Foreword

Family businesses represent the prevailing form of business around the world. No other form of business produces more and employs more people than family businesses. In Germany in particular, family businesses constitute over 90% of all businesses and the rapid German recovery after the recent economic crisis can be largely attributed to the resilience and performance of family businesses. Hence, understanding the intricate relationship between family influence and firm performance is of critical importance. Paradoxically, however, research has not yet found conclusive evidence on the performance of family businesses, much less the links among family influence, business structure, strategy and performance. Many scholars have been calling for this type of research for years, but their calls have been unheard. Dr. Lindow’s study provides long-awaited answers to these calls.

In her research, Dr. Lindow builds on the established concept of strategic fit and applies it to family business to determine if and in what ways strategic fit may contribute to family firm performance and what role family influence plays. Several findings of her study stand out and are noteworthy discussing in more detail.

First, employing a solid theoretical foundation and sophisticated statistical analyses, Dr. Lindow established a curvilinear (S shaped) relationship between family influence along the power dimension (i.e., family ownership, as well as family involvement in top management and the board of directors) and firm performance measured as EBIT. This finding supports the notion that family influence and firm performance form a complex relationship and that future research needs to recognize this complexity to yield new insights. Further, the results demonstrate that strategic fit and firm performance are not as strongly related in family business as it has been established for non-family businesses. In family business, the results show, family-specific factors such as family business governance and family culture are stronger predictors of firm performance than strategic fit.

Another important finding of Dr. Lindow’s study is that family businesses prefer centralized decision-making, particularly with regard to financial and strategic decisions. This preference rises with increasing levels of family influence (power dimension). More centralized decision-making may result in a greater ability to implement strategy more rapidly and successfully compared to other (non-family) businesses. In fact, the ability to rapidly and successfully implement strategy may be more important than the adequacy of strategic fit. This is demonstrated by the fact that over 90% of prospector firms in the sample lack fit, but do not underperform as conventional theory would suggest.
In addition, Dr. Lindow found that cultural overlap between family and business (culture dimension of family influence) results in greater alignment, which in turn enhances performance. These findings support the view that family and business performance should not be viewed as separate. Instead, family business performance maximization entails both family and business dimensions simultaneously. This finding is supported by recent empirical research from Spain showing that businesses, which simultaneously emphasize the objectives of both family and business enjoy better family and business results than those that limit their attention only to the business. Hence, combining both family and business orientations in strategic decision-making leads to above-average family business performance outcomes.

An important aspect of Dr. Lindow’s study is its contribution to mainstream management research, and strategy and contingency theory in particular, by showing that extant theories do not apply in a uniform fashion to family business and need to be adjusted, or even re-developed, to match their particular characteristics. As the findings show, strategic fit does not operate in a simple manner nor does it operate in a similar fashion to previous research on non-family firms. Direct and indirect (moderated) relationships intertwine in family business and make the relationship more complex. Further, Dr. Lindow appropriately hints that contingency theory regarding strategic fit neglects the idea that businesses shape the environment, as much as they are shaped by the environment, in a dynamic, non-sequential fashion.

Dr. Lindow’s study represents an important milestone in family business strategy research and offers many exciting avenues for future research on this important topic. Not only were we privileged to work with Dr. Lindow on her study. We were also blessed with becoming friends with her during her research stay at Kennesaw State University and look forward to many more interactions in the future.

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