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Agency Theory and Stewardship Theory Integrated, Expanded, and Bounded by Context: An Empirical Investigation of Structure, Behavior, and Performance within Family Firms

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Agency Theory and Stewardship Theory Integrated, Expanded, and Bounded by Context: An Empirical Investigation of Structure, Behavior, and Performance within Family Firms

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Dedication

I dedicate this dissertation to the Madisons, the Moores, and the Youngs.

Their unwavering love, support, and belief in me made this possible.

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Abstract

Studies abound investigating whether agency *or* stewardship theory is more applicable within family firms. Both theories predict enhanced firm performance, but starkly contrast in behavioral assumptions and structural prescriptions. Agency theory assumes an economic model of man; agent behavior is based on self-interest and may conflict with the principal's interest. Governance structures that control and monitor agents are prescribed to thwart opportunistic behavior and better align the goals of the principal and agent. Stewardship theory assumes a humanistic model of man; steward behavior is based on serving others and therefore will align with the principal's interest. Governance structures that empower stewards are prescribed to facilitate the continued alignment of interests. Investigations reveal that either theory can be applicable in the unique context of family firms, thereby creating ambiguous and confounding predictions about behavior and performance.

I address this theoretical and empirical debate by reviewing and synthesizing the family firm literature grounded in these theories. I then conduct an empirical study to narrow the distance between these opposing theoretical perspectives. My research investigates the integration of agency *and* stewardship theories on family firm behavior and performance. My research model intertwines components of agency and stewardship perspectives, making predictions within, across, and in the integration of theories. Primary data collected from family firm leaders, family employees, and nonfamily employees were analyzed in matched triads representing 77 family firms. Results support the majority of predictions made. Contributions to family firm literature, theory, and practice are discussed.

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CHAPTER 1: RESEARCH OVERVIEW

"Agency theory offers a rich and fruitful frame of reference by which the peculiar problems of family businesses might be studied."

- Chrisman, Chua, and Litz, 2004: 351

"Stewardship theory is ideal for explaining governance in the family business context."

- Davis, Allen, and Hayes, 2010: 1093

"Agency and stewardship issues might operate side by side in some family firms. Further research is needed to explore this possibility."

- Chrisman, Chua, Kellermanns, and Chang, 2007: 1037

Introduction of Context and Theory

Family firms are the most prevalent type of organization around the globe (Debicki, Matherne, Kellermanns, and Chrisman, 2009). In the US alone, family firms may account for as much as 90% of all businesses (Anderson and Reeb, 2004) and account for 40 to 60% of the gross national product (Schulze, Lubatkin, and Dino, 2003b). World-wide, more than two out of every three businesses are family owned or controlled (Barnett and Kellermanns, 2006; Westhead and Howorth, 2006). Family firms have also been characterized as the longest-lived organizational type, with some dating back to as early as the sixth century (Astrachan, 2010).

Although family firms dominate the global landscape, research considering the family firm as a unique organizational type has been practically non-existent until recently (Barnett and Kellermanns, 2006; Goel, Mazzola, Phan, Pieper, and Zachary, 2012; Le Breton-Miller and Miller, 2009). The prevalence and endurance of family firms has recently captured the attention of organizational scholars, spawning a dramatic increase in research centering on this important topic. Within the last decade, there has been a surge of family firm articles in both mainstream and specialized journals and the emergence of academies, conferences, and new journals focused on these types of organizations (Astrachan, 2010; Debicki et al., 2009). Main topics of scholarly interest highlight the unique aspects of family firms, and include examinations of agency theory,

governance, altruism, familiness, and more recently, stewardship theory and the pursuit of noneconomic goals (Chrisman, Kellermanns, Chan, and Liano, 2010).

Until such a time when these varied research efforts result in a dominant paradigm for the field, scholars borrow traditional organizational theories, such as the opposing agency and stewardship theories, to determine their generalizability to the family firm context. Agency theory has been an influential and dominant perspective in the study of management for decades (Cruz, Gómez-Mejía, and Becerra, 2010; Davis, Schoorman, and Donaldson, 1997; Nyberg, Fulmer, Gerhart, and Carpenter, 2010). Broadly, agency theory is about the relationship between two parties, the principal and the agent-manager (Eisenhardt, 1989; Jensen and Meckling, 1976). Specifically, it addresses this relationship from a behavioral and a structural perspective. Rooted in economics, agency theory suggests that *agents* will choose opportunistic self-interested behavior rather than behavior aimed at maximizing the principal's interest (Davis et al., 1997; Eisenhardt, 1989; Jensen and Meckling, 1976). As such, principals will enact structural or governance mechanisms to monitor the agent's behavior, intending to thwart behavior not aligned with the interest of the principal (Cruz et al., 2010; Eisenhardt, 1989; Fama and Jensen, 1983; Jensen and Meckling, 1976). In turn, behavior will align and the performance of the firm will increase (Fama, 1980).

In more recent years, stewardship theory has emerged as an alternate perspective in organizational research (Braun and Sharma, 2007; Pieper, 2010). Stewardship theory is about the relationship between two parties, the principal and the steward-manager (Davis et al., 1997). Specifically, it also addresses this relationship from a behavioral and a structural perspective. Because of its roots in sociology and psychology, stewardship theory describes a more humanistic model of man (Argyris, 1973) than the economic view of agency theory (Corbetta

and Salvato, 2004; Donaldson and Davis, 1991). It portrays individuals as *stewards*, intrinsically motivated to put the interests of the principal ahead of self-serving interests (Corbetta and Salvato, 2004; Zahra, Hayton, Neubaum, Dibrell, and Craig, 2008). Behavior is seen as collectivistic and cooperative, and therefore pro-organizational (Davis et al., 1997; Eddleston, Kellermanns, and Zellweger, 2012). To facilitate and encourage stewardship and thus increased performance, principals create an organizational structure conducive to this behavior (Cruz et al., 2010; Davis et al., 1997).

As described, both theories predict enhanced firm performance, but starkly contrast in behavioral assumptions and structural prescriptions (Chrisman, Chua, Kellermanns, and Chang, 2007; Cruz et al., 2010; Wasserman, 2006; Tosi, Brownlee, Silva, and Katz, 2003). This has created an on-going debate in family firm literature regarding the applicability of agency versus stewardship theory in this unique context (Le Breton-Miller and Miller, 2009). Some scholars suggest that "agency theory offers a rich and fruitful frame of reference by which the peculiar problems of family businesses might be studied" (Chrisman, Chua, and Litz, 2004: 351), while others describe stewardship theory as "ideal for explaining governance in the family business context" (Davis, Allen, and Hayes, 2010: 1093). Solid arguments have been made and supported in the family firm literature on both sides of the debate, thereby creating ambiguous and confounding predictions about family firm behavior and performance.

Research Objective

Agency theory has received considerable research attention since its migration into the family firm literature, and more recently, stewardship theory has followed suit (Le Breton-Miller and Miller, 2009). Knowledge can be gained by this migration, such as new insights regarding agency theory, stewardship theory, or importantly, the uniqueness, behavior, performance, and

competitive advantage of family firms. Accordingly, the first objective of my dissertation research is to review, synthesize, and expose limitations in the literature grounded to agency theory and/or stewardship theory within family firms. Through this process, the aim is to gain insights into the appropriateness and predictive ability of each theory on family firm behavior and performance. The second objective of my dissertation research is to empirically investigate predictions developed from insights gleaned from the review and synthesis.

Research Questions

My dissertation research investigates the agency versus stewardship theory debate within a family firm context. Through both an exhaustive review and synthesis of the family firm literature and an empirical test using primary data gathered from family firm leaders, family employees, and nonfamily employees, I address the following research questions:

1. *Are the tenets, prescriptions, and related performance outcomes of (a) agency theory and (b) stewardship theory applicable within family firms?*

2. *Can the opposing prescriptions of agency theory and stewardship theory be integrated within family firms to explain firm performance?*

3. *Does the family firm context (a) expand and/or (b) impose boundary conditions on agency and stewardship theories?*

Contributions

This dissertation research makes contributions to family firm literature, theory, and practice. For family firm literature, it answers a call for examinations of agency and stewardship theories side by side in the context of family firms (Chrisman et al., 2007). Specifically, this research considers agency governance structures in tandem with stewardship governance structures. In doing so, it begins to fill the gap in the family firm literature stream regarding the value (or destructiveness) of these governance structures on performance. Although the focus is on firm level performance, I suggest that individual behavior mediates the relationships between

governance structures and firm performance. Behavior is an important but neglected element of both agency and stewardship theories, and is therefore captured in this research. Because of the additional focus on individual behavior, this research can consider both family and nonfamily employees of the family business, arguing that the relationships may vary by kinship status (Davis et al., 2010). This implies that respondents are a key concern in family firm research; results may be misleading if studies continue to mix survey responses from family and nonfamily employees (Madison and Kellermanns, 2013). Additionally, this research makes an empirical contribution to the family firm literature. To my knowledge, it is the first study to capture and analyze data from matched triads comprised of the leader, a family employee, and a nonfamily employee of the family firm.

For theory, this research provides a theoretical integration, suggests an important boundary condition, and provides a foundation for a theoretical extension. This integrated study is the first to capture the essence of both theories in tandem. Agency and stewardship theories address the principal-manager relationship from a structural, behavioral, and performance outcome perspective (Davis et al., 1997; Eisenhardt, 1989). Accordingly, I incorporate both agency and stewardship structure and behavior in the same research model. I empirically capture the choice of agency and stewardship structure and behavior by obtaining and analyzing survey responses from both sides of the principal-manager relationship. Because of this integrated approach, performance outcomes predicted within each theory and across theories can be empirically investigated. Second, this research imposes a boundary condition around the proposed behavioral and performance outcomes of theory when context is taken into consideration. It empirically investigates whether outcomes of agency and stewardship prescriptions hold equivocally between family and nonfamily employees of the family business.

Third, this research offers an extension to agency and stewardship theories. The original theories neglect to consider how the leader of the organization can influence the behavioral choice of managers. This study empirically investigates whether the leader can choose and implement governance structures that can influence the manager’s choice of agent or steward behavior. This extension provides a new area of investigation for agency and stewardship research, particularly as it relates to leaders influencing matched behavioral choices to obtain the desired performance outcomes.

For practice, my research sheds light on the ambiguity surrounding the value of governance structures for family firms. Ultimately, firm performance can be affected by both agency and stewardship governance structures and by their varying behavioral effects on family and nonfamily employees of the business. Accordingly, family firm leaders need to pay particular attention when implementing these structures. Achieving optimal firm performance is a balancing act between implementing the appropriate levels and types of governance structures and receiving the desired behavioral outcomes from both family and nonfamily employees.

Organization of Dissertation

My dissertation contains five chapters. Chapter 1 introduces the theoretical focus (i.e., agency theory and stewardship theory) and the unique context (i.e., family firms). It contains a statement of purpose, the questions that guide this research, and the intended contributions. Chapter 2 is divided into three sections. The first section provides a broad overview of agency theory and stewardship theory. The second section considers these theories in context by examining the family firm literature grounded in agency and/or stewardship theories; it highlights commonalities, reveals limitations, and provides recommendations for future research. The third section presents a research model and the development of hypotheses for integrating

agency and stewardship perspectives in family firms to predict firm performance. Chapter 3 outlines the methodology, including the survey instrument and approach, sample, measures, and data analytics. Chapter 4 reports the results of the analysis. Chapter 5 concludes the dissertation with a discussion of the results and an overall assessment regarding the appropriateness, boundary conditions, and future research opportunities pertaining to the use of these theories within the family firm research.

CHAPTER 2: LITERATURE REVIEW

This chapter provides a review of the literature in three major sections. The first section provides a general overview of agency theory and stewardship theory and a more specific comparison of the characteristics of each. The second section provides a review and synthesis of the family firm literature grounded in agency and/or stewardship theories and calls attention to gaps in the literature. Building from the review and seeking to address the gaps, the final section presents a research model and development of hypotheses integrating agency and stewardship theories in context to predict family firm performance.

Theory

Every theory should contain three necessary elements; namely the *what*, *how*, and *why* (Whetten, 1989). The *what* seeks to describe the phenomenon and the associated factors in a comprehensive but parsimonious way, the *how* describes the relationship between the factors, and the *why* explains the rationale underlying the selected factors and their proposed relationships (Reay and Whetten, 2011; Whetten, 1989). Theories should also be generalizable, but instead often suffer from boundary conditions and limitations when context, like the *where*, is taken into consideration (Lee and O'Neill, 2003; Smith and Hitt, 2005; Whetten, 1989). Context refers to "situational opportunities and constraints that affect the occurrence and meaning of organizational behavior as well as functional relationships between variables" (Johns, 2006: 386).

My dissertation research considers both theory and context. The overview of agency theory and stewardship theory[1] is organized by the theoretical elements of *what*, *how*, and *why*. Following the overview, I transition to the element of *where* by examining both agency and

[1] The overview of agency theory and stewardship theory intends to summarize key theoretical elements rather than to provide a review of the general literature applying these theories. The review of the literature is instead specific to family firms and intends to integrate and extend these theoretical elements.

stewardship theories specifically within family firm research to assess their strength and generalizability with contextual considerations. I refer to the family firm context as the unique opportunities, challenges, and resulting behavior and performance implications arising from residing at the intersection of the family system and the business system.

Agency Theory

What. Agency theory is one of the most widely used theories in management (Arthurs and Busenitz, 2003; Daily, Dalton and Rajagopalan, 2003; Wasserman, 2006). Broadly, agency theory is about the relationship between two parties, the principal (owner) and the agent (manager; Eisenhardt, 1989; Jensen and Meckling, 1976; Ross, 1973). More specifically, it examines this relationship from a behavioral and a structural perspective. Theory suggests that given the chance, agents will behave in a self-interested manner, behavior that may conflict with the principal's interest (Chrisman et al., 2004; Eisenhardt, 1989; Jensen and Meckling, 1976; Wiseman, Cuevas-Rodríguez, and Gómez-Mejía, 2012). As such, principals will enact structural mechanisms that monitor the agent in order to curb the opportunistic behavior and better align the parties' interests (Cruz et al., 2010; Eisenhardt, 1989; Fama and Jensen, 1983).

How. Firm performance by way of cost minimization and greater efficiencies is the desired outcome of the agency theory perspective (Corbetta and Salvato, 2004; Fama, 1980). When the ownership and management of a firm are separated, theory suggests that agency problems are created, and agency costs are incurred to alleviate these problems (Eisenhardt, 1989; Jensen and Meckling, 1976; Karra, Tracey, and Phillips, 2006; Lee and O'Neill, 2003; Wasserman, 2006). To elaborate, separation of ownership and management is a key component of agency theory; the principal authorizes or delegates work to the agent, and the agent is expected to act in the best interest of the principal (Ross, 1973; Wiseman et al., 2012). An

agency problem is created when the interest of the principal and agent are misaligned and the principal lacks the information to accurately assess the behavior of the agent (Eisenhardt, 1989; Karra et al., 2006; Lee and O’Neill, 2003; Ross, 1973). Agency problems can take the form of moral hazard or adverse selection (Chrisman et al., 2004; Eisenhardt, 1989; Karra et al., 2006). Moral hazard refers to the situation where the agent lacks effort in the scope of the employment relationship (Chrisman et al., 2004; Ross, 1973). It is considered a form of opportunistic behavior that includes free-riding, shirking, and perk-consumption (Chrisman et al., 2004; Chua et al., 2009; Karra et al., 2006). Adverse selection refers to the situation where the agent lacks the ability and skills to competently behave in the scope of the employment relationship (Eisenhardt, 1989; Fama, 1980; Schulze et al., 2001).

Theory suggests the principal has two options for reducing agency problems (Eisenhardt, 1989), both of which can curb the agent’s opportunistic behavior. The first is to create a governance structure that enables the monitoring and assessment of the actual behavior of the agent (Anderson and Reeb, 2004; Chrisman et al., 2007). This structure includes for example, reporting procedures, additional management, or a board of directors (Donaldson and Davis, 1991). The second is to create a governance structure where the contract is based on the actual outcome of the agent’s behavior (Eisenhardt, 1989). An example of this type of structural mechanism is compensation incentive pay (Chrisman et al., 2007), where pay is provided as an incentive for high performance. Risk is thus shifted to the agent, creating the motivation for the agent’s behavior to align with the principal’s interest (Davis et al., 1997; Eisenhardt, 1989). In essence, the principal makes a choice between establishing governance structures based on the agent’s actual behavior or the outcomes of that behavior (Eisenhardt, 1989). Either choice

creates agency costs, the costs borne by the principal to monitor and assess agent behavior (Jensen and Meckling, 1976).

Why. The underlying assumption of agency theory is based on the economic model of man (Davis et al., 1997; Eisenhardt, 1989; Jensen and Meckling, 1976). This model assumes that individuals will seek to optimize their own utility. In the principal-agent relationship, an agent is hired to maximize the principal's utility (Ross, 1973). However, agency theory assumes agents will instead behave opportunistically because they too are self-serving. Therefore, the principal enacts mechanisms to minimize losses to their own utility (Davis et al., 1997; Eisenhardt, 1989; Jensen and Meckling, 1976; Ross, 1973).

Stewardship Theory

What. Stewardship theory is also about the employment relationship between two parties, the principal (owner) and the steward (manager; Davis et al., 1997; Donaldson and Davis, 1991). It too examines this relationship from a behavioral and a structural perspective. Theory suggests that stewards will behave in a pro-social manner, behavior which is aimed at the interest of the principal and thus the organization (Davis et al., 1997; Zahra et al., 2009). This behavior is fostered by the quality of the relationship between the principal and steward and the environment and ideals of the organization (Corbetta and Salvato, 2004; Davis et al., 1997).

How. Maximum firm performance, such as sales growth or profitability, is the desired outcome of a stewardship perspective (Davis et al., 1997; Tosi et al., 2003). Theory suggests this outcome is achieved when both the principal and the manager in the employment relationship select to behave as stewards (Davis et al., 1997). At the heart of stewardship theory is the assumption that the principal-steward relationship is based on a choice. When both parties choose to behave as stewards and place the principal's interest first, theory suggests a positive

impact on performance because both parties are working toward the same goal (Davis et al., 1997; Eddleston and Kellermanns, 2007).

The choice of stewardship behavior is impacted by both psychological and situational factors (Corbetta and Salvato, 2004; Davis et al., 1997; Vallejo, 2009). Psychological factors such as intrinsic motivation, high identification, and personal power can steer the behavioral choice to stewardship (Davis et al., 1997; Zahra et al., 2008). Intrinsic motivation exists within individuals and provides satisfaction in and of itself (Ryan and Deci, 2000); it is a psychological attribute of stewardship theory because steward managers are motivated by intangible, higher order rewards (Davis et al., 1997; Lee and O'Neill, 2003). Individuals who have high levels of identification with their organization are more likely to choose stewardship because they feel a strong sense of membership with their organization (Lee and O'Neill, 2003; Vallejo, 2009; Zahra et al., 2008). Stewardship theory applies a personal power perspective, describing power based on interpersonal relationships that develop over time (Davis et al., 1997) which in turn influence and empower steward managers. These psychological factors facilitate the choice of stewardship, which ultimately have a positive impact on firm performance.

Situational factors depict the organizational structure and include the management philosophy and culture (Craig and Dibrell, 2006; Davis et al., 1997; Donaldson and Davis, 1991; Zahra et al., 2008). Theory suggests that involvement-oriented, collectivist, low power distance cultures help influence the choice of stewardship behavior (Davis et al., 1997). An involvement-oriented management philosophy is portrayed by an environment where employees are trusted with challenges, opportunities, and responsibility (Davis et al., 1997; Eddleston et al., 2012; Vallejo, 2009). In organizations typified by collectivism, individuals put the goals of the collective ahead of individual personal goals; the emphasis is on belonging, identifying, and

displaying loyalty due to the tight-knit social framework present in the organization (Davis et al., 1997; Nicholson, 2008). Low power distance describes an environment where equality is perceived between different levels of the organizational hierarchy (Davis et al., 1997). An organizational structure that accommodates and influences the choice of stewardship behavior helps facilitate maximum performance for the firm.

Why. The underlying assumption of stewardship theory is based on the humanistic model of man due to its foundation in sociology and psychology (Donaldson and Davis, 1991). This model assumes that individuals are motivated by higher order needs fulfillment (Davis et al., 1997). In the principal-steward relationship, a steward will put the interests of the principal ahead of self-serving interests (Corbetta and Salvato, 2004; Davis et al., 1997; Davis et al., 2010; Zahra et al., 2009). A principal will create an organizational structure where these stewardship behaviors can flourish. As such, a stewardship structure is seen as collectivistic and cooperative, resulting in positive benefits for the organization (Davis et al., 1997).

Summary

The essential theoretical elements of *what, how,* and *why* (Whetten, 1989) are both addressed by agency and stewardship theories. As shown in Table 2.1, both theories seek to address the same *what*: agency theory and stewardship theory are based on the principal-manager employment relationship, and describe the behavior of the parties and the resulting structure of the organization. Likewise, both theories seek to address the same outcome, firm performance (Davis et al., 1997; Fama and Jensen, 1983; Tosi et al., 2003). However, the theories differ in the *how* and *why*: agency theory suggests that increased performance is the result of the principal implementing governance structures to curb the opportunistic behavior of the agent, based on the assumed economic model of man; whereas, stewardship theory suggests increased performance

is the result of the principal encouraging a governance structure that empowers and motivates pro-organizational behavior of the steward, based on the assumed humanistic model of man.

Table 2.1: Summary of Agency and Stewardship Theoretical Elements

	Agency Theory	**Stewardship Theory**
What	Based on the principal-manager employment relationship: describes the behavior of the parties and the resulting structural mechanisms of the organization	Based on the principal-manager employment relationship: describes the behavior of the parties and the resulting structural mechanisms of the organization
How	Performance: principal enacts governance mechanisms to curb an agent's opportunistic behavior	Performance: principal creates an environment conducive to facilitating a steward's pro-organizational behavior
Why	Economic model of man: individual/self-serving	Humanistic model of man: collective/other-serving

Agency Theory versus Stewardship Theory

A discussion of each theory in isolation was just provided; however, a discussion of both agency theory and stewardship theory in comparison is warranted as well. As described, both theories depict the same phenomena: the employment relationship between a principal and a manager and its related organizational performance outcome (Tosi et al., 2003). The major difference is the assumed model of man, economic versus humanistic (Corbetta and Salvato, 2004). Accordingly, agency theory and stewardship theory starkly contrast in their depiction of behavior and governance structures (Wasserman, 2006).

The behavioral differences between agency and stewardship perspectives are pronounced in the psychological factors of motivation and identification (Davis et al., 1997; Jaskiewicz and Klein, 2007; Lee and O'Neill, 2003; Tosi et al., 2003). Motivation is the drive or impetus to act

(Ryan and Deci, 2000). It is broadly categorized as either extrinsic or intrinsic. Extrinsic motivation is typified as the drive for an external reward (i.e., a separable outcome). Due to the assumed economic model of man, agency theory is characterized by extrinsic motivation, where individuals are motivated by quantifiable economic gain. Intrinsic motivation exists within individuals and provides satisfaction in and of itself (Ryan and Deci, 2000). Due to the assumed humanistic model of man, stewardship theory is characterized by intrinsic motivation, where individuals are motivated by intangible, higher order rewards (Davis et al., 1997).

Identification describes the connection an individual feels with the organization (Brown, 1969; Mael and Ashforth, 1992). High levels of identification create the desire to work toward the organization's success (Bass, 1960). Agency theory depicts managers as having a low level of identification with the organization, thus allowing for self-serving interests to be chosen over the principal's interests (Davis et al., 1997). In contrast, stewardship theory depicts managers as having a high level of identification with their organization that it is seen as an extension of the self (Davis et al., 1997). High identification empowers stewards to work toward solving problems and attaining organizational goals, thereby fulfilling intrinsic rewards and the interest of the principal (Davis et al., 1997).

There are also structural differences in organizations depicted by either agency or stewardship perspectives, as evidenced by the environment and culture. The organizational environment can range from control-oriented to involvement-oriented. The organizational culture can range from individualistic to collectivistic. Control-oriented and individualistic environments are depicted through agency structures, such as the monitoring and controlling activities principals place on agents to curb individualistic self-interest (Davis et al., 1997; Eisenhardt,

1989). In contrast, involvement-oriented and collectivistic cultures highlight the stewardship perspective (Davis et al., 1997).

Conclusion

The distinction between theories is found in the behavioral assumptions and the structural prescriptions. From a behavioral perspective, agency theory describes behavior rooted in an economic model of man; agent behavior will be based on self-interest and may conflict with the principal's interest. Stewardship theory describes behavior rooted in a more humanistic model of man; steward behavior will be based on serving others and therefore will align with the principal's interest. From a structural perspective, agency theory prescribes governance mechanisms that control and monitor agents in order to thwart opportunistic behavior and better align the goals of the principal and agent. Stewardship theory instead prescribes an organizational environment where stewards are trusted and empowered, and where control and monitoring mechanisms are not needed because goals of the principal and steward are already aligned. Both agency and stewardship theories suggest that performance is enhanced by the prescriptions set forth.

To reiterate, Figure 2.1 offers an illustration of the prescriptions and outcomes related to each theoretical perspective. As depicted, agency theory suggests that performance will increase when governance and control mechanisms are in place to monitor and curb the agent's opportunistic behavior (i.e., high levels of governance mechanisms, high level of performance). Without these controls, it is assumed that agents will act opportunistically creating costs and lower levels of organizational performance (i.e., low levels of governance mechanisms, low level of performance). The opposite is theorized by the tenets of stewardship theory. According to stewardship theory, performance increases when the organizational structure is characterized by

fewer monitoring and control mechanisms; this type of governance structure empowers and motivates stewards to pro-organizational behavior (i.e., low levels of governance mechanisms, high level of performance). With controls in place, it is assumed that stewards will feel betrayed and motivation and pro-organizational behavior will decrease (i.e., high levels of governance mechanisms, low level of performance).

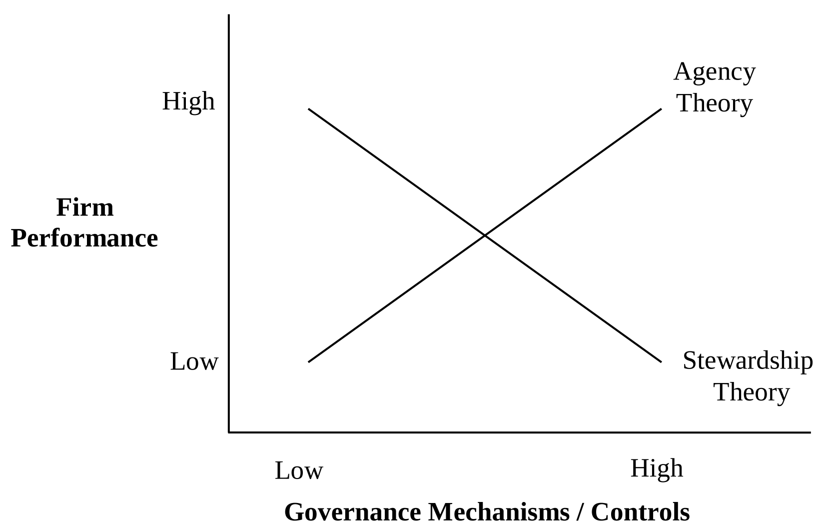


Figure 2.1: Agency and Stewardship Prescriptions and Related Performance Outcomes

In summary, agency and stewardship theories both contain the essential elements of theory. Each theory has predictive and explanatory power as shown in the descriptions of the *what, how,* and *why*. However, the question remains as to whether the theories are adequate and relevant when context is taken into consideration. In other words, are expansions necessary or

boundary conditions or limitations apparent if the *where* is considered? In order to assess their strength and generalizability, the next section of this chapter examines agency and stewardship theories within family firms, an important organizational context.

Context

Although family firms are deemed the most prevalent and oldest organizational type, scholarly investigations of these businesses are considerably less common and relatively recent (Goel et al., 2012). With research on family firms still in the early stages, guidelines for researchers are imperative. Importantly, research in this realm "should describe why family businesses are distinct, how the uniqueness builds, and how and under what conditions this may lead to a competitive advantage" (Klein, Astrachan, and Smyrnios, 2005: 333). Accordingly, family firm governance and its related performance implications has been a topic of interest due to the unique structures and dynamics brought about by residing at the intersection of the family system and the business system (Goel et al., 2012). Since agency theory and stewardship theory address governance and firm performance, it is therefore not surprising that they have served as theoretical lenses within family firm research.

However, agency and stewardship theories offer opposing assumptions and predictions for firm performance, and therefore have sparked an on-going debate in the family firm literature regarding their applicability. Solid arguments have been made and supported on both sides of the debate. Investigations reveal that either theory can be applicable in the unique context of family firms, thereby creating ambiguous and confounding predictions about behavior and performance. A review and synthesis of this literature is provided next.

Characteristics of the Literature Reviewed

Forty articles grounded in agency theory and/or stewardship theory within the context of family firms serve as the basis for this review. Articles were found through an electronic and manual search of the family firm literature using combinations of keywords such as *family firm, family business, family enterprise* plus *agency theory, agency costs,* or *stewardship theory*. Family firm articles citing the seminal theoretical works (e.g., Davis et al., 1997; Donaldson and Davis, 1991; Jensen and Meckling, 1976; Eisenhardt, 1989) were also reviewed to determine appropriateness for inclusion. To be considered for inclusion, the theoretical underpinning for the conceptual or empirical model had to be agency or stewardship theory. Table 2.2 provides an alphabetical list and the characteristics of these forty articles.

As shown in Table 2.2, the mix of twelve conceptual and twenty-eight empirical articles were published in mainstream management journals, such as *Academy of Management Journal, Journal of Management Studies*, and *Journal of Management*, in entrepreneurship journals, including *Entrepreneurship Theory and Practice* and *Journal of Business Venturing,* and in family firm specific outlets such as *Family Business Review* and *Journal of Family Business Strategy*. In the broadest sense, the literature can be grouped by the theoretical perspective adopted; namely, agency theory (22 articles), stewardship theory (11 articles), and the adoption of both theoretical lenses (7 articles).

From an authorship perspective, seventeen of the top-25 most published family firm scholars authored these articles (see Debicki et al., 2009): grouped by theoretical lens, the agency scholars include Steier, Chua, Chrisman, Dino, Gómez-Mejía, Habbershon, Lubatkin, Sharma, and Schulze; stewardship scholars include Eddleston and Zahra; authors simultaneously supporting both theories include Astrachan, Howorth, Le Breton-Miller, Miller, and Westhead;

the only top-25 ranked author who has work separately supporting agency theory and stewardship theory is Kellermanns.

Table 2.2: Agency and Stewardship Theory Research in a Family Firm Context

Authors	Journal	Article Type	Theoretical Perspective
Anderson & Reeb (2003)	Journal of Finance	Empirical	Agency Theory
Anderson & Reeb (2004)	ASQ	Empirical	Agency Theory
Block (2012)	JBV	Empirical	Agency Theory
Blumentritt, Keyt, & Astrachan (2007)	FBR	Empirical	Both
Braun & Sharma (2007)	FBR	Empirical	Agency Theory
Chirico, Ireland, & Sirmon (2011)	ETP	Conceptual	Agency Theory
Chrisman, Chua, Kellermanns, & Chang (2007)	JBR	Empirical	Agency Theory
Chrisman, Chua, & Litz (2004)	ETP	Empirical	Agency Theory
Chua, Chrisman, & Bergiel (2009)	ETP	Conceptual	Agency Theory
Chua, Steier, & Chrisman (2006)	ETP	Conceptual	Agency Theory
Corbetta & Salvato (2004)	ETP	Conceptual	Stewardship Theory
Craig & Dibrell (2006)	FBR	Empirical	Stewardship Theory
Cruz, Gómez-Mejía, & Becerra (2010)	AMJ	Empirical	Agency Theory
Davis, Allen, & Hayes (2010)	ETP	Empirical	Stewardship Theory
Dawson (2011)	JBV	Empirical	Agency Theory
Dibrell & Moeller (2011)	JFBS	Empirical	Stewardship Theory
Eddleston (2008)	ETP	Conceptual	Stewardship Theory
Eddleston & Kellermanns (2007)	JBV	Empirical	Stewardship Theory
Eddleston, Kellermanns, & Zellweger (2012)	ETP	Empirical	Stewardship Theory
Habbershon (2006)	ETP	Conceptual	Agency Theory
Herrero (2011)	JoM	Empirical	Agency Theory
Jaskiewicz & Klein (2007)	JBR	Empirical	Both
Karra, Tracey, & Phillips (2006)	ETP	Empirical	Agency Theory
Le Breton-Miller & Miller (2009)	ETP	Conceptual	Both
Lester & Cannella (2006)	ETP	Conceptual	Agency Theory
Lubatkin, Durand, & Ling (2007)	JBR	Conceptual	Agency Theory
Lubatkin, Ling, Schulze (2007)	JMS	Conceptual	Agency Theory
Miller, Le Breton-Miller, & Scholnick (2008)	JMS	Empirical	Stewardship Theory
Nicholson (2008)	AMP	Conceptual	Agency Theory
Pearson & Marler (2010)	ETP	Conceptual	Stewardship Theory
Pieper, Klein, & Jaskiewicz (2008)	JSBM	Empirical	Both
Prencipe, Markarian, & Pozza (2008)	FBR	Empirical	Both
Schulze, Lubatkin, & Dino (2003a)	JBV	Empirical	Agency Theory
Schulze, Lubatkin, & Dino (2003b)	AMJ	Empirical	Agency Theory
Schulze, Lubatkin, Dino, & Buchholtz (2001)	Org Science	Empirical	Agency Theory
Sciascia, Mazzola, Astrachan, & Pieper (2012)	Small Bus Econ	Empirical	Both
Tsai, Hung, Kuo, & Kuo (2006)	FBR	Empirical	Agency Theory
Vallejo (2009)	JBE	Empirical	Stewardship Theory
Westhead & Howorth (2006)	FBR	Empirical	Both
Zahra, Hayton, Neubaum, Dibrell, & Craig (2008)	ETP	Empirical	Stewardship Theory

The theoretical lens adopted coincides with the passage of time. The articles span more than a decade from 2001 through 2012. Agency theory migrated into the family firm literature stream first, starting with the work of Schulze, Lubatkin, Dino, and Buchholtz (2001). A few years later, the works of Corbetta and Salvato (2004) and Eddleston and Kellermanns (2007) were the first to support stewardship theory from a conceptual and empirical approach, respectively. Westhead and Howorth (2006) started a wave of research that adopts both agency and stewardship perspectives. These chronological trends are evidenced by Figure 2.2.

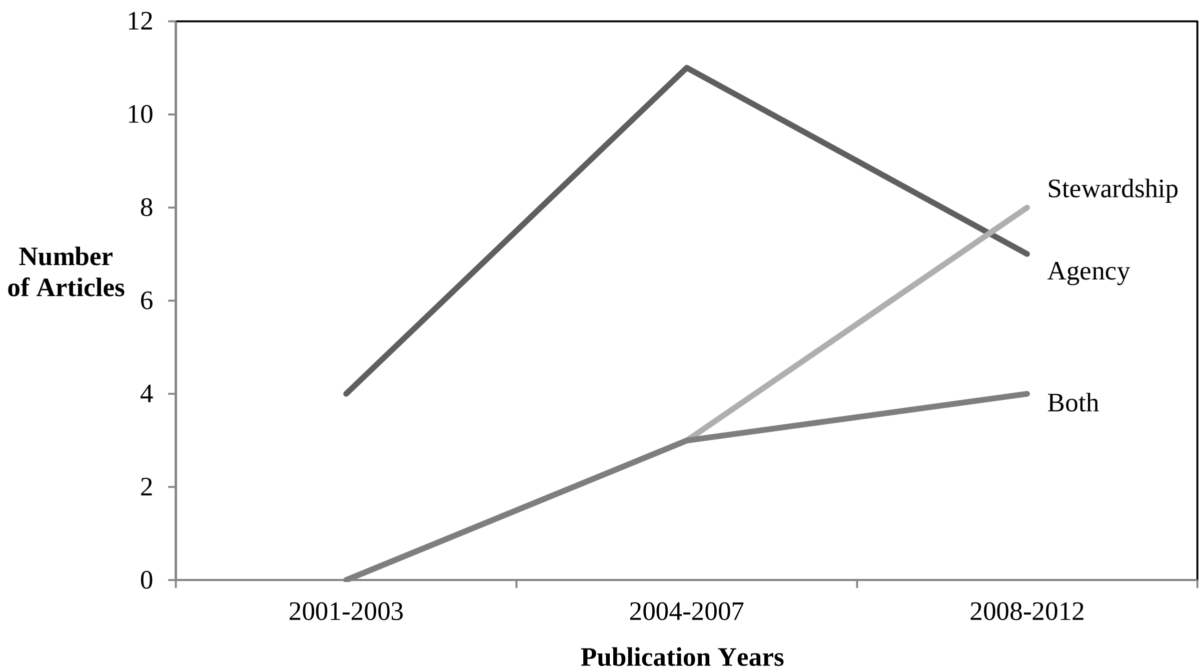


Figure 2.2: Trends in Agency and Stewardship Research in a Family Firm Context

As shown, during the publication years 2001-2003, family firm articles applying an agency theory perspective were the only agency/stewardship-related articles in the literature; discussions and support for stewardship theory and both theories considered simultaneously soon followed. Noticeable shifts began in the period 2004-2007: agency theory research in family firms started its decline to a level below that of stewardship theory research; research supporting a stewardship perspective in family firms drastically increased; and articles supporting both agency and stewardship perspectives slightly increased. My review and synthesis of these articles are organized accordingly.

Agency Theory Research

Agency theory has been a prominent lens in organizational research and more specifically in family firm research (Chrisman et al., 2005; Goel et al., 2012; Le Breton-Miller and Miller, 2009). Twenty-two of the forty articles included in this review adopt an agency theory perspective. Table 2.3 displays an alphabetical list, description, and key findings of these articles. After reviewing these articles, it became apparent that the articles differed by research focus. Each article had a research focus in one of two groups; namely, one group examines whether family firms are susceptible to agency problems (17 articles) and one group supports agency theory perspectives and prescriptions compared to that of stewardship (5 articles). Accordingly, the agency focus (i.e., problems or prescriptions) is shown in a column in Table 2.3, and the literature is reviewed by group.

The group addressing agency problems in the context of family firms includes eight conceptual and nine empirical articles. The focus of the articles is on the unique characteristics that create agency problems in family firms, and how they affect the relationship between various governance mechanisms and performance, competitive advantage, or agency costs. The

majority of empirical articles sample private family firms (i.e., 6 private using primary data; 3 public using secondary data) in the US (i.e., 6 US, 1 Spain, 1 Turkey, 1 Taiwan).

The group addressing agency prescriptions provides empirical support that agency theory is more applicable in a family firm context when compared with a stewardship perspective. Two articles use public firm samples and secondary data; two use private firm samples and primary data; the majority uses US samples, and all use regression to explore variations in performance, with the exception of one that considers CEO perceptions. The fifth article samples private equity firms and their perceptions of family firms. A synthesis of the literature within each group is provided next.

Table 2.3: Agency Theory Research in a Family Firm Context

Authors	Sample	Firm Type	Respondent	Data Analysis	IV	DV	Agency Focus	Key Findings
Anderson & Reeb (2003)	141 family & 262 nonfamily firms -US-	Public	n/a - secondary data	Regression	Firm type (family/nonfamily)	Performance (tobin's Q & ROA)	Agency Problem -n/a	Family firms outperform nonfamily firms; family ownership reduces opportunism
Anderson & Reeb (2004)	141 family & 262 nonfamily firms -US-	Public	n/a -secondary data	Regression	Board independence Family influence	Performance (tobin's Q)	Agency Prescriptions	Agency prescriptions apply in family firms; family directors monitor business; independent directors monitor family
Block (2012)	154 family firms -US-	Public	n/a -secondary data	Regression	R&D spending Family ownership	R&D productivity (sales)	Agency Problem -Family ownership	Family ownership creates agency costs; face moral hazard and information asymmetry
Braun & Sharma (2007)	84 family firms -US-	Public	n/a -secondary data	Regression	CEO duality Family ownership	Performance (market returns)	Agency Prescriptions	CEO duality does not affect family firm performance; agency prescriptions protect minority shareholders
Chirico, Ireland, & Sirmon (2011)	-theoretical sample- Family firms pursuing growth				Relationships Training/support Mutual selection	Competitive advantage	Agency Problem -n/a	Concentrated ownership and management are beneficial for franchising; assumes lack of agency problems
Chrisman, Chua, & Litz (2004)	901 family & 240 nonfamily firms -US-	Private	Principal (Firm)	Regression	Strategic planning Board of Directors	Performance (sales growth)	Agency Problem -Non-economic goals	Agency problems are decreased with family involvement
Chrisman, Chua, Kellermanns, & Chang (2007)	208 family firms -US-	Private	Principal (owner managers)	Regression	Monitoring Incentive compensation	Performance	Agency Prescriptions	Family managers are agents; agency prescriptions increase firm performance
Chua, Chrisman, & Bergiel (2009)	-theoretical sample- Professionalized family firm				Compensation and Performance Evaluation Systems	Performance	Agency Problem -Altruism -Noneconomic goals	Altruism can be costly to family firms; lower motivation and increased opportunism of nonfamily

Table 2.3. Continued.

Authors	Sample	Firm Type	Respondent	Data Analysis	IV	DV	Agency Focus	Key Findings
Chua, Steier, & Chrisman (2006)	-conceptual-				Board interlocks	Performance	Agency Problem -Intra-family agency costs	The agency costs of family firms can be offset by social capital
Cruz, Gómez-Mejía, & Becerra (2010)	122 family firms -US-	Public	Principal (CEO)	Regression	Family relations Family ownership Pay	CEO perception of TMT benevolence	Agency Prescriptions	CEO perceptions and trust impact agency contracts and implementation of agency prescriptions
Dawson (2011)	35 private equity firms -Italy-	n/a	Principal (Investor)	HLM	Family involvement and ownership	Investment assessment	Agency Prescriptions	Investors associate family and business negatively; prefer to invest in professional family firms
Karra, Tracey, & Phillips (2006)	1 family firm -Turkey-	Private	Principal (CEO)	Qualitative case study	Employees (family/nonfamily)	Agency costs	Agency Problem -Altruism	Family influence decreases and increases agency problems depending on the business stage
Habbershon (2006)	-conceptual-				Governance systems	Competitive advantage	Agency Problem -Life Cycle	Extends Karra et al (2006); governance systems must match life cycle
Herrero (2011)	58 family & 33 nonfamily firms -Spain-	Private	Principal (Owner)	Stochastic frontier analysis	Relationship of owner-manager (family/nonfamily)	Efficiency	Agency Problem -Family relations	Family firms outperform nonfamily firms; have reduced agency problems
Lester & Cannella (2006)	-theoretical sample-	Public			Firm type (family/nonfamily)	Performance	Agency Problem - Organizational structure	Family firm agency costs can be reduced with board interlocks
Lubatkin, Durand, & Ling (2007)	-conceptual-				Altruism	Agency costs	Agency Problem -Altruism	Altruism explains variances in governance efficiencies more than agency theory

Table 2.3. Continued.

Authors	Sample	Firm Type	Respondent	Data Analysis	IV	DV	Agency Focus	Key Findings
Lubatkin, Ling, Schulze (2007)	-theoretical sample-	Private			Altruism Justice violations	Agency costs	Agency Problem -Altruism	Considers justice perceptions of agency prescriptions of family/nonfamily employees.
Nicholson (2008)	-conceptual-				Leadership Good governance	Survival	Agency Problem -Family passions	Family firms suffer from agency problems; they can survive with good governance and leadership
Schulze, Lubatkin, & Dino (2003a)	883 family firms -US-	Private	Principal (CEO)	Regression	Pay incentives	Performance (sales growth)	Agency Problem -Altruism	Family firms have unique agency problems; created by altruism
Schulze, Lubatkin, & Dino (2003b)	1464 family firms -US-	Private	Principal (CEO)	Regression	Shares/voting power of board	Debt	Agency Problem -Altruism	Proportion of family ownership influences board conduct
Schulze, Lubatkin, Dino, & Buchholtz (2001)	1376 family firms -US-	Private	Principal (CEO)	Regression	Pay incentives Strategic planning Board entrenchment	Performance (sales growth)	Agency Problem -Altruism	Altruism creates agency problems; family firms must incur agency costs
Tsai, Hung, Kuo, & Kuo (2006)	63 family & 241 nonfamily firms -Taiwan-	Public	n/a - secondary data	Survival analysis	Performance (ROA) CEO ownership Board ownership	CEO tenure	Agency Problem -n/a	Family firms need to refine governance systems; agency theory is not suitable for family firms

Agency Problems. At the heart of agency theory is the separation of ownership and management and the problems that arise from this separation (Eisenhardt, 1989). This owner-manager conflict is referred to as a Type I agency problem (Villalonga and Amit, 2006). However, it was assumed that family firms are not susceptible to Type I agency problems due to a lack of separation among owners and managers (Chrisman et al., 2004; Goel et al., 2012; Jensen and Meckling, 1976); and therefore, agency perspectives remained absent in this organizational context. However, the work of Schulze and his colleagues challenged this logic (Schulze et al., 2001; Schulze, Lubatkin, and Dino, 2003a, 2003b), and thus began an important stream of literature. This stream seeks to conceptually and empirically demonstrate that family firms are indeed susceptible to agency problems and costs due to their unique aspects. Research supports nontraditional agency problems that are specific to the family firm context, created for example by asymmetric altruism (Moores, 2009; Schulze et al., 2001, 2003) and entrenched family ownership (Block, 2012; Moores, 2009; Nicholson, 2008).

Altruism is often regarded as selfless behavior that benefits others, but is presented in a much different light by agency theorists (Eddleston, Kellermanns, and Sarathy, 2008). Agency theory perspectives refer to altruism as asymmetric, which describes behavior that is exploitable, not reciprocal, and can cause harm to family firms (Chua et al., 2009; Wright and Kellermanns, 2011). Asymmetric altruism can create both moral hazard and adverse selection agency problems within the context of family firms (Schulze et al., 2001, 2003a). Family firms are embedded in family relationships, such as the parent-child relationship (Schulze et al., 2003a). Scholars suggest that parents can be overly generous to their children, and that their children may take advantage of this generosity by shirking or free-riding (Dawson, 2011; Eddleston et al., 2008; Schulze et al., 2001, 2003a). This moral hazard agency problem is compounded by the

propensity in family firms for family leaders to refrain from monitoring other family members' behavior (Chua, Chrisman, Kellermanns, and Wu, 2011; Eddleston, Chrisman, Steier, and Chua, 2010). Asymmetric altruism can also create adverse selection agency problems when family firms hire family members instead of nonfamily regardless of whether they are the most qualified or skilled for the position (Karra et al., 2006; Schulze et al., 2001, 2003a), and may even pay them more generously (Chua et al., 2009). These asymmetric altruism-created agency problems result in decreased family firm performance (Eddleston et al., 2010; Wright and Kellermanns, 2011), or create the necessity for family firms to incur agency costs by implementing governance mechanisms to monitor and assess behavior (Chua et al., 2009; Lubatkin, Durand, and Ling, 2007).

Entrenched family ownership can also create agency problems specific to family firms. Entrenchment is defined as "the relational contract between owners and managers that enable both to occupy key positions in the firm for a significant duration" (Moores, 2009: 172). Family ownership is often described as an effective organizational structure because it reduces Type I agency problems associated with the separation of owners and managers (Anderson and Reeb, 2003; Chirico, Ireland, and Sirmon, 2011; Jensen and Meckling, 1976; Tsai et al., 2006); however, there is evidence that suggests otherwise (Block, 2012; Nicholson, 2008). Block (2012) contends that family firm ownership is not a superior corporate governance structure because family dynamics and conflicts are difficult to monitor. Ineffective monitoring allows for the potential for increased moral hazard problems, and is empirically shown to be associated with lower productivity (Block, 2012). Nicholson (2008) suggests family ownership can facilitate agency problems such as the inability to make sound business decisions due to an excessive emotional attachment to the firm or due to the lack of a qualified family successor for the

business. Accordingly, governance mechanisms are necessary to alleviate these family firm specific agency problems in order for the business to thrive (Block, 2012; Nicholson, 2008).

Additionally, family ownership can create a second type of agency problem specific to family firms, referred to as a Type II agency problem (Ali, Chen, and Radhakrishnan, 2007; Goel et al., 2012; Villalonga and Amit, 2006). Instead of the Type I owner-manager conflict, the Type II represents the conflict between majority and minority shareholders (i.e., family and nonfamily shareholders; Villalonga and Amit, 2006). An example of a Type II agency problem manifests itself in the misalignment of shareholder goals; family firms often pursue noneconomic goals at the expense of financial gain (Gómez-Mejía, Haynes, Nunez-Nickel, Jacobson, and Moyano-Fuentes, 2007). Diverting resources to pursue the family's noneconomic agendas may negatively impact firm performance (Chrisman et al., 2004), thus creating conflict between family and nonfamily shareholders.

In conclusion, this group of agency theory literature provides support that agency problems are indeed prevalent in the family firm context. This agency problem research is important for two reasons. First, this literature challenged original agency theory research that argued agency problems did not exist in organizations typified by the convergence of ownership and management (i.e., Eisenhardt, 1989; Fama and Jensen, 1983; Jensen and Meckling, 1976). In doing so, a host of nontraditional agency problems specific to family firms (i.e., asymmetric altruism, family entrenchment, Type II agency problems) were brought to light, thus expanding agency theory into the realm of the family firm. Second, this realization allows for continued agency research within a family firm context, but with a different focus. It allows scholars to research whether other tenets of agency theory are applicable in family firms. Accordingly, the

next group of articles I reviewed shifts the focus away from agency problems, and instead focuses on agency prescriptions[2].

Agency Prescriptions. Five articles in my review support agency theory's applicability within family firms by examining outcomes of agency prescriptions. Three of these articles are similar with their focus on firm performance (e.g., Anderson and Reeb, 2004; Braun and Sharma, 2007; Chrisman et al., 2007), the remaining two offer unique perceptual perspectives (e.g., Cruz, Gómez-Mejía, and Becerra, 2010; Dawson, 2011). A summary of agency prescriptions impacting firm performance and perception outcomes is provided next.

The three articles examining firm performance focus their attention on boards of directors (Anderson and Reeb, 2004; Braun and Sharma, 2007), incentive compensation (Chrisman et al., 2007), and monitoring activities (Chrisman et al., 2007) as agency prescriptions to mitigate agency problems within family firms. Anderson and Reeb (2004) examine board independence and family influence to support their contention that an agency lens is applicable to family firms. They conclude that monitoring mechanisms such as a board of directors are necessary; outside board members are put in place to monitor the family, and family members have a place on the board to monitor the business (Anderson and Reeb, 2004). Likewise, Chrisman and his colleagues (2007) explore the motivations and control of family firm managers to determine if they are agents or stewards. They conclude that family managers are agents because family firms using governance mechanisms prescribed by agency theory (i.e., monitoring, incentive compensation) have higher levels of performance (Chrisman et al., 2007). Braun and Sharma

[2] Some articles examine both agency problems and agency prescriptions. I interpreted the primary focus and grouped each article accordingly. One factor that attributed to my grouping decision was the theoretical grounding: all agency problem articles used agency theory only; all agency prescription articles pitted agency theory with stewardship theory finding support for the agency perspective.

(2007) explore CEO duality and demonstrate that the separation of positions is a beneficial governance structure for family firm performance.

Instead of a focus on performance, the remaining two articles in this agency prescription group are focused on perceptions. Cruz and her colleagues (2010) examine how agency contracts are affected by the CEO's perceptions of the top management team. In line with agency theory, they suggest that monitoring and incentive mechanisms are implemented based on the CEO's trust perceptions of top managers. In the family firm context, they suggest that the presence of top managers who are related to the CEO and the level of family ownership in the firm affect these perceptions. Dawson (2011) examines the perceptions of private equity firms as they assess the attractiveness of family firms. She finds that investors prefer professionalized family firms, described as businesses that have agency prescriptions in place, such as human resources practices and the presence of nonfamily managers (Dawson, 2011).

In conclusion, this group of family firm articles focuses on the remedies prescribed by agency theory that are theorized to positively impact firm performance. Importantly, this research provides support that agency prescriptions, such as the presence of a board of directors, incentive compensation plans, and monitoring activities serve their intended and theorized purpose within family firms. Similar to agency problem research, this research expands the boundary conditions of agency theory by supporting its prescriptions and related outcomes within a new organizational context, a context once thought to be irrelevant to agency theory.

Limitations and Future Research. Although agency theory problems and prescriptions are prevalent in a family firm context, more research is still warranted. My review and synthesis sheds light on three limitations that can guide future investigations. The first limitation in the agency theory literature relates to the governance structure and related mechanisms employed

within family firms. Governance mechanisms are the dominant agency theory prescription and can be categorized as formal (i.e., monitoring activities, human resource policies) or social (i.e., informal meetings, get-togethers; Mustakallio, Aution, and Zahra, 2002). The family firm literature is heavily focused on formal governance mechanisms like boards of directors (e.g., Anderson and Reeb, 2004; Braun and Sharma, 2007), incentive compensation plans (e.g., Chrisman et al., 2007; Schulze et al., 2001), strategic planning (e.g., Chrisman et al., 2004), or human resources practices (Dawson, 2011). Importantly, agency research is “concerned with describing the governance mechanisms that solve the agency problem” (Eisenhardt, 1989: 59); however, research neglects to consider the impact of social governance mechanisms, and thus should be a consideration for future research.

The second limitation in the agency theory literature ironically relates to the focus on firm level performance. The theorized outcome of agency theory is firm performance, which is often supported in the family firm literature (e.g., Anderson and Reeb, 2004; Chrisman et al., 2007; Braun and Sharma, 2007). However, studies tend to ignore the reasons why there is a link between the governance structure and firm performance. Agency theory prescribes governance mechanisms to curb opportunistic behavior thus resulting in increased performance (Eisenhardt, 1989; Jensen and Meckling, 1976). However, just because governance mechanisms are in place and performance levels are high, doesn’t necessarily mean opportunistic behavior was thwarted; there could be other factors contributing to high levels of performance even in the presence of opportunistic behavior. To account for this possibility, structure, behavior, and performance must be considered. Extant studies neglect to consider behavior as the linking pin between structure and performance; therefore, it should be examined in future studies. For example, research could examine productive work behavior as the missing link; it is an appropriate proxy for capturing a

lack of opportunistic behavior (i.e., shirking, free-riding), and has been conceptually and empirically linked to increased firm performance (Gerhart and Milkovich, 1992; Huselid, 1995).

The third limitation revealed by my review and synthesis of the agency theory literature in family firms is the assumption that managers are a homogeneous group. Agency theorists subscribe to the idea that self-serving behavior is curbed by the use of governance mechanisms (Eisenhardt, 1989; Jensen and Meckling, 1976). However, it may be plausible that in a family firm context where managers can be family or nonfamily members, differing behaviors may result between the two groups (Chua et al., 2009; Davis et al., 2010). For example, altruism creates agency problems and the need for agency prescriptions within family firms (Schulze et al., 2001, 2003a), but this literature is focused solely on the relationship between family members (i.e., parent-child). Research is necessary that addresses the relationship between family and nonfamily members within family firms. Agency prescriptions may curb the assumed opportunistic behavior of family members, but do they have the same effect on nonfamily members? If not, what are the resulting performance implications for the family firm? Accordingly, future research is needed that addresses agency prescriptions and outcomes with considerations of employee type.

Conclusion. My review of this literature suggests that agency theory is indeed applicable in a family firm context. The literature supports that agency problems are prevalent and uniquely created in family firms. Accordingly, agency costs must be incurred to mitigate these problems. Meaning, agency structural prescriptions, such as boards of directors, compensation incentive plans, and monitoring activities, are deemed necessary in family firms to curb opportunistic self-interested agent behavior and thus reap firm level performance benefits. However, other governance structures could be considered in future research to determine their applicability in

altering agent behavior. Assessing actual agent behavior is also warranted; in doing so, the behavior of family and nonfamily employees could be assessed to determine if the prescriptions of agency theory hold equivocally across employee types. In conclusion, agency theory is an applicable theoretical perspective for family firm governance and performance research; however, more research is necessary to fully comprehend the impact of agency prescriptions on the behaviors within the family firm.

This concludes my review and synthesis of the family firm literature adopting an agency theory perspective. At this time, I am able to address part (a) of my first research question. To reiterate, the first research question asks, ‘are the tenets, prescriptions, and related performance outcomes of (a) agency theory and (b) stewardship theory applicable within family firms?’ Based on the review and synthesis, I am able to conclude that agency theory tenets, prescriptions, and related performance outcomes are applicable within family firms. I now transition to my review and synthesis of the family firm literature adopting a stewardship theory perspective to address part (b) of the research question.

Stewardship Theory Research

Family firm research adopting a stewardship perspective has been on the rise in recent years (Le Breton-Miller and Miller, 2009; Zahra et al., 2008). Since Corbetta and Salvato (2004) suggested stewardship theory and its humanistic model of man as an appropriate alternative to agency theory within the family firm context, a wave of articles adopting this theory has been generated. There are eleven articles adopting a stewardship perspective within family firms. These articles span six years, having been published in every year from 2006 through 2012. Eight articles are empirical investigations, all of which are survey-based research on small private firms, mostly in the US. Five of these eight survey family firms only, the remaining three

articles incorporate survey data from nonfamily firms as well. Regression is the dominant approach to data analysis, followed by structural equation modeling. Primarily, the dependent variable is a measure of firm level performance. The independent variables depict a focus on stewardship structure, behavior, or leadership; my review is provided according to this focus. Table 2.4 displays an alphabetical list, description, and key findings of these articles.

Table 2.4: Stewardship Theory Research in a Family Firm Context

Authors	Sample	Firm Type	Respondent	Data Analysis	IV	DV	Stewardship Focus	Key Findings
Corbetta & Salvato (2004)	-conceptual-						Leadership	Stewardship may apply in family firms; family owner shapes the model of man
Craig & Dibrell (2006)	217 family & 179 nonfamily firms -US-	Private	Principal (CEO or top manager)	Regression	Natural environmental policy	Innovation & Performance (relative growth & financial)	Structure	Stewardship characterizes family firms; it drives strategy and performance
Davis, Allen, & Hayes (2010)	315 family firms (366 employees) -US-	Private	Manager (family & nonfamily employees)	Regression	Value commitment Trust Perceptions of agency	Stewardship & leadership perceptions	Behavior	Stewardship is 'secret sauce' for family firms; family perceive leaders as stewards, nonfamily perceive leaders as agents
Dibrell & Moeller (2011)	206 family & 101 nonfamily firms -US-	Private	Principal (CEO, owner, or top manager)	Regression	Service-dominant focus Stewardship culture	Innovativeness	Structure	Family businesses exhibit stewardship cultures that help increase innovativeness
Eddleston (2008)	-conceptual-				Transformational leadership	Strategic flexibility	Leadership	Transformational leadership can lead to stewardship cultures
Eddleston & Kellermanns (2007)	60 family firms -US-	Private	Principal (CEO or top manager)	SEM	Altruism Control concentration	Performance (relative growth & financial)	Structure and Behavior	Demonstrates the effectiveness of stewardship theory on family firm performance
Eddleston, Kellermanns, & Zellweger (2012)	179 family firms -Switzerland-	Private	Principal (CEO or top manager)	Regression	Strategic decision-making Participative gov. LTO Human capital	Corporate entrepreneurship	Structure	Stewardship culture enhances corporate entrepreneurship for family firms
Miller, Le Breton-Miller, & Scholnick (2008)	676 family & nonfamily firms (equal split) -Canada-	Private	Principal (CEO)	Regression	Firm type (family/nonfamily)	Stewardship priorities	Structure	Family firms demonstrate more stewardship priorities (continuity, community, connections) than nonfamily firms

Table 2.4. Continued.

Authors	Sample	Firm Type	Respondent	Data Analysis	IV	DV	Stewardship Focus	Key Findings
Pearson & Marler (2010)	-conceptual-				Leader stewardship behavior	Reciprocal stewardship	Leadership	Family firm leaders can create a culture of reciprocal stewardship for family and nonfamily
Vallejo (2009)	90 family firms (295 surveys) -US-	Private	Manager (nonfamily employees)	SEM	Identification Involvement Loyalty	Profitability & Survival	Behavior	Stewardship factors of nonfamily (identification, involvement) influences firm performance
Zahra, Hayton, Neubaum, Dibrell, & Craig (2008)	248 family firms -US-	Private	Principal (CEO)	Regression	Family culture of commitment	Strategic flexibility	Structure	Stewardship cultures influence strategic flexibility

Structure. Structural or situational stewardship factors depict the work environment and culture of the organization (Davis et al., 1997). Theory suggests these stewardship factors encourage cooperation and empower and motivate employees, thereby enabling pro-organizational behaviors and ultimately firm performance (Davis et al., 1997; Eddleston and Kellermanns, 2007). Varying types of structural factors have been empirically tested within the family firm studies. When compared to nonfamily firms, family firms are shown to have higher levels of stewardship priorities, such as an organizational culture that is inclusive, flexible, and where employees are nurtured, trained, and given broader responsibilities (Miller et al., 2008). Stewardship culture, manifested in strategic decision making responsibilities and participative governance structures, has been linked to higher levels of corporate entrepreneurship in family firms (Eddleston et al., 2012). Family firms' collectivistic stewardship culture has also been associated with strategic flexibility (Zahra et al., 2008), innovativeness (Craig and Dibrell, 2006; Dibrell and Moeller, 2011), and firm performance (Craig and Dibrell, 2006).

Behavior. Behavioral or psychological factors, such as intrinsic motivation and identification, also facilitate stewardship (Davis et al., 1997). Family firm research adopting a stewardship perspective includes empirical examinations of various behavioral factors. High employee identification with the family business is positively associated with firm profitability and survival (Vallejo, 2009). Davis, Allen, and Hayes (2010) demonstrate that family firms foster trust and commitment among employees, making stewardship the "secret sauce" for creating a competitive advantage in family firms. Altruistic tendencies that are other-serving, as opposed to the self-serving asymmetric altruism found in agency research (Corbetta and Salvato, 2004), are shown to positively impact the growth and financial performance of family firms (Eddleston and Kellermanns, 2007).

Leadership. Stewardship theory is about the principal-manager relationship. Theory suggests that both parties can choose to behave as stewards of the organization, and that the structural factors can influence the behavioral choice (Davis et al., 1997). Family firm empirical research adopting a stewardship perspective tends to focus on either the structure or the behavior and their respective links to firm outcomes. Research neglects to consider how structure and behavior are impacted by the actual relationship between the parties. However, two conceptual articles within the family firm realm address this issue. Pearson and Marler (2010) argue that the leader's stewardship choice can motivate and facilitate reciprocal stewardship behavior from the employee. Likewise, Eddleston (2008) suggests that transformational leadership can lead to a stewardship culture. These ideas capture the essence of Corbetta and Salvato's watershed article that argues that "the owning family has a crucial impact in shaping the 'model of man' prevailing within the organization as either the self-serving, economically rational man postulated by agency theory, or the self-actualizing, collective serving man suggested by stewardship theory" (Corbetta and Salvato, 2004: 357). Accordingly, leadership is an important factor in the creation of a stewardship structure and in influencing stewardship behavior.

Limitations and Future Research. Stewardship research in the context of family firms is relatively new and somewhat sparse; but encouragingly, the theoretical tenets and projected outcomes do receive empirical support. However, my review reveals three gaps in this literature stream that can be addressed in future research. First, scholars are focused on either structural or behavioral factors of stewardship. Although both are important factors of stewardship theory, research neglects examinations of both types of factors in tandem. Simultaneous consideration would align better with the theoretical underpinnings. It also may be interesting to determine the relative strength of each factor on performance.

Second, studies fail to consider the choice of stewardship from both parties in the principal-manager relationship. Theory stresses that increased performance is based on both the principal and manager making a choice of stewardship (Davis et al., 1997). None of the reviewed literature addresses the choice either conceptually or empirically. As such, research is warranted that considers both sides of the relationship; conceptual models should address both the principal's choice and the manager's choice of stewardship behavior. This concept should then be carried through empirically by capturing data from both the principal and manager. As shown in Table 3, extant studies only address the perspective of the principal (e.g., Zahra et al., 2008) or the manager (e.g., Vallejo, 2009) as evidenced by the survey respondents. Furthermore, empirical studies capture and mix responses from the CEO *and* the top manager to reflect the principal's view of stewardship (e.g., Eddleston and Kellermanns, 2007); when quite possibly, these respondents may actually be the principal and the manager in the relationship.

Third, more research is needed to develop the ideas surrounding the leadership factors that could extend stewardship theory. Research should consider the role and characteristics of the leader in order to better understand how stewardship behaviors are encouraged and supported. Structural and behavioral factors are important, but leadership seems equally important in encouraging the choice of stewardship on the part of the manager and ultimately impacting firm performance.

Conclusion. My review of this literature suggests that stewardship theory is indeed applicable in a family firm context. The literature supports that stewardship structures and behaviors are pronounced in a family firm environment. Furthermore, the research demonstrates that these stewardship characteristics are predictive of family firm performance, as suggested by stewardship theory. However, extant research neglects to simultaneously consider both sides of

the principal-manager relationship. Meaning, the focus is on either the structure or the behavior and therefore does not capture the essence of stewardship theory (i.e., the choice and its influencing factors). Simultaneous investigations of both sides of the relationship would enable considerations of stewardship choice, structure, behavior, and leadership influences. In doing so, a more comprehensive assessment of the appropriateness of stewardship theory within a family firm context could be made.

This concludes my review and synthesis of the family firm literature adopting a stewardship perspective. At this time, I am able to address part (b) of my first research question. To reiterate, the first research question asks, 'are the tenets, prescriptions, and related performance outcomes of (a) agency theory and (b) stewardship theory applicable within family firms?' Based on the review and synthesis, I am able to conclude that stewardship theory tenets, prescriptions, and related performance outcomes are applicable within family firms. I now transition to my review and synthesis of the family firm literature adopting both an agency and stewardship theory perspective to address my second research question, 'can the opposing prescriptions of agency theory and stewardship theory be integrated within family firms to explain firm performance?'

Both Agency Theory and Stewardship Theory Research

There is a group of family firm literature that concludes that both agency theory and stewardship theory are an applicable perspective in this context, as opposed to one theory or the other. According to my review, there are seven articles in this group, one conceptual and six empirical studies. Like those adopting a stewardship approach, these articles were published from 2006 through 2012. In chronological order, five empirical articles, both qualitative and quantitative were published in 2006, 2007, or 2008; the one conceptual article was published in

2009; then the remaining empirical article was published several years later in 2012. The dominant sample in this group of articles is private family firms in Europe. Table 2.5 displays a list, description, and key findings of these articles.

Table 2.5: Both Agency Theory and Stewardship Theory Research in a Family Firm Context

Authors	Sample	Firm Type	Respondent	Data Analysis	IV	DV	Focus	Key Findings
Blumentritt, Keyt, & Astrachan (2007)	27 family firms -US-	Private	Manager (CEO)	Qualitative grounded theory	Competencies Board support	Nonfamily CEO success	Leadership	Both theories can explain CEO success: Agency = CEOs are competent Stewardship = CEO cultural/family fit
Jaskiewicz & Klein (2007)	351 family firms -Germany-	Private	Principal (Owner)	Regression	Owner-manager goal alignment (FPEC scale)	Board characteristics	Prescriptions	Both theories can explain board composition: Agency = low goal alignment (need larger boards, more outside members) Stewardship = high goal alignment
Le Breton-Miller & Miller (2009)	-conceptual-				Family involvement	Stewardship v. agency	Leadership	Social embeddedness explains perspectives: Agency = embedded in family (pursue family interests at expense of shareholders) Stewardship = embedded in business (pursue business interests)
Pieper, Klein, & Jaskiewicz (2008)	714 family firms -Germany-	Private	Principal (Owner)	Discriminant analysis	Owner-manager goal alignment (FPEC scale)	Board Presence % family in TMT	Prescriptions	Both theories can explain board presence: Agency = low goal alignment, have board Stewardship = high goal alignment, no board
Prencipe, Markarian, & Pozza (2008)	23 family & 21 nonfamily firms -Italy-	Public	n/a - secondary data	Regression	R&D cost capitalization	Performance (change in profit)	Prescriptions	Both theories can explain why family firms are less sensitive to short term performance and stock fluctuations; agency and stewardship prescriptions facilitate long-term orientations
Sciascia, Mazzola, Astrachan, & Pieper (2012)	1035 family firms -US-	Private	Manager (CEO or top managers)	Regression	Family ownership	International entrepreneurship	Prescriptions	Stewardship is advantageous for internationalization; agency prescriptions should govern the business and the family
Westhead & Howorth (2006)	240 family firms -UK-	Private	Manager (CEO)	Regression	Ownership and management structure	Performance	Leadership	Management rather than ownership structure drives financial performance and pursuit of nonfinancial goals

The common theme of these seven articles is the conclusion that both agency and stewardship theory apply in family firms. The articles comport to theoretical tenets by highlighting the principal-manager relationship, such as structure of the relationship (e.g., Westhead and Howorth, 2006) or the goal alignment between the parties in the relationship (e.g., Jaskiewicz and Klein, 2007; Pieper, Klein, and Jaskiewicz, 2008), with considerations of the family firm context, such as family involvement (e.g., Le Breton-Miller and Miller, 2009) or family ownership (Sciascia, Mazzola, Astrachan, and Pieper, 2012). A secondary theme in this literature is the focus on aspects of leadership or on theoretical prescriptions; my review is grouped accordingly.

Leadership. There are three articles that adopt both agency and stewardship perspectives with a focus on leadership aspects in family firms (e.g., Blumentritt, Keyt, and Astrachan, 2007; Le Breton-Miller and Miller, 2009; Westhead and Howorth, 2006). Both theories are used to explain leadership success (e.g., Blumentritt et al., 2007), leadership's impact on firm performance (e.g., Westhead and Howorth, 2006), and leadership embeddedness (e.g., Le Breton-Miller and Miller 2009). Leadership success is investigated through both an agency and stewardship lens by Blumentritt and colleagues (2007). They argue that both theories are equally applicable in a family firm context in their examination of CEO competencies and board support on the success of a nonfamily CEO. Success stems from an agency perspective in that principals hire the most competent and skilled CEOs to run their business, and from a stewardship perspective in that the CEO must build a relationship with the family, fit with the organizational culture, and rely on the board for support rather than monitoring (Blumentritt et al., 2007).

The impact of leadership on family firm performance is examined in Westhead and Howorth (2006). They suggest that agency and stewardship theories can both impact family firm

performance. They argue that agency theory is applicable when owners focus on financial objectives of the firm and thus implement agency prescriptions to monitor managers. They also argue that stewardship theory is applicable when owners focus on nonfinancial objectives, or “family agendas” (Westhead and Howorth, 2006: 303). Furthermore, they suggest that the CEO has the greatest power in influencing the objectives and thus performance of family firms.

In a similar vein, leadership embeddedness is also examined from both an agency and stewardship perspective. Embeddedness is defined as “the relationship between an actor’s economic behavior and the social context in which it occurs” (Le Breton-Miller and Miller, 2009: 1171). The conceptual work of Le Breton-Miller and Miller (2009) concludes that agency and stewardship environments within a family business are a manifestation of the level of family embeddedness. They suggest that if the family is more embedded in the family than the business, an agency environment will prevail because of the hierarchical nature of family and the family’s self-serving interest. In contrast, if the family is more embedded in the business than the family, a stewardship environment will prevail because the family is willing to put the interest of the business first (Le Breton-Miller and Miller, 2009).

In conclusion, these three articles support both sides of the agency versus stewardship debate by their focus on various aspects of leadership within family firms. In turn, firm performance is impacted by leadership, whether it’s due to leadership success, goals, or social embeddedness. Firm performance is also impacted by various prescriptions prescribed by both agency theory and stewardship theory; articles focused on these theoretical prescriptions are described next.

Prescriptions. There are four articles that adopt both agency and stewardship perspectives with a focus on theoretical prescriptions (e.g., Jaskiewicz and Klein, 2007; Pieper et al., 2008;

Prencipe et al., 2008; Sciascia, Mazzola, Astrachan, and Pieper, 2012). The dominant theoretical prescription in this group of literature is a board of directors. Instead of a focus on the board of directors' impact on financial performance, articles focus on the impact of agency and stewardship perspectives on the presence of a board of directors (e.g., Pieper et al., 2008) and board characteristics (Jaskiewicz and Klein, 2007). This line of research suggests that when goal alignment is high between the owners and managers, a stewardship environment will prevail and the less likely the need for a board of directors (Pieper et al., 2008). In contrast, when goals diverge, a board of directors is more likely (Pieper et al., 2008), and the board should be larger in size and have a higher ratio of outside members, thus resulting in an agency environment (Jaskiewicz and Klein, 2007).

Additional agency prescriptions are studied from a dual theoretical approach, with the outcome being family firm internationalization (Sciascia et al., 2012). Research suggests that family ownership can have either a positive or negative effect on internationalization decisions. The positive effects are explained from a stewardship perspective in that family members want the business to succeed because success ultimately benefits the family. The negative effects are explained from a stagnation perspective, suggesting family firms lack resources, are conservative, and have family conflicts (Sciascia, et al., 2012). Although this research considers stagnation instead of agency as the comparative lens with the stewardship perspective, it is included in this category of articles because agency theory prescriptions are argued. This research suggests that monitoring mechanisms, creating a hierarchical form of governance, and implementing a board of directors may be necessary to overcome stagnation and realize the benefits of stewardship (Sciascia, et al., 2012).

In summary, these articles support perspectives from both agency and stewardship theory with a focus on theoretical prescriptions, such as a board of directors and other monitoring mechanisms. Essentially, these articles suggest that boards are necessary in an agency environment and not necessary in a stewardship environment; monitoring mechanisms are necessary for the family and the business to succeed.

Limitations and Future Research. Although some scholars agree that both theories can be applicable in a family firm context, this research suffers from two notable limitations. First, these articles are not necessarily about *both* theories. Both refers to occurring together; although the authors suggest that both theoretical lenses are adopted, none of the articles consider simultaneous application of both theories. Instead, this research appears to take an either-or theoretical perspective. Accordingly, no new insights beyond what was gleaned from the literature supporting a single theoretical perspective could be gleaned from this group of literature. Future research that adopts simultaneous theoretical considerations is thus warranted.

Second, research in this stream tends to reverse the order of causality as originally theorized. Agency theory assumes that agents are self-serving; and therefore, principals will enact governance mechanisms to curb the opportunistic behavior (Eisenhardt, 1989; Jensen and Meckling, 1976). Stewardship theory assumes that stewards are other-serving; and therefore, principals will create an environment that empowers and fosters this stewardship behavior (Davis et al., 1997). However, this line of research instead considers the reverse. For example, Jaskiewicz and Klein (2007) suggest that goal alignment triggers a stewardship environment and goal misalignment triggers an agency environment. However, theory suggests that a stewardship environment triggers the choice of stewardship among managers and therefore goals will align; an agency environment triggers the need to implement mechanisms to create goal alignment

between principals and agents. Therefore, future research should include both the contributing factors and resulting outcomes of agency and stewardship theories, and it the order proffered. Alternatively, research should address the rationale for applying theory in a way not originally theorized.

Conclusion. This group of literature concludes that agency and stewardship theories can be equally applicable in a family firm context. This literature supports that family firms can be depicted by agency environments or stewardship environments and demonstrates that outcomes can be explained by either theoretical lens. However, this research seems to adopt an either-or perspective and neglects considerations of whether both agency and stewardship environments can coexist. More research is needed to determine if agency theory *and* stewardship theory can be integrated to more accurately capture the essence and causality of family firm structure, behavior, and performance.

This concludes my review and synthesis of the family firm literature adopting both an agency and stewardship perspective. My second research question asks, ‘can the opposing prescriptions of agency theory and stewardship theory be integrated within family firms to explain firm performance?’ Based on my review and synthesis of this group of literature, I cannot sufficiently address this question. None of the literature integrates agency and stewardship prescriptions nor seeks to explain performance through both lenses. Accordingly, this question remains open as I transition to a concluding discussion regarding the family firm literature reviewed.

Conclusion

I provided a broad overview of agency theory and stewardship theory and a specific review and synthesis of the family firm literature adopting these theoretical perspectives. Both

theories predict enhanced performance, but starkly contrast in behavioral assumptions and structural prescriptions (Chrisman et al., 2007). Agency theory assumes an economic model of man; agent behavior is based on self-interest and will conflict with the principal's interest. Governance structures that control and monitor agents are prescribed to thwart opportunistic behavior and better align the goals of the principal and agent (Eisenhardt, 1989; Jensen and Meckling, 1976). Stewardship theory assumes a humanistic model of man; steward behavior is based on serving others and therefore will align with the principal's interest. Governance structures that empower and encourage stewards are prescribed to facilitate the continued alignment of interests (Davis et al., 1997).

There is an on-going debate in the family firm literature on whether agency theory and stewardship theory are applicable in this unique context (Le Breton Miller and Miller, 2009). The first objective of my dissertation research was to investigate both sides of the debate by examining the family firm literature grounded to each theoretical perspective. By doing so, I am able to address my first research question, 'are the tenets, prescriptions, and related performance outcomes of (a) agency theory and (b) stewardship theory applicable within family firms?' My review shows that the tenets, prescriptions, and performance outcomes of (a) agency theory and (b) stewardship theory can indeed apply to the family firm context.

However, support on both sides of the agency versus stewardship debate creates ambiguous and confounding predictions about family firm behavior and performance. My review and synthesis revealed limitations of the existing literature that when addressed can provide additional insights into the appropriateness of these opposing theories within family firms. Accordingly, the second objective of my dissertation research is to address these limitations through an empirical investigation. In doing so, a more sufficient answer can be provided to

addresses my second research question, ‘can the opposing prescriptions of agency theory and stewardship theory be integrated within family firms to explain firm performance?’ Additionally, the empirical investigation will allow me to address my third research question, ‘does the family firm context (a) expand and/or (b) impose boundary conditions on agency and stewardship theories?’ To guide my empirical investigation, my research model and hypotheses are presented in the next section.

Research Model and Hypotheses Development

My research model seeks to address the gaps revealed in the literature review and synthesis. Extant studies investigate whether agency *or* stewardship theory is more applicable within family firms. Instead, my research investigates whether agency *and* stewardship theory can be integrated to explain family firm performance. My research model intertwines structural and behavioral components of agency and stewardship perspectives, making predictions within, across, and integrating theories.

To reiterate, theory suggests that the organizational structure enacted by the principal influences the manager’s choice of agency versus stewardship behavior, and that the fit between the principal’s choice and manager’s choice impacts the performance outcome of the relationship. My study incorporates these suggestions by modeling firm level performance as the outcome of agency and stewardship structures, but mediated through agency and stewardship behaviors. Thereby, the differing governance prescriptions and behavioral assumptions of both theories are integrated in the same research model (see Figure 2.3).

A principal is one who delegates work to a manager, regardless of actual position within the organizational hierarchy (Eisenhardt, 1989; Ross, 1973). Accordingly, this research defines the principal as the family firm leader who is also part of the family. The family firm is viewed

as an extension of the leader; therefore, the organizational structure reflects his or her values (Carney, 2005; Kelly, Athanassiou, and Crittenden, 2000) and thus the principal's choice. The manager in the principal-manager relationship is defined as either a family or nonfamily employee of the family business. Accordingly, the employees' behavior is depicted as the manager's choice.

Within the agency theory framework (i.e., depicted above the dotted horizontal line in Figure 2.3), agency structure serves as a proxy for the principal's choice of agency. It represents the principal's adoption of agency prescriptions, such as the presence of a board of directors, compensation incentive plans, and monitoring activities. This governance structure decreases the manager's agent behavior (i.e., free-riding, shirking), thus enabling increased firm performance.

Within the stewardship theory framework (i.e., depicted below the dotted horizontal line in Figure 2.3), stewardship structure serves as a proxy for the principal's choice of stewardship. It represents the principal's adoption of stewardship prescriptions, such as an involvement-oriented and collectivist work environment. This stewardship governance structure increases the manager's steward behavior. In turn, firm performance is increased.

Across agency and stewardship theoretical frameworks, this research predicts behavioral outcomes across theories by examining the impact of mismatched choices in the principal-manager relationship. Specifically, I investigate the consequences of the principal's adoption of an agency structure on the manager's steward behavior and the principal's adoption of a stewardship structure on the manager's agent behavior. Furthermore, I predict the impact of mismatched choices in the principal-manager relationship is different when kinship status is taken into consideration (i.e., family versus nonfamily employees of the family business).

The development of nine hypotheses predicting the relationships in the proposed research model is presented next; a list of these hypotheses is presented in Table 2.6. The research model is a mediation model; however, I hypothesize direct effect relationships in this section and address the mediation effects in the results and discussion section (e.g., Eddleston and Kellermanns, 2007; Memili, Eddleston, Kellermanns, Zellweger, and Barnett, 2010). The first four hypotheses are predictions within theory, the next four hypotheses are predictions across theory, and the final hypothesis is a prediction integrating theory. More specifically, the within theory hypotheses address the structure-behavior-performance link within the confines of agency theory and stewardship theory, respectively. The across theory hypotheses address the mismatched structure-behavior choices between the principal and manager; different relationships are hypothesized for family managers and nonfamily managers. The integrating theory hypothesis examines the impact of structural integration (i.e., agency and stewardship structures in place simultaneously) on firm performance.

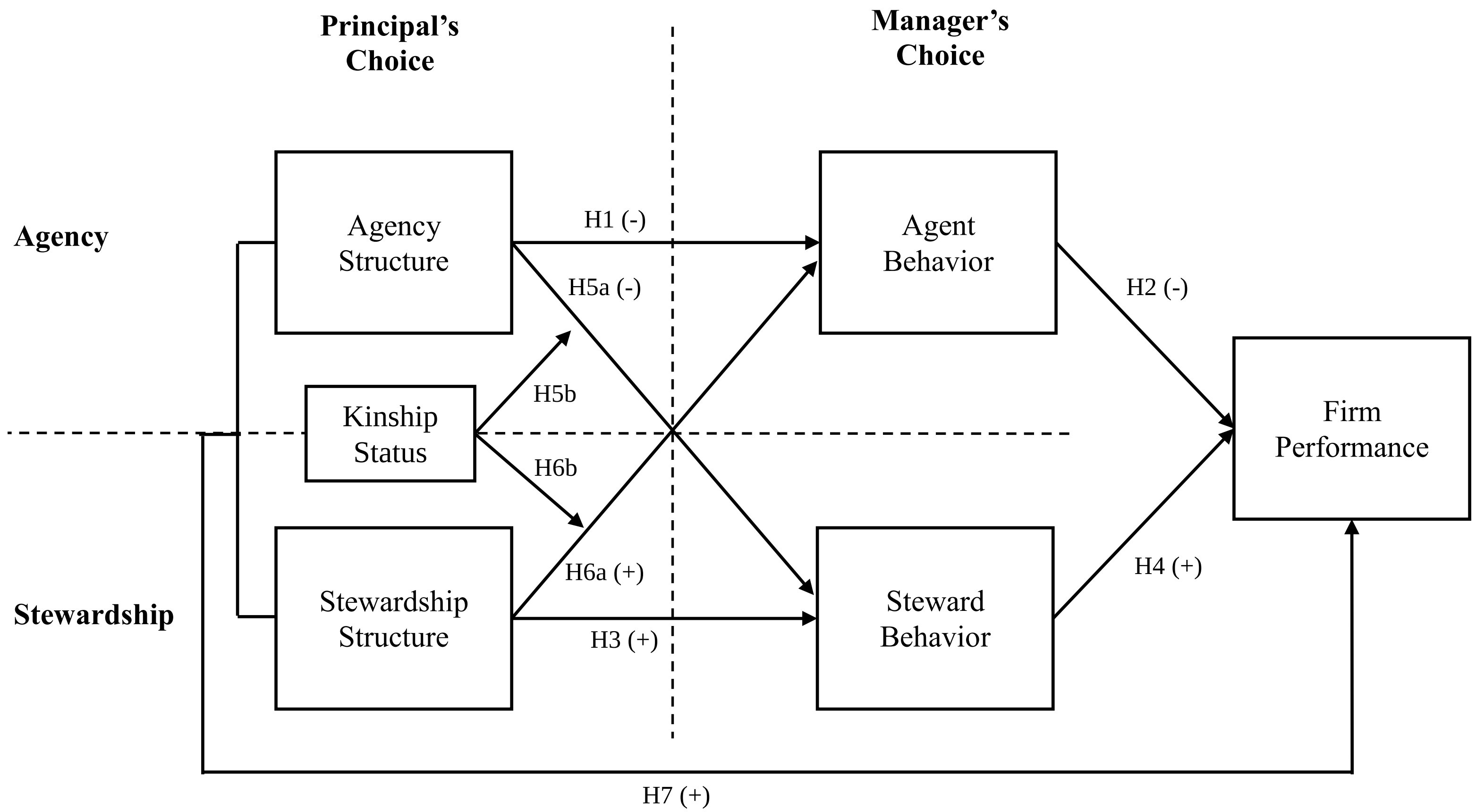


Figure 2.3 Research Model of Structure, Behavior, and Performance in Family Firms

Table 2.6: Hypothesized Relationships

Within Agency Theory	
H1	Agency structure is negatively associated with agent behavior.
H2	Agent behavior is negatively associated with firm performance.
Within Stewardship Theory	
H3	Stewardship structure is positively associated with steward behavior.
H4	Steward behavior is positively associated with firm performance.
Across Theory	
H5a	Agency structure is negatively associated with steward behavior.
H5b	Kinship status moderates the relationship between agency structure and steward behavior, such that the negative relationship strengthens for family employees and weakens for nonfamily employees.
H6a	Stewardship structure is positively associated with agent behavior.
H6b	Kinship status moderates the relationship between stewardship structure and agent behavior, such that the positive relationship strengthens for family employees and weakens for nonfamily employees.
Integrating Theory	
H7	The interaction of agency and stewardship structures results in varying levels of firm performance. Specifically, the Trust But Monitor Structure results in the highest level of firm performance, followed by the Monitor Structure, then Trust Structure, with the Undetermined Structure resulting in the lowest level of firm performance.

Within Agency Theory

Agency theory rests on the following causal assumptions: (1) principals will enact an organizational governance structure that curbs the manager's assumed self-interested agent behavior; (2) agent behavior is therefore curbed; (3) thus leading to increased firm performance (Jensen and Meckling, 1976; Wasserman, 2006). My review of the family firm literature reveals that studies empirically neglect the second causal assumption; meaning, studies examine the direct relationship between governance structure and firm performance. Instead, my research incorporates agent behavior as a mediator in this relationship. Accordingly, as theory predicts, when both principals and managers choose agency (i.e., principal's choice manifested in an agency governance structure, and the manager's choice depicted by actual behavior), firm performance is increased.

Agency Structure and Agent Behavior. Agency structure serves as a proxy for the principal's choice of agency. It represents the principal's adoption of agency prescriptions, such as the presence of a board of directors (Anderson and Reeb, 2004; Braun and Sharma, 2007), compensation incentive plans (Chrisman et al., 2007; Shulze et al., 2001, 2003), and monitoring activities (Chrisman et al., 2007). Theory suggests this type of governance structure decreases the manager's agent behavior; it curbs opportunistic behavior such as free-riding and shirking (Wasserman, 2006). Accordingly, agent behavior, operationalized as counterproductive behavior, represents the manager's choice of agency.

Agent behavior is considered a type of counterproductive work behavior, defined as those deviant behaviors that threaten the organization's well-being (Martinko, Gundlach, and Douglas, 2002). Deviant behaviors can include opportunistic behavior such as free-riding or shirking. In contrast, productive work behavior is defined as employee behavior that allows the organization

to function better, and includes behavior typified by effectiveness, efficiency, and effort (Pritchard, 1995). It benefits the organization to have the work environment structured in such a way to elicit productive behavior and curb counterproductive behavior (Pritchard, 1995). Accordingly, agency theory prescribes an organizational governance structure for this intended purpose (Eisenhardt, 1989; Jensen and Meckling, 1976).

Agency structure is depicted by the presence of control and monitoring mechanisms such as a board of directors, monitoring activities, and compensation incentive plans (Jensen and Meckling, 1976). According to Daily, Dalton, and Cannella (2003: 372), "in nearly all modern governance research governance mechanisms are conceptualized as deterrents to managerial self-interest." The primary role of a board of directors is to monitor the managers of the organization to ensure the goals of the principal are being met and the free-rider problem is minimized (Anderson and Reeb, 2004; Donaldson and Davis, 1991; Fama, 1980). Likewise, additional monitoring activities are often implemented for the purpose of ensuring that managers act in the interest of the principal (Chrisman et al., 2007; Hillman and Dalziel, 2003). Monitoring activities can take many forms, can be used on various types of employees (Hillman and Dalziel, 2003), and have been shown to be successful in family firms (Chrisman et al., 2007). Monitoring serves the intended purpose of controlling agent behavior because when managers know they are being monitored, they will behave in a productive manner; without monitoring, agent managers will behave in a self-interested manner (Wright and Kroll, 2002).

The adoption of compensation incentive plans, in which pay is provided as an incentive for high performance outcomes, is another agency prescription used to align the managers' interest with the principal (Fama, 1980). Compensation incentives motivate managers to curb their opportunistic behavior because doing so is in their best interest and in turn, the best interest

of the principal (Becker and Huselid, 1992). Numerous studies provide support that compensation incentives increase productivity (i.e., decrease agent behavior; Huselid, 1995; Gerhart and Milkovich, 1992; Rynes, Gerhart, and Parks, 2005). For example, studies demonstrate that compensation incentives have increased employee productivity by as much as 30% (Locke, Feren, McCaleb, Shaw, and Denny, 1980) and even 44% (Lazear, 1986). In a recent meta-analysis, results indicate that compensation incentives increased employee task performance by 23%. Using an agency theory lens, Sesil and colleagues demonstrate that incentive compensation increases employee productivity (Sesil, Kroumova, Blasi, and Kruse, 2002). As stated by Barringer and Milkovich (1998: 310), "outcome-based contracts provide powerful incentives for agents to be as productive as possible." Taken together, I predict that agency structure, consisting of monitoring and control mechanisms (i.e., board of directors, monitoring activities, compensation incentive plans), will decrease counterproductive agent behavior. Stated formally:

H1: Agency structure is negatively associated with agent behavior.

Agent Behavior and Firm Performance. Decreasing agent behavior is beneficial for an organization (Pritchard, 1995) from a theoretical and empirical perspective. Theoretically, according to agency theory, increased firm performance is predicted when both the principal and the manager in the principal-manager relationship choose agency (Davis et al., 1997). Managers react to the use of agency governance structures by decreasing their agent behavior, thus resulting in increased firm performance (Eisenhardt, 1989). This decrease in agent behavior can be thought of as an increase in productive behavior. Empirically, productive behavior has been shown to be positively associated with corporate financial performance (Gerhart and Milkovich, 1992; Huselid, 1995) and small business growth (Voulgaris, Asteriou, and Agiomirgianakis,

2003). Additionally, Lee (2006) suggests that employee productivity is positively associated with the performance levels specifically within family firms. My research focuses on the relationship between counterproductive behavior and firm performance, therefore the association becomes negative. Formally stated, I hypothesize:

H2: Agent behavior is negatively associated with firm performance.

Within Stewardship Theory

Stewardship theory rests on the following causal assumptions: (1) principals will enact an organizational governance structure that empowers and motivates the manager's assumed other-interested steward behavior; (2) steward behavior is therefore increased; (3) thus leading to increased firm performance (Davis et al., 1997). My review of the family firm literature reveals that studies empirically neglect both causal assumptions; meaning, studies examine the direct relationship between stewardship structure and firm performance or the relationship between steward behavior and firm performance. Instead, my research considers the entire causal chain by incorporating steward behavior as a mediator in the relationship between stewardship structure and firm performance. Accordingly, as theory predicts, when both principals and managers choose stewardship (i.e., principal's choice manifested in stewardship structure, and the manager's choice depicted by actual behavior), firm performance is increased.

Stewardship Structure and Steward Behavior. Stewardship structure represents the principal's choice of stewardship. It depicts the adoption of stewardship prescriptions, such as the presence of an involvement-oriented (Eddleston and Kellermanns, 2007; Eddleston et al., 2012) and collectivist culture (Dibrell and Moeller, 2011; Le Breton-Miller and Miller; Zahra et al., 2008). Research suggests that stewardship structures increase steward behavior (Davis et al., 1997; Davis et al., 2009).

Steward behavior represents the managers' choice of stewardship, and is operationalized as organizational value commitment in this research. Organizational value commitment is defined as "identification and alignment with the business, specifically with the beliefs and values that it represents" (Angle and Perry, 1981; Davis et al., 2010: 1096), and has been used as a proxy for steward behavior in extant theoretical (e.g., Davis et al., 1997) and empirical (e.g., Davis et al., 2010; Vallejo 2009) studies. Research suggests that value commitment is a relevant steward behavior because when organizational members share the same values as the organization, they see the organization as an extension of themselves (Davis et al., 2010) and work toward its best interest (i.e., pro-organizational behavior).

It benefits the organization to have the work environment structured in such a way to facilitate steward behavior. Accordingly, stewardship theory prescribes an organizational governance structure for this intended purpose (Davis et al., 1997). Stewardship structures are depicted by the presence of an involvement-oriented and collectivistic culture (Davis et al., 1997; Zahra et al., 2008). An involvement-oriented culture, such as one depicted by high levels of information exchange and social interaction, empowers steward behavior. Empowerment refers to "an employee's feelings of competence, meaningfulness, choice, and impact in their job or work role" (Wall, Cordery, and Clegg, 2002: 147). When an employee finds meaning in their job, levels of pro-organizational behavior are found to increase (Madison and Kellermanns, 2013). Collectivistic cultures encourage and empower employees to behave as stewards with a focus on the social system rather than on self-interested goals (Davis et al., 1997; Lee and O'Neill, 2003). Accordingly, I hypothesize:

H3: Stewardship structure is positively associated with steward behavior.

Steward Behavior and Firm Performance. Increasing steward behavior is beneficial for an organization from a theoretical and empirical perspective. Theoretically, according to stewardship theory, increased firm performance is predicted when both the principal and the manager in the principal-manager relationship choose stewardship (Davis et al., 1997). Managers react to the use of stewardship governance structures by increasing their steward behavior, thus resulting in increased firm performance.

Managers who have high levels of organizational value commitment accept the organization's goals and work toward accomplishing them (Mayer and Schoorman, 1992; Pieper, Klein, and Jaskiewicz, 2008). Accordingly, research supports the positive relationship between organizational commitment and firm performance (Kunze, Boehm, and Bruch, 2011; Ostroff, 1992). The relationship between steward behavior and firm performance has also been supported in the context of family firms. Vallejo (2009) finds that high identification with the family business is positively linked to firm profitability and survival. Davis and colleagues (2010) state that steward behavior is what gives family firms a competitive advantage. Eddleston and Kellermanns (2007) demonstrate that steward behavior positively impacts the growth and financial performance of family firms. Accordingly, I hypothesize:

H4: Steward behavior is positively associated with firm performance.

Across Theory

With both agency and stewardship predictions incorporated in the same model, additional theoretical assumptions can be empirically tested. When the parties in the principal-manager relationship make different choices in agency or stewardship, negative consequences can arise (Davis et al., 1997). If a principal chooses agency and implements an agency governance structure, steward managers may feel betrayed by this and decrease their level of performance

(Pieper et al., 2008); if a principal chooses stewardship by implementing a stewardship governance structure, agent managers are afforded the opportunity to behave in a self-interested manner (Davis et al., 1997). The next set of hypotheses examines these across theory consequences, with different predictions made for family and nonfamily employees of the family firm.

Agency Structure and Steward Behavior. Agency structures may curb the opportunistic behavior of agents, but might have different effects on stewards (Wasserman, 2006). Said differently, “what works well to control or motivate an opportunistic manager may not work well to control or motivate a steward” (Lee and O’Neill, 2003: 212; Pieper et al., 2008). Stewards are motivated to behave in the best interest of the organization (Davis et al., 1997; Donaldson and Davis, 1991; Lee and O’Neill, 2003). However, behavior is affected by the governance structure present; theory suggests a steward performs best in a governance structure typified by empowerment, autonomy, and trust (Davis et al., 1997). This type of governance structure motivates stewards to continue to strive for the realization of organizational goals above self-interested goals (Davis et al., 1997).

In contrast, agency structures are implemented as a way of controlling self-interested behavior, rather than empowering other-interested behavior. Accordingly, for stewards under agency structures, motivation is decreased and pro-organizational behavior is undermined (Argryis, 1964; Chrisman et al., 2007; Corbetta and Salvato, 2004; Davis et al., 1997). Additionally, the use of control mechanisms can offend and betray stewards (Patel, Eddleston, and Kellermanns, 2011). These monitoring and control mechanisms, such as compensation incentives, can also “result in a narrowing focus on individual goals to the exclusion of value-enhancing cooperation with coworkers” (Becker and Huselid, 1992: 337). Taken together,

imposing an agency structure on a steward manager lowers pro-organizational behavior. Accordingly, I hypothesize:

H5a: Agency structure is negatively associated with steward behavior.

Although I hypothesize a negative relationship between agency structure and steward behavior, I argue this relationship is moderated by kinship status. I suggest steward behavior is affected by fairness perceptions based on equity theory; tension is created by unfair conditions, and people will resolve their tension by lowering their level of pro-organizational behavior until equity is perceived (Moorman, 1991). Or simply and positively put, if employees perceive fair treatment, they will reciprocate by increasing their pro-organizational behavior (Ehrhart, 2004; Fassina, Jones, and Uggerslev, 2008).

For family employees of the family business, I suggest the negative relationship between agency structure and steward behavior is strengthened due to perceptions of unfairness. Altruistic tendencies within the family firm are suggested to result in family employees receiving higher levels of compensation or higher ranking positions within the organization, regardless of their qualifications (Chua et al., 2009; Karra et al., 2006; Schulze et al., 2001, 2003a). Additionally, family employees of the family business are viewed as agents (Chrisman et al., 2007) and have an inclination to free-ride or shirk by taking advantage of the altruistic behavior afforded to them (Dawson, 2011; Eddleston et al., 2008; Schulze et al., 2001, 2003a). As such, family member employees of the family business often feel a sense of entitlement (Karra et al., 2006; Chua et al., 2009). Agency structures, where family member behavior and outcomes are monitored and controlled, create an environment where family employees are treated the same as nonfamily employees and do not receive special treatment or perquisites (Schulze et al., 2003a). Accordingly, I suggest family members will perceive unfairness in losing advantages thought to

be entitled to them by being a member of the family and will thus lower their pro-organizational behavior.

For nonfamily employees of the family business, I suggest the negative relationship between agency structure and steward behavior is weakened. I argue this is due to nonfamily employees' perceptions of fairness in family firms with agency structures in place. Family firms are often associated with perceptions of favoritism and bias (Barnett and Kellermanns, 2006; Lee, 2006; Lubatkin, Schulze, Ling, and Dino, 2005). The presence of an agency structure, where monitoring mechanisms are implemented and applied consistently throughout the firm can facilitate a sense of fairness for nonfamily employees (Barnett and Kellermanns, 2006). For example, incentive compensation and performance appraisal systems can promote fairness by demonstrating that pay is based on objective measures, rather than subjective and biased measures (Evans and Davis, 2005). Accordingly, an agency structure instills to nonfamily employees that they are working in an organization that promotes fairness. Moving from perceptions of inequity to equity will enhance the pro-organizational behavior of nonfamily employees. Taken together, I hypothesize:

> *H5b: Kinship status moderates the relationship between agency structure and steward behavior, such that the negative relationship strengthens for family employees and weakens for nonfamily employees.*

Stewardship Structure and Agent Behavior. Stewardship structures may empower pro-organizational behavior of stewards, but might have different behavioral effects on agents. Stewardship governance structures are environments where managers are trusted and empowered to behave in the best interest of the organization (Davis et al., 1997; Donaldson and Davis, 1991). These types of structures are considered to be "dysfunctional under the agency theory model of man" (Davis et al., 1997: 26). Stewardship structures can be harmful to an organization

with agent managers because they may allow for opportunistic agent behavior rather than productive work behavior to prevail. Without controls in place to monitor behavior, agency theory assumes the agent manager will act in a self-interested manner (Eisenhardt, 1989; Wiseman et al., 2012).

Agent behavior, or counterproductive behavior, is likely to surface under a stewardship structure for several reasons. A stewardship structure depicts a socially interactive and collectivistic work environment (Davis et al., 1997; Dibrell and Moeller, 2011; Eddleston and Kellermanns, 2007; Eddleston et al., 2012; Zahra et al., 2008). Considerable time and effort invested in social interactions may increase counterproductive behavior and may not be cost effective (Molina-Morales and Martínez-Fernández, 2009). Specifically in family firms, social interactions may involve more time spent discussing family affairs rather than business affairs (Zhang, Cone, Everett, and Elkin, 2011). Collectivistic work environments can also increase counterproductive behavior due to social loafing, defined as "the reduction in motivation and effort when individuals work collectively compared with when they work individually" (Karau and Williams, 1993: 681). It is suggested that social loafing enhances free-rider problems; individuals are compelled to reduce effort and productivity when working collectively because they assume individual contributions are less identifiable (George, 1992; Karau and Williams, 1993). Additionally, research suggests that having a culture of camaraderie and cooperation among employees can have negative consequences such as employee complacency, sentiment-based rather than rationally-based decision making, and an increased tolerance for social loafing (Griskevicius, Ackerman, Van den Bergh, and Li, 2011). This line of research, coupled with theoretical assumption that a mismatch in the principal and manager's choice will lead to negative consequences, provides support for the following hypothesis:

H6a: Stewardship structure is positively associated with agent behavior.

However, I argue that kinship status moderates the relationship between stewardship structure and agent behavior. For family employees, I suggest the positive relationship is strengthened, meaning the negative consequences of stewardship structure on agent behavior are stronger. One of the characteristics unique to family firms is particularism, which can be described as a "tendency of the owner-managers to view the firm as 'our business'" (Carney, 2005: 255). Family members are usually in top management roles, can influence the strategic direction of the firm (Kelly, Athanassiou, and Crittenden, 2000), and often possess an emotional attachment to the firm (Bernhard and O'Driscoll, 2011; Mustakallio et al., 2002). Family members are often territorial and protective of their family business, and when feelings of infringement surface, counterproductive behavior may result (Rantanen and Jussila, 2011). A stewardship structure that promotes social interaction, information exchange, and a collectivistic work environment between family and nonfamily employees may trigger these feelings of infringement. Meaning, family employees may feel that nonfamily employees are infringing on their domain by an environment of inclusion, and therefore counterproductive behavior may result in the presence of a stewardship structure.

In contrast, I argue that stewardship structure will have beneficial consequence on agent behavior of nonfamily employees of the family business. Nonfamily managers are part of the firm but not part of the family, and therefore may resent family members. In summarizing Schulze, Lubatkin, Dino, and Buchholtz (2001), Anderson and Reeb (2004: 212), state, "favoritism towards heirs and siblings can lead to family perquisites…leading to resentment by nonfamily managers." Stewardship structures that encourage interaction between family and nonfamily employees may facilitate the feeling of interconnectedness for nonfamily employees,

therefore lessening the feelings of resentment. This structure provides social interaction between family and nonfamily employees, and as such commitment to a shared vision can be formed (Mustakallio et al., 2002). It facilitates an environment where employees can exhibit productive behavior such as helping each other and encouraging the flow of information (Evans and Davis, 2005). As such, I argue that nonfamily employees will react more favorably and decrease their level of agent behavior in the presence of a stewardship structure. Taken together, I hypothesize:

> *H6b: Kinship status moderates the relationship between stewardship structure and agent behavior, such that the positive relationship strengthens for family employees and weakens for nonfamily employees.*

Integrating Theory

This section presents my hypothesis integrating agency and stewardship theories to predict the performance of family firms. Theory assumes that the principal's choice is either agency or stewardship. As Wasserman (2006: 961) states, "stewardship theory is more relevant in contexts in which agency theory is less relevant, and vice versa." However, this fails to consider the simultaneous choice of agency and stewardship and neglects the organizational reality that work environments can include both agency and stewardship governance structures. As stated by Mahoney (2005: 151), "Barnard (1938) argues that formal and informal organization always and everywhere co-exist." The presence of both structures would suggest the adoption of both agency and stewardship prescriptions for influencing manager behavior and ultimately firm performance.

I argue that the integration of agency and stewardship structures results in increased firm performance over the use of just one structure alone. Furthermore, I suggest that organizations can have varying levels and combinations of both these structures, each with a different impact on firm performance. As illustrated in Table 2.7, firms can have: (1) a high level of agency

structure and a low level of stewardship structure, labeled Monitor Structure; (2) high levels of both agency and stewardship structures, labeled Trust But Monitor Structure; (3) low levels of both agency and stewardship structures, labeled Undetermined Structure; and (4) a low level of agency structure and a high level of stewardship structure, labeled Trust Structure.

Table 2.7: Governance Structure Integration

Agency Structure	High	**Monitor Structure**	**Trust But Monitor Structure**
	Low	**Undetermined Structure**	**Trust Structure**
		Low	High
		Stewardship Structure	

Separately, agency structures (e.g., Anderson and Reeb, 2004; Braun and Sharma, 2007; Chrisman et al., 2007) and stewardship structures (e.g., Craig and Dibrell, 2006) have been shown to increase firm performance in family firms. However, I suggest that firm performance will be enhanced when both structures are used in combination. When both are present, agency structures will curb undesired agent behavior, but not at the expense of endangering steward behavior; steward behavior is still influenced by the simultaneous stewardship structure. Likewise, stewardship structures will empower steward behavior, but not at the expense of

allowing agent behavior to surface; self-interested behavior is still being curbed by the simultaneous agency structure. Accordingly, an organizational environment that includes agency and stewardship governance structures will result in positive behavior and thus increased firm performance, regardless of whether managers are stewards or agents. This argument diverges from theory in that it negates the negative consequences of mismatched choices because of its integration of both agency and stewardship theory prescriptions.

Based on these arguments, I predict the highest level of firm performance will be found in organizations with high levels of both agency and stewardship structures. Trust But Monitor Structures would simultaneously curb agent behavior and increase steward behavior, thus resulting in higher levels of firm performance. Support for this argument is also found in the control literature; in a qualitative case study, Cardinal and colleagues found that integrated and balanced levels of both formal (e.g., agency) and informal (e.g., stewardship) controls led to higher firm performance than having imbalanced controls in place (Cardinal, Sitkin, and Long, 2004). As such, I suggest that organizations with Trust But Monitor Structures would have the highest levels of firm performance.

The structural combination I predict would lead to the second highest firm performance level is the Monitor Structure, or those with a high level of agency structure and a low level of stewardship structure. I then predict the Trust Structure, depicted as having a high level of stewardship structure and a low level of agency structure, to have the third highest firm performance level. These predictions are based on my review and interpretation of the family firm literature. Agency theory has long been associated with economic performance outcomes, and therefore, the relationship between agency prescriptions and firm performance is more frequently examined and supported in the family firm literature (e.g., Anderson and Reeb, 2003,

2004; Chrisman et al., 2011; Chrisman et al., 2007; Chua et al., 2006; Lester and Cannella, 2006; Schulze et al., 2003; Schulze et al., 2011). Conversely, although stewardship theory predicts increased performance, much of the extant family firm stewardship literature focuses on noneconomic outcome variables (e.g., Davis et al., 2010; Miller et al, 2008; Pearson and Marler, 2010; Zahra et al., 2008). Taken together, there is stronger and more support for agency theory over stewardship theory prescriptions having a positive impact on the performance of the family firm. As such, I predict that firms with Monitor Structures would have higher performance levels than firms with Trust Structures.

Lastly, I predict that firms with low levels of both agency and stewardship structures, or an Undetermined Structure, would have the lowest level of firm performance when compared to the other structural combinations. The lack of both agency and stewardship structures would create an organizational environment where agent behavior might prevail and steward behavior might be reduced, thereby impacting the performance of the firm. Summarizing these arguments, I formally hypothesize:

> *H7: The interaction of agency and stewardship structures results in varying levels of firm performance. Specifically, the Trust But Monitor Structure results in the highest level of firm performance, followed by the Monitor Structure, then Trust Structure, with the Undetermined Structure resulting in the lowest level of firm performance.*

Conclusion

In conclusion, the theoretical tenets of agency and stewardship theories encompass structure, behavior, and performance. The organizational structure enacted by the principal influences the manager’s choice of agent versus steward behavior, and the fit between the principal’s choice and manager’s choice impacts the performance outcome of the relationship. My study incorporates these suggestions by modeling firm level performance as the outcome of agency and stewardship structures, but mediated through agent and steward behaviors. Thereby,

the differing governance prescriptions and behavioral assumptions of both theories are integrated in the same model.

As theorized by agency theory, I predict that agency structures will decrease agent behavior; therefore both the principal and manager have chosen agency, and firm performance will increase. As theorized by stewardship theory, I predict that stewardship structures will increase steward behavior; therefore both the principal and manager have chosen stewardship, and firm performance will increase. Additionally, I consider across theory implications. Theory suggests negative consequences result from the principal and manager making different choices in agency or stewardship; my predictions comport with these theoretical assumptions, but only for the behavior of family employees of the business. These predictions imply that for family employees, an agent always behaves as an agent and a steward always behaves as a steward. Mismatched choices will result in negative consequences; family agents will act opportunistically in a stewardship environment and family stewards will feel betrayed in an agency environment.

However, I predict positive across theory behavior for nonfamily employees; therefore, diverging from theoretical assumptions for nonfamily employees of the business. These predictions imply that for nonfamily employees, the work environment implemented by the principal can influence or alter the manager's behavior. A principal enacting an agency environment on a nonfamily steward or enacting a stewardship environment on a nonfamily agent can still have a positive impact on the behavior and ultimately the performance of the firm.

I also make predictions based on integrating agency and stewardship perspectives. I suggest that family firms can have agency and stewardship structures operating side by side (Chrisman et al., 2007). I hypothesize that varying combinations and levels of these structures

have a differing impact on the performance of family firms. This integration narrows the distance between oposing theoretical views and provides a foundation on which future research can build.

This concludes Chapter 2. In this chapter, I provided an overview of agency theory and stewardship theory, then transitioned to examining these theories within the context of family firms. I answered my first research question by concluding that both agency theory and stewardship theory are applicable within family firms, but suggested the theories needed to be integrated to offer additional explanations for family firm behavior and performance. Accordingly, I presented an integrated research model and the development of hypotheses within, across, and integrating theories with considerations of kinship status; the next chapter presents the methodology used to test the research model and predicted relationships.

CHAPTER 3: METHODOLOGY

A detailed account of the methodology used to test the research model and hypotheses is provided in this chapter. A general overview is provided first, followed by a specific description of the survey instrument and approach, sample, and measures. The chapter concludes with a description of the data analysis process, including the diagnostic and bias tests conducted prior to testing the hypotheses in the research model.

Overview

I collected data via surveys mailed to family firms, a common method among family firm researchers (Eddleston et al., 2008). The uniqueness of my approach stems from utilizing multiple respondent types; I collected survey data from the leader, a family employee, and a nonfamily employee of the family firm. A mailing list of 2165 family firms was obtained from a combination of sources, but primarily from undergraduate business students at a major US university. The survey instrument contained previously validated and accepted scales or adapted scales to accommodate the family firm context: firm performance was collected from the leader, perceptions of governance structures were collected from both employee types, and perceptions of employee behavior were captured from the leader. Data is analyzed with OLS regression, with tests for mediation and moderation via a subgroup analysis. A more detailed explanation of the survey instrument, survey approach, sample, measures, and data analysis is provided next.

Survey Instrument

Mail surveys are frequently used in empirical studies within the social sciences (Dillman, 1991), and more specifically within small and medium enterprises (Newby, Watson, and Woodliff, 2003) and family firms (Eddleston et al., 2008). As such, it is an appropriate approach to data collection in this research. However, low response rates are often a concern for survey

researchers; therefore, certain survey design and administration methods have been suggested to increase the number of responses (Dillman, 1991; Newby et al., 2003). From a design perspective, it has been suggested that surveys indicating university sponsorship (Greer and Lohtia, 1994; Kanso, 2000), assuring anonymity of respondents (Kanso, 2000), using colored paper and booklet formatting (Dillman, 1991; Kanso, 2000; Newby et al., 2003), including postage paid return envelopes (Kanso, 2000) and personalization (Dillman, 1991) can increase response rates. From an administrative perspective, mailing follow-up reminders and replacement questionnaires is also found to increase response rates (Creswell, 2009; Dillman, 1991; Salant and Dillman, 1994).

Accordingly, my survey instrument contained: (1) a statement of university affiliation and sponsorship including contact information for the university's research compliance officer; (2) a statement assuring the anonymity of the respondent; (3) colored paper (e.g., ivory for the firm leader, orange for the family employee, and blue for the nonfamily employee); (4) booklet formatting; and (5) postage paid return envelopes stapled to each survey. Follow-up packets were mailed to nonresponding firms and included a personalized cover letter of reminder, replacement questionnaires, and postage paid return envelopes.

Survey Approach

Although survey methodology is commonplace in family firm research (Eddleston and Kellermanns, 2007), my research approach is unique because of the utilization of multiple respondent types. I collected survey data from the leader, a family member employee, and a nonfamily employee of the family firm. As such, three surveys were developed, one for each respondent type. The leader survey contained questions about firm level characteristics, such as age, size, and industry. It also included previously validated scales to capture firm performance,

and perceptions of employee agency and stewardship behavior. The family and nonfamily employee surveys contained identical items, with the exception of asking the family member for his/her relationship to the founder. Scales contained in these surveys were previously validated and sought to ascertain perceptions of agency and stewardship governance structures. Additional details regarding the variables and scale items is found in the measures section.

To accommodate my survey approach, I assembled packets for each family firm. The packet included a cover letter on university letterhead and a survey for completion by the leader, family member, and nonfamily member. The packets were mailed to a named contact of family firm; in most cases, this named contact was the leader of the business. The cover letter provided instructions for survey distribution (e.g., the ivory survey is for the leader, the orange survey is for a family member, the blue survey is for a nonfamily member; the surveys were also titled accordingly). Each survey had a postage paid return envelope stapled to it to ensure anonymity (e.g., Eddleston and Kellermanns, 2007; Eddleston et al., 2008) and to increase response rates (Kanso, 2000). The surveys were numbered alike for each business in order to match multiple responses to the same family firm (e.g., Eddleston and Kellermanns, 2007; Eddleston et al., 2008).

Sampling Frame

A list of family businesses was obtained from a combination of soliciting contact information of known family firms from undergraduate business students at a large public university in the southeastern US, searching newspapers and websites for articles about family businesses, and attending local forums specifically for family business owners. This approach yielded a sampling frame of 2165 family firms, which was then reduced to 2024 firms following the removal of 141 contact businesses due to insufficient/undeliverable addresses (114),

responses of 'not a family business' (16), or expressed disinterest (11). After initial and follow-up mailings to these 2024 firms, I received 408 completed surveys representing 192 distinct family firms for a total organizational response rate of 9.5% (see Table 3.1). However, data will be analyzed in matched triads, meaning a survey must have been received from the leader, a family employee, and a nonfamily employee of the same family firm. This constrains my sample size; my final sample includes 77 matched organizational triads, for an overall response rate of 3.8%.

Table 3.1: Summary of Surveys Mailed and Returned

Source[a]	**Packets Mailed**	**Packets Returned**[b]	**Survey Responses**				**Organizational Responses**	
			Leader	Family	Nonfamily	Total	# of Organizations	Response Rate[c]
Students	1379	71	128	95	95	318	148	11.3%
Community	697	66	30	15	17	62	33	5.2%
Media	82	4	9	8	11	28	11	14.1%
Personal	7	0	0	0	0	0	0	0.0%
Total	**2165**	**141**	**167**	**118**	**123**	**408**	**192**	**9.5%**

a Students: undergraduate students in business courses at The University of Tennessee Knoxville
Community: Knoxville Chamber of Commerce, Family Firm community meetings
Media: Web searches, newspapers, advertisements
Personal: Family businesses known to me

b Includes undeliverable packets (114), responded "not a family business" (16), responded "not-interested in participating" (11)

c Number of organizational responses / (packets mailed – packets returned)

Matched Responses

Source	**Triads**	**Dyads (L-F)**	**Dyads (L-NF)**	**Dyads (F-NF)**
Students	65	81	81	70
Community	8	14	11	8
Media	4	5	6	5
Personal	0	0	0	0
TOTAL	**77**	**100**	**98**	**83**

Of interest to note, the highest organizational response rate of 14.1% came from the family firms obtained through the use of media outlets. This is not surprising given they are proudly advertising themselves as family businesses and would most likely be interested in assisting with a family firm research project. The lowest organizational response rate of 0.0% was from family businesses personally known to me. I assume these businesses did not respond because potentially they didn't want me knowing sensitive information about their businesses or the responses from their employees.

Measures

The operationalization of each variable in the research model is discussed in this section. The dependent variable is described first, followed by a discussion of the independent, mediator, moderator, and control variables. A summary of the variables, measures, and data sources is provided in Table 3.2.

Table 3.2: Summary of Variables, Measures, and Data Sources

Variable	Measure	Data Source
Dependent Variable		
Firm Performance	4-item subjective measure; growth relative to competition (Eddleston and Kellermanns, 2007)	Principal (Firm Leader)
Independent Variables		
Agency Governance Structure		
Structure	Board of Directors (Chrisman et al., 2004) Compensation Incentives (Schulze et al., 2001)	Principal (Firm Leader)
Monitoring	5-item scale (Chrisman et al., 2007)	Manager (family and nonfamily employees)
Stewardship Governance Structure		
Information Interaction	2-item information exchange frequency scale (adapted from Ling and Kellermanns, 2010)	Manager (family and nonfamily employees)
Social Interaction	3-item social interaction scale (adapted from Mustakallio et al., 2002)	Manager (family and nonfamily employees)
Mediators		
Agent Behavior	3-item productivity scale (Nyhan, 2000); reverse coded	Principal (Firm Leader)
Steward Behavior	4-item organizational commitment scale (Nyhan, 2000)	Principal (Firm Leader)
Moderator		
Kinship Status	Family / Nonfamily	Manager (family and nonfamily employees)
Controls		
Firm-Level	Industry (retail, services, other) Firm Age (number of years in existence) Size (number of employees)	Principal (Firm Leader)

Dependent Variable: Family Firm Performance

From a theoretical perspective, both agency and stewardship theories seek to explain firm performance. Within the strategy literature, the ultimate dependent variable is firm performance, and researchers try to explain as much of the predictive power as possible (Richard, Devinney, Yip, and Johnson, 2009). In the broadest terms, performance measures can be categorized as financial or nonfinancial (Rauch, Wiklund, Lumpkin, and Frese, 2009). More specifically, many types of performance are studied, such as operational performance (i.e., value-chain activities), organizational performance (i.e., sales growth, market share, accounting, and financial returns), or organizational effectiveness (i.e., survival; Combs, Crook, and Shook, 2005; Richard et al., 2009).

Accordingly, I captured an overall measure of firm performance from the family firm leader by asking four questions relating to the financial and nonfinancial growth of the firm (Eddleston and Kellermanns, 2007). Growth is an important dependent variable in family firms because of the desire for transgenerational sustainability and to accommodate the growing family. Specifically, leaders were asked to indicate if the family firm's growth was much worse, about the same, or better compared to the competitors on a seven-point scale. The average of the four items was used as the score for firm performance. The scale items are presented in Table 3.3 ($\alpha = 0.83$).

Additionally, use of this performance measure has its benefits. First, subjective performance measures have been found to be reasonable indicators of performance; objective measures are often unavailable and tend to lower the survey response rate (Kellermanns et al., 2008; Runyan, Droge, and Swinney, 2008). Second, objective performance measures have been found to correlate highly with subjective data (Ling and Kellermanns, 2010; Venkatraman and

Ramanujam, 1986), warranting the use of subjective performance measures in survey research.

Table 3.3: Scale Items for Family Firm Performance

	How would you rate your firm's performance as compared to your competitors?
1	Growth in sales
2	Growth in market share
3	Growth in the number of employees
4	Growth in profitability

Independent Variables: Agency and Stewardship Structures

Both agency and stewardship theories offer governance prescriptions for increased performance. Accordingly, agency and stewardship governance structures serve as the independent variables in this research and are described next.

Agency Structure. From an agency perspective, governance mechanisms are implemented to curb the assumed self-interested behavior on the part of the agent. These agency governance prescriptions have been examined within family firms and include the presence of a board of directors (Anderson and Reeb, 2004; Chrisman et al., 2004), compensation incentive plans (Chrisman et al., 2007; Schulze et al., 2001), and monitoring activities (Chrisman et al., 2007). Accordingly, my survey instrument included measures for each of these variables.

The family firm leader was asked if the family firm was governed by a board of directors, indicated with a response of yes (coded '1') or no (coded '0'). The family firm leader was asked if there was a compensation incentive plan for family employees and nonfamily employees,

indicated with a response of yes (coded ‘1’) or no (coded ‘0’). Monitoring activities were captured from family and nonfamily employees. The employees were asked five questions regarding how often the leader of the firm uses monitoring methods to obtain information on their activities and performance on a scale of 1 to 7 (1 = never; 7 = very often). The responses on the five items were averaged to obtain the score for the level of monitoring. This scale utilized for monitoring methods came from Chrisman and his colleagues (2007) and is shown in Table 3.4 ($\alpha = 0.84$).

An overall index of agency structure was created to ascertain the level of agency prescriptions present in the family firm; a high score indicating a high level of agency structure. This approach was necessary because firms may choose to implement a variety of agency prescriptions; and an absence of one prescription does not necessarily mean an absence of an agency structure (Chrisman et al., 2007). This index was calculated by summing four z-scores: (1) the presence of a board of directors, (2) a compensation incentive plan for family employees, (3) a compensation incentive plan for nonfamily employees, and (4) the level of monitoring activities.

Table 3.4: Scale Items for Agency Structure

Structure	
1a	Does this family firm have a compensation incentive plan for family members?
1b	Does this family firm have a compensation incentive plan for nonfamily members?
2	Does this family firm have a governance board?
Monitoring Activities: How often are the following methods used to obtain information on activities and performance?	
1	Personal direct observation
2	Regular assessment of short-term output
3	Progress toward long-term goals
4	Input from other managers
5	Input from subordinates

Stewardship Structure. A stewardship structure is typified by an involvement-oriented structure that encourages interaction and cooperation (Davis et al., 1997; Eddleston et al., 2012). This study uses the level of interaction between family and nonfamily employees in the family firm as a proxy for a stewardship governance structure, captured with five items on a scale of 1 to 7 (1 = never, 7 = very often). Respondents are the employees, both family and nonfamily, of the family firm. Two questions capture interaction from an information exchange frequency perspective, defined as "the amount of interaction among team members, whether face-to-face or through telephone, written communication, and emails" (Ling and Kellermanns, 2010: 327). I argue that high levels of information exchange depict a culture that is involvement-oriented and supports interaction between employees. Accordingly, I used the scale from Ling and Kellermanns (2010), but adapted it to a family firm employee context. The scale originally was three items and sought to address the level of interaction between top management team

members, but it was used in this research to seek the level of interaction between family and nonfamily members of the family business. Additionally, I dropped one of the items, the level of written communication, due to its nonsignificant loading in a confirmatory factor analysis. Further justification for dropping this item is warranted because conceptually, ‘written’ communication does not necessarily capture interaction between employees.

I also assessed the level of social interaction by use of a three-item scale from Mustakallio and colleagues (2002). They measured social interaction among family members of the business by assessing whether family members maintain close social relations, know each other personally, and visit each other regularly. Based on the lower than desired factor loading of the last item in the analysis of Mustakallio et al (2002), I dropped this item and added a similar item more aligned with the spirit of a stewardship governance structure by asking the frequency of social interactions occurring at company functions. Furthermore, I ascertained social interaction between family and nonfamily employees rather than between family members.

Responses from the five items were averaged to obtain the score for a stewardship governance structure. This measure exhibited acceptable fit in a confirmatory factor analysis (χ^2=3.39, df=3, p=0.335, RMSEA=0.041, CFI=0.997, GFI=0.982, NFI=0.979). Scale items are found in Table 3.5 (α = 0.81).

Table 3.5: Scale Items for Stewardship Structure

	How often do family members and nonfamily members of the firm
1	Have face-to-face meetings
2*	Have written communication (e.g. reports, email, personal notes, etc.)
3	Have telephone conversations
4	Maintain close social relations
5	Know each other on a personal level
6	Attend company functions (e.g. picnics, parties, get-togethers, etc)

*dropped during CFA

Mediators: Agent and Steward Behaviors

Agent Behavior. Agent behavior is a form of opportunistic behavior that includes free-riding or shirking (Chrisman et al., 2004; Chua et al., 2009; Eisenhardt, 1989; Karra et al., 2006), and refers to the situation where the agent lacks effort or is unproductive in the scope of the employment relationship (Chrisman et al., 2004; Ross, 1973). Accordingly, agent behavior was captured by reverse coding Nyhan's (2000) three-item scale assessing employee productivity. A panel of practitioners and academics tested the scale for validity (Nyhan, 2000), and it has exhibited high reliability in empirical studies ($\alpha = .75$ in Nyhan, 2000; $\alpha = .83$ in Fry, Vitucci, and Cedillo, 2005). Responses were obtained from the leaders of the family firms on a seven-point scale indicating the level of agreement with the statements (1 = strongly disagree; 7 = strongly agree). The scale items appear in Table 3.6 ($\alpha = 0.78$).

Steward Behavior. In line with Davis et al (2010), the employees' level of value commitment to the organization was used in my research as a proxy for steward behavior. Research suggests that value commitment is an employee stewardship behavior depicted by the

level of commitment to and identification with the organization (Davis et al., 1997; 2010). Accordingly, a previously validated four-item scale measuring this level of organizational value commitment (Nyhan, 2000) was used in this research. Responses to the level of steward behavior exhibited by employees were obtained from the leaders of the family firms on a seven-point scale indicating the level of agreement with the statements (1 = strongly disagree; 7 = strongly agree). The scale items appear in Table 3.6 (α = 0.87).

Table 3.6: Scale Items for Agent and Steward Behaviors

Agent Behavior: Productivity (reverse coded)	
1	Everyone is busy in the organization; there is little idle time.
2	Work quality is a high priority for all employees.
3	Everyone in the organization gives his/her best efforts.
Steward Behavior: Organizational Value Commitment	
1	Leadership makes everyone feel like "part of the family" in this organization.
2	Employees would be very happy to spend the rest of their career with this organization.
3	Employees talk up this organization to their friends as a great place to work.
4	Employees really feel as if the organization's problems are their own.

Moderator: Kinship Status

Kinship status, family versus nonfamily employee, is the moderator in this study. Kinship status was assessed primarily through the survey approach; I asked the firm leader to distribute the orange family survey to a family employee working in the business and the blue nonfamily survey to a nonfamily employee working in the business. Additionally, there were instructions

on the top of both the orange and blue surveys that indicated whether it was for family or nonfamily employee completion. As an additional check, the family survey asked respondents to identify their relationship to the family firm leader and asked if they are a descendant of the family firm founder.

Controls: Industry, Firm Age, Firm Size

Control variables that have been associated with family firm performance are necessary in order to isolate the effect of interest. Consistent with extant family firm empirical studies, such as the work of Chrisman et al (2004) and Schulze et al (2001, 2003), the firm's industry, age, and size serve as control variables in this study. Industry conditions may affect firm performance (Craig and Dibrell, 2006), and therefore, the firm's industry was captured via the leader's survey as either retail, services, or other (i.e., manufacturing, transportation). Age of the organization may also affect firm performance; research suggests that younger firms may have higher growth potential (Chrisman, et al., 2009; Memili, et al., 2010) or that older firms are in existence because they have had successful performance (Schulze et al., 2001). Therefore, I controlled for firm age, measured by years of existence and captured from the family firm leader. Organizational size is not only suggested to impact firm performance, but it potentially impacts agency and stewardship variables in the research model. Agency-related, Pieper et al (2008) suggest that larger organizations are more complex than smaller organizations, thereby making boards of directors necessary. Stewardship-related, Davis et al (2010) suggest that organizational size impacts the amount of social interation within a firm; the larger the firm, the less likely the interaction. Accordingly, I controlled for firm size by asking the family firm leader for the number of employees in the firm.

Data Analyses

Overview

The data analysis section describes the statistical analyses used to test the hypothesized relationships in my research model. It contains a description of preliminary analysis, diagnostics tests, and necessary tests of biases. All tests were performed using IBM SPSS Statistics Version 21.

Agency theory and stewardship theory are both based on the principal-manager relationship. In order to match the empirical investigation with the theoretical underpinnings and my research model within the family firm context, data was analyzed using matched triads. Each triad was made up of the family firm leader, a family employee, and a nonfamily employee within the same family business (n=77 triads). In doing so, both sides of the principal-manager relationship are taken into consideration. A principal-manager relationship is depicted by the principal delegating work to the manager. Accordingly, the family firm leader represents the principal, and both family and nonfamily employees represent the manager.

I analyzed matched triad data using OLS hierarchical regression, with tests for mediation and moderation. In order to use regression analysis, I aggregated the employee responses to the organizational level so that all variables would be at the same level of analysis. Before aggregation, I calculated r_{wg}, or the level of within-group interrater agreement (James, Demaree, and Wolf, 1984), between employees within the same family firm. This calculation compares the variability of a variable within the firm to an expected variance. Aggregation from the individual level to the firm level is justified when the variability within the firm is smaller than the variability expected by chance, represented by an r_{wg} of greater than 0.70 (Klein and Kozlowski, 2000). The r_{wg} statistic, restricted to a range of 0 to 1, for each of the variables in my model

obtained from the employee responses was above this threshold (i.e., monitoring = 0.87; information exchange = 0.83; social interaction = .87). Thereby, aggregation was justified, and triad data at the organizational level was used during the entire data analysis phase, with the exception of the moderation hypotheses.

To test the moderation hypotheses, data was analyzed using subgroups at the dyad level. The dyads consisted of family firm leaders matched with family employees of the same family firm and family firm leaders matched with nonfamily employees of the same family firm. The leader-family dyad was compared to the leader-nonfamily dyad. Accordingly, employee data from the family and nonfamily was not used in aggregate for the moderation tests.

Before presenting the results of the data analysis of the hypothesized relationships in my research model, it is first necessary to explain the preliminary analysis, diagnostic tests, and bias tests conducted. A description, along with the results, of each of these tests is provided next.

Preliminary Analysis

Prior to data analysis, I checked for missing data because although the sample is random, a lack of a response may not be random (i.e., respondents refuse to answer a question). There were minimal missing data in my sample and no observable patterns of missing values. As such, and to preserve sample size in correlation and regression analysis, I followed the approach set forth in Allison (2001), and imputed missing data since less than 15% missing threshold was achieved across all variables. The percentage of missing values in the items of my variables ranged from 0% missing (i.e., the presence of a board of directors, the level of social interaction, agent behavior, industry, firm age, and firm size) to 11.04% missing (i.e., firm performance). Table 3.7 shows the missing data statistics and method of imputation used in my research.

Table 3.7: Missing Data Statistics

	Possible Responses	Actual Responses	Percent Missing	Method of Imputation
Dependent Variable				
Firm Performance	308	274	11.04%	mean replacement
Independent Variables				
Agency Structure				
Board of Directors	77	77	0.00%	n/a
Compensation Incentives-Family	77	76	1.30%	family survey response
Compensation Incentives-Nonfamily	77	75	2.60%	nonfamily survey response
Monitoring[a]	770	741	3.77%	mean replacement
Stewardship Structure				
Information Exchange Frequency[b]	308	306	0.65%	mean replacement
Social Interaction[c]	462	462	0.00%	n/a
Mediators				
Agent Behavior	231	231	0.00%	n/a
Steward Behavior	308	302	1.95%	mean replacement
Controls				
Industry	77	77	0.00%	n/a
Firm Age	77	77	0.00%	n/a
Size	77	77	0.00%	n/a

a Monitoring: Family responses: 374/385 = 2.86% missing; Nonfamily responses: 367/385 = 4.68% missing
b Information Exchange Frequency: Family responses: 153/154 = 0.65% missing; Nonfamily responses: 153/154 = 0.65% missing
c Social Interaction: Family responses: 231/231 = 0.00% missing; Nonfamily responses: 231/231 = 0.00% missing

By way of example, there were 77 possible responses to the question asked of firm leaders as to whether there are compensations incentives for family employees (i.e., single item asked of all 77 firm leaders in the sample). A total of 76 responses were obtained; the missing value was imputed by using the survey response from the family employee of the same firm to the same question. As another example, there were 308 possible responses to the social interaction variable (2 items x 77 family employee responses + 2 items x 77 nonfamily employee responses). There were 306 actual responses and 2 missing values. The missing values were

imputed with the mean score of the item across all respondents. The variable with the highest percentage of missing values was firm performance. This was not surprising because missing data issues are quite common in empirical studies of family firms, especially when using primary data sources and when sensitive data, such as firm performance, is sought (Zellweger, Kellermanns, Chrisman, and Chua, 2012).

Diagnostic Tests

Before testing the research model and hypotheses, diagnostic tests were performed to ensure the data assumptions of random distribution, independence, normality, linearity, and homoscedasticity hold (Cohen, Cohen, West, and Aiken, 2003).

Random distribution and independence. Random distribution refers to the assumption that the data were randomly sampled and there is variation in the responses. Independence refers to the assumption that the data are independent of one another, meaning that each observation is not influenced by any other observations. Both of these assumptions are met based on my survey approach.

Normality. Scores for variables should be normally distributed, as depicted by a symmetrical, bell-shaped curve. Normality can be assessed with skewness (i.e., symmetry of the distribution) and kurtosis (peakedness of the distribution) statistics, a visual inspection of a histogram and a normal probability plot, and the Kolmogorov-Smirnov statistic. The further away from zero the skewness and kurtosis statistic is, the less normal the distribution. Some research suggests that a skewness statistic of greater than twice the standard error and a kurtosis statistic greater than $\pm$ 3indicates a significant deviation from a normal distribution. Furthermore, the Kolmogorov-Smirnov test assesses the normality of the distribution with a non-significant value indicating normality; a significant value indicating a violation of the normality assumption.

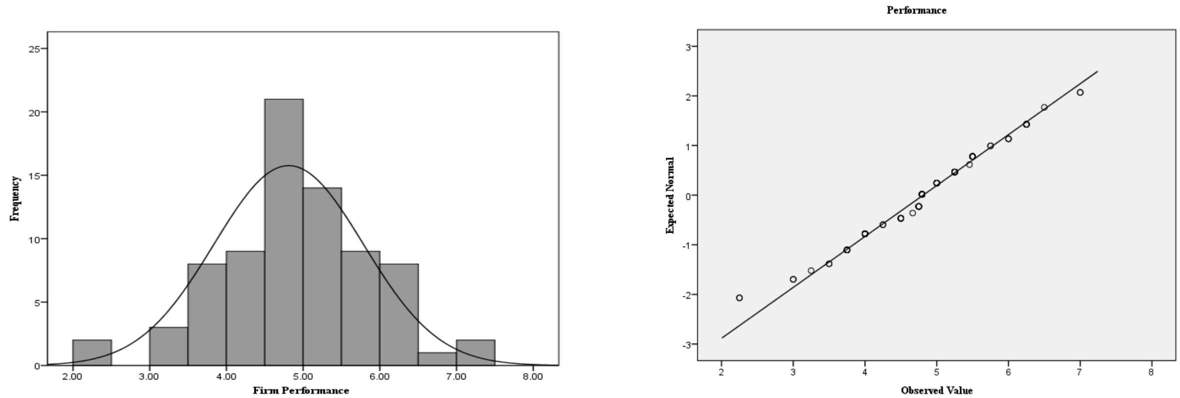
The histogram displays the distribution of the data and includes a bell-shaped curve to indicate normality. The normal probability plot displays the observed value plotted against the expected value from a normal distribution, with a reasonably straight line indicating normality. Table 3.8 presents the skewness, kurtosis, and Kolmogorov-Smirnov statistics, and Figure 3.1 displays the histogram and normal probability plots for the variables in my research model.

Table 3.8: Normality Statistics

	Skewness	Std Error	Kurtosis	Kolmogorov-Smirnov significance value
Dependent Variable				
Firm Performance	**-0.22**	**0.27**	**0.28**	**.02**
Performance Variable 1	-0.34		-0.06	
Performance Variable 2	0.00		-0.41	
Performance Variable 3	1.00		0.88	
Performance Variable 4	-0.64		0.30	
Independent Variables				
Agency Structure	**0.04**	**0.27**	**-0.75**	**.07**
Board of Directors	0.83		-1.35	
Compensation Incentives-Family	0.76		-1.46	
Compensation Incentives-Nonfamily	0.13		-2.04	
Monitoring Variable 1	-1.10		1.19	
Monitoring Variable 2	-0.70		0.44	
Monitoring Variable 3	-0.60		-0.12	
Monitoring Variable 4	-1.80		4.85	
Monitoring Variable 5	-0.81		1.10	
Stewardship Structure	**-0.64**	**0.27**	**-0.10**	**.04**
Information Interaction Variable 1	-0.82		-0.10	
Information Interaction Variable 3	-0.89		0.03	
Social Interaction Variable 1	-0.50		-0.29	
Social Interaction Variable 2	-1.41		2.98	
Social Interaction Variable 3	-0.93		0.33	
Mediating Variables				
Agent Behavior	**0.75**	**0.27**	**0.61**	**.00**
Productivity (reversed) Variable 1	0.64		-0.29	
Productivity (reversed) Variable 2	0.91		0.37	
Productivity (reversed) Variable 3	0.55		-0.45	
Steward Behavior	**-1.03**	**0.27**	**1.37**	**.01**
Organizational Commitment Variable 1	-0.88		-0.14	
Organizational Commitment Variable 2	-1.07		1.08	
Organizational Commitment Variable 3	-0.96		0.52	
Organizational Commitment Variable 4	-0.72		0.16	

Figure 3.1: Normality Plots

Dependent Variable: Firm Performance



Independent Variables: Agency Structure and Stewardship Structure

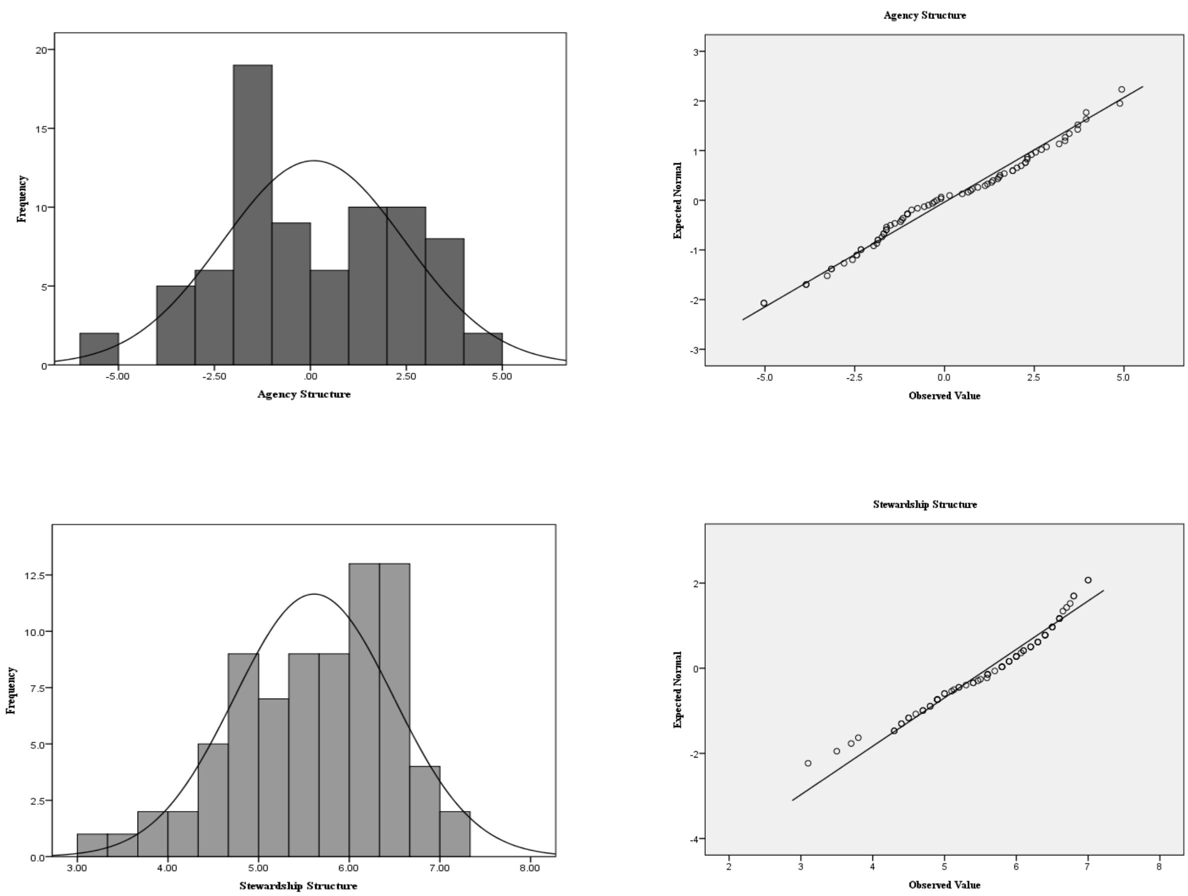


Figure 3.1 continued

Mediating Variables: Agent Behavior and Steward Behavior

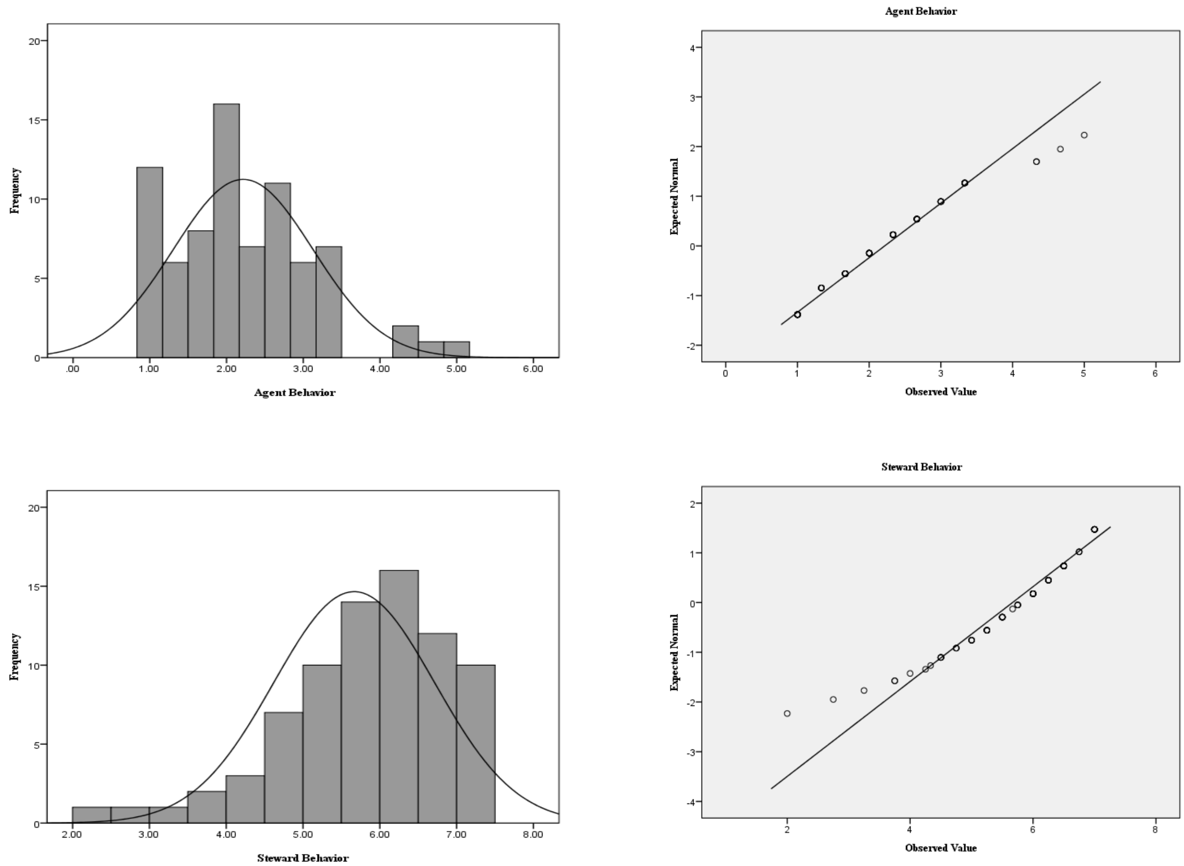
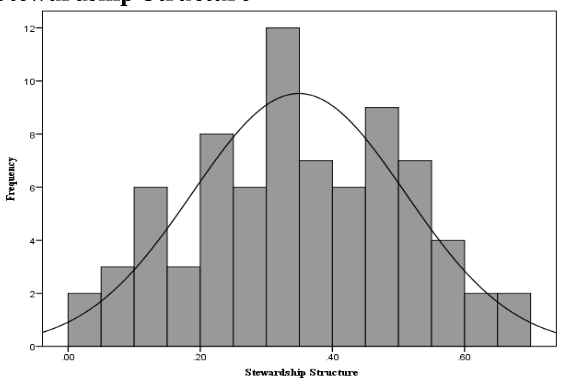


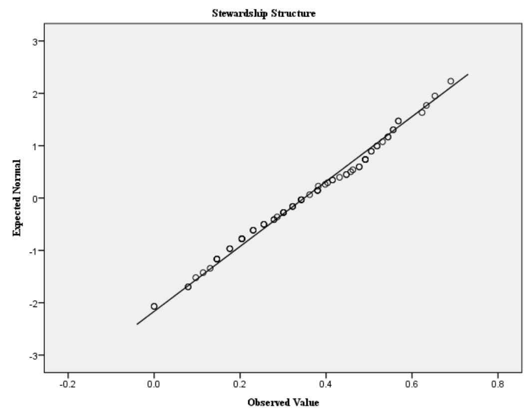
Figure 3.1 continued

With considerations for each statistic and a visual inspection of the distribution, I concluded that stewardship structure, agent behavior, and steward behavior violate the assumption of normality, and therefore transformation is necessary. Based on the appearance and skewness of the distribution, the appropriate transformation to normality for stewardship structure is a reflection and logarithm, for agent behavior is a square root, and for steward behavior is a reflection and logarithm (Cohen et al., 2003). Accordingly, Figure 3.2 presents the statistics, histogram, and normal probability plots for the transformed variables. These transformed variables conform to normality assumptions and therefore are used for the remaining analysis.

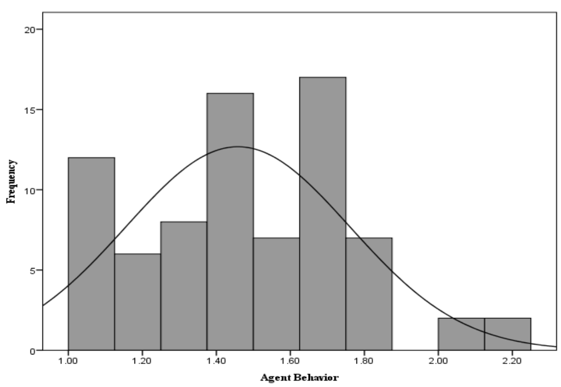
	Skewness	Std Error	Kurtosis	Kolmogorov-Smirnov significance value
Stewardship Structure	-0.08	0.27	-0.70	0.20
Agent Behavior	0.23	0.27	-0.29	0.04
Steward Behavior	-0.06	0.27	-0.55	0.20

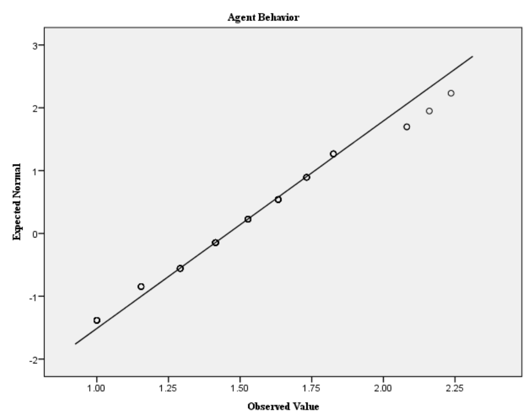
Stewardship Structure



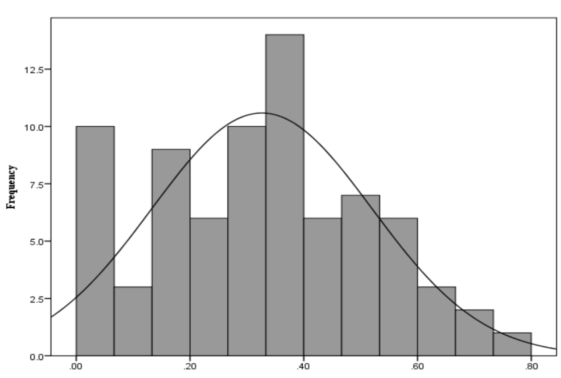


Agent Behavior





Steward Behavior



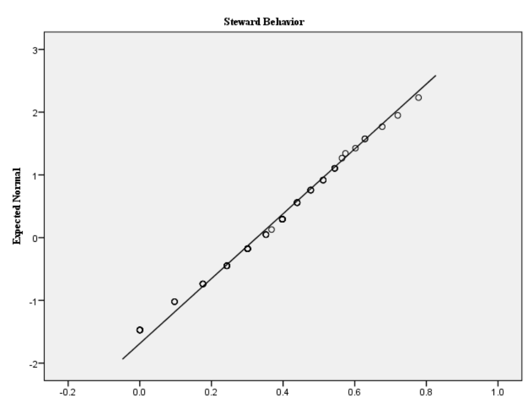


Figure 3.2: Normality Statistics and Plots for Transformed Variables

Linearity and Homoscedasticity. The relationship between two continuous variables should be linear to be appropriate for correlation analysis. Linearity can be assessed by a scatterplot, where variables appear to be clustered in a straight line as opposed to curvilinear. Homoscedasticity assumes that the variability in scores for one variable should be similar at all values of the second variable. Homoscedasticity can also be assessed by a scatterplot, where variables appear to follow a cigar-shaped pattern. Figure 3.3 presents the scatterplots for the variables in my research model. Based on these scatterplots, I conclude that the data do not violate the assumption of linearity or homoscedasticity.

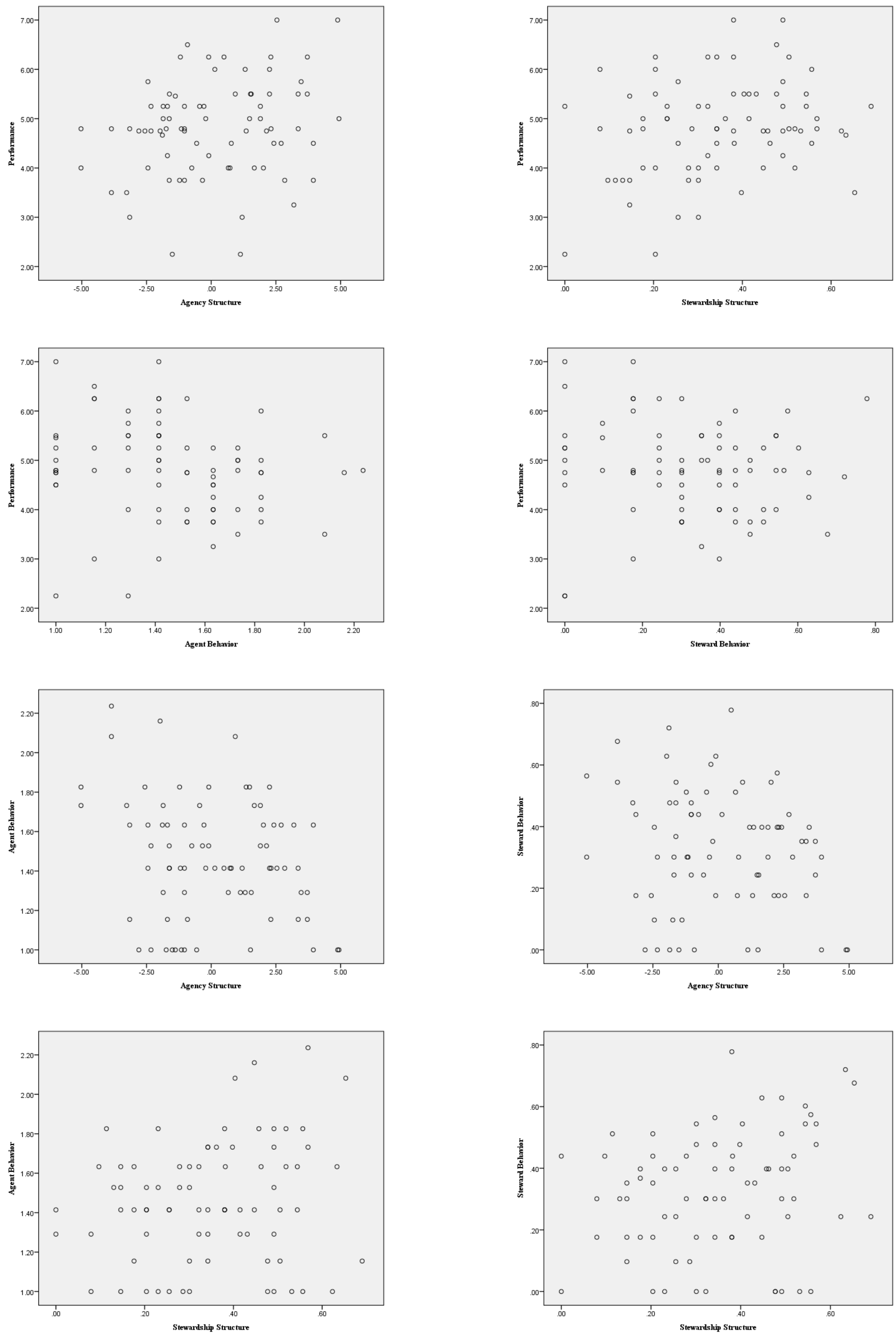


Figure 3.3: Linearity and Homoscedasticity Plots

Bias Tests

Due to the lower than desired response rate, I performed three checks for potential nonresponse bias and also assessed sample representativeness. Due to the use of primary survey data, I also tested for common methods bias. A description of these bias tests is provided next.

Nonresponse Bias. Research shows that late respondents are more similar to nonrespondents than they are to early respondents (Kanuk and Berenson, 1975). As such, I divided respondents into groups categorized as early or late respondents, based on the average number of days to respond. As a second check, I split the data by grouping those who responded to the first mailing versus those who responded to the second mailing. And, as an additional check, I compared my sample data with the data I collected that could not be used in the analysis (i.e., if the respondent was part of a triad versus not a part of a triad). This third test was to ensure the final sample for data analysis was similar to the complete sample of respondents. If no significant differences in the means of the research variables are found on these splits, the assumption is supported that nonresponse bias is not a major problem in this study. Table 3.9, 3.10, and 3.11 present the results of the bias tests for the leader surveys, family surveys, and nonfamily surveys, respectively.

Table 3.9: Leader Survey Nonresponse Bias Statistics

	Early vs. Late					1st vs. 2nd Mailing					Triad vs. Non-Triad				
	Early	**Late**	**t**	**df**	**p**	**1st**	**2nd**	**t**	**df**	**p**	**Triad**	**Non**	**t**	**df**	**p**
Firm Performance	4.82	4.79	0.10	75	0.92	4.96	4.53	1.86	75	0.07	4.81	4.79	-0.17	165	0.87
Agent Behavior	2.54	2.50	0.30	75	0.77	2.53	2.52	0.02	75	0.98	2.53	2.58	0.64	165	0.52
Steward Behavior	5.61	5.78	-0.67	75	0.51	5.54	5.90	-1.44	75	0.15	5.67	5.70	0.22	165	0.82
Board of Directors	0.25	0.46	-1.78	75	0.06	0.40	0.15	2.33	75	0.01*	0.31	0.21	-1.48	165	0.14
Compensation Incentives-Family	0.32	0.33	-0.11	75	0.91	0.28	0.41	-1.13	75	0.26	0.32	0.34	0.27	165	0.79
Compensation Incentives-Nonfamily	0.42	0.58	-1.37	75	0.18	0.48	0.48	-0.18	75	0.86	0.47	0.48	0.13	165	0.90
Industry	4.76	4.75	0.10	75	0.99	4.92	4.44	1.07	75	0.29	4.75	4.81	0.21	165	0.84
Firm Age	32.60	43.96	-1.71	75	0.09	35.06	38.15	-0.47	75	0.64	36.14	30.68	-1.20	165	0.23
Firm Size	1.23	1.53	-1.83	75	0.08	1.41	1.17	1.70	75	0.09	1.32	1.13	-1.81	165	0.07
Leader Education	3.94	3.63	1.14	75	0.26	3.96	3.63	1.22	75	0.23	3.84	3.88	0.19	165	0.85
Leader Gender	0.75	0.88	-1.32	75	0.19	0.80	0.78	0.23	75	0.82	0.79	0.76	-0.56	165	0.58
Leader Age	54.90	55.18	-0.11	75	0.91	56.42	52.33	1.71	75	0.09	54.99	55.60	0.36	165	0.72
Leader Tenure	21.64	25.25	-1.11	75	0.27	23.40	21.59	0.57	75	0.57	22.77	20.19	-1.28	165	0.20

For the 77 leader surveys in my sample, the average days to respond was 23.17, with 53 early responders and 24 late responders. There were no significant differences in the variable means using this grouping. Split differently, there were 50 respondents who returned the first survey mailed; the remaining 27 respondents required a second survey before responding. There was only one variable, the presence of a board of directors, that was significantly different between these groups. Forty percent of responders to the first survey indicated their firms had a board of directors, whereas only fifteen percent of responders to the second survey indicated their firms had a board of directors. However, based on the early versus late statistic on this variable, coupled with this variable being a relatively small part of the agency governance structure index, there was little cause for concern. The third bias check includes comparing means on the surveys I used in this research versus the surveys I did not. I received a total of 167 leader surveys, including 77 that are part of a survey triad, and 90 that are not part of a triad (i.e., not used in this research). There were no significant differences in mean scores between these groups.

Table 3.10: Family Employee Survey Nonresponse Bias Statistics

	Early vs. Late					1st vs. 2nd Mailing					Triad vs. Non-Triad				
	Early	**Late**	**t**	**df**	**p**	**1st**	**2nd**	**t**	**df**	**p**	**Triad**	**Non**	**t**	**df**	**p**
Monitoring	5.91	5.65	1.04	75	0.03	5.86	5.77	0.37	75	0.71	5.82	5.47	1.68	113	0.10
Stewardship Structure	0.31	0.26	0.95	75	0.35	0.30	0.28	0.53	75	0.60	0.29	0.31	-0.41	113	0.68
Gender	0.56	0.48	0.65	75	0.52	0.57	0.48	0.70	75	0.48	0.53	0.44	0.86	113	0.39
Age	41.87	39.21	0.76	75	0.45	41.48	40.23	0.37	75	0.71	40.97	46.74	-1.90	113	0.06
Education	3.63	3.64	-0.03	75	0.98	3.51	3.81	-1.19	75	0.24	3.63	3.29	1.66	113	0.10
Tenure	11.97	12.15	-0.07	75	0.94	12.95	10.68	0.94	75	0.35	12.03	16.03	-1.73	113	0.09

For the 77 family employees in my sample, the average days to respond was 24.45, with 51 early responders and 26 late responders. Split differently, there were 46 respondents who returned the first survey mailed; the remaining 31 respondents required a second survey before responding. I received a total of 115 family employee surveys, of which 77 were used in this sample of matched triads and 38 were not used. As shown, there were no significant differences in the variable means within any of these splits.

Table 3.11: Nonfamily Employee Survey Nonresponse Bias Statistics

	Early vs. Late					1st vs. 2nd Mailing					Triad vs. Non-Triad				
	Early	**Late**	**t**	**df**	**p**	**1st**	**2nd**	**t**	**df**	**p**	**Triad**	**Non**	**t**	**df**	**p**
Monitoring	5.36	5.24	0.34	75	0.74	5.23	5.46	-0.709	75	0.48	5.32	5.09	0.84	112	0.40
Stewardship Structure	0.35	0.38	-0.60	75	0.55	0.37	0.35	0.510	75	0.61	0.36	0.41	-1.09	112	0.28
Gender	0.36	0.48	-0.92	75	0.36	0.37	0.43	-0.624	75	0.54	0.40	0.38	0.18	112	0.86
Age	46.20	39.95	2.09	75	0.04*	45.09	13.47	0.509	75	0.61	44.41	46.59	-0.80	112	0.43
Education	3.13	3.00	0.50	75	0.62	3.29	2.81	2.101	75	0.04*	3.08	3.09	0.05	112	0.96
Tenure	10.15	9.20	0.39	75	0.70	11.11	8.16	1.349	75	0.18	14.35	9.88	-1.93	112	0.06

For the 77 nonfamily employees in my sample, the average days to respond was 21.70, with 55 early responders and 22 late responders. For this grouping, there was a significant difference in the average age of early versus late responders. The early responders were older, 46.20 years on average versus 39.95 years for the late responders. Split differently, there were 45 respondents who returned the first survey mailed; the remaining 32 respondents required a second survey before responding. There was a significant difference in the education level of those requiring a follow-up survey: the group responding to the first survey request had, on average, received some college education, whereas the group responding to the second survey were high school educated, on average. Neither of the significant differences on age and education were seen across the other splits, are approaching non-significance (i.e., p=0.04), and are not an integral part of this investigation. I received a total of 114 nonfamily employee surveys, of which 77 were used in this sample of matched triads and 37 were not used. There were no significant differences found across the variables with this split. Taken together, I conclude that nonresponse bias is not a major issue in this research.

Representativeness. Due to the small sample size, I conducted a check to ensure my research sample is representative of the population. In line with the literature (e.g., Eddleston, Otondo, and Kellermanns, 2008), I compared characteristics from my sample to those of four other samples: (1) sample of 673 US family firms from the 1997 National Family Business Survey (Winter, Danes, Koh, Fredericks, and Paul, 2004); (2) sample of 1464 US family firms from Schulze, Lubatkin, and Dino (2003); (3) sample of 315 US family firms from Davis, Allen, and Hayes (2010); and (4) sample of 1035 US family firms from Sciascia, Mazzola, Astrachan, and Pieper (2012). Respectively, these studies represent a national database, the largest sample reported in my review of the family firm literature grounded to agency theory, the largest sample

reported in my review of the family firm literature grounded to stewardship theory, and the largest sample reported in my review of the family firm literature utilizing both agency and stewardship theory perspectives. Similar to my approach, each of these empirical studies sampled family firms in the US. Additionally, none of the authors of these empirical studies overlap, thereby assuming their samples do not overlap. Each of these aforementioned studies captured different variables, so complete comparisons could not be made. Table 3.12 presents a comparison table of key leader and firm characteristics across the family firm samples.

Table 3.12: Representativeness across Samples

	1997 Database Winter et al (2004)	**Agency** Schulze et al (2003)	**Stewardship** Davis et al (2010)	**Both** Sciascia et al (2012)	**Current Study**
Leader Characteristics					
Age	45.80	54.00			54.99
Education[a]			3.45		2.75
Gender[b]	0.71				0.79
Tenure[c]			3.62		4.35
Firm Characteristics					
Age		48.98		26.72	36.14
# of Employees[d]			4.02		3.12
# of Family Employees		3.43			4.41
Industry[e]					
Retail	0.21			0.15	0.27
Services	0.41			0.19	0.26
Other	0.38			0.66	0.17
Generations[e]					
1st generation			0.32		0.30
2nd generation			0.41		0.53
3rd generation			0.14		0.17

a Education Code: 1=high school; 2=some college; 3=college graduate; 4=postgraduate
b Gender = percent male
c Tenure Code: 1 = 1-2 years; 2 = 3-6 years; 3 = 7-10 years; 4 = 11-15 years; 5 = >15 years
d # of Employees Code: 1 = 1-5 employees; 2 = 6-10 employees; 3 = 11-25 employees; 4 = 26-50 employees; 5 = >50 employees
e Industry/Generations: statistic represents the percent in each category

As shown, the leader characteristics in my sample are similar to those from other samples: the average age and tenure of the firm leaders in my sample is slightly greater, education levels are slightly lower, and are comprised of a greater percentage of males. The firm level characteristics are also similar: the average age of the firms in my sample is between the two samples of comparison, there are slightly fewer total employees but more family employees, and the industry and generational characteristics follow similar patterns and percentages. As such, I conclude that my sample is representative of US family firms in general.

Common Method Bias. The variance attributable to the method rather than the measures, referred to as common method bias, is often a concern in survey research (Fiske, 1982; Podsakoff, MacKenzie, Lee, and Podsakoff, 2003). There are techniques for controlling common method bias, both from a procedural perspective (i.e., survey design) and from a statistical perspective. To alleviate potential concerns, I took the following procedural prescriptions: (1) I collected the predictor and criterion variables from different sources (e.g., leader, family employee, nonfamily employee); (2) I protected respondent anonymity and confidentiality; (3) I stated in bold lettering on top of each survey that there are no right or wrong answers thus hoping to prevent dishonest but socially desirable answers; and (4) I used previously accepted and validated scales with carefully constructed questions that were not ambiguous, vague, or double-barreled (Podsakoff et al., 2003).

Because the predictor and criterion variables were obtained from different sources, coupled with the aforementioned survey design prescriptions, according to Podsakoff et al., 2003: 897), "additional statistical remedies could be used but in our view are probably unnecessary in these instances." However, as a precaution, I performed a Harman's single-factor statistical test suggested by Podsakoff and Organ (1986) which is also frequently used in family

firm survey research studies (e.g., Eddleston and Kellermanns, 2007; Kellermanns, Eddleston, Barnett, and Pearson, 2008; Memili et al., 2010). This test entails entering all the items of the model's variables in a factor analysis to determine the number of factors that emerge and the amount of variance explained. If no dominant factor emerges from this statistical test, coupled with the procedural prescriptions taken, I can conclude that common method bias does not appear to be a problem. I entered all the items of my model's variables in a factor analysis. Eight factors emerged (i.e., represented by 3 control variables, 2 independent variables, 2 mediators, and 1 dependent variable) accounting for 72.57% of the variance, with the first factor explaining 20.29%. Accordingly, I conclude that common method bias does not present an issue in my research.

Conclusion

An account of the methodology used to test the research model and hypotheses was provided in this chapter. A general overview was provided first, followed by a specific description of the survey instrument and approach, sample, and measures. The data analysis section followed, with a description of the statistical analyses used to test the research model, preliminary analysis, diagnostics tests, and necessary tests of biases. The next chapter presents the results of the hypotheses tests.

CHAPTER 4: RESULTS

Chapter 3 presented the methodology employed in this study and the results from preliminary data analysis. This chapter presents the results from testing the hypothesized relationships in my research model and from additional post hoc tests. It first provides descriptive statistics and correlations, followed by the results of the hypotheses tests, and then concludes with post hoc results within agency and stewardship theory, across theories, and from the integration of theories. An integrated discussion of these results is found in Chapter 5.

Correlation Results

Descriptive statistics and bivariate correlations between the variables in my study are provided in Table 4.1. On average, my sample of 77 family firms have been in business for 36.14 years and employ 63.73 employees (natural logarithm used to correct for skewness, mean = 1.32). Firms in the retail industry represent 27% of the sample, 26% are in the services industry, and the remaining firms are in other industries (i.e., manufacturing, construction, transportation). Agency structure is an index that captures the level of monitoring and control mechanisms present in the family firm. From low levels of agency structures to high levels of agency structures, the index values range from -5.03 to 4.94 with the average being 0.09. Stewardship structure captures the level of interaction from a communication and social perspective. The transformed values of stewardship structure range from 0.00, representing low levels of stewardship structures, to 0.69, representing high levels of stewardship structures, with an average value of 0.35. The average value for agent behavior is 1.46, measured by reverse coding productivity and transformed for skewness, with higher values representing greater levels of agent behavior. The average value for steward behavior is 0.33, measured by the level of perceived organizational value commitment, also transformed for skewness. The higher the

score, the higher the level of steward behavior. The average level of firm performance, measured on a seven point scale, is 4.81, with higher scores representing higher levels of performance.

As shown in the correlation matrix, of the control variables (i.e., firm age, size, industry), the family firm's age is significantly correlated with the most variables: size, agent behavior, and firm performance. As expected, agency structure is negatively and significantly correlated with agent behavior, and stewardship structure is positively and significantly correlated with steward behavior. Both agency and stewardship structures are also significantly correlated with firm performance in the direction expected. However, neither agent behavior nor steward behavior is significantly correlated with firm performance. The strongest correlation is between agent behavior and steward behavior, indicated by a significant and positive relationship.

As described, some of the variables in my study are correlated; however, the highest variance inflation factor statistic estimated in conjunction with each hierarchical regression model was 2.34. The most extreme condition index statistic was 23.12. Both are below the threshold indicating multicollinearity, therefore alleviating that concern in my study (Hair, Anderson, Tatham, and Black, 1998).

Table 4.1: Descriptive Statistics and Bivariate Correlations

		Mean	Std Dev	1	2	3	4	5	6	7	8	9
1	Age	36.14	27.33	1.00								
2	Size	1.32	0.59	0.31**	1.00							
3	Retail	0.27	0.45	0.14	0.09	1.00						
4	Services	0.26	0.44	-0.17	-0.08	-0.36***	1.00					
5	Agency Structure	0.09	2.37	-0.03	0.29**	-0.07	0.02	1.00				
6	Stewardship Structure	0.35	0.16	-0.05	0.05	0.15	0.03	-0.13	1.00			
7	Agent Behavior	1.46	0.30	0.24*	0.22†	-0.16	-0.05	-0.24*	0.17	1.00		
8	Steward Behavior	0.33	0.19	0.05	0.13	-0.24*	0.18	-0.19	0.22*	0.69***	1.00	
9	Firm Performance	4.81	0.97	-0.25*	0.19†	-0.06	0.21†	0.23*	0.25*	-0.18	-0.09	1.00

n = 77 matched triads
*** correlation is significant at the 0.001 level
** correlation is significant at the 0.01 level
* correlation is significant at the 0.05 level
† correlation is significant at the 0.10 level

Regression Results

Within and Across Theory

My hypotheses were tested via hierarchical regression analysis with six models, and results are provided in Table 4.2. In Model 1, firm performance was regressed on the control variables, with two significant relationships. The age of the firm was significantly and negatively related to performance, indicating that the older the firm, the lower the performance ($B = -0.01$, $p \leq .01$). The size of the firm, measured by the natural logarithm of the number of employees, was significantly and positively related to performance ($B = 0.50$, $p \leq .01$), indicating that the greater the number of employees, the greater the performance. The industry variables (i.e., retail, services, and other industries as the omitted referent) were not significant with firm performance.

Model 2 through Model 6 follow the steps in the Baron and Kenny (1986) test for mediation. Each step is necessary to provide support for a mediational model. In the first step, shown as Model 2, I regressed the dependent variable on the independent variables: I built from Model 1 by adding agency structure and stewardship structure to the equation. Firm age and size remained significant, industry remained not significant. Agency structure was approaching significance with firm performance ($B = 0.08$, $p \leq .10$), and stewardship structure was significant with firm performance ($B = 1.50$, $p \leq .05$). This model accounts for 18.4% of the variance in firm performance as indicated by the adjusted R^2 value, which is the statistic typically reported for smaller sample sizes. This explains 6.0% more of the variance in firm performance beyond just the control variables.

The next step, shown in Models 3 and 4, involved regressing the mediators on the independent variables. In Model 3, agent behavior was regressed on agency structure and stewardship structure. Firm age was not significant with agent behavior, but firm size ($B = 0.13$

$p \leq .05$) and retail industry ($B = -0.20$ $p \leq .01$) were significant. Agency structure was negatively and highly significant with agent behavior ($B = -0.04$, $p \leq .01$), thus supporting Hypothesis 1. Stewardship structure was positively and moderately significant with agency behavior ($B = 0.33$, $p \leq .10$), thus marginally supporting Hypothesis 6a. The variables in Model 3 explain 19.4% of the variance in agent behavior. In Model 4, steward behavior was regressed on agency structure and stewardship structure. The same control variables, firm size and retail industry, were significant with steward behavior as they were on agent behavior ($B = 0.07$, $p \leq .10$ and $B = -0.12$, $p \leq .05$, respectively). Stewardship structure exhibited a positive and significant relationship with steward behavior ($B = 0.27$, $p \leq .05$), thus supporting Hypothesis 3. Agency structure exhibited a negative and significant relationship with steward behavior ($B = -0.02$, $p \leq .05$), thus supporting Hypothesis 5a. The variables in Model 4 explain 13.6% of the variance in steward behavior.

The third step involved regressing the dependent variable on the mediators, as shown in Model 5. As was the case in Model 1 and Model 2, the firm's age and size remained significant with firm performance ($B = -0.01$, $p \leq .05$ and $B = .55$, $p \leq .01$, respectively). Agent behavior was negatively but not significantly associated with firm performance. Although the direction of the relationship was as hypothesized, Hypothesis 2 is not supported. Steward behavior was also negatively but not significantly associated with firm performance indicating no support for Hypothesis 4. This model explains 13.4% of the variance in firm performance, which represents an increase of only 1.0% over the model with just the control variables.

Model 6 depicts the final step, where I simultaneously regressed the dependent variable on both the independent variables and mediators. With all variables entered, firm age and size remained significant with firm performance ($B = -0.01$, $p \leq .05$ and $B = 0.46$, $p \leq .05$, respectively). Stewardship structure was also significant with firm performance ($B = 1.80$, $p \leq .01$), but agency

structure was not significant with firm performance. Neither agent behavior nor steward behavior were significant with firm performance. This model explains 20.5% of the variance in family firm performance. Although not formally hypothesized, the results of these steps indicate that mediating relationships are not supported within my model, rendering Sobel tests unnecessary.

Table 4.2: Regression Results – Within and Across Theory

	Performance	Performance	Agent Behavior	Steward Behavior	Performance	Performance
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Constant	4.43*** (0.29)	4.05*** (0.35)	1.17*** (0.11)	0.16* (0.07)	5.10*** (0.63)	4.63*** (0.62)
Controls						
Age	-0.01** (0.00)	-0.01* (0.00)	0.00 (0.00)	0.00 (0.00)	-0.01* (0.00)	-0.01* (0.00)
Size	0.50** (0.19)	0.37† (0.19)	0.13* (0.06)	0.07† (0.04)	0.55** (0.19)	0.46* (0.20)
Retail	0.05 (0.25)	-0.02 (0.25)	-0.20** (0.08)	-0.12* (0.05)	-0.05 (0.26)	-0.18 (0.26)
Services	0.41 (0.26)	0.36 (0.25)	-0.07 (0.08)	0.05 (0.05)	0.41 (0.27)	0.36 (0.25)
Independent Variables						
Agency Structure		0.08† (0.05)	-0.04** (0.01)	-0.00* (0.01)		0.05 (0.05)
Stewardship Structure		1.50* (0.65)	0.33† (0.20)	0.27* (0.13)		1.80** (0.66)
Mediating Variables						
Agent Behavior					-0.44 (0.51)	-0.41 (0.50)
Steward Behavior					-0.34 (0.79)	-0.62 (0.76)
Adj. R^2	0.124	0.184	0.194	0.136	0.134	0.205
F statistic	3.70**	3.86**	4.04**	2.99**	2.96**	3.45**

Unstandardized regression coefficients shown (standard errors in parentheses)
n = 77 matched triads
*** significant at the 0.001 level
** significant at the 0.01 level
* significant at the 0.05 level
† significant at the 0.10 level

Kinship Status

To test the moderation hypotheses of the effect of kinship status across theories, data were analyzed by splitting apart the triads into dyad relationships: 77 dyads comprised of the family firm leader matched with the family employee within the same firm, and 77 dyads comprised of the family firm leader matched with the nonfamily employee within the same firm. Accordingly, the aggregated responses of family and nonfamily employees were not used as they were for the triad analysis; rather, the responses from the family employees were separate from the nonfamily employee responses. Correlation results for these dyad subsets are found in Table 4.3; regression results for this analysis are found in Table 4.4.

The relationships of interest in this dyad analysis are those with agency structure and stewardship structure, as those are the variables measured with employee responses. As indicated in the correlation matrix, family responses are depicted below the diagonal and nonfamily responses are above the diagonal. For family and nonfamily employees, agency structure is significantly and positively correlated with firm size and firm performance. Additionally, agency structure and stewardship structure are significantly and negatively correlated for family; agency structure and agent behavior are significantly and negatively correlated for nonfamily. For family employees, stewardship structure is significantly and positively correlated with steward behavior. For nonfamily employees, stewardship structure is significantly and positively correlated with industry and firm performance.

Table 4.3: Bivariate Correlations for Dyad Subsets

		1	2	3	4	5	6	7	8	9
1	Age		0.31**	0.14	-0.17	0.05	-0.08	0.24*	0.05	*0.25*
2	Size	0.31**		0.09	-0.08	0.30**	0.13	0.22†	0.13	0.19†
3	Retail	0.14	0.09		-0.36**	-0.06	0.22†	-0.16	-0.24*	-0.06
4	Services	-0.17	-0.08	-0.36***		-0.02	0.05	-0.05	0.18	0.21†
5	Agency Structure	-0.05	0.31**	-0.07	0.05		-0.10	-0.20†	-0.14	0.21†
6	Stewardship Structure	0.01	-0.05	-0.00	-0.01	-0.24*		0.15	0.11	0.32**
7	Agent Behavior	0.24*	0.22†	-0.16	-0.05	-0.18	0.11		0.69***	-0.18
8	Steward Behavior	0.05	0.13	-0.24*	0.18	-0.18	0.22*	0.69***		-0.09
9	Firm Performance	-0.25*	0.19†	-0.06	0.21†	0.24*	0.04	-0.18	-0.09	

n = 77 leader-family dyads below the diagonal; 77 leader-nonfamily dyads above the diagonal
*** correlation is significant at the 0.001 level
** correlation is significant at the 0.01 level
* correlation is significant at the 0.05 level
† correlation is significant at the 0.10 level

Table 4.4: Regression Results – Kinship Status Effects Across Theories

	Steward Behavior		Agent Behavior	
	Family	Nonfamily	Family	Nonfamily
Constant	0.23*** (0.06)	0.24*** (0.06)	1.26*** (0.11)	1.24*** (0.10)
Controls				
Age	0.00 (0.00)	0.00 (0.00)	0.00† (0.00)	0.00* (0.00)
Size	0.08† (0.04)	0.07 (0.04)	0.09 (0.06)	0.07 (0.06)
Retail	-0.10† (0.05)	-0.10† (0.05)	-0.16* (0.08)	-0.20* (0.08)
Services	0.06 (0.05)	0.05 (0.05)	-0.06 (0.08)	-0.08 (0.08)
Independent Variables				
Agency Structure	-0.02* (0.01)	-0.02† (0.01)		
Stewardship Structure			0.19 (0.18)	0.29† (0.15)
Adj. R^2	0.098	0.073	0.084	0.114
F statistic	2.65*	2.20†	2.39*	2.95*

Unstandardized regression coefficients shown (standard errors in parentheses)
n = 77 matched dyads of leader-family; 77 matched dyads of leader-nonfamily
*** significant at the 0.001 level
** significant at the 0.01 level
* significant at the 0.05 level
† significant at the 0.10 level

Using the same control variables as in the matched triad regression models, steward behavior of family and nonfamily employees was regressed on agency structure. As shown, agency structure is negatively and significantly related to the steward behavior of both family employees ($B = -0.02$, $p \leq .05$) and nonfamily employees ($B = -0.02$, $p \leq .10$). The slope of the line is slightly steeper for family than nonfamily (i.e., -.022 versus -.017 when rounded to three decimals), and significance of the relationship is stronger for family employees than for nonfamily employees. At high levels of agency structure, family employees exhibit less steward behavior. This finding supports Hypothesis 5b.

I plotted the effects of kinship status on the relationship of agency structure and steward behavior. These lines were plotted using the regression equations and predicted values at one standard deviation above and one standard deviation below the mean. For example, using the results from Table 4.4, family steward behavior = 0.23 – 0.02 agency structure. The mean of agency structure is 0.09, and the standard deviation is 2.37. The predicted value for steward behavior at one standard deviation above the mean (2.46) is 0.18, and at one standard deviation below the mean (-2.28) is 0.28. A line was then drawn between these two points. Likewise, the regression line was also plotted for nonfamily employees' predicted steward behavior. Figure 4.1 presents the plot of the effects of kinship status on the relationship between agency structure and steward behavior.

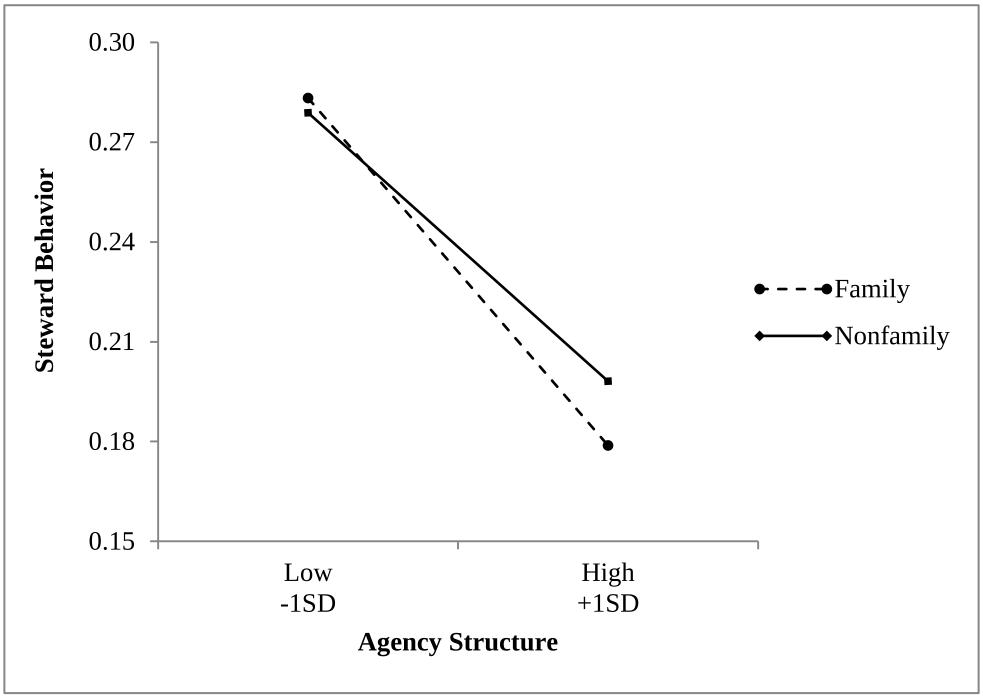


Figure 4.1: Kinship Status Effects of Agency Structure on Steward Behavior

Agent behavior of family and nonfamily employees was then regressed on stewardship structure. As indicated, stewardship structure is not a significant predictor of agent behavior for family employees (B = 0.19, n.s.), but is positively and moderately significant with agent behavior of nonfamily employees (B = 0.29, p≤.10). Although this supports kinship status as a moderator in the stewardship structure–agent behavior relationship, it runs counter to the hypothesized relationships. Thus, Hypothesis 6b is partially supported. Using the same method described above, I plotted the effects of kinship status on the relationship between stewardship structure and agent behavior. Figure 4.2 presents the plot.

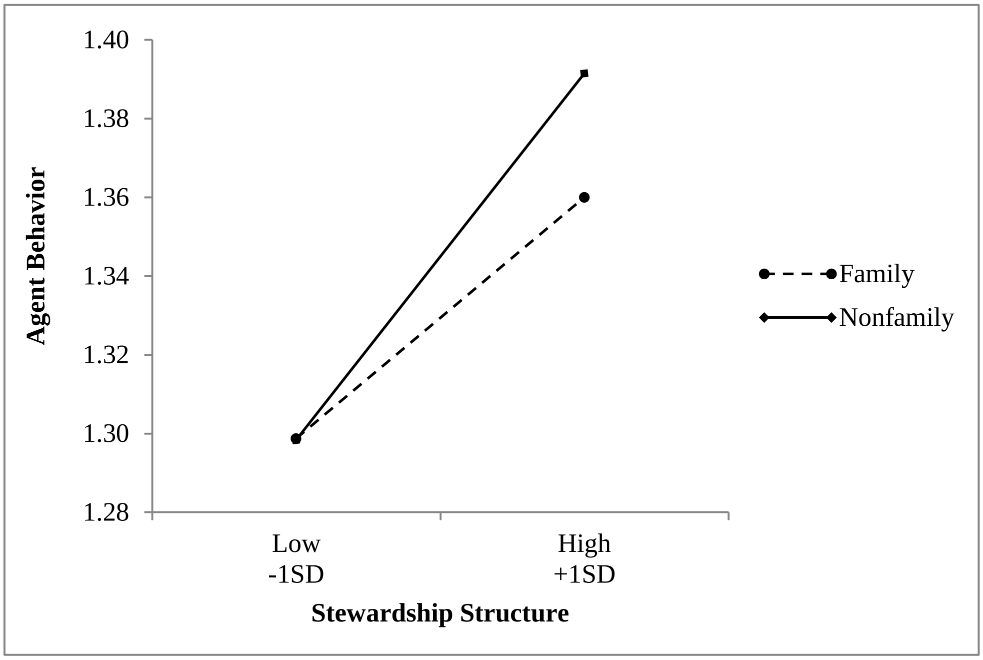


Figure 4.2: Kinship Status Effects of Stewardship Structure on Agent Behavior

Integrating Theory

I hypothesize that is it possible, and even beneficial, for organizations to have both agency and stewardship structures in place simultaneously. To test the integration of theories, I conducted a one-way between-groups analysis of variance to explore the impact of structural combinations on firm performance levels[3]. Family firms were divided into four groups based on their level of agency and stewardship structures. I coded each family firm as having either a high or low level of agency structure using the sample mean score of 0.09 as the dividing point. I also

[3] I also conducted OLS regression to analyze the integration of theories. I created an interaction term by multiplying agency structure and stewardship structure. I then regressed the control variables, agency structure, stewardship structure, and the interaction term on firm performance. The interaction term was significant ($B = .71$, $p \leq .01$), indicating that the integration of structures is positively associated with firm performance. However, the impact of varying structural combinations cannot be interpreted with this analysis. Accordingly, a between-groups ANOVA was conducted; the results of this analysis are reported in this section.

coded each family firm as having either a high or low level of stewardship structure using the sample mean of 0.35 as the dividing point. I then coded each organization into one of four groups: (1) Monitor Structure: high agency structure and low stewardship structure; (2) Trust But Monitor Structure: high agency structure and high stewardship structure; (3) Undetermined Structure: low agency structure and low stewardship structure; and (4) Trust Structure: low agency structure and high stewardship structure.

Results from the between-groups ANOVA indicate a statistically significant difference in firm performance for the four groups: $F(3, 73) = 3.88$, $p=.01$. The effect size, calculated using eta squared, was 0.14 and is therefore considered large (Cohen, 1988). Table 4.5 presents the mean firm performance levels of each group. As indicated by the highlighted cell in Table 4.5, the highest performance level occurs when family firms have Trust But Monitor Structures (i.e., high levels of both agency and stewardship structures), followed by Trust Structures, Undetermined Structures, and with Monitor Structures resulting in the lowest firm performance level. The Tukey HSD test indicates that the mean performance level for family firms with the Trust But Monitor Structure ($M=5.43$, $SD=0.85$) is significantly different and higher than the performance of firms with the Monitor Structure ($M=4.50$, $SD=1.10$) and the Undetermined Structure ($M=4.57$, $SD=1.00$), but is not significantly different from firm performance of firms with the Trust Structure ($M=4.79$, $SD=0.68$). These results partially support Hypothesis 7; as predicted, the combinations of structures impact firm performance differently, however the order is not as hypothesized.

Table 4.5: Firm Performance Levels by Governance Structure Integration

Agency Structure		Stewardship Structure: Low	Stewardship Structure: High
High		**Monitor Structure** **4.50** n=18	**Trust But Monitor Structure** **5.43** n=18
Low		**Undetermined Structure** **4.57** n=22	**Trust Structure** **4.79** n=19
		Low	High

Stewardship Structure

I also performed a similar analysis using OLS hierarchical regression so that I could control for additional factors that may be influencing firm performance levels. As with my previous analysis, I controlled for firm age, firm size, and industry. I created dummy variables for each combination of structures and used the Trust But Monitor Structure as the referent category. Regression results are shown in Table 4.6 and can be interpreted as follows. Generally, the performance level of firms with Trust But Monitor Structures is 4.96. For those with Trust Structures, firm performance is 0.50 less; Undetermined Structures, 0.54 less; Monitor Structures, 0.82 less. Each variable is significant at the .10 level. The global F test shows the model is significant at the .01 level. Using the adjusted R^2 statistic, the model explains 17.9% of the variance in firm performance. The addition of the control variables did not change the results from the between-groups ANOVA.

Table 4.6: Regression Results – Integrating Theory

	Performance Model 1	Performance Model 2
Constant	4.43*** (0.29)	4.96*** (0.38)
Controls		
Age	-0.01** (0.00)	-0.01* (0.00)
Size	0.50** (0.19)	0.43* (0.20)
Retail	0.05 (0.25)	0.03 (0.25)
Services	0.41 (0.26)	0.35 (0.25)
Independent Variables		
Monitor Structure (High Agency and Low Stewardship)		-0.82** (0.30)
Trust Structure (Low Agency and High Stewardship)		-0.50† (0.30)
Undetermined Structure (Low Agency and Low Stewardship)		-0.54† (0.31)
Adj. R^2	0.124	0.179
F statistic	3.70**	3.36**

Unstandardized regression coefficients shown (standard errors in parentheses)
n = 77 matched triads
*** significant at the 0.001 level
** significant at the 0.01 level
* significant at the 0.05 level
† significant at the 0.10 level

Conclusion

To summarize the analyses, my hypothesized relationships and results are presented in Table 4.7. Of the nine hypotheses in my research, five were fully supported, two were partially supported, and two were not supported. I conducted a deeper investigation into the relationships through multiple post hoc examinations. The remainder of this chapter provides a description of the post hoc tests and results. Chapter 5 provides an integrated discussion of these research results.

Table 4.7: Hypothesized Relationships and Results

Within Agency Theory		
H1	Agency structure is negatively associated with agent behavior.	Supported
H2	Agent behavior is negatively associated with firm performance.	Not supported
Within Stewardship Theory		
H3	Stewardship structure is positively associated with steward behavior.	Supported
H4	Steward behavior is positively associated with firm performance.	Not supported
Across Theory		
H5a	Agency structure is negatively associated with steward behavior.	Supported
H5b	Kinship status moderates the relationship between agency structure and steward behavior, such that the negative relationship strengthens for family employees and weakens for nonfamily employees.	Supported
H6a	Stewardship structure is positively associated with agent behavior.	Supported
H6b	Kinship status moderates the relationship between stewardship structure and agent behavior, such that the positive relationship strengthens for family employees and weakens for nonfamily employees.	Partially Supported (moderation supported, but opposite of hypothesis)
Integrating Theory		
H7	The interaction of agency and stewardship structures results in varying levels of firm performance. Specifically, the Trust But Monitor Structure results in the highest level of firm performance, followed by the Monitor Structure, then Trust Structure, with the Undetermined Structure resulting in the lowest level of firm performance.	Partially Supported (interaction supported, but performance levels in a different order than hypothesized)

Post Hoc Tests and Results

Within and Across Theory – Post Hoc

Both agency and stewardship theory predict enhanced firm performance when structures are in place to curb agent behavior or empower steward behavior. My research model incorporated predictions within and across agency and stewardship theories by examining the relationship between structure and behavior and the relationship between behavior and performance. As reported, my results supported the hypothesized relationships between structure and behavior within and across agency and stewardship theories. However, my empirical examination did not find significant main effects between agent behavior and firm performance or steward behavior and firm performance. Accordingly, I conducted post hoc tests of potential moderators that may be influencing these relationships to provide possible explanations for the nonfindings. I focused on two individual level characteristics, human capital and position within the family firm, for these post hoc moderation tests.

I selected human capital, operationalized as the level of formal education completed[4], and position within the organization[5] as potential moderators in the relationship between behavior and performance. I suspect human capital may moderate the relationship because employee behavior may only translate to increased firm performance if the employee is highly capable. I suspect that position may moderate the relationship because employee behavior may only translate to increased firm performance if the employee is in a position to lead and make changes within the organization.

[4] Educational level was self-reported by family and nonfamily employees. Respondents who indicated their education level was less than a high school diploma, a high-school diploma, or some college/associates degree were coded 0; those who indicated a bachelor’s degree, master’s degree, or terminal degree were coded 1.
[5] Position in the family firm was self-reported by family and nonfamily employees. Managers and below (i.e., office managers, secretaries, dental hygienists) were coded 0; Directors and above (i.e., Director of Human Resources, Vice President, CFO) were coded 1.

For the moderation post hoc tests, rather than capturing the leader's perception of agent and steward behavior within the firm, I captured agent behavior and steward behavior from both family and nonfamily employees. This provides two benefits; it alleviates common methods bias because the independent and dependent variables are captured from different sources, and I can analyze results by family versus nonfamily employees.

The moderation tests were conducted via OLS hierarchical regression. Results of human capital as a potential moderator in the relationship between behavior and performance are presented in Table 4.8. The moderating effects were tested in 3 models for leader-family dyads and leader-nonfamily dyads. In Model 1, I regressed the same control variables used in previous analysis (i.e., firm age, firm size, and industry) on firm performance, finding age and size to be significant. Model 2 incorporates the independent variables, agent behavior, steward behavior, and human capital; none have a significant relationship with firm performance for family or nonfamily. Model 3 includes the interaction terms of human capital and agent behavior and human capital and steward behavior. Neither of the interaction terms are significant for family employees; however, the interaction of human capital and steward behavior was significant for nonfamily employees ($B = 2.67$; $p \leq .05$). The results indicate that human capital is indeed a moderator in the relationship between a nonfamily employee's steward behavior and firm performance. The interaction plot is presented in Figure 4.3. As depicted, the steward behavior of college educated nonfamily employees positively impacts firm performance.

Table 4.8: Post Hoc Results – Human Capital Moderation

	Performance			Performance		
	Model 1 Family	Model 2 Family	Model 3 Family	Model 1 Nonfamily	Model 2 Nonfamily	Model 3 Nonfamily
Constant	4.69*** (0.15)	4.82*** (0.19)	4.83*** (0.20)	4.69*** (0.15)	4.72*** (0.18)	4.69*** (0.18)
Controls						
Age	-0.01** (0.00)	-0.01* (0.00)	-0.01* (0.00)	-0.01** (0.00)	-0.01** (0.00)	-0.01** (0.00)
Size	0.50** (0.19)	0.53** (0.19)	0.51** (0.19)	0.50** (0.19)	0.46* (0.21)	0.48* (0.21)
Retail	0.05 (0.25)	0.02 (0.22)	0.03 (0.26)	0.05 (0.25)	0.05 (0.26)	0.05 (0.26)
Services	0.41 (0.26)	0.38 (0.27)	0.40 (0.28)	0.41 (0.26)	0.45 (0.26)	0.48† (0.26)
Independent Variables						
Human Capital		-0.18 (0.23)	-0.19 (0.23)		-0.10 (0.23)	-0.15 (0.23)
Agent Behavior		-0.68 (0.53)	-0.88 (0.79)		0.15 (0.40)	0.54 (0.46)
Steward Behavior		0.18 (0.89)	-0.22 (1.44)		0.37 (0.61)	-0.53 (0.74)
Interactions						
Human Capital x Agent Behavior			0.39 (1.11)			-1.31 (0.84)
Human Capital x Steward Behavior			0.63 (1.96)			2.67* (1.25)
Adj. R^2	0.124	0.134	0.123	0.124	0.104	0.137
F statistic	3.70**	2.68*	2.19*	3.70**	2.26*	2.35*

Unstandardized regression coefficients shown (standard errors in parentheses)
n = 77 matched dyads of leader-family; 77 matched dyads of leader-nonfamily
*** significant at the 0.001 level
** significant at the 0.01 level
* significant at the 0.05 level
† significant at the 0.10 level

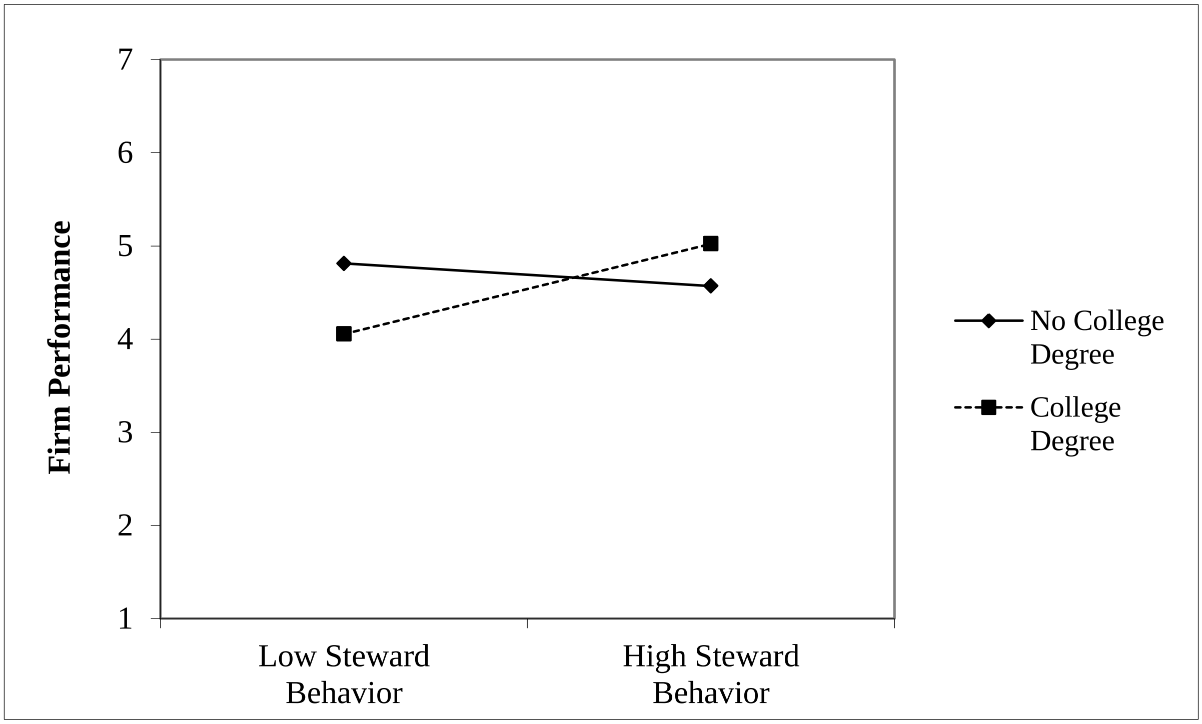


Figure 4.3: Human Capital Effects of Nonfamily Steward Behavior on Firm Performance

Results of organizational position as a potential moderator in the relationship between behavior and performance are presented in Table 4.9. Similar to the human capital analysis, the moderating effects were tested in 3 models for leader-family dyads and leader-nonfamily dyads. In Model 1, I regressed the control variables on firm performance, finding family firm age and size to be significant. Model 2 incorporates the independent variables, agent behavior, steward behavior, and position; none have a significant relationship with firm performance for family or nonfamily. Model 3 includes the interaction terms of position and agent behavior and position and steward behavior. Neither of the interaction terms are significant for nonfamily employees; however, the interaction of position and steward behavior was significant for family employees ($B = 3.86$, $p \leq .10$). The results indicate that the position in the organization is a moderator in the

relationship between a family employee's steward behavior and firm performance. The interaction plot is presented in Figure 4.4. As depicted, the steward behavior of family members who are directors and executives positively impacts firm performance.

Taken together, results of these post hoc tests reveal that there are moderators in the relationship between individual behavior and firm performance. For nonfamily employees, the level of human capital influences the relationship between steward behavior and firm performance. For family employees, the position within the organization influences the relationship between steward behavior and firm performance. Neither human capital nor organizational position was found to be a moderator in the relationship between agent behavior and firm performance.

Table 4.9: Post Hoc Results – Position Moderation

	Performance			Performance		
	Model 1 Family	Model 2 Family	Model 3 Family	Model 1 Nonfamily	Model 2 Nonfamily	Model 3 Nonfamily
Constant	4.69*** (0.15)	4.74*** (0.17)	4.80*** (0.17)	4.69*** (0.15)	4.67*** (0.16)	4.64*** (0.16)
Controls						
Age	-0.01** (0.00)	-0.01* (0.00)	-0.01** (0.00)	-0.01** (0.00)	-0.01* (0.00)	-0.01** (0.00)
Size	0.50** (0.19)	0.52** (0.19)	0.49** (0.19)	0.50** (0.19)	0.41† (0.21)	0.47* (0.22)
Retail	0.05 (0.25)	0.00 (0.25)	0.01 (0.25)	0.05 (0.25)	0.04 (0.26)	0.11 (0.26)
Services	0.41 (0.26)	0.33 (0.27)	0.15 (0.27)	0.41 (0.26)	0.44 (0.26)	0.52† (0.27)
Independent Variables						
Position		-0.05 (0.23)	0.05 (0.22)		0.11 (0.31)	-0.19 (0.36)
Agent Behavior		-0.70 (0.53)	-0.58 (0.60)		0.19 (0.40)	0.34 (0.42)
Steward Behavior		0.22 (0.90)	-0.85 (1.03)		0.30 (0.61)	0.06 (0.63)
Interactions						
Position x Agent Behavior			-0.53 (1.15)			-2.25 (1.48)
Position x Steward Behavior			3.86† (2.03)			4.02 (2.62)
Adj. R^2	0.124	0.126	0.177	0.124	0.103	0.111
F statistic	3.70**	2.57*	2.82**	3.70**	2.25*	2.04*

Unstandardized regression coefficients shown (standard errors in parentheses)
n = 77 matched dyads of leader-family; 77 matched dyads of leader-nonfamily
*** significant at the 0.001 level
** significant at the 0.01 level
* significant at the 0.05 level
† significant at the 0.10 level

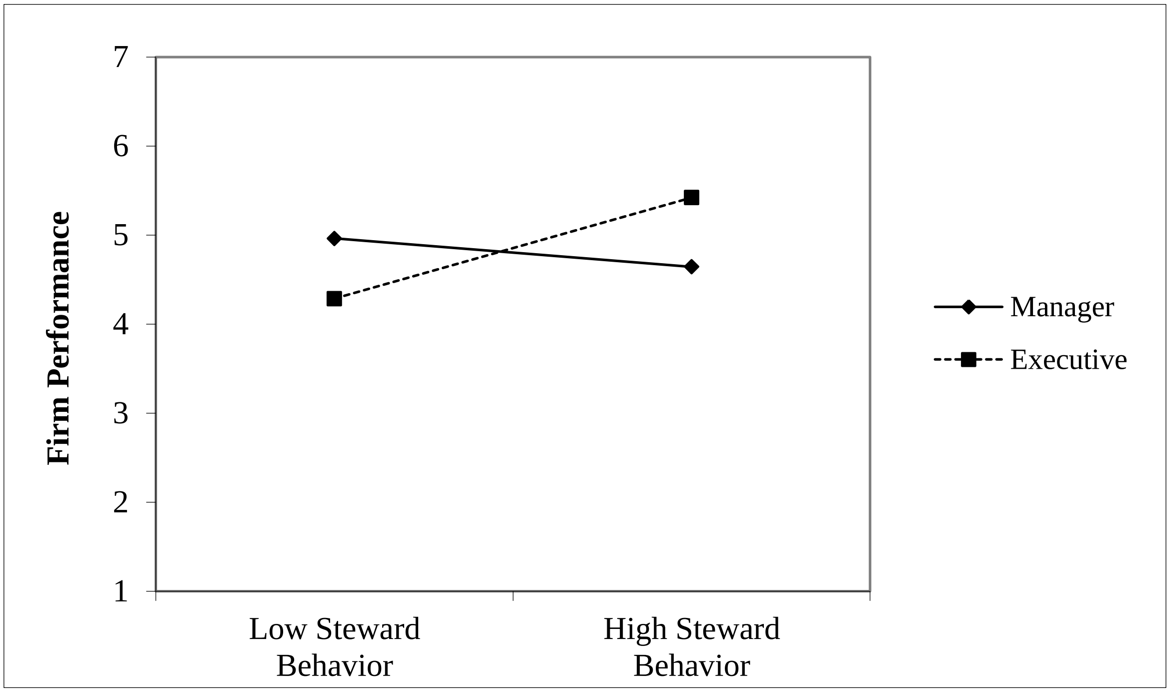


Figure 4.4: Position Effects of Family Steward Behavior on Firm Performance

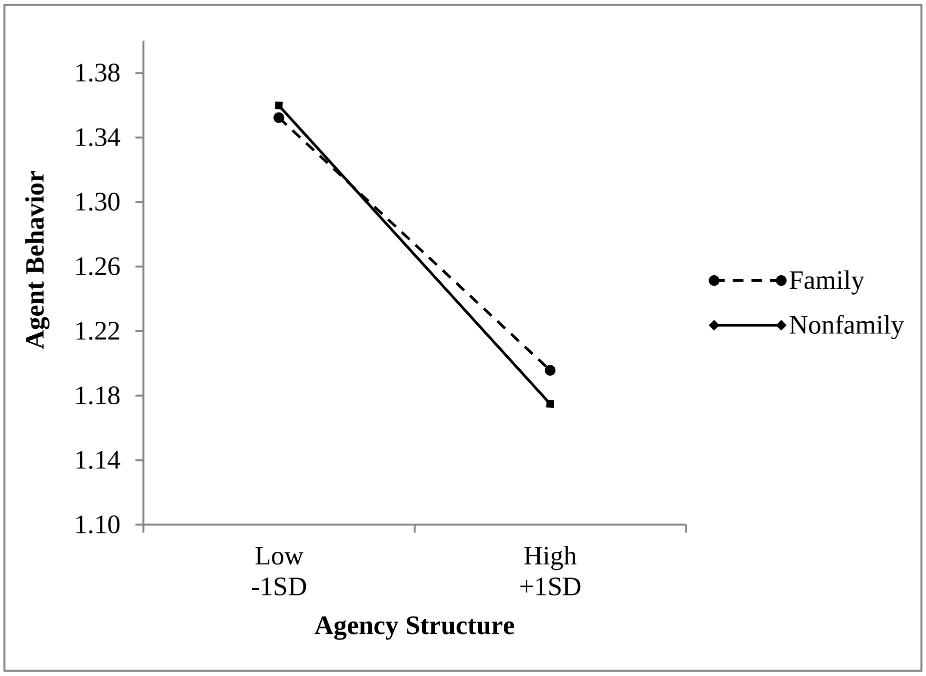
Kinship Status – Post Hoc

My research model examined, and results supported, kinship status as a moderator in the relationship between structure and behavior across theories. Although not formally hypothesized, I tested the effects of kinship status on within theory predictions as a post hoc test. Regression results for this analysis are found in Table 4.10. As shown, agency structure is negatively and significantly associated with agent behavior for both family ($B = -0.03$, $p \leq .05$) and nonfamily ($B = -0.04$, $p \leq .01$) employees. Stewardship structure is positively and significantly associated with the steward behavior of family employees ($B = 0.23$, $p \leq .05$), but has no significant effect on the steward behavior of nonfamily employees ($B = 0.13$, n.s.). The plots are presented in Figure 4.5.

Table 4.10: Post Hoc Results – Kinship Status Effects Within Theories

	Steward Behavior		Agent Behavior	
	Family	Nonfamily	Family	Nonfamily
Constant	0.19** (0.07)	0.23*** (0.07)	1.28*** (0.09)	1.27*** (0.10)
Controls				
Age	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00* (0.00)
Size	0.05 (0.04)	0.04 (0.04)	0.14* (0.06)	0.14* (0.06)
Retail	-0.09† (0.05)	-0.11* (0.05)	-0.17* (0.08)	-0.18* (0.08)
Services	0.06 (0.05)	0.05 (0.05)	-0.06 (0.08)	-0.07 (0.08)
Independent Variables				
Agency Structure			-0.03* (0.02)	-0.04** (0.01)
Stewardship Structure	0.23* (0.11)	0.13 (0.10)		
Adj. R^2	0.084	0.051	0.132	0.162
F statistic	2.40*	1.81	3.32**	3.93**

Unstandardized regression coefficients shown (standard errors in parentheses)
n = 77 matched dyads of leader-family; 77 matched dyads of leader-nonfamily
*** significant at the 0.001 level
** significant at the 0.01 level
* significant at the 0.05 level
† significant at the 0.10 level



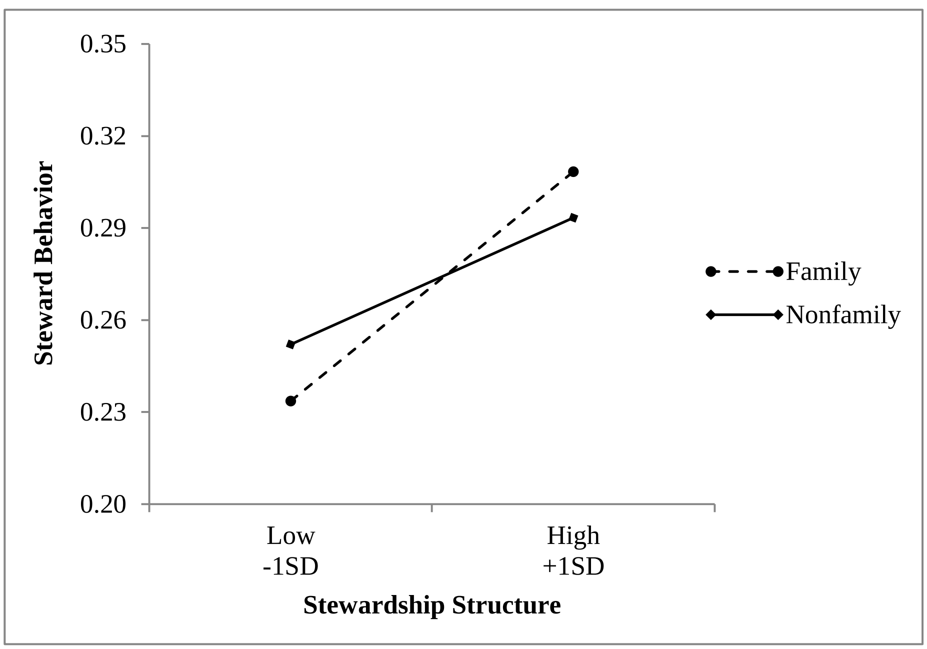


Figure 4.5: Kinship Status and Within Theory Relationships

Integrating Theory – Post Hoc

My research examined the performance levels of family firms exhibiting varying levels of both agency and stewardship structures. Each of the 77 family firms in my sample were grouped into one of four categories based on their levels of agency and stewardship structures: Monitor Structure (high agency and low stewardship), Trust But Monitor Structure (high agency and high stewardship), Undetermined Structure (low agency and low stewardship), and Trust Structure (low agency and high stewardship). Results supported my assertion that these groups have significantly different performance levels. As a post hoc examination, I explored leader and firm level characteristics within these groups to see if any patterns, other than their governance structures, emerged in their configurations. Table 4.11 presents the means of these characteristics among the four groups.

The leader characteristics examined were gender (displayed as the percentage male), age, (displayed in years), education (1=less than high school, 2=high school, 3=some college, 4=bachelor's degree, 5=master's degree, 6=terminal degree), tenure (displayed in years working in the family firm), and founder (displayed as the percentage of leaders who are also the firm's founder). The firm characteristics examined were the number of family and nonfamily employees, generations of ownership concentration (1=one generation, 2=two generations, 3= three or more generations), generation currently working in the firm (1=one generation, 2=two generations, 3= three or more generations), whether the family firm employs top management who are not family members, has a business plan, and has a succession plan (displayed as the percentage responding yes).

Table 4.11: Post Hoc Results – Structural Integration Patterns

	Monitor Structure	Trust But Monitor Structure	Undetermined Structure	Trust Structure	Significance between Groups
Leader Characteristics					
Gender	0.78	0.78	0.73	0.89	n.s.
Age	58.74	54.63	54.38	52.47	n.s.
Education	3.72	4.22	3.73	3.74	n.s.
Tenure	27.78	23.17	22.45	18.00	n.s.
Founder	0.44	0.67	0.59	0.53	n.s.
Firm Characteristics					
Family Employees	3.29	5.72	2.55	6.38	n.s.
Nonfamily Employees	108.96	94.89	18.50	25.87	n.s.
Generations Owning	1.61	1.56	1.41	1.37	n.s.
Generations Working	2.00	1.89	1.55	2.11	$p \leq .05$
Nonfamily TMT	0.72	0.72	0.32	0.42	$p \leq .05$
Business Plan	0.89	0.89	0.50	0.74	$p \leq .01$
Succession Plan	0.67	0.72	0.36	0.37	$p \leq .05$
Firm Performance	4.50	5.43	4.57	4.79	$p \leq .01$

Based on a means comparison, there are no significant differences in leader characteristics among the four groups. Although, it is of interest to note that firms with Trust But Monitor Structures have a higher percentage of leaders who are also the founders of the family firm. The means comparison is more revealing when examining firm level characteristics. The Monitor Structures and Trust But Monitor Structures are the most similar in firm level characteristics. Based on my sample, 72% of firms with these structures have top management who are nonfamily, 89% have business plans, and more than two-thirds have succession plans in

place. These firms both have high agency structures but differ in their level of stewardship structure and in their level of firm performance; the Trust But Monitor Structure has a higher level of stewardship structure and a significantly higher level of firm performance. This finding implies that the high level of stewardship structure could be driving the firm's performance since all other characteristics are equal. This implication is further supported in that firms with Monitor Structures and Undetermined Structures have the lowest performance levels and also low levels of stewardship structures. The Undetermined Structures have the lowest levels of generations working, the lowest percentage of nonfamily top management team members, and the lowest levels of having a business plan and succession plan in place. These family firms do not appear to be structured in any discernable way. The firms with Trust Structures have the highest level of generations currently working in the family business. This finding implies that the more generations of family involved, the more prevalent a culture of high stewardship and low agency structure. Also of notable interest, the structures with high levels of agency structure, regardless of the level of stewardship structure, have the greatest number of nonfamily members; this implies that as the firm grows with nonfamily, monitoring mechanisms prescribed by agency theory are deemed necessary. Conversely, the structures with high levels of stewardship structure, regardless of the level of agency structure, have the greatest number of family members; this implies that the presence of family members within the firm creates an environment where stewardship prescriptions can prevail.

Conclusion

This chapter presented the results of my data analyses for testing the relationships in my research model and for my post hoc tests. These empirical tests support the majority of my

predictions within, across, and in the integration of agency and stewardship theories. Chapter 5 presents an in depth and integrated discussion of these research results.

CHAPTER 5: DISCUSSION AND CONCLUSION

This chapter provides a discussion of my research findings in six major sections. The first section provides an overview of this study and reiterates the research questions guiding my dissertation. The second section offers a discussion of the findings from the tests of the hypothesized relationships in my research model. The third section describes the contributions this study makes to the literature, theory, and practice. The fourth and fifth sections address limitations and offer suggestions for future research. The last section concludes the dissertation by providing answers to the aforementioned research questions.

Overview

Family firms are the most prevalent and enduring organizational type, but organizational research centering on family firms pales in comparison (Barnett and Kellermanns, 2006; Goel et al., 2012; Le Breton-Miller and Miller, 2009). However, there has been a recent influx of research in this context, with most scholarly investigations focused on the predictors of performance of these firms. Accordingly, family firm governance has been a dominant topic of interest (Goel et al., 2012). Agency theory and stewardship theory both address governance and firm performance, and therefore have served as theoretical lenses within these investigations.

However, both agency and stewardship theories offer opposing assumptions and predictions for firm performance (Chrisman et al., 2007; Cruz et al., 2010; Wasserman, 2006; Tosi et al., 2003), and therefore have sparked an on-going debate in the family firm literature regarding their applicability (Le Breton-Miller and Miller, 2009). Agency theory assumes an economic model of man; agent behavior is based on self-interest and may conflict with the principal's interest. Governance structures that control and monitor agents are prescribed to thwart opportunistic behavior and better align the goals of the principal and agent (Jensen and

Meckling, 1976; Eisenhardt, 1989). Stewardship theory assumes a humanistic model of man; steward behavior is based on serving others and therefore will align with the principal's interest. Governance structures that empower and encourage stewards are prescribed to facilitate the continued alignment of interests (Davis et al., 1997; Donaldson and Davis, 1991). Investigations reveal that either theory can be applicable in the unique context of family firms, thereby creating ambiguous and confounding predictions about behavior and performance.

As such, the purpose of my dissertation was to gain insights into the appropriateness and predictive ability of each theory on family firm behavior and performance. To do so, the first objective was to review, synthesize, and expose limitations in the literature grounded to agency theory and/or stewardship theory within family firms. The second objective was to empirically investigate predictions developed from insights gleaned from the review and synthesis. The following research questions guided this project:

1. *Are the tenets, prescriptions, and related performance outcomes of (a) agency theory and (b) stewardship theory applicable within family firms?*
2. *Can the opposing prescriptions of agency theory and stewardship theory be integrated within family firms to explain firm performance?*
3. *Does the family firm context (a) expand and/or (b) impose boundary conditions on agency and stewardship theories?*

Research Findings

Extant studies investigate whether agency *or* stewardship theory is more applicable within family firms. Instead, my research investigates whether agency *and* stewardship theory can be integrated to explain family firm performance. My research model intertwined structural and behavioral components of agency and stewardship perspectives, making predictions within theory, across theory, and integrating theory. The results of my study are discussed accordingly.

Within Theory

The first four hypotheses in my research model examined within theory relationships. Hypothesis 1 and 2 investigated within agency theory predictions. According to agency theory, principals implement governance structures to curb the assumed opportunistic behavior of managers (Jensen and Meckling, 1976; Eisenhardt, 1989). These agency structures include mechanisms that control and monitor behavior, such as the presence of a board of directors, incentive compensation plans, and formal monitoring activities (Chrisman et al., 2007; Donaldson and Davis, 1991; Eisenhardt, 1989). Theory suggests these structures align the goals of the manager with the principal, and in turn firm performance in enhanced. Hypothesis 1 predicted that agency structures reduce opportunistic agent behavior; my results supported this prediction. Hypothesis 2 linked reduced agent behavior to increased firm performance; my results did not support this prediction.

Hypothesis 3 and 4 investigated within stewardship theory predictions. According to stewardship theory, principals implement governance structures to empower and encourage the assumed steward behavior of managers (Davis et al., 1997). These stewardship structures are depicted by work environments that are participatory and collectivistic (Donaldson and Davis, 1991). Theory suggests these structures empower a steward's other-interested and pro-organizational behavior, thus leading to increased firm performance (Davis et al., 1997). Hypothesis 3 predicted that stewardship structures enhance steward behavior; my results supported this prediction. Hypothesis 4 linked increased steward behavior to increased firm performance; my results did not support this prediction.

Relationship between structure and behavior. As described, the relationships between structure and behavior were supported for within agency and within stewardship theory

predictions. As a deeper investigation into the relationship between structure and behavior, I examined results by kinship status. Results show that agency structures curb the agent behavior of both family and nonfamily employees alike. However, results also show that stewardship structures increase the steward behavior of only family employees; it has no impact on the steward behavior of nonfamily employees. Taken together, these findings suggest that both agency and stewardship governance structures serve their intended purpose on the behavior of employees within family firms, but more so for family than nonfamily employees.

Relationship between behavior and performance. As described, the relationships between behavior and firm performance were not supported for either of the within theory predictions. This finding implies that the agent and steward behaviors of employees within the family firm do not have a significant impact on the performance of the family firm. Within stewardship theory, my post hoc analysis revealed a reason for these nonfindings may be due to a contingency in the relationship between steward behavior and performance. Human capital and position with the organization both moderated the relationship between steward behavior and firm performance.

Results indicate that the steward behavior of nonfamily employees with higher levels of human capital is beneficial to the performance of the firm. This finding could mean that the level of human capital impacts the nonfamily employee’s level of understanding about the goals of the principal. Steward behavior theoretically leads to increased performance because the steward manager is other-serving and therefore works toward the principal’s best interest (Davis et al., 1997). A highly educated nonfamily manager would work toward the principal’s interest thereby enhancing firm performance; however, a less educated nonfamily manager may not comprehend the goals of the principal, thereby not behaving in a way that would lead to increased performance. For family employees, human capital is not a moderator in the relationship

between steward behavior and firm performance. This finding implies that family members already have an understanding of the family firm's goals because of the familial status, regardless of the level of human capital.

Results also indicate that the steward behavior of family members in higher ranking positions has a beneficial impact on firm performance. This perhaps indicates that as more family members serve in prominent roles within the family business, the more a stewardship culture can emerge. This reduces the cost and stress associated with potentially unnecessary monitoring mechanisms and would allow for family members to be empowered to behave in the best interest of the firm. In turn, increased firm performance could lead to increased benefits for the family such as the ability to pass a successful firm to future generations. This supports the contention of Le Breton-Miller and Miller (2009) that a stewardship perspective prevails when the family is embedded in the business. It is also aligns with the stewardship research of Eddleston and Kellermanns (2007) that demonstrates that family involvement can have a positive influence on family firm outcomes and help it succeed through the generations.

Within agency theory, my post hoc analysis did not find support for moderators in the relationship between agent behavior and performance. The lack of findings in the main effect and in the moderation analysis could potentially be due to impression management, defined as "those behaviors individuals employ to protect their self-images, influence the way they are perceived by significant others, or both" (Wayne and Liden, 1995: 232). I measured agent behavior, operationalized as unproductive behavior, in aggregate from the perception of the firm leader. It is possible that employees may be behaving in an unproductive manner but are able to conceal this behavior from the leader, thereby influencing the leader's perception and survey responses. I also measured self-reported agent behavior from both the family and nonfamily

employee. This measure also produced nonsignificant findings, indicating the possibility that employees rated their behavior as more productive than actual behavior in order to enhance my perception of them.

Relationship between structure and performance. Results also indicate a positive and significant relationship between structure and firm performance, for both agency and stewardship structures. These findings, coupled with the lack of findings between behavior and performance, reveal that agency and stewardship governance structures have a beneficial and direct effect on both employee behavior and firm performance, rather than having an indirect effect on firm performance through behavior. Additionally, these within theory results indicate that stewardship structures and steward behavior have a greater impact on firm performance than do agency structures and reduced agent behavior; this is especially the case when nonfamily members have high levels of human capital and when family members are in high ranking positions within the organization.

Across Theory

The next four hypotheses in my research model examined across theory relationships: Hypothesis 5a and 6a examined direct effects across theories; Hypothesis 5b and 6b examined kinship status as a moderator in these across theory relationships. Theory suggests that when the parties in the principal-manager relationship make different choices in agency or stewardship, negative consequences can arise (Davis et al., 1997). If a principal imposes an agency structure on a steward manager, the manager may feel betrayed and offended by the use of these control and monitoring mechanisms and may decrease the level of steward behavior (Pieper et al., 2008). If a principal imposes a stewardship structure on an agent manager, the manager is afforded the opportunity to act in a self-interested manner because behavior is not being controlled or

monitored in this type of environment (Davis et al., 1997). Both of the across theory predictions were supported in my research: Hypothesis 5a predicted reduced steward behavior in the presence of agency structures; Hypothesis 6a predicted increased agent behavior in the presence of stewardship structures. These findings demonstrate the negative behavioral consequences of mismatched choices in the principal-manager relationship (Davis et al., 1997).

This research also examined kinship status as a moderator in the across theory relationships, suggesting that the relationships are different for family and nonfamily employees of the family firm. In broad terms, I suggested the negative across-theory consequences between structure and behavior are worse for family employees than for nonfamily employees. More specifically, in the agent structure-steward behavior relationship, my arguments were based on fairness perceptions (Barnett and Kellermanns, 2006; Evans and Davis, 2005). If agency structures are implemented and applied consistently across the organization, I predicted that family employees would have lower levels of steward behavior than nonfamily employees. To elaborate, research suggests that family employees often have a sense of entitlement. When they are treated the same as nonfamily employees, they perceive unfairness by losing advantages (i.e., perks, higher compensation, no monitoring) thought to be entitled to them. Conversely, nonfamily employees perceive fairness when the governance structure is not biased in favor of family employees. These fairness perceptions impact the level of pro-organizational steward behavior. Hypothesis 5b formally stated this kinship status prediction, and my results supported this hypothesis. Agency structure is negatively and significantly related to the steward behavior for both family and nonfamily employees. However, at high levels of agency structure, family employees exhibit lower levels of steward behavior than nonfamily employees.

I also predicted stronger negative consequences for family employees than for nonfamily employees in the steward structure-agent behavior relationship. The literature suggests that family employees are often territorial and protective of their family's firm. When family members feel that nonfamily members are infringing on their territory, by way of social interaction, information exchange, and collectivistic cultures typified by stewardship structures, their level of counterproductive behavior may increase (Rantanen and Jussila, 2011). For nonfamily employees, who are part of the business system but not the family system, stewardship structures can facilitate feelings of interconnectedness and membership (Mustakallio et al., 2002). In turn, increased productive behavior (i.e., decreased agent behavior) may result because nonfamily members feel as if they are part of the family system and want to work toward the best interest of the family business. Hypothesis 6b formally stated this kinship status prediction in the relationship between stewardship structure and agent behavior. Results show support for kinship status as a moderator, but results run counter to the hypothesized predictions. The relationship between stewardship structure and agent behavior for family employees is not statistically significant, but it is for nonfamily employees. At low levels of stewardship structure, both family and nonfamily employees exhibit the same level of agent behavior. However, at high levels of stewardship structure, nonfamily employees exhibit higher levels of agent behavior than family employees.

These results indicate that agency structure has negative consequences on the steward behavior of both family and nonfamily employees, but more so for family employees. Stewardship structure increases the agent behavior for nonfamily, but has no significant effect on the agent behavior of family employees. These results support the across theory predictions and

demonstrate that family firm governance structures have differing behavioral effects on family and nonfamily employees of the business.

Integrating Theory

Relationship between structural integration and performance. The final hypothesis of my research model examined the integration of agency and stewardship structures on the performance of family firms. I suggested that family firms can have characteristics of both agency and stewardship governance structures; firms can have high levels of both, low levels of both, or combinations of high and low agency/stewardship structures. In Hypothesis 7, I predicted that when firms exhibit high levels of both agency and stewardship structures, the negative behavioral consequences across theory would be negated, thereby increasing firm performance. Indeed, this finding is supported in my sample of family firms. The firm performance level for the group of family firms categorized as having Trust But Monitor Structures is significantly higher than any other combinations of structures. This finding implies that family firms will have beneficial performance differentials when they have structures in place both control and monitor agent behavior while simultaneously empowering steward behavior.

A deeper investigation of the firms with Trust But Monitor structures reveals patterns in firm level characteristics. On average, these family firms not only have high levels of both agency and stewardship structures, but they have high levels of nonfamily on their top management teams, and have business plans and succession plans in place. This pattern suggests these family firms are more professionalized than the other groups in this analysis. Conversely, firms with Undetermined Structures have the lowest levels of these characteristics among the groups. Results also indicate that stewardship structures may have a greater benefit to firm

performance than agency structures; high levels of stewardship structures are found in the Trust But Monitor Structure and the Trust Structure, both of which have the higher levels of firm performance than the Monitor or Undetermined Structure.

Relationship between structural integration and behavior. My research shows a positive impact on family firm performance when governance structures are integrated. However, a closer examination of the impact on behavior with consideration of kinship status was made. I examined the effects of kinship status on within theory predictions and on across theory predictions. Findings support behavioral differences among family and nonfamily employees that can be attributed to family firm governance structures. When integrating agency and stewardship structures, my research offers additional implications with regard to behavior. Agency structure curbs agent behavior for both family and nonfamily employees, but it also decreases steward behavior for both family and nonfamily employees. Stewardship structure increases steward behavior for family employees but has no effect on the steward behavior of nonfamily employees. Stewardship structure also increases agent behavior of nonfamily employees, but has no effect on the agent behavior of family members.

This implies that agency structures are beneficial for family firms because they curb opportunistic agent behavior; however, these structures have negative consequences on steward behavior. Stewardship structures are beneficial for family firms because they increase steward behavior of family employees; however, these structures are harmful because they increase the agent behavior of nonfamily employees. This implies that agency structures are necessary, but that stewardship structures may only be beneficial when the family firm employs a large number of family employees.

This can also shed light on the relationship between the principal and managers within family firms. When the principal chooses agency, family and nonfamily employees behave similarly: they might be agents because their agent behavior is curbed; they might be stewards because they reduce their steward behavior because they are offended by the use of controlling and monitoring mechanisms. When the principal chooses stewardship, family and nonfamily employees behave differently: family employees are likely stewards because their steward behavior increases without their level of agent behavior increasing; nonfamily employees are likely agents because their agent behavior increases without their level of steward behavior increasing. Taken together, this implies that family employees are stewards and nonfamily employees are agents in the principal-manager relationship within family firms.

Contributions

This research makes contributions to the family firm literature, theory, and practice. For family firm literature, this research answered a call for examinations of agency and stewardship theories side by side in the context of family firms (Chrisman et al., 2007). The extant literature adopts an either-or perspective and neglects considerations of whether both agency *and* stewardship environments can coexist. My research integrated agency theory and stewardship theory to capture the essence of family firm structure, behavior, and performance. In doing so, it demonstrated that agency and stewardship structures individually can increase firm performance, but that the combination of structures is more beneficial for family firm performance.

Furthermore, the combination of structures can negate the negative behavioral consequences within the family firm. Behavior is an important but neglected element of both agency and stewardship theories, and is therefore captured in this research. Because of the additional focus on behavior, I was able to investigate the impact of governance structures with

considerations of kinship status. My research demonstrated that the structure of the family firm impacts the behavior for family and nonfamily employees differently. This implies that respondents are a key concern in family firm research; results may be misleading if studies continue to mix survey responses from family and nonfamily employees. Additionally, this research makes an empirical contribution to the family firm literature. To my knowledge, it is the first study to capture and analyze data from matched triads comprised of the leader, a family employee, and a nonfamily employee of the family firm.

For theory, this research provides a theoretical integration, suggests an important boundary condition, and offers a theoretical extension. This integrated study is the first to capture the essence of both theories in tandem. Agency and stewardship theories address the principal-manager relationship from a structural, behavioral, and performance outcome perspective (Davis et al., 1997; Eisenhardt, 1989). Accordingly, I incorporate both agency and stewardship structure and behavior in the same research model. I empirically capture the choice of agency and stewardship structure and behavior by obtaining and analyzing survey responses from both sides of the principal-manager relationship. Because of this integrated approach, performance outcomes predicted within each theory and across theories can be empirically investigated. Second, this research imposes a boundary condition around the proposed behavioral and performance outcomes of theory when context is taken into consideration. It empirically investigates whether outcomes of agency and stewardship prescriptions hold equivocally between family and nonfamily employees of the family business. Third, this research offers an extension to agency and stewardship theories. The original theories neglect to consider how the leader of the organization can influence the behavioral choice of managers. This study empirically investigates whether the leader can choose and implement governance structures that

can influence the manager's choice of agent or steward behavior. This extension provides a new area of investigation for agency and stewardship research, particularly as it relates to leaders influencing matched behavioral choices to obtain the desired performance outcomes.

For practice, this research sheds light on the ambiguity surrounding the value of governance structures for family firms. Agency and stewardship structures have a direct impact on family firm performance, but also can have varying behavioral effects on family and nonfamily employees of the business. Accordingly, family firm leaders need to pay particular attention when implementing these structures. Achieving desirable firm performance levels and desirable behavioral outcomes from family and nonfamily employees alike is a balancing act between implementing the appropriate levels and types of governance structures.

Limitations

My research is not without limitations. Both agency and stewardship theories consider the principal-manager relationship, and as such, empirical tests require input from each side of the relationship. Accordingly, there was a trade-off between remaining true to the theoretical core and sample size. I chose theory and therefore was only able to capture and analyze data from 77 matched triads. I found support for my hypotheses linking governance structures to individual level agent and steward behavior and was able to demonstrate that kinship status alters these relationships. I was also able to find support linking governance structures, individually and in combination, to firm performance. However, I did not find support for the hypothesized relationships between individual level behaviors and firm level performance. Statistical power may be a limitation and a reason for the non-findings. Accordingly, I conducted a power analysis using G*Power 3.1 software (Faul, Erdfelder, Buchner, and Lang, 2009) by inputting a sample size of 77, seven predictor variables (i.e., four controls, two independent variables, and one

moderator), an effect size of 0.30 and an alpha level of 0.05. This power analysis generated result of 0.97, which is considered an acceptable level of power (Cohen, 1988). Although the small sample size doesn't appear to present a power issue, it may however limit the generalizability of my findings.

Although generalizability may be considered a limitation of my study, I demonstrated the applicability of my research findings in three analyses. These included an analysis of response rates, an analysis of nonresponse bias, and an analysis of sample representativeness. As reported, my overall response rate was 9.5%, but due to constraining my data analytics to matched organizational triads, the response rate was reduced to 3.8%. However, these response rates are similar to those in family firm research. For example, Schulze et al (2003) reported an organizational response rate of 10.3% (i.e., 3860 responses from 37304 firms), but dropped 2396 firms for a final response rate of 3.92%; Chrisman et al (2007) reported an 18% organizational response rate (i.e., 5779 responses from 32156 firms), but dropped 5571 firms for a final response rate of less than 1%. As such, my response rate statistic has been deemed acceptable in prior family firm studies. However, I took additional steps to determine if my respondents are representative of the population. I compared early responders with late responders, finding no significant differences in responses across the study's variables. Research suggests that late responders are similar to nonresponders; therefore, finding that my late responders were similar to my early responders implies that my sample, as a whole, is similar to the nonresponding population (Kanuk and Berenson, 1975). Furthermore, I compared characteristics of the family firms in my sample with (1) primary data I collected from family firms not used in my analysis (i.e., not part of an organizational triad), (2) secondary data from a national database (e.g., Winter et al., 2004), and (3) sample data from prominent family firm studies grounded in agency

and/or stewardship theory (e.g., Davis et al., 2010; Sciascia et al., 2012; Schulze et al., 2003). These comparisons found my sample to be similar to other family firm samples. Taken together, these analyses demonstrate the representativeness of my sample, and thus the applicability of my research findings to the general population of family firms.

Another limitation is that my study was cross-sectional in nature and, therefore, I cannot infer causality from my findings. For the most part, my hypothesized relationships were supported; yet, it may be possible that the causal relationship between structure and behavior is reversed. Meaning, the actual behavior of the employees within the firm could trigger the principal to implement matched governance structures, rather than the structure impacting the behavior. Furthermore, structures and behaviors within family firms may not be static; a cross-sectional study would not capture the possible dynamic quality of these relationships. A longitudinal approach is thus warranted.

By obtaining data from multiple respondents per firm, I utilized a stronger design than commonly found in the family firm literature. Although having multiple respondents per firm makes an empirical contribution to the family firm literature, only capturing responses from one family and one nonfamily employee may be a limitation in my study. The perceptions of governance structures of the responding family employee and nonfamily employee may not be representative of the perceptions of all the employees of the family firm. In order to link structure, behavior, and performance together within family firms, a much larger sample of respondents per firm would be ideal. Future research could improve on my study's design and capture responses from more employees of the same family firm. This would allow for more generalizable comparisons between family and nonfamily employees, rather than making one to one comparisons.

Future Research

Aside from future research recommendations that would address my methodological concerns (i.e., larger sample size, longitudinal approach, additional respondents per firm), there are additional research possibilities. Specifically, future research could investigate the integration of agency and stewardship theories on different outcome variables. For example, my study utilized a subjective measure of family firm performance. If the firm leader responding to the survey was satisfied with the firm's overall performance level, he or she may have rated their performance as high. However, the performance level may not be objectively high. Accordingly, I encourage research that can determine if the relationships hold when using objective measures of performance.

Furthermore, it may also be appropriate to consider social or psychological outcomes rather than firm performance outcomes. I did not find significant main effects in the relationships between behavior and firm performance. Future research could examine the effects of steward behavior and agent behavior on outcomes other than firm performance. Given that agency theory is rooted in economics and stewardship theory is rooted in sociology and psychology, future research should consider more than just economic outcomes. For example, socioemotional wealth generation is suggested to be important to family firms (Gómez-Mejía et al., 2007). It may be of interest to determine how agency and stewardship structures and behaviors are linked to this noneconomic outcome. Other potential outcomes could include process variables, such as cohesion or conflict within the family firm. In turn, these noneconomic variables could then perhaps be linked to the performance of the family firm. Accordingly, these noneconomic outcomes, or perhaps mediating variables, provide future research possibilities.

Future research could also investigate additional moderators in the relationship between behavior and performance. My post hoc analyses considered individual level characteristics, finding both human capital and position within the organization to be moderators, contingent on kinship status. Alternatively, firm level moderators, such as having a clear and compelling organizational vision, may be potential areas for investigation. A clear vision describes the future direction of the firm and provides the reasoning behind the leader and employees' journey. It should reflect the firm's ideals, foster commitment and meaning in work, and enhance motivation and change in employees (Fry, 2003; Fry and Cohen, 2009). I suspect this is a potential moderator in the relationship between behavior and firm performance because employees would need to have an understanding of the organization's direction in order to behave in the intended way. For example, it is assumed that stewards act in the best interest of the firm, but if the best interest of the firm is unknown or misinterpreted, behavior may not have the intended consequences. To elaborate, if the firm's vision is to perform at the highest level possible but employees think the vision is to increase the family's reputation, behavior would not align with increased firm performance. Accordingly, investigating moderators in the relationship between individual behavior and family firm performance could help provide explanations for my nonfindings and reveal additional contingencies within this unique context.

My research demonstrates that kinship status considerations can impact relationships within the family firm. Most family firm research neglects to consider the nonfamily employee. In my sample, which is shown to be representative of samples in similar family firm empirical studies, 94% of employees (59 of 63 employees, on average) are not family members. Extant research makes inferences about the behavior and performance of family firms; however, these inferences largely ignore the overwhelming majority of the family firm's workforce. Therefore, I

encourage researchers to investigate nonfamily employees, and specifically how they may differ from family employees. Differences in perceptions, behaviors, and individual level performance all provide fruitful avenues for investigation.

To my knowledge, this research is the first to investigate the integration of agency and stewardship perspectives on the behavior within and performance of family firms. Organizations were grouped into four categories based on their level of agency and stewardship structures. A post hoc analysis found that organizations clustered within each category are similar on characteristics other than just their governance structures, such as the presence of a succession plan, business plan, and nonfamily top managers, just to name a few. An in depth qualitative case study of organizations within each of these quadrants would help us uncover behavioral and performance patterns among different variables not studied in my research. A configurations approach to the examination of family firm performance would be a fascinating direction for future research.

Future research could also consider incorporating additional theoretical lenses to help explain the behavioral and performance outcomes of the integration of agency and stewardship structures. For example, the relationship between structural integration and behavior can incorporate a social exchange theory or balance theory lens. Social exchange theory describes a series of dyadic exchanges with behavior being contingent on the actions of another (Blau, 1964; Cropanzano and Mitchell, 2005; Homans, 1961). This lens could be appropriate in examining governance structure enactment and the resulting employee behavior from a dynamic, rather than static, perspective. Derived from social psychology, balance theory describes triadic relationships by its focus on an individual's perception of his or her relationship with a second individual and a third entity such as another individual or an organization; theory suggests that a

balanced state exists when relationships among the entities are harmonious (Peterson, 2006). Balance theory could prove useful in examinations of relationships between family and nonfamily employees and their attitude towards the structure of the family firm.

The relationship between structural integration and firm performance could incorporate a resource-related theoretical lens such as resource orchestration (e.g., Sirmon, Hitt, Ireland, and Gilbert, 2011). Resource orchestration blends the resource based view (Barney, 1991) and dynamic capabilities perspective (Eisenhardt and Martin, 2000; Teece, Pisano, and Shuan, 1997) by examining managerial actions and the bundling of resources to predict firm level performance and competitive advantages (Sirmon et al., 2011). The principal enacting certain configurations of stewardship and agency structures depicts managerial action and resource bundling, and would therefore allow the resource orchestration framework to serve as an appropriate theoretical lens to investigating firm performance implications.

In summary, my dissertation research investigates agency and stewardship theory within family firms and provides a foundation for future research that can further explore their integration. As described, potential areas include improving upon the methodology employed in this study, such as taking a longitudinal or in-depth qualitative approach. Future research can investigate different outcome variables including objective measures of firm performance, process outcomes, or individual level organizational behavior outcomes. Additional contingencies in the hypothesized relationships, such as organizational vision or leadership variables, could provide more insight into family firm performance. Continuing to investigate differences between family and nonfamily perceptions and behaviors also provides promise. Structural integration can also be examined through a configurations approach or even with the incorporation of additional theoretical lenses. These are just a few examples of the direction

future research integrating agency and stewardship perspectives within a family firm context can take.

Conclusion

My dissertation investigated the agency versus stewardship theory debate within a family firm context. Through both an exhaustive review and synthesis of the family firm literature and an empirical test using primary data gathered from family firm leaders, family employees, and nonfamily employees, I can sufficiently answer the research questions guiding my dissertation.

My first research question asked, ‘Are the tenets, prescriptions, and related performance outcomes of (a) agency theory and (b) stewardship theory applicable within family firms?’ My review of the family firm literature grounded in agency and/or stewardship theories, coupled with the results from my empirical study, allows me to answer ‘yes’ to both parts of this question. Agency theory and stewardship theory governance structures serve their intended purpose on the behavior within and performance of family firms: agency structures curb opportunistic agent behavior and increase firm performance; stewardship structures enhance steward behavior and increase firm performance.

My second research question asked, ‘Can the opposing prescriptions of agency theory and stewardship theory be integrated within family firms to explain firm performance?’ My research revealed that considerations for agency *and* stewardship perspectives have been neglected in the family firm literature. To address this gap, my empirical study tested assumptions regarding the integration of theory, finding support for enhanced performance differentials between combinations of structures. Family firms adopting high levels of both agency and stewardship structures have significantly higher performance results. Accordingly, my research supports a ‘yes’ answer to this question, both practically and empirically.

My third research question asked, ‘Does the family firm context (a) expand and/or (b) impose boundary conditions on agency and stewardship theories? The family firm literature shows that agency and stewardship theories have been expanded in this context. Research shows that not only do agency problems exist in family firms, which is counter to the work of early agency theorists, but there are agency problems unique to this context. Research also supports stewardship theory’s expansion into the family firm context, with studies demonstrating that family firms are an ideal context for stewardship to thrive. My empirical investigation offers another step toward further expansion of these theories. My research shows that agency and stewardship structures and behaviors can coexist in family firms. This is different from the existing literature that depicts agency and stewardship theories at polar extremes. My research demonstrates that these theories in opposition can expand into each other, thus narrowing the distance between both sides of the debate. Additionally, my research suggests that the leader of the family business can alter the behavior of the employees and performance levels of the firm by making changes to the governance structures. Shifting the primary focus to the role of the family firm leader, rather than the structure or behavior, could allow for additional theoretical expansions. Accordingly, I can answer ‘yes’ to the question of whether the family firm context expands agency theory and stewardship theories.

My research considers the role of kinship status as a factor that places a boundary condition on predictions grounded in agency and stewardship theories. My empirical investigation demonstrates that family and nonfamily employees of the family firm behave differently as a result of agency and stewardship structures. Agency structures reduce agent and steward behavior for both family and nonfamily employees. Stewardship structures increase agent behavior for nonfamily employees, but have no effect on the agent behavior of family

employees. Stewardship structures also increase steward behavior for family employees, but have no effect on the steward behavior of nonfamily employees. Furthermore, my post hoc examination demonstrated that human capital and position within the organization influence the relationship between steward behavior and firm performance differently for family and nonfamily employees. Employing highly educated nonfamily employees and high ranking family employees is beneficial to the performance of the family firm. Kinship status, which is a unique construct within family firms, is found to be a contingency in my hypothesized relationships. Accordingly, I can answer ‘yes’ to the question of whether the family firm context imposes a boundary condition on agency and stewardship theories.

In conclusion, my dissertation investigated the theoretical and empirical debate of agency theory versus stewardship theory in the context of family firms, revealing that the distance between these opposing theoretical perspectives can be narrowed. My research shows that both theories, separately and in combination, are applicable within family firms. Separately, agency and stewardships structures serve their within-theorized purpose on the behavior within and performance of family firms; however, consideration must be made to the differing effects of these structures on the behavior of family and nonfamily employees of the family firm. In combination, family firms with both agency and stewardship structures in place have superior performance. This research is a first step in integrating agency theory and stewardship theory to more accurately capture the essence of family firm structure, behavior, and performance. I encourage scholars to build from this foundation; this integration has the potential to provide great contributions to theory and to the field.

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