Open questions about the family enterprise: What we still don’t know after decades of research

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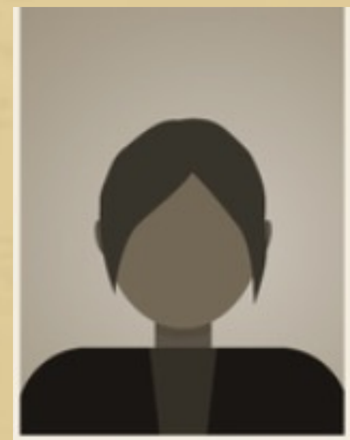
#1: Evolution and State of Family Business Research

- 1950s-80s: What FBs are, their unique challenges. Interesting ideas but of no scientific rigor
- 1990s: HBR gives it legitimacy as a field of study, more systematic research on FBs, but reinforces perception as a "niche topic" on the fringe of academia
- 2000's: FB enters mainstream thru finance (La Porta et al. Anderson & Reeb, Villalonga & Amit, etc.) by comparing prevalence & performance to non-FBs
- 2010s and 2020s: enters mainstream of other fields (strategy, accounting) & disciplines (economics)

★ MISSING ★

Mainstream research
anchored in other disciplines

Sociologists



Psychologists

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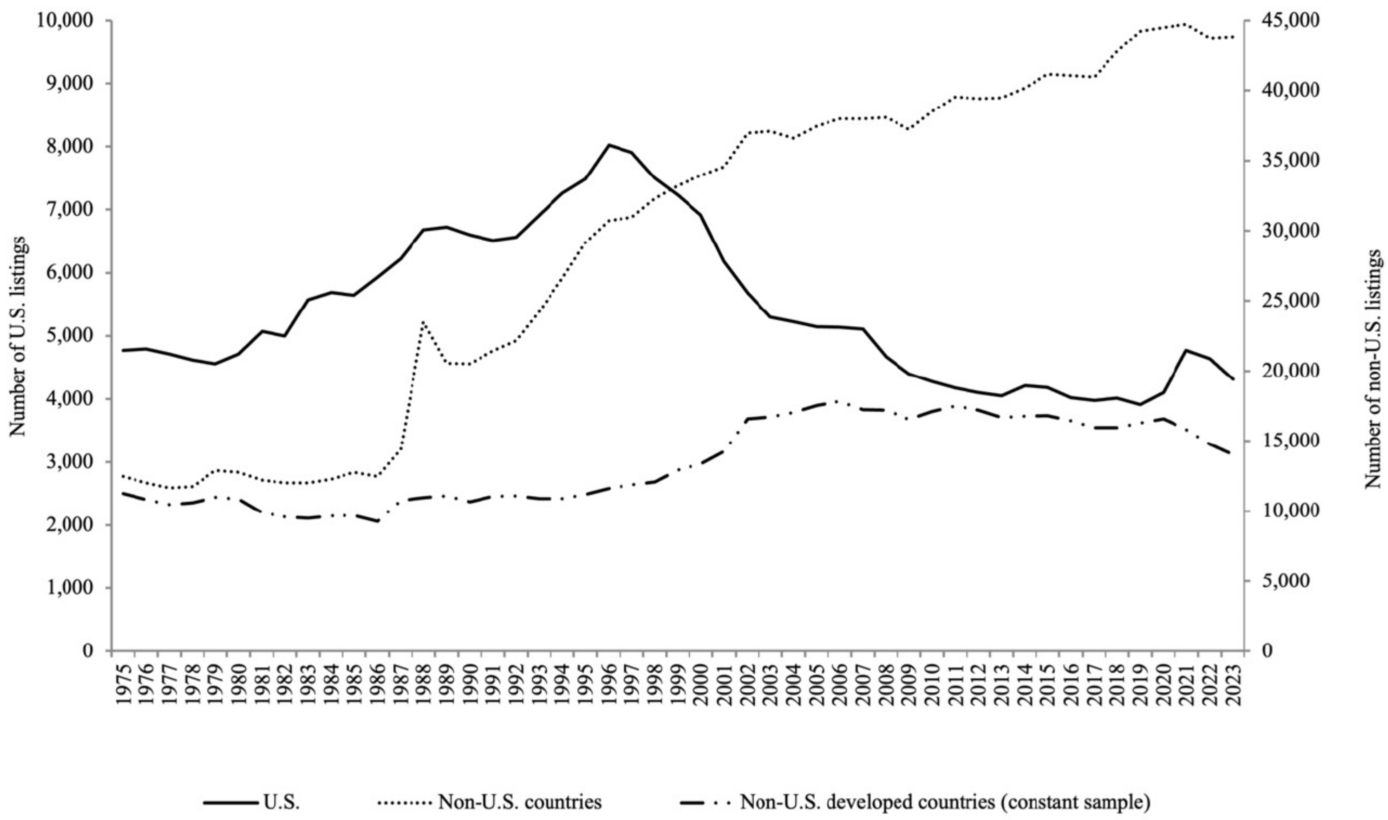
#1: Evolution and State of Family Business Research

- Example 1: SEW
  - Gómez-Mejía et al. (2007) condense decades of research into one (great) term: *Socioemotional Wealth (SEW)*
  - From then on, has been used to explain almost any business decision or characteristic that distinguishes FBs from other firms (see Gómez-Mejía et al. (2010) for a review)
  - But… all these papers simply infer SEW preservation from comparative behavior of FBs v. non-FBs. Where are the sociologists to measure S & the psychologists to measure E?
- Example 2: FB Succession: Thoisen-Larsen (2025) reviews 262 academic studies and finds: 55% come from FB field, 15% management, 8.4% finance, 7.3% econ, 1.5% sociology, 1.5% psychology

#2: The Eclipse of the Public Corporation

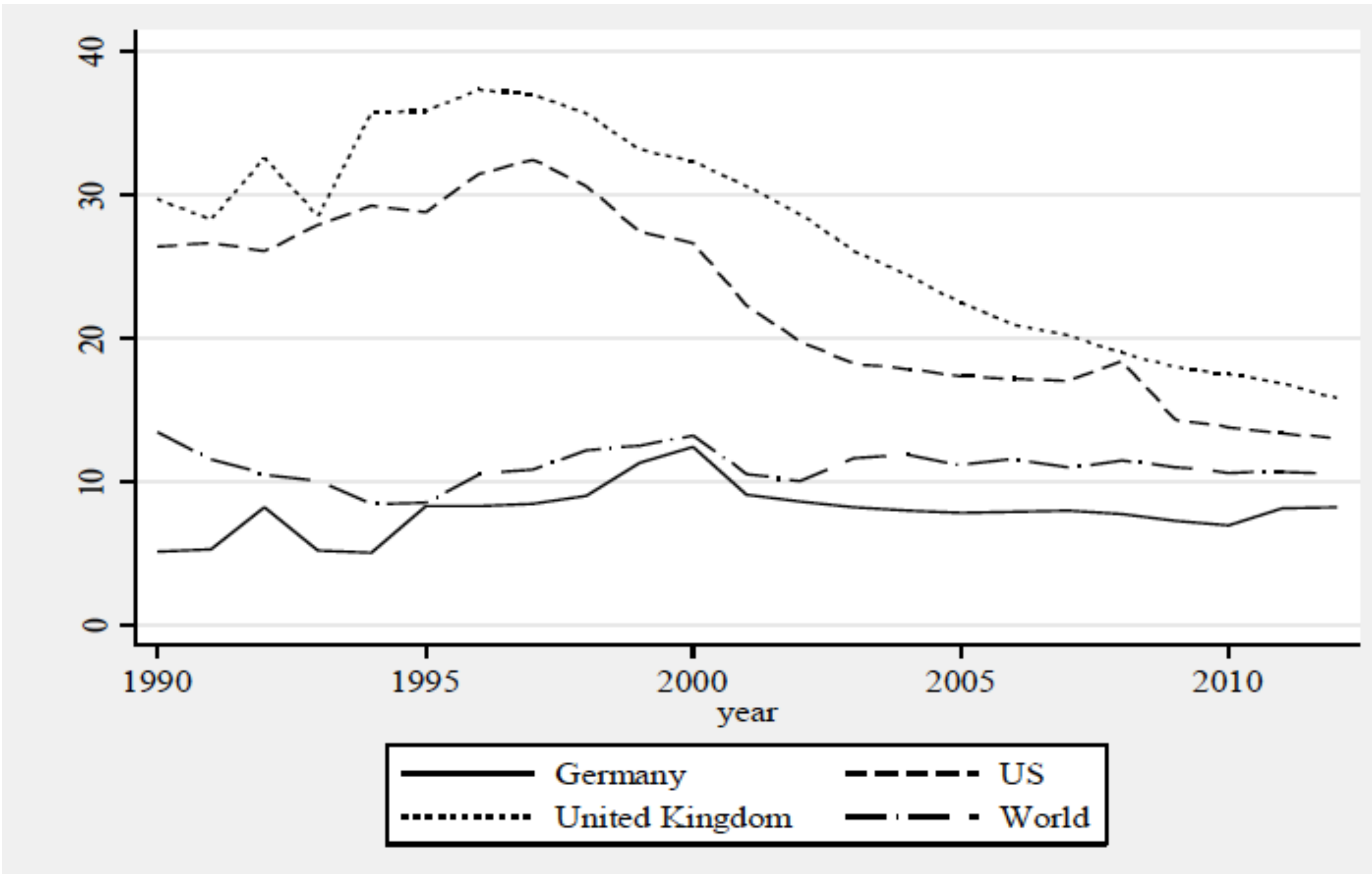
Meanwhile… The number of U.S. public corporations has halved (from >8K in 1996 to <4K in 2019, low 4Ks since)



Source: Doidge, Karolyi, Shen, & Stulz (2025)

#2: The Eclipse of the Public Corporation

And not just in the U.S.A.

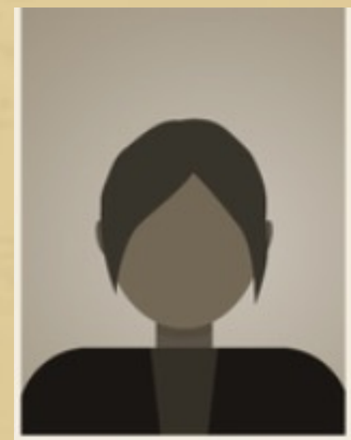


Source: Franks and Mayer (2017)

MISSING

Non-finance research on the drivers and consequences

Strategy



Family Business

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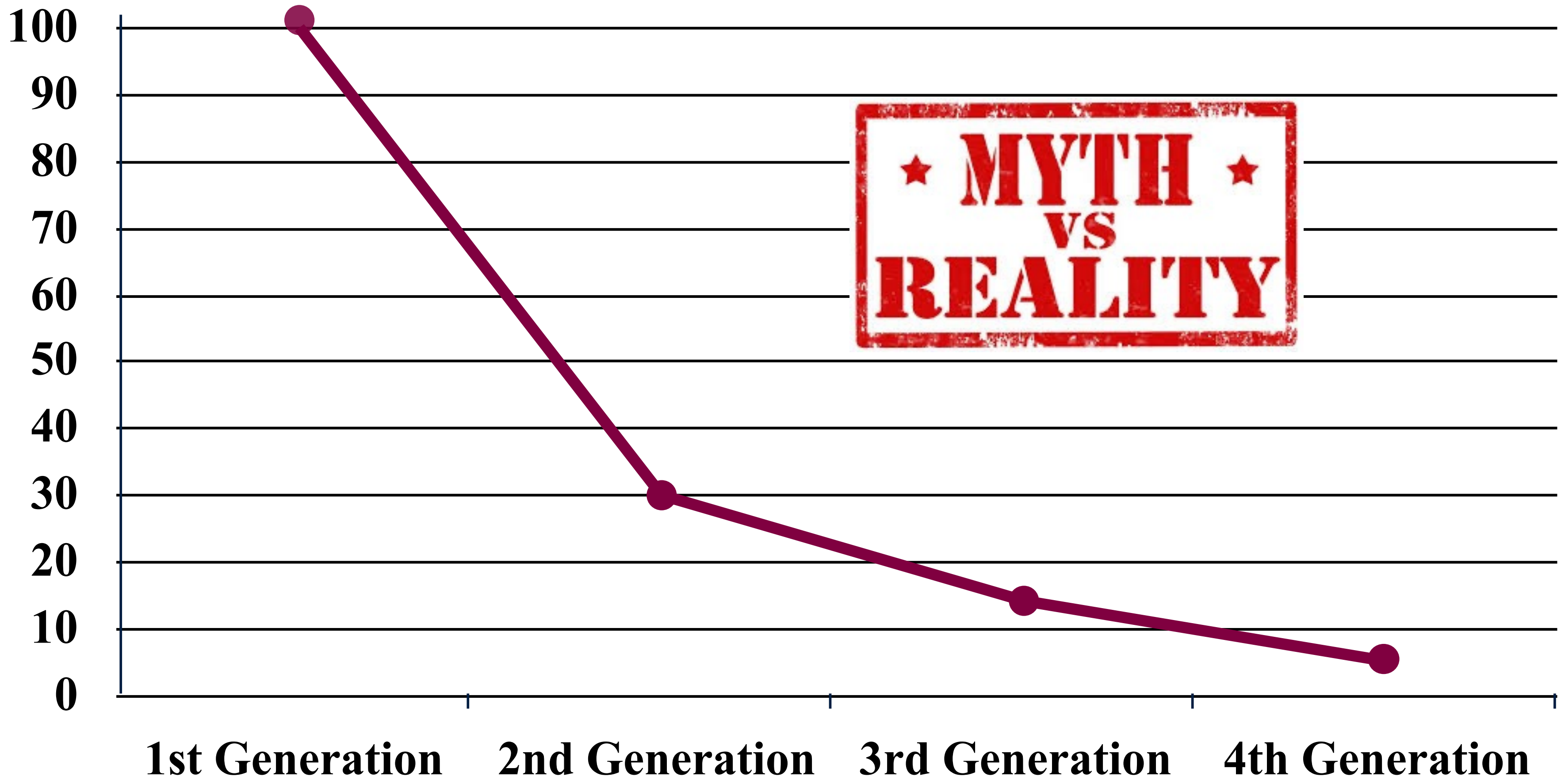
#3: Family Business Survival



#3: Family Business Survival

"Shirtsleeves to shirtsleeves in three generations"

"Clogs to clogs in three generations"

"Padre Bodeguero; Hijo Caballero; Nieto Pordiosero"
(Father merchant; son gentleman; grandson beggar)

"Pai Rico; Filho Nobre; Neto Pobre"
(Rich father; noble son; poor grandson)

"Dalle Stalle Alle Stelle Alle Stalle"
(From the stables to the stars and back to the stables)

"From peasant shoes to peasant shoes in three generations" and "Fu bu guo san dai"
(Wealth never survives three generations)

#3: Family Business Survival

- Stamm & Lubinski (2011) review 114 academic studies of FB succession. Of those, 28 mention this "empirical fact"
  - None of the studies they review substantiate these statistics with their own empirical analysis.
  - They trace the listed references (when any) and find that they are only supported by **one** empirical study—John Ward's (1987) analysis of 200 manufacturing companies in Illinois
- Also, 13% "survived" into G3—within the family. Another 5% were sold and 2% went public.

★ MISSING ★

Rigorous longitudinal studies to analyze FB survival and mortality

- How do Ward's stats generalize beyond IL and the 1980s?
- How do they compare to non-FBs at each stage?
- What are the reasons? (empirically)

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#4: Family Business Performance

- Morck et al. (1988): Founding family effect contingent on age: Premium (q) if < 30, Discount if > 30
- Palia and Ravid (2002), Adams et al., (2009), Fahlenbrach (2009): Founder-CEO premium
- Anderson & Reeb (2003): Family premium in *q* and ROA
  - Younger firms (<50) but also for older
  - ROA: Founder-CEO > Hired-CEO > Descendant-CEO > 0
  - Q: Founder-CEO > Hired-CEO > Descendant-CEO = 0
- Villalonga & Amit (2006): Family premium / discount contingent on definition and generation:
  - Family ownership premium, entirely driven by 1st Gen
  - Discount to family control if > ownership
  - Fam CEO/Chairman: Founder-CEO > Hired-CEO > 0. Desc CEO < 0

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How do family ownership, control and management affect firm value?☆

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Abstract

Using proxy data on all Fortune-500 firms during 1994–2000, we find that family ownership creates value only when the founder serves as CEO of the family firm or as Chairman with a hired CEO. Dual share classes, pyramids, and voting agreements reduce the founder's premium. When descendants serve as CEOs, firm value is destroyed. Our findings suggest that the classic owner-manager conflict in nonfamily firms is more costly than the conflict between family and nonfamily shareholders in founder-CEO firms. However, the conflict between

Table 7

Effect of family firm generation on firm value. This table reports coefficients from OLS regressions of Tobin's q on dummy variables that equal one when the firm is a family firm in the generation indicated in each column heading. The first generation is the founder's. Family firms are defined as those in which one or more family members are officers or directors or own 5% or more of the firm's equity either individually or as a group. Tobin's q is measured as the ratio of the firm's market value to total assets. For firms with nontradable share classes, the nontradable shares are valued at the same price as the publicly traded shares. The sample comprises 2,808 firm-year observations from 508 Fortune 500 firms listed in U.S. stock markets during 1994–2000. t-statistics from clustered (by firm) standard errors appear in parentheses. Asterisks denote statistical significance at the 1% (***), 5% (**), or 10% (*) level, respectively.

	First	Second	Third	Fourth/later
Panel A. Latest generation of family officers, directors, or blockholders				
Effect relative to nonfamily firms	0.86***	−0.18	0.00	0.00
	(2.78)	(−1.43)	(0.02)	(0.00)
Incremental effect		−1.04***	0.18	0.00
		(−3.27)	(1.16)	(−0.01)
Panel B. Generation of family CEO				
Effect relative to nonfamily firms	1.16***	−0.38***	0.02	0.12
	(2.80)	(−3.21)	(0.10)	(0.34)
Incremental effect		−0.46***	0.40*	0.10
		(−3.13)	(1.90)	(0.26)
Panel C. Generation of family chairman or CEO				
Effect relative to nonfamily firms	1.07***	−0.30**	−0.04	0.00
	(3.10)	(−2.38)	(−0.23)	(−0.01)
Incremental effect		−0.26*	0.26	0.04
		(−1.93)	(1.41)	(0.12)

* Tables 6-10 /10 also show differences across generations

Table 10
Effect of the definition of "family firm" on the relative prevalence and value of family firms. This table reports, for different definitions of a family firm, the coefficient of a family firm dummy variable in multivariate OLS regressions of Tobin's q on that dummy and on several control variables. The family

...

Definition of family firm	Proportion of family firms in the sample	OLS regression coefficients
1. One or more family members are officers, directors, or blockholders	37%	0.23* (1.82)
2. There is at least one family officer and one family director	26%	0.29* (1.97)
3. The family is the largest voteholder	20%	0.29 (1.63)
4. The family is the largest shareholder	19%	0.32* (1.82)
5. One or more family members from the 2nd or later generation are officers, directors, or blockholders	19%	−0.13 (−1.24)
6. The family is the largest voteholder and has at least one family officer and one family director	14%	0.33 (1.58)
7. The family is the largest shareholder and has at least 20% of the votes	12%	0.15 (0.79)
8. One or more family members are directors or blockholders, but there are no family officers	8%	0.06 (0.53)
9. The family is the largest voteholder, has at least 20% of the votes, one family officer and one family director, and is in 2nd or later generation	7%	−0.28** (−1.99)

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Are family firms really superior performers? ☆

Danny Miller [a,*], Isabelle Le Breton-Miller [b], Richard H. Lester [c], Albert A. Cannella Jr. [d]

Recent research in the U.S. has produced evidence that family firms offer superior performance vis-à-vis other major corporations. In studies of the S&P 500, *Business Week* 1000, and *Fortune* 500 samples, respectively, Anderson and Reeb (2003, 2004), McConaughy et al. (1998) and Villalonga and Amit (2006b) report that the Tobin's q of family firms is greater than that of other corporations. However, Villalonga and Amit (2006a) find that superior performance within family firms is less prevalent within firms that have disproportionate voting rights.

…

In this paper, we address the apparently puzzling evidence on the performance of family firms in the U.S. Much of our contribution is methodological. We consider in depth the definition of a family firm and assess the sensitivity of performance results to the nature of different firm classifications and control samples. We also consider how the results in the prior studies are tied to

…

Our results indicate that the superiority of family firm performance is indeed sensitive to the definition of a family firm and the source of the data. The results are especially sensitive to the distinction between "lone founder" businesses like Microsoft with no family of the founder in the business — which do outperform, and businesses like Comcast that have founders present with other family members serving as owners or managers — which do not outperform. This

2.2. Founders, families, and family firms

We initially define family firms, following Anderson and Reeb (2003), as those in which the founder or a member of his or her family by either blood or marriage is an officer, director, or blockholder, either individually or as a group. Our main analyses are based on this definition, which does not require a minimum threshold for family ownership or control above those imposed by SEC reporting requirements. We later examine how our results change when we impose additional conditions for family firms to qualify as such. Those conditions include a minimum control threshold of 20% of the votes, being the largest shareholder or voteholder, having family officers or directors, or being in second or later generation. One could argue, for instance, that founder-run firms such as Microsoft are not family firms in any meaningful sense of the term. This will be the case particularly when the founder plans to cash out rather than transfer control of the firm to his or her heirs, or when there are no such heirs. For that reason, we later break down family firms into founder-run firms and second- or later-generation firms and test the sensitivity of our results to excluding founder-run firms from the family category.

held with both investment and voting power. Examples of dual-class companies in our sample where the founding families' voting rights greatly exceed their cash-flow rights include Comcast Corporation, where, in 2000, founder Ralph Roberts and his son Brian owned 3.14% of the shares but 85.64% of the votes;

Table 12 presents regressions of Tobin's q on ownership structure and our control variables. These show that in the Random 100 sample, lone-founder firms continue to significantly

outperform other *Fortune* 1000 companies. In fact, all our categories from the Random 100 sample outperform the non-family, non-lone-founder categories of the *Fortune* 1000. This is consistent with the fact that the smaller companies in the random sample tend to have greater growth opportunities than the *Fortune* 1000 firms.

Table 12

OLS regressions using market based measures of performance on a random sample

	Randomly selected sample of 100 firms		Fortune 1000 plus a randomly selected sample of 100 firms	
	Tobin's q	Industry adjusted Tobin's q	Tobin's q	Industry adjusted Tobin's q
Variable	Model 1	Model 2	Model 3	Model 4
Family (random 100)	.041	.281	.938***	.754***
	(.448)	(.297)	(.258)	(.129)
Lone founder (random 100)	−.507	−.277	0.516*	0.366**
	(.427)	(.289)	(.253)	(.132)
Other (random 100)			0.514**	0.321**
			(.195)	(.100)
Family (fortune 1000)			.045	.037
			(.088)	(.044)
Lone founder (fortune 1000)			.318**	.114*
			(.116)	(.057)

#4: Family Business Performance

- Miller et al. find that only “lone founder” firms significantly outperform non-family firms. (Other) 1st gen family firms also outperform, but not significantly

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  - If there are descendants accompanying the founder (e.g. Brian Roberts as President of Comcast while his father Ralph was Chairman and CEO, Howard Buffett on BH's board while his father Warren is Chairman and CEO), the firm is considered 2nd-or-later gen—and commingled with later-gen firms in which the founder is no longer present
  - Family members are only observable to us as researchers if they are beneficial owners of 5%+, (co)CEOs, or board members

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$\Rightarrow$ Most founders are "lone" by construction, with the exception of those in which a spouse sibling, or cousin, is a 5%+ owner, (co)CE), or board member, and there are no later-gen family members in those roles.

$\Rightarrow$ Clearly, those are *very* rare, esp. among Fortune 500-1000 firms

$\Rightarrow$ It is unclear whether the lack of statistical significance of the 2nd result is driven by fundamental reasons or by the scarcity of 1st gen firms once firms classified as "lone founder" (rightly or wrongly) are excluded from the group

MISSING

Empirical answers to the questions:

- Is the outperformance of “family firms” really about lone founders or about founders in general?
- Why do descendant-CEOs underperform (in large, US publicly listed firms)?
- Later-gen firms can at least be good owners (if not good managers). But for how long (can the family stay engaged as non-managing owners)?

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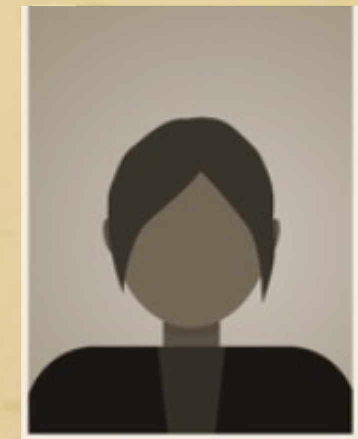
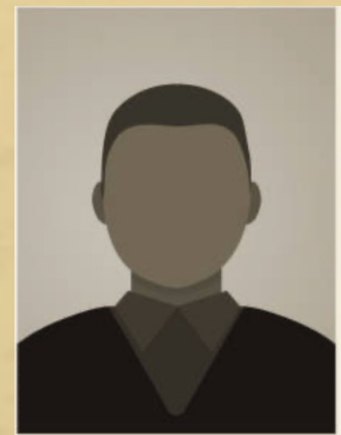


Diligent researchers who read what they cite



Ethical researchers who cite what they read

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#5: Founding v. Non-Founding Families

- While most FB studies using public U.S. firms samples have focused on founders and founding families, most studies outside of the U.S. have focused on individuals and families in general, including non-founding:
  - Later-stage investors (including *entrepreneurs-through-acquisition* or ETAs) and their descendants
  - Founding families in a firm that become controlling shareholders in another as a result of a stock-for-stock merger with, or acquisition by, another firm
- The few that distinguish between both groups have found significant differences in behavior and performance:
  - Villalonga & Amit (2010)
  - Villalonga, Tufano, & Wang (2025)

MISSING

More research that distinguishes:

- "Organic" founders from ETAs
- Founding families from non-founding families

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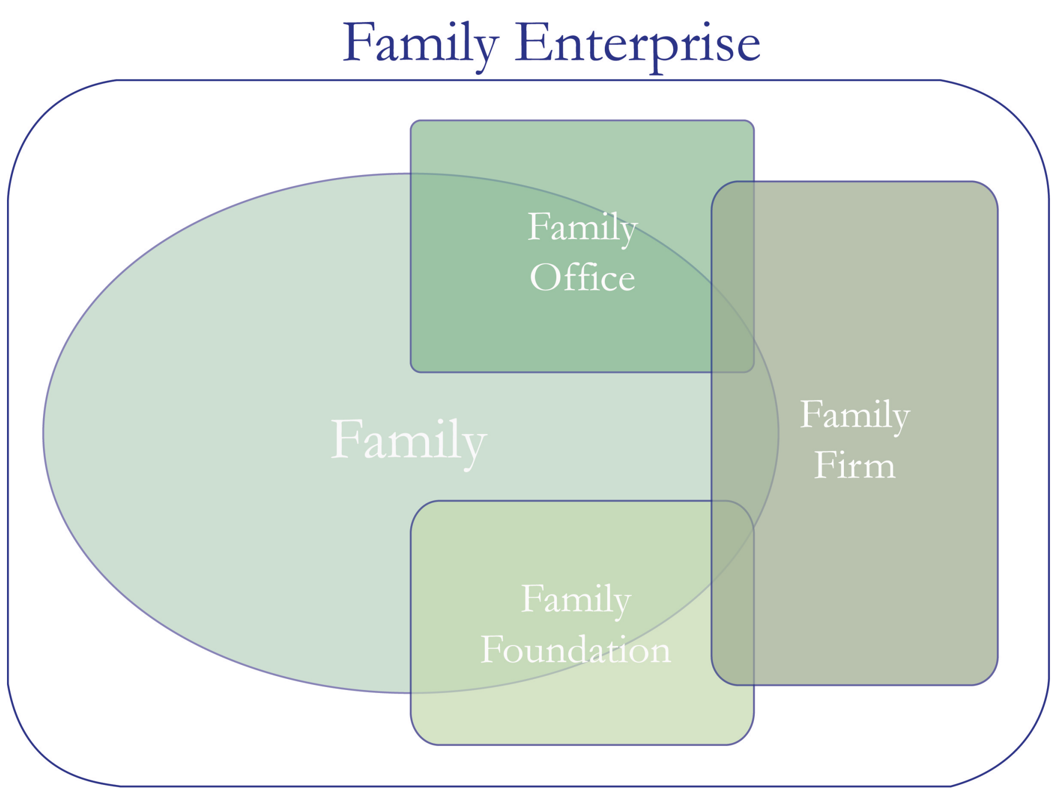
#6: Unit of Analysis

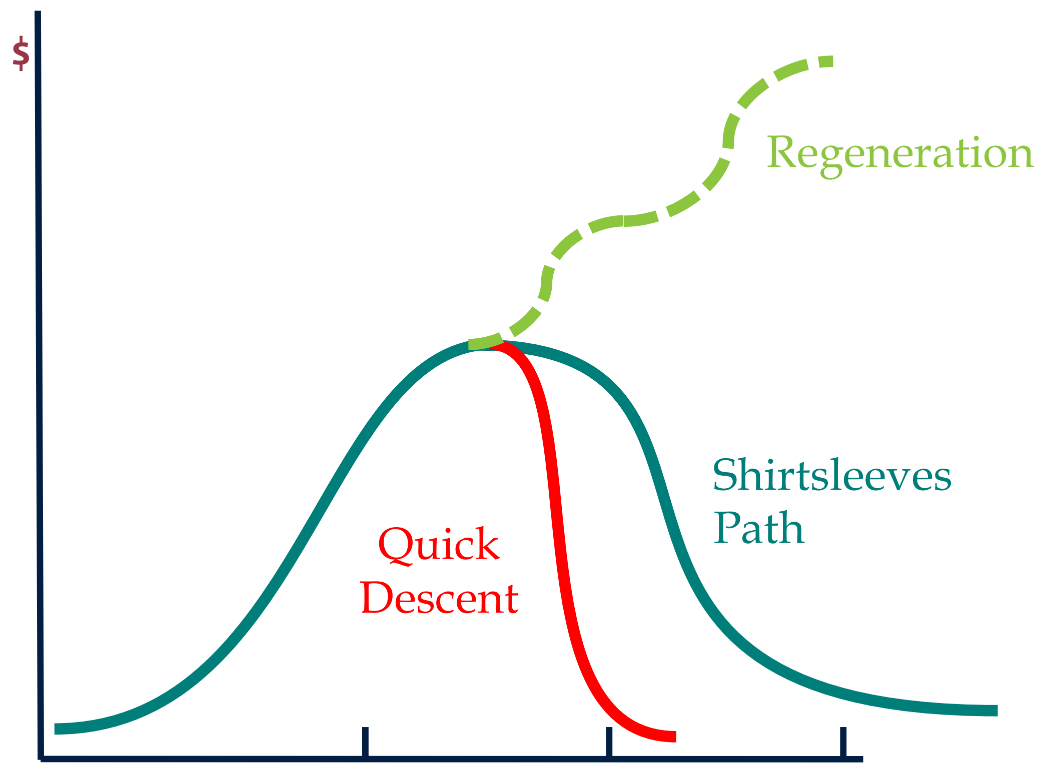
We need to think holistically about the Family Business as part of the broader Family Enterprise



Source: Amit & Villalonga (2013), “A primer on governance of the family enterprise,” *World Economic Forum*

#6: Unit of Analysis

Many have also called from moving beyond the family business to the enterprising family



Source: John Davis, “Family wealth creation paths”

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Empirical research that extends the unit of analysis beyond the FB to:

- Family enterprise (business(es) + foundation + family office + other family assets/activities)
- Enterprising family

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Summary

- Lots of unexplored or unanswered questions in multiple areas
    1. Mainstream research anchored in psychology and sociology, e.g. SEW
    2. Eclipse of the public corporation (and rise of private ownership)
    3. FB survival
    4. FB performance, esp. founders v. descendants
    5. Founding v. non-founding families
    6. Family enterprise and enterprising families
- Mostly empirical