THE FAMILY AS A GROUP: IMPLICATIONS FOR GOVERNANCE AND ORGANIZATIONAL PERFORMANCE IN FAMILY FIRMS

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1. Introduction

Family firms are some of the most important actors in the economic landscape around the world. While Berle and Means' (1932) framework of separation and control has dominated thinking and research in the areas of strategic management and governance, recent studies reveal that dispersed ownership is the exception rather than the rule in the global scene. Scholars provided strong evidence that the ownership of Continental European companies is primarily concentrated in the hand of families (Van den Berghe, Carchon, 2002; La Porta et al., 1998). Similarly, by some estimates, approximately 20.3 million of the 22 million U.S. businesses are family-owned and controlled (Shanker, Astrachan, 1996). Furthermore, in advanced economies, as well as, in emerging markets, most companies start out as family-owned businesses. From their modest early stages, driven by entrepreneurial vision and energy, some have grown to become major forces in their economies. Indeed, this is true not only in emerging markets, such as in South Korea and Latin America, but also in North America and Europe, where relatively young family-owned businesses such as Wal-Mart, Bertelsmann, and Bombardier have become front-runners (Elstrodt, 2003).

Many researchers suggest that family firms provide particularly fertile grounds for required entrepreneurial behaviour that is needed in the first stages of firm creation and growth (Aldrich, Cliff, 2003). For example, Zahra (2005) identifies a range of reasons that explain how family firms may be specialists in entrepreneurial behaviour, including goal congruency between the firm and the owners and goal continuity across multiple generations involved in the firms. Other researches also observed that family firms promote a long-term planning perspective, that is necessary for the firm continuous growth and successful operation across multiple generations of the family (Zahra, 2004). Family firms are often in a unique position to create valuable social capital in the form of lasting relationships that may be essential to the long term survival of firms. Nonetheless, considering the dominance of the family business, it is surprising how little we know about the dynamics that make such business enterprises successful.

The large number and broad range of papers analysing the family firm superior performance raise important concerns about the state of the family business literature stream. Specifically, in the years it was introduced and developed[1], the study of family businesses has produced mixed results and conflicting opinions regarding the impact of family control over business performance (Gomez-Mejia, Nuňez-Nickel, Gutierrez, 2001; Schulze, Lubatkin, Dino, 2003. It is unclear what this large stream of papers has collectively accomplished. Thus, there is a need to assess what our collective understanding of family firms seems to be at this point in time, what we don't understand, and what directions might be fruitful for future research. There have been surprisingly few review articles for such a large research stream, and those have tended to be relatively brief reviews arguing that an extension of the family business's understanding is necessary (e.g. Sharma, 2004; Zahra, Sharma, 2004).

Clearly, the family business literature suggests that the key for understanding what makes the difference between family firms and non family firms is the entity of the family. Researchers commonly agree that family is the main resource that differentiates family firms from non-family firms. However, according to Dyer (2006) current theorizing and research on this issue fails to clearly differentiate the family effect from other variables that may influence organizational performance. In spite of known advantages of family businesses, to date there is no clear and cohesive theoretical framework that can provide a structure of analysis and a lens through which to assess the family influence on firm performance and capabilities (Habbershon, Williams, 1999).

Moreover, the research in this area has largely applied neoclassical economic models and theories, which solely consider economic (financial) issue and exclude nonfinancial concerns (Lubatkin, 2005). Current research, considers family businesses from the same perspective as dispersed and anony-

[1] The first publication about family business was in 1983 with a special number of Organizational Dynamics.

mously held business, with the added feature that they are privately held businesses characterized by concentrated ownership and owner-manager duality. Such perspective risks ignoring important matters that occur when the family is involved in the business or simply when family members are involved in working together in order to achieve the same goal. Thus, the extension of family businesses studies to non-economic issues is necessary.

Specifically, there is a need of a framework that could describe and explain the mechanisms underlying the family effect on business performance (Dyer, 2006). That is what we attempt to accomplish in this paper by introducing the study of the family as a group and by examining the application of group processes in the context of family business. Specifically, our paper try to extend the understanding in of the influence of the family on the family business by examining the role of the family as a dynamic group on the family firm performance. We begin by critically reviewing prior management research that used governance and strategy theories such ad Agency Theory (AT) and Resource Based View (RBV) to explain the relationship between family and business. This review examines the context in which the relationship between family and business has been previously interpreted. In doing so, we critically review current theories that are applied to family business, how they explains the relationship between family and business, and describe what are the major problems which each theory.

We next explore how the groups literature research should be incorporated into management and governance research to explain the family business. We utilize Marks, Mathieu and Zaccaro (2001) conceptual model describing team processes to explore how the family characteristics could serve as input into team process to produce superior outcomes. First, we explain why family should be considered as a group. Second, we examine how factors such as family tradition, family interdependency, commitment, altruism, and need of harmony influence the organizational performance. We then explain how the family characteristics are mediated by team process such as conflict, motivation, confidence, and management to influence business outcomes. In turn, these *family team process* suggest that how the family behaves is the key factor in explaining family businesses superior performance, at the governance and the organizational levels.

2. Family firms superior performance: what is "chronic" and what is the reason of this 'sickness'

The empirical evidence that family businesses have superior performance and competitive advantages over non family businesses is extensive (Moscetello, 1990). However, such apparently "chronic" results immediately raise the question "what identify and distinguish a family firm from a non family firm?" One simple answer is that the firm should be considered as "family firm" if it is family controlled or family managed or family controlled and managed. However, perhaps the largest contribution to the field so far has been that researchers have identified a large variety of family business types and investigated the heterogeneity that characterizes firms that fall under the domain of family business studies. Thus, it seems apparent that a more elaborated answer is needed in order to adequately distinguish between family and non-family businesses. Indeed, since its beginning, the field of family business studies sustained a great effort to define its boundaries and source of distinctiveness.

At this point in time, after more than two decades of investigations, a shared belief is emerging among family business scholars that it is the reciprocal role of family and business that distinguishes family firms from other firms. We believe that the family firm is the firm in which the family *significantly* influence the decision making process and thus, in turn, the organizational performance of the firm. Thus, according to family business scholars, the "sickness" that explains the "chronic" superior performance of family firms is the family itself in that it is the most significant and relevant actor and is the key factor of the firm governance. Thus, accordingly, what distinguish between family and non-family firms is the involvement of the family in the decision making process. It is not then the mere presence of the family that makes the firm a family firm it is the involvement of the family in the business decision making.

Governance of family firms differs from other firm governance because family members may have multiple roles in the business varying from simply being owners, managers, or owner coupled with manager, or the family could simply be the employer. However, the family involvement in the business blur the governance relationship in these firms and typically violates almost all of the underlying assumptions of traditional governance theories (Mustakallio, Autio, Zahra, 2002). Thus, at this point in time, the most challenging issue inside the field is to develop a theory that is useful in the understanding the interplay between family and business to enlarge the knowledge about the contribution of the family to the firm.

Our point of start is the observation of the so-called "chronic" superior performance in family firms. Starting with financial performance, recently, Miller, Le Breton-Miller, Lester, and Cannella (2007) provided empirical evidences that family firms achieve financial superior performance vis-à-vis to other major corporations that are not family owned or controlled. Also in the past, regarding financial performance, family companies have been described as having patient capital (de Visscher, Aronoff, Ward, 1995) with the capacity to invest in long-run return opportunities rather than quarterly return requirements (Dreux, 1990). Additionally, they emphasize their efforts on company growth potential over short-term sales growth (Donckels, Frohlich, 1991).

Observing the level of production in family firms, family members have been described as more productive than nonfamily employees (Rosenblatt, deMik, Anderson, Johnson, 1985). They develop a 'family language' that lets them communicate more efficiently and exchange more information with greater privacy and positive effect on output performance. Moreover, Tagiuri & Davis (1996) observed that family relationships generate unusual motivation, cement loyalties, and increase trust. Behaving in accordance with the founder's beliefs and practices, family firms have been said to make greater commitments to their missions, have more of a capacity for self-analysis, and less managerial politics (Moscetello, 1990). They tend also to emphasize personal and family values over corporate values and are known for their integrity and commitment to relationships (Lyman, 1991). These factors are positively related to the quantity and quality of output produced.

Finally, family firms have been described as having a unique working environment that fosters a family-oriented workplace and inspires greater employee care and loyalty (Ward, 1988). They have been said to have the ability to bring out the best in their workers (Moscetello, 1990) and to have lower recruitment costs, lower human resource costs, and are said to be more effective than other companies in labour intensive businesses (Levering, Moskowitz, 1993).

Accordingly, the recurrent conclusion that family business researches reach is that family firms usually perform better than non family firms. In the last two decades, using anecdotic and empirical evidence, family business scholars point to a great variety of things that family businesses supposedly do better than non family business. Notable contributions have been made in understanding how family firms are different from other businesses in both their organizational composition and performance. Unfortunately, the understanding of the nature of this distinction and its impact on firm performance is still incomplete (Chua, Chrisman, Steier, 2003). The main assumption of family business researchers is that family involvement makes a family firm distinct from a nonfamily firm. But, we currently have a limited understanding of how family members interact to affect the visions and goals of a family firm and how do they create the unique resources, capabilities, costs, and problem solutions that make a family firm behaves and performs differently.

Prior contributions mainly applied two of the most important mainstream theories of the firm, the Resource Based View (RBV) and agency theory (AT) to explain the family firm superior performance. The RBV has been applied to explain the competitive advantage of family business emphasizing the role of the family as the idiosyncratic resource of this firm in comparison to non-family firms. Agency theory has been used to explain the family governance mechanism and its implication to firm performance. An important weakness shared by these two these two theories as applied to family firms is their implicit assumption that wealth creation is the exclusive aspiration of the firm. As a consequence, the two approaches may describe or prescribe behaviours that do not apply to family firms. Indeed, family business researchers have not generally accepted the wealth creation assumption (Sharma, Chrismana, Chua, 1997) because family often also have other goals that are not strictly related to business or better financial performance. In this type of firms the better performance is the result of emotional, as well as, economic goals (Astrachan, Jaskiewicz, 2008). Thus, a model to expanding the understanding of the family effect on business performance is needed. In the next section, we expend this discussion and critically review prior contribution that used RBV and AT to explain family firms performance.

3. Previous theoretical approaches to family firm performance

Family business studies include many approaches to the understanding of the better performance of family firms. Thus, in this section we outline the main theories have that been used to and understand the superiority of family firm performance. Two underlying trend exist in the family business literature that attempt to explain the difference between family and non-family firm performance. On the one hand, researchers applied major management theories such as RBV and AT to the context of family business. On the other hand, researchers also tried to design new theoretical models in order to asses the role of the family in the organization. Both the trends are made significant theoretical contributions to the management literature but both also have some notable difficulties in explaining the superiority of the performance of family firms.

3.1. Resource Based View and the family firm

The RBV of the firm is one of the most widely accepted theoretical perspectives in the strategic management field. It examines the links between a firm's internal characteristics and processes and its performance outcomes such as sustainable competitive advantage compare to the other firm within the same industry. The RBV asserts that firms are heterogeneous entities and that it is the idiosyncratic, immobile, inimitable, sometimes intangible bundle of resources residing in the firm that gives the firm an opportunity to achieve a competitive advantage within the industry (Penrose, 1959; Rubin, 1973; Wernerfelt, 1984; Rumelt, 1984; Barney 1986, Miler, Shamsie, 1996; Hitt et al., 2001). In this perspective, the firm has a competitive advantage when it can implement a value-creating strategy that is not simultaneously implemented by current or potential competitors. This strategy turns into a sustainable competitive advantage when other firms are not able to duplicate the benefits of the strategy (Barney, 1991).

In the RBV perspective, the competitive advantage of the firm depends on its internal resources. The firm's resources include both physical and intangible assets, individual and corporate skills, organizational processes, firm attributes, information, and knowledge (Barney, 1991). These resources also include a broad range of organizational, social, and individual phenomena within firms that are often overlooked by concepts such as "core competence" or "capabilities". The collection of resources are idiosyncratic because no two firms have the same set of experiences, acquire the same assets and skills, build the same organizational cultures, or the same collection of resources in the same competitive arena at the same point in time (Collis, Montgomery, 1995).

The RBV model strives to better explain the role of these idiosyncratic firm resources in creating sustained competitive advantages. In pursuit of answers to the central question of family business studies about why do family firms perform better or differently than other firms, the RBT approach has the potential to help researchers in the identification of the resource and capabilities that distinguish family from non family business. RBV helps in the understanding of how family has idiosyncratic resources that are missing in other firm in which family is absent (Habbershon, Williamson, 1999; Sirmon, Hitt, 2003). Specifically, Habbershon and Williamson (1999) point out the concept of familiness as a resource refering to the integration of family and business life and he argued that familiness creates several salient and unique characteristics. Habbershon et al. (2003) elaborate on this by requiring that these resources be unique, inseparable, and synergistic. Sirmon & Hitt (2003) also provide a very interesting application of RBV to family businesses. They distinguish between five sources of family firm capital (human, social, survivability, patient, and governance structures) and their final conclusion was that family firms evaluate, acquire, shed, bundle, and leverage their resources in ways that are different from non-family firms.

The RBV helps explain how the possession of resources (e.g., familiness) could lead to superior performance of family firms, but it is less useful in explaining the development of the resources required to preserve them and how the family should be the key variable in that process. The problem lies in assessing the family uniqueness as a resource and in linking it to an advantage in the marketplace. Family firms definitely have unique characteristics related to the family in the business and their uniqueness contributes, in some way, to their prominence. But the RBV explains the competitive advantage of family firms looking at the family resources such as relational mentoring between parents and children or family social capital that are present in the family business and they are not in other firms. It looks at the differently resource in the family firms as result of the family presence and links these factors to firm's performance.

Thus, if familiness is a source of advantage, it should be the same for all the family firms. Instead, not all the family firms have superior performance than non family firms. We believe that the relevant uniqueness of the family firms is the interplay among family and the business that occurs in some of these firms. Thus, it is necessary to look at the interplay among family and business. But the RBV provides a framework to look at the stock of resources that are idiosyncratic to the firm by identifying the resources that are present in one firm and are not present in others that perform worse. Thus, even if the

RBV explains some of the competitive advantage of family firms and it provides a very interesting framework to identify family resources, it is still insufficient in explaining the sustainable advantage of these firms.

3.2. Agency Theory and family firms

The AT provides a unique and realistic perspective on problems of cooperative effort. It has been used by scholars in accounting, economics, finance, marketing, political sciences, organizational behaviour and sociology (see Eisenhardt, 1989 for n interesting review). Specifically, the AT studies the so-called agency problem that occurs when cooperating parties have different goals and division of labour (Jensen, Mecking, 1976). It is directed at the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work. The heart of agency theory is the goal conflict inherent when individuals with differing preferences engage in cooperative effort. Specifically, it reminds us that much of organizational life is based on self-interest.

Agency theory scholars are concerned about the importance of incentives to bring under control and to limit the self-interest in organizational thinking. In that sense, AT makes two specific contributions to organizational thinking: in the treatment of information and in the risk implications of agency relationship for organizational outcomes. Information, in AT framework is considered a commodity that has a cost and it can be purchased. This gives an imperative role to formal information system, such as budgeting or board of directors, and to informal information system, such as managerial supervision. Both of them are governance mechanisms in order to control agent opportunism and scholars suggest to invest in information systems. Concerning the risk implication of agency relationship, researchers observed that organizations are assumed to have uncertain futures. Uncertainty is viewed, in this case, in term of incentive trade-off. The implication is that outcome uncertainty together with differences in motivation to accept risk should influence contract between principal and agent. Specifically, agent should be less motivated to accept uncertainty risk.

Both the power of information in the hand of agent and their risk-aversion should be negatively related to the long run of organizational, specially if the agency contract concern owner and manager, such as in ownership dispersed context. On the opposite, Jensen & Mckling (1976) observed that when the same people own and manage a business, there will be no agency cost. Family firm owned and managed by the family seems to be the example of the context in which there is no agency problem. Since this general assumption, researchers in family business have started exploring the behaviour of family members using the context offered by the agency costs (Gomez-Mejia, Nunez-Nickel, Gutierrez, 2001; Schulze, Lubatkin, Dino, Buchholtz, 2001; Schulze, Lubatkin, Dino, 2003).

Specifically, The AT promises to help family business studies in the understanding of how, and what cost, "dysfunctional" behaviours (Chua et al. 2003) may be generated through family involvement in the business. Conceptually, agency theory can be directly applied to the family business situation as long as the set of goals and objectives proposed for the firm is expanded to allow non-economic benefits. It is in empirical research that the theory may have the most serious problems. In fact, researchers provide empirical evidence that agency costs in family business are due to the interests of family business owners.

In family firms, the owners normally aspire to two different interests: family's interests and firm's interests. Thus, the context of family firm, instead of being free of agency relationship, the agency costs may arise from family altruism and the tendency for entrenchment. Specifically, considering altruism in family business, researchers have got negative and positive conclusions about its effect in family firms (Chua, Schnabel, 1986; McConaughy, Phillips, 1999). Also, about entrenchment – that permits managers to extract private benefits from owners – empirical evidence shows positive and negative effect. In particular, researchers shows that agency problems caused by entrenchment may be worse in family firms than in nonfamily firms (Gomez-Mejia et al., 2001; Gallo, Vilaseca, 1998) and also that family businesses have advantages in incentives and monitoring compare to non-family firms (Pollak, 1985; Shleifer, Vishny, 1997).

The application of agency cost in family business produces assorted results. We observe that the role of the family and its characteristics significantly blur the assumption of AT. Thus, even if the AT provides a very interesting framework to identify family cost, it is still insufficient in order to explain the influence on firm performance. First of all, the family interest and goal significantly shape the financial assumption that inspire the AT assumption. Second, the so-called "family context" is tremendously instable and informal and therefore the distinction among principal and agent is usually impossible to define clearly because of the relationship among family members. Thus, the AT is not adequate in explaining the superior performance of family firms.

3.3. Other theoretical contributions

Along with the RBV and the AT frameworks researchers also tried to create other approaches that take into consideration the family unit. Recently, attention has turned to factors as intention, involvement, influence, and vision in defining whether a business is or is not a family business (Chrisman, Chua, Sharma, 2005; Klein, Astrachan, Smyrnios, 2005; Litz, 2005). These factors should be considered as some of the independent variable that were hypothesized to explain superior performance of family firms.

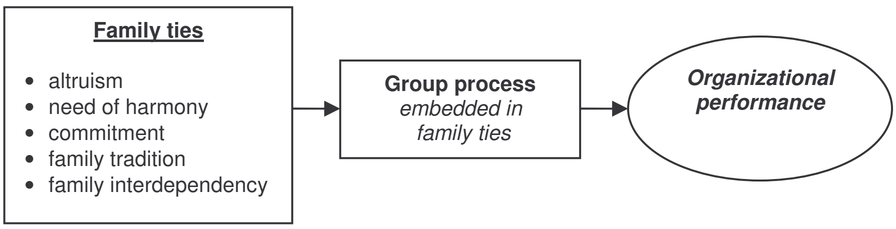
Traditionally, the most accepted representation of the complexities of a family firm was the "three-circle model" (Lansberg, 1993) which depicts a family firm as having three interactive components: the business, the family, and the owners. But, in term of theory building, according to Chua et al. (2003), this model neglects a dependent variable. With this shortcoming the "three-circle model" cannot be relied upon to examine the efficacy of family business decisions, action, organizational structure, and strategies. Recently, the concepts of family orientation (Lumpkin, Martin, Vaughn, 2008) and family capital (Hoffman, Hoelscher, Sorenson, 2006) were developed taking into account in more detail the interplay of family and business. Specifically, the concept of family orientation provides a window of opportunity to incorporate issues such as intention, involvement, and vision into family firms models by addressing how individual perceptions of family affect family business and outcomes. This concept is drawn from the family therapy literature and it is a useful concept in understanding how the family play inside the business. Similarly, Hoffman, Hoelscher, Sorenson (2006) used the concept of social capital to describe the potential advantages of relationship in organizations. These authors identified family relationship as the basic unique characteristic in family business and they found that some of the dimensions of the family social capital were related to the competitive advantage of the firm.

According to Chua et al., (2003), development of a rigorous theory of family firm is just beginning and family business researchers generally suggest that it should be advantageous to apply dominant paradigms from different discipline to the study of family firms. Prior researchers moved in this direction as demonstrated by the concepts of family orientation and family capital and in this paper we aim to also achieve this goal. The family role inside the business has been analysed as a stock of unique and rare resources (RBV approach), but it still missed contribution that capture the family behaviour inside the firm. Goal and interest of family members have been take into consideration in the AT approach, but their role and influence over individual behaviour was missed.

In order to explain the implication of the family for governance and organizational performance, we suggest looking at the family behaviour inside the firm. In our model, the family behaviour is the independent variable predicting firm performance. The family dynamic and process are also analysed as predictors of firm performance. To satisfy this goal, we suggest borrowing from the group literature as a clear framework that may be able to describe the family dynamic and behaviours. Indeed, we believe that the relation between family and firm performance is not direct, but mediated through group process that the family face inside and outside the business. The family is a group and should be analysed as a group in order to explicate the family firm performance.

In Fig. 1 the overall theoretical model of the relation among family ties, group process, and organizational performance is presented.

Fig. 1 - The relation between family and organizational performance: the mediating effect of group process



The family as a group involve interpersonal dynamic and process that strongly depend on the family ties. Factor such as altruism, need of harmony, commitment, family tradition, and family interdependency govern family behaviour inside the business. Thus, the group processes that the family perform governing the business are embedded in the family ties. Adopting this perspective, the difference in performance between family and non-family firms is explained using the family behaviours and dynamics as a group. The next section is devoted to analysing the family as group and to understanding the implication of this model for governance and organizational performance.

4. Toward a Behavioural Approach in Family Business Studies: The Family as a Group

A group has been define as two or more people who interact and are dependent upon each other to achieve some common objective. Accordingly, family in business should be considered also as a group that interact to achieve the business goals. More in depth family involved in the business is a special form of group that have highly defined tasks and roles and demonstrate high group commitment. As such the family in business is the special group, in fact, it is more than just a group it is a team. In our paper we want to explore if the group and teams literature could be useful in understanding the family business firm, specifically looking at the team characteristics and process.

Team success is not only a function of teams members' talents and the available resources but also the process team members use to interact with each other to accomplish the work (Marks, Mathieu, Zaccaro, 2001). The realization that process plays a crucial role in team performance and outcomes has led to a great increase in the production of team studies in applied setting and research laboratories in the past two decades. Researchers generally have used an input-process-output framework. In these works, process is viewed as a mediating mechanism linking such variable as member, team, and organizational characteristics with such criteria as performance quality and quantity.

Looking at family business characteristics, our literature review suggested that although not specifically discussed in the family firm literature, the fundamental characteristics that distinguish family from other businesses can also be perceived as processes variable. These processes are the influences of family relationships and dynamics related to the business. These relationships influence how the organization is governed, structured, managed, and transferred to the next generation. Having identified family relationships as the basic unique characteristic in family business, we reviewed extant group literature that might explain the contribution of family interpersonal relationships to governance and organizational performance.

More specifically, following Marks, Mathieu, Zaccaro (2001) conceptual model we are conceptualizing the family characteristics as the input into the team process. We then explore how these characteristics and the process dynamics they create lead to the family organizational performance. We believe that analysing the process that family use to work together in teams will enable research to advance the understanding of why family business performances is superior to that of other business. Thus, drawing on the input-process-output conceptual model, we proposed to look at the interpersonal processes in family group as the idiosyncratic dimension that explain the team process of this group and how they turn into firm performance and outcomes.

According to Marks et al. (2001), interpersonal processes occur throughout both transition (mission analysis, goal specification, strategy formulation and planning) and action (monitoring progress toward goals, systems monitoring, team monitoring and backup, coordination) phases, and typically lay the foundation for the effectiveness of other processes. More specifically, the interpersonal process of the family should be considered as a governance characteristic of family firms that turn into strategic decision and behaviour. Interpersonal process of family is embedded in family ties and influenced by its need for social structure. Thus, the relationship between family ties and group process is affected by family needs and characteristics. Both, family needs and characteristics shape the interpersonal process; they shape the decision process and the relationship of the family in the business. Thus, the interpersonal processes of family firms are the distinctive factors to look at in order to exaplin the superior performance in family business.

Marks and colleagues identified three dimensions of interpersonal processes: conflict management, motivating and confidence building, and affect management. The first dimension, conflict management, refers to the manner in which team members proactively and reactively deal with conflict. Effective conflict management takes account of acting with mutual respect, motivation to compromise, and developing norms that encourage cooperation and harmony. The second dimension, motivating and confidence building, is related to activities that develop and maintain member's motivation with regard to the achievement of group goals and objectives. Third, the affect management, represents all the activities that encourage emotional balance, togetherness and effective dealing with stressful demands and frustration. The family as group offers an interesting context of analysis for team interpersonal process. Our focus is to try and understand how family ties influence interpersonal process.

Family ties are stronger, more intense, and more enduring than ties that exist in non family organization. Thus, taking into consideration the characteristics of the family social structure, the observation of family as group have an interesting potential to advance the understanding of family business superior performance. Family is a special form of group that has certain characteristics that provide an unusual creative, innovative, cohesive and harmonious context that blurring family firm governance and foster its superior performance. The next section describes the relationship between the three dimension of our theoretical model: family ties, interpersonal process, and organizational performance.

4.1. The interpersonal process of the family: implication for the group and business performance

Family business scholars have conducted a great deal of research aimed at understanding factors that explain how and why family businesses significantly outperform their rivals. In this paper, we attempt to explain such findings by arguing that family interpersonal processes make the family achieve desired outcomes better than non family businesses. In order to reach this goal, the three dimensions of the team interpersonal processes identified by Marks and colleagues will be described in the family context.

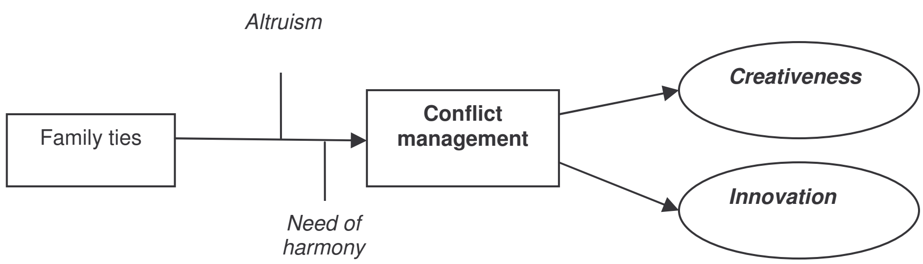
Conflict management – Working in teams provides an interpersonal context in which conflicts may occur and efforts to manage them are necessary to try the reduce their disruptive effects on group goals. The effects and the implications of conflict in family are more complex than in other groups because family as a social structure needs to live in harmony. Besides, family ties make conflicts more persistent and interests more difficult to align (Schulze et al., 2003). Research suggests that there are three types of conflict: task, process, and relationship conflict. Task conflict is about the ends on which tasks should be accomplished. Process conflict is characterized by disagreement on how work should be accomplished and how members should be utilized. Finally, relationship conflict is the perception of personal animosities and incompatibility; it includes affective components such as annoyance, frustration, and irritation at others. In the context of family, these sources of conflict assume different means because of the family ties. We argued that, in family group, conflicts are influenced by family altruism and the family need of harmony.

Altruism is built on a foundation of emotional ties and lead to familial closeness; family altruism refers to the extent in which family members want to support one another. Theologians tend to view altruism as a moral value that motivates individuals to undertake actions that benefit others without any expectation of external reward (Batson, 1990). Sociologists, from another point of view, tend to consider altruism as a trait or preference that is endogenous to man's character and based, at least in part, on feelings, instincts, and sentiments (Lunati, 1997). Family is a social structure often influenced by religious dogmas. Thus, both perspective should be useful to understanding altruism in family. In fact, usually, family members support one another and share a level of altruism that is typically non shared by individual in other group. They expect other family members to share in their joys, triumphs, and sorrow and also effort and resources. We hypothesize that altruism foster the family member motivation to compromise own needs with family needs and also other members needs. Thus, the tendency of disruptive conflict is placed under control by the family tendency to be altruistic and by its resultant norms for good behaviour and peace in life.

The need of harmony refers to the sense of stability that families provide to each member. Family harmony emerges in family life when interaction patterns in daily living, such as ritual and routines, provide organizing principles and set framing assumptions about family life that assure the better cohabitation or staying together. Family members enjoy spending time together. In order to accomplish this, harmony among them is necessary. Every human being has the basic need to feel appreciated by his or her fellows. Family have the habitat of observing the good qualities of their members and expressing their appreciation. If there are any problems among them, it should be a source of disharmony and disaffection. In this case family becomes vulnerable to resolve crises constructively. Thus, harmony in family stop conflict and it enhances their unique ability for problems resolution. Families are able to resolve crises by directly confronting problems and by continuous mutual helping, even in the most difficult situations. The existence of greater harmony, evident in better human relationships within the business as well as in a better working atmosphere, is put forward as one of the values that is characteristics in family firms (Ward, 1988). We assume that the need of family harmony is the best motivation to encourage performance and behaviour of mutual respect.

Looking beyond, while most of the family research tends to assume that conflict is unhealthy and disruptive, it should be noted that conflict may have a positive effect on a family group by increasing options, by preventing premature consensus, and by increasing involvement and motivation of family members. In fact, the outcomes of conflict in groups has often positive affect on team's innovation and team's creativeness. In line with this perception, family firms tend to be more creative and pay more attention to research and development (Pervin, 1997; Ward, 1997). Thus, the key factors that relate conflict to better performance such as creativeness and innovation process in family firm should be the conflict management approach in which family members proactively and reactively deal with conflict. Defensive conflict management focuses on reducing or controlling the nature of team conflict. Thus, family altruism and the need of harmony should have a monitoring effect in order to reduce the situation that origin conflict among members. Conflict management in family firms are innate because of the variety of the family members in gender, age, background, rule. However, because of the presence of emotional ties only the good side of conflicts in group tend to emerge such as creativeness and innovation.

Fig. 2 - Conflict management in family group: the moderating effect of altruism and need of harmony



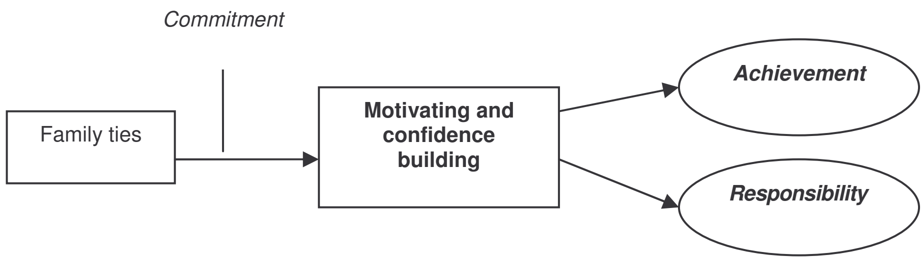
Motivating and confidence building – This dimension of the interpersonal process concerns the generation and the preservation of a sense of group confidence, motivation and task-based cohesion with regard to mission achievement. This includes encouraging team members to perform better and to maintain high levels of performance. There have been several ideas posited in family business researcher concerning activities that develop and maintain family member's motivation with regard to the achievement of group goals and objectives.

First, because the family name is "on the building", family members will naturally be more motivated and committed to the business (Rosenblatt et al., 1985; Ward; 1988). Such family connection to the business inspire loyalty and family members are therefore willing to work long hours – often without compensation – and be highly flexible in their work roles and assignment in order to foster the business succeed.

Second, family members have often socialized at a very early age to understand the nature of the business, its customers, and its competitors, and have received hand-on training from family leaders who are knowledgeable and highly skilled (Dyer, 1992). Such a process of confidence building can be a relevant source of competitive advantage by creating a highly skilled of family managers who are also highly motivated and willing to sacrifice much to see the business succeed.

Third, family as social structure has typically the ability to cultivate and nurture long-standing relationships across generations. Commitments made by a family, which are often based on altruism, are likely to be more enduring and trusted than commitments by individuals, since familial obligations are generally shared within the immediate family, and may even extend to extended family members. Therefore, the enduring nature of family connections and commitments may give families certain advantages in developing and maintaining family member's motivation with regard to the achievement of group goals and objectives. Interestingly, family business researchers rarely observed family act in ways that are demotivational to team members. Compared to non family firm, the level of job satisfaction in family firm has been described to be higher (Iverson, Maguire, 2000; Loscocco, Roschelle, 1991). Also, family firms have a unique work environment that inspires employee care and loyalty (Ward, 1988). Thus, family ties foster a distinctive sense of commitment that motivates family members to work hard even without compensation. The sense of success is higher in family firm in comparison to other firms in which family ties are absent.

Fig. 3 - Motivating and confidence building in family group: the moderating effect of altruism



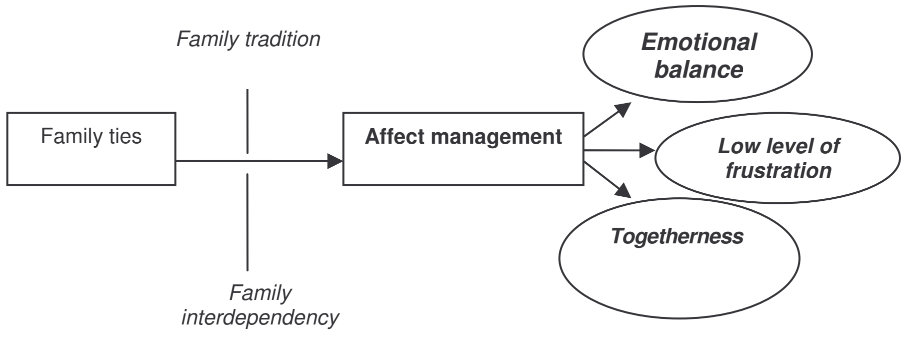
Affect management – Affect management refers to the process of calibrating team member emotional level which can be inflated (or deflated) because of task conditions, personal factors, or situational factors. Family systems take place in this process. In fact, family relationships regulate emotions, involve techniques to calm members down and control frustration levels. We argued that family structure and emotional ties that encourage emotional balance and togetherness are embedded in the recognition of the presence of family tradition and the contextual condition of interdependency among members to achieve goals and objectives.

Family tradition includes recognition of a shared history and the practices that serve to connect family members to one another such as family routines, rituals, norms and role expectations. Family traditions tend to persist through time and serve to perpetuate family beliefs. Traditions also establish family norms and rules to manage role expectation and encourage the cohesion of the group. Family tradition leads to obligation and expectations that can be viewed as the positive interaction that occur among family members. These interactions can be viewed largely because of the number of occasions family members meet each others. Family tradition leads to the future benefit of the family. The existence of these informal and emotional obligations and expectations of future benefits are nurtured in firm containing strong family ties and are hampered by the absence of these ties. Family tradition and norms provide for social control in family firm. Family norms include internalized sets of accepted behaviour for members of the family firm; a common belief system that allows family members to communicate their ideas and make sense of common experiences. Family traditions and norms embody the accumulated history of the organization in the form of social structure appropriable for productive use by any family member in the pursuit of his or her interest (Sanderfur, Laumann, 1988). These factors should have a moderating effect on the management of family members in order to maintain a low of frustration and foster the emotional balance and the togetherness.

Also family interdependency plays a key role in regulating members' emotions during mission accomplishments such as group cohesion, frustration, and excitement. As social structure, family members are interdependent on one another to achieve their most basic needs such as physical and emotional goals. Thus, family interdependency is built on a foundation of emotional ties and encourages family members to be effective with the group goals. Within the family group, members share resources and effort to be effective in achieving the business goal differently than other group. They support each other to achieve the goal and share their resource with the members that more need help. These aspects foster the family to achieve the business goals more than other economic system where resources are allocated based on wealth or ability. Taking in consideration the affect management of the interpersonal process, we believe that the family interdependency exert a positive effect on the emotional balance and the togetherness of the family as a team and it serves to take under control the level of frustration of the family members.

However, it is also possible that such family activities, if managed ineffectively, may lead to increased negative affect, wasted time, and performance problems. For example, family tradition could stop the changing of the rules and regulations and could position the group in a significant risks at achieving market challenges.

Fig. 4 - Affect management in family group: the moderating effect of family tradition and family interdependency



5. Discussion and Conclusions

Our first goal for this paper was to analyse the so-called sickness of family firms related to their superior performance compare to non-family firms. Specifically, according to family business scholars, we assumed that the variable to assess was the effect of the family in the business. We examined prior theoretical contributions in order to understand the state of the literature on the relationship between family and firm. We do note that AT and RBV fail to capture the reasons underlying how the family influences the business performance because their fundamental assumption that family firm has only an economic scope. Moreover, the family is assessed as a static variable instead of a dynamic group of individual that manage the business. However, although this is an issue that should be examined more directly, the interesting result of these two theoretical approaches is the confirmation that the context of family needs more specific consideration.

The second goal of our study was to identify a different framework that should be more significant in order to depict the family effect on the business. To understand business performance we suggest adopting a behavioural approach. In depth, we propose to look at the family behaviour in order to predict the organizational performance of family firms. Family, as RBV emphasizes, is the idiosyncrasy of family firms. Thus, our suggestion is to asses family behaviour in order to understand different performance of family firms. We hypothesized that teamwork processes of family are positively associated with team performance and member satisfaction, and that this relationship is positively associated with organizational performance as prior contributions of family scholars pointed out.

Therefore, there may be a real and significant advantage that family firms have over non-family firms simply because of the ability of family to manage differently the interpersonal process of the group involved in the government of the firm. Thus, the group literature should be an interesting framework to extend the theoretical horizon in family business studies in order to better understand the family effect on firm performance.

Practical implications

The proposals developed in this paper have practical implications for managers of business in general and specifically for managers of family businesses. Although it has been long asserted that family firms achieve better performance in comparison to non-family firms, at this point in time there have been very few theories developed in order to exactly explain the so-called "chronic result". Our paper suggests that family management of the interpersonal relationship inside the firms is the main factor that distinguishes family from non family firms. The family group hold a sustained competitive advantage over non family business related to the manner in which it manages the interpersonal relationships in the firm. Family ties influence interpersonal process that positively turn to quality of decision and work environment such as high level of creativeness and innovation, high level of achievement and responsibility, better performance on emotional balance, need of togetherness and low level of frustration. Accordingly, two suggestions are relevant in order to achieve superior performance in family and non family-firm.

First, in family firms, family members need to emphasize the condition that foster the quality of interpersonal process. For example, the entrance of new generation should be considered the best choice in order to assure the vital level of conflict inside the group; the occasion to share family opinion and thinking should be taken with high consideration in order to cement family tradition and individual motivation. At the same level, family group should be valuate and avoid the condition that compromise the family harmony in order to maintain low the level of "family conflict". Second, in non family firms, manager can take into consideration the manner that family adopt in order to manage business relationship. Family ties are not replicable; but sense of tradition and cultural rule should be developed. Accordingly, taking into consideration group processes could a first step in building motivation and commitment also in non family group.

Future research directions

While our model strongly highlights family ties and interpersonal processes in family as predictors of organizational performance in family business, we recognize that empirical testing of the model is needed. Because family superior performance has been explained with the RBV and AT, at this point in time there are no existing empirical studies directly involving the relationship between family as a group and family firms performance. Thus, one area of future research would be to empirically test the relationship among family ties, interpersonal process and family business performance.

Another area of research would involve examining the effect of family relationship in group process and performance. Depending on whether there are multiple generations involved in the business, there may well be several individual in the group that their contribution may not be positive. The increase of the number in the group is usually negatively related to group performance. Thus the family should be asses the number of family member involved in the firm.

Finally, it is hoped that this paper will serve as a foundation for future studies looking at the relationship between family and business performance. Our purpose was also to foster the interest of scholars interested apparently in different issues such group dynamic in order to promote a multidisciplinary perspective to advance the understanding of family firms.

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