ACADEMY OF Management Learning & Education

Book Review: Managing the Family Business Theory and Practice

Journal:	*Academy of Management Learning & Education*
Manuscript ID	AMLE-2019-0011-BRR
Manuscript Type:	Book & Resource Reviews - BY INVITATION ONLY
Submission Keywords:	Business Driven Action Learning, Management skills, Management education
Abstract:	Zellweger's book serves as a gateway resource for the study and practice of family firms. He acknowledges a gap in available resources examining the status quo of knowledge about family firms and presents his book as a means of helping to close this gap. To do so, he highlights actionable strategies promoting effective processes and long-term success of family firms. The strategies presented in the book are developed on a broad foundation. Zellweger draws on multiple disciplines from business, such as finance, entrepreneurship, strategy, human resource management, and marketing.

Book Review: *Managing the Family Business Theory and Practice*
By Thomas Zellweger. Cheltenham, UK: Edward Elgar Publishing, 2017. 527 pages, hard cover.

Reviewed by E. Tetzlaff (etetz020@uottawa.ca) and P. Jaskiewicz (peter.jas@telfer.uottawa.ca)

Zellweger's book serves as a gateway resource for the study and practice of family firms. He acknowledges a gap in available resources examining the status quo of knowledge about family firms and presents his book as a means of helping to close this gap. To do so, he highlights actionable strategies promoting effective processes and long-term success of family firms. The strategies presented in the book are developed on a broad foundation. Zellweger draws on multiple disciplines from business, such as finance, entrepreneurship, strategy, human resource management, and marketing.

The book is intended for those who wish to gain a better understanding of the challenges that family firms confront and the practices that can be employed to overcome these challenges. The intended audience is includes family business students and practitioners. The text is comprised of nine separate sections focusing on particularly common and relevant topics such as governance or succession. As a result, the book more closely resembles an anthology than a textbook.

Zellweger sets the tone for the text in the first section by distinguishing nonfamily from family firms. Family firms are defined as "a firm dominantly controlled by a family with the vision to potentially sustain family control across generations" (22). Two key thematic points raised in this definition—familial control and transgenerational intentions—are prominent undercurrents running throughout the book. The following sections examine the prevalence and economic contribution of family firms, strengths and weaknesses of family firms, governance, strategic management, transgenerational value creation, financial management, succession, and relationships and conflict in family firms. The book takes a keen interest in the sections pertaining to governance, strategy, and succession. These sections, in addition to the opening section defining family firms, can be considered foundational sections from which Zellweger establishes the actionable strategies for the success of family firms. For instance, considering the restricted applicability of traditional corporate governance research and practice, Zellweger asserts that family firms need an "integrated governance system" (106) that weaves the domains of corporate, ownership, family, and wealth governance into a coherent framework.

The book harbours findings and actionable strategies derived from agency theory. Zellweger highlights the role and influence of agency theory when he writes: "[a]gency theory is primarily concerned with the efficient governance of the firm, and therein in particular with the collaboration between owners and managers" (128) and when he employs agency theory to discuss "the efficient governance of family firms" (128). In several chapters, agency theory is complemented with another theory. For instance, in the chapter on strategy, Zellweger introduces the Resource-based View of the firm as an alternative perspective to explain how frequently observed family firm characteristics can either hurt (e.g., family conflict), or contribute (e.g., customer relations) family firm competitiveness. Later in the same chapter, Zellweger draws skillfully on institutional theory to discuss international differences in family firm strategies. He explains that "the institutional perspective is based on the idea that firms perform best when they are able to adapt to the institutional environment in which they are embedded" (167-68) and points out how institutional differences help explain micro (i.e., local) and macro (i.e., national) differences between family and non-family firms. At the micro level, for instance, the family firm frequently engages in conformist strategies because it is concerned about its reputation and legitimacy under public scrutiny. Whereas on the macro level, family firms are often able to leverage family-based resources, like social networks or trust-based relationships, to compensate for the absence of societal institutions (e.g., rule of law), which is often the case in developing countries.

Following the chapter on strategy, the one on succession emphasizes that families entering this transitional phase often want to meet the firm's, family's, and their personal goals. Zellweger makes the case that this process of fulfilling diverse goals establishes an environment in which decision-making may be biased by emotions (203). To prevent poor decisions for the firm and the family, the text discusses several strategies, including the six steps of the succession framework: "1) clarifying goals and priorities, 2) reviewing the firm's strategy, 3) planning the transition of responsibilities, 4) valuing the firm, 5) financing the succession, and 6) structuring the tax and legal set up" (219). Zellweger highlights that while the first two steps are the most critical ones, too many succession processes focus only on tax implications (step 6). While the book's focus is on financial and organizational outcomes, it is in the final chapter of the text, when Zellweger also spends some time on how to manage family relationships and conflicts (chapter 10).

Taken together, the book reads closer to an anthology than a textbook in that it moves through the nine sections covering important topics but without strong connections between them. This point is not so much a weakness of the book but a reflection on the nature of research focusing on isolated topics. That being said, Zellweger could have added a conclusion to his book to build stronger bridges across his chapters and emphasize takeaways. As it is, the book simply ends after chapter 10.

Across the chapters, Zellweger has to be applauded for deriving actionable strategies for successful family business management. There are only few caveats. First, Zellweger's approach to developing recommendations is positivist in nature and a major assumption is the existence of efficient markets. For instance, he implies that effective governance exists and that it can be a solution to the malaises of family businesses (105). To his defence, Zellweger is aware of limitations of efficient markets and formal governance. This becomes obvious when he discusses the paradox perspective (181) and explains that, while clear trade-offs between family and business rarely exist too many studies focus on simple black-white explanations that ignore the underlying complexity of these systems. Second, Zellweger implicitly focuses on rather large family firms in developed countries. For instance, the case studies at the end of each chapter come from Western European countries and the U.S. and often portray long-lived medium or large family firms. Third, not all recommendations that Zellweger makes have yet been sufficiently studied. For instance, he draws in section 5.8 mainly on one conceptual paper before deriving recommendations in section 5.8.5 "Which wealth governance constellation is better?" However, considering the lack of research on many emerging topics such as wealth governance and the logical arguments that Zellweger offers, it is fair to say that his recommendations are plausible suggestions – especially for medium or large family businesses in Western countries.

Overall, Zellweger skillfully derives important points from academic discussions of various topic. Because these discussions are at times dense and characterized by academic jargon, the text might be slightly tilted towards an academic audience. However, practitioners will appreciate the end of each chapter, where they are tangible resources and pedagogical tools (e.g., case studies and reflection questions). These resources are applicable and aptly selected to bridge the gap between the theoretical and the practical. However, a stronger focus on these add-ons could have made the book even more relevant to business owners and professionals. As it is, the book might become most popular with faculty members teaching family business courses and graduate students interested in family business.

In summary, Zellweger's serves as a foundational text in its marriage of theory and practice. The text effectively fills a large gap in available resources on family firms and starts an engaging discourse highlighting common challenges of family firms and available strategies to address them. This book is likely to become another significant resource that will shape the landscape of family business scholarship (see Carney & Jaskiewicz, 2014). While previous iconic books have provided immensely important insights on the development of family business across generations (e.g., Gersick et al., 1997) and the characteristics of successful large multi-generational family firms (e.g., Miller & Le-Breton-Miller, 2005), Zellweger is among the first to offer sufficient depth across a number of core topics for family businesses. His book is timely and relevant contribution that many have been waiting for and will enjoy. Looking forward, his text could also become a gateway resource for others writing about how to manage the (business) family rather than the family business.

References

Carney, M., & Jaskiewicz, P. 2015. Six books that have shaped the landscape of family business scholarship. ***Academy of Management Learning & Education***, 14(3): 423-429.

Gersick, K. E., Gersick, K. E., Davis, J. A., Hampton, M. M., & Lansberg, I. (1997). ***Generation to generation: Life cycles of the family business***. Harvard Business Press.

Miller, D., & Le Breton-Miller, I. (2005). ***Managing for the long run: Lessons in competitive advantage from great family businesses***. Harvard Business Press.