The influence of national culture on family firm's performance

Master thesis research by Lisa Snoeij

In June 2017 Lisa Snoeij graduated from the Tilburg School of Economics and Management at Tilburg University. Lisa followed the Master International Management and wrote her master thesis in the area of family firms. Due to her international study background, Lisa was interested in the impact of cultural differences on the effectiveness of family firms. The following text is a summary of the MSc thesis.

The attention for the family firm has grown tremendously over the last decades in the academic literature. Approximately 66 percent of the business nowadays are run by families (Harvard Business School, n.d.). Even though family firms are said to be the backbone of the economy and play a dominant role in developments, no consensus has been reached about the effect of family involvement on firm performance. Some researchers argue that there is no relation (e.g. Anderson & Reeb, 2003; Sacristán-Navarro, Gómez-Ansón & Gabeza-García, 2011), others found a positive relation (Martínez, Stöhr & Quiroga, 2007; Lee, 2004; Maury, 2006) or a negative relationship (Lauterbach & Baninsky, 1999; Cuccelelli & Micucci, 2008). As most studies focus on a sample of public firms in one country, no evidence exists regarding the influence of family involvement on firm performance on a worldwide base. Neither has national culture been taken into account to explain the differences in outcomes. To bridge this gap this study focuses on the following problem statement: "*What is the effect of family involvement on firm performance and what is the influence of national culture on this relationship?*" National culture is likely to be reflected in the customs of the individuals who represent the family and own and/or run the firm. Aspects of national cultures can diminish or amplify positive attributes of family firms and therefore impact the firm performance.

To be able to provide an answer to the problem statement, data is gathered from 198 largest, public and private family firms listed on the Global Family Business Index. An accounting based measure, Return on Assets (ROA), has been used to assess financial performance. All data has been gathered for the year 2015, using three different databases; Global Family business Index, Orbis and BoardEx. Family involvement is measured by means of an existing scale, the F-PEC scale. As this research has chosen to focus on family involvement, only the Power subscales of the F-PEC has been used. With respect to culture, this study looked at the impact of individualism, power distance and long-term orientation of the Hofstede's national culture dimensions.

The results show that owning-families possess on average 56% of the shares in the firm. Furthermore, on average 1.7 family members occupy a position as manager within the firm, whereas 2.2 family members are generally represented in the Board of Directors. To test the developed hypotheses on the effect of family involvement on firm performance and the moderating effect of national culture on this relation, several statistical regressions are run. However, no significant results are found. More family involvement does not impact the firm performance. In addition, it is not more or less beneficial to have more family involvement in different cultural contexts. The fact that this research only studies large family firms, who are predominantly multinationals, could be a clarification for the outcomes. Despite the lack of significant results, this research provides grips for further research in the academic field of family firms.

If you are interested in the Master thesis you could contact the Tilburg Institute of Family Business via tifb@tilburguniversity.edu and request the pdf file.