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Non-family-members in the family business management team: a multinational investigation

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Abstract The purpose of this study was to investigate, in a multi-country context, the inclusion of family-member managers and non-family-member managers in family businesses, and the relationship of this variable to certain management activities, styles and characteristics. A large sample ($N = 593$) of family businesses was generated from six countries (Croatia, Egypt, France, India, Kuwait and the United States), countries with significant differences in cultures, economies, levels of entrepreneurial activity, and family business demographics. Correlation and then Regression results indicate that, as the percentage of non-family-managers in the management team increases, there is an *increase* in the use of outside assistance, the use of sophisticated financial management, and the consideration of going public; but a *decrease* in family member conflict, in the original founder's influence, and in the formulation of succession plans. Implications of these findings, for practitioners, consultants and researchers, are presented.

Keywords Family businesses · Family firms · Family business managers · Multinational · Family-member · Non-family-member

Introduction

In almost all countries, *families* are central to the ownership and management of the majority of businesses (Astrachan et al. 2003; Dennis 2002; Kellermanns et al.

With international data collection by Mohsen Bagnied, American University of Kuwait, Mamdouh Farid, Hofstra University, Loïc Maherault, Ecole de Management, France, S. Manikutty, Indian Institute of Management, India, Sanja Pfeifer, Univ. of Josip Juraj Strossmayer Osijek, Croatia, Louis Verdier, Ecole de Management, France

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2008). Within the U.S. economy, family businesses comprise an estimated 80% to 90% of the total 15 million businesses (Poza 2007). They contribute more than 50% of the total Gross National Product (McCann et al. 1997), 50% of employment (Morris et al. 1997), and have higher total annual sales than non-family businesses (Chaganti and Schneer 1994). Furthermore, it is estimated that about one-third of all *Fortune 500* firms are family controlled (Carsrud 1994, Lessons learned in creating a family business program, unpublished manuscript; Poza 2007), one-third of S&P 500 companies have founding families involved in management (Weber and Lavelle 2003), and about 60% of *all* publicly traded companies remain under family influence (Poza 2007).

The objective of this study was to investigate family businesses with regard to the degree to which such firms employ non-family members as managers. How does the percentage of non-family-member managers to family-member managers in a family firm relate to the managerial activities, styles and practices of that firm? Results of this study's correlation and regression testing indicate a variety of changes in management attributes as the proportion of non-family-member managers increases in family firms. Implications for practitioners, consultants and researchers are presented.

It should be noted that a variety of definitions of "family business" continue to serve as the basis for the research and articles within this body of literature (Littunen and Hyrsky 2000; Ward 1986; Ward and Dolan 1998). For the purposes of this study, a family business is one in which family members dominate the ownership and management of a firm, and perceive their business as a "family business." Furthermore, this research study recognizes all first-generation family firms as included in the definition. This definition is consistent with that of many prior studies (Chua et al. 1999; Dreux IV and Brown 1999; Gersick et al. 1997; Litz 1995). And as explained below, this working definition was used as the determinant of whether a company was included in the tested sample.

Prior research into the issue of family-member managers (FM's) versus non-family-member managers (NFM's) in family businesses has been limited. Chua et al. (2003), with very strong empirical experience in the field of family business, concluded that "issues related to non-family managers [in family firms] have received very little attention by researchers" (p. 102) and "there is definitely a gap in our understanding of the role played by non-family managers in the family business" (p. 103). Chrisman et al. (2005) stated that many questions remain unanswered and much interesting research remains to be done to determine how family involvement affects firm behavior and performance. Ensley and Pearson (2005) concluded that family business research needs to identify the nature of family involvement in top management teams, in response to which Nordqvist (2005) agreed that this is a breach in the literature that has not received much attention. Chrisman, Chua, and Steier also agreed with the need to better understand top management teams in family businesses as "this is a topic of great importance since the decisions of top managers may determine the extent to which a family business obtains distinctive familiness and superior economic performance" (2005, p. 241). Summarizing the issue of NFM's in family firms, Sharma (2004) concluded that "we have hardly scratched the surface of understanding this stakeholder group. The theoretical models need empirical verification" (p. 15).

Furthermore, while research in the overall field of *entrepreneurship* has expanded in recent years (Cuervo 2005; Solymossy 2005; Van Auken 2005; Van Auken et al.

2006), there has been growing interest in specifically studying *family businesses* in a multinational context (Carney 2007; Graves and Thomas 2008; Oviatt and McDougall 2005; Tandukar 2005). In answering the question, “where should entrepreneurial research go in the future,” Bruton et al. stated the need for greater use of multi-country samples, and that it is even more critical to research multiple nations (2008, p. 7). This study contributes to the literature as it meets these two criteria: it gathered data from six counties, and it *combines* the data from these six countries. The development of multinational family business research will help to move this field toward maturity.

Thus, this current study is important in that it brings new empirical research to these issues of FM’s and NFM’s in family business management, and that it does so in a multinational context using a combined sample from six countries. Furthermore, the results of this research are not only of value to researchers, but should also be of value to consultants to family businesses and to family business owner/managers themselves, both of whom may gain insight into the possible impact of having non-family managers in family businesses.

Literature review

While most definitions of a “family business” include the criterion of the prevalence of family members in the management team, an extensive review of the family business literature has found few academic papers or journal articles that specifically investigated the relationship between NFM’s and the management activities, styles and practices of family firms. The papers and articles that did touch on this topic usually did so in a tangential manner and/or in a conceptual or anecdotal method, rather than as a primary focus and/or a quantitative investigation. Somewhat more frequently found, but still moderate in number, were papers and articles that compared family businesses and non-family businesses, an issue quite different in nature. Still another related but again a different issue is the use of non-family-members on the corporate or advisory *boards* (but not in the *management*) of family firms, a topic occasionally investigated and the (largely anecdotal and conceptual) focus of an entire issue in the first year of publication of the *Family Business Review* (1988 v.1 n.3).

Yet some prior studies did indeed investigate FM’s and NFM’s in family firms. In general terms, some researchers have recognized NFM’s as important stakeholders in family firms (Chrisman et al. 1998; Gallo 1995; Ibrahim et al. 2001). Several analyses have focused on the issue of how a family firm CEO should adapt to working with non-family managers, and the difficulty of delegating managerial responsibilities to non-family-members (Firnstahl 1986; Goffe and Scasse 1985; Hofer and Charan 1984; Mathews 1984; Perrigo 1975). The reverse issue—how to facilitate the adaptation by the non-family-manager to the family firm’s culture and goals—was considered by Dyer (1989) and by Mitchell et al. (2003), who pointed out that NFM’s must adapt to the family firm and need assistance in doing so.

Some other investigations regarding FM’s and NFM’s focused on compensation for NFM’s (McConaughy 2000; Poza et al. 1997), and on retention of NFM’s (Ward 1997). And Gallo and Vilaseca (1996) and Dorgan et al. (2006) looked at the possible performance benefits of family firms with NFM’s versus those without.

Agency Theory is perhaps the dominant basis for investigating the relationship between the owners (principals) and the managers (agents) of a company (Chua et al. 2003). Agency problems may arise if the interests, values of these two groups, and/or the information available to them, are divergent. If such divergencies exist, then "agency costs" arise in the efforts to reduce these divergencies (Jensen and Meckling 1976). Certainly the presence of NFM's in a family firm raise the issue of Agency Theory and several prior researchers have have investigated this issue.

For example, Chua et al. (2003) emphasized the relevance of Agency Theory in explaining and understanding the relationship between FM's and NFM's in family firms. They empirically investigated the percentage of NFM's in the management team of a family firm and its relationship to the FM's' concerns about their relationships with NFM's. Among their conclusions was that past assumptions of zero or low agency costs in family firms require further thinking, as these costs are more complex and asymmetric than previous supposed. Recently, Blumentritt et al. (2008) investigated and compared family-member and non-family-member CEOs of family firms.

Still another group of (largely anecdotal and conceptual) studies relate the advantages and disadvantages of family-members versus non-family-members as managers of family firms. Some studies see positive benefits of FM's, such as extra-ordinary commitment (Donnelly 1964; Horton 1986), more warm, friendly and intimate relationships within the management team (Horton 1986; Staff 1981), the potential for deep firm-specific tacit knowledge, often based on early involvement in the firm (Lane and Lubatkin 1998), governance advantages (Carney 2005), and the creation of a synergy in the top management team due to higher cohesion, potency, and positive task conflict (Ensley and Pearson 2005). Marcus and Hall (1992) see a preponderance of FM's as benefiting the firm's service providers, and Goody (1996) concludes that such preponderance facilitates firm growth as members of succeeding family generations are available to open new branches of the company.

But some other studies see a downside to a firm's managers being members of the same family. Limiting management positions primarily to family members may lead to hiring sub-optimal people who can not be easily dismissed (Dunn 1995; Whyte 1996), and can lead to greater conflict because of non-merit-based promotion criteria (Leyton 1970; Wong 1988). Also, qualified non-family-managers may avoid family firms where their potential for growth, promotion and remuneration is hampered (Covin 1994a; Covin 1994b; Donnelly 1964; Fiegener et al. 1996; Horton 1986; Lee et al. 2003; Stewart 2003). Dhaliwal (1998) and Song (1999) note that in many cultures, kinship criteria in choosing managers reduce the managerial opportunities and role for female members of the family. And in one of the few quantitative studies, Oswald et al. (2009) calculated the percentage of family-member managers to the firm's total number of employees and found a negative relationship to various measures of financial performance.

Another group of studies investigate the negative impact of NFM's in family firms. Several researchers conclude that the presence of NFM's can result in "creative destruction" when NFM's create too much firm growth and thus weaken family managerial and/or financial control (Morck and Yeung 2003; Morck et al.

2000; Olson 1963, 1982, 2000). And the fear of such "creative destruction" may in turn lead to FM's blocking or discouraging NFMs' creativity and innovation and thus stifle desirable company growth. Other studies have found that a mixture of FM's and NFM's in the same firm may lead to greater conflict within the managerial team (Schultz et al. 2001, 2003).

Because there are varying thoughts and conclusions about the inclusion of NFM's in family firms, several writers focus on the need to socialize new NFM's, clearly communicate to them existing family values and objectives, and tie the interests of the NFM's to the firm, for example via stock ownership and board membership (Astrachan and Kolenko 1994; Berenbeim 1990; Dyer 1989; Gubitta and Gianecchino 2002; Sirmon and Hitt 2003).

Finally, some family business researchers have focused on developmental issues or the stages of evolution of family business growth. Gersick et al. (1997) present a four-stage model of family firm development, and Peiser and Wooten (1983) focus on the life-cycle changes in family businesses. As family firms grow, these writers see a likelihood of bringing greater numbers of non-family-member managers into the company. Thus, the body of literature specifically relating to FM's and NFM's in family firms provides limited empirical evidence and little consensus or clear conclusions.

Theory and hypotheses development

As previously stated, the objective of this study was to investigate family businesses with regard to the degree to which such firms employ non-family-members as managers. How does the percentage of non-family-member managers to family-member managers in a family firm relate to the managerial activities, styles and practices of that firm?

The choice of the hypothesis topics used for this current study is based on previous studies by Sonfield and Lussier (2004, 2005) and Sonfield et al. (2005) of family firm management activities, styles and practices. These topics were identified as being especially important variables in family business, and were derived from a broad survey of the literature in that field and the findings and propositions developed by earlier researchers who investigated family firms with a variety of focuses. Due to the limited prior empirical research with a *specific* FM vs. NFM focus on which to design this study, and thus the exploratory nature of this current research project, these hypotheses, involving a variety of basic family business issues, were chosen for testing, rather than having a single or narrow focus. Thus the significance of the various hypothesis test results may indicate that some factors are more worthy of further research and analysis than are others.

While the choice of hypotheses *topics* derives from the broader family business literature, the actual hypotheses themselves derive from *specific* research findings on FM's versus NFM's. We believe that these research findings, although limited, largely qualitative, and often a small aspect of broader family business studies, are sufficient to develop the following hypotheses (although it is recognized that there are cases from the literature to support alternative hypotheses for some of the factors tested). The following section presents eight FM versus NFM hypotheses, with the

prior research on which they are based. It should be noted that these hypotheses are not meant to imply a *causal* relationship, but simply a relationship worthy of further study.

The nature and distribution of decision-making authority in the firm is a significant aspect of family business behavior. Various researchers have postulated that the preponderance of FM's in family firms, and the need for good family relationships, leads to a style of "team management," with spouses, siblings and children in the firm all involved in important decision-making, even if one family member is still the nominal leader of the business. Conversely, a reduction in the proportion of FM's, and a corresponding increase in NFM's, should lead to this issue becoming less important and therefore a lessening of team management style (Aronoff 1998; Le Breton-Miller and Miller 2006; Sharma 2004). Thus:

H1. *The percentage of non-family-member managers in a family firm will have a negative relationship to the use of a "team-management" style of management.*

Similarly, interpersonal dynamics, including conflict and disagreement among family members, has been a major focus of family firm research (Kellermanns and Eddleston 2004). Conflict can exist in family firms, when siblings, spouses, children or other relatives participate in management and/or ownership (Leyton 1970; Wong 1988). Conversely, the introduction of NFM's may lead to a reduction in such conflict (Beckhard and Dyer 1983; Davis and Harveston 1999, 2001; Ensley 2006; Lester and Cannella 2006). Thus:

H2. *The percentage of non-family-member managers in a family firm will have a negative relationship to the occurrence of conflict and disagreement among family members.*

Another major focus of the literature on family firms has been succession. The primary issues here involve the difficulties founders have in "letting go" and "passing on the reins" of control and authority, the lack of preparation for leadership next-generation family members often receive, and thus the need for, and importance of, succession planning (Cadieux 2007; Davis 1983; Handler 1994; Pardo-del-Val 2008; Royer et al. 2008; Upton and Heck 1997). Dyer (1988) investigated "culture and continuity" in family firms, and the need for firm founders to understand the effects of a firm's culture, and that culture can either constrain or facilitate successful family succession. Fiegener and Prince (1994) compared successor planning and development in family and non-family firms, and found that family firms favor more personal relationship-oriented forms of successor development, while non-family firms utilize more formal and task-oriented methods. Building upon these and other studies of succession in family firms, Stavrou (1998) developed a conceptual model to explain how next-generation family members are chosen for successor management positions. This model involves four factors which define the context for succession: *family*, *business*, *personal* and *market*.

Thus, while these earlier family business studies have dealt with various aspects of succession, apparently none have specifically investigated succession planning and practices in relationship to FM's versus NFM's. Yet if these studies indicate that succession issues arise from senior FM's having problems with "letting go" and

"passing the reins" and not trusting the managerial qualifications of junior family members, then the presence of NFM's in the firm (presumably hired for their managerial strengths) may reduce the concerns of senior FM's and thus decrease the need for succession planning. Thus:

H3. *The percentage of non-family-member managers in a family firm will have a negative relationship to the formulation of specific succession plans.*

A number of researchers of family firms have postulated that, as these firms grow and add NFM's, they also progress from one style of management to another. Informal, subjective and paternalistic styles of leadership become more formal, objective and "professional." "Professional" management may involve the following: (a) the use of outside consultants, advisors and professional services, (b) more time engaged in *strategic* management activities, and (c) the use of more sophisticated financial management tools. (Aronoff 1998; Blumentritt 2006; Cater and Schwab 2008; Chittoor and Das 2007; Chua et al. 2003; Cole and Wolken 1995; Coleman and Carsky 1999; Dyer 1988; Filbeck and Lee 2000; Hall and Nordqvist 2008; Lee et al. 2003; McConaughy and Phillips 1999; Miller et al. 2001; Schein 1983). These conclusions lead to three hypotheses:

H4. *The percentage of non-family-member managers in a family firm will have a positive relationship to the use of outside consultants, advisors and professional services.*

H5. *The percentage of non-family-member managers in a family firm will have a positive relationship to time spent engaged in strategic management activities.*

H6. *The percentage of non-family-member managers in a family firm will have a positive relationship to the use of sophisticated methods of financial management.*

Still another issue of interest in the investigation of family business is "generational shadow" (Davis and Harveston 1999). In a multi-generation family firm a generational shadow, shed by the founder, may be cast over the organization, the younger family members, and the critical processes within the organization. In such a situation, "succession" is considered incomplete, may constrain family-member successors, and may have dysfunctional effects on the performance of these FM's and the firm. Yet this "shadow" may also have positive impact, by providing a clear set of values, direction and standards for subsequent firm managers. Kelly et al. (2000) similarly proposed that a family firm founder's "legacy centrality" will influence the strategic behavior of succeeding generations' family member managers, with both positive and negative impact. Davis and Harveston (1999) also investigated generational shadow, but reached mixed conclusions regarding its impacts. More recent research by Cadieux (2007), Eddleston (2008), Filatotchev et al. (2005) and Zara et al. (2008) consider this issue in the light of stewardship theory and transformational leadership behaviors. Packalen (2007) surveyed the literature on this topic and concluded that the results to date are mixed.

If "generational shadow" and "legacy centrality" are valid components of the traditional family business system with a preponderance of FM's, then it can be expected that NFM's, with less familial connection to the firm's founder or founders,

will be less influenced by this force, and that the total organization will be less influenced as the percentage of NFM's increases Thus:

H7. *The percentage of non-family-member managers in a family firm will have a negative relationship to the degree of influence by the original business objectives and methods of the founder.*

Although most family firms are privately owned, some are not. As family firms grow, opportunities and needs for "going public" may arise. The family may not be able, or may not choose, to provide sufficient management or financial resources for growth, and outsider management and/or ownership can resolve this situation. And even publicly owned companies can continue as "family businesses," if management or financial control is maintained by the family. In the United States, McConaughy (1994) found that 20% of the *Business Week 1000* firms are family-controlled, while Weber and Lavelle (2003) report that one-third of *S&P 500* companies have founding families involved in management. If a controlling family has seen the need to bring in NFM's, it may also see the need to bring in non-family equity financing. Thus:

H8. *The percentage of non-family-member managers in a family firm will have a positive relationship to management's consideration of "going public."*

Methodology

Research design

The research design was survey research. Data was collected using the previously published Sonfield and Lussier (2004) survey instrument, providing support for reliability and validity. The survey questions were published in *Family Business Review* (Vol. XVII, no. 3, 2004, pp. 201-202). In each country, the survey instrument was accompanied by a cover letter and/or verbal instructions, so that respondents understood the study's working definition of a "family business," and thus only appropriate business owner-managers responded to the survey.

Please note that the objective of this study was not to *compare* family firms in the six countries, but rather to *combine* the data to provide a comprehensive and large sample of family firms that might in turn lead to more general and universal findings than a single-country sample can generate. Thus, the six countries' data were combined into one sample, as Bruton et al. (2008) suggested. The combined sample was also used because of the possibility of obtaining weak and invalid results whenever a large sample is broken down into smaller sub-samples (Lussier 1997).

Sample and country comparisons

The sample was designed to provide global coverage. New York and Massachusetts were selected to represent North America, France represents the European Union, Croatia represents Central Eastern Europe, Kuwait represents the Middle East, Egypt represents Africa, and India represents Asia. Researchers in China, South America, and Australia were contacted for data collection. However, data was not collected.

As previously discussed, data relating to Hypotheses 1–8 were gathered in six countries with different sized populations, different cultures, different economic characteristics and histories, and different *GEM* rates of entrepreneurial activity, as indicated in Table 1. Higher GEM scores indicate greater entrepreneurial activity in the business population, and GEM data have often been used for entrepreneurship research (Robichaud et al. 2007; Valliere 2008). By combining data from these six countries, this study investigates a broad multinational sample of family firms which merges a variety of family business types and contexts (Bruton et al. 2008). See Table 1, Country Data, for comparisons among the six countries (CIA 2008).

Data Collection

The sample (n) from each of the six countries was combined and the weighted average response rate was calculated to be 36.70%. See Table 1, Sample Size and Response Rates, for sample comparisons, which are discussed below with data collection methodology.

In the United States, survey instruments were randomly mailed or hand-delivered to a variety of New York and Massachusetts companies, which had been identified as family firms (primarily in listings of "family businesses" in local business newspapers). There were 822 surveys mailed or delivered; of these 272 were no longer at the address or responded that they were not family firms. A total of 147 usable returned surveys provided a return rate of 27.1%. To increase the sample size and to test for non-response bias in the US, after a few months a follow-up request

Table 1 Country data

Country	Population (millions)	Gross Domestic Product US$	Per Capita GDP US$	GEM TEA Rate
Croatia	4.5	69,980,000,000	16,100	3.6
Egypt	83.1	158,300,000,000	5,400	NA
France	64.1	2,978,000,000,000	32,700	3.2
India	1,166.1	1,237,000,000,000	2,800	17.9
Kuwait	2.7	159,700,000,000	57,400	NA
USA	307.2	14,330,000,000,000	47,000	10.5
Sample Size and Response Rate				
Country	**Sample Size (n)**	**% of Sample (N)**	**Response Rate (%)**	**Weighted Response Rate[1] (%)**
USA	159	27	28.6	7.72
Egypt	147	25	25.6	6.4
France	116	20	14.6	2.92
Kuwait	81	13	100	13
Croatia	50	8	71.4	5.71
India	40	7	13.6	.95
Totals	593 (N)	100%		36.70%

[1] Response rate x % sample

for surveys was made, and 12 more questionnaires were returned and used for a total of 159, providing a final return rate of 28.6%.

In Egypt, the survey was sent through the family business network of the Egyptian International Trade Point (EITP) and the Egyptian Ministry of Trade and Industry. Six hundred (600) family business received copies of the survey. 172 businesses responded to the survey, but 25 were found to be non-family businesses or otherwise not appropriate for sampling. This resulted in 147 usable survey responses, providing a response rate of 25.6%.

In France and India, large survey mailings lists that identified family businesses were obtained. In France a random sample of 800 was selected to receive the survey in the mail. The survey instruments were mailed to the entire listing in India (312). The net response rate for France was 14.6% (n=116) and for India was 13.6% (n=40).

Family business listings could not be found in the much smaller countries of Croatia and Kuwait. In both countries, randomly selected businesses were contacted and asked if they were family businesses. In Croatia far fewer (70) family firms were identifiable, but an intensive contact effort by mail, telephone, and personal visit resulted in a response rate of 71.4% (n=50). A similar data collection methodology in Kuwait produced a 100% response rate (n=81).

Analyses of some of these countries' data were previously published by Sonfield and Lussier (2004, 2005) and Sonfield et al. (2005). See Table 2 for the combined six country sample descriptive statistics.

Identifying family firms from various listings is consistent with that of other family business researchers, who have been constrained by the lack of national databases of family firms (Chua et al. 1999; Teal et al. 2003). A sample of 593 with a response rate of 36.80% is an acceptable sample size and response rate for family business studies, as it has been reported that 62% of prior family business studies included no sample at all, or a sample with less than 100 family businesses, and 66% of these were convenience samples (Bird et al. 2002). In three highly-rated small business and entrepreneurship-oriented journals (*Entrepreneurship Theory and Practice, Journal of Business Venturing, and Journal of Small Business Management*) around one-third of the articles had a response rate of less than 25% (Dennis 2003).

Non-response bias test

To test for non-response bias, it is customary to use late respondents as surrogates for non-respondents (Dean et al. 2007). Non-response bias was minimized by following up with initial non-respondents and by comparing statistically the contacted non-respondents' data to that of the initial respondents to test for significant differences. Of the variables tested in the model, no responses were significantly different using t tests. Thus, there was no evidence of non-response bias.

Measures and statistical analysis

The test variable is the percentage of non-family-member managers in the family firm, which is a ratio measure. Specifically, the survey instrument obtained the

Table 2 Descriptive statistics

Variable	Total (*N* = 593)	
Generation (n / %)		
1st	193 / 33%	
2nd	268 / 45%	
3rd	132 / 22%	
Years in business (mean / s.d.)	30.51 / 26.8	
Industry (n / %)		
Product	297 / 50%	
Service	296 / 50%	
Ownership (n / %)		
Corporation,	298 / 50%	
Partnership,	148 / 25%	
Sole proprietorship	147 / 25%	
Number of employees (mean / s.d.)	431.43 / 2820.9	
Distribution of Sample by Size (European Union 2004 Categories)		
Size Category	**Number of Employees**	**Sample (N =593)**
Large	≥ 250 (250 +)	*n* = 95 / 16%
Medium	< 250 (50–249)	*n* = 155 / 26%
Small	< 50 (10–49)	*n* = 233 / 39%
Micro	< 10 (0–9)	*n* = 110 / 19%

number of non-family-member managers and the number of family-member managers in each responding company. The eight hypotheses variables (H1: the use of a "team-management" style of management, H2: the occurrence of conflict and disagreement among family members, H3: the formulation of specific succession plans, H4: the use of outside consultants, advisors and professional services, H5: time spent engaged in strategic management activities, H6: the use of sophisticated methods of financial management, H7: the degree of influence by the original business objectives and methods of the founder, H8: consideration of going public) used Likert interval scales: "Describes our firm" 7—1 "Does Not Describe Our Firm."

Control variables include the commonly used size of the business, measured by the number of employees, and the age of the firm, measured by the number of years in business (Oswald et al. 2009), which are both ratio levels of measures.

See Table 3 for a listing of all eleven variables used in correlations and regression with their means and standard deviations. The table includes an operationalizational measure for each variable (Sonfield and Lussier 2004).

The statistical analysis was a two stage process. First, Pearson correlations were run for all variables, resulting in 54 bivariate correlations, as shown in Table 3. To use higher level statistical analysis, and for statistical testing of all eight hypotheses, linear regression, using the percentage of non-family-member managers, was run with the eight hypotheses variables to develop Model 1. Regression was run again including the two control variables to develop Model 2 to determine the effect of size and age of the firm. Correlations were expanded to regression to examine all the

Table 3 Means, standard deviations, and correlations ($N = 593$)

Variables	*Mean*	*s.d.*	%	H1	H2	H3	H4	H5	H6	H7	H8	C1
%	31.28	32.49										
1	4.48	2.23	−.079									
2	2.42	1.85	−.091*	.179*								
3	3.80	2.41	−.004	.297**	−.014							
4	4.25	2.26	.227**	.086*	.094*	.113**						
5	3.46	1.91	.113*	.078	.032	.328**	.111**					
6	4.08	2.16	.287**	.129**	−.079	.271**	.300**	.303**				
7	4.60	2.11	−.096*	.128**	−.059	.160**	−.029	.184**	.043			
8	2.10	1.97	.264**	.030	.076	.160**	.109**	.229**	.332**	.095*		
C1	30.51	26.8	.177**	−.113**	−.004	−.135**	.176**	−.013*	−.001	−.219**	.256**	
C2	431.43	2821.9	.166**	.000	−.050	.056	.050	.067	.149**	.042	.046	.083*

*$P < .05$ **$P < .01$

Variables

% How many higher-level managers does the firm have, and how many are non-family members

1. The important management decisions in this firm are made after a discussion involving most or all of the family members in this firm and are not just made by the top-level manager(s)
2. Family members are often in conflict and disagree about management decisions in this firm
3. This firm has formulated specific plans for the future succession of junior family members into top management positions, and all family members are aware of these plans
4. This firm uses outside consultants, advisor and professional services
5. Much of this firm's top management time is spent thinking about, and making decisions about, the long-term direction of the firm, rather than day-to-day operations
6. This firm's top management uses sophisticated methods of financial management (such as capital budgeting, breakeven anllysis, discounted cash flow, sales forecasting, etc.)
7. The original business objectives and methods of the founder(s) of this firm continue to strongly influence current top management styles and decisions
8. This firm has already or is seriously considering and investigating the possibility of taking the firm "public" by selling stock on the open market

C1. Number of years in business

C2. Number of employees

variables together, enabling interrelationship among the variables, and to control for the age and size of the firm.

Results and discussion

Correlations

Focusing only on the correlations between the percentage of non-family managers and the eight test variables and two control variables, only two were not significant. There is no significant relationship between the percentage of non-family managers and team-management decision making style and succession planning. Thus, there is a significant relationship between the percentage of non-family managers and the occurrence of conflict, the use of advisors, long-term planning, sophisticated financial management, influence of the founder, and going public. The two control variables were significantly correlated with the percentage of non-family managers, but the coefficients were low. It is logical that as the firm ages and brings in more employees, there may be an increase in outside non-family-member managers.

Regression hypothesis testing

The results of the regression testing of the eight hypotheses are presented in Table 3. The positive or negative direction of the relationship between the percentage of non-family-member managers and each of the eight hypotheses variables was as predicted from the literature. Model 1 and Model 2 were both significant (p = .000), and thus help to explain and predict the relationship between the percentage of non-family-member managers and the hypotheses variables. Table 4.

Model 1 In Model 1, without control variables, for two of the eight hypotheses variables (H1 use of team-management decision style and H5 time spent in strategic management), standardized beta coefficients were not significant (p > .05), and therefore, hypotheses 1 and 5 are rejected for lack of a significant relationship. Conversely, six of the hypotheses variables (75%) were significant (p < .05). Therefore, H2, H3, H4, H6, H7, and H8 are supported by regression analysis, as discussed below.

Positive Relationships:

H4. As the percentage of non-family-member managers increases, so does the use of outside consultants, advisors and professional services (p = .000).
H6. As the percentage of non-family-member managers increases, so does the use of sophisticated financial management (p = .000).
H8. As the percentage of non-family-member managers increases, so does management's consideration of going public (p = .000).

Negative Relationships:

H2. As the percentage of non-family-member managers increases, the occurrence of conflict and disagreement among family members decreases (p = .007).

Table 4 Regression ($N = 593$)

Model Includes Standardized Beta Coefficients	*Model 1/ Significance*	*Model 2/ Significance*
Hypotheses Variables:		
H1. Use of team-management decision style	−.069 .090	−.059 .144
H2. Occurrence of conflict and disagreements	−.105 **.007**	−.099 **.011**
H3. Formulation of specific succession plans	−.084 **.047**	−.073 .081
H4. Use outside advisors/professional services	.166 **.000**	.140 **.000**
H5. Time spent in strategic planning	.049 .243	.056 .176
H6. Use sophisticated financial mgt methods	.181 **.000**	.176 **.000**
H7: Influence of original founder	−.112 **.004**	−.091 **.021**
H8. Consider going public	.208 **.000**	.195 **.000**
Control Variables:		
C1 Years in business		.127 **.001**
C2 Number of employees		.071 .067
Results		
F	15.635	14.298
Significance of Model	**.000**	**.000**
Adjusted R^2	.165	.183

H3. As the percentage of non-family-member managers increases, the formulation of specific succession plans decreases ($p = .047$).
H7. As the percentage of non-family-member managers increases, the degree of influence by the original business objectives and methods of the founder decreases ($p = .004$).

Model 2 In Model 2, including control variables, the years in business was significant ($p = .001$) but the number of employees was not significant ($p = .067$). Thus, the number of employees does not moderate the eight hypotheses variables. On the other hand, the number of years in business did change the standardized beta coefficients and p-values slightly. One of the six significant hypotheses variables in Model 1 (H3: the formulation of specific succession plans) changed from being significant to not being significant (−.084 / .047 to −.073 /.081). Therefore, the number of years in business has a slight moderating effect on the formulation of specific succession plans.

Correlations versus Regression Results

Although there are many significant relationships among all the 54 correlations, note that the coefficients are low. In fact, the highest is .332, and only four (7%) are ≥ .300. Thus, the large number of significant coefficients may be due to the large sample size ($N = 593$). But with low correlation coefficients multicollinearity is not a concern with this data (Oswald et al. 2009), as confirmed through variance inflation factors of regression.

As is common, the correlations and regression results were somewhat different. In the correlation analysis, two of the variables were not significantly related to the percentage of non-family managers—team-management decision making style and succession planning. In regression, in both models, team-management decision making style remained non-significant. Succession planning was not significant in Model 1, but it was in Model 2. This indicates the control variable of years in business has an influence, so the results between correlations and regression are actually consistent, when controlling for age. However, the time spent in long-range planning, which had a significant correlation, was no longer significant in regression. This may be due to the high interrelationship between long-term planning the other variables, and thus, it was dropped from being significant.

Limitations

Limitations in interpreting and drawing implications from this analysis are needed. Results should not be interpreted as indicating a causal relationship. For example, we can say that as the percentage of non-family-member managers increases, conflict tends to decrease. However, we can not state that the non-family-member managers are the cause of the decreased conflict, nor that decreasing conflict results in more non-family managers. The reason for the decreasing family conflict may be caused by many other factors beyond the scope of this research. For example, as the family business ages the next generation may be less involved in managing the business, and thus there is less conflict. As another example, we can say that as the percentage of non-family-member managers increases, the formulation of specific succession plans decrease. However, we can not say that non-family managers cause the decrease in succession planning. The non-family members may be there as a result of the succession plans and a decision made to outsource management roles beyond the family.

Similarly, in analyzing this data, we can not tell which variable occurs first. For example, we can say that as the percentage of non-family managers increases, the use of outside advisors and use of sophisticated financial methods increase. However, we can not state that the new non-family managers are the ones who hire the outside advisors, or bring in the sophisticated financial management methods. Perhaps it was the outside advisors who recommended hiring the non-family managers and brought the financial methods to the business, or maybe a new family member with finance skills joined the family business.

Conclusions

Most of the relationships identified as significant by this study support the limited number of prior studies (previously cited). As NFM's are brought into a family business, this study indicates that there will be a greater use of more "formal" and "professional" styles of management, such as the use of outside consultants, advisors and professional services, and the use of more sophisticated financial methods. Also, this data indicates that with more NFM's and their thinking and practices entering the firm, the remaining family owner-managers will be less "protective" and be more open to going public and having non-family ownership.

Conversely, as the proportion of NFM's increases (reducing the strength of family-member dynamics), this study shows that family-oriented conflict and disagreement will decrease. Similarly, this study's findings also indicate that a greater proportion of NFMs will reduce the influence of the founder on the management team. And one of the two regression models points toward a decrease in the formulation of specific succession plans as the percentage of NFM's increases and more people become available to succeed current top managers.

These findings should not imply that bringing NFM's into a family firm is either a positive or a negative managerial action. While some of these findings might seem positive from an outside-the-family point of view, it is important to recognize the centrality of the family firm *system*, and the importance of that system to family members and family managers. Thus, the loss of *familiness* and family control and cohesion might offset the greater rationality and sophistication that NFM's might bring into a family business, in the eyes of those family members.

As discussed earlier, this exploratory study is important because it begins to fill an identified gap in the family business literature through its quantitative investigation of family-member managers versus non-family-member managers in family firms. As also discussed earlier, the limited prior writings on this specific family business issue reached few strong conclusions, with some writers postulating that NFM's strengthen a family firm (Covin 1994a, 1994b; Donnelly 1964; Dunn 1995; Fiegener et al. 1996; Horton 1986; Leyton 1970; Stewart 2003; Whyte 1996; Wong 1988) and other researchers concluding the opposite (Carney 2005; Chua et al. 2003; Donnelly 1964; Ensley and Pearson 2005; Goody 1996; Horton 1986; Lane and Lubatkin 1998; Marcus and Hall 1992; Staff 1981). As most of these earlier writers reached their deductions and findings through qualitative analyses, this study's quantitative methodology adds to the literature. As this research focus continues to be developed by scholars, this combination of qualitative and quantitative analyses should allow us to better understand this issue of FM's versus NFM's (Guillén 1994).

A limitation of this study involves the varying sizes and characteristics of the samples. The six country samples range from 159 to 40 and vary with regard to their compositions. Ideally, the six country samples would have been larger and more equal in size but, as noted earlier, the availability of data for family business research is limited, and most prior studies have also depended upon samples with less-than-perfect characteristics. Thus, future researchers may strive to obtain a more equal sample from each country. Also, regarding the samples from different countries, although it was beyond the scope of this article, future researchers may focus on comparing differences between the countries, rather using a combined sample.

Although this study was designed to provide global coverage including six countries from different parts of the world (New York and Massachusetts—North America, France—European Union, Croatia—Central Eastern Europe, Kuwait—the Middle East, Egypt—Africa, and India—Asia), collecting data from still other countries and parts of the world is recommended for future research. Researchers might replicate this study in China, in countries in South America, and in Australia to further expand global coverage of family business research.

The regression results are significant, however, the adjusted R^2 is low. This indicates that there are other important variables that are not included in this study. Also, as discussed, limitations are needed when interpreting and drawing

implications from this analysis. Thus, future researchers can add other variables to better understand how non-family-member mangers affect the family business. The addition of other variables can lead to better understanding the relationship between non-family-member managers and other variables so that stronger relationships can be found.

This train of research should be of both interest and value to practitioners, consultants and researchers. The findings of this study, combined with comparable and derivative future studies, should enable family business owner/managers to better understand the possible impacts of bringing non-family-member managers into a family business. Would there be likely changes in management activities, styles and characteristics, and would these changes be desirable and beneficial or be dysfunctional for the firm? This is also a question that consultants to family businesses must consider as they analyze such firms and make recommendations regarding alternative strategies for growth.

For example, if family firm owner/managers understand (perhaps with a consultant's guidance) that bringing NFM's into their company might result in more "professional" management, but would also weaken family involvement and control, these owner/managers can evaluate these pro's and con's and reach a decision on the issue. On the other hand, if research finding conclude that NFM's relate to a reduction in the influence of the firm's founder(s) upon the company, then again the informed owner/managers can weight the advantages and disadvantages of NFM's with regard to such founder influence and here too make the decision regarding the addition of NFM's.

For researchers in the field of family business, these findings build upon earlier and generally non-quantitative studies, provide results that future research can focus on, replicate, and build upon, and may indicate specific factors especially worthy of further investigation. Furthermore, this research raises many other ideas for future research which, for example, might focus on factors not considered in this study, such gender issues, the varying levels of profit motivation among family firm owners, or the influence of different national cultures upon family business management practice. The potential scope for future research relating to family-member and non-family-member managers in family business is indeed extensive.

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