Spotlight
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What happens when organization theory finally takes family businesses seriously?

Five dimensions of family influence that could reshape mainstream organizational thinking

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Family businesses are the dominant form of enterprise worldwide. They account for the majority of GDP and employment in most economies. Yet if you read the leading journals in organization studies, you could easily conclude that families play no role in organizational life at all. The field has built its theories around a generic, disembodied firm—one without kinship ties, generational tensions, or emotional stakes in continuity.

This paper by Salvato, Chirico, Melin, and Seidl confronts that blind spot head-on. Their argument is not simply that family business research deserves more attention. It is that mainstream organization theory is *incomplete* without it—that the phenomena family firms exhibit (loyalty-driven governance, multigenerational strategy, identity entangled with ownership) are not niche curiosities but fundamental organizational dynamics that happen to be most visible in family contexts.

WHAT WE STUDIED

This is a theoretical synthesis, not an empirical study. The authors reviewed the landscape where family business research and organization studies overlap—and found surprisingly little traffic between the two. To structure the conversation, they identified **five dimensions** through which families shape businesses:

1. **Ownership** — who holds equity and voting rights, and what non-financial meanings ownership carries.
2. **Management and governance** — the extent to which family members occupy executive and board roles.
3. **Transgenerational intention** — the desire to pass the business to future generations.
4. **Generational involvement** — how many generations are active and how this shapes strategic priorities.
5. **Perceived identity** — how insiders and outsiders perceive the firm as a "family business."

For each dimension, the authors show what organization theory can offer family business research —and, crucially, what family business settings can teach organization theorists. The theoretical range is broad, drawing on agency theory, stewardship theory, institutional theory, identity work, and temporal analysis. The paper was published as the lead editorial to a special issue of *Organization Studies* that brought together empirical and conceptual contributions from both communities. It is both a manifesto and a roadmap—setting out not just what integration could look like, but why the current separation impoverishes both fields.

KEY INSIGHTS

Ownership in family firms is never just financial

Standard organizational models treat ownership as a matter of shares and control rights. In family firms, ownership also carries emotional weight. It represents heritage, continuity, and the family's place in a community. The concept of *socioemotional wealth*—the non-financial value that families derive from their involvement—explains behaviors that look irrational through a purely economic lens: refusing profitable buyout offers, retaining underperforming divisions for sentimental reasons, or investing in community relationships that yield no measurable return.

Organization theorists who model ownership as purely economic are missing a large and systematic set of behaviors. Family firms are the natural laboratory for studying how identity, emotion, and legacy interact with ownership structures—and these dynamics are not confined to family firms. Founders of startups, employee-owned cooperatives, and community enterprises exhibit similar patterns. The family lens sharpens the theory for everyone. Ignoring these dynamics does not make them disappear—it just means the models used to predict organizational behavior will systematically misfire in precisely the settings where most economic activity takes place.

Governance looks different when the board includes your relatives

Agency theory predicts that separating ownership from management creates monitoring problems. Family firms scramble this prediction. When the CEO is also the majority owner and the founder's daughter, the standard principal-agent framework does not apply cleanly. Trust, shared norms, and intergenerational loyalty function as informal governance mechanisms—sometimes more effectively than formal board oversight, sometimes less.

The authors argue that family governance settings expose the limits of agency theory's assumptions about self-interest and information asymmetry. They also highlight how stewardship theory—which assumes managers can be intrinsically motivated to act in the firm's interest—finds its strongest empirical support in family contexts, where emotional bonds align personal and organizational goals.

Advisors and board members working with family firms need to understand that governance effectiveness depends on relational context, not just structural design. A governance framework that works for a publicly traded corporation may actively harm a third-generation family firm where trust and informal authority carry more weight than formal reporting lines.

Transgenerational intention reshapes how firms relate to time

Most organizations plan in three-to-five-year cycles. Family firms often think in decades. The desire to hand the business to the next generation creates a temporal orientation that is qualitatively different from standard strategic planning. It affects risk tolerance (more patient capital), innovation strategy (incremental rather than disruptive), and stakeholder relationships (deeper community ties).

Organization studies has developed the concept of *temporal work*—how actors construct, negotiate, and contest different time horizons within organizations. Family firms offer an ideal testing ground for this theory, because the tension between short-term operational pressures and long-term generational ambitions is always present and always visible.

This is where the paper's argument becomes most compelling for practitioners. If your family firm's strategy feels at odds with conventional business advice—"move fast," "disrupt," "pivot"—it may be because conventional advice is calibrated to a short time horizon that does not match your firm's actual orientation. Understanding transgenerational intention as a strategic asset, not a constraint, changes the conversation.

Generational involvement creates goal complexity that standard theories underestimate

When a founder, two siblings, and three cousins from the next generation are all active in a business, the firm operates with multiple, often conflicting, strategic visions simultaneously. Older generations may prioritize stability and reputation. Younger members may push for innovation and global expansion. These tensions are not just strategic. They are emotional, symbolic, and deeply personal.

Organization theory's work on *goal multiplicity* and *rhetorical strategies* provides tools for understanding how these competing visions get negotiated. Family firms, in turn, offer organization theorists extreme cases of goal complexity under conditions of deep personal entanglement—exactly the kind of setting that stress-tests theoretical assumptions.

If your family firm struggles to align multiple generations around a common strategy, the problem may not be that people disagree on the numbers. It may be that they disagree on what the business means to them—and no spreadsheet will resolve that. Structured dialogue about values, identity, and legacy is a strategic tool, not a soft exercise.

Perceived identity can diverge sharply from structural reality

A firm can be family-owned and family-managed but not perceived as a "family business" by its customers or employees. The reverse also happens: firms with minimal family involvement trade on a family brand. This gap between internal structure and external perception is a rich site for organization theory's work on *identity work* and *institutional legitimacy*.

Some family firms deliberately emphasize their heritage as a competitive advantage—"family-owned since 1892" signals stability and trustworthiness. Others downplay family ties to appear more professional or avoid nepotism stigma. These identity choices have real consequences for recruitment, customer loyalty, and stakeholder trust.

Family business leaders who have never explicitly discussed how the firm's family identity is perceived—by employees, customers, suppliers—are leaving a strategic lever untouched. Identity is not fixed. It is constructed, and it can be managed.

TAKEAWAYS

For family business leaders

Your firm is not an exception to organizational rules. It is a case that reveals dynamics other firms hide behind formal structures. Use the five dimensions as a diagnostic: Where is family influence strongest? Where is it creating friction? Where is it an unrecognized asset? The answers can guide governance design, succession planning, and strategic communication.

For advisors and consultants

Stop importing governance templates from publicly traded corporations into family firms without adaptation. The relational, emotional, and temporal dimensions of family influence require governance approaches that account for informal authority, identity dynamics, and multigenerational time horizons. Off-the-shelf solutions often do more harm than good. The most effective advisors are those who understand how formal governance and informal family dynamics interact—and design interventions that respect both.

For scholars

The paper is a direct invitation to break down disciplinary silos. Family business researchers can sharpen their theoretical contributions by engaging with organization theory's analytical tools. Organization theorists can enrich their models by studying the extreme, visible cases that family firms provide. The cross-pollination is not optional—it is overdue.

IMPACT

This paper reframes the relationship between family business research and organization studies. Rather than positioning family firms as a specialized subfield, the authors argue they are a *foundational* organizational form whose characteristics illuminate universal dynamics—how ownership shapes behavior, how governance adapts to relational contexts, how time horizons structure strategy. The five-dimensional framework provides a concrete bridge for scholars working across the two fields.

For practitioners, the lasting contribution is a shift in perspective. Family firms are not operating with a handicap that needs to be overcome by adopting "professional" management. They are operating with a distinct set of resources—emotional, relational, temporal—that mainstream theory has only begun to understand. The firms that thrive will be those that recognize these resources for what they are and manage them deliberately.

The paper also carries an implicit challenge to business schools and executive education programs. If the most prevalent form of enterprise on earth is systematically underrepresented in organizational theory curricula, then the theories students learn are incomplete at best and misleading at worst. Integrating family business insights into mainstream management education is not a niche interest—it is a correction.

RECOMMENDATIONS

1. **Use the five dimensions as a self-assessment tool.** Map your firm's family influence across ownership, governance, transgenerational intention, generational involvement, and perceived identity. Identify where influence is strongest and where it needs active management.
2. **Invest in cross-disciplinary dialogue.** Family business practitioners and advisors should draw on organization theory concepts—identity work, temporal strategies, goal alignment—to enrich their understanding of firm dynamics.
3. **Rethink governance as relational, not just structural.** Formal governance mechanisms matter, but in family firms, informal authority, emotional bonds, and shared history often carry more weight. Design governance that accounts for both.
4. **Treat family identity as a strategic choice.** Decide how you want the firm's family character to be perceived by employees, customers, and the broader market—and communicate that choice deliberately.

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