The Arts and Family Business: Linking Family Business Resources and Performance to Industry Characteristics

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Performance of family firms has been a topic of debate due to divergent findings attributed to various factors such as, leadership, governance or family generations involved in business. However the influence of industry on family firm performance has not been adequately examined. In this paper authors theorize that market requirements coupled with firm-specific behaviours and resources (i.e., familiness) explain why family firms perform well in some specific industries while not so well in others. This summary briefly presents the key arguments and findings of the study and their implications for family businesses.

Family Firm Preferences and Resources

Family business owners aim to pass on a profitable business to their next generation members. Therefore these firms have a long-term orientation. Another condition that differentiates family firms from other businesses is the presence of close personal bonds among the family members in business. This creates a climate of mutual responsibility. When members work for mutual benefit and have concern for the well-being of everyone, the members trust each other and openly share information.

Traditional skills and capabilities get passed-on from one generation to another. These develop into tacit knowledge over the years, contributing to the distinct familiness advantage of the firm.

These unique skills and knowledge coupled with long-term orientation and trust help family businesses build a strong reputation. These factors also help the firm build relationships in the community and markets. Another resource that gets built in family businesses is the human and financial slack resource that helps the business tide over the tough times.

Industry Environments and Uncertainty

In certain industries familiness resources like tacit knowledge, relationship or reputation are of little importance, for instance, high-technology computer software industry. However in certain other industries the familiness resources are quite useful. This is mainly because such industry environments are uncertain about the following:

1. **Quality**: When assessment of product quality is difficult, customers look for reputation, trust and expertise of the seller. For instance, in the luxury watch segment.
2. **Value**: Commoditized/ standardized products have clear market price. However, when the product value is harder to determine then reliance on familiness related variables like reputation is important input to customers to arrive at the right value. For instance, in the luxury goods market, or in case of precious jewelry.

3. **Demand**: When the demand is uncertain and difficult to predict the slack resources built by a family business can be used to carry the firm to safety during the dry periods.

Arts-Related Industries and Family Firms

Art related products require highly skilled inputs like tacit knowledge. The luxury art industry assigns a very high value to reputation and trust, be it the firm, the product, the artist or a combination of these. Relationship and connection matter a lot in this business as artists, art dealers, clients etc., are all connected with a trust-based contract. Slack resources like auxiliary lines of business or patient sources of supply help the firm tide over the tough times.

Hence, art related industry presents a strong industry context for family firms to thrive using their familiness resources and capabilities, namely tacit knowledge, trust and reputation. It is very difficult for a new entrant to quickly build all these resources, therefore family firms enjoy a strong competitive advantage in the industry.

Practical Implications

The article has significant implications for family businesses. Family firms that are strong on familiness dimensions such as family bonding, tacit knowledge, human capital, family reputation and networks have an advantage in industries with high levels of uncertainty of product quality, value and demand, for instance, art related businesses.

Therefore, family firms that operate in similar industry, such as, high-end luxury products, must build on the relationship, tacit knowledge and reputation dimensions of familiness. This will help the family business gain a unique competitive advantage over its non-family peers. Family firms in other industries can also improve upon these familiness dimensions and try to distinguish themselves from other competitors.

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