

Is Blood Thicker Than Water? A Study of Stewardship Perceptions in Family Business

Family businesses are distinct from non-family businesses. Most obvious of the difference is the time horizon; family businesses have a long term orientation when compared to other organizations. This is brought about by the desire of the family to perpetuate the business through the future generations. In addition, family businesses show higher levels of personal sacrifice, social sensitivity, employee loyalty and purpose than non-family businesses. All these characteristics reflect the stewardship behaviour, which involves individuals' prioritising the interest of the organization over and above their self interest. In fact, research has demonstrated that stewardship behaviours are a critical component of competitive advantage of family businesses. Family businesses are more likely to outperform non-family businesses because they could save the costs incurred in monitoring the self-serving agents. Moreover, because their interests are aligned, family members are able to focus on the well-being and growth of the family business. It has been found that in the absence of stewardship relationships, conflicts emerge within the family that eventually harm a family firm's performance.

Despite the critical role of stewardship in family businesses, few studies have empirically investigated the mechanisms associated with the stewardship behaviours in a family business context. In a recent study, Davis, Allen and Hayes (2010) examined the previous untested mechanisms underlying stewardship in family businesses. The authors examined the role of three situational factors: trust, value commitment and agency perceptions, in explaining stewardship within a family business. They found that all the three situational mechanisms are significantly related to the stewardship perceptions for both family and non-family business employees. Further, they found that family member employees perceives significantly higher value commitment, trust and stewardship perceptions and lower agency perceptions than non-family member, suggesting that blood is thicker than water. By shedding light on the underlying mechanism of stewardship in the family business context, these findings can provide guidance to family business leaders to strengthen the stewardship culture and execute effective strategy.

Source: James H. Davis, Mathew R. Allen, and H. David Hayes, "Is Blood Thicker Than Water? A Study of Stewardship Perceptions in Family Business," *Entrepreneurship Theory and Practice* 34, no. 6 (11, 2010): 1093-1116.