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Exploring the Entrepreneurial Behavior of Family Firms: Does the Stewardship Perspective Explain Differences?

Kimberly A. Eddleston
Franz W. Kellermanns
Thomas M. Zellweger

Drawing from stewardship theory, we investigated corporate entrepreneurship in family firms. We argued that stewardship culture determinants—comprehensive strategic decision making, participative governance, long-term orientation, and human capital—differentiate the most entrepreneurial family firms. Based on a study of 179 family firms, we showed that comprehensive strategic decision making and long-term orientation contribute to corporate entrepreneurship. Additionally, family-to-firm unity enhanced the positive effects participative governance and long-term orientation have on corporate entrepreneurship. While we found that family-to-firm unity can compensate for low human capital, unexpectedly, we also found that family-to-firm unity can dampen the positive relationship between human capital and corporate entrepreneurship.

Introduction

There is much debate regarding the firm-level entrepreneurial behavior of family firms. While some view family businesses as particularly supportive of corporate entrepreneurship (e.g., Zahra, 2005), others see family businesses as being stagnant, conservative, and resistant to change (e.g., Allio, 2004). Strategic decision making can suffer in family firms when their leaders become fixated on a previously successful strategy, causing them to stifle growth (e.g., Upton, Teal, & Felan, 2001). A "generational shadow" (Davis & Harveston, 1999) or "confining legacy" (Kelly, Athanassiou, & Crittenden, 2000) can mire the firm in traditions, thereby limiting entrepreneurial behaviors (Gersick, Davis, Hampton, & Lansberg, 1997; Miller, Le Breton-Miller, & Scholnick, 2008).

Please send correspondence to: Franz W. Kellermanns at fkellermanns@whu.edu, to Kimberly A. Eddleston at k.eddleston@neu.edu, and to Thomas M. Zellweger, +41 71 224 71 00; e-mail: thomas.zellweger@unisg.ch.

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Entrepreneurship in family firms can diminish when they are entrenched with ineffective managers (Gómez-Mejía, Núñez-Nickel, & Gutierrez, 2001) or lack a board of directors to bring fresh perspectives (Le Breton-Miller & Miller, 2006; Zahra, 1996). Family firms are also criticized for hiring relatives regardless of their competence and not placing enough emphasis on building human capital (Astrachan & Kolenko, 1994; Lansberg, 1983). Without adequate human capital, employees may not be able to identify entrepreneurial opportunities or facilitate the organizational learning that spurs corporate entrepreneurship (De Nisi, Jackson, & Hitt, 2003; Hayton & Kelley, 2006). Some researchers, therefore, see stagnation and conservatism prevalent among family firms, pointing to their dwindling growth ambitions and lack of interest in pursuing entrepreneurship (e.g., Allio).

In contrast to this dismal view, some see the family firm as a unique context that supports corporate entrepreneurship. Because of the deep connections between family members and the continuity of business goals across multiple generations, the long-term planning and risk taking necessary for corporate entrepreneurship is permitted (Zahra, 2005). Further, the desire to sustain the firm for future generations can push some family firms to seek growth (Eddleston, Kellermanns, & Sarathy, 2008). Some family firm leaders understand the central role that employees play in their firm's success and entrepreneurial pursuits and therefore, work to develop a capable workforce (Arregle, Hitt, Sirmon, & Very, 2007; Miller et al., 2008). Family firms that gather opinions from various stakeholders (Sirmon, Arregle, Hitt, & Webb, 2008) and involve a board of directors (Le Breton-Miller & Miller, 2006) can remain competitive and innovative. As such, some researchers proclaim that the family dynamics of family firms promote corporate entrepreneurship (i.e., Aldrich & Cliff, 2003; Kellermanns & Eddleston, 2006; Zahra, Hayton, & Salvato, 2004).

In the present article, we strive to reconcile these divergent views of corporate entrepreneurship by asserting that a family firm's tendency to engage in corporate entrepreneurship depends upon the degree to which the firm adopts a stewardship perspective (Corbetta & Salvato, 2004; Miller et al., 2008). Drawing from previous research, we chose five determinants of a stewardship culture that we believe support a family firm's decision to invest in corporate entrepreneurship. We used two criteria in choosing each determinant: it needed to reflect the values espoused by stewardship theory and previous research on family firms seemed to indicate that it supported (or the lack thereof deterred) corporate entrepreneurship. Similar to Miller et al.'s study on stewardship that stresses the importance of longevity and a talented workforce, we include *long-term orientation* and *employee human capital*. Because a basic tenet of stewardship theory is the need for involvement-oriented management, particularly corporate governance that supports cooperation and participation (Davis, Schoorman, & Donaldson, 1997), we consider *participative governance*. *Comprehensive strategic decision making* was chosen since stewards support thorough problem analysis so as to make decisions that are in their organization's best interest (Davis et al.; Tosi, Brownlee, Silva, & Katz, 2003). Lastly, since family firm research rooted in stewardship theory highlights the psychological ownership of the family toward the firm (Corbetta & Salvato) and the shared sense of responsibility the family feels toward the firm (Eddleston & Kellermanns, 2007), we consider *family-to-firm unity*.

Our article contributes to the literature in three ways. First, we add to the corporate entrepreneurship literature. While studies investigating the antecedents of corporate entrepreneurship in nonfamily firms are common (e.g., Covin & Slevin, 1991; Zahra, Neubaum, & Huse, 2000), little research has investigated how family involvement impacts corporate entrepreneurship in the family firm context. Second, we add to the literature on stewardship theory. We argue that factors associated with stewardship theory may help explain the divergent views about family firms: why some family firms are stagnant while others are entrepreneurial. Third, we show that family-to-firm unity matters to corporate entrepreneurship. This underscores the importance of family firm research as a separate field of study and highlights how the family contributes to the firm. Given our emphasis on the family's role in promoting, or hindering, corporate entrepreneurship, we surveyed the chief executive officer (CEO) of family-controlled firms, businesses in which the family has direct impact on the management of the firm.

Theory and Hypotheses

Corporate Entrepreneurship and Family Firms

Corporate entrepreneurship has been recognized as a key factor contributing to firm success (e.g., Zahra, 1996). Corporate entrepreneurship is designed to revitalize a firm's business by changing its competitive profile (Sharma & Chrisman, 1999; Zahra, 1995, 1996). Corporate entrepreneurship allows a firm to fully exploit its current competitive advantage while also exploring tomorrow's opportunities and developing competencies required to pursue them (Covin & Miles, 1999; Kuratko, Ireland, Covin, & Hornsby, 2005). These firm-level activities are seen as ways to create new business for an existing organization through the development of new products and/or markets and through strategic renewal (e.g., Guth & Ginsberg, 1990; Sharma & Chrisman, 1999). Firms often turn to corporate entrepreneurship in an effort to increase profitability, develop future revenue streams, successfully enter new markets, or configure resources so as to develop competitive advantages (Kuratko et al.).

While the launch of a business is rooted in entrepreneurial behavior, corporate entrepreneurship is necessary to keep a business competitive, allowing it to hold on to market share, enter new markets, and adapt to industry changes. Since a basic goal of family firms is to remain in the family across generations, corporate entrepreneurship appears vital to their survival. However, due to concern for wealth preservation, the challenges involved in pursuing entrepreneurial activities can cause family firm leaders to view corporate entrepreneurship cautiously.

The decision to invest in corporate entrepreneurship is a matter of strategic choice (Sirmon & Hitt, 2003) that may be related to a firm's organizational culture. While the assumptions underlying agency theory emphasize self-interest and individual utility maximization, the assumptions underlying stewardship theory stress collectivistic attitudes and self-actualizing behaviors (Corbetta & Salvato, 2004). When a family firm favors the principles of agency theory, organizational behavior will be designed to minimize losses, control opportunistic tendencies, and maximize efficiency. In contrast, when a family firm favors stewardship theory principles, employee and organizational interests will be aligned and organizational structures will be involvement oriented and empowering (Corbetta & Salvato). As a result, family firms that support a stewardship philosophy will "adopt innovative and proactive behaviors that involve calculated risks, but can also significantly improve firm performance" (Corbetta & Salvato, p. 359). Since the goal of our study is to explain variation in corporate entrepreneurship among family firms, the stewardship perspective appears promising.

The Stewardship Perspective and Family Firms

Although not all family firms possess a stewardship culture, when stewardship is present in family firms, a competitive advantage may arise due to organizational members' collectivistic attitudes, psychological commitment, and trustworthy behaviors. For example, when family members are stewards of their business, they are willing to put aside personal interests for the sake of the firm (i.e., Corbetta & Salvato, 2004; Eddleston & Kellermanns, 2007; Eddleston et al., 2008). Accordingly, recent research employing a stewardship perspective has shown that effective family relationships and processes contribute to firm performance (Eddleston & Kellermanns; Eddleston et al.).

There are numerous ways that a stewardship culture may materialize in family firms. Miller et al. (2008) focused on longevity, the nurturing of a talented workforce, and connections with external stakeholders. Zahra, Hayton, Neubaum, Dibrell, and Craig (2008) considered long-term orientation, aligned values between the family and business, and family identification with the business. Eddleston and Kellermanns (2007) included reciprocal altruism, participative decision making, and the sharing of control in firm governance. Each of these determinants are in line with Davis et al.'s (1997) depiction of stewardship theory as emphasizing performance-enhancing decision making, involvement-oriented governance, long-term orientation, quality and training of employees, and strong identification and commitment to the organization. In our implementation of stewardship theory, we therefore consider comprehensive strategic decision making, participative governance, long-term orientation, employee human capital, and family-to-firm unity.

Comprehensive Strategic Decision Making

Comprehensive strategic decision making, characterized as the in-depth analysis of multiple strategic options (Talaulicar, Grundei, & von Werder, 2005), supports the thorough problem analysis espoused by stewardship theory. According to stewardship theory, stewards are motivated to maximize organizational performance because their interests are aligned with those of the organization and stewards maximize their own utility by making decisions that are in the organization's best interest (Davis et al., 1997; Tosi et al., 2003). In an effort to maximize the organization's performance, stewards may be more diligent in comprehensively evaluating strategic decisions. In this way, comprehensive strategic decision making may help minimize group thinking (Talaulicar et al.) and foster creativity, thus nurturing corporate entrepreneurship. For example, a decision-making process that tolerates ambiguity and encourages the discussion of strategic options has been found to be an important antecedent of corporate entrepreneurship (e.g., Lyon, Lumpkin, & Dess, 2000).

Whereas the consideration and evaluation of strategic options are beneficial in general, a comprehensive strategic decision-making approach may be a particularly important factor that distinguishes the most entrepreneurial family firms. Family firms that adopt a comprehensive strategic decision-making process should be better able to integrate innovation and foster new product development (e.g., McCann, Leon-Guerrero, & Haley, 2001). When different perspectives are considered, the information base of the organization is enhanced (Talaulicar et al., 2005). Gaps in information can be identified, thought experiments conducted, and assumptions tested, improving entrepreneurial tendencies (Gruber, 2007). As Eisenhardt (1989) has shown, a comprehensive approach to decision making helps decision makers cope with high-stake decisions. Since entrepreneurship is seen as a high-stake situation, particularly for family firms where the family's wealth is tied to the firm (Carney, 2005), comprehensive strategic decision making may be key to understanding a family firm's decision to invest in corporate entrepreneurship. Therefore:

Hypothesis 1: Comprehensive strategic decision making is positively related to corporate entrepreneurship in family-controlled firms.

Participative Governance

With regard to governance, stewardship theory advocates participation and empowerment as opposed to monitoring and control (Davis et al., 1997). It is believed that pro-organizational actions are best facilitated when corporate governance supports cooperation and participation. Davis et al. suggest that corporate governance supports the stewardship perspective when top managers and the board of directors are able to participate in decision making since both are believed to have interests that are aligned with the organization, and each provides a unique perspective. Accordingly, we define participative governance as the capability of both the family and the board of directors to participate in the development of corporate strategy. Effective governance appears important in understanding corporate entrepreneurship since it helps a firm to pursue value-creating activities and growth (Zahra & Pearce, 1989).

In particular, participative governance may distinguish the most entrepreneurial family firms since family firms often suffer from the entrenchment of ineffective managers (Gómez-Mejía, Hynes, Núñez-Nickel, & Moyano-Fuentes, 2007) and managers who are slow to recognize and respond to changes in their environments (Zahra et al., 2008). A board of directors can play an important role within participative governance since they can assist the family with strategic planning (Chrisman, Chua, & Litz, 2004), monitor firm performance, discipline firm managers, and offer needed expertise (Schulze, Lubatkin, Dino, & Buchholtz, 2001). Working with the family, a board of directors can encourage firm managers to pursue entrepreneurial activities (Zahra, 1996), helping the firm to renew itself by exploring new market opportunities and product strategies (Gabrielsson, 2007). In turn, the family is able to complement the fresh perspectives of directors by offering critical insights based on family members' experience and knowledge of the firm. This sharing of strategic control and combination of diverse perspectives may thereby enhance a family firm's ability to identify and exploit entrepreneurial opportunities. Indeed, Sirmon et al. (2008) argued that more diverse voices at the table can prevent family firms from becoming rigid or stagnant. By combining the tacit knowledge of family members with the unique perspectives of the board of directors, corporate entrepreneurship should be facilitated.

Hypothesis 2: Participative governance is positively related to corporate entrepreneurship in family-controlled firms.

Long-Term Orientation

A long-term orientation refers to an organizational culture that favors patient investments in time-consuming activities (e.g., Zahra et al., 2004). A long-term orientation is a key component of the stewardship perspective (Davis et al., 1997; Miller et al., 2008) and may explain why some family firms are more likely to invest in entrepreneurship than others (Zahra et al.). Family members, acting as stewards, put aside the pursuit of short-term gains for the long-term well-being of the firm. Indeed, stewardship over the longevity of the family firm is believed to enhance research and development, the development of new product offerings, and the pursuit of new markets (Miller & Le Breton-Miller, 2005).

Long-term investments and long-term planning appear to promote entrepreneurial behavior in family firms, and the success of these firms across multiple generations

(Zahra, 2005; Zahra et al., 2004). Zellweger (2007) suggests that a long-term orientation allows family firms to pursue entrepreneurial opportunities that their short-term-oriented competitors reject. In turn, these long-term-oriented family firms have the potential to create investment portfolios that are highly profitable in the long run (Zellweger). For example, fast-growth, high-performing family firms have been found to develop long-term goals and strategies and to place great importance on long-term financial performance (McCann et al., 2001). Furthermore, Zahra et al. (p. 363) noted that a long-term orientation allows family firms to "dedicate the resources required for innovation and risk taking, thereby fostering entrepreneurship." Thus, we propose:

> **Hypothesis 3:** Long-term orientation is positively related to corporate entrepreneurship in family-controlled firms.

Employee Human Capital

Building a group of talented employees is an important way family firm leaders demonstrate stewardship for their firm (Miller et al., 2008). Family firms that embrace a stewardship culture see their people as the lifeblood of the business and therefore focus on developing a skilled workforce (Arregle et al., 2007; Miller et al.). The "model of man" underlying stewardship theory focuses on trust, autonomy, and empowerment and consequently, emphasizes the need for a high-quality workforce, particularly in uncertain and risky environments (Davis et al., 1997). Given that family firms are often criticized for creating jobs for family members regardless of their capabilities (Lansberg, 1983), firms that demonstrate stewardship by building employee human capital may be most proficient at maintaining firm health and avoiding stagnation (Miller et al.).

Supported by organizational learning, corporate entrepreneurship heavily relies on employee contributions and their human capital (De Nisi et al., 2003; Hayton & Kelley, 2006). Employees are involved with identifying opportunities and creating innovative changes that spur corporate entrepreneurship. They are also charged with implementing corporate entrepreneurship initiatives. In this way, the role of individuals in facilitating corporate entrepreneurship cannot be overstated (Hayton & Kelley).

Yet, because of the dynamic environment associated with entrepreneurship, it is often quite difficult to capture the specific employee human capital requirements of corporate entrepreneurship (Lawler, 1994). Rather, emphasis should be placed on competence-building factors that take into account education and tacit knowledge acquired through experience (Hayton & Kelley, 2006). When employees possess a high degree of human capital, management is able to empower and trust its employees (Davis & Harveston, 1999), which may spur entrepreneurial behavior. Since "corporate entrepreneurship often emerges spontaneously with role occupants akin to volunteers" (Hayton & Kelley, p. 412), a stewardship culture that supports autonomy and trust in workers' abilities (Davis et al., 1997) appears conducive to corporate entrepreneurship.

However, employee human capital in family firms is complicated because of family members' simultaneous participation in the family and in the business (Sirmon & Hitt, 2003). Some family firms suffer from problems with employee selection, hiring relatives regardless of their competence, thus threatening the effectiveness of the business (Lansberg, 1983). By creating jobs for relatives, family firms often have employees who do not possess the necessary education or experience to successfully perform their jobs (Fiegener, Brown, Prince, & File, 1996). When family firms do not emphasize human capital in their hiring practices, qualified employees often leave or avoid these firms due to limited potential for professional growth (Sirmon & Hitt, 2003). Once employee human capital is lacking, regardless of motivational level, small businesses may fail to innovate and grow (Wiklund & Shepherd, 2003). Given these common problems, employee human capital appears vital to corporate entrepreneurship of family firms.

Hypothesis 4: Employee human capital is positively related to corporate entrepreneurship in family-controlled firms.

Moderating Effect of Family-to-Firm Unity

According to stewardship theory, stewards gain utility from fulfilling the goals and objectives of the organization (Davis et al., 1997). This increased goal congruence motivates "stewards to adopt innovative and proactive behaviors that involve calculated risks, but can also significantly improve performance" (Corbetta & Salvato, 2004, p. 359). Because the family and the business are inextricably intertwined in family firms, success in one area can lead to success in the other (Olson et al., 2003). Specifically, some researchers argue that the interaction between the family system and business system creates the greatest value for a family firm (Gersick et al., 1997; Lansberg, 1983). It has been suggested that examining the relationship between the family and the firm is critical for understanding when family firms are most entrepreneurial (e.g., Aldrich & Cliff, 2003). In line with this view and the stewardship perspective, we argue that family-to-firm unity facilitates corporate entrepreneurship by acting as a moderator of the proposed relationships.

We define family-to-firm unity as the bond a family has with the firm, embodying a sense of oneness and integration among family members and the firm. While family-to-firm unity is similar to the concept of family harmony (Beehr, Drexler, & Faulkner, 1997) in that it considers connections among family members, it extends the concept by also considering the family's psychological connection to the firm. This broader perspective is warranted since norms associated with the family and business systems often compete (Lansberg, 1983), giving rise to calls for research that considers the cooperation and synergy between the family and the firm (Aldrich & Cliff, 2003; Corbetta & Salvato, 2004).

While family firms are often characterized as suffering from agency costs and conflict, some family firms are portrayed as relying on intrafamilial concern, clan-based collegiality, trust, and devotion to the firm (Corbetta & Salvato, 2004; Eddleston & Kellermanns, 2007). Accordingly, strong family-to-firm unity may encourage family members to act as stewards of their firm, motivated to fulfill organizational goals and entrepreneurial initiatives (Tsui, Pearce, Porter, & Tripoli, 1997). Family-to-firm unity further helps to focus family members' collective efforts on the goals of the family firm, encouraging them to put aside their own interests for the sake of the firm. This synergy between the family and firm may thereby facilitate factors aimed to enhance corporate entrepreneurship. More specifically, later, we argue that family-to-firm unity may heighten the proposed positive effects comprehensive strategic decision making, participative governance, long-term orientation, and employee human capital have on family firm corporate entrepreneurship.

Stewardship theory stresses that when employee interests are aligned with those of the organization, employees will work diligently to accomplish firm goals (Davis et al., 1997). Family-to-firm unity may therefore help to ensure that the goals and strategies created through a comprehensive strategic decision-making process are properly implemented, thereby fostering corporate entrepreneurship. Accordingly, family-to-firm unity may aid in the implementation of decisions arrived at through a comprehensive strategic decision-making process.

Similarly, because of the organizational commitment of stewards (Davis et al., 1997), family-to-firm unity may entice family members to support the decisions made by their board of directors and family firm leaders. In contrast, a lack of family-to-firm unity may limit the effectiveness of a participative governance structure since distrust can cause coordination and control problems that undermine the family firm (Steier, 2001). Therefore, family-to-firm unity may offer the necessary support for participative governance, thus enhancing a family firm's corporate entrepreneurship.

In addition, family-to-firm unity may magnify the positive influence long-term orientation has on corporate entrepreneurship. When family members exercise careful stewardship over the well-being and continuity of the family firm, they may offer resources such as free labor, equity, and loans to ensure the firm's long-term survival (Eddleston & Kellermanns, 2007; Eddleston et al., 2008). When family members feel a sense of unity, their belief in the family firm may intensify, inducing them to support projects that have longer term payoffs. Thus, family-to-firm unity is expected to augment the positive link between long-term orientation and corporate entrepreneurship.

Lastly, according to stewardship theory, stewards aim to serve their organizations and work vigorously on behalf of their organizations (Davis et al., 1997). Social interactions provide family firm members with a better understanding of their firm's human capital (Sirmon & Hitt, 2003), and these interactions contribute to shared learning (St. John & Rue, 1991). As such, a firm with much family-to-firm unity may be best able to capitalize on their human capital because they may be proficient at matching jobs with employee skills and abilities. In addition, family-to-firm unity may promote a stewardship environment that supports employee collaboration and information exchange. For example, strong kinship relationships can encourage employees to trust one another, and share sensitive information and innovative ideas, thereby leading to corporate entrepreneurship (Zahra et al., 2004). These arguments lead to the following:

Hypothesis 5a: Family-to-firm unity enhances the positive relationship between comprehensive strategic decision making and corporate entrepreneurship.

Hypothesis 5b: Family-to-firm unity enhances the positive relationship between participative governance and corporate entrepreneurship.

Hypothesis 5c: Family-to-firm unity enhances the positive relationship between long-term orientation and corporate entrepreneurship.

Hypothesis 5d: Family-to-firm unity enhances the positive relationship between employee human capital and corporate entrepreneurship.

Method

Sample

We obtained a mailing list of 1,250 privately held family firms affiliated with a family business center at a major university in Switzerland. Two hundred nineteen surveys representing 179 distinct firms were returned, resulting in a 14.3% response rate. This response rate can be considered satisfactory and comparable with other studies of family firms or survey-based data (e.g., Chrisman, Chua, Chang, & Kellermanns, 2007). All firms identified themselves as family firms and noted that the majority of ownership resided within the family (average ownership of 87.2%) and at least two family members were employed (e.g., Eddleston & Kellermanns, 2007; Eddleston et al., 2008).

We relied on a key informant approach in our study (see Kumar, Stern, & Anderson, 1993), surveying the family firm CEO. This is common for corporate entrepreneurship research on family firms (e.g., Zahra, 2005). As 16.3% of our CEOs were nonfamily members, we compared the means of their responses with family member CEOs and did not observe significant differences in the utilized measures. Further, because prior literature has called for the validation of responses from key informants (e.g., Eddleston & Kellermanns, 2007), for a subset of the sample (n = 39), we collected data from two or more respondents and calculated the coefficient of agreement (r_{wg}) (e.g., James, Demaree, & Wolf, 1993). All values for our multi-item constructs were acceptable $r_{wg} > .88$.

We only observed moderate levels of correlations between our variables. Nevertheless, to mitigate potential common method multicollinearity problems, we centered the variables (Cronbach, 1987) and calculated the variance inflation factors (all < 2.247), which suggested multicollinearity was not a concern in this study (Hair, Anderson, Tatham, & Black, 1998). We further tested for common method bias as suggested by Podsakoff and Organ (1986). Since no common method factor emerged and no individual factor accounted for the majority of the variance explained, concerns regarding common method bias were minimized.

Measures

All constructs were measured using Likert-type scales with a 7-point response format anchored by "strongly disagree" to "strongly agree" and were averaged. All construct items and the associated alphas (all $\alpha > .72$) are listed in the Appendix. We also conducted a confirmatory factor analysis, which showed good fit with a comparative fit index of .949, an incremental index of fit of .951, a Tucker–Lewis Index of .940, a root mean square error of approximation (RMSEA) of .041, and a χ^2/DF ratio of 1.302 ($p < .001$) (e.g., Hu & Bentler, 1999).

Independent Variables and Moderator

Comprehensive strategic decision making was measured using three items from the strategic management and decision-making literature (see Talaulicar et al., 2005). Following Chrisman et al.'s (2004) suggestion, we assessed *participative governance* by focusing on the direct input of both the family and board of directors in managing the strategic direction of the firm. The four items used to assess *long-term orientation* were inspired by Zellweger (2007) whose research focused on the impact of an increased time horizon on investment possibilities. *Employee human capital* is a complex construct that has been assessed in multiple ways but most often, as an individual's education level (e.g., Davidsson & Honig, 2003). To adapt this measure to a wide variety of organizations and allow for a firm-level assessment, we utilized two items that were aimed to assess the overall education and skill level of the workforce. Our 5-item measure of *family-to-firm unity* was created to assess the sense of oneness a family feels for their firm, demonstrated through supportive behaviors derived from intact family relationships (e.g., Beehr et al., 1997; McAllister, 1995).

Dependent Variable

The *corporate entrepreneurship* measure was designed to tap a variety of entrepreneurial behavior dimensions, namely innovation, competitive aggressiveness, and proactiveness. It captures a firm's entrepreneurial tendencies, which partly distinguishes our measure from assessments of actual entrepreneurial behavior. As can be seen in the Appendix, the 7-point Likert-type scale was anchored by two items at opposite ends of a continuum. We utilized a selection of items presented in Barringer and Bluedorn (1999).

Control Variables

We utilized 10 different control variables in our study. First, we controlled for *industry* with five dummy codes (construction, wood processing, engineering, business services, manufacturing) as entrepreneurial activities may be more pronounced in some industries than others (Capon, Farley, & Hoenig, 1990). Second, we controlled for *firm age* to control for both liability of newness concerns (Stinchcombe, 1965) and potential higher growth in younger organizations. Third, we controlled for *firm size* since larger firms may engage in higher levels of entrepreneurial activities due to greater organizational slack (Kellermanns & Eddleston, 2006). Fourth, we included *CEO age* as a control since this is seen as an antecedent of entrepreneurial behavior (Levesque & Minniti, 2006). Fifth, we utilized degree of family ownership as a control variable as it has been argued to affect expansion activities (Gersick et al., 1997). Lastly, we controlled for past performance as prior performance can either trigger inertial processes or organizational change (e.g., Kellermanns & Eddleston, 2006).

Results

The means, standard deviations, and zero-order correlations are shown in Table 1. As can be seen from Table 1, the mean number of employees is 341, suggesting that our results pertain to small- to mid-sized firms. The hypotheses proposed in the research model were tested using multiple regression analysis. Results are presented in Table 2. We entered five controls for industry, company size, firm age, and past performance in Model 1.

In order to test the first four hypotheses, we entered the independent variables in the second model. A significant change in R^2 was observed ($\Delta R^2 = .111$, $p < .001$). Comprehensive strategic decision making ($\beta = .243$, $p < .01$) and long-term orientation ($\beta = .201$, $p < .01$) were found to have a significant positive effect on corporate entrepreneurship in family firms, thus supporting Hypotheses 1 and 3. However, neither participative governance nor employee human capital was found to significantly impact corporate entrepreneurship in family firms, thus not supporting Hypotheses 2 and 4.

In order to test the hypothesized moderation effects, we first entered the moderator independently in Model 3 and then entered the four interaction terms in Model 4. In Model 4, a significant change in R^2 was observed ($\Delta R^2 = .048$, $p < .05$), with three interaction effects indicating significance. To facilitate the interpretation of the moderation effects, the significant interactions were plotted in Figures 1–3.

Hypothesis 5a, which hypothesized that family-to-firm unity would augment the positive relationship between comprehensive strategic decision making and corporate entrepreneurship, was not supported ($\beta = -.129$, not signficant). Hypothesis 5b argued that family-to-firm unity would enhance the relationship between participative governance and corporate entrepreneurship in family firms. A significant interaction was found, thus supporting Hypothesis 5b ($\beta = .171$, $p < .05$) (see Figure 1). Hypothesis 5c, which argued that family-to-firm unity would increase the positive relationship between long-term orientation and corporate entrepreneurship, was marginally supported ($\beta = .141$, $p < .10$) (see Figure 2). The coefficient for Hypothesis 5d, which proposed that family-to-firm

Table 1

Correlation Matrix, Means, and Standard Deviations

Variables	Mean	SD	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
1. Construction-related industries	.27	.44															
2. Wood processing-related industries	.07	.26	−.17*														
3. Engineering-related industries	.10	.29	−.20**	−.09													
4. Service-related industries	.30	.45	−39***	−.18*	−.21**												
5. Manufacturing-related industries	.13	.32	−.23**	−.11	−.12	−.24***											
6. Size (employees)	340.97	1907.52	−.06	−.03	−.05	−.07	.25***										
7. Firm age	69.08	38.08	.17*	−.08	−.04	−.30***	.12†	.03									
8. CEO age	51.43	10.96	.02	−.04	−.20**	−.01	.16*	.07	.13†								
9. Degree of family ownership	87.19	24.96	.06	−.02	−.10	−.01	.06	.01	.09	.01							
10. Past performance	4.29	1.12	−.20**	−.15*	.02	.09	.20**	.13†	−.02	.08	−.03						
11. Comprehensive strat DM	5.35	.95	−.15†	−.10	−.02	−.08	.19*	.12	.16*	.24***	−.12	.24***					
12. Participative governance	5.71	.86	.02	−.18*	−.07	.09	−.04	.04	−.09	.11	.06	.20**	.39***				
13. Long-term orientation	4.30	1.10	−.15*	.01	.04	.04	.05	.09	.02	.02	.04	.32***	.29***	.22**			
14. Employee human capital	5.91	.65	−.04	.08	−.06	.05	−.01	.15*	−.13†	.24***	−.21**	.05	.31***	.26***	.13†		
15. Family-to-firm unity	5.48	.84	.07	−.02	.07	−.08	−.09	.04	.01	−.01	.01	.16*	.28***	.46***	.15*	.20**	
16. Corporate entrepreneurship	4.62	1.09	−.17*	−.08	−.07	−.02	.20***	.09	.04	−.01	−.05	24***	.36***	.13†	.31***	.15†	.09

n = 179, † $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$.

Table 2

Results of Regression Analysis[‡]

	Corporate entrepreneurship			
Variables	Model 1	Model 2	Model 3	Model 4
Controls:				
Construction-related industries	−.256*	−.170†	−.169†	−.140
Wood processing-related industries	−.142	−.122	−.121	−.104
Engineering-related industries	−.191*	−.168†	−.167†	−.138
Service-related industries	−.194†	−.140	−.140	−.140
Manufacturing-related industries	.026	.047	.046	.056
Size (employees)	.021	−.013	−.013	−.007
Firm age	.017	−.016	−.016	−.055
CEO age	.069	.130†	.130†	.121
Degree of family ownership	−.059	−.023	−.023	−.041
Past performance	.184*	.084	.085	.109
Independent variable				
Comprehensive strategic decision making		.243**	.244**	.260**
Participative governance		−.042	−.039	−.008
Long-term orientation		.201**	.201**	.175*
Employee human capital		.078	.079	.080
Moderator				
Family-to-firm unity			−.008	.024
Interaction effect				
Family-to-firm unity * comprehensive strat. DM				−.129
Family-to-firm unity * participative governance				.171*
Family-to-firm unity * long-term orientation				.141†
Family-to-firm unity * employee human capital				−.170*
ΔR^2	.125*	.111***	.000	.048*
R^2	.125	.236	.236	.284
Adjusted R^2	.073	.171	.166	.199
F	2.407*	3.573***	3.335***	3.168***

$n = 179$, † $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$
[‡] Standardized regression weights.

unity would moderate the relationship between employee human capital and corporate entrepreneurship, was significant ($\beta = -.170$, $p < .05$), but further analysis indicated that the direction of the interaction was not as predicted (see Figure 3). The individual interactions are discussed in detail in the next section.

Discussion

Our article reaffirms earlier suggestions in the literature that family members' influence in the family firm may affect their ability to engage in entrepreneurial behavior and that stewardship determinants may help a family firm to avoid stagnation (e.g., Kellermanns & Eddleston, 2006; Miller et al., 2008). In line with the stewardship perspective of family firms, our study shows that comprehensive strategic decision making is positively associated with corporate entrepreneurship. This result adds to the family business

Figure 1

Interaction Between Family-to-Firm Unity and Participative Governance

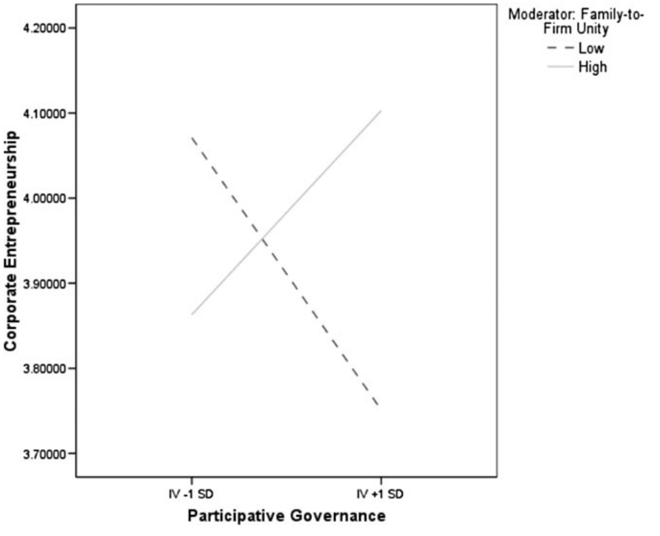
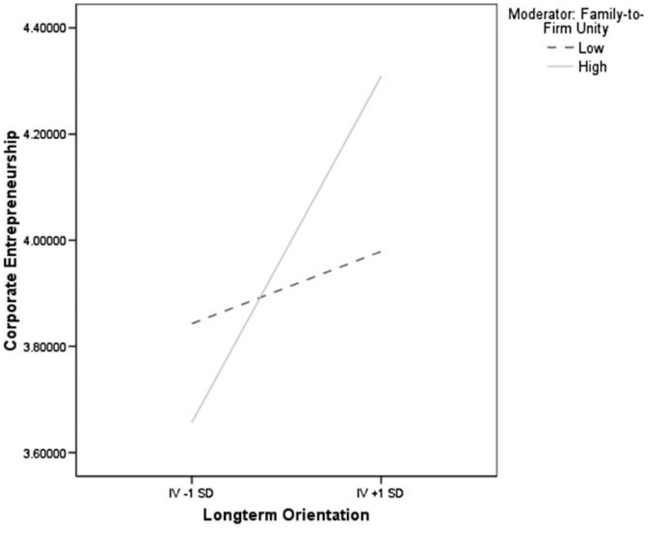


Figure 2

Interaction Between Family-to-Firm Unity and Long-Term Orientation

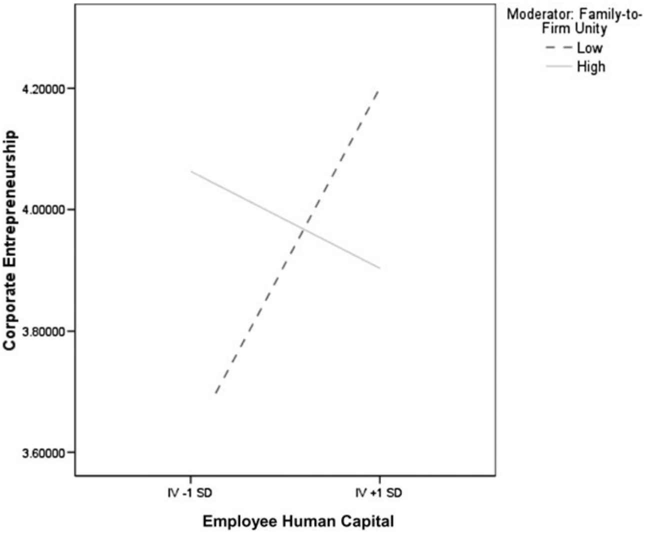


literature by complementing earlier findings that stress the importance of strategic planning in family firms (Eddleston & Kellermanns, 2007; Kellermanns & Eddleston).

Our study also adds to family business and entrepreneurship literatures by demonstrating a positive relationship between long-term orientation and corporate entrepreneurship, suggesting that cross-generational sustainability appears to promote

Figure 3

Interaction Between Family-to-Firm Unity and Employee Human Capital



corporate entrepreneurship in family firms. Indeed, patient financial capital may be an important resource that encourages entrepreneurial behavior in family firms since it provides strategic advantages and investment opportunities that are avoided by short-term-oriented firms (Sirmon & Hitt, 2003; Zellweger, 2007). Additionally, family-to-firm unity was found to augment the positive relationship between long-term orientation and corporate entrepreneurship as hypothesized.

Contrary to our expectations, participative governance was not shown to have a direct effect on corporate entrepreneurship. The lack of significance of participative governance was surprising since researchers often stress the importance of both the family managers and the board of directors to a family firm's strategic planning and performance (Chrisman et al., 2004; Corbetta & Tomaselli, 1996; Eddleston et al., 2008). Perhaps the diversity of ideas leads to indecision, conflict, or inertia. The lack of a relationship could also mean that family firms headed by a single entrepreneurial leader can be just as entrepreneurial as those that seek input from a board of directors or other family members. This seems to support the thinking of Gedajlovic, Lubatkin, and Schulze (2004), who argued that founders of family firms seem to be particularly alert to entrepreneurial opportunities.

However, in line with our prediction, family-to-firm unity interacts with participative governance to be significantly associated with corporate entrepreneurship. Family firms are most entrepreneurial when high participative governance is coupled with much family-to-firm unity. These results suggest that for participative governance to benefit the entrepreneurial efforts of family firms, the family must display strong family-to-firm unity; without this unity, participative governance will not translate into greater corporate entrepreneurship. Interestingly, a second scenario that supports corporate entrepreneurship also exists. When family firms have little participative governance and lack family-to-firm unity, their corporate entrepreneurship appears high. Perhaps in this scenario self-interest takes precedence causing individuals to compete and to pursue their own endeavors.

Our findings regarding employee human capital were not as expected. Given the literature that criticizes family firms for creating jobs for family members regardless of their competence (i.e., Fiegener et al., 1996; Lansberg, 2003), we thought firms that valued employee human capital would have the greatest corporate entrepreneurship. Rather, the influence of employee human capital on corporate entrepreneurship is contingent on the organization's level of family-to-firm unity.

The interaction demonstrates that firms with little employee human capital are most entrepreneurial when they have high family-to-firm unity. In such a scenario, it appears that a family's dedication to the firm and each other may compensate for a lack of employee human capital. Alternatively, a unified family firm may offer confidence to a workforce that lacks human capital, leading them to question the assumptions in their industry, thus enhancing corporate entrepreneurship. However, contrary to our prediction, we see that family-to-firm unity dampens corporate entrepreneurship at higher levels of employee human capital. Thus, strong family-to-firm unity coupled with high employee human capital may lead these firms to focus more on the status quo, not wanting to upset family harmony and not seeing the need for change.

In comparison, firms rich in employee human capital that lack family-to-firm unity may emphasize individualism and thereby encourage employees to pursue their own ideas and entrepreneurial initiatives. Therefore, family firms with a highly skilled workforce may shine in a less united and family-like environment since individual excellence, autonomy, and risk taking are encouraged. Family firms that invest in building employee human capital may therefore need to emphasize individual initiative, and possibly some competition, if they hope to reach their entrepreneurial potential. In firms that lack employee human capital, the collectivistic traits associated with family-to-firm unity may facilitate the sharing of information across functional areas as well as collaboration and cooperation, thus enhancing corporate entrepreneurship.

Limitations, Future Research, and Conclusion

We need to mention a few limitations of our study. First, our design was cross-sectional in nature, thus not allowing us to argue causality and exposing us to problems of common method bias. While our test for common method bias indicated that this does not appear to pose a problem in our study (Podsakoff & Organ, 1986), the cross-sectional design may have hampered our conclusions particularly since stewardship-related variables may take time to generate positive outcomes.

Furthermore, we relied on the CEO as a key informant in our study. While we were able to collect multiple responses from a subset of our sample and show high interfirm level agreement, multiple respondents for the entire sample would have strengthened our study design. Additionally, CEOs who were not family members may have had difficulties responding to some of our questions, particularly those related to family-to-firm unity. We also need to mention that our study was set in Switzerland. Accordingly, the presented items were subject to translation and back-translation. For the sake of accuracy, we presented the back-translated items, which sometimes necessitated the use of double-barreled items to more accurately reflect the German translation. Finally, our sample is composed solely of family firms, and therefore, we are not able to compare family and nonfamily firms. Certainly, nonfamily firms can also possess a stewardship culture. Therefore, research that compares the benefits of a stewardship perspective in family and non-family firms is warranted. Research should also examine differences regarding how a stewardship culture manifests in family versus nonfamily firms.

Additionally, because the firms in our study belonged to a family business center, there may be concerns regarding the nonrandom nature of our sample and survivorship bias. For example, more successful and proactive family firms may belong to a family business center. Moreover, because steward-like behaviors are socially desirable, respondents may have overestimated such behaviors when responding to the survey. Future research should therefore examine if the relationships found in our study also hold for family firms not associated with a family business center and gather data from additional respondents who can corroborate the CEO's perspective.

In spite of these limitations, our study offers a wide variety of future research opportunities. Future studies may want to investigate additional variables characterizing family influence (e.g., Klein, Astrachan, & Smyrnios, 2005) and the stewardship perspective of the family firm (Eddleston & Kellermanns, 2007; Eddleston et al., 2008; Zahra et al., 2008). Mentioning the notion of equifinality, Zahra, Jennings, and Kuratko (1999) argued that firms can utilize different strategies to achieve the same outcome, suggesting that there may be no performance differences between entrepreneurial and stagnant firms. This notion appears ripe for future research on family firms and the stewardship perspective. Additionally, it would be interesting to study the extent to which stewardship behaviors can be intentionally introduced into a business. Since stewardship stems from the "model of man" prevailing within an organization, can stewardship be encouraged in firms that lack a collectivistic, self-actualizing "model of man?" Such research would help us to understand the extent to which a stewardship perspective in a firm is deliberate and mindful.

In conclusion, our results demonstrate that a stewardship perspective, for the most part, differentiates entrepreneurial family firms. Corporate entrepreneurship was found to be highest in family firms that supported comprehensive strategic decision making and a long-term orientation. Participative governance was also shown to contribute to corporate entrepreneurship when family-to-firm unity was high. Additionally, family-to-firm unity enhanced the positive relationship between long-term orientation and corporate entrepreneurship. Taken together, our study suggests that particular processes may enhance corporate entrepreneurship in family firms. Family firms that show patience (long-term orientation) and are willing to consider different options (comprehensive strategic decision making) are most entrepreneurial. As such, it appears that CEOs of the most entrepreneurial family firms may be able to balance commitment to long-term projects with the need to consider new or different strategic options. Stewardship is also reflected in the family's unified support for what is best for the business, willing to see long-term goals through, and to listen to the perspectives of a board of directors and other family members. When a family is aligned with the firm, even firms with an unskilled workforce can become entrepreneurial.

However, our findings suggest that there may be some caveats to the benefits of a stewardship philosophy to corporate entrepreneurship that should be further investigated. Family-to-firm unity decreased the positive relationship between employee human capital and corporate entrepreneurship, suggesting that family-to-firm unity may limit the entrepreneurial potential of a talented workforce. Our moderation results also suggest that family firms with shorter term orientations and nonparticipative governance structures invest little in corporate entrepreneurship when they have much family-to-firm unity. This implies that in certain scenarios, family-to-firm unity may reinforce the status quo, thereby preventing benefits of corporate entrepreneurship. Thus, our results help to explain why some family firms are entrepreneurial while others appear more stagnant.

Appendix

Scale Items and Reliabilities

Construct	Items	α
Dependent Variable		
Corporate Entrepreneurship	**Indicate your level of agreement with the following statements:**	.82
	Regarding the marketing of new lines of products or services in the past 5 years	
	Has no new lines of products or services (left anchor, coded 1)	
	Has many new lines of products or services (right anchor, coded 7)	
	Changes in product or service lines have been mostly of a minor nature (left anchor, coded 1)	
	Changes in product or service lines have usually been quite dramatic (right anchor, coded 7)	
	The top managers favor a strong emphasis on the marketing of tried products/services (left anchor, coded 1)	
	The top managers favor a strong emphasis on R&D, technological leadership, and innovation (right anchor, coded 7)	
	In dealing with its competitors, my firm . . .	
	Tends to respond to actions which competitors initiate (left anchor, coded 1)	
	Tends to initiate actions to which competitors then respond (right anchor, coded 7)	
	Is seldom the first firm to introduce new products/services, technologies, etc. (left anchor, coded 1)	
	Is often the first firm to introduce new products/services, technologies, etc. (right anchor, coded 7)	
	Makes no special effort to take business from competitors (left anchor, coded 1)	
	Is very aggressive and intensely competitive (right anchor, coded 7)	
	Typically seeks to avoid competitive clashes; a "live-and-let-live" posture (left anchor, coded 1)	
	Typically adopts a very competitive, "undo-the-competitor" posture (right anchor, coded 7)	
Independent Variables		
Comprehensive Decision Making	When strategic decisions are made, several options are considered.	.86
	When strategic decisions are made, every option is considered and evaluated extensively.	
	When evaluating options, multiple criteria are considered.	
Participative Governance	The board of directors has the capability to manage and implement change processes or new strategic directions.	.73
	Family members have the capability to manage and implement change processes or new strategic directions.	
	The Board of Directors participate in developing the corporate strategy.	
	Family members understand the company's strategic objective.	
Long-term Orientation	Our family firm pursues multiple investment projects and then waits to see how they evolve over time.	.72
	Our family firm is able to invest in projects that take a longer time to see financial returns.	
	Our family firm is able to invest in projects that are less profitable than those pursued by its competitors.	
	Our family firm pursues investment projects that are riskier than the ones of its competitors.	
Employee Human Capital	The workforce is well educated.	.81
	The workers are very skilled and experienced.	
Moderator		
Family-to-Firm Unity	Within the family firm we have family harmony and unity.	.78
	The family protects each other's interests.	
	Working together with family members is a positive aspect of our family firm.	
	The family derives reputation and image in the social community.	
	Family members are proud to work for this firm.	
Controls		
Past Performance	Our firm returns good financial profit.	.80
	Our firm has strong growth opportunities.	
	We receive a good return on our invested capital.	
	The shareholders receive high dividends from the firm.	
	The family members derive attractive perks from the firm.	
	The family has financial freedom thanks to the firm's financial performance.	

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Kimberly A. Eddleston is an Associate Professor at Northeastern University, where she holds the Tarica-Edwards Research Fellowship.

Franz W. Kellermanns is an Associate Professor in the Department of Management at the University of Tennessee. He holds a joint appointment at the WHU-Otto Beisheim School of Management (Germany).

Thomas M. Zellweger is an Assistant Professor at University of St. Gallen, Switzerland. In 2010, he is the CIBC business families visiting professor at University of British Columbia, Sauder School of Business.

All authors contributed equally to the study.