Trust, commitment and relationships in family business: Challenging conventional wisdom

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A R T I C L E   I N F O

Keywords:
Trust
Commitment
Relationships
Family business

A B S T R A C T

Trust, commitment, and closely-knit relationships have been identified in the literature as critical to family business success and longevity. However, the distinct nature, dynamics, processes, antecedents and consequences of trust, commitment and relationships in family business remain underexplored. The articles in this special issue aim to close this apparent gap by providing a more in-depth and granular understanding of the complexities of trust, commitment and relationships in family business, often challenging established paradigms and common wisdom. This article summarizes the content featured in the special issue and presents several suggestions for future research.

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Introduction

Trust and commitment are two fundamental pillars upon which much of the positive approach towards family business research is built. These concepts are often used to describe distinct attributes of family businesses like familiness (Frank, Luenger, Nose, & Suchy, 2010; Irava & Moores, 2010; Zellweger, Eddleston, & Kellermanns, 2010), social capital (Arregle, Hitt, Sirmon, & Very, 2007; Pearson, Carr, & Shaw, 2008; Sirmon & Hitt, 2003), reciprocal altruism (Eddleston, Kellermanns, & Sarathy, 2008; Lubatkin, Durand, & Ling, 2007), family firm identity (Zellweger, Kellermanns, Eddleston, & Memili, 2012) and stewardship (Davis, Allen, & Hayes, 2010; Dibrell & Moeller, 2011; Eddleston & Kellermanns, 2007). However, while the concepts of trust and commitment are commonly used to characterize the distinctiveness of family businesses (Eddleston, Chrisman, Steier, & Chua, 2010; Steier, 2001; Sundaramurthy, 2008), in and of themselves they are inconsistently defined and under-researched. This special issue seeks to explore these concepts in greater depth. The aim is to make the concepts more granular, researchable and ultimately more useful to family business, management and marketing scholars.

Family businesses are unique due to the embeddedness of family relationships within the business (Aldrich & Cliff, 2003). In turn, this leads to relationship issues in the family domain, both positive and negative, that affect relationships at work, and vice versa (Eddleston & Kidwell, 2012; Pieper, Astrachan, & Manners, 2013). While a preponderance of research mentions how the family and business domains are intertwined in family businesses (i.e., Eddleston, Kellermanns, & Zellweger, 2012; Gersick, Davis, Hampton, & Lansberg, 1997; Lansberg, 1983; Olson, Zuiker, Danes, Stafford Heck, & Duncan, 2003), the majority of research on relationship conflict and harmony in family firms has only focused on relationships at work (i.e., Davis & Harveston, 2001; Eddleston & Kellermanns, 2007; Kellermanns & Eddleston, 2004; Zellweger & Nason, 2008) without studying the interplay between the two domains. Additionally, although trust and commitment are often depicted as distinct resources of family firms because of their kinship roots (Sirmon & Hitt, 2003), little research has explored how the establishment of trust and commitment in the family domain transfers to the business domain. We also do not understand how family firms use trust and commitment to develop social capital and to foster cooperative interorganizational relationships. Accordingly, in seeking to understand interpersonal relationships within family businesses as well as the interorganizational relationships that family firms forge with partners, this special issue offers new perspectives on trust and commitment of family businesses.

Although commitment is often used to describe family business relationships, the little research in the area has tended to emphasize nonrelational domains such as commitment to one’s job (e.g., Carmon, Miller, Raile, & Roers, 2010; Sieger, Bernhard, & Frey, 2011), rather than relational domains like commitment to a
partner, family, or other group. The neglect of relational domains is problematic, given the relevance and ubiquity of close relationships in family business (Astrachan, 2010). In particular, both family and business relationships in family business offer multiple targets and means for commitment that can be in synch or run counter to one another which makes the phenomenon an interesting subject of study.

More specifically, norms associated with the family and business systems often compete in family businesses (Lansberg, 1983) which can affect family members’ commitment to the firm and willingness to cooperate (Aldrich & Cliff, 2003; Corbetta & Salvato, 2004). For example, although family members may lack affective or normative commitment to the firm, they may still join and remain employed at the family business due to calculative commitment (Sharma & Irving, 2005) that leads them to want to protect their inheritance rights and access to firm resources (Eddleston & Kidwell, 2012). As such, family members may desire a position in the family firm not because of commitment to its goals or prosperity, but because they wish to protect their own children’s place in the family business and to reap the financial privileges associated with the business (McCann, 2000). Accordingly, research has argued that those family businesses that are able to channel family members’ commitment toward accomplishing the family firms’ goals will experience the greatest growth and entrepreneurialism (Eddleston et al., 2012; Zahra, Hayton, & Salvato, 2004; Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008). As further discussed below, several articles in our special issue highlight the important role of commitment in enhancing family business performance. Commitment is also shown to be linked to trust in the article by Smith, Hair and Ferguson (2014).

The concept of trust is often mentioned in family business research, yet rarely dissected or directly studied. However, trust can take place at different levels – the individual, interpersonal, inter-group, inter-organizational, or society as a whole (Eddleston et al., 2010). Further, trust can be beneficial such as when it improves predictability and limits agency costs (Steier, 2001), or it can be damaging such as when it leads to blind faith and amoral familism (Kidwell, Kellermanns, & Eddleston, 2012). Therefore, it is important to understand what trust means within the family business context, how trust can have both positive and negative consequences, and how trust can best be measured in family businesses.

Trust appears to weave through multiple levels in family firms, serving to organize and develop reliable relationships. Within an organization, trust can co-evolve across interpersonal and intraorganizational levels (Currall & Inkpen, 2006) and cooperative relations between organizations can spark from trust-laden personal ties (Van de Ven & Ring, 2006). Because the family is embedded in multiple social systems, the relationship between trust and governance in family businesses is profound and distinct. Trust captures family businesses’ willingness to rely on family members for help (Cruz, Justo, & De Castro, 2012) and to build network relationships (Lester & Cannella, 2006). Research often suggests that family firms may be particularly capable at capitalizing on trust (i.e., Steier, 2001; Sundaramurthy, 2008). However, there is also a dark side of trust that can lead to opportunism, complacency and blind faith (Eddleston & Kidwell, 2012; Steier, 2001; Sundaramurthy, 2008). Therefore, trust help to capture the inherent strengths and weaknesses of family firms and to explain how family firms differ from one another and from nonfamily firms.

We envisioned this special issue to advance the understanding of trust, commitment and relationships in family business at various levels of analysis by critically reflecting on their distinct nature, dynamics, processes, antecedents and consequences. As a result, the articles featured in this special issue stem from an eclectic group of authors from varied disciplines and employ a broad range of theories, methodologies, and samples. Taken together they offer a more complex understanding of family firms and often challenge conventional wisdom on family business trust, commitment and relationships.

Articles in this special issue

The first article in the special issue by Cater and Kidwell (2014) looks at leadership succession in family business, and in particular successor leadership teams – a phenomenon that has recently gained prominence in family business practice but remains rarely investigated on the research side. Using an inductive, case-based methodology, the authors study the function and governance of successor leadership teams in family firms and develop a conceptual model with a set of integrated propositions specifying the dynamics affecting the effectiveness of successor leadership teams. The authors propose that excessive competition among successor group members hinders group effectiveness, whereas cooperation and the development of trust enhance successor leadership team effectiveness. Their study challenges the notion that family firm leaders choose multiple successors due to indecisiveness or an unwillingness to trust one heir, to instead demonstrate that the use of multiple successors is a sign of trust for the group of successors and their ability to work together. In turn, their results suggest that shared leadership can foster trust not only among the successors but also among the next generation. Therefore, Cater and Kidwell’s article stresses the importance of trust in family business leadership and contributes to our understanding of how the succession process can develop and maintain trust within and across generations.

In the second article, by Craig, Dibrell, and Garrett (2014), the authors merge literature and prior research on upper echelons theory, schematic frameworks and the resource based view to investigate the intricate relationship among family influence, family business culture and flexible planning systems, and their impact on firm innovativeness and performance. Using a sample of 359 small- and medium-sized family businesses and employing structural equation modeling, the authors find that family influence positively affects family business culture, which enhances the ability of families to be strategically flexible, which in turn impacts firm innovativeness, and ultimately increases firm performance. As such, the study suggests that the family is the basis for success in family businesses. That is, their findings suggest that a family’s influence and active involvement in the business create a family business culture that reflects support for the firm’s goals and pride in the business, which thereby ultimately affects the firm’s level of innovativeness and performance. Therefore, their study demonstrates how the intersection between the family and business domains may offer the greatest resource for family businesses (Sirmon & Hitt, 2003). As such, the study highlights the distinct impact of family influence and family business culture on strategic firm behavior and organizational outcomes that shall inform future research in family business and strategic management.

The third article, by Madison, Runyan, and Swinney (2014) investigates differences in strategic posture and performance between family and nonfamily firms. Drawing on prior theory and literature, this gifted team of authors develops the construct of small business orientation (SBO) which refers to a strategic posture that emphasizes an owner’s emotional attachment to the business and personal goals. This advancement in family business research is important because it stresses the owner–managers’ personal goals, needs and desires, thereby highlighting the owner–managers’ personal relationship with the business. Rather than present SBO as the opposite of entrepreneurial orientation (EO), which is often the case in previous research, Madison and
colleagues acknowledge that a firm's leader can pursue both. Comparing family firms (N = 279) versus nonfamily firms (N = 98) using structuring structural equation modeling, the authors find that EO has no significant effect on the performance of family firms. Instead, family firms adopting a SBO enjoyed significant performance increases. This counter-intuitive finding challenges the commonly held belief that what works for one type of firm (e.g., non-family businesses) equally applies to family businesses. It also challenges research that has called for family businesses to be more entrepreneurial in order to increase their performance. While EO was shown to be positively associated with family business performance, Madison et al.'s study showed that SBO had a more significant effect. As a result, the authors argue that family business leaders who demonstrate simultaneous commitment to the family and the business may experience the greatest performance.

The fourth article, by Smith, Hair, and Ferguson (2014) sheds new light on the effect of family influence on the commitment–trust relationship in retailer–vendor strategic partnerships. While the theory of commitment–trust has been established and applied in a variety of contexts (Morgan & Hunt, 1994; 1999), this is the first empirical investigation in the context of family business. Using partial–least squares structural equation modeling the authors empirically test the extent to which relationship commitment and trust mediate the association between family influence (measured through the F-PEC scale) and relationship value (the ultimate outcome variable). The results generally confirm the commitment–trust theory in that they show a strong, positive relationship between trust and relationship commitment. However, contrary to the authors' conjectures, trust did not emerge as a key mediating variable between family influence and relationship value (the relationship between trust and relationship value was not significant). Instead, the influence of trust on relationship value was fully mediated by relationship commitment. These findings suggest that trust helps to initiate and develop long-term interorganizational relationships through its influence on relationship commitment. Accordingly, their study highlights the importance of managing family business strategic partnerships to instill trust given the strong linkage between trust and relationship commitment that their study revealed.

The fifth and last article in this special issue by Stanley and McDowell (2014), represents one of the few empirical investigations of family firm social capital and therefore contributes greatly to the understanding of trust and interorganizational relationships of family businesses. Specifically, the authors focus on two subcomponents of family firm social capital, namely organizational efficacy and interorganizational trust, and assess their impact on firm performance. Based on extant social capital and family business research, the authors propose that family firms display higher levels of organizational efficacy and interorganizational trust than non-family firms. However, contrary to the authors' conjectures, the findings show that organizational efficacy and interorganizational trust are no different in predicting the performance of family and nonfamily firms. Further, the study reveals that there was no significant difference in the levels of organizational efficacy or interorganizational trust between family and non-family firms. Interestingly, the findings suggest that the interaction between organizational efficacy and interorganizational trust enhances performance in family firms, but not in nonfamily firms. As the authors point out, these findings provide support for the contention that the combination of resources is most powerful among family firms. The results provide impetus for further research on the impact of social capital factors on family firm performance and other organizational outcomes. They also call for future research to better understand sources of commitment and trust in interorganizational relationships and when family firms are better able to leverage combinations of resources than non-family firms.

Future research suggestions

Nearly 30 years ago, Reichers (1985) reviewed the organizational commitment literature and suggested that, in addition to the commitment that they have globally to the organization, employees have multiple foci or targets of commitment within an organization as well as to various external constituencies related or unrelated to their work. These targets of commitment can include co-workers, supervisors, top management, unions, their families, churches, and a host of others (Reichers, 1985). Since then, researchers have explored multiple approaches to commitment to understand the dynamics of individuals' dedication to their employer and other entities. Addressing their research questions, researchers have explored such issues as how commitments to multiple constituencies cause conflict (Reichers, 1986), the influence of culture (Cohen, 2006), and the impact of interpersonal relationships with customers (Becker, 2009). Additionally, recent research has suggested that trust is a defining principle that underscores family business relationships at multiple levels including interpersonal, intraorganizational and interorganizational relationships (Eddlestone et al., 2010). We would argue that not only are the foci of commitment important (i.e., an individual can be committed to the family, the business, or both), but the foci of trust as well if we hope to fully understand the intersection of the family and business and how the family can be a family business’ greatest source of strength or weakness.

This field of inquiry is a fertile area for exploring and better understanding a host of issues in family business related to relationship commitment and trust. What are the dynamics of an individual family member’s “portfolio” of commitment and trust when employed in the family's business and how do these portfolios differ from situations of other forms of employment? Given that we know that a dark side of trust exists (e.g., Eddlestone & Kidwell, 2012; Kidwell et al., 2012; Zahra, Yavuz, & Ucbasaran, 2006), what is the tipping point that leads trust to have destructive consequences? Similarly, research suggests that too much commitment to the family over the business can be detrimental to a family business (Barnett, Eddlestone, & Kellermanns, 2009). Can there be too much commitment or trust to the family versus the business? Or are there other factors that make trust and commitment become dangerous in the family business?

Further, do the conflicts that arise during the course of working in a family business tend to be tempered by a family member’s commitment to, and trust in, the various constituencies they are engaged in, when compared to that of non-family employees? In contrast, is a lack of trust and commitment more likely to lead to turnover and job performance problems in nonfamily businesses? For marketing researchers, are employees of family businesses more committed to customers and suppliers than are employees of non-family businesses? Are family member employees more committed to customers than non-family employees in family businesses? Answers to these questions, and other similar questions, would contribute to a better understanding of the competitive liabilities and strengths of family businesses, the successful management of these businesses, and the outcomes for customers. We hope this special issue inspires such research and leads researchers to further explore trust, commitment and relationships in family businesses.

References


