Refereed Article

An Institution-Based View of Large Family Firms: A Recap and Overview

Entrepreneurship Theory and Practice
2018, Vol. 42(2) 187–205

DOI: 10.1177/1042258717749234
journals.sagepub.com/home/etp
SAGE

Mike W. Peng[1], Wei Sun[2], Cristina Vlas[1], Alessandro Minichilli[3], and Guido Corbetta[3]

Abstract

This article sketches the contours of an institution-based view of family ownership and control in large firms, with a focus on institutional roots, institutional relatedness, and institutional transitions. The institution-based view brings considerable *continuity* to family-firm research. It also offers significant *novelty* in helping resolve some puzzles. Specifically, it answers why the Berle and Means hypothesis on the "inevitability" of separation of ownership and control has not received support in many parts of the world. Finally, its broad *scope* enables us to integrate institution-based arguments with an important recent debate on the socioemotional wealth (SEW) priorities of family firms.

Keywords

family ownership and control, family firms, large firms, institution-based view, socioemotional wealth (SEW)

As part of the broader intellectual movement centered on new institutionalism throughout the social sciences in recent decades (North, 1990; Scott, 2013), this article endeavors to sketch the contours of an institution-based view of family ownership and control in large firms. There is no shortage of theories of family firms. Chief among those include agency theory (Schulze, Lubatkin, & Dino, 2003; Steier, 2003), transaction cost theory (Gedajlovic & Carney, 2010; Verbeke & Kano, 2010), and the resource-based view (Habbershon & Williams, 1999). Complementing existing theories, an institution-based view can help address two fundamental questions underpinning family-firm research: (a) How do family firms and nonfamily firms differ in terms of their performance? (b) How do institutional conditions influence performance differences between firms? (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012, p. 1011).

[1]Jindal School of Management, University of Texas at Dallas, Richardson, TX, USA
[2]School of Management, Xi'an Jiaotong University, Xi'an, Shaanxi, P. R. China
[3]Department of Management and ICRIOS, Bocconi University, Milan, Italy

Corresponding Author:
Wei Sun, School of Management, Xi'an Jiaotong University, 28 Xianning West Road, Xi'an, Shaanxi 710049, P. R. China.
Email: sunwei@mail.xjtu.edu.cn

Addressing the first question, Berle and Means (1932) provided an early answer. The Berle and Means (1932) hypothesis predicted an ''inevitable'' separation of ownership and control as family firms grow larger.[1] Otherwise firm performance would suffer.[2] In other words, ''in the competition for survival'' (Fama & Jensen, 1983, p. 306), large family firms—when failing to separate ownership and control—will be outcompeted by large nonfamily firms.

While the Berle and Means (1932) hypothesis has been supported in most large firms in the United States and Britain, it has not been supported in other large U.S. and UK firms and in other parts of the world. In this article we define large firms as publicly listed firms.[3] Numerous such large firms continue to feature family ownership and control (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998; Morck, Wolfenzon, & Yeung, 2005). At present, approximately 85% of $1 billion-plus firms in Southeast Asia are in family hands, 75% in Latin America, 67% in India, and 40% in China. In Europe, families control 40% of listed firms. In the United States, 15% of the largest firms—those in the *Fortune* Global 500—are family owned and controlled (*Economist*, 2012). Families control approximately one-third of the Standard and Poor's 500 firms (Gedajlovic et al., 2012, p. 1011).

A frequently debated yet unresolved question thus remains: Are family ownership and control of large firms helpful for or harmful to firm performance (Heugens, van Essen, & van Oosterhout, 2009; Jiang & Peng, 2011a; Miller, Le Breton-Miller, Lester, & Cannella, 2007)? While both sides of the debate can cite supportive evidence, ''one should be careful not to stretch any of the evidence too far'' (Bertrand & Schoar, 2006, p. 81). ''Blanket prescriptions tend to have a short life in organization science, in part because they are overgeneralized and lead to conflicting outcomes'' (Miller, Minichilli, & Corbetta, 2013, p. 567). Instead of focusing on the question whether family ownership and control are absolutely better or worse than nonfamily ownership and control—Gedajlovic et al.'s (2012) first question—new research needs to answer their second question: *Under what institutional conditions* are family ownership and control of large firms better? (see also Chua, Chrisman, Steier, & Rau, 2012).

An institution-based view of family ownership and control of large firms needs to go above and beyond the insights of existing theories when addressing these two fundamental questions. Such is our goal in this article. Overall, we integrate the broader institution-based research that does not focus on family firms (Ahuja & Yayavaram, 2011; Meyer & Peng, 2016; Peng, Wang, & Jiang, 2008) and earlier institution-based work that concentrates on family firms (Banalieva, Eddleston, & Zellweger, 2015; Jiang & Peng, 2011a; Peng & Jiang, 2010). Finally, we weave our ideas into the growing debate on socioemotional wealth (SEW) preferences of family firms (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011; Gomez-Mejia, Haynes, Jacobson, & Moyano-Fuentes, 2007), suggesting that this debate has so far overlooked institutional influences in shaping family decision-making. Overall, we focus on *how* institutions matter in three crucial areas—(a) institutional roots, (b) institutional relatedness, and (c) institutional transitions. The first deals with *governance*, and the last two cover *resources* via diversification and innovation strategies. Our organizing framework leverages two important building blocks in family-firm research: governance and resources (Chrisman, Sharma, Steir, & Chua, 2013; Chua et al., 2012). In addition, we also address how institutions matter in family firms' balance between economic and noneconomic outcomes in light of the recent debate on SEW.

The Puzzle About Large Family Firms

For small firms, the coincidence between family ownership and control seems to be an unquestionably efficient arrangement to exploit the advantages of family-specific knowledge and resources, by reducing at the same time principal–agent conflicts (Carney, van Essen, Gedajlovic, & Heugens, 2015; Fama & Jensen, 1983; Miller et al., 2013). What is more equivocal is the impact of concentrated family ownership and control on the performance of *large* firms, on which we focus in this article.[4] In these firms, a relevant problem seems to be the conflict between controlling shareholders and minority shareholders (also known as non-family stakeholders)—specifically, *principal–principal* conflicts (Jiang & Peng, 2011b; Sauerwald & Peng, 2013; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008).[5] As a consequence, it poses a theoretical question about the role of family in large firms (Eddelston & Kellermanns, 2007).

As first introduced by Jiang and Peng (2011a), three positions emerge: Concentrated ownership and control in large family firms are (a) good, (b) bad, or (c) irrelevant for firm performance.[6] First, on the ''good'' side one group of agency theorists promote concentrated ownership and control as a corporate governance mechanism to monitor agents more effectively (Anderson & Reeb, 2003a). From the resource-based view, another group suggests that family firms may leverage social capital and allocate resources efficiently, endorsing a positive view of family firms (Arregle, Hitt, Sirmon, & Very, 2007; Chrisman, Chua, & Kellermanns, 2009; Habbershon & Williams, 1999; Luo & Chung, 2005).

On the ''bad'' side, a second group of agency theorists emphasize family firms' economically unjustifiable nepotism and altruism (Schulze et al., 2003) and destructive family conflicts (Eddelston & Kellermanns, 2007). Even in the absence of family dysfunction, preserving families' interest may result in conservatism, thus missing out on high-risk, but potentially high-return opportunities (Gomez-Mejia, Makri, & Larraza-Kintana, 2010). As the founding generation passes away, family ownership and control may no longer be concentrated, resulting in further complexity (Zellweger & Kammerlander, 2015).

Transaction cost theorists assert that family firms are ''a discrete structural alternative with relative strengths and weaknesses rather than an evolutionary inferior (or superior) form of business enterprise'' (Gedajlovic & Carney, 2010, p. 1162; see also Verbeke & Kano, 2010). Consequently, a third group of studies does not find family firms or nonfamily firms outperforming their counterparts (Daily & Dalton, 1992; Miller et al., 2007, 2013), implying that family ownership and control may be *irrelevant* for firm performance. Sampling large family firms in eight Asian countries, Jiang and Peng (2011a) and Peng and Jiang (2010) find that if data are pooled from their cross-country sample, no statistically significant relationship exists between family ownership and control on the one hand, and firm performance on the other hand. While on the surface these findings seem to support the ''irrelevant'' view, further digging reveals a *positive* relationship in certain countries, and a *negative* relationship in others (Jiang & Peng, 2011a, 2011b; Peng & Jiang, 2010).

The controversy about the pros and cons of family ownership and control has been recently fueled by another group of scholars arguing for a specific decision-making model that family actors adopt compared to classical paradigms inspired by economic rationality. Such an SEW approach offers a less normative view of decision-making in which economic goals are often balanced with family-centric social goals to preserve the families' SEW endowment over time (Berrone, Cruz, & Gomez-Mejia, 2012; Gomez-Mejia et al., 2007, 2011). The growing SEW literature implicitly points out a nonuniversalistic view of family firms' decision-making, thus highlighting the positive and negative family influences over the firms according to contexts (Minichilli, Brogi, & Calabrò, 2016). In other words, institutional contexts matter.

Overall, ''there is no concrete evidence documenting that family business is always 'good,' 'bad,' or 'irrelevant''' (Jiang & Peng, 2011a, p. 36). Going one step further, Jiang and Peng (2011a, p. 36) argue that ''the effect of family ownership and control systematically depends on the differences in the legal and regulatory institutions that protect (minority) shareholders in various countries." Thus, one key to potentially solving the puzzle about large family firms may be to probe their institution-based drivers—a direction to which we turn next.

Institutions and the Institution-Based View

Starting with an insightful proposition that "institutions matter," the institution-based view has emerged to become a leading theoretical perspective in the literature (Meyer & Peng, 2016). The institution-based view brings together several distinct lines of research with shared interest in the interaction between economic actors and institutional environments at different levels of analysis (Ahuja & Yayavaram, 2011; Peng et al., 2008). Its primary disciplinary roots are institutional economics (North, 1990) and institutional theory in sociology (Scott, 2013). In brief, institutions are viewed to consist of both formal and informal components. While the formal, regulatory dimension affects family firms externally, the informal, normative, and cultural dimensions are closely related to the family system internally. Therefore, an institution-based view of large family firms needs to take both dimensions into account.

As a *paradigm* (or family) of theories (Meyer & Peng, 2016, p. 14), the institution-based view has given birth to an institution-based view of corporate diversification (Peng, Lee, & Wang, 2005), corporate governance (Liu, Yang, & Zhang, 2012; Peng & Jiang, 2010; van Essen, Heugens, Otten, & van Oosterhout, 2012), entrepreneurship (Lee, Yamakawa, Peng, & Barney, 2011), international business strategy (Peng et al., 2008), and technology management (Peng, Ahlstrom, Carraher, & Shi, 2017). Broadening and enriching the institution-based view with a focus on large family firms, next we probe their institutional roots.

Institutional Roots of Large Family-Firm Governance

The Berle and Means (1932) hypothesis that large family firms would evolve to separate ownership and control is indeed observed in most large U.S. and UK firms (Chandler, 1990). However, such diffused ownership and control of large family firms seems to be "the rarest of curiosities in most of the world" (Morck et al., 2005, p. 657). Why is there such a difference?

The institution-based view can explain why family firms in most other countries have *not* evolved in a way as Berle and Means (1932) hypothesized (Carney, Gedajlovic, & Yang, 2009; La Porta et al., 1998; Liu et al., 2012). In the United States and Britain, many (although certainly not all) founding families may feel comfortable to hire outside (professional) managers and introduce more nonfamily stakeholders.[7] When formal legal and regulatory institutions are less developed, founding families are not willing to hire outside managers—unless such managers are married into the families (Burkart, Panunzi, & Shleifer, 2003). Concentrated ownership becomes the common practice when nonfamily stakeholders are less willing to invest without sufficient legal protection (McLean, Zhang, & Zhao, 2012).

Strong evidence exists that the weaker the formal legal and regulatory institutions protecting shareholders, the more concentrated ownership and control rights become—in other words, there is some *substitution* between the two (La Porta et al., 1998). Relative to civil-law countries, common-law countries generally have stronger legal protection of investors and lower concentration of corporate ownership (La Porta et al., 1998). In short, concentrated ownership and control is an answer to potentially rampant principal–agent conflicts in the absence of sufficient legal protection of shareholder rights.

However, what is good for controlling shareholders may not necessarily be good for nonfamily stakeholders and for an economy. The minimization of principal–agent conflicts through concentration of ownership and control, unfortunately, introduces more principal–principal conflicts between families as controlling shareholders and nonfamily stakeholders (Morck et al., 2005; Young et al., 2008). Consequently, many potential nonfamily stakeholders may refuse to invest. If nonfamily stakeholders are informed enough to be aware of principal–principal conflicts and still decide to invest, they are likely to discount the shares. For example, thanks to the ''Murdoch family discount,'' News Corporation's stock performance has significantly trailed behind that of its rivals (*Telegraph*, 2011). Overall, such principal–principal conflicts may result in a series of low-performance measures—lower valuations, fewer publicly traded firms, inactive and smaller capital markets, and, in turn, lower levels of economic development in general (Young et al., 2008).

Given the simultaneous existence of the benefits and costs of family ownership and control, under what conditions do the benefits outweigh the costs? Existing evidence underscores the importance of the overall governance design *balancing* family ownership and control in large firms. Studying a large sample of Italian family firms of different sizes and ownership structures, Miller et al. (2013) show that family CEOs perform better in smaller firms with strongly concentrated family ownership, while nonfamily CEOs outperform when firms are larger and have more fragmented ownership. Miller et al. (2013) thus highlight the importance of outsiders to balance complex ownership structures. Other studies support how shareholder protection varies across countries due to differences in legal and regulatory institutions, which govern firms externally (Guillen & Capron, 2016; La Porta et al., 1998). When external governance mechanisms are less effective, alternative internal governance mechanisms may be more important to shoulder corporate governance responsibilities (Su & Lee, 2013).

We argue that different levels of (minority) shareholder protection in institutional frameworks may play a crucial role in placing different priorities in internal governance structures, thus helping to explain the positive or negative findings in different countries. From an institution-based view, in contexts with less legally regulated markets (with stronger concentration of ownership as a consequence of lower investors' protection), having a family CEO may be beneficial. In this case, the advantages of family control may outweigh those of having an outside nonfamily CEO (Jiang & Peng, 2011a). This is because an outside, nonfamily CEO may significantly deviate from pursuing the interests of both the family and nonfamily stakeholders, taking advantage of markets' poor vigilance over such a CEO's decisions (Burkart et al., 2003; Chrisman, Memili, & Misra, 2014). Under these circumstances, the benefits of having a family CEO play a more important role in corporate governance. Despite the potential drawbacks, having a family CEO, on balance, may add value.

Conversely, in contexts with more developed legal and regulatory institutions to protect investors and with more fragmented ownership structures, reducing the conflicts between owners and managers may not necessarily be the priority of corporate governance. With a better regulated factor market, outside nonfamily managers may be more effectively monitored and disciplined, and may be actually preferred by the market to balance family priorities with nonfamily interests. Thus, having a family CEO to combat agency problems brought by nonfamily managers may be redundant and counterproductive (Gedajlovic et al., 2012).

Jiang and Peng (2011a) report that having a family CEO is *good* for firm performance in Indonesia and *bad* in Hong Kong. In the absence of concrete information that controlling families in Hong Kong are systematically more ''greedy'' than those in Indonesia, it seems plausible to suggest that different levels of investor protection in their institutional frameworks may play a role behind these interesting findings that contradict each other. Given that Indonesia is a former Dutch colony practicing civil law and that Hong Kong is a former British colony practicing common law (La Porta et al., 1998), reducing principal–agent conflicts may be a priority in corporate governance in Indonesia, but not in Hong Kong.

Within Italy, Naldi, Cennamo, Corbetta, and Gomez-Mejia (2013) report that having a family CEO is *good* for the financial performance of family firms in industrial districts that feature dense informal networks of cooperation. In contrast, having a family CEO is *bad* for the financial performance of family firms that are publicly listed in stock exchanges, which feature more formal arm's-length monitoring and regulations. In summary, the institutional roots of contexts—whether between countries (such as Indonesia vs. Hong Kong) or within a country (such as industrial district vs. stock exchange in Italy)—may affect the relative importance of principal–principal conflicts compared to principal–agency conflicts. Therefore:

> ***Proposition 1 (a recapitulation):*** *Family ownership and control of large firms are positively related with firm performance in contexts with less developed legal and regulatory institutions to protect nonfamily stakeholders.*

> ***Proposition 2 (a recapitulation):*** *Family ownership and control of large firms are negatively related with firm performance in contexts with more developed legal and regulatory institutions to protect nonfamily stakeholders.*

Having discussed the *governance* aspects of ownership and control, next we turn to discuss another major building block in family-firm research (Chrisman et al., 2013; Chua et al., 2012): how crucial *resources* underpinning strategies are affected by institutional conditions. Specifically, we focus on two crucial strategies: diversification and innovation.

Family Firms and Institutional Relatedness

While the debate on the direct impact of family ownership and control on firm performance rages, an obviously missing link is strategy (Feldman, Amit, & Villalonga, 2016). The literature on the impact of family ownership and control on strategy is "much sparser, but no less equivocal" (van Essen, Carney, Gedajlovic, & Heugens, 2015, p. 6). This section focuses on one of the most extensively studied strategies—product diversification. (A later section deals with innovation.)

In the United States, Anderson and Reeb (2003b) and Gomez-Mejia et al. (2010) report that relative to large nonfamily firms, large family firms undertake lower degrees of product diversification. These findings are supported by van Essen et al.'s (2015) meta-analysis drawing on 74 U.S. studies. Anderson and Reeb (2003b) attribute their findings to highly committed family managers who "forgo corporate diversification because of its substantial negative effects." However, Anderson and Reeb (2003a) are careful to note that their findings may be contingent upon the particular institutional frameworks governing large family firms in the United States, and that their results may *not* hold elsewhere.

Indeed, in a series of studies throughout emerging economies such as India (Kedia, Mukherjee, & Lahiri, 2006), South Korea (Lee, Peng, & Lee, 2008), and Taiwan (Luo & Chung, 2005), large family firms are found to not only have significantly higher degrees of product diversification, but also enjoy better firm performance (Khanna & Yafeh, 2007). Overall, these findings from the rest of the world differ from those in the United States.

A key to making sense of these different findings, we argue, is the concept of institutional relatedness, which is defined as "the degree of informal embeddedness or interconnectedness with the dominant institutions in the environment" (Peng et al., 2005, p. 623). A high degree of institutional relatedness is characterized by a dense network of ties with dominant institutions. While diversification research has focused on product relatedness, institutional relatedness is likely to be an important but underexplored driver behind diversification (Peng et al., 2005).

Institutional voids—imperfections in financial, product, and labor markets—are extensive in emerging economies (Khanna & Yafeh, 2007). Large family firms in emerging economies, also known as conglomerates or business groups, are often renowned in filling some of these institutional voids (Carney, Gedajlovic, Heugens, van Essen, & van Oosterhout, 2011). They typically develop and excel in their capabilities for repeated industry entries, consisting of a bundle of skills to obtain licenses from the state, arrange financing, secure technology, and hire and train labor forces. These generic, nonindustry-specific capabilities are more than ties to government officials. They embody resources to leverage institutional relatedness with a variety of crucial institutions such as political parties, financial institutions, and labor forces (Siegel, 2007; Sun, Peng, & Tan, 2017). Moreover, capabilities to leverage institutional relatedness are difficult to trade because they are embodied in large family firms' knowledge, contacts, and routines (Peng et al., 2005).[8] Therefore, such capabilities "encourage those who possess them to diversify across industries rather than become specialists in one industry or product line" (Guillen, 2000, p. 365).

Institutional voids of course exist in developed economies as well. As a result, institutional relatedness also plays a role behind large family firms' diversification strategy in developed economies. In Sweden, the Wallenberg family has long enjoyed "good political connections" (*Economist*, 2016, p. 64). Taking advantage of repeated waves of privatization in Italy, several controlling families diversified from their historical core businesses to product-unrelated industries, such as in the case of Benetton family moving from clothing to food services and infrastructure. In the United States, in the last decade a leading family firm Koch Industries doubled its size by expanding into several product-unrelated industries such as food, water, and personal technology. At the same time, the owners, the Koch brothers, sponsored many conservative political organizations and helped spawn the Tea Party movement—leveraging a dense network of political ties, which can be viewed as institutional relatedness.

From an institution-based view, relative to large nonfamily firms, large family firms led by leading families in emerging economies (such as the Lee family [Samsung] in South Korea, the Tata family in India, and the Slim family in Mexico) tend to exhibit more significant product-unrelated diversification. This likely stems from the more abundant institutional voids in emerging economies than in developed economies (Guillen, 2000; Khanna & Yafeh, 2007). As a result, it may be more important to leverage institutional relatedness by tapping into links and ties with dominant institutions such as governments, political parties, and banks that confer resources and legitimacy (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010). In comparison, large nonfamily firms may be more rigid in sticking with core industries and less flexible in going after emerging new opportunities. The upshot? A higher level of product diversification for large family firms in emerging economies (Peng et al., 2005). Specifically:

> ***Proposition 3:*** *The stronger the importance of institutional relatedness in a country, the higher the degree of product diversification among large family firms in that country relative to large nonfamily firms.*

> ***Proposition 4:*** *The degree of product diversification of large family firms in emerging economies is higher than that of large nonfamily firms in developed economies.*

Family Firms and Institutional Transitions

Neither family firms nor institutions are static. Institutional transitions can be viewed as "fundamental and comprehensive changes introduced to the formal and informal rules of the game that affect organizations as players" (Peng, 2003, p. 275). While institutions in practically every country are undergoing some changes, institutional transitions in some emerging economies (e.g., China, Russia, South Africa) are especially profound. An interesting question thus emerges: How do large family firms behave, adapt, and perform—relative to large nonfamily firms—during institutional transitions?

The pace of institutional transitions differs around the world. In some countries, the pace of institutional transitions is rapid—think of the "shock therapy" unleased in post-1989 Central and Eastern Europe. In other countries, institutional transitions are slower in pace—think of China's gradual reforms. Rapid institutional transitions are likely to create chaos. Emphasizing continuity and relationship-building, large family firms may have a hard time coping with such unpredictable transitions (Lee et al., 2008; Siegel, 2007). On the other hand, moderate transitions may foster the preservation of long-term relationships and trust, and large family firms are likely to thrive in such environments (Banalieva et al., 2015; Luo & Chung, 2005).

Family firms embrace different priorities than nonfamily firms, continuously combining economic and noneconomic goals in front of external threats and hazards, in the ultimate attempt to perpetuate family control and SEW endowment over time (Berrone et al., 2012; Gomez-Mejia et al., 2011). Institutional transitions may create beneficial or detrimental contexts for family firms depending on the pace of transitions (Young, Tsai, Wang, Liu, & Ahlstrom, 2014). Incremental transitions, such as those in China, may be beneficial for large family firms because they allow the strategic deployment of resources and the achievement of priorities (Su & Carney, 2013). Fast transitions, such as the post-1989 transitions in Central and Eastern Europe, may be detrimental. This is because—despite family firms' frequent claim that they can "turn on a dime"—such transitions create chaos (a) that threaten the pursuit of families' priorities, and (b) that make it difficult for controlling families to react quickly (Banalieva et al., 2015).

It is known that family firms benefit more from resources based on external relationships, while nonfamily firms benefit more from resources based on functional skills (Chrisman et al., 2009). The family-centered SEW priorities of family firms may be better achieved during relatively slow and stable transitions, which can create fertile grounds to leverage external relationships. In extremely fast-moving and ambiguous contexts, such as very fast transitions, reliance on external relationships with stakeholders may keep firms away from seizing market opportunities (Santos & Eisenhardt, 2009). Because firms' external connections are more valuable in slow-moving environments and because large family firms rely heavily on such connections, moderate institutional transitions may be more beneficial to large family firms than fast transitions (Banalieva et al., 2015). In SEW terms, moderate transitions also allow large family firms to redefine their families' SEW priorities. In sum:

Proposition 5: *When the pace of institutional transitions is <u>moderate</u>, large family firms are likely to outperform large nonfamily firms.*

Proposition 6: *When the pace of institutional transitions is <u>fast</u>, large family firms are likely to underperform large nonfamily firms.*

Family Firms and Innovation During Institutional Transitions

Given the importance of innovation for economic growth, innovation by family firms attracts increasing attention (Duran, Kammerlander, van Essen, & Zellweger, 2016). As a strategy, innovation is potentially high return but also potentially high risk. It represents "an immediate risk to SEW," but is also important for firms' long-run viability (Chrisman & Patel, 2012). Traditionally, family firms have been viewed as more conservative and less innovative than nonfamily firms. This is in part due to their tendency to take lower risks in protecting their SEW (Gomez-Mejia et al., 2007). Recently, scholars find that compared to their nonfamily counterparts, family firms may indeed have lower willingness to invest in innovation, but—once they are committed to innovation—they may have an increased conversion rate of converting innovation input into output (Duran et al., 2016). Large family firms can be very innovative (De Massis, Kotlar, Frattini, Petruzelli, & Wright, 2016). When they value long-term goals, they are more willing to embrace risk (Su & Lee, 2013), especially when performance is below aspiration levels, and consequently families' socioemotional priorities are de-emphasized (Chrisman & Patel, 2012). While the debate rages, an important and underexplored question is: How innovative are large family firms during institutional transitions?

Institutional transitions are characterized by inefficient markets, high uncertainties, and strong ambiguities of the environment (Peng, 2003). By making the environment more ambiguous, transitions may favor large family firms' tendencies to leverage connections, making them more capable to sustain innovation (Kotlar, Fang, De Massis, & Frattini, 2014).

Institutional transitions may create an environment that increases large family firms' willingness to innovate (Landau, Karna, Richter, & Uhlenbruck, 2016). Transitions can create a threatening environment for large family firms, endangering their SEW (Gomez-Mejia et al., 2010). During transitions, the long-term strategic orientation of these firms (Le Breton-Miller & Miller, 2006) and the threat to SEW (Banalieva et al., 2015) exist simultaneously, creating a double incentive for them to switch their mentality from being rigid to being flexible and innovative—compared to large nonfamily firms that only have the economic incentive.

With their *status quo* threatened, large family firms, compared to large nonfamily firms, may be more likely to switch their focus toward risky innovation and to start investing in R&D (Chrisman & Patel, 2012; Patel & Chrisman, 2014). Large family firms may become more willing to "rapidly recognize and aggressively seize opportunities" (Chrisman et al., 2014, p. 387). In other words, when perceiving institutional threats, families wish to create a "safehouse" that may help to preserve their SEW during and beyond the transitions.

In sum, institutional transitions may create a context that increases large family firms' capacity of innovating. Under moderate institutional transitions, large family firms may be more capable of innovating through tradition—to leverage past knowledge and develop capabilities to adapt (De Massis et al., 2016). Innovation through tradition requires time. When transitions are not fast, family firms have more time to internalize knowledge, increasing the probability to develop new products. Also, when transitions take place over a relatively long period of time, large family firms may be more capable, compared to large nonfamily firms, of recombining past knowledge and updating technologies, leading to stronger new product development. Thus,

Proposition 7: *During institutional transitions, large family firms are likely to have a high degree of innovation (in terms of newness and comprehensiveness) than large nonfamily firms.*

Proposition 8: *When the pace of institutional transitions is moderate, the degree of innovation (in terms of newness and comprehensiveness) among large family firms is higher than that among large nonfamily firms.*

Integrating the Institution-Based View With SEW Research

Looking at economic performance and strategic outcomes as primary dependent variables, the previous sections discussed how the two building blocks of family-firm research (governance and resources) are shaped by institutional conditions. In doing so, our predictions have only tangentially considered the possible blend of goals that owning families may want to pursue. The growing body of SEW research is fostering the idea that family firms are continuously looking for a virtuous balance between long-term nonfinancial goals (Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012; Lumpkin & Brigham, 2012) and short-term financial performance, with the ultimate purpose to protect ''the stock of affect-related value that the family has invested in the firm'' (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010, p. 82; see also Gomez-Mejia et al., 2007, 2011). This novel theoretical lens is questioning the ability of traditional agency and resource-based models to predict behaviors across different types of firms, and particularly inside family ones.

Our contention is that the SEW approach has been predominantly theorized as an *internally socialized* variant of the agency model that solves the issue by taking into account emotional relations between family decision-makers and the firm (Berrone et al., 2012). The popularity of SEW in the recent literature finds its roots in the possibility to better take into account the inner family relations that the traditional agency model simply cannot accommodate. In focusing attention on internal socialization factors, however, this debate has overlooked the importance of *external social and institutional influences* in understanding decision-makers' behaviors (van Essen et al., 2015). This is witnessed by the growing literature on SEW, which has explored a range of strategic decisions (Berrone et al., 2010; Chrisman & Patel, 2012; Gomez-Mejia et al., 2010; Leitterstorf & Rau, 2014; Patel & Chrisman, 2014; Strike, Berrone, Sapp, & Congiu, 2015). But the SEW literature has given limited consideration to the role of contingencies (Minichilli et al., 2016)—and of the institutional context in general.

To start filling this gap, we revisit our earlier discussion on the institutional influences over large family firms' performance by integrating SEW assumptions as a more contextualized predictive logic, which may be important to set the boundary conditions on the applicability of SEW itself (see Table 1). In this way, we not only contribute a deeper perspective of how institutions shape large family firms, but also contribute to the SEW debate by taking into explicit consideration the institutional context—helping for instance to resolve the dispute between positive or negative views of SEW (Kellermanns, Eddleston, & Zellweger, 2012).

The ambivalence of SEW and its different interpretations, we argue, may be driven indeed by institutional contexts. In *weak institutional contexts*, controlling families may more easily find space for ''opportunistic SEW tendencies,'' perpetuating control at the expense of nonfamily stakeholders and taking advantage of poor monitoring and loose governance structures (Peng & Jiang, 2010). Also, while this tendency can be detrimental in the long run, exploitation of resources and of institutional voids may allow large family firms to perform better in the short run. At the opposite, the closer monitoring and the lower institutional voids that characterize *strong institutional contexts* (Khanna & Yafeh, 2007) impose less ownership concentration (La Porta et a., 1998), less business group affiliation (Carney et al., 2011), and fewer possibilities to divert attention toward family logics (Young et al., 2008).[9] In such

Table 1. An Integration of Research on Socioemotional Wealth (SEW) and the Institution-Based View.

	Institution-based view		Integrated SEW-institution-based view	
Contexts (or contingencies)	Weak institutional environments + high importance of institutional relatedness + extensive institutional voids	Strong institutional environments + low importance of institutional relatedness + few institutional voids	Weak institutional environments + high importance of institutional relatedness + extensive institutional voids	Strong institutional environments + low importance of institutional relatedness + few institutional voids
Family ownership and control	Positive impact of family ownership and control on performance	Negative impact of family ownership and control on performance	Strong tendency to control firms by family owners. Lack of protection creates situations for "opportunistic SEW tendencies" by family owners. While in the long run it may be detrimental for performance, in the short run the effect on performance can be positive due to exploitation of institutional voids	Institutions protecting non-family stakeholders and lack of institutional voids push family owners to satisfy stakeholders first. At the same time, attitude to control is reduced in those contexts. But if family firms continue to use an SEW logic, they may be penalized in the market and suffer. They may be acquired or replaced
Product diversification strategies	Higher product diversification	Low product diversification	SEW is not at stake, and family owners can diversify to address family members' needs; in the short run, this diversification strategy can be successful if it exploits institutional voids	SEW is at stake, and family owners are supposed to diversify *if and only if* they enjoy superior resources
Pace of institutional transitions			*In all cases, fast transitions create tensions and fostering innovation (due to higher risk-taking attitude of family decision-makers to protect SEW) for large family firms*	

contexts, as predicted by Berle and Means (1932), large family firms continuing to value families' interests over those of other stakeholders may underperform or even disappear.

Similar considerations can be extended to product diversification strategies. Conflicting results in predicting either more diversification of family business groups to exploit advantages of institutional relatedness (Lee et al., 2008) or less diversification to preserve the SEW endowment (Gomez-Mejia et al., 2010) can be reconciled by taking the institutional context into consideration. In weak institutional contexts, SEW is not at stake, and families may decide to diversify more *if* diversification satisfies family needs and/or *if* these large family firms can exploit institutional voids (Miller, Lee, Chang, & Le Breton-Miller, 2009). In those cases, diversification can be successful, as we predicted above. In strong institutional contexts, instead, SEW is under threat, especially in large family firms, and diversification can happen *if and only if* families have *temporary* access to superior resources.

Overall, our arguments provide a dynamic interpretation of SEW. It suggests that when considering their SEW preferences, large family firms should be conscious of the context in which they operate and the pace of institutional transitions.

Discussion

Contributions

The purpose of the article is to sketch the broad contours of an institution-based view of family ownership and control in large firms. Since the acceptance and diffusion of new theories depend on their continuity, novelty, and balance (McKinley, Mone, & Moon, 1999), we suggest that the institution-based view excels in these three attributes.

First, by extending new institutionalism into family-firm research, the institution-based view exemplifies a great deal of *continuity* from the larger social sciences literature (North, 1990; Scott, 2013). Family-firm researchers are familiar with certain elements of new institutionalism such as transaction cost theory (Gedajlovic & Carney, 2010; Verbeke & Kano, 2010). We certainly are not the first group of scholars who advocate that institutions matter in family-firm research (Carney et al., 2009; Sharma & Chua, 2013). This article is positioned to leverage and continue the earlier institution-based work that does not focus on family firms and earlier institution-based research that concentrates on family firms. Overall, the institution-based view—from a relatively new theoretical angle—enables scholars to continue their investigation of the two fundamental questions underpinning recent family-firm research: (a) How do family firms and nonfamily firms differ in terms of their performance? (b) How do institutional conditions influence performance differences between firms? (Gedajlovic et al., 2012, p. 1010). This view also enables us to address a related question: How do institutional conditions shape SEW-oriented attitudes of controlling families? In summary, such continuation of earlier efforts—via an explicit institutional lens—helps us generate a potentially more potent and more in-depth theoretical view on how institutions matter in large family firms.

Second, the institution-based view brings significant *novelty* to family-firm research, by contributing insights that help solve some puzzles that confront existing theories. For example, the institution-based view sheds light on the puzzle why the Berle and Means (1932) hypothesis is mostly supported in the United States and Britain, but not elsewhere. This is likely due to the particular institutional framework in which the governance of large family firms has developed in these two contexts. Once such institutional conditions are removed, the Berle and Means hypothesis positing the "inevitable" separation of ownership and control in large family firms not surprisingly is not supported. In other words, the Berle and Means (1932) hypothesis is actually an "institutional" hypothesis without the authors being aware of the institution-specific nature of such thinking. An institution-based view clarifies why it has not received support in many parts of the world. Similarly, debates in agency theory (Schulze et al., 2003), transaction cost theory (Gedajlovic & Carney, 2010), and the resource-based view (Habbershon & Williams, 1999) on whether family firms are "good" or "bad" can be (at least partially) resolved by probing their institutional underpinning. In short, the institution-based view holds a key to solving some of the long-standing puzzles and debates in family-firm research.

Finally, the institution-based view excels in its *scope*. Its broad scope enables us to link this view with the nascent debate on socioemotional priorities of large family firms to show how they can be fruitfully integrated—both in steady states and during institutional transitions. Our analysis shows that in *less developed institutional contexts*, family firms enjoy the possibility to balance economic with noneconomic utilities of the family more easily, while in *more advanced institutional contexts*, large family firms' advantage relates uniquely to the ability to internally develop and attract better resources—at least in the short run. In the long run, family owners will need to behave like all other professional investors. Put it differently, *SEW works better as a predictive model in less developed institutional settings*. In advanced institutional environments, the key difference seems to rely on access to *superior resources* (Chrisman, Chua, & Litz, 2003; Miller & Le Breton-Miller, 2006). Overall, the institution-based view provides an important boundary condition that future SEW research may need to take into account, thus heeding the advice of Miller et al. (2013, p. 567) to avoid overgeneralization.

Limitations and Future Research Directions

As a recap and overview, this article has barely scratched the surface of the complex relationships concerning institutional influences in large family firms. Its limitations suggest a number of promising research directions. First, we have taken a relatively simplistic view of the "family" as a block of individuals with concentrated ownership and control. Despite our focus on *large* family firms, we have not paid sufficient attention to their heterogeneity (Chrisman & Patel, 2012; Chua et al., 2012; Suddaby & Young, 2015). We have ignored dispersed family ownership. Over time, family firms often evolve to have multiple owners (sometimes hundreds of owners), resulting in conflicts (Zellweger & Kammerlander, 2015). To separate the family and the business, a family office is often introduced. However, introducing a family office may solve some problems, but literally introduces a new agency—with professional managers as agents—conducive for heightened principal–agent conflicts. Entrepreneurs running a family office are intermediaries, with their own capabilities as well as their own interests, agendas, and likely agency problems (Peng, Lee, & Hong, 2014). In future research, "much can be learned by taking seriously the 'family' part of 'family firms'" (Bertrand & Schoar, 2006, p. 81).

Second, in our discussion of large family firms *vis-à-vis* large nonfamily firms, we have not dealt with different types of nonfamily firms. It is important to note that the Berle and Means-style dispersed U.S. and UK nonfamily firms are but one "exceptional" form of large firms (Morck et al., 2005, p. 668). A major form of large nonfamily firms is state-owned enterprises (SOEs) (Peng, Bruton, Stan, & Huang, 2016). How to compare and contrast large family firms with SOEs remains an interesting area for future research.

Third, in our efforts to maintain parsimony we have focused on the governance and resources for diversification and innovation strategies in large family firms. Future institution-based research can dive deeper to investigate other important strategy topics that we have not covered, such as internationalization, alliances, and mergers and acquisitions (M&As).

Fourth, our discussion of large family firms has ignored the personality differences among leaders of such firms. Just as some individuals are more persistent than others (Yamakawa, Peng, & Deeds, 2015), some family-firm leaders are likely to be more persistent than others. How such firms persist, especially in a turbulent environment of institutional transitions, remains to be explored (Banalieva et al., 2015).

Finally, how institutions matter boils down to how institutions are *measured*. Examples of such measures include institutional relatedness (Peng et al., 2005), legal origins (La Porta et al., 1998), entrepreneur-friendliness of bankruptcy laws (Lee et al., 2011), as well as informal institutions (Sauerwald & Peng, 2013). However, since the rules of the game within one institutional framework apply to every firm within its jurisdiction, how certain large family firms can better use these rules to outperform others remains a fascinating future research area.

Conclusions

As a burgeoning *paradigm* in the literature (Meyer & Peng, 2016), the institution-based view has already branched into corporate diversification, corporate governance, entrepreneurship, international business strategy, technology management, and other fields. This paradigm can benefit from enhancing its reach. In conclusion, strengthening the institution-based view in the domain of family-firm research—including its recent attention to socioemotional priorities of controlling families—seems to be a win-win endeavor for both the theory and the domain, thus calling for sustained future research efforts to probe deeper into the institutional drivers behind family ownership and control in large firms.

Acknowledgments

An earlier version was presented at the "Theories of Family Enterprise" Conference at the University of Alberta, Edmonton, May 2016. We appreciate the constructive comments made by Erik Chang, Jim Chrisman, Jess Chua (editor), Alfredo De Massis, Kim Eddelston, Frank Kellermanns, Isabelle Le Breton-Miller, Danny Miller, Alex Stewart, Lloyd Steier, Alain Verbeke, and two reviewers.

Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author(s) disclosed receipt of the following financial support for the research, authorship, and/or publication of this article: This research was supported in part by the Jindal Chair at the University of Texas at Dallas, Research Institute of Strategy and Decision and Lanyuan Family Fortune Management Research Center at the School of Management, Xi'an Jiaotong University.

Notes

1. According to Berle and Means (1932), Fama and Jensen (1983), and Jensen and Meckling (1976), the separation of ownership and control refers to a situation in which the family and its members still own the firm, but managerial control is largely in the hands of nonfamily, professional managers. The "inevitability" part of the Berle and Means hypothesis suggests that as firm size and complexity grow, the original family will *inevitably* run out of able-bodied sons, daughters, in-laws, and other relatives as managers, so that bringing outside, professional managers is a must.

2. In the literature on both family and nonfamily firms, ''firm performance'' often refers to economically oriented market-based measures (such as stock market return and valuation) and accounting-based measures (such as return on sales and return on equity). However, in the domain of family firms, ''firm performance'' sometimes refers to noneconomically oriented socioemotional wealth (SEW). To avoid confusion, ''firm performance'' in this article refers to economically oriented performance.
3. Because the threshold to separate a large firm from a small firm differs around the world, an operational definition for a ''large firm'' used in many empirical studies (Anderson & Reeb, 2003a; Jiang & Peng, 2011a; La Porta et al., 1998) is a firm that is publicly listed in a stock exchange. This is a practice dictated by data availability, not by theoretical necessity. Theoretically, it is possible for a family firm to become quite large without being listed. Furniture retailer IKEA, zipper maker NKK, and real estate developer Trump Organization are some examples of such large but not listed family firms. However, because the empirical literature from which we extensively draw on largely relies on samples of listed firms, we have followed this practice by defining ''large firms'' as publicly listed firms.
4. Given the tremendous heterogeneity among various family firms (Chrisman & Patel, 2012; Chua et al., 2012), we focus on large family firms. See Carney et al. (2015) on research on small family firms.
5. Significant principal--agent conflicts exist in large family firms (Chrisman & Patel, 2012; Schulze et al., 2003; Steier, 2003). But given substantial earlier work on principal–agent conflicts and relatively sparse work on principal–principal conflicts, we have focused on principal–principal conflicts.
6. ''Good'' does not mean everything is rosy. It is simply a short hand expression for benefits outweighing costs. Likewise, ''bad'' is a shorthand expression for costs outweighing benefits.
7. Since family owners in large firms may sometimes own less than 50% and become nonmajority shareholders who may be confused as ''minority shareholders,'' in this article, we use ''nonfamily stakeholders'' to substitute ''minority shareholders.''
8. While this argument flows from the institution-based view (Peng et al., 2005), Gedajlovic and Carney (2010) make a similar argument from a transaction cost view when discussing *nontradable, generic assets* possessed by some family firms.
9. Our arguments implicitly assume that pursuit of SEW is always against the interests of nonfamily stakeholders. This is partly derived from the common understanding of the SEW construct, which predominantly includes noneconomic benefits. The SEW construct may however include social capital developed within the family, which is intrinsically related to the institutional context. While we are aware of the richness of the SEW construct, what we consider here is—for the sake of simplicity—the set of noneconomic benefits that family members may pursue under different institutional frames.

References

Ahuja, G., & Yayavaram, S. (2011). Explaining influence rents: The case for an institution-based view of strategy. *Organization Science*, *22*(6), 1631–1652.

Anderson, R. C., & Reeb, D. (2003a). Founding-family ownership and firm performance: Evidence from the S&P 500. *Journal of Finance*, *58*(3), 1301–1328.

Anderson, R. C., & Reeb, D. (2003b). Founding-family ownership, corporate diversification, and firm leverage. *Journal of Law and Economics*, *46*(2), 653–683.

Arregle, J.-L., Hitt, M. A., Sirmon, D. G., & Very, P. (2007). The development of organizational social capital: Attributes of family firms. *Journal of Management Studies*, *44*(1), 73–95.

Banalieva, E. R., Eddleston, K. A., & Zellweger, T. M. (2015). When do family firms have an advantage in transitioning economies? Toward a dynamic institution-based view. *Strategic Management Journal*, *36*(9), 1358–1377.

Berle, A. A., & Means, G. C. (1932). *The modern corporation and private property*. New York, NY: Harcourt.

Berrone, P., Cruz, C., Gomez-Mejia, L. R., & Larraza-Kintana, M. (2010). Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less? *Administrative Science Quarterly*, *55*(1), 82–113.

Berrone, P., Cruz, C., & Gomez-Mejia, L. R. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research. *Family Business Review*, *25*(3), 258–279.

Bertrand, M., & Shoar, A. (2006). The role of family in family firms. *Journal of Economic Perspectives*, *20*(2), 73–96.

Burkart, M., Panunzi, F., & Shleifer, A. (2003). Family firms. *Journal of Finance*, *58*(5), 2167–2201.

Carney, M., Gedajlovic, E., Heugens, P., van Essen, M., & van Oosterhout, J. (2011). Business group affiliation, performance, context, and strategy: A meta-analysis. *Academy of Management Journal*, *54*(3), 437–460.

Carney, M., Gedajlovic, E., & Yang, X. (2009). The varieties of Asian capitalism: Toward an institutional theory of Asian enterprise. *Asia Pacific Journal of Management*, *26*(3), 361–380.

Carney, M., van Essen, M., Gedajlovic, E., & Heugens, P. (2015). What do we know about private family firms? A meta-analytical review. *Entrepreneurship Theory and Practice*, *39*(3), 513–544.

Cennamo, C., Berrone, P., Cruz, C., & Gomez-Mejia, L. R. (2012). Socioemotional wealth and proactive stakeholder engagement: Why family-controlled firms care more about their stakeholders. *Entrepreneurship Theory and Practice*, *36*(6), 1153–1173.

Chandler, A. (1990). *Scale and scope*. Cambridge, MA: Harvard University Press.

Chrisman, J. J., Chua, J. H., & Kellermanns, F. (2009). Priorities, resource stocks, and performance in family and non-family firms. *Entrepreneurship Theory and Practice*, *33*(3), 739–760.

Chrisman, J. J., Chua, J. H., & Litz, R. A. (2003). A unified perspective of family firm performance: An extension and integration. *Journal of Business Venturing*, *18*(4), 467–472.

Chrisman, J. J., Memili, E., & Misra, K. (2014). Non-family managers, family firms, and the winner's curse: The influence of non-economic goals and bounded rationality. *Entrepreneurship Theory and Practice*, *38*(5), 1103–1127.

Chrisman, J. J., & Patel, P. C. (2012). Variations in R&D investments of family and non-family firms: Behavioral agency and myopic loss aversion perspectives. *Academy of Management Journal*, *55*(4), 976–997.

Chrisman, J. J., Sharma, P., Steier, L. P., & Chua, J. H. (2013). The influence of family goals, governance, and resources on firm outcomes. *Entrepreneurship Theory and Practice*, *37*(6), 1249–1261.

Chua, J. H., Chrisman, J. J., Steier, L. P., & Rau, S. B. (2012). Sources of heterogeneity in family firms: An introduction. *Entrepreneurship Theory and Practice*, *36*(6), 1103–1113.

Daily, C. M., & Dalton, D. R. (1992). Financial performance of founder-managed versus professionally managed corporations. *Journal of Small Business Management*, *30*(2), 25–34.

De Massis, A., Kotlar, J., Frattini, F., Petruzelli, A., & Wright, M. (2016). Innovation through tradition: Lessons from innovative family businesses and directions for future research. *Academy of Management Perspectives*, *30*(1), 93–116.

Duran, P., Kammerlander, N., van Essen, M., & Zellweger, T. (2016). Doing more with less: Innovation input and output in family firms. *Academy of Management Journal*, *59*(4), 1224–1264.

Economist. (2012). The endangered public company. May 19: 13.

Economist. (2016). The Wallenberg Group: A Nordic pyramid. March 12: 62–63.

Eddelston, K., & Kellermanns, F. W. (2007). Destructive and productive family relationships: A steward theory perspective. *Journal of Business Venturing*, *22*(4), 545–565.

Fama, E. F., & Jensen, M. (1983). Separation of ownership and control. *Journal of Law and Economics*, *26*(2), 301–326.

Feldman, E. R., Amit, R., & Villalonga, B. (2016). Corporate divestitures and family control. *Strategic Management Journal*, *37*(11), 429–446.

Gedajlovic, E., & Carney, M. (2010). Markets, hierarchies, and families: Toward a transaction cost theory of the family firm. *Entrepreneurship Theory and Practice*, *34*(6), 1145–1172.

Gedajlovic, E., Carney, M., Chrisman, J., & Kellermanns, F. (2012). The adolescence of family firm research: Taking stock and planning for the future. *Journal of Management*, *38*(4), 1010–1037.

Gomez-Mejia, L. R., Campbell, J. T., Martin, G., Hoskisson, R. E., Makri, M., & Sirmon, D. G. (2014). Socioemotional wealth as a mixed gamble: Revisiting family firm R&D investments with the behavioral agency model. *Entrepreneurship Theory and Practice*, *38*(6), 1351–1374.

Gomez-Mejia, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The bind that ties: Socioemotional wealth preservation in family firms. *Academy of Management Annals*, *5*(1), 653–707.
Gomez-Mejia, L. R., Haynes, K. T., Nunez-Nickel, M., Jacobson, K., & Mayano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, *52*(1), 106–137.
Gomez-Mejia, L. R., Makri, M., & Larraza-Kintana, M. (2010). Diversification decisions in family-controlled firms. *Journal of Management Studies*, *47*(2), 223–252.
Guillen, M. (2000). Business groups in emerging economies: A resource-based view. *Academy of Management Journal*, *43*(3), 362–380.
Guillen, M., & Capron, L. (2016). State capacity, minority shareholder protections, and stock market development. *Administrative Science Quarterly*, *61*(1), 125–160.
Habbershon, T., & Williams, M. (1999). A resource-based framework for assessing the strategic advantage of family firms. *Family Business Review*, *12*(1), 1–25.
Heugens, P., van Essen, M., & van Oosterhout, J. (2009). Meta-analyzing ownership concentration and firm performance in Asia: Towards a more fine-grained understanding. *Asia Pacific Journal of Management*, *26*(3), 481–512.
Jensen, M. C., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, *3*(4), 305–350.
Jiang, Y., & Peng, M. W. (2011a). Are family ownership and control in large firms good, bad, or irrelevant? *Asia Pacific Journal of Management*, *28*(1), 15–39.
Jiang, Y., & Peng, M. W. (2011b). Principal-principal conflicts during crisis. *Asia Pacific Journal of Management*, *28*(4), 683–695.
Kedia, B. L., Mukherjee, D., & Lahiri, S. (2006). Indian business groups: Evolution and transformation. *Asia Pacific Journal of Management*, *23*(4), 559–577.
Kellermanns, F. W., Eddleston, K. A., & Zellweger, T. M. (2012). Extending the socioemotional wealth perspective: A look at the dark side. *Entrepreneurship Theory and Practice*, *36*(6), 1175–1182.
Khanna, T., & Yafeh, Y. (2007). Business groups in emerging markets: Paragons or parasites? *Journal of Economic Literature*, *45*(2), 331–372.
Kotlar, J., Fang, H., De Massis, A., & Frattini, F. (2014). Profitability goals, control goals, and the R&D investment decisions of family and non-family firms. *Journal of Product Innovation Management*, *31*(6), 1128–1145.
La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (1998). Law and finance. *Journal of Political Economy*, *106*(6), 1113–1155.
Landau, C., Karna, A., Richter, A., & Uhlenbruck, K. (2016). Institutional leverage capability: Creating and using institutional advantage for internationalization. *Global Strategy Journal*, *6*(1), 50–68.
Le Breton-Miller, L., & Miller, D. (2006). Why do some family businesses out-compete? Governance, long-term orientations, and sustainable capability. *Entrepreneurship Theory and Practice*, *30*(6), 731–746.
Lee, K. B., Peng, M. W., & Lee, K. (2008). From diversification premium to diversification discount during institutional transitions. *Journal of World Business*, *43*(1), 47–65.
Lee, S.-H., Yamakawa, Y., Peng, M. W., & Barney, J. B. (2011). How do bankruptcy laws affect entrepreneurship development around the world? *Journal of Business Venturing*, *26*(5), 505–520.
Leitterstorf, M. P., & Rau, S. B. (2014). Socioemotional wealth and IPO underpricing of family firms. *Strategic Management Journal*, *35*(5), 751–760.
Liu, W., Yang, H., & Zhang, G. (2012). Does family firm excel in firm performance? An institution-based view. *Asia Pacific Journal of Management*, *29*(4), 965–987.
Lumpkin, G. T., & Brigham, K. H. (2011). Long-term orientation and intertemporal choice in family firms. *Entrepreneurship Theory and Practice*, *35*(6), 1149–1169.
Luo, X., & Chung, C. N. (2005). Keeping it all in the family: The role of particularistic ties in business group performance during institutional transition. *Administrative Science Quarterly*, *50*(2), 404–439.
McKinley, W., Mone, M., & Moon, G. (1999). Determinants and development of schools in organization theory. *Academy of Management Review*, *24*(4), 634–648.

McLean, R. D., Zhang, T., & Zhao, M. (2012). Why does the law matter? Investor protection and its effects on investment, finance, and growth. *Journal of Finance*, *67*(1), 313–350.
Meyer, K. E., & Peng, M. W. (2016). Theoretical foundations of emerging economy business research. *Journal of International Business Studies*, *47*(1), 3–22.
Miller, D., & Le Breton-Miller, I. (2006). Family governance and firm performance: Agency, stewardship, and capabilities. *Family Business Review*, *19*(1), 73–87.
Miller, D., Le Breton-Miller, I., Lester, R. H., & Cannella, A. (2007). Are family firms really superior performers? *Journal of Corporate Finance*, *13*(5), 829–858.
Miller, D., Lee, J., Chang, S., & Le Breton-Miller, I. (2009). Filling the institutional void: The social behavior and performance of family versus non-family technology firms in emerging markets. *Journal of International Business Studies*, *40*(5), 802–817.
Miller, D., Minichilli, A., & Corbetta, G. (2013). Is family leadership always beneficial? *Strategic Management Journal*, *34*(5), 553–571.
Minichilli, A., Brogi, M., & Calabrò, A. (2016). Weathering the storm: Family ownership, governance, and performance through the financial and economic crisis. *Corporate Governance: An International Review*, *24*(6), 552–568.
Morck, R., Wolfenzon, D., & Yeung, B. (2005). Corporate governance, economic entrenchment, and growth. *Journal of Economic Literature*, *43*(3), 655–720.
Naldi, L., Cennamo, C., Corbetta, G., & Gomez-Mejia, L. (2013). Preserving socioemotional wealth in family firms: Asset or liability? The moderating role of business context. *Entrepreneurship Theory and Practice*, *37*(6), 1341–1360.
North, D. C. (1990). *Institutions, institutional change, and economic performance*. New York, NY: Norton.
Patel, P. C., & Chrisman, J. J. (2014). Risk abatement as a strategy for R&D investments in family firms. *Strategic Management Journal*, *35*(4), 617–627.
Peng, M. W. (2003). Institutional transitions and strategic choices. *Academy of Management Review*, *28*(2), 275–296.
Peng, M. W., Ahlstrom, D., Carraher, S. M., & Shi, W. (2017). An institution-based view of global IPR history. *Journal of International Business Studies*, *48*(7), 893–907.
Peng, M. W., Bruton, G. D., Stan, C. V., & Huang, Y. (2016). Theories of the (state-owned) firm. *Asia Pacific Journal of Management*, *33*(2), 293–317.
Peng, M. W., & Jiang, Y. (2010). Institutions behind family ownership and control in large firms. *Journal of Management Studies*, *47*(2), 253–273.
Peng, M. W., Lee, S.-H., & Hong, S. J. (2014). Entrepreneurs as intermediaries. *Journal of World Business*, *49*(1), 21–31.
Peng, M. W., Lee, S.-H., & Wang, D. Y. L. (2005). What determines the scope of the firm over time? A focus on institutional relatedness. *Academy of Management Review*, *30*(3), 622–633.
Peng, M. W., Wang, D. Y. L., & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies*, *39*(5), 920–936.
Santos, F. M., & Eisenhardt, K. M. (2009). Constructing markets and shaping boundaries: Entrepreneurial power in nascent fields. *Academy of Management Journal*, *52*(4), 643–671.
Sauerwald, S., & Peng, M. W. (2013). Informal institutions, shareholder coalitions, and principal-principal conflicts. *Asia Pacific Journal of Management*, *30*(3), 853–870.
Schulze, W. S., Lubatkin, M. H., & Dino, R. (2003). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing*, *18*(4), 473–490.
Scott, W. R. (2013). *Institutions and Organizations* (4th ed.). Thousand Oaks, CA: Sage Publications.
Sharma, P., & Chua, J. H. (2013). Asian family enterprises and family business research. *Asia Pacific Journal of Management*, *30*(3), 921–936.
Siegel, J. (2007). Contingent political capital and international alliances: Evidence from South Korea. *Administrative Science Quarterly*, *52*(4), 621–666.
Steier, L. (2003). Variants of agency contracts in family-financed ventures as a continuum of familial altruistic and market rationalities. *Journal of Business Venturing*, *18*(5), 597–618.
Strike, V. M., Berrone, P., Sapp, S. G., & Congiu, L. (2015). A socioemotional wealth approach to CEO career horizons in family firms. *Journal of Management Studies*, *52*(4), 555–583.

Su, E., & Carney, M. (2013). Can China's family firms create intellectual capital? *Asia Pacific Journal of Management*, *30*(3), 657–675.
Su, W., & Lee, C.-Y. (2013). Effects of corporate governance on risk taking in Taiwanese family firms during institutional reform. *Asia Pacific Journal of Management*, *30*(3), 809–928.
Suddaby, R., & Young, R. (2015). The art of the form: A configurational perspective. *Entrepreneurship Theory and Practice*, *39*(6), 1371–1377.
Sun, S. L., Peng, M. W., & Tan, W. (2017). Institutional relatedness behind product diversification and international diversification. *Asia Pacific Journal of Management*, *34*(2), 339–366.
Telegraph. (2011). News Corp's 'Murdoch discount' is a staggering 50%. July 19. Retrieved from www.telegraph.co.uk
van Essen, M., Heugens, P., Otten, J., & van Oosterhout, J. (2012). An institution-based view of executive compensation. *Journal of International Business Studies*, *43*(4), 396–423.
van Essen, M., Carney, M., Gedajlovic, E. R., & Heugens, P. (2015). How does family control influence firm strategy and performance? A meta-analysis of U.S. publicly listed firms. *Corporate Governance: An International Review*, *23*(1), 3–24.
Verbeke, A., & Kano, L. (2010). Transaction cost economics (TCE) and the family firm. *Entrepreneurship Theory and Practice*, *34*(6), 1173–1182.
Yamakawa, Y., Peng, M. W., & Deeds, D. L. (2015). Rising from the ashes: Cognitive determinants of venture growth after entrepreneurial failure. *Entrepreneurship Theory and Practice*, *39*(2), 209–235.
Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008). Governing the corporation in emerging economies: A review of the principal-principal perspective. *Journal of Management Studies*, *45*(1), 196–220.
Young, M. N., Tsai, T., Wang, X., Liu, S., & Ahlstrom, D. (2014). Strategy in emerging economies and the theory of the firm. *Asia Pacific Journal of Management*, *31*(2), 331–354.
Zellweger, T., & Kammerlander, N. (2015). Family, wealth, and governance: An agency account. *Entrepreneurship Theory and Practice*, *39*(6), 1281–1303.

Author Biographies

Mike W. Peng is the Jindal Chair of Global Strategy at the Jindal School of Management, University of Texas at Dallas, Richardson, Texas, USA.

Wei Sun is Professor at the School of Management, Xi'an Jiaotong University, Xi'an, Shaanxi, P. R. China.

Cristina Vlas is a doctoral candidate at the Jindal School of Management, University of Texas at Dallas, Richardson, Texas, USA; and will join the University of Massachusetts, Amherst, Massachusetts, USA, as Assistant Professor.

Alessandro Minichilli is Associate Professor in the Department of Management and Technology at Bocconi University, and Head of Research at the "Corporate and Financial Institutions Division" of the SDA Bocconi Business School, Milan, Italy.

Guido Corbetta is the AIdAF-EY Chair in Strategic Management of Family Business, Department of Management and Technology and ICRIOS, Bocconi University, Milan, Italy.