

Developing a Sociological Understanding of the Significance of Family Influence in Family Business: using moral economy

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Abstract

In this paper we suggest that moral economy is a useful lens through which to develop a sociological understanding of family influence on the work of family business. To the best of our knowledge, there is no available literature that uses this approach in studies of family influence on family business. In using a moral economy lens, we suggest that family influence can be regarded as reflecting the moral norms and sentiments of the family. By influencing the work of family business, these moral norms and sentiments become *everyday* in having this effect. We provide findings to support our argument that our approach is new and novel in family business studies.

Keywords: family business, family influence, moral economy, sociology of family business

Introduction

Moral economy has a long and prestigious pedigree as an analytical framework (Bolton and Laaser 2013). While originally developed as a critique of neoclassical and modern economic analysis,

(M)oral economy studies the moral norms and sentiments that structure and reinforce economic practices, both formal and informal, and the way in which these are reinforced, compromised or overridden by economic pressures (Sayer 2007: 262).

We argue that we can conceptualise family influence in family business by drawing on the concept of moral economy. Our approach is informed by an argument from Zachary (2011) who suggests that while the family in business should be regarded as an economic system that sustains and provides for family members (Winter, *et al.*, 1998); research about the influence of the family on the work of the family business has rarely conceptualised how the *family* influences the business. In this paper we draw on the concept of moral economy to suggest that another way of viewing family influence is to regard this as reflecting the moral norms and sentiments of the family. We suggest that because these moral norms and sentiments influence the work of family business *everyday*, they become institutionalised in the work of family business. We thus refer to these as *everyday morals* that influence the work of family business *everyday*.

The aim of this paper is to elaborate upon these ideas. By so doing, the paper presents a new conceptualisation of family influence in family business. Rather than drawing on managerial concepts or theories, the novelty of this conceptualisation is that it draws upon a ‘sociological imagination’ to offer different ideas. The significance of family business worldwide (Drucker 1995: 45), and in Australia where family businesses account for two-thirds of firms (Smyrniotis and Walker 2003), justifies our interest in this field.

Conceptualising Family Influence

Polanyi (1944) sets the groundwork of a moral economy approach by highlighting the interconnectedness between social, moral and economic dimensions in modern market societies (Bolton and Laaser 2013). Polanyi refers to this as *embeddedness*, which Block (2003) and (others, see Munck (2004) argue was one of the most

influential of Polanyi's thoughts. They suggest that the indelible contribution made by Polanyi to moral economy was to illustrate that markets can never be entirely 'free' in their operation (that is free markets), because they are embedded in societies and hence rely on (often invisible) exchange mechanisms that belong not solely to the market, but intertwine with the social sphere. In reference to the period that he wrote about (that is, Industrial Revolution, England) Polanyi subsequently argued that as a result,

while the market spread and all around it was commodified, society at the same time protected itself through a network of measures and policies [that] was integrated into powerful institutions designed to check the action of the market relative to labor, land and money (Munck 2004: 252).

Referred to as the 'counter-movement', the source for this was the tensions that emerged between the economic and socially embedded nature of the market (Block 2003). In summary, Polanyi's concept of the counter-movement contends that, like a pendulum, if market excesses encroach too much on societal desires, then society acts to protect these socio-political desires over market interests.

Described by Polanyi (1944) as fostering an 'active society', Polanyi's account has been criticised for failing to describe how the counter-movement develops (see Silver 2003; Webster 2008). Bolton and Laaser (2013) subsequently argue that the work of another great theorist of moral economy – E. P Thompson – can be well drawn upon to understand this. Also set in the period of the Industrial Revolution, the core of E. P Thompson's 'moral economy' is his understanding of customs as 'historically contingent on traditions of people that connect them to each other through social and ethical bonds' (Bolton and Laaser 2013: 514). From this perspective, agency or agentic action emerges when these customs are either

threatened or eroded and there is a ‘backlash’ to protect these. Silver (2003: 20) for instance suggests that in the context of labour-led counter-movements, these are triggered, ‘particularly by working classes that are being unmade by global economic transformations as well as by those workers who had benefited from established social compacts that are being abandoned from above’.

While useful, it is argued that both Polanyi and Thompson neglect the moral dimension of *everyday life* (Bolton and Laaser 2013). Sayer (2005; 2007) describes this as the significance of *lay morality* or a ‘bottom-up’ approach to moral economy as opposed to a top-down description such as that of Polanyi and Thompson. Central to Sayer’s approach is the importance of actors’ ‘fellow-feeling’ and ‘inter-dependence’, meaning that well-being relies not just on material resources but also on social dimensions of life (Nussbaum 2011). These reflect the on-going moral evaluations that we hold about our ‘relations to others, about how people should treat one another in ways conducive to well-being’ (Sayer 2005: 951). As Polanyi and E.P. Thompson suggest (Bolton and Laaser 2013) we meet, mediate and sometimes resist the material demands made by a market economy. The notion of lay morality embodies the practical and instrumental responses that we have to given situations, not only as a community bonded by historical customs that E P Thompson would argue form the groundwork for Polanyi’s counter-movement; but also as individuals whose ‘care and concern, misery and merriment, bitching and bullying are revealed as everyday interactional realities within work communities’ (Bolton and Laaser 2013: 516), in other words, the everyday concerns that can propel us into action.

We suggest that Sayer’s concept of lay morality within the genesis of the moral economy framework is a powerful concept when applied to understanding family influence in family business. On the one hand, lay morality when considered

as family influence is critical to the creation and operation of family businesses. For instance, while pivotal in the formation of family business, research also suggests that family influence can have a positive impact on family business (Habbershon, Williams and MacMillan 2003) by creating higher efficiencies and generating commercial success (Zahra, 2003). On the other hand, moral norms and sentiments that are *embedded* in the social structure of the family (Steier, Chua and Chrisman 2009) (or a lay morality of norms, habits and rules that ‘structure and influence economic practices of organizations’ (Sayer 2007, 2005)); can also exert an influence that becomes almost counter-movement (Polanyi 1944) to the economic future of the business. Research suggests that family influence can create competitive *disadvantages* for family business (Carney, 2005) by skewing decision-making towards family rather than business interests (Hall, Melin and Nordqvist 2001), Family business leaders and managers can be influenced by family to prioritise family over business interests (Schulz, Lubatkin, Dino and Buchholtz 2001; Chua, Chrisman and Bergiel 2009), even if this is at the expense of increased business risk (Gomez-Meja, Haynes, Nunez-Nicol, Jacobsen and Moyano-Fuentes 2007) or expansion and growth (Daily and Dollinger 1993).

However, while recognising the power of applying the concept of lay morality to understanding family influence in the work of family business, we propose that the significance of this concept can be considered as the *everyday morals* of the family that influence the business. That is, family influence is NOT motivated purely by the ‘norms and values’ as per Sayer’s lay morality (2007: 262) (or the custom and practice as per E P Thompson); but also by *principles*, or behaviours that are the manifestations of these principles, that are then used to judge the rightness or wrongness of a particular action (Reber, Allen and Reber: 2009). In the work of

family business these principles are exercised in relation to the *family* not the individual. In this context, we suggest that these principles include responsibility, obligation, and care (Hall 2011) *towards the family*; and are enacted through ‘everyday’ behavioural practices (Hall 2011) such as attentiveness, and responsiveness (Sevenhuijsen 2002) *to family matters*. Thus the practical embodiment of everyday morals in the work of family business ensures that these continue to guide family influence in the work of family business.

In Polanyian terms, this conceptualisation of family influence can be conceptualised as triggering a *counter-movement* that renders nonfinancial/noneconomic objectives aligned with the family equal to financial/economic objectives for the family business. For instance, family influence has been found to incline family firms to favour path-dependent traditions associated with their family history (Nordqvist and Melin 2010), making them unwilling to alter operational practices away from the principles that guide the family, thus cementing the family principles in the continued influence of family in the business. Similarly, the strong social ties which can be considered as one of the competitive advantages of family firms (Cater and Schwab 2008) often creates closed networks in family business that spurns the influence of ideas by non family both within and external to the firm (Zahra, Hayton and Salvato 2004: 373; Zahra 2012) about new methods that could lead to business efficiencies. Operational matters are subsequently guided by family influence, which then reinforce the influence of family ideas in the business. Both social ties and commitment to their historical traditions and values can further influence family businesses to draw on ‘trusted’ networks of family and friends to learn operational practices (Tsui-Auch 2003), rather than engage professional, non-family advisors, again restricting the source of ideas about business operations to ‘the

family’, with the effect of reinforcing the authority of family ideas in business operations. We summarise this conceptualization in Figure 1 to illustrate the relationship between everyday morals and family influence on family business.

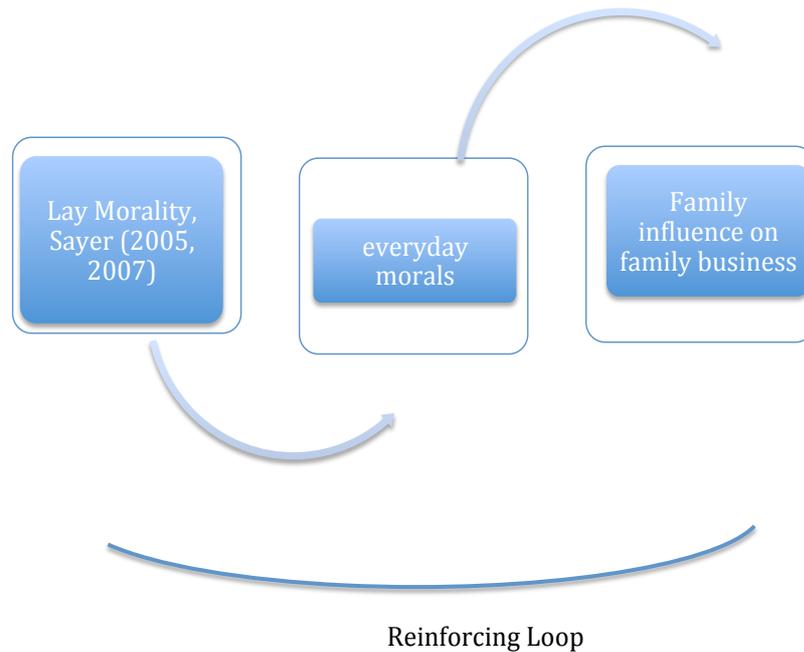


Figure 1: Everyday morals and family influence

Confirming the uniqueness of our approach

To confirm the novelty and relevance of our approach, we conducted a literature review of family business literature using Leximancer. We have used Leximancer before to analyse literature reviews, such as that presented in this paper (Caspersz and Olaru 2013; Caspersz and Thomas 2013). Leximancer is a content mapping tool that illustrates frequency of themes by enumerating words within a discourse. This analysis generates circles to depict the themes in the discourse. The larger the circle the more prominent is the theme. The themes are further explained by the appearance

of ‘descriptors’ (or words) within the circle. The tool generates text to accompany each descriptor (and each theme). The grey lines that appear between the themes and descriptors indicate the association between these.

Using the Web of Science we searched ‘Family Business’ and ‘Research’ and ‘Theories’ to identify the most relevant articles, and refined this to the four journals that Chrisman, Kellerman, Chan and Liano (2009: 10) argue account for a large portion of the research in family business and are generally regarded to be among the most appropriate outlets for family business studies: *Entrepreneurship Theory & Practice* (ET & P), *Family Business Review* (FBR), *Journal of Business Venturing* (JBV), and *Journal of Small Business Management* (JSBM). As per Chrisman *et al.*, (2009: 10) we set the range from 2005 to 2014, as 2005 was the first year that data became available in the Web of Science for FBR. The search yielded a total of 67 articles. We arranged these in hierarchical order of citations from most to least, and then placed these in journal folders. We used Leximancer to conduct an analysis of these folders, see Figure 2.

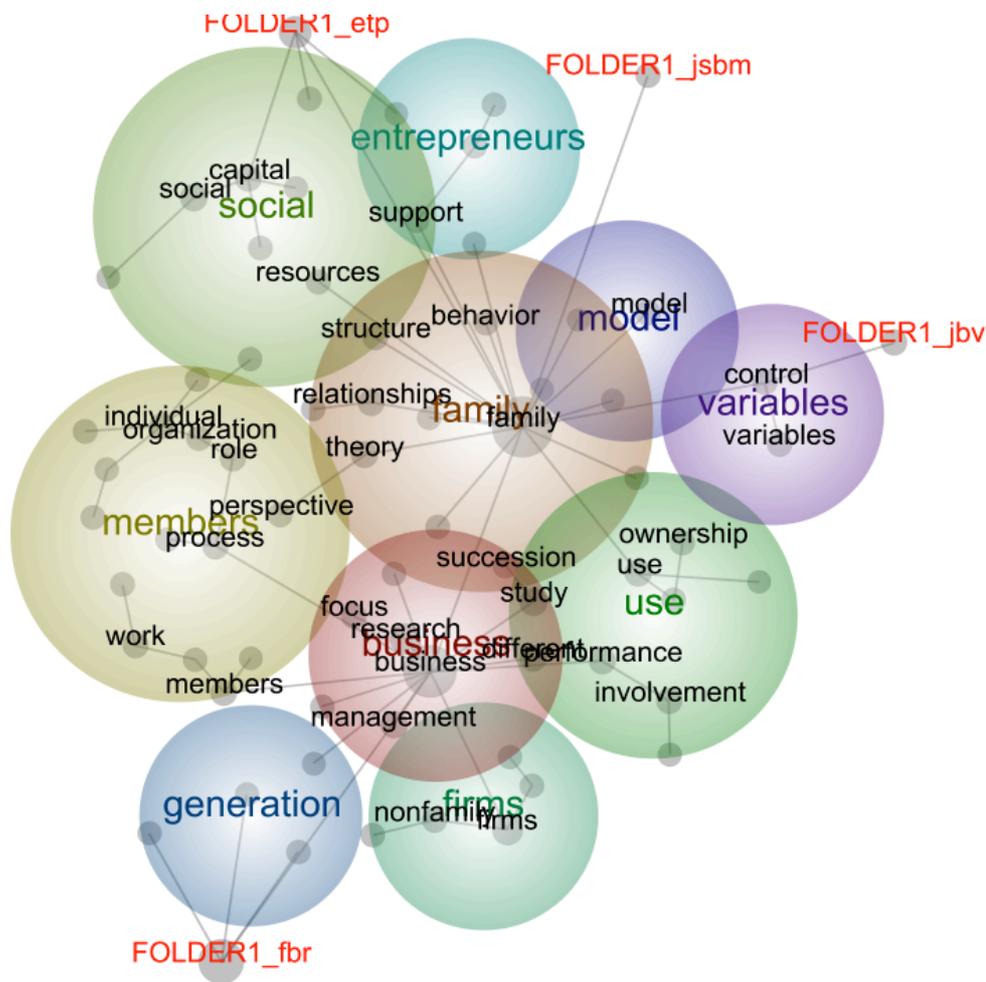


Figure 2: Analysis using Leximancer

Findings

Figure 2 shows that the main themes examined by the literature are those of *business family*, *members* and *social*. The descriptors in the theme *business* suggest that the focus is on understanding the operational matters associated with the business, such as *management*, *performance* and *succession*. In the theme *family*, the descriptors *behavior*, *structure* and *relationships* indicate that the literature has mostly examined the behavior of family business, structure of the family in the business and

relationships of the family in the business. While coming close to our interest, the proximity of this to the themes of *members* and *social* clarify that the focus on the family was in understanding the role family members played in the business, the levels at which they worked, compensation, and how the family business managed the process of their involvement; in summary, the emotional and physical involvement of family members in the business. In the theme *social* the descriptors *capital*, *resources* and *context* suggests that interest in the *family* (that is, the *behavior*, *structure* and *relationships*) was related to how these could be a resource (of *social capital*) for the business. In summary, as suggested earlier the preoccupation in the literature was to understand the family business, rather than the family itself.

In terms of the journal folders (for example, FOLDER 1fbr = Family Business Review) in FBR, the focus appears to be on understanding how *generation(al)* matters such as succession and *firm-dynamics* (such as management and non family members) influenced the business. For JBV (Journal of Business Venturing) the preoccupation was on how to measure *variables* and *models* of family or how to positively examine the intersection between family and business; JSBM (Journal of Small Business Management) and ET&P (Entrepreneurship Theory & Practice) were preoccupied with themes of *entrepreneurship* and the influence of *social capital* in family or how the family acted as resource for the entrepreneurship in family business. Thus, from this analysis we are satisfied that the literature thus far has not considered any of the concepts that we draw on. To confirm our thoughts, we undertook a content analysis of the articles (see Table 1 in Appendix A) to identify the most commonly used theoretical frameworks. As can be noted few analyses drew on the critical management perspective that we have developed.

Conclusion and Future Research

By drawing on concepts from moral economy, we suggest that family influence is better regarded as the influence of *everyday morals* in family business. These everyday morals act in an almost *counter-movement* style to influence the work of family business. However, the practice of this work can, in turn, reinforce the everyday morals of the family. In developing this approach, we provide a sociological understanding of family influence in the work of family business. This is in contrast to current analyses, which assess the influence of the family in economic terms, therefore disabling a fuller understanding of this significant influence in an entity that is pervasive across all societies. By adopting this conceptual lens however, we suggest that we are able to better capture the complexity of family influence on family business, that is rather than examining the work of family business from the perspective of the business entity, we instead have shifted our lens to exploring the family itself.

Our future research will apply this framework to understanding the work and labour issues of family business. This is a neglected area of research in this field (Astrachan & Kolenko, 1994). However, given the significance of family business in most economies worldwide and Australia itself, it is useful to develop an understanding of how family influence as a lay morality effects the work and labour of family business.

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Appendix A

Table 1: Theories Identified in Literature Review of Family Business, 2005-2014

THEORIES USED	NO. RESEARCH PUBLICATIONS
Strategic management view of family firms '[T]he ultimate aim of research about family business is to develop a theory of the family firm... two theories that contribute to this are RBV and agency theory' (Chrisman, Chua & Sharma, 2005, p. 557, 566).	3
Resource Based View (RBV) 'Identifying resources and capabilities that make family firms unique and allow them to develop family-based competitive advantages' (Chrisman, Chua & Sharma, 2005, p. 562-63).	2
Agency Theory 'Agency costs arise because of conflicts of interest and asymmetric information between two parties to a contract' (Chrisman, Chua & Sharma, 2005, p. 560).	12
Stewardship Theory '[M]any leaders and executives aspire to higher purposes at their jobs – they are not self-serving individuals, but often act with altruism for the benefit of their organization and its stakeholders' (Miller & Le Breton-Miller, 2006, p. 74).	2
'Faminess' concept drawing on Evolutionary Theory, Top management team and Social Capital Theory, RBV of the firm and systems theory, Social capital theory, Family sociology, RBV of the firm (Pearson, Carr & Shaw, 2008).	5
Family systems theory Influenced by Bowen, differentiation of self, the degree to which one can balance the pressures of togetherness and individuation, 'emphasise balance between how individuals relate to the family system, and the impacts of family systems on individuals' (Lumpkin, Martin & Vaughn, 2008, p. 129).	1
Socioemotional wealth (SEW) Anchored in the behavioural tradition within the management field, 'the SEW model suggests that family firms are typically motivated by, and committed to, the preservation of their SEW, referring to nonfinancial aspects or "affective endowments" of family owners' (Berrone, Cruz & Gomez-Meja, 2012, p. 2).	1
Evolutionary Psychology (EP) 'In EP much interest has focused on our powerful norms of reciprocation as a cultural universal and our capacity for 'strong altruism'' (Nicholson 2008, p. 107).	2
Social capital Influenced by Bourdieu, 'emphasis on network position, and how network position influences the information flows among individual network members, as well as individual-level benefits that accrue' (Lester & Cannella, 2006, p. 756).	2