

# Capturing the familiness of family businesses: Development of the family influence familiness scale (FIFS)

– Hermann Frank, Alexander Kessler, Thomas Rusch, Julia Suess-Reyes, and Daniela Weismeyer-Sammer

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Familiness is the distinct bundle of capabilities and resources unique to a family firm. It is derived from the owner family's involvement in business as the family contributes its unique capabilities and resources to the firm. Though many studies have been conducted on familiness phenomenon, efforts to examine its constituents have been inadequate.

This research attempts to identify the constituent dimensions of familiness using a three-staged study. This summary succinctly presents the study, its key findings and their implications for family business.

## **Familiness from Different Perspectives**

The familiness concept has been embedded in the resource based view (RBV) of the firm. RBV suggests that a firm's competitive advantage is derived from the bundle of capabilities and resources it owns. In family business context this bundle is unique due to distinct family capabilities and resources.

The authors conceptualize familiness from the 'new systems theory' (NST) perspective. NST assumes that the basic elements of a social system are communication and communicated decisions. Organisations are based on decision premises – i.e., the bases for decision-making. Thus, family businesses are systems made up of communication, decision premises and decisions.

Hence, the authors describe familiness as the set of decision premises that express the influence of the family in business.

## **Development of a Measurement Scale**

Using the NST perspective, the authors identified the determinants of family influence on business, specifically on account of the following:

1. The family's involvement in ownership, management and control of the business
2. The essence of family influence on behaviour, and
3. Organizational identity

The authors initially conducted 16 interviews with top-level managers to identify the relevant variables to measure. Based on the insights gained from the interviews, nine dimensions of familiness were initially identified.

These dimensions were tested and validated by conducting two rounds of surveys with 160 and 512 family businesses, respectively. This finally resulted in a six-dimensional construct for familiness.

## **Key Findings**

The identification of six dimensions of familiness and the 'FIFS' measurement scale were the key outcomes of this research.

The six dimensions of familiness represent the key areas of family influence on business and include the following:

- ***Ownership, Management, and Control (OMC)***: This includes the conditions that frame decisions regarding the family's involvement in the ownership, management and control of the business. This reflects the commitment of the family to keep the OMC in business within the family.
- ***Proficiency Level of Active Family Members (PAF)***: It is the ability and willingness of the family members to perform at par with or exceed the performance of non-family members.
- ***Sharing of Information Between Active Family Members (SOI)***: These are the premise or norms of mutual sharing of information among the family members who are actively involved in the business. Information shared about all the important events in the company, often using informal communications contribute to family influence in business.
- ***Transgenerational Orientation (TGO)***: This dimension represents premise that frames decisions that determine long-term success and survival of business and family succession. Intergenerational orientation and continuity of control over business are specific measures that comprise this dimension.
- ***Family-Employee Bond (FEB)***: This premise frames decisions regarding the relationship between the family and the employee, which often creates strong mutual reliance that is beyond the

regular economic employee-employer relations. Lively exchange between family members and non-family employees, safeguarding their interests and jobs in crisis, and treating them as reliable confidants are some of the measures that determine this dimension.

- ***Family Business Identity (FBI)***: This decision premise frames decisions regarding self-conception of the business as a family business. This dimension is measured by the face that the family gives (or not) to the company, how socially active is the business within the community and the family identity it portrays.

### **Practical Implications**

The key practical implication of the study is that it identifies six specific areas of family influence over the business, which they can periodically measure using the FIFS scale. If a family is aware of these six decision dimensions then it can exert control over the business regardless of its physical presence in the business.

Another significant learning for the owner families is that familiness and business success may not necessarily go together. For instance, high degree of familiness may strengthen family identity but may turn dysfunctional with respect to financial performance, as decision-making becomes more family-centric. Hence, business families need to maintain a balance between their influence over the business and the long-term success of the firm.