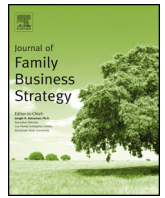




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Developing theory-grounded family business research: Some suggestions[☆]

Shaker A. Zahra

Strategic Management & Entrepreneurship Department, Carlson School of Management, University of Minnesota, 321-19th Avenue South, Minneapolis, MN 55455-040, USA

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ABSTRACT

Theoretically grounded research is important for the continued development and growth of the family business field. This article identifies some recurring problems observed in theory building and testing in family business research and how to best avoid them. The discussion highlights the importance of understanding theories' assumptions, propositions and boundaries as well as the need to contextualize arguments, designs, analysis and interpretations.

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1. Introduction

Family business research has grown rapidly over the past two decades, showing greater diversity in the topics examined, questions asked, settings explored, and methods used. Researchers have also shown considerable attention to grounding their research in good theory.¹ To do so, family business researchers have imported theories from anthropology, economics, sociology, psychology, organizational theory, organization behavior, entrepreneurship, and strategic management. Borrowing and importing theories from other fields is a common strategy to expedite and improve the quality of research in a young field (Zahra & Newey, 2009). Researchers have also made some progress in improving measures of the theories' key constructs (Pearson & Lumpkin, 2011). This attention to better theory building has helped to advance family business research and highlight its cumulative impact.

Developing sound theory-based research is a creative but challenging process (Weick, 1995). It is a process that requires attention to the context and its key actors as well as the underlying

relationships of interest therein (Zahra, 2010). Iteration between observations, data and theory are frequent and common (Van de Ven, 2007). Causal mechanisms underlying relationships are typically deeply embedded in the structure of these relationships and are hard to identify or articulate. Rival causal mechanisms may also exist, making it difficult to ascertain the accuracy of the chosen mechanisms. Theory helps in highlighting potentially important variables of interest and the relevant causal mechanisms.

2. Focus and contributions

Even though recognition of the value of theory is nearly universal, some have noted that organizational sciences have been obsessed with theory (Hambrick, 2007) to the point of handicapping creativity and exploration. Despite these concerns, there is a strong belief that scientific progress and rapid accumulation of knowledge require the development and use of good theory. But writing theory, let alone making a theoretical contribution, is a major challenge. This is even more so in emerging fields such as family business where paradigms are not well developed, debates persist on basic definitions and on the variables to study and how to best study them. Currently, family business research is replete with competing conceptual frameworks. Lacking empirical support, these frameworks add richness to thinking about the field, but often suggest different pathways to developing the field. Some of these conflicting views could be resolved by logic, others by empirical work; but in all cases, theory matters greatly.

So, how can we improve writing theory in family business research? This simple question defies a single answer. There are different ways that include: better teaching of theory, greater

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E-mail address: zahra004@umn.edu (S.A. Zahra).

¹ Several authors have examined the state of theory in family business research. Examples include: Bird, Welsch, Astrachan, and Pistrui (2002), Dyer and Sanchez (1998), Sharma (2004), Sharma, Salvato, and Reay (2014), and Zahra and Sharma (2004).

practice with master teachers, and engaging managers and family firm owners in the academic conversation. Another approach, one that I use here, is to recognize recurring problems in published research and then target these problems to reduce (or even eliminate) them. Towards this end, I have identified several issues that I have observed in recent family business research and will suggest ways to address them. Of course, addressing these issues will not automatically raise the rigor or theoretical relevance of family business research. Instead, it will simply improve the quality of our reasoning and interpretation of family business-related phenomena. By necessity, my coverage is selective, as I focus on issues that I have observed while reading and reviewing recent research. Other researchers, therefore, may have a different list of other equally or even more important concerns.

3. Theory as citation of the literature

Some researchers confuse theory building and citation of the literature, which are related but different things (Sutton & Staw, 1995). The problem usually arises when researchers cite related studies as the foundation for their predictions, without offering a compelling theoretical lens that connects or gives meaning to these studies. Thus, researchers may cite several studies and conclude that based on evidence from them it is safe to make specific predictions. This may be true and useful, but without theory it is hard to understand what these studies have attempted or accomplished and why it matters. Theory should drive the development of the arguments and understanding of the underlying causal mechanisms. Prior research is useful in showing support or lack of support for theory and how these results fare up in terms of the predictions they advance. Consequently, authors need to organize past research findings in a coherent manner to show whether there is support for a given perspective. It should also demonstrate the quality of existing evidence for or against a particular view or perspective. This is not an easy task, as studies may have different sets of variables and generate idiosyncratic findings that are hard to appreciate independent of their context.

The problem of confusing citations of prior research with theory building is compounded by the fact that early family business research has been mostly a-theoretical or marred with serious conceptual (e.g., the basic definition of a family business) and empirical issues (e.g., sampling on the dependent variable, endogeneity and not testing for omitted variables) that limit the validity of prior findings. While suggestive in general terms, this early work often lacks attention to careful validity checks. As a result, relying exclusively on this body of literature in developing research can be misleading and even dangerous. To be sure, this is not an invitation to abandon earlier work. It is simply a call for caution in using it when conducting future research. Probably more important, it is a reminder to start with theory and use the literature to show support for one's arguments and predictions.

4. Invoking the wrong theory

One of the most common problems in family business research is invoking the wrong theory; i.e., the theory used does not match the research question or the phenomenon being examined. This may result from failing to appreciate the features and dimensions of the phenomenon being studied because of the authors' distance from the setting, not taking the time to talk to industry experts, and not reading the existing literature in sufficient depth. Usually, there is abundance of such literature on industries and phenomena of interest but this literature may be disorganized, fragmented and of varying quality. These things may discourage researchers from investing time in understanding the phenomenon of interest. Further, there are usually several ways to conceptualize, capture or

identify a given phenomenon. These different approaches add complexity to studying the issues at hand, magnifying the confusion researchers might encounter when they begin their research. Failing to invest in understanding the nature and the boundaries of the phenomenon can create serious problems in selecting the questions to raise and the theory to be used. Later, it could also lead to poor interpretations of the findings.

In addition, with the growing use of large scale secondary databases, some researchers are becoming more disconnected from field research and from industry members and experts. This also makes it difficult for family business researchers to fully comprehend the phenomena they are studying or the issues facing an industry and the key family business players. Many of these issues are embedded in relationships and structures that are hard for outsiders to observe or understand. Interviews with industry experts and family business owners and managers can complement the use of these databases.

The complexities just noted in mapping and understanding the phenomenon are further magnified by the fact that theories also have life cycles of their own. When a theory is in vogue, some researchers may attempt to capitalize on its popularity even though it may not neatly fit the phenomenon. Researchers assume that using a popular, theory would help them gain credibility for their research and give it an aura of currency and relevance. By the same token researchers may shy away from theories that have been around for a while or are in decline. Neither practice helps family business research. Theory should be chosen with the phenomenon and research context and question in mind. Family business researchers frequently overlook the fit of a given theory to the context of the research, creating serious misalignments that can lead to confusing results. They may also ignore the fit of a theory to the level of analysis where research is conducted (Hitt, Beamish, Jackson & Mathieu, 2007). Different dynamics and forces are usually at play at different organizational levels, influencing the relationships among organizational actors and the outcomes of these relationships.

5. Invoking the right theory incorrectly

Here, family business researchers may select the theory that best matches their research questions and phenomena of interest but invoke the theory incorrectly. For example, they may overlook the causal chain implied in the theory, ignore its boundaries, and mistake or even misrepresent its key propositions and arguments. This may happen when researchers rely on the popular reviews and summaries of the theory developed by other researchers, instead of reading the original references on the theory (for a discussion of the value of classics, Thornton, 2009). Reviews often simplify and provide stylized depictions of the theory. For instance, scholars attempting to use transaction cost economics (TCE) theory, agency and institutional theories have a wide assortment of reviews and critiques of each—but these reviews sometimes oversimplify these theories. Understanding each of these theories requires grounding one's knowledge in the original writings on it. Authors need to know a theory's key arguments and propositions, its fundamental assumptions and relevance, its key constructs, and its boundaries. Knowing a theory's boundaries is especially important as it defines the intellectual space where the theory works—going beyond that space may render its propositions irrelevant.

There are times when it is essential to question or relax the assumptions of a theory and determine whether its predictions will hold when this happens. If this is the objective of inquiry, then it should be stated and arguments for such inquiry should be clearly made. For example, agency theory has been applied to publicly-held firms for years because of the well-known separation

of ownership and control. If this theory is to be applied to privately-held family firms, the case for agency as well as potential information and power asymmetries should be compellingly made. It is important also to recognize key actors' incentives and motivations. If the same theory is used in well-established publicly-held family firms, arguments about principal agency relationships should be modified to recognize the prevalence of agency–agency relationships. Considering these relationships can add clarity about the extent and effect of agency relationships in contemporary organizations.

Family business researchers frequently focus on identifying gaps in the literature, a practice that does not always inspire challenging existing views. It often leads to research that generates incremental but not radically innovative findings. In contrast, research guided by a careful *problematization* of the issues is probably more conducive to creative theory construction and testing. As *Alvesson and Sandberg (2011: 247)* note, "Generating research questions through *problematization*, in the sense of identifying and challenging the assumptions underlying existing theories . . . [is] a central ingredient in the development of more interesting and influential theories within management studies." *Alvesson and Sandberg* offer insightful suggestions that can improve such *problematization*.

Family business researchers have shown great proclivity to apply popular theories incorrectly to the issues they are studying. A good case in point is the widespread use of the resource based view (RBV). Many family business studies have invoked the theory well beyond its boundaries and thus usefulness. Reading papers applying the RBV in family businesses, almost every resource looks important and valuable for family firms and gives them advantage. Looking closely at these studies one can quickly conclude that authors were attempting to capitalize on the popularity of the RBV to gain currency at the expense of relevance as they were developing their arguments. In a world where every resource is important and is believed to generate a competitive advantage, the valuable and insightful contributions of the RBV would cease to exist. As the theory itself argues, not all resources are a source of competitive advantage.

6. Failing to provide a fair test of theory

A serious problem in the growing family business research is failing to offer a fair test of its theories. With data scarcity in the study of family business, some studies suffer from poor and inadequate operationalization of key variables. When added to poor research design, insufficient controls and rampant endogeneity issues, these studies provide poor tests of the theoretical predictions they suggest. This is often compounded by the fact that research questions are poorly situated in their research settings, creating serious misalignments in design and predictions. These limitations impair the results as well as theories' predictive or explanatory powers. It is remarkable that many authors of such poorly designed studies still claim that their espoused theory fails their empirical analysis in that they do not support predictions. Poor designs and ineffective arguments create such confusing results, and no theory can retain its integrity when subjected to such inefficiencies.

There is also a tendency among family business researchers to use fragments of a theory (or multiple theories) to make their predictions. Simply put, we cannot pick and choose which parts of theory to use. Any theory is an integrative whole and should be treated as such. Theories provide a coherent argument or a proposition about relationships between two or more variables. When they are used in part, they lose their meaningfulness and predictive powers. This practice, therefore, does not provide a fair test of theory. Interestingly, some researchers in sister fields have

done this successfully to illustrate the power of given theoretical arguments in explaining certain outcomes (e.g., *Hitt & Tyler, 2006; Van de Ven, Hudson & Schroder, 1984*). The creative use of these multiple theories is rare in organizational sciences and should be exercised with great caution. Fragmentation of theory sacrifices the coherence of its arguments and predictions. It also makes the interpretation of findings very difficult; it becomes increasingly difficult to figure out the causal structures underlying the phenomena being explored.

Another shortcoming of prior family business research is ignoring disconfirming studies when invoking the theory or interpreting the results. Prior studies provide the body of evidence that reaffirms or reinforces the theory and its predictions. This is why it is important to weigh the level and quality of support that exists for a given theory. Some researchers seem eager to cite those studies that support their side of the arguments ignoring non-supportive studies. This practice reduces confidence in the question and the argument being made. Similarly, ignoring studies that do not support one's position misses the point: we need to examine the quality of evidence in support of a given view and where possible reconcile contradictory findings.

Disconfirming findings are frequently the result of poor measures and improper research designs. Researchers use poor proxies to measure the variables they examine. Some of these proxies are distant from the constructs being studied. Researchers also use measures developed and used by others—sometimes without examining their validity in the context of their research setting and questions. Even when measures are reliable and valid in one context, they may lose some of these properties in other settings. Therefore, it is important to establish the different types of the validity of the measures that are being used in a new setting. On other occasions, researchers are inconsistent in measuring the same variables across studies. This might make it difficult to establish the stability or validity of the result across studies. But given that measures might differ in their quality, it is hard to establish if contradictory results are substantive in nature or the result of inconsistent measures. Taken together, these imperfections make it difficult to offer a fair test of a theory and its predictions.

Effective theory building should account for the research context (*Van de Ven, 2007; Zahra, 2007; Zahra & Wright, 2011*). Family ownership and related power dynamics, for example, offer researchers significant opportunities to theorize about the consequences of family business strategies and actions. Context-free research can overlook those variables that really make family firms unique. Conversely, taking context into account improves the odds of locating and understanding these factors and capitalizing on them in selecting the dependent variables being studied. Considering the context is also essential to improving the interpretation of findings and what they mean for theory and managerial practice.

7. Ignoring theory in interpreting the results

Theory gives meaning to data, and data give theory its substance and the proof of its validity (*Bartunek, Rynes & Ireland, 2006*). One way to theorize, of course, is to let the data speak to us—revealing interesting trends, actors, relationships, and unforeseen paradoxes. This interplay between theory and data is at the very core of the process of discovery. Alternatively, one can develop predictions and then test these predictions using data. Here, too, analyses might generate surprises that compel the researchers to look anew at the phenomenon, interpret things differently from predictions, or even question the assumptions of the theory used to explain the issues at hand.

A common mistake some researchers commit is to offer theory-free discussions and analyses of their data-based findings

(Colquitt & Zapata-Phelan, 2007). They mistakenly believe that the theory section belongs up front when developing a study's hypotheses and predictions. Theory should permeate every part of the paper such as when explaining the design choices which should match the research question and theory. Researchers should also explicate the context in which tests of theory are to be undertaken and how this context might affect theory and findings. Theory is especially salient when explaining and interpreting results. Explanations that are void of theoretical grounding mean very little; they fail to convince the reader of the salience of the findings and their place in the field. Explanations need to take note of the basic assumptions and propositions of the theory used in the research. They should be reflective of its core constructs and show awareness of its boundaries.

Some researchers are reluctant to reflect on the results related to their hypotheses that conflict with theory. Some of this reluctance is understandable: this conflict might stem from poor tests applied to theory, deficiency in the design and data, inadequate measurement and instrumentation, the application of the wrong analytical approach, or the use of the correct approach but misapplying it, and so on. But sometimes the conflict between theory and the empirical results manifests itself in poor arguments and misinterpretation of theory. For example, researchers may try to force their data to fit a given theory (or vice versa) or vaguely invoke the theory to match their data. These practices make it difficult to understand what a researcher has attempted, what has been found and its implications for the field.

Sometimes, when researchers find conflicts between theory and data, they may ignore theory as being deficient and then proceed to offer explanations derived from speculation or other theories. This practice is another manifestation of poor theory building. It is true that no single theory can explain everything but a carefully chosen and correctly invoked theory should be the foundation for explaining a study's findings. Some researchers take literary license and go beyond their theory to offer a multitude of scenarios and explanations for the results that do not conform to predictions. While some creative inspiration is welcome, moving too far from the study's theory can render the results as mere speculations or conjectures.

8. What to do next?

What can we do, besides avoiding the pitfalls I have highlighted, to improve theory building in family business research? I believe, we need to keep in mind five things as we embark on theory building in our future studies. First and most obvious is we need to continue to use theory to guide, inform and even challenge our thinking. There is no alternative to using theory: theory-free research is often without substance or its cumulative effect is debatable. Theory building is both exciting and challenging but there are many guides that can provide a successful roadmap in this regard (e.g., Bartunek et al., 2006; Corley & Gioia, 2011; Sutton & Staw, 1995; Whetten, 1989)

Second, we should teach and read the writings of the original theories. I am struck by the number of family business scholars who invoke popular theories without ever reading the original articles and other publications that have introduced these theories. As noted, these researchers appear to rely on summaries and reviews of the theories, rather than thoroughly reading the original works that embody the theory. These summaries and reviews are stylized presentations of theory and therefore frequently overlook some of the nuances involved. These nuances are an integral part of the recipe that make a theory work. Learning from examples of effective theory use therefore is an important way to enrich theory development in family business research. Some of the best cited papers using a given theory offer such examples. Seeing how

skilled researchers have invoked and applied the theory is a great way to learn. Asking these researchers for help is also useful in improving one's research and expediting individual learning. We learn by reading the literature, and learning from research exemplars can significantly improve our collective learning.

Third, researchers need to learn more concretely about the assumptions and boundaries of the theory and keep them in mind. Assumptions are especially important in explaining and identifying causal mechanisms. Violating these assumptions may render the theory invalid. The same goes for the boundaries of a theory—knowing and observing them is important for selecting the right question (and theory), and making sure that the results and their explanations are meaningful.

Fourth, family business researchers could be more creative in applying theory. Theory building is not a mechanical process of citing the relevant theory and connecting with variables. Argument and design should build the foundation for making this connection. Creativity in arguments and research design would lay a foundation for achieving interesting findings. The setting is also another important consideration, especially when applying relatively new theories to new settings (Zahra, 2007). Looking for and trying to address paradoxes and surprising findings can also enrich the field.

Fifth, as family business research gains maturity, there is a need to think about theory building and construction. Importing theory from other disciplines and applying it to family business research questions and settings has been (and is) useful. But many claim that family business organizations are unique—a claim that raises hopes that new thinking and new theory might evolve capturing this uniqueness. Such theories might in turn inspire and contribute to research in related fields.

In conclusion, family business research would benefit greatly from better incorporating, building and testing theories. The richness, complexity and distinctiveness of family business operations provide an interesting context in which to do so. Theory building that stimulates innovative research will consider this context, invoke relevant theory, and be clear about arguments as well as causal chain and not confuse these with mere citation of the literature. It will also offer a fair test of the theory at hand. This theoretically grounded research will raise and pursue research questions about the sources of the distinctiveness of family business and why and how they enrich owners, their families, and society. Researchers need also to recall that a paper without theory is like a butterfly without wings!

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