Editorial

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Biographical notes: Christopher Graves is a Senior Lecturer in the University of Adelaide Business School, and co-founder of the University's Family Business Education and Research Group (FBERG). He is also a board member of the International Family Enterprise Research Academy (www.ifera.org) based in Europe. He is an accounting and family business educator and a family business researcher in the areas of internationalisation, financial management and performance. He is also a Chartered Accountant and consults to small firms and family businesses.

Throughout history, families and the skills and capital they bring, have been the engine room for entrepreneurial activity and growth of economies around the world. Yet despite this, research focussing on family businesses is a relatively new phenomenon where the very first family business-dedicated journal was only established in the late 1980s. As highlighted in a recent study (Stewart and Miner, 2011), family business scholarship has grown exponentially since the turn of the century, which is a promising sign. As part of its mission in supporting the growth of family business scholarship internationally, the International Family Enterprise Research Academy (IFERA) held a conference in Bogota, Colombia, in 2011. Some of the revised manuscripts from this conference are presented in this special issue. All four papers are related in that they address issues underlying the competitiveness and performance of family enterprises. An overview of each of these papers is given below.

Over the past decade there has been growing interest in ascertaining whether family-controlled firms achieve superior performance when compared to their non-family counterparts (refer to Sacristán-Navarro et al., 2011) for a comprehensive summary of previous research). Our first paper by Tomas Ignacio Espinoza Aguiló and Nicolas Felipe Espinoza Aguilo, 'Family business and firm performance: evidence from the Mexican Stock Exchange', contributes to this ongoing line of research by comparing the financial performance of family and non-family controlled enterprises listed on the Mexican Stock Exchange. This is an important study as it seeks to replicate Anderson and Reeb's (2003) US-based study in the context of a developing country where firm ownership tends to be highly concentrated. In addition to comparing performance of family and non-family firms, this study also examines the effect of internal corporate governance mechanisms such as ownership concentration and CEO type on relative performance. Using a sample of companies listed on the stock exchange from 2000 to 2010, this study provides further support to the argument that listed-family firms outperform their non-family counterparts. Firms which are managed by founding CEOs outperform those with outsider CEOs, while interestingly, the relationship between family ownership and performance in non-linear.

If family involvement through ownership and management results in superior performance, does that mean that the exit of the family from the business will result in sub-optimal performance? Our second paper by Davide Sola, Roberto Quaglia, Jerome Couturier, and Angela Lo Pinto, 'Familiness vs. family ownership and control: what is the impact on the performance of a firm? Evidence from the field', addresses this very question. Using a novel research methodology, the authors examine the change in performance of two case firms as a result of the exit of the owning family. In case A, the exit of the family actually resulted in the subsequent improvement in performance, whereas with case B, the opposite was observed. Based on their findings, the authors argue that being family-owned does not in itself per se create superior value. Rather superior performance comes from firstly, developing the four pillars of positive familiness effect (long-term commitment, reciprocal altruism, trust and collective values and shared vision), and secondly, being able to diffuse these pillars throughout the organisation. In case A, the family did not develop or diffuse the four pillars throughout the firm and therefore the exit of the family had no adverse effect on the firm. Conversely, the exit of the family did have an adverse effect on firm B because of the loss of the four pillars which the family had successfully embedded through the firm while owners.

Our third paper by Isabel C. Botero, Christopher Graves, Jill Thomas and Tomasz A. Fediuk, 'Recruitment challenges in family firms: the effects of message content and type of applicant on organisational attractiveness', examines an interesting and important issue of whether family firms have difficulties in attracting non-family employees. Habbershon and Williams (1999) were amongst the first to argue that the uniqueness and potential superior performance of family firms stems from the integration of family and business life. One source of uniqueness is their human capital where family involvement can bring about superior levels of commitment, intimate long-term relationships, and firm-specific tacit knowledge passed from the previous generation(s). However, as a family firm grows, it may need to recruit expertise from outside the family and therefore the ability of the firm to attract and retain quality employees will influence their competitiveness. There is some evidence to suggest that family firms struggle to attract and retain highly qualified non-family managers because of perceptions of limited potential for professional growth, lack of professionalism, and being undervalued (Sirmon and Hitt, 2003). Using an experimental design, this study surveyed two groups of university students (undergraduates, MBAs) to ascertain whether job adverts which explicitly mention the employer as a 'family owned and operated' business influences their attractiveness to work for the firm. The survey also ascertained their perceptions of job security, advancement opportunities, task diversity, compensation and prestige. Results suggest that it is firm size and not family ownership which influences the perceptions and attractiveness of the firm. Specifically, larger firms are seen as more attractive to work for because they are perceived to provide superior job security, advancement opportunities, compensation and prestige. Being a 'family-owned and operated' firm does not in itself influence firm attractiveness; rather it is their size which is the key determinant as to whether they can attract the best talent. Based on this finding, the authors argue that small family business owners should be conscious in how they communicate characteristics of their firm, placing greater emphasis of the positive aspects of the organisation to counteract the negative perceptions about their size. The results also suggest that firms need to be sensitive to who they are looking to recruit when making their recruitment pitch as the results observed suggest that MBA students are more likely to be influenced by firm size.

Research into management and ownership succession has been an area which has received significant attention by family business scholars over the years. As highlighted in our first paper, some researchers have been interested to ascertain whether differences in family firm performance can be attributed to whether the CEO is a family member or not. Within the family business context, can superior performance be achieved by keeping the senior management role within family hands or bringing in an outsider? Our final paper by Britta Boyd and Susanne Royer, 'The suitability of internal versus external successors: relevant knowledge types in family business succession', is valuable in that it highlights that the answer to this question is not straight forward but is contingent on a set of factors. Drawing on the Contingency Model of Family Business Succession (Royer et al., 2008), the authors argue that whether a family member or outsider should be the next CEO is dependent on the importance of two factors for the firms future competitiveness: experiential family-business specific knowledge and general and technical industry-specific knowledge. Based on the analysis of a near 300 year old family business which has undergone 12 management successions, the authors utilise this model to explain why the family firm has opted for a family CEO in the past. They also highlight how the effect of globalisation has increased the importance of industry-specific knowledge relative to family-business specific knowledge, pointing to the need to appoint an outside CEO in the future. In summary, the arguments presented in this paper are valuable in that it encourages the scholarly field to move beyond the overly-simplistic debate of whether family CEO-led firms outperform others to more of a competitive advantage contingency-based perspective of succession.

In summary, I believe that the four papers in this special issue contribute towards the scholarly discussion and understanding of how family involvement influences the competitiveness and performance of family firms.

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