Conceptualising Family Influence in Family Business:

Using Moral Economy

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ABSTRACT:

In this paper we draw on critical management concepts to propose that family influence on the leadership and management of family business reflects everyday morals. This is a new and novel conceptualisation. We justify this assertion by presenting an analysis of key literature sources that have examined family influence in leading and managing family business. The findings confirm the uniqueness of our conceptualisation.

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INTRODUCTION
The majority of businesses in all developed countries are family-controlled and family-managed (Drucker, 1995 p. 45). In Australia, family businesses account for two-thirds of firms (Smyrnios & Walker, 2003). Thus, family businesses are important entrepreneurs and managers in most countries, including Australia. According to Nicholson (2003), the areas of most concern to family business are succession, insularity, family conflict and governance. While significant, it is the unique juxtaposition of family and business in their organisational structure that makes family businesses different from their nonfamily counterparts. Of particular distinction are the values that guide the leadership and management of family business (Chrisman, Chua, & Sharma, 2005). Along with financial/economic objectives family businesses simultaneously manage nonfinancial/noneconomic objectives such as transgenerational welfare (Chrisman, Chua, Pearson, & Barnett, 2012), and socioemotional wealth (Gomez-Meja, Cruz, Berrone, & De Castro, 2011). These are often considered as equally important to
family business, because of the social structure (namely, the family) in which family business is embedded (Steier, Chua, & Chrisman, 2009).

While some suggest that the embeddedness of the family in family business provides a competitive edge (Habbershon, Williams, & MacMillan, 2003) by creating higher efficiencies and generating commercial success (Zahra, 2003); in business, the influence of family can also create competitive disadvantages for family business (Carney, 2005) by skewing decision-making towards family rather than business interests (Hall, Melin, & Nordqvist, 2001), and influencing leaders and managers to prioritise family over business interests (Schulz, Lubatkin, Dino, & Buchholtz, 2001; Chua, Chrisman, & Bergiel, 2009), even if this is at the expense of increased business risk (Gomez-Meja, Haynes, Nunez-Nicol, Jacobsen, & Moyano-Fuentes, 2007) or expansion and growth (Daily, & Dollinger, 1993).

In summary, as Zachary (2011) argues, it is the family that is critical to leading and managing family business. Otherwise referred to as family influence, this concept embodies the feelings and emotional toolkits that we develop through our family interactions (Hochschild, 2011, p. 270-71). Given the intertwining of family with business, it is inevitable that family influence affects the family in business. Yet, research about family business has often focussed solely on studying the family business, rather than paying attention to the family itself (Zachary, 2011). Thus, until relatively recently, much research argued that a way of managing family influence in family business was to professionalise the business, and create structures and processes to marginalise rather than embrace family influence in leading and managing the business (Lou, & Caspersz, 2010).

In this paper we provide a contribution that ‘brings family influence back in’ by presenting a conceptualisation of family influence that draws on critical management concepts. We draw on Hochschild’s (2011) ideas of the marketisation of family emotions for economic and financial goals, and Sayer’s concept of lay economy (2005) to then formulate the proposition that family influence in family business reflects everyday morals of responsibility, obligation and care (Hall, 2011) towards the family, and attentiveness and responsiveness (Sevenhuijsen, 2002) about family matters. We argue that we provide a new and novel conceptualisation by which to study family influence on family
business because it positions the norms, customs, sentiments and emotions that are pivotal in understanding the influence of the family in leading and managing a family business.

To the best of our knowledge there are no studies that use this approach in studying family influence in family business. Nonetheless, a major aim of this paper is to provide an informed understanding of this claim by presenting an analysis of key literature in family business studies. The paper firstly discusses our conceptualisation before presenting our analysis of the literature in family business studies. We have pursued this focus because we suggest that while marketised, family influence in the family business is guided by a moral economy of the family that articulates as everyday morals or principles that guide behaviour of the family itself in the family business. The entrepreneurial importance of family business worldwide and in Australia leads us to suggest that working with these conceptualisations is an overdue task.

CONCEPTUALISING MORAL ECONOMY IN FAMILY BUSINESS

The American family and emotions theorist, Arlie Hochschild offers a conceptual framework that allows us to consider the marketisation of the family. Hochschild (2013) illustrates this by beginning with the notion that changes in the market, including fortuitous change in a family members’ status, are mirrored in and impact the household relations. Hochschild demonstrates how intimate ties and relations among family members of a household are shaped by economic ripples by drawing on memories of work as a child on her grandmothers’ farm, tending to banal tasks and duties (collecting eggs) for the productivity and well-being of the family household. This is contrasted with the experience of chores being replaced when her father is posted on diplomat service, and her family are swept away to a new location and house where housekeepers, staff and a driver work to sustain the household production and family’s well-being. Thus, market forces enter the private domain of the household (see Zelizer, 2005; 1994) whereby money attains a relational turn that subsequently structures relationships and norms.

Conceptually, Hochschild draws on this account to argue that intimate or kinship ties is an important mechanism through which family owners and members organise and are also influenced by their network position, and which, in turn, provide for an institutionalised pattern of business decision
making. In recognising the significance of these noneconomic considerations in creating and operationalising the ‘business’ of the family, we suggest Hochschild provides a framework, where when combined with thoughts of moral economy, illuminates the significance of the embeddedness of the business in the family on leading and managing a family business.

Moral economy has a long and prestigious pedigree as an analytical framework (Scott, 1976; Tonnies, 2001). While originally developed as a critique of neoclassical and modern economic analysis, a key concern of the early moral economy is the relationship between society and the economy with Karl Polanyi and E. P Thompson being important figures in this early approach (Bolton, & Laaser, 2013). Polanyi (1944) sets the groundwork for using moral economy by highlighting the interconnectedness between social, moral and economic dimensions in modern market societies; that is, the concept of embeddedness, which Munck (2004, p. 252) argues was one of the most influential of Polanyi’s thoughts. Bolton & Laaser (2013) suggest that the work of E. P Thompson (1971) on moral economy complements a weakness in Polanyi’s account (see Silver, 2003) by arguing that agency (amongst the English working class in the E P Thompson’s account) emerges when customs – or ‘historically contingent traditions of people that connect them to each other through social and ethical bonds’ (Bolton, & Laaser, 2013, p. 514) are either threatened or eroded, and there is a ‘backlash’ to this threat, ‘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’ (Silver, 2003, p. 20).

While a useful foundation, a major criticism of both Polanyi and Thompson’s framework is that they neglect the moral dimensions and ongoing evaluations by people of everyday life (Bolton, & Laaser, 2013). Sayer (2005) refers to this as lay morality; that is 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 concept 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 people’s on-going moral evaluations about ‘relations to others, about how people should treat one another in ways conducive to well-being’ (Sayer, 2005, p. 951), that is, how social commitments and responsibilities influence economic considerations.
Thus, while informed by Polanyi and Thompson, Sayer’s notion of lay morality embodies the practical and instrumental responses of people to given situations, not only as a community bonded by historical customs (Thompson, 1971) that can inspire agentic action; but also as individuals whose ‘rules, habits, norms, conventions and values (influence) economic practices and institutions’ (Sayer, 2006, p. 77). Together with Hochschild’s description of how family emotions become marketised to meet the ‘business goals’ of the family, these ideas provide a conceptual tool kit that recognises the interplay between the influence of the family and leading and managing a family business.

However, while relevant, we propose that conceptualising family influence in family business extends beyond both Hochschild (2011) and Sayer (2005) and is better expressed as the everyday morals of the family that influence the business. We suggest that family influence is NOT motivated purely by the ‘rules, habits, norms, conventions and values’ as per Sayer’s lay morality (2006, p. 77); but by underlying principles, or the behaviours that are the manifestations of these principles, that we use to judge the rightness or wrongness of a particular action (Reber, Allen, & Reber, 2009). That is, while informed by lay morality, family influence involves exercising moral motivation, or ‘charitable impulses’, which are enacted through ‘everyday’ behavioural practices (Hall, 2011), or everyday morals. Our preliminary thoughts suggest that the concept of everyday morals guiding family influence in family business align with responsibility, obligation, care (Hall, 2011) towards the family; and attentiveness, and responsiveness (Sevenhuijsen, 2002) to family matters. **Figure 1: Moving from Hochschild & Sayer to Everyday Morals and the Influence of the Family on Family Business** illustrates this conceptualisation. We have developed the following propositions to guide our future research in this area:

**Proposition 1:** Everyday morals guide family influence in family business.

**Proposition 2:** Everyday morals align with responsibility, obligation, care, attentiveness, and responsiveness.

**Proposition 3:** Leading and managing a family business must accommodate the everyday morals that guide family influence.

Insert Figure 1 about here
CONFIRMING THE UNIQUENESS OF OUR APPROACH

We adopted the same methodology to that described by Chrisman, Kellermans, Chan & Liano (2009, p. 10) to review the literature. 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 et al (2009, p. 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, p. 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 them in hierarchical order of citations from most to least. The articles were then placed into their journal folders and analysed using Leximancer, as shown in Figure 2: *Journal Folder Analysis, Literature Review of ET & P, FBR, JBV, JSBM*. Leximancer is a content mapping tool that has been used in literature reviews (Caspersz, & Olaru, 2013; Caspersz, & Thomas, 2013).

Insert Figure 2 about here

FINDINGS: TOWARD A FRAMEWORK OF EVERYDAY MORALS IN FAMILY BUSINESS

Understandably, the main themes examined in the literature are those of *business* and the *family*. The descriptors in the theme *business* confirm that the focus is on understanding the operational matters associated with the business. The line connecting ‘business’ and ‘family’ through succession should be read as suggesting that a major preoccupation in the literature is in how succession impacts family AND business. Of greatest interest to us though was the analysis about the family, as illustrated in circle on *family*. The descriptors *behavior*, *structure* and *relationships* in the theme *family* indicate the concepts in the literature that describe the *family*. The close proximity of these to the theme *social capital*, suggests that interest in the family was mostly in terms of the family (that is, the *behavior*, *structure* and *relationships*) as a resource (of *social capital*) for the business. In terms of the literature
within the journal folders (for example, FOLDER 1fbr = Family Business Review) in FBR, the focus appears to be on understanding how generation(al) matters and firm-dynamics (such as non family members) influenced the business. For JBV (Journal of Business Venturing) the preoccupation was on how to measure variables and models of family; JSBM and ETP were more preoccupied with themes of entrepreneurship and the influence of social capital in family. 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. Table 1: Theories used in Family Business Research, 2005-2014, identifies the most commonly used theoretical frameworks of the 67 articles, specifically ‘Agency Theory’ as the dominant theory. As can be noted, few analyses drew on the critical management perspective that we have developed.

Insert Table 1 about here

CONCLUSION

The overarching implication that emerges from our conceptualisation is that family influence is better regarded as the influence of everyday morals. In developing this approach, we provide a novel yet robust contribution to thinking about family influence in family business. The dynamics of family business suggest that analyses cannot neatly draw on any one ‘box’ for theoretical tools; however, coherence is a test for any theory. We are confident that our conceptualisation will meet this test, and in so doing, provide a contribution for empirical assessment by scholars in the future.

REFERENCES


Figure 1: Moving from Hochschild & Sayer to Everyday Morals and the Influence of the Family on Family Business

Figure 2: Journal Folder Analysis, Literature Review of ET & P, FBR, JBV, JSBM
Table 1: Theories used in Family Business Research, 2005-2014

<table>
<thead>
<tr>
<th>THEORIES USED</th>
<th>NO. RESEARCH PUBLICATIONS</th>
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<tr>
<td><strong>Strategic Management view of family firms</strong></td>
<td>3</td>
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<td>‘[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, &amp; Sharma, 2005, p. 557, 566).</td>
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<td><strong>Resource Based View (RBV)</strong></td>
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<td>‘Identifying resources and capabilities that make family firms unique and allow them to develop family-based competitive advantages’ (Chrisman, Chua, &amp; Sharma, 2005, p. 562-63).</td>
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<tr>
<td><strong>Agency Theory</strong></td>
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<tr>
<td>‘Agency costs arise because of conflicts of interest and asymmetric information between two parties to a contract’ (Chrisman, Chua, &amp; Sharma, 2005, p. 560).</td>
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<td><strong>Stewardship Theory</strong></td>
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<td>‘[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, &amp; Le Breton-Miller, 2006, p. 74).</td>
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<td><strong>‘Familiness’ concept</strong></td>
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<td><strong>Family Systems Theory</strong></td>
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<td>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, &amp; Vaughn, 2008, p. 129).</td>
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<tr>
<td><strong>Socioemotional Wealth (SEW)</strong></td>
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<td>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, &amp; Gomez-Meja, 2012, p. 2).</td>
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<td><strong>Evolutionary Psychology (EP)</strong></td>
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<td>‘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).</td>
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<tr>
<td><strong>Social Capital</strong></td>
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<td>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 &amp; Cannella, 2006, p. 756).</td>
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