to increase the existing knowledge about different family business governance needs across cultures.

Moreover, our study has adopted a positivist philosophical approach where reality has been considered as objective. Richer and deeper information about the perceptions and attitudes of family business protagonists towards independent directors can be captured via qualitative interpretivist methods. Hence, future research can adopt interpretivist and ethnographic methodologies to deeply understand the attitude and reactions of family business employees towards having independent outsiders on the family business board and, consequently, the impact of their presence on firm performance. Relatedly, given our cross-sectional data, our study was exploratory by nature. Fellow researchers may also employ a longitudinal research design to confirm the causality of the above suggested relationships.

Last, in this study, we have only considered the perception of family business employees' vis-à-vis independent directors and how these perceptions play out to affect firm

performance. The perception and willingness of independent directors to accept the appointment on family business boards is an understudied yet intriguing empirical question; one that certainly deserves further attention in future scholarship.

Appendix A

Table 7 Survey questions used during phone interviews

Dimension	Question	Answers
Family ownership	What is the highest percentage of business equity held by the same extended family in the year of 2015 (total family ownership of the business)?	○ 100% ○ Less Than 100%. Please specify.
Family involvement in management	Please provide the following information about the top management team (executive team) of your family business:	○ Number of total positions in the management team ○ Number of family members in the management team
Founder CEO	Does the founder occupy the position of a CEO?	○ Yes ○ No
Board characteristics	Please indicate the following information about your board of directors:	○ Total number of seats ○ Number of seats occupied by family members ○ Number of seats occupied by affiliates (people that had previous relationships with the family and/or the business: lawyers, consultants, investment bankers, financiers) ○ Number of seats occupied by independent directors (people that had no prior relationship with the family or the business prior to their directorship)

Appendix B

Table 8. Robustness check for older companies (≥35 years)

Configuration no.	Antecedent conditions					Coverage		Consistency
	Family ownership	Independent directors	CEO founder	Family management team	Board size	Raw	Unique	
1	○	●	○	○		0.3053	0.3053	0.8530
2	●	○	○	●	●	0.1271	0.1271	0.9613
3	●	○	●	○	●	0.0387	0.0387	0.9810
Solution coverage: 0.4711 Solution consistency: 0.8896								

Frequency threshold = 1; consistency threshold = 0.8417.

Table 9. Robustness check for younger companies (≤ 35 years)

Configuration no.	Antecedent conditions					Coverage		Consistency
	Family ownership	Independent directors	CEO founder	Family management team	Board size	Raw	Unique	
1	○	●		○	●	0.2312	0.2312	0.8555
2	●	●	●		○	0.0700	0.0700	0.7076
3	●	○		●	●	0.0872	0.0872	0.8888
4	●	○	○	○	○	0.0335	0.0205	1.0000
5	●	○	●	●		0.3705	0.3122	0.7605
Solution coverage: 0.7213 Solution consistency: 0.7962								

Frequency threshold = 1; consistency threshold = 0.8071.

Table 10. Robustness check by replacing independent directors with affiliates

Configuration no.	Antecedent conditions					Coverage		Consistency
	Family ownership	Affiliate directors	CEO founder	Family management team	Board size	Raw	Unique	
1		○	●	○	●	0.0517	0.0274	0.9949
2	●	○	●	●		0.1924	0.1465	0.7747
3	○	●	○	○	●	0.0725	0.0725	0.8143
4	●	○		●	●	0.1325	0.0867	0.8283
5	●	●	●	○	○	0.04264	0.04264	0.8466
Solution coverage: 0.4216 Solution consistency: 0.8067								

Frequency threshold =1 consistency threshold = 0.8085.

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5

General Conclusions and Avenues for Future Research

5.1 General Conclusions

How can family businesses be managed to achieve better economic and social outcomes? The answer “it depends” fits perfectly here. Research shows that family businesses are a group of heterogeneous companies (Chua et al., 2012; Wright et al., 2014). In this regard, three broad sources of heterogeneity are recognized in the literature (Chua et al., 2012). Heterogeneity in goals (e.g. Chrisman et al., 2012), in resources (Habbershon et al., 2003) and in governance structures (Garcia-Castro and Aguilera, 2014). This thesis contributes to the literature by exploring the consequences of family businesses heterogeneity in resources and governance structures on their ability to achieve their economic and social goals. In terms of resources, this thesis focused on how to manage heterogeneity in the attitudes, skills, and services of family business employees inside the business to achieve fairness between family and non-family employees in the workplace. In terms of governance structures, this thesis explored optimal family businesses governance structures across different institutional cultural and market settings leading to better economic and environmental performance.

The findings reported in this thesis offer several contributions for family business theory and practice. Theoretically, the findings show that agency and stewardship theories can offer mutually enabling explanations of family business behavior. The combination of governance and institutional contingencies are critical to assess when and why each theory can explain family business employees attitudes. Specifically, agency theory’s core assumptions of opportunism and self-interest seeking behavior are more likely to hold when the other with whom family members interacts is perceived as an out-group member. In this instance, agency governance mechanisms, such as having independent directors on boards, are more likely to be needed to reduce the economic threats that opportunistic and self-serving behaviors create. However, when the other with whom family members interact is perceived as an in-group member, stewardship theory’s humanistic model will more likely reflect family members’ attitudes in the business.

Hence, agency governance mechanisms will not be needed and, if adopted, may even negatively affect family business economic performance. Knowing whether agency or stewardship theory best explains family business employees attitudes is vital for family business prosperity, especially that "an inaccurate behavioral assumption will lead to a misaligned governance structure, and subsequently results in undesirable behavior and negative firm level consequences." (Madison et al., 2016, p.22). The same reasoning applies to the SEW perspective. Building on Kellermanns et al.'s (2012) work, this thesis shows that SEW can have both a bright and a dark side by enabling or restricting the social performance of family firms. This work contributes to the SEW perspective by exploring the circumstances under which SEW is likely to reveal its bright side. More specifically, governance configurations that portray a desire for professionalization and that fit the institutional geographical setting in which family businesses are embedded can catalyse the bright side of SEW while mitigating its dark side.

Based on these theoretical contributions, several recommendations for practitioners can be proposed. Results of the studies reported above show that, in family businesses, human resource decisions should not simply promote equal treatment of family and non-family employees while disregarding meritocratic considerations. Disregarding meritocracy might lead the family business to unfair practices by discriminating against its own family or non-family employees; which can eventually threaten its reputation and performance (Samara and Arenas, 2017). In this regard, chapter 2 proposes a fair process as one of the possible roads to achieve fairness in the family business workplace by taking into consideration merit and qualifications. Family business owners, decision makers, and human resource managers can use the proposed process to promote fairness between family and non-family employees. Also, social rating agencies can use the proposed fair process to evaluate whether fairness exists in the family business workplace and to better evaluate the internal social performance of family businesses. In a similar vein, simply recommending having outside and independent directors on the board, without taking into consideration other governance and institutional peculiarities, can threaten the family business economic performance (Samara and Mirabent, 2017) and can limit the opportunities for family businesses to increase their social performance (Samara et al., 2017). In this regard, chapter 3 and 4 report several governance recommendations that can fit different governance configurations that family businesses have, while considering institutional settings in which they are embedded. Therefore, policy makers should pay

careful attention to the family business governance structure and to the institutional norms where family businesses are embedded before recommending "best governance practices". Similarly, family business owners should pay careful attention to the ownership and managerial structure of the family firm before deciding whether they should appoint outside independent directors on the board.

5.2 Avenues for Future Research and Limitations

Through conceptual and exploratory studies, this thesis sets the ground for several avenues for future research. As empirically witnessed, the institutional geographical setting in which family businesses are embedded is a critical factor that predicts the attitudes of family business employees in the business (Samara and Berbegal-Mirabent, 2017; Samara et al., 2017). With a few exceptions (e.g. Sharma and Manikutty, 2005; Pagliarussi and Rapozo, 2011; Salloum et al., 2013; Samara, 2016; Samara and Berbegal Mirabent, 2017; Samara el al., 2017), the bulk of family business research has yet to account for the national cultural setting in which the business is embedded when building theoretical arguments and when discussing empirical findings. Cultural theories can provide fertile ground for family business research, especially that culture can shape the family structure and family and non-family relations inside the business (Sharma and Manikutty, 2005). Integrating national culture into existing theories might provide a powerful lens to contextualize existing theories and to reach a finer-grained understanding of family businesses embedded in different parts of the world (Sharma and Manikutty, 2005; Samara, 2016; Lubatkin et al., 2007).

Moreover, research has just begun to integrate the literature from family science into the family business literature (James et al., 2012; Jaskiewicz et al., 2016). Family science can provide fertile ground for researching family business heterogeneity through exploring how different and changing family structures shape the effective management of family businesses across various institutional environments.

Also, when discussing fairness in the family business workplace, there are several implicit informal norms at play that challenge the viability of any audit-type process. While the process has emphasized the commitment of the family to fairness as a pre-requisite, the chapter could have benefitted from including how can this process be

formalized, and immunized from possible political manipulations that are not uncommon in family businesses.

Last but not last least, research conducted in this thesis was either conceptual or exploratory. Therefore, causality cannot be claimed. Also, the samples used in the empirical studies were relatively small. While QCA does not rest on the assumption that data are drawn from a given probability distribution (Fiss, 2011) which makes sample representativeness less of an issue than in traditional regression analysis, a larger sample size may lead to the detection of new configurations that are not identified in the findings reported in this thesis. Moreover, using different methodologies such as experimental designs and longitudinal studies will shed further light on the degree and direction of association between the proposed relationships. Yet, we must remain cautious that the expectation of finding causality is very difficult, if not impossible, in social sciences due to the multiple inherent threats to external and internal validity. Therefore, when using pure quantitative methodologies, one cannot overemphasize the importance of good theoretical grounding to justify the relationships hypothesized and to explain the rationale behind the proposed testable models.

6

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