Philanthropy in family enterprises: a governance perspective

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http://hdl.handle.net/10803/396187

DOCTORAL THESIS

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Acknowledgments

It is to the inspiration of all the family firms I have worked with over these years that this thesis owes its point of departure. Their trust in what we do as well as their permission to accompany them through the processes they must endow and implement in their family businesses, have always been an indispensable source of energy and knowledge. From them I learn per diem all the nuances embodied and amalgamated in the business, the family and the human condition.

I am indebted to Alberto Gimeno, for his support and relevant feedback as my thesis supervisor. His assistance, flexibility and fruitful conversations have provided the tools from which I was able to forge the structure of this venture.

I am especially grateful to Kelin Gersick, co-author of the study 'Governing the Family Enterprise: Practices, Performance and Research', and Ivan Lansberg, who have both continually inspired and encouraged me to learn from my experiences with family firms and entrepreneurial families and to pursue this exciting research. Their generous comments, thoughtful associations and wise counsel and appraisal, have richly illuminated all the stages of this journey. Their words unspeakably pushed me forward and aided me to focus and sharpen my research, views and thoughts. It is to them that I owe the greatest debt.

I must also show my gratitude to Isabel Botero, co-author of the study 'Philanthropy of Family Enterprises: Review of Literature', whose constancy and allegiance have been at the core of my survival as a Phd candidate. Through her generous support I learned to overcome all the elements that inhabit the world of the academia and I am therefore most thankful for that.

I wish also to thank Katherine Grady, for never giving up on me and providing invaluable help, and Mary Alice Crump (R.I.P) and Alice Buhl, for showing me to love Family Foundations and Philanthropic families and for sharing their erudition with me. My gratitude should also go to Tom Lumpkin, Allison Pearson, Pramodita Sharma and Jeremy Short for their job as editors of the 1st Review Issue of *Family Business Review*, and to the anonymous reviewers for their valuable and constructive feedback and comments. I must extend this gratitude to the editorial team of *The Sage Handbook of*

Family Business, Leif Melin, Mattias Nordqvist and Pramodita Sharma. Also, I am thankful to ESADE, Nuria Agell and Vicenta Sierra for their patience and understanding as well as to a great many friends and colleagues in my discipline who have sustained me over these years in what at times seemed an impossible endeavour.

With much love, this work is dedicated to Marc, my husband, and our children Clara and Arnau. They have always behaved as powerful reminders of the uncountable reasons for finishing this project.

Abstract

Throughout history philanthropy has provided vision and voice for supporting social and humanitarian needs, for emerging social movements ranging from civil rights to malaria research, and for preserving culture and the arts. The history of family enterprises and business families as well as the philanthropic literature suggest that philanthropy is often an important part of family enterprise continuity and of successful family firm entrepreneurship. Yet philanthropy is one of the least studied aspects of family enterprise. In general, the recognition in recent decades of the contribution by family enterprise to the world economy has led academics to significantly increase research on this form of business organizations. Family business literature has emerged as an independent body of knowledge from management and entrepreneurship research (Chirsman el al., 2008). However, there are important issues and topics that have only been marginally studied in family firms. One of those topics is family firm philanthropy (Feliu & Botero, forthcoming; Litz & Stewart, 2000). In fact, studies focusing on both family firm philanthropy and corporate philanthropy in current management literature are rare and offer mixed contributions to the field. The purpose of this study is twofold. First, it integrates the fragmented understanding of philanthropy in family enterprises and create a baseline to understand philanthropic process in them. Second, it wants to further our understanding of the governance of philanthropy in family enterprises. In particular, the decision-making process that entrepreneurial families undergo when engaging in philanthropy. This dissertation uses three projects to provide insights about theory and practice that pave the way for future research in the field of philanthropy in the family enterprise context.

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Chapter 1: Introductory Chapter

I have been engaged to the family enterprise field for the last sixteen years as a consultant to family corporations on corporate and family governance, continuity, and philanthropy. In addition, all my life I have been a family member of a successful small family business in the area of Barcelona. Being immersed in the world of entrepreneurial families and their businesses and also being part of a consultancy firm that works with a process consultation approach (Schein, 1999), I have always been eager to understand the dynamics behind individual or collective behaviors so that I could facilitate required change. Understanding the processes that our family clients undergo when making decisions that definitely impact their continuity, success and sometimes survival, is a professional and personal goal.

As consultants we are always in the field. We learn and we professionally develop with our clients. As practitioners we study cases, we evaluate and analyze them and we create documented implementation data. When I moved into the strange world of academia, I confirmed how complementary was my work with well-designed studies and well-analyzed data. I am an advocate of the integration of practice with formal research and theory. I believe this is the best way to address the fascinating unknowns of family enterprise philanthropy and its governance. My colleagues and I have written about the benefits of this practice/research integration on many occasions: "As we meet that need, it will help us to move beyond broadly-accepted 'common knowledge' about governance practice, and keep us focused on the core task at hand – discovering what is really true so that we can intervene in ways that are truly helpful" (Gersick & Feliu, 2014).

Why choose philanthropy as a topic for my dissertation? Giving and helping others are values embedded in individuals and their communities across the globe (Clotfelter & Ehrlich, 1999). There are many ways to think about philanthropy and also many contexts in which to observe the phenomena. Family enterprise is an interesting framework to explore. The history of entrepreneurial families suggests that their active engagement in philanthropy can be viewed as a reflection of the deep ties that family firms have with the communities in which they operate, and is an integral part of successful familial entrepreneurship.

Like every aspect of modern life, philanthropy has experienced revolutionary changes. The economic challenges faced around the world (e.g., widening imbalances between wealthy and the poor, the shrinking budgets of states devoted to the provision of vital social services and to support the culture and arts, crises of refugees fleeing war and escaping poverty, or the differences in development between the countries), and the expectations that those with great wealth need to help the less fortunate, have generated great interest in philanthropy in recent years. The actions of high-profile individuals, such as the Giving Pledge, a public statement of intent by Bill Gates and his peer philanthropist to donate half of their fortunes to charitable endeavors, have generated worldwide attention for the subject of philanthropy.

However, despite the recognition of the importance of family philanthropy and its social contributions (Astrachan, 1988; National Philanthropic Trust, 2013; Pharoah, 2008; Pharoah, 2009; Pharoah et al., 2014; Sanborn & Portocarrero, 2003), there are still important gaps in the field (Feliu & Botero, forthcoming; NCFP, 2006). The review of both practitioner and academic literature illustrates that the family enterprise field includes many themes that have not been investigated on this topic. For example, there is not a clear understanding of the motivations and outcomes linked to the practice of philanthropy in family enterprises. Similarly, there is not clear understanding of how philanthropy is practiced or how entrepreneurial families govern their philanthropic efforts. This is problematic because family enterprises are expressing more interest in this practice. More clients ask for advice on this area from their family business consultants, and more philanthropy presentations are included in Family Firm conferences (i.e., see conference programs for The Family Firm Institute, the International Family Business Network, Business Families Foundations, and the regional chapters of these institutions). Entrepreneurial families, who have traditionally concentrated their efforts in the business arena, are now more than ever wanting to foster their innovative and entrepreneurial spirit in the philanthropy field. Thus, it is necessary and important to explore the role of philanthropy in family enterprises and the decision making process around it, from the first emergence of the “family philanthropic Dream” to the selection of governance bodies for each philanthropic project pursued by the family, and the assessment of the impact of those projects on the family, the enterprise, and also on society.

In an effort to address these gaps, this project was designed with three objectives in mind. First, I wanted to review the literature in Philanthropy to have a better understanding of what is currently known in this area. Second, I wanted to understand the governance in family enterprises and how this knowledge could provide insights into the governance of philanthropic efforts. And, third, I wanted to understand the factors that influence the governance and decision-making structures and process of philanthropy in family enterprises. With these objectives in mind, I decided to approach the study of family enterprise philanthropy in three stages. The first stage included a review of the literature in philanthropy in family enterprises. The objective of this review was to provide a thorough analysis of the literature to develop an understanding of family enterprise philanthropy in four areas:

(1) The conceptualization of philanthropy in the family business literature

(2) The motivations for philanthropy

(3) The vehicles through which philanthropy is practiced

(4) The outcomes associated with philanthropy in family enterprises

This review offers a distinctive contribution, which is the combination of knowledge that is family-centered, business-centered, practitioner-driven and academically-driven to provide an examination of the topic. In addition, the study presents a comprehensive and up-to-date analysis of the topic of philanthropy in family enterprises that I needed before starting on the in-depth analysis of the governance literature. The review is a essential part of the dissertation as it sets the stage with a big-picture perspective and it lays the foundation for the later part of this dissertation.

A full perspective on family enterprise governance was also required before inquiring about the governance of philanthropy by entrepreneurial families and their businesses. This is pursued in the second research paper. The paper on family firm governance integrates formal research and theory with documented implementation experience to build an integrated presentation of what we know in relation to governance. The paper is inclusive as it addresses the domain of governance in the business, ownership and family circle, as the means of stewarding the multigenerational family organization and overseeing all the collaborative operations of the family, including wealth management, philanthropy, and human development (Gersick, et al., 1997; Goldbart & DeFuria, 2009; Neubauer & Lank, 1998; Lansberg, 1999; Mustakallio et al., 2002). And, finally, the third part of the dissertation focuses on the governance of the practice of philanthropy across different formats. This last study of the dissertation explores relevant themes in the overall governance of philanthropy by entrepreneurial families and on the interplay between family dynamics and philanthropy governance. It also contributes by identifying relevant future avenues for research in which to advance in the family firm field. In order to succeed, the study adapts a qualitative approach (i.e., a case study). According to Creswell:

> "... a qualitative approach is one in which the inquirer often makes knowledge claims based primarily on constructivist perspectives (i.e., the multiple meanings of individual experiences, meanings socially and historically constructed with an intent of developing a theory or pattern) or advocacy/participatory perspectives (i.e., political, issue-oriented, collaborative or change oriented) or both. It also uses strategies of inquiry such as narratives, phenomenologies, ethnographies, grounded theory studies, or case studies. The researcher collects open-ended, emerging data with the primary intent of developing themes from the data" (2003, 18).

Qualitative research questions are likely to begin with "what" or "how" to convey an open and nascent design, exploring the way in which people interpret their experiences in their natural environments (Eisenhardt & Graebner, 2007). This facilitates understanding the phenomena from an individual's point of view instead of the researcher's perspective. This approach seemed well aligned with the phenomena of the governance of philanthropy and the objectives of my research.

As a researcher and consultant, I was attentive to Bloomberg and Volpe's words about producing an ethical research design as well as an intellectually coherent and compelling one (Bloomberg & Volpe, 2008). I was aware that "most social research involves interventions in some aspects of social life" (Blaikie, 2007, 19). Given this, I took advantage of the fact that I already had a relationship with the cases as consultant, and that interventions designed to enhance the philanthropic engagement of the family and their governance were in place. In order to maximize the validity of the qualitative data, while maintaining an ethical relationship with the participants, I decided to employ both the elements of *anonymity* and *confidentiality*. *Anonymity* protected the identity of both specific individuals and of the family enterprises that participated in the case study. C*onfidentiality* referred to the process of keeping the information gathered from individuals private.

Finally, it was essential in the case study part of the dissertation to be aware of the risk of personal bias. In my view, philanthropy is crucial in our society and I am certain of the unique role that entrepreneurial families and family business actually play and can potentially play as providers of innovative resources to the field. Thus, I proceed with the study with an open spirit of inquiry and prepared to address any biases that could emerge.

As a result of my experience in this research, I have concluded that it would be very beneficial for practitioners and academics to enhance their commitment to integrate this kind of qualitative analysis with quantitative data-gathering efforts. As I will point out later in the study and in the conclusion of the dissertation, the propositions that are supported in practice by family business consultants, require empirical testing to lessen the knowing-doing gap (Astrachan, 2009; Sharma, 2010).

Organization of the Dissertation

Chapter 1 serves as an introduction to the researcher purposes to accomplish this work. It provides an introduction to the world of philanthropy and the rationale that is behind the three articles that compose the dissertation. It introduces the methodology followed in the different articles and some methodological concerns from the author.

Chapter 2 is the article **Philanthropy in Family Enterprises: A Review of Literature.** This article has been accepted for publication in the Family Business Review 1st Review Issue, in March 2016. It is now available online. The review of literature of philanthropy in family enterprises contributes to the field with a description of the drivers of the philanthropic behavior, the vehicles used to practice it, and the outcomes tied to the practice of philanthropy in family enterprises. The study identifies gaps in our understanding and provides ideas for future research.

Chapter 3 presents the study: **Governing the Family Enterprise: Practices, Performance and Research.** This article consolidates existing empirical studies and integrates them with what has been learned from experience. The purpose of this work was to build a knowledge base on family enterprise governance that simultaneously considered the business, ownership and family systems. Within the family system, the governance of philanthropy is addressed. This article aims to serve both practitioners as they consider paradigms for offering their advice to families, and researchers by presenting a comprehensive agenda for future research.

Chapter 4 is a multi-case study titled **Governing Philanthropy in Family Enterprises.** The study offers a new perspective on family enterprise philanthropy by exploring the governance of philanthropy through the analysis of two cases. The article furthers our understanding of the practice and governance of philanthropic efforts of entrepreneurial families. The study provides detailed opportunities for future research.

Final Section: Conclusions section. The dissertation concludes with an overarching summary of the work, including some reflections on the impact of this work in my personal practice, as consultant and researcher.

Chapter 2: Philanthropy in Family Enterprises: A Review of Literature

Abstract

Philanthropy in family enterprises operates at the crossroads of family, business, and society. Most of the research in this area is approached from the business or the individual level; thus, we have a fragmented understanding of philanthropy in family enterprises. This paper presents a systematic review of the literature on the subject. Based on 55 sources published between 1988 and 2014, we explain the drivers of this behavior, the vehicles used to practice it, and the outcomes tied to the practice of philanthropy in family enterprises. We identify gaps in our understanding and provide ideas for future research.

***Keywords**:* Philanthropy, Giving, Business Families, Family Business, and Family Enterprises

Manuscript "FBR-14-03-0053.R6" entitled "Philanthropy in Family Enterprises: A Review of Literature" in its current form for publication in the Family Business Review 1st Review Issue (March 2016).

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Philanthropy in Family Enterprises: A Review of Literature

In its most general sense, philanthropy encompasses behaviors and actions that are manifestations of a voluntary commitment to the wellbeing of others (Schuyt, 2010). Philanthropy is rooted in cultural and religious teachings regarding the responsibilities that those more fortunate have towards others who are less fortunate or are going through a hard time (Rey-Garcia & Puig-Raposo, 2013; Schuyt, 2013). As important actors in their communities, family enterprises have always been at the forefront of philanthropic efforts (Astrachan, 1988; Sanborn & Portocarrero, 2003), and represent an important percentage of the monetary contributions towards the wellbeing of their communities. For example, in the United States (US) donations from corporations and foundations, many who are family owned, represent over $67 billion per year (National Philanthropic Trust, 2013). In the United Kingdom (UK), the top 100 family foundations and corporations contribute £908 million per year to societal causes (Pharoah, 2008). In Italy, family foundations contribute about €90 million and in Germany they contribute an estimate of €490 million per year to societal improvements (Pharoah, 2009; Pharoah et al., 2014)[1]. Therefore, the philanthropic efforts of family enterprises provide valuable economic resources for social services, education, health, arts, and humanities around the world.

In family enterprises, philanthropic activities also affect the donor business and the owning family. On the business side, philanthropy serves as a mechanism to demonstrate commitment to long-term goals (Campopiano et al., 2014); to develop social and reputational capital (Cruz et al., 2014); and to enhance the commitment and involvement of family and non-family employees towards the firm (Muller et al., 2014). On the family side, engaging in philanthropy helps educate family stakeholders on issues about family legacy, wealth (i.e., management and responsibilities) and the practice of professional skills required in the business world (Breeze, 2009; Eichenberger & Johnson, 2013; Ward 2009). Philanthropy can also help families transfer social capital between generations by allowing different generations to interact and work towards a common goal (Breeze, 2009; Schwass & Leif, 2008). Given the important

[1] Donations data in US Dollar as of August 17th 2015 are $67 billion per year in the US; $1,422.00 million per year in UK; $99.4 million per year in Italy; and $ 541.5 million per year in Germany.

role that family enterprise philanthropy plays for the entrepreneurial family and the business, it is important to have a baseline understanding of the philanthropic process. This knowledge can help academics and practitioners understand how philanthropy in the family enterprise works and how it is used as a tool for the transfer of knowledge, resources, and ideas between and across generations.

Philanthropy in family enterprises is interesting because it can be practiced and governed from either the business or the family domains. This dual nature has led to a fragmented understanding of the topic that is rooted in three characteristics of research in philanthropy and family enterprise. First, philanthropy has been conceptualized in different ways (Gautier & Pache, 2015). For example, some argue that it is a responsibility that businesses or business families have towards society, while others suggest that it is a purely altruistic behavior (Liket & Simaens, 2015; Saiia et al., 2003; Sulek, 2010). As a result, determining what to include and exclude under the concept of philanthropy is difficult. Second, there is a divide in family enterprise research between work that focuses primarily on the family system and on the business system, with very few researchers integrating these two approaches (Michael-Tsabari et al., 2014). Third, research in family enterprise shows little integration between practitioner and academically driven work (Gersick & Feliu, 2014). This causes difficulty in understanding philanthropy because academically driven work tends to focus exclusively on the business component of the enterprise whereas practitioners will focus on the family component (Michael-Tsabari et al., 2014).

To address these issues, this paper provides a comprehensive review of the literature to develop an understanding of philanthropy in the family enterprise and identify gaps for future research. This review focuses on four questions in the context of family enterprises: (1) how is philanthropy conceptualized? (2) what are the motivations for philanthropy? (3) how is philanthropy practiced? And, (4) what are the outcomes associated with philanthropy? The unique contribution of our review lies in the combination of knowledge that is family-centered, business-centered, practitioner-driven and academically-driven to provide an examination of the topic. The following sections present the scope of this review, general observations about this research, findings in each of the four research questions, general conclusions and directions for future research.

Scope of The Review and Coding of Information

Databases from business and social sciences (i.e., EBSCO, JSTOR, Springer Link, Emerald, Science Direct, Wiley, SAGE Publications, ProQuest, and Google scholar) were used to identify academic and practitioner publications for this review. Sources were identified using a combination of the following terms in the title, the abstract, and/or the keywords for each database: *philanthropy*, *philanthropic*, *philanthropic giving*, and *charity* with *family business, family firm, family enterprise, business family*, and *family*. Initially there were 130 distinct sources. After reading each abstract and eliminating irrelevant entries, 48 articles and one book chapter were retained. Five reports that provided information on surveys conducted with family business owners regarding philanthropic practices and motives [The Institute for Family Business (UK), the Centre for Charity Effectiveness (UK), Credit Suisse (US), Center for Charitable Giving and Philanthropy and the Philanthropic Initiative (UK)] were also identified. Finally, one book that focused on philanthropy in family enterprises was also included. In total, this review is based on information obtained from 55 publications[2] (See appendix A for list of sources).

Once publications were identified, we coded information in five areas. First, the general information about the publication was identified. This included: publication year, author, journal, type of article (i.e., academically vs. practice driven), unit of analysis (i.e., family, business, or both), origin of information (US vs. Other countries), focus of research (i.e., comparison of FF vs. NFF, or FF), research question, and general results or observations. Second, the definition (if any) and the measurement metric for philanthropy used in each study were coded. Third, the reasons given for why family enterprises engage in philanthropy were identified. This section also identified which theoretical explanations (if any) were used to describe these motivations. Fourth, the specific practices employed by family enterprises to

[2] Although there was one book, one book chapter, five reports, and 48 articles, all of these are referred to as publications.

engage in philanthropy, and the level (individual, family, and/or business) through which philanthropy was practiced were identified. And, fifth, the empirical findings about predictors and outcomes associated with philanthropy were coded. To ensure consistency in the coding of information, the two authors independently coded each article. The codings were then compared. When inconsistencies arose, the coders discussed the information, resolved their differences and made a joint determination about which coding to use.

What do we know about research on philanthropy in family enterprises?

The first paper that emerged from our literature search appeared in 1988 (Atkinson & Galaskiewicz, 1988). During the 1990s there were ten papers that explored the subject. This included a special issue in *Family Business Review* that examined family foundations (seven papers). Since 2004 the interest in philanthropy in the family business context has grown steadily, mirroring the increased interest in corporate philanthropy (Gautier & Pache, 2015). The focus in the exploration of philanthropy has been balanced between family (N = 25) and business (N = 24) contexts with a small number of publications focusing on both (N = 6). Information about philanthropy seems to be equally driven by academic (N = 28) and practice-oriented knowledge (N = 27). Thirty-four publications in this review were empirical studies. The methodological approaches to collect empirical information included the use of secondary data (N = 11), survey research (N = 9), case studies (N = 8), in-depth interviews (N = 4), and focus groups (N = 2). Finally, only 33% of the publications provided information about philanthropy from outside the US.

While coding for definitions, we analyzed how philanthropy was measured. Nineteen of the sources discussed the metrics for assessment of philanthropic activities, which included: (1) monetary contribution (N = 8), (2) other forms of support or involvement in the community (N = 5), (3) dummy variable (i.e., asking whether the family enterprise practiced philanthropy; N = 3), and (4) using scores from databases (i.e., KDL and CSRHub, N = 3). Only four of the practice driven forces directly measured philanthropy. One measured it as a form of support while the other three measured it as monetary contribution.

Defining Philanthropy in Family Enterprises

There are many conceptual and empirical debates about what constitutes philanthropy (Gautier & Pache, 2015; Liket & Simaens, 2015). The source of these debates is closely linked to changes in the definition of philanthropy over time and the interpretations that individuals have of what constitutes a philanthropic act (Sulek, 2010). Before the 20th century, the terms *philanthropy* and *charity* were used interchangeably to signify the voluntary act of financial giving to support those who had fallen on hard times (Schuyt, 2013). This traditional view focused on helping the less fortunate and making sure that their basic needs were met (Schuyt, 2013). Early in the 20th century, as wealthy entrepreneurs in the US started donating to a variety of causes that went beyond welfare and relief for the poor, the view of philanthropy shifted in at least three ways (Harvey et al., 2011, Rey-Garcia & Puig-Raposo, 2013). First, the types of causes supported by philanthropic efforts changed from a focus on basic physical and material needs (e.g., food, clothing and shelter) to a wider spectrum of causes such as health care, environment, education, and the arts (Schuyt, 2013). Second, philanthropic efforts were no longer focused exclusively on reducing the consequences of social problems such as hunger or disease; instead they looked at ways to alleviate the symptoms of these problems including the lack of education or of skills, or a culture of poverty (Sulek, 2010). And, third, there was a change in the motives that guided philanthropy. Early in the 1900s, publicists like Ivy Lee advised customers to engage in actions that the public would perceive as good and beneficial for society so they would be seen in a positive light (Gruning & Hunt, 1984). This shifted the motives of philanthropy from purely altruistic (i.e., selfless concern for the well-being of others) to a desire for “return on investment” in the form of public approval from philanthropic actions or in changes in society (Cutlip, 1994). Thus, conceptualizations of philanthropy today go beyond the act of charity to include a wider range of activities (e.g., donating money to social welfare, to education or the arts) and purposes for the philanthropic act (Aguilera et al., 2007; Barnett, 2007; Porter & Kramer, 1999).

Table 1.1 Sample Definitions of Philanthropy (pp. 135)

Table 1.1 provides sample definitions that we found in this review. A total of ten practitioner-focused and 23 academic publications provided a definition of philanthropy in the text. All of the definitions described philanthropy as a form of giving that could include financial gifts, volunteering, or any other resource that the family enterprise possessed. The 33 definitions explicitly or implicitly indicated that the primary purpose of philanthropy was to help others. Only five definitions explicitly stated a direct benefit to the family enterprise.

The work of Gautier and Pache (2015) identifies three general types of corporate philanthropy. The “commitment to the common good” (CTCG) approach views philanthropy as a voluntary and selfless act of the organization. The “community investment” (CI) approach encompasses philanthropic actions that can result in some form of long-term benefit for the firm. Finally, the “marketing” (MKT) approach views philanthropy as a commercial tool for the organization. We used this typology to code how philanthropy has been defined in the context of family enterprises. Our observations indicate that 13 publications described philanthropy as focusing exclusively on a CTCG, five described philanthropy as using the CI exclusively, and no definitions used the MKT approach. In addition, 15 publications used blended definitions of philanthropy. Thirteen of those publications defined philanthropy using components of both the CTCG and CI approaches and two sources combined the CI and MKT approaches. When comparing academic (N = 23) and practice (N = 10) driven sources, we found that practice-driven definitions were more likely to describe philanthropy using primarily one approach (CTCG = 60%, CI = 20%) in comparison to academic oriented sources (CTCG = 30%, CI = 13%). Further, academic driven sources were more likely to use blended definitions of philanthropy (57%) in comparison to practice-oriented sources (20%). Sixteen of these publications described philanthropy as a component of corporate social responsibility (CSR).

Based on the studies we reviewed and to capture the range of conceptualizations found in the FB literature, we define philanthropy as *the voluntary donation of resources (i.e., time, money, effort, or knowledge) to support causes that are primarily intended to promote the betterment of society with no direct expectation of economic returns.* Thus, we believe that the main goal of philanthropy is to serve society. We also acknowledge that individuals and organizations can have secondary goals when engaging in philanthropic efforts. The next section identifies these secondary motivations.

Motivations for Philanthropy in Family Enterprises

Twenty-five practice-oriented and 25 academic publications were coded to explore the motives that guide philanthropic activities in family enterprises. We focused on two aspects of the literature. First, the conceptual reasons that have been related to the practice of philanthropy. Second, the theoretical approaches, when provided, that have been used to explain why family enterprises engage in philanthropy. The two sections below provide the summary of our findings.

Motives that Guide Philanthropy in Family Enterprises

To identify the motives of philanthropy we created a list of all the reasons presented in each source for why family enterprises engaged in philanthropy, and grouped the items in this list into categories. There were three general categories: family-oriented motives, business-oriented motives, and dual motives (See table 1.2).

Table 1.2 Motives for Philanthropic Efforts in Family Enterprises (pp. 136)

Family-Oriented Motives. Twenty practice-oriented and 10 academic publications provided information for this section. Fourteen publications support the family identity motive and suggest that philanthropy provides a vehicle through which families can work on family unity (Breeze, 2009; Snowdon-Blanchard, 2008), family cohesion (Schwass & Leif, 2008), family harmony (Zellweger & Nason, 2008), family values (Cruz et al., 2014; Dou et al., 2014; Hoy & Rosplock, 2014; Winer, 2012), connection between generations (Eichenberger & Johnson, 2011, 2013), and effective family processes (Gallo, 2007; Gersick, 2006; Gersick et al., 1990; Robinson, 2008). In this area there was only one empirical study that found a relationship between family identity and the practice of philanthropy. In her work with family business owners in the UK, Breeze (2009) found that owners say they engage in philanthropic efforts because doing so is consistent with the values of the family.

Fourteen publications highlighted legacy factors as important motives. These articles suggest that family enterprises are interested in philanthropy because it provides a vehicle to learn about what the family has done in the past (Credit Suisse, 2010; Eichenberger & Johnson, 2013; Prince et al., 1993), and can facilitate the involvement and knowledge exchange between members from multiple generations (Bingham et al., 2011; Eichenberger & Johnson, 2011; Hansen, 1990; Hoy & Rosplock, 2014; Lerner, 2011; Ward, 2009). The work of Litz and Stewart (2000), Breeze (2009), and Eichenberger and Johnson (2013) provides empirical support for the legacy motive. These studies found that family businesses want to leave a mark in the communities in which they operate and one of the ways of doing this is by engaging in philanthropy. Thus, the family's desire to build a legacy is one of the drivers for the practice of philanthropy in family enterprises.

Thirteen publications highlighted that family enterprises have a desire to practice philanthropy because by doing so families can accrue wealth benefits (Bronfman, 2009; Gray, 2008; Hayes & Adams, 1990; Hersch, 2004; Hoy & Rosplock, 2014; Rey-Garcia 2012). The only study that provides empirical support for this claim is the work of File and colleagues (1995) who found that one of the reasons family business owners practice philanthropy is the tax benefits they obtain. Rey-Garcia and Puig-Raposo (2010, 2013) qualify this claim stating that the civil law tradition of the country in which the family engages in philanthropy can affect the tax and wealth benefits to individuals and organizations.

Business-Oriented Motives. Three practice-driven and 14 academic publications were used to identify the different business motives. Eleven publications focused on business strategic reasons for engaging in philanthropy. These motives suggest that donations help increase sales (File & Prince, 1998), increase performance (Fernando & Alameida, 2012; Fitzgerald et al., 2010), and could bring tax benefits (Zellweger & Nason, 2008), or financial returns for the business (Lähdesmäki & Takala, 2012; Madden et al., 2006; Niehm et al., 2008). Three publications provide empirical support for this motive (File & Prince, 1998; Lähdesmäki & Takala, 2012; Niehm et al., 2008). Political reasons represent the second business motive explored. Four publications discussed political reasons to practice philanthropy. In the Chinese context, having political connections is positively related to the practice of philanthropy in family enterprises (Zhang et al., 2012). Chinese family enterprises also engaged in philanthropy to divert attention from environmental misconduct (Du, 2014). In the US, Atkinson and Galaskiewicz (1988) also found that the connections that CEOs have to the philanthropic elite would influence to whom the company decides to donate to and how much they donate. Finally, Pharoah and colleagues (2011) found that the personal contacts of business owners play a role in the practice of philanthropy by family firms.

Ten publications (Practice N = 3, Academic N = 7) suggest that the expectations of others matter when deciding to engage in philanthropy. Even though philanthropy is not a legal, economic, or ethical obligation of the organization (Schwartz & Carroll, 2003), there are social expectations for a business to engage in some form of philanthropic activity. Doing so shows the organization’s commitment and responsibility towards their community (Gautier & Pache, 2015). In line with these expectations, researchers suggests that family enterprises perceive pressures from society (Danco & Ward, 1990), stakeholders of the firm (Prince et al., 1993), the community (Campopiano et al., 2014), and/or peer organizations (Breeze, 2009; Madden et al., 2006) to engage in philanthropy. The only study that provides some empirical support for this relationship is Breeze (2009). She found that peer pressure was a prominent explanation business owners gave for doing philanthropy in family enterprises.

Dual Motives. Fourteen practice-driven and 20 academic publications discussed dual motives as a reason for why family enterprises practice philanthropy. Thirteen publications support reputational reasons to practice philanthropy (Breeze, 2009; Campopiano et al., 2014, Cruz et al., 2014; Dyer & Whetten, 2006; Harvey et al., 2011; Rey-Garcia & Puig-Raposo, 2010). These researchers argue that when family enterprises are involved in philanthropy they are seen as a positive influence in the community, and these positive perceptions can translate into opportunities and sources of reputational capital (Bingham et al., 2010; Hoy & Rosplock, 2014; Schwass & Leif, 2008; Uhlaner et al., 2004). The empirical support for reputational motives is limited. Findings indicate that family enterprises whose name is associated with the business are more likely to have concern for the reputation of the family and are more likely to engage in philanthropy (Breeze, 2009; Uhlander et al., 2004). Similarly, studies suggest that business owners perceive that philanthropy provides visibility to the family and the business (Breeze, 2009; Pharoah et al., 2011). Therefore, family business owners are more motivated to practice some form of philanthropy. However, there is no systematic exploration of the importance of reputation when making decisions about philanthropy.

Twenty-two publications provide information about moral motives guiding the practice of philanthropy. This research indicates that family firms are more likely to practice philanthropy because they are more concerned with helping their communities (Kranenburg & Zoet-Wissink, 2012; Uhlander et al., 2004), contributing to their welfare (Lähdesmäki & Takala, 2012), benefiting society (Rey-Garcia, 2012), giving back to the community (Winer, 2012), impacting social change (Eichenberger & Johnson, 2013), making a mark in the community where the business is located (Litz & Stewart, 2000), and solving social problems (Deniz-Deniz & Cabrera-Suarez, 2005). However, there is no empirical research that directly linked moral motives with the decision to engage in philanthropy.

Finally, eight publications suggest that philanthropic activities provide educational benefits for the family and the business. These sources indicate that philanthropic entities can offer a context in which family members learn how to manage their wealth (Gallo, 2007; Gray, 2008), develop and practice management and business skills (Credit Suisse, 2010; Hoy & Rosplock, 2014; Schwass & Lief, 2008), and where junior generations are educated about issues that are important for the family and the business (Breeze, 2009; Hoy & Rosplock, 2014). We did not find empirical publications that explored education as a motive to practice philanthropy.

Table 1.3 Theoretical Approaches used to Explain Motivations for Philanthropy (pp. 137)

Using Theory to Explain Motivations

The second part of understanding motives focused on the theoretical lenses used to explain why family enterprises engage in philanthropy. There were 13 academic publications that employed theoretical frameworks to explain the drivers of philanthropy. These approaches are summarized in Table 1.3.

There are two general observations about the use of theory in research on this subject. First, although early publications relied on one theory to explain the motives for philanthropy, advances in the study of family enterprises have led authors to combine theories to better explain the multiple motivations towards philanthropy (Pharoah, 2008). For example, Cruz and colleagues (2014) combine organizational identity, stakeholder theory and socio-emotional wealth frameworks to suggest that family enterprises behave differently towards external and internal stakeholders. They argue that family enterprises are responsive to the claims of external stakeholders, and are likely to initiate actions that will help them respond to external stakeholder needs. At the same time, family enterprises want to act in ways that reflect their own self-professed desires (i.e., their identity), with Socio-Emotional Wealth (SEW) representing an important element of the identity of the family enterprise. In this case philanthropy is seen as a practice that is directed to external stakeholders and helps the family express their identity to the community, show their concern for others, and be connected to the community. Therefore, different theories are necessary to explain why family enterprises may have multiple motives when engaging in philanthropy.

Second, our review indicates that theoretical work provides a rationale that is most consistent with business driven motives (See Table 1.3). There are at least two reasons for this focus. First, the research that uses theoretical frameworks is conducted primarily in academia. This academic focus results in explorations that are conducted through the lens of entrepreneurship or business strategy (Michael-Tsabari et al., 2014). In these disciplines, the unit of analysis is typically the business and not the family. Second, data about philanthropy from the organizational perspective may be more accessible than data from the family or individual side. Consequently, we should expect that as interest for family enterprises research grows in other disciplines (i.e., family studies, psychology, sociology, or other social sciences) theoretical works that emphasize family and dual motives are more likely to emerge.

Moderators in the Relationship Between Motives and Practices

In the process of coding for motives we identified two practice-driven and 16 academic publications that explored characteristics that moderated whether a family enterprise would engage in philanthropy. The primary moderators influencing whether family enterprises practice philanthropy were the perception of having sufficient excess financial resources (Fitzgerald et al., 2010; Harvey et al., 2011; US Trust, 2013) and sales (Campopiano et al., 2014; Deniz-Deniz & Cabrera-Suarez, 2005; Dou et al., 2014; Madden et al., 2006; Ward, 2009). Other factors that were linked to differences in the practice of philanthropy included the generation of the family in charge of the business (Lähdesmäki & Takala, 2012; Uhlander et al., 2004), the dispersion of family ownership among family members (Campopiano et al., 2014), the size of the business (Deniz-Deniz & Cabrera-Suarez, 2005; Litz & Stewart, 2000; Niehm et al., 2008; Zhang et al., 2012), the age of the business (Deniz-Deniz & Cabrera-Suarez, 2005), the percentage of family ownership (Deniz-Deniz & Cabrera-Suarez, 2005), the degree of interest by business owners in helping the community (Fitzgerald et al., 2010; Lähdesmäki & Takala, 2012), and the level of involvement of family members in the business (Bingham et al., 2010; Litz & Stewart, 2000).

The industry in which the business operates also affects engagement in philanthropy. Companies in industries that promote a higher sense of social responsibility are more likely to practice philanthropy (Madden et al., 2006; Zhang 2012). The country where the company operates can also be considered a moderator of why companies feel that they need to engage in philanthropy (Rey- Garcia & Puig-Raposo, 2010, 2013). Companies in countries with laws that promote tax benefits for giving are more likely to engage in philanthropy. Finally, size of the community influences the motive to engage in philanthropy (Uhlander et al., 2004). Being in a smaller community may create a stronger sense of responsibility in comparison to larger communities.

Philanthropy Practices in Family Enterprises

Philanthropy in family enterprises is a phenomenon at the intersection of family, business, and society. Because of this, a unique characteristic of philanthropy in this context is that it can be carried out through individual, family, and corporate activities, or a combination of practices from these levels. Building on this idea we explored the different vehicles used for philanthropy and the preferences that family enterprises had towards those vehicles. We relied on 15 practice-driven and 12 academic publications to explore these issues. Table 1.4 summarizes the different vehicles that family enterprises can use to practice philanthropy, based on our sources.

Table 1.4 Types of Philanthropic Practices

We found that family enterprises were less structured and more informal when engaging in philanthropy (Breeze, 2009; US Trust, 2013). In general, the degree of formality in practices varies depending on the extent to which the family business is already established; the number of family members involved in the business; the number of family members involved in philanthropy; the degree of interest in philanthropy shown by family members; the extent to which the business engages with consumers; the type of previous experiences with philanthropy; and the access to advice about philanthropic giving (Breeze, 2009; US Trust, 2013). For instance, Australian and US small family business owners prefer to support local causes in their community and avoid cash donations (Fitzgerald et al., 2010; Madden et al., 2006). Business owners in small communities prefer to make contributions in kind (i.e., technical help, volunteering in the community) and are more likely to make these contributions when community is economically vulnerable.

Although informal practices are more prevalent in the practice of philanthropy, it is important to note that the majority of practices detailed in table 1.4 involve foundations, which are considered formal organizations for the practice of philanthropy. In this review, 18 out of the 27 publications investigated foundations. Given the significance of this vehicle in the practice of philanthropy, the section below summarizes what we found about foundations in our review.

Foundations as important vehicles for practicing philanthropy

Foundations are non-profit entities established with the purpose of making grants to unrelated organizations, institutions, or individuals for scientific, educational, cultural, religious or other charitable purposes (Moody et al., 2011; Rey-Garcia, 2012). Family foundations are those in which a family or some of its members endow and play a significant role in its governance and /or management (Brody & Strauch, 1990; Gersick, 2006). Although family foundations are closely associated with family business owners, it is not just family business owners who utilize family foundations. Individuals and families who obtained their fortune in other ways also use foundations as a vehicle to manage their wealth.

Family foundations have different purposes. Some argue that family foundations are created with a focus on social impact and family unity (Credit Suisse, 2010; Gersick et al., 1990; Pharoah, 2008; Snowdon-Blanchard, 2008). Others argue that family foundations are platforms developed to educate the next generation (Hansen, 1990) or to obtain tax exemption (Hayes & Adams, 1990; Ottinger, 2008; Rey-Garcia, & Puig-Raposo, 2010). As a result, the purpose of a foundation varies depending on the motivation of the family and/or the laws of country in which the foundation is located.

Several models differentiate between types of family foundations. A classification presented by Rey-Garcia and Puig-Raposo (2010, 2013) suggests that family foundations can be described based on two models commonly used by entrepreneurial families. The *non-controlling model* is a family foundation whose main goal is to channel the philanthropic activities of the family enterprise in a tax efficient way. The *controlling model* describes foundations that are primarily used by the founder as a vehicle for maintaining control over one or several family firms. Another classification suggests that there are three models that are relevant in foundations linked to family enterprises (Credit Suisse, 2010, Rey-Garcia 2012; Rey-Garcia & Puig-Raposo, 2010). The *pure family model* includes those funded, governed and managed by the family, without any connection to the business. The *pure corporate model* includes foundations that are created by the family firm as a separate entity from the business, and are funded through the company. T*he hybrid model* groups foundations that combine the components of the family and corporate models. Current research indicates that *the pure family model* is most prevalent in countries such as the US and the UK, while *the pure corporate model* is most prevalent in Latin America (Credit Suisse, 2010). However, there is a limited ability to generalize from these results because the reporting on foundations is not mandatory in all countries and, as a result, data about foundations is not always available (Rey-Garcia & Puig-Raposo, 2010).

Some of the work we reviewed focused on the differences between family and non-family foundations. Authors argue that the main difference between these two types of foundations is the degree of family control and the influence that families can have over the management and allocation of resources (Gersick et al, 1990; Gersick, 2006). Research from Brody and Strauch (1990) found that family foundations have smaller boards, with about half of the board comprised of family members, and more female board members. They also found that boards in family foundations have fewer limits to terms and services, and board members spend more time in management roles. Lungeanu and Ward (2012) complement these findings suggesting that the generational stage of the family and the level of family control on the board is likely to affect the grant-making strategy (i.e., diversification or focus of the foundation). In their research, they find that the extent of diversification of the family foundation is positively related to board size and the involvement of more generations on the board.

A final topic discussed in the articles was the importance that foundations have for family enterprises and family systems. Foundations create a place in which the family can learn and grow together through involvement in multiple capacities (Breeze, 2009; Hansen, 1990). This is particularly true when foundations are more structured in their giving and are strategic in their approach. These two factors create more opportunities for the learning and development of family members (Hansen, 1990). Foundations also provide space to work on the relationships between family members (Breeze, 2009; Gersick et al., 1990) and can help business owners create exit strategies after leaving the firm (Danco & Ward, 1990).

Outcomes Associated with Philanthropy in Family Enterprises

The final research question in this review explored the outcomes associated with philanthropy. Although there are many claims that family enterprises can benefit from engaging in philanthropy (i.e., have better reputation, better relationships with the community, better performance), only four practice-driven and four academic publications focused on the outcomes of philanthropy. Findings indicate that practicing philanthropy results in enhanced family dynamics (Breeze, 2009). Three studies examined the business outcomes associated and found that family businesses that engage in philanthropy have better performance (Niehm et al., 2008), increased reputations (Fernando & Almeida, 2012), and higher stock valuations (Zhang et al., 2012). Other studies found that engaging in philanthropy resulted in positive perceptions about the family (Breeze, 2009; File & Prince, 1998), opportunities to educate and involve family members who were not part of the business (Pharoah, 2008; Pharoah et al., 2011), and opportunities to encourage charitable giving by the next generation (US Trust, 2013).

Figure 1.1 Motives and Outcomes of engaging in Philanthropic Efforts in the context of Family Enterprises (pp. 133)

Discussion and Directions for Future Research

This paper reviews the literature on philanthropy in family enterprises over the last 26 years (1988-2014). Our primary purpose was to create a baseline understanding of the motivations that underlie philanthropic practices and outcomes in family enterprises by focusing on four general research questions. Figure 1 provides a visual representation of what we found based on this review. The following sections discuss our findings, the gaps in our understanding of the topic, and provide directions for future research.

Defining Philanthropy in Family Enterprises

In family enterprises, conceptualizations of what constitutes philanthropy vary from traditional approaches (i.e., philanthropy = charity) to more strategic approaches (i.e., philanthropy has a purpose and should produce some form of return on investment; Gautier & Pache, 2015; Liket & Simaens, 2015; Saiia et al., 2003). Our review shows that, conceptually, researchers in family enterprises use a range of definitions, but that most of them highlight two important components of philanthropy: (1) voluntary action, and (2) the long-term benefits that these actions should have for the family enterprise. Nevertheless, there was little agreement in the definitions as to what actions were considered philanthropic in nature.

The lack of definitional consensus presents problems in three areas. First, it makes it difficult to demarcate what constitutes a philanthropic act. Not having a clear definition leads to questions such as: are all donations philanthropic acts? And, what types of donations would be philanthropic in nature? Second, not having a clear definition makes it difficult to determine the underlying characteristics of this behavior. For example, earlier in the text we mentioned that one of the main characteristics of philanthropy is that it represents a voluntary act. One of the social expectations of society today is to be "a responsible citizen". Part of this social responsibility involves volunteering and donating time and efforts to others. In this sense, many actions are a result of social pressures instead of voluntary actions. This changes the characteristic of the philanthropic act from being voluntary to being obligatory. This raises questions such as: does something that I believe I have to do constitute a philanthropic act? The third aspect that is problematic about the lack of definitional consensus relates to the measurement of the construct. Even when the conceptual definition is clearly stated and appropriately multi-dimensional, philanthropy has most often been measured very simplistically (i.e., monetary contribution, dummy variables, or CSR database scores). This simplistic assessment does not fully capture the complexity of the philanthropy construct. For example, if we define philanthropy as *the voluntary donation of resources (i.e., time, money, effort, or knowledge) to support causes that are primarily intended to promote the betterment of society with no direct expectation of economic returns*, our measurement needs to at least include the assessment of: (1) what was donated? (2) were donations perceived as voluntary? And, (3) how did individuals expect that their actions would benefit society? These three areas represent the different facets of the definition. Therefore, given the problems that are evident based on the lack of clarity in the definition of philanthropy, future research should endeavor to clearly define what is philanthropy, and make sure that the conceptual definition is reflected in the measurement of the construct.

This review also shows that academics, in some cases, tend to view philanthropy as a component of CSR. This raises two interesting questions. First, if philanthropy is defined as CSR, what happens when family enterprises engage in philanthropy through family and not business vehicles? Does this translate into family businesses being less "socially responsible"? Second, it raises the question of whether philanthropy is an expected behavior for family enterprises. Although Carroll (1979) suggests that philanthropy is a discretionary component of social responsibility, stakeholders believe that part of the obligation of organizations is to engage in corporate responsible actions like philanthropy (Gautier & Pache, 2015). Thus, if philanthropy is a component of CSR, doesn't it also become an expected behavior of family enterprise? And, if philanthropy is expected, does this not contradict the voluntary nature of it? Given this, we need to clarify the relationship between philanthropy and social responsibility so that researchers can investigate whether it is a discretionary or an expected behavior of the family enterprise. The need for a clear definition of philanthropy is also relevant to differentiate philanthropy from other approaches such as social entrepreneurship, impact investing, or impact capitalism, which include financial motives and profit expectations.

Motivations for Philanthropy in Family Enterprises

The understanding of motives is the most common topic of research in family enterprise philanthropy. As seen in table 1.2, there are nine motives offered in the literature to understand philanthropic behavior. Family enterprises are likely to use combinations of these motives when making decisions about philanthropy. One aspect that it is not addressed by the existing literature is how the different motives interact with each other to explain why family enterprises engage in philanthropy. For example, what motives are more prevalent? What happens when family and business motives are incompatible? Based on these questions, future research should explore how business, family, and dual motives combine to determine the ways in which family enterprises practice philanthropy.

Part of the work on motivation has highlighted the different theories of why family enterprises are interested in philanthropy. Table 1.3 shows that most of these theories focus on business-oriented motives to explain the reasons for this engagement. This emphasis on business indicates that future research can benefit from the inclusion of family-oriented theories to explain the behavior of family enterprises. Future studies should also continue to explore how different theoretical approaches could be combined to acknowledge that family enterprises have multiple motives. For example, it would be interesting to explore how the importance of the different components of socio-emotional wealth to a family could moderate the relationship between motives and how family enterprises practice philanthropy. In a similar way, it would be interesting to explore how the importance that families give to their image in society can moderate the extent to which reputational motives may drive involvement in philanthropy. Future research can build on work that combines multiple theoretical approaches to understand the nuances in the family enterprise context (see: Campopiano et al., 2014; Cruz et al., 2014; Dou et al; 2014; Zhang et al., 2012; Zellweger & Nason, 2008).

Philanthropy Practices in Family Enterprises

To date, research has focused on formal practices of philanthropy. However, our review of the literature suggests that there is a preference for informality when engaging in philanthropy in family enterprises (Breeze, 2008). This raises important questions. For example, what are the different informal vehicles that family enterprises use? When do family enterprises shift to formal practices? How do family enterprises combine informal and formal vehicles to carry out their philanthropy? What factors determine whether a family enterprise will use a formal or an informal vehicle to practice philanthropy? How do family enterprises decide from which context (i.e., family, business, or ownership) they will practice philanthropy? Building on this, the field could benefit from descriptive work that can help us better understand the variety of practices used as vehicles for philanthropy, and what factors affect the shift from the use of informal to formal practices. Empirical work can also help understand the family and business factors that influence the choice of practices and the factors that may influence changes in these preferences.

Based on our observations, an underlying assumption of the research exploring philanthropy is that family enterprises generally represent one family and one business. However, family enterprises can be complex systems with multiple constituencies and sub-components (Chrisman et al., 2005; Sudaramurthy & Kreitner, 2008; Michael-Tsabari et. al., 2014). These ideas have important implications in understanding how family enterprises practice philanthropy and how these practices evolve over time and across generations. Entrepreneurial families[3] can carry out their philanthropy simultaneously through different vehicles at the individual, family, and business level. Consequently, one important area for future research is to understand how family enterprises with multiple businesses engage in philanthropy.

Our review suggests that the study of foundations has dominated our understanding of how philanthropy is carried out in family firms. Although this research has been informative, literature on philanthropic foundations needs to be better integrated into our understanding of how philanthropy is carried out in family enterprises. This includes understanding the prevalence of the different types of foundations (pure-family, pure business, or hybrid models). The models by Rey-Garcia and Puig-Raposo provide a very promising framework for exploring the international prevalence of different types of foundations. Further work in this area could provide insights into how different legal, economic, and political contexts around the world can influence how philanthropy is carried out. Another area that would be interesting to explore is the process that family enterprise foundations use to make decisions about how to fund their philanthropic endeavors and how to govern their practices. As philanthropic organizations move towards an understanding of their impact in society (Maas & Liket, 2010), it becomes necessary to examine the processes that they use in their decision-making and governance that could influence their impact.

Outcomes Associated to the Practice of Philanthropy in Family Enterprises

Observations from our review indicate that the majority of our sources focused on the drivers

[3]Entrepreneurial families are those that have multiple businesses that are related to the family system, being the family the driving force of entrepreneurial behavior (Michael-Tabari et al., 2014)

instead of the outcomes of philanthropy. Thus, philanthropy was more likely to be viewed as an dependent instead of an independent variable. This is interesting given that many of the arguments for studying philanthropy are based on wanting to understand the impact of these actions for individuals, families, businesses or society. Given this focus, a gap in our understanding is the limited knowledge that we have about outcomes associated with philanthropy. For example, at the family level, it would be interesting to explore whether practicing philanthropy as a family affects the relationships and dynamics between family members and how or when this occurs. The work of Breeze (2009) found that family business owners felt that doing philanthropy as a family had a positive effect on family relationships, but we do not know what dynamics are affected or when and how these dynamics are impacted. Other aspects that need exploration include understanding whether practicing philanthropy helps the family manage/transfer wealth between and within generations, and how philanthropic practices affect the creation and transmission of the family legacy.

At the business level, future research needs to continue exploring the effect that philanthropy may have on the performance of the firm. This review shows that family enterprises need to perceive that they have a surplus of financial resources available to invest in their philanthropic endeavors (Fitzgerald et al., 2010; Harvey et al., 2011; US Trust, 2013). We also know that family firms that engage in philanthropy have better performance (Niehm et al., 2008). However, the directionality of this effect is not clear. Therefore, we need to better understand when does practicing philanthropy result in increased performance, and how performance of the firm affects the practice of philanthropy? Other issues that require further consideration at the business level are the impact of philanthropic practices on the level of political influence that family enterprises have in a community, and the level of trust that external and internal stakeholders develop towards these firms. All of these issues could help us better understand the benefits and costs associated with philanthropic practices.

The study of outcomes should also focus on the perceptions that external stakeholders have about the family and the business, and whether these perceptions can act as sources of competitive advantage.

Researchers argue that stakeholder perceptions are important because they can impact the legitimacy, financial performance, and moral capital of the firm (Barnett, 2007; Chiu & Sharfman, 2011; Godfrey, 2005). Therefore, future work could explore whether and how engaging in philanthropy results in positive, neutral, or negative reputations for the family enterprise. Other areas to explore include whether, how, and when the practice of philanthropy helps next generation family members develop professional skills and capabilities, and the relationship between the vehicle through which philanthropy is practiced and the different outcomes.

Methodological Considerations

Our review suggests three methodological considerations when developing future research about philanthropy. In their work, Everet and colleagues (2015) highlight the importance of considering multilevel relationships when exploring family firms. Building on this, we believe that future researchers can benefit from multilevel considerations when exploring philanthropy. For example, we could study how antecedents at different levels combine to affect the practice of philanthropy, as well as the different outcomes associated with philanthropy. A second methodological consideration is the lack of discussion of the combined effects of both family and business motives or outcomes when studying philanthropy. Although practitioners and academics both suggest that philanthropic activity can be motivated by multiple family and business motives, there is no systematic exploration of how the combination of these motives work.

One characteristic that is generally overlooked across all the areas of existing literature is the importance of the cultural context to understand philanthropy. Research about philanthropy in family enterprises has been dominated by studies conducted in the US. A reason for this is that philanthropy has a longer history in the US where there are legal, political, and economic policies that promote philanthropic behavior (Rey-Garcia & Puig-Raposo, 2013). Because policies vary across countries, these findings may not be generalizable to other cultural contexts. This is evident when comparing studies conducted in China (Du, 2014; Zhang et al., 2012) with those conducted in Italy (Campopiano et al.,

2014) and in other areas of Europe (Cruz et al., 2014) or the US (Bingham et al., 2011; Dyer & Whetten, 2006). Therefore, an important methodological issue for future research is the role of cultural context in interpreting the motives, practices, moderators and outcomes associated with philanthropy.

Other Important Topics in Philanthropy

A topic that has interested family business scholars is the comparison between family and non-family firms. Family firms are said to have unique competitive advantages and characteristics that make them act differently than non-family businesses (Sirmon & Hitt, 2003). An interesting observation about research in philanthropy is that only six studies compare family and non-family firms, and four of them find no differences between the extent to which ownership affects the practice of philanthropy (Atkinson & Galaskiewicz, 1988; Cruz et al., 2014; Dyer & Whetten, 2006; Niehm et al., 2008). One of the reasons for the lack of differences may be that these studies measured philanthropy using CSR databases, which make it difficult to precisely assess philanthropic practices and donations. It would be interesting for future research to continue to explore this area and see whether there are differences between family and non-family businesses based on firm size and how philanthropy is measured.

Another understudied aspect is how philanthropy is funded. In the context of family enterprises, financial resources can come directly from the business, from the dividends to the family (and other shareholders), or from financial resources of family members. We believe that the way philanthropy is financed can have important implications for what vehicle is used to practice philanthropy, how philanthropy is governed, and which motives and goals have priority when making philanthropic decisions. It may be that when the funding source is the family member, family driven motives will be more relevant. On the other hand, when funding comes exclusively from financial resources of the business, business-related motives may be more prevalent. In each of the cases, the governance and the involvement of family in governance issues may be different. Therefore, future research needs to explore the financial aspect of philanthropy in family enterprises. Governance (i.e., the process and structures used to manage and direct the business affairs and accountability of philanthropic endeavors; Gersick &

Feliu, 2014) of philanthropic activities is another topic that is understudied. None of the sources in this review talked about governance issues in philanthropy outside of the family foundation. Given the important role of governance, future research should explore the different mechanisms that family enterprises use to govern their philanthropy, and how these governance structures affect the decision about philanthropy. This could benefit practitioners who work with entrepreneurial families in developing their philanthropic practices.

Concluding Remarks

Our review comes at a time when there is an increased interest in the socially responsible actions of individuals, families and businesses. As family enterprises are more involved in philanthropy, scholars and practitioners have a great opportunity to conduct research in this area. This review synthesizes the current knowledge of philanthropic practices from both the academic and the practitioner points of view to capitalize on the unique knowledge these two areas of research bring to our understanding of family enterprises. We summarize how philanthropy is defined, the motives that drive it, how it is practiced by family enterprises, and the outcomes associated with philanthropy in family enterprises. Despite the important contributions of the literature in the last twenty-six years, there are gaps in our understanding that need further exploration. We have written this review to provide a roadmap for future research and we hope that it will spur more interest in a phenomenon that lies at the crossroads of family, business, and society. For academics, the exploration of philanthropy can provide understanding about alternative vehicles that can help in the preparation of future generations, in the creation and transmission of legacy between generations, and in the relationship between family members. For practitioners, a better understanding of philanthropy can help when assisting entrepreneurial families that are concerned about their legacy, the education of future generations, and creating spaces for the family to work together.

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Chapter 3: Governing the Family Enterprise: Practices, Performance and Research

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Chapter 4: Governing Philanthropy in Family Enterprises.

INTRODUCTION

Organizational researchers are increasingly drawn to family businesses because they illuminate so many important models and theories: family dynamics and human development, theory of the firm, agency theory, economic development, labor market theory, social capital theory and many others. Consultants and professional service providers are also attracted to family enterprises as clients. In fact, over the recent decades, there have been many more professionals working with family firms than studying them. As a field, our best opportunity to maximize our understanding of family businesses is to utilize both of these sources of data on family firms; that is, to integrate formal research and theory with documented implementation experience to build a platform for future development.

This is critically important in the area of governance. Research on corporate governance has proliferated in recent decades, generating a huge literature on the legal, financial, and strategic control of organizations. But a very small part of that research has taken into account family ownership and the special nature of family firm governance over time and across generations (LeBreton-Miller and Miller, 2009). In particular, only a few researchers have looked at governance systems as they are actually implemented in family firms, assessing their successes and failures in overseeing such core outcomes as ownership continuity, business performance, stakeholder benefits and satisfaction, emotional ownership, leadership development in sequential generations, and entrepreneurship.

Similarly, the primary interventions by consultants in the family business field over the past three decades have been in governance: family councils, family assemblies, boards of directors, family offices, family foundations, shareholders agreements, and financial planning tools such as trusts and limited family partnerships. However, publications based on that body of work very rarely go beyond the descriptive, and sometimes prescriptive. Consultants offer advice based on their experience, and rely on logic and common sense to persuade potential clients that they see the problem accurately and the solution clearly. Where there is research evidence some advisors make use of it, but many of our often-repeated "best practices" are supported by face validity rather than empirical assessments. We have come to a moment of challenge to our understanding of governance in the field. If we are to move forward we need to consolidate the existing empirical work and integrate it with what has been learned from experience, to generate both a confident basis for our advice to families, and a comprehensive agenda for future research.

In this chapter we review the existing literature on governance implementation in family enterprise. The chapter begins with a brief discussion of the domain of governance, first in corporations in general, and then in family business in particular. Then we review the literature on governance implementation in the business, ownership, and family circles, sampling both the academic research literature and the reports of professionals in the trade and general press. We reviewed more than 400 articles and books, and have included over 200 in the bibliography, but this is only a sample. In making choices about which publications to include, we considered direct relevance in the practitioner articles, and research design, contribution, and cites by others for the academic papers. We have also relied heavily on our own professional experience with hundreds of business families over the past 30 years, which undoubtedly shapes our interpretations of the body of research and our proposals for filling gaps. Each section ends with suggestions about the most promising areas for future work, and the most interesting dilemmas for the continuing evolution of our research canon.

DEFINITIONS AND DOMAIN OF FAMILY BUSINESS GOVERNANCE

Pieper's (2003) excellent review reaches the conclusion that there is no consensus on the definition of governance, either in corporations in general or in family enterprise. Keasey et al. provide one often-quoted definition for corporate governance in general: ‘Corporate governance is the process and structure used to direct and manage the business affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking into account the interest of other stakeholders’ (1197: 288). This is a somewhat different focus from the perspective of researchers in economics or finance: ‘Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment’ (Schleifer and Vishny, 1997: 737), or the law: ‘Corporate governance refers to the monitoring and control over how the firm's resources are allocated, and how relations within the firm are structured and managed' (McCahery and Vermeulen, 2006:1).

In these professions, governance refers to ownership of business organizations (in fact, governance and ownership are often treated as synonymous) (Carney, 2005). In two ways, that is too limited for our purposes. First, ownership is a financial and legal reality; governance is an organizational one (Uhlaner et al., 2007: 227), including both structural and process components. In this review of governance practices in family enterprise, we are not only interested in ownership rights, but rather in how oversight and control are exercised, and in how governance contributes to firm performance.

Secondly, we are using governance in reference to all of the sub-sectors of a family enterprise, not just the business ownership, because what is being governed is the family capital in all its forms: financial, human, intellectual, social, and organizational (Hughes, 2004; Sharma, 2008). Family enterprise governance oversees all the collaborative operations of the family, including wealth management, philanthropy, and human development (Gersick, et al., 1997; Neubauer and Lank, 1998; Lansberg, 1999; Mustakallio et al., 2002). Goldbart and DeFuria give an example of a very different definition of governance, appropriate particularly for family business: 'Governance is the means of stewarding the multigenerational family organization...[It] establishes the processes whereby: strategic goals are set, key relationships are maintained, the health of the family is safeguarded, accountability is maintained, and achievement and performance are recognized' (2009: 7). This chapter uses this broader definition as its domain for governance implementation, reviewing the research and professional literature on the practice of governance in family enterprises.

THEORETICAL MODELS FOR GOVERNING THE FAMILY ENTERPRISE

In contemporary organizational studies, the dominant theoretical foundation for research on corporate governance is agency theory (For a full discussion of agency theory in family business governance see Goel et al. in this volume). Agency theory focuses on the differentiated needs of two categories of stakeholders: principals (the owners) and agents (their employed managers) (Berle and Means, 1932; Jensen and Meckling, 1976; Fama and Jensen, 1983; Jensen, 1993). The goals of principals and agents are inherently different, and since the prime purpose of the corporation is to serve the economic interests of the owners, it falls upon them to design mechanisms (governance) to control the behavior of their agents so that the organization operates in service of the owners' interests. However, those control mechanisms come with costs. Minimizing agency costs is therefore an important contributor to organizational success, and a useful measure of governance implementation and effectiveness[1].

However, the agency model is more complex in family-controlled companies with the addition of a third key stakeholder -- the family -- which creates additional demands for appropriately balanced and coordinated governance procedures (Corbetta et al., 2002; Corbetta and Salvato, 2004; Braun and Sharma, 2007; Lambrecht and Lievens, 2008). With this elaboration, agency theory merges with the dominant conceptual model for family business, the Three-Circle Model. This model, first articulated by Tagiuri and Davis (1996) and elaborated into a three-dimensional developmental model by Gersick et al. (1997), conceptualizes family enterprise as a Venn diagram of three subsystems -- the owners, the business (or other operating organization[s]), and the family -- each with its distinctive membership, agenda, and developmental processes. The Three-Circle Model helps clarify the tasks and purposes of governance in reference to each of the key subsystems -- the essential work that governance must accomplish if the family enterprise is to succeed -- and therefore the basis for evaluating governance implementation in research and practice.

In the **ownership circle**, the governance system must serve the actual equity owners of the enterprise (individual, partners, and/or shareholders). Its goals and obligations in this circle are to protect both the security of the asset base and the return on those assets. The specific tasks of governance include establishing and monitoring the structures that actually hold the owners' equity, guaranteeing compliance with all legal and accounting requirements, setting risk and return parameters and tracking all of the data on performance, generating capital from whatever sources are most advantageous, communicating effectively with current (and sometimes prospective) owners to minimize the cost of capital, determining the amounts and formats of distributions, and all other tasks that serve the owners as investors. These tasks are most often carried out by a board of directors, but that depends on the legal form of the organization -- they can also be assigned to partners, trustees, or the sole or controlling owner as an individual. Governance failure in this circle risks loss of capital if owners lose confidence in the enterprise as an investment.

In the business circle, the governance system must serve the operating company, most often through its executives and managerial leadership. Here governance adds value by determining and enforcing standards for executive performance; articulating the core values and cultural norms that the governors expect managers to rely on in making choices and decisions; defining short- and long-term strategies; overseeing human resource management; and all other tasks of selection, supervision, assessment and development of the senior operational executives that maximizes their performance in line with the overall objectives of the owners. Especially in closely-held businesses, well-functioning governance also helps to avoid destructive interference by individual owners into the domain of management, which if unchecked can undermine professional management as much as neglect. Once again, these tasks are most often assigned to a board of directors[2], but the structure may vary. Governance failure here carries the risk of *loss of competitiveness*.

Those first two sets of governance tasks are generic to all corporations. It is the governance tasks in the **family circle** that are distinctive in family enterprise. Here the effectiveness of governance depends on its ability to serve the needs the family, extending beyond current shareholders to include all those who are related by blood, adoption, or marriage and share a psychological sense of enterprise ownership -- past, present, and future. The purposes of governance in this circle are to clarify the demands and rewards of family membership in relation to the business, to define and communicate the opportunities for involvement in all of the family's collaborative ventures, to facilitate information flow in ways that maximizes trust and minimizes manipulation, to establish and oversee the non-business/non-financial aspects of the enterprise (often including philanthropy), and most of all to enhance a sense of belonging throughout the extended family, across the subcategories of branch and generation. When governance in the family circle is working well, it nurtures the emergence of the family's shared dream (Lansberg, 1999; Gersick et al., 1997), and then it structures the operationalization of that dream in organizational practice. Governance failure in this circle risks *loss of commitment* and, as a result, *loss of continuity*.

It is the effort to balance the agendas of these three classes of stakeholders -- owners, managers and employees [agents], and family -- that sets the agenda for governance, and the criteria against which research on governance implementation can be assessed. Therefore, we have organized this chapter around the Three-Circle Model, dealing in turn with governance implementation in ownership and the business, and then in the family.

RESEARCH ON GOVERNANCE IMPLEMENTATION IN THE OWNERSHIP AND BUSINESS CIRCLES

Although the purposes of governance are different when serving the needs of owners and managers, the structures for governance implementation are the same in these two circles. Therefore, to avoid duplication in reviewing the body of research, we have combined the literature review for those two circles. We review the core research literature on boards of directors first, and then cover the much smaller body of work on other governance mechanisms: blockholding, dual stock classes, CEO/Chair duality, shareholder agreements, shareholder assemblies, and trusts.

Boards of Directors

In contemporary private-enterprise economies, nearly all legal systems specify some kind of board of directors as the ultimate governance authority in a corporation (Mintzberg, 1983; Fama and Jensen, 1983; Cadbury, 1992, 1999; Monks and Minow, 1996; Gomez and Moore, 2009). The literature on boards in general is large; the literature on boards in family businesses is still very small (Bettinelli's review concludes: ‘Research on family business boards is almost nonexistent’ 2011: 152). Furthermore, most of the research on boards that does exist draws samples primarily from family-controlled, publicly-traded companies, rather than from the much larger group of privately-held family companies, despite the prevalent advice from practitioners that they too benefit from well-functioning boards (Teksten et al., 2005; Voordeckers et al., 2007).

Board Structure: A high percentage of the general organizational literature on boards of directors looks at the basic demographics and formal structure of the board, primarily the number and type of directors and the makeup of board committees. Some of the research is purely descriptive, while other studies look for associations between various characteristics and firm performance.

Board Size: The earliest and still most common research topic on boards of directors concerns the number of directors. Finegold and Lawler, in a recent survey of a sample of Fortune 1000 company directors, concluded that board size has been relatively stable in recent years, averaging just over 10 members, including the CEO and one or two other insiders (2009). The consensus is that smaller boards are more efficient, but in the extreme may limit the available range of skills and expertise among directors (Setia-Atmaja et al., 2009). Lane et al. (2006) summarize a group of studies and conclude that the optimal range for public, non-family firms is 5-9 directors, and 7-12 for family controlled companies. There is some discussion of the special advantages of larger boards in family controlled companies, in part to satisfy representational dynamics among family shareholder blocks (usually family branches) and in part because the concentrated authority of founders and large family blockholders is less dangerous within a larger group of directors. However, researchers in Europe have reported samples of family businesses with smaller boards than their non-family counterparts (Navarro and Ansón, 2009). We found many suggestions from practitioners on the preferred size of a family business board (Ward, 1989, 1991), but no empirical findings on the consequences of board size for board performance in family firms.

Categories of Directors: No topic in the general governance literature has generated more heated debate than the optimal mix of directors from management, ownership, and outside the company (for example, Baysinger and Hoskisson 1990; Judge and Zeithaml, 1992; Raheja, 2005). Practitioner and academic authors have traditionally favored strong, independent boards (Johnson, 1990; Pendergast et al., 2011), especially following the high-profile governance failures of the past decade, and the legislative responses such as Sarbanes-Oxley. In one of the few empirical studies, Millstein and MacAvoy review the recent history of boards from the legal perspective, and then test two measures of board professionalism, concluding that there is ‘a statistically significant relationship between an active, independent board and superior corporate performance as measured by earnings in excess of costs of capital over the industry average’ (1998: 1318). They also offer some hypotheses about why most research produces mixed results on the link between board structure and firm performance (complexity of the causal links, environmental events, and non-transparency).

In the family business literature, academics and practitioners alike have been nearly unanimous in endorsing the value of a strong board of directors with a presence, and often a majority, of independent outside directors (Zall, 2004; Brenes et al., 2011; Pendergast et al., 2011). This is one of the most frequently recommended governance ‘upgrades’ for family firms of all sizes, from small privately-held ventures to large traded firms (Jaffe and Lane, 2004). Sir Adrian Cadbury, commenting on the application of his influential report on family enterprise in the United Kingdom to family firms, summed up his conclusions with, ‘the continuing success of a family firm is best assured if it is headed by an effective Board...One with competent, independent-minded, outside directors on it’ (Cadbury, 2000: 33). The most consistent and articulate academic voice for this view has been John Ward, who along with his colleagues, in numerous articles and presentations and more than a dozen books, has made the case for independent family business boards (Ward, 1988, 1991; Ward and Handy, 1988). Ward's recommendations are always well argued, and he has probably had more influence on the field's normative consensus on governance structure in family businesses than anyone else.

But the support for independent boards in the family business literature has not been unanimous. Ford (1988, 1989) raised a challenge to the assumption that outside directors add benefit: ‘Unfortunately, there is a noticeable lack of empirical data to support the notion that outside directors actually make a difference on the boards of directors of privately-owned firms’ (1988: 50). Ward's rejoinder was that, while the data on firm performance and board composition in family firms was still scarce, a purely financial assessment of the impact of non-family directors is only part of the story (1989). He and others argued that there are corollary benefits from a professional board that may not be picked up by traditional secondary analyses or surveys (most of which have extremely low return rates). The existence of a board, especially if it includes directors who are not employees or advisors of the controlling owners, leads to more transparency, more objective decision-making, more data-based evaluations and career oversight for family employees, more efficient use of executive time and meetings to accomplish governance tasks, and as an overall result, a higher probability of continuity. Reporting on the results from 360 responses to their Family Business Board Survey, Pendergast and his colleagues found that only 48 per cent of those family companies self-define as having a ‘functional board’; 67 per cent consider their board ‘effective’ or ‘highly effective’ with a steep curve from 54 per cent among those who have a family-only board, 83 per cent of those who have two or more independents, and 96 per cent of those who have a majority of independent directors (2011: 252). The self-report data is strong, and the data on board task activities and business performance may follow.

However, in both public and closely-held companies, whether or not family-owned, the research findings to date on independent directors are mixed. In the general corporate governance literature, research on the impact of independent directors on firm performance, share value, strategy, and operations most often finds little or negative impact (Agrawal and Knoeber, 1996; Coles et al., 2001; Daily et al., 2003; Bartholomeusz and Tanewski, 2006; Gordon, 2007; Finkelstein et al., 2009), and in some cases a decrease in firm performance when the percentage of independent directors goes up (Schulze et al., 2001). Other studies have reported a positive effect of independent boards under certain conditions (Baysinger and Butler, 1985; Filatotchev et al., 2005; Han and Celly, 2011), usually later in the firm's life cycle. Some studies, especially in non-US economies, find a positive impact of an independent board on firm value or lower cost of capital, while not measuring firm performance (for example Yeh and Woidtke, 2005). Earlier work by Yeh and colleagues (Yeh et al., 2001) found that, in a Taiwanese sample, the combination associated with the highest firm performance was high family ownership and low family representation on the board -- an intriguing finding that suggests important follow-up research to test its cultural specificity. Overall, for public corporations as a whole, the record is inconclusive. As Gordon (2007) put it, ‘Independent directors -- that is the answer, but what is the question?’.

For large family-controlled corporations, the strongest data on this topic are the extraordinary findings of Anderson and Reeb (2003, 2004) on family control in S&P 500 firms. These researchers are best known for documenting that family-controlled publicly traded companies outperform their non-family counterparts on a variety of profitability and market measures. However, they also looked deeper into the ownership and governance mechanisms that may lead to that advantage, and found a strong positive effect on firm performance in those family firms with greater board independence (they found no similar benefit from independent directors in non-family firms.) Going further, they found a curvilinear relationship between board structure and firm performance.

> At low levels of family board representation relative to independent director representation, increases in the presence of family directors exhibit a positive relation to firm performance. But after the ratio of family board representation to independent director representation exceeds 0.50 (one family director to two independent directors), firm performance deteriorates. At higher levels of family representation relative to independent directors (beyond one to one), firm performance deteriorates even further (Anderson and Reeb, 2004: 224)

They conclude that independent directors provide direct benefit in 'tempering agency problems between founding-family owners and outside shareholders' leading to 'performance premiums for family firms with greater levels of board independence relative to non-family firms or family firms with insider-dominated boards' (2004: 231). They do acknowledge that they are making causal inferences from correlational data, so they call for more detailed follow-up research on board structures, committees, nominating procedures, and the implications of these findings for smaller firms.

In both the general corporate governance literature and the work on family companies in particular, after several decades of inconclusive results looking at different percentages of directors from each category measured against a wide range of performance indicators, the tone of the research is changing. More authors are moving away from a blanket endorsement (or critique) of independent-director-dominated boards for all family businesses, and advocating the need to be situational, concluding that not one board style fits all (Corbetta and Salvato, 2004; Lane et al., 2006). They call for much more specific research linking board configurations to company lifecycle, industry, history, and particular task responsibilities (Sharma et al., 1997; Nicholson et al., 2009). For example, R&D firms may need more insiders who know the technology and the players; larger, diversified firms need a broader range of expertise, and therefore a larger board (Coles et al., 2001, 2008). Additionally, some authors suggest a transitional stage of an advisory board, to help overcome family fears about losing control. Lambrecht and Lievens (2008) see this structure as a way to introduce outsiders in a "safe mode," as it has no legal status (the power remains in the hands of the owners) and it is easily dissolved.

There are also calls for clarifying the role of outside director in the family business board. Some writers suggest that for family companies, purely independent directors may not be as important as 'affiliate' directors, who are not family members or managers, but who come to the board with a prior business connection, professional service history, or investment link to the family or the company. Jones et al. (2008) for example, found that directors of this type have valuable information and familiarity with the family firm, and more at stake, than unaffiliated independents, and therefore offer specific value in encouraging product diversification, overcoming a family-firm bias toward persistence with over-mature product arrays. Practitioners are also calling for more specific guidance from outcome research to that they can design board development interventions and better orientation for new directors, helping them 'fulfill the functions they are uniquely positioned to serve within family companies that have public shareholders' (DeMott, 2008:825).

In particular, it is vital to further investigate the suggestion from several key studies of a curvilinear relationship between family engagement in governance and performance (Anderson and Reeb, 2003). These studies suggest that for the first generation of entrepreneurial firms, focused on survival and growth, more family involvement is better, aiding capital retention, lowered costs of labor, and high energy and commitment. But as the firm matures, especially after the departure of the founder, less family involvement on the board may be correlated with better financial performance, more appropriately aggressive risk-taking and growth, and more accurate assessment of successor family managers. If those findings hold up across a variety of situations, it would be extremely valuable to practitioners as a guide to their advisory work with families on evolving the structure and membership of the board across time.

In addition, for the more complex family enterprises, the questions of board structure, composition, and size need to take into account the overall organizational structure (Jara-Bertin et al., 2008). Which board? Serving what governance purpose? For example, the owners/investors may form a holding company, a family partnership, or a private trust company, each requiring a separate governing board to oversee their asset-management and asset-allocation functions. At the same time, in the business circle each operating company may have its own board, also with governance responsibilities but for a different set of constituents, with very different demands.

Actually, the list of potential boards in the complex, later-generation family enterprise is longer, including the family office board, the family foundation board, the boards of subsidiaries and joint ventures, and the ‘pseudo-board’ created by interlocking groups of trustees. As a result, the questions of insider/outsider representation, or optimal number of directors and frequency of meetings, or transparency and information flow, have no general answer. The relationships among all of these family business boards within the same family enterprise raise many interesting questions about appropriate representation, optimal number and category of directors, legal and tax beneficial structures, required expertise, goal setting for return on assets, and liquidity and exit provisions.

Finally, regarding board structure, there are also interesting researchable questions about different skill sets required for directors at different levels, and the critical issue of the allocation of the family's human capital across governance roles in these organizational hierarchies. Is it beneficial for family members to follow a maturational progression from divisional board to operating company board to holding company board? Does it serve the family's interest for that to be an automatic sequence based on age or years of service, without consideration of competencies? What about branch representation on boards -- is branch equality more relevant, or more tenacious, at one level than another, and with what consequence for both the financial and interpersonal well-being of the extended family? To date there is no broad-sample empirical data reported in the literature about the structure, function, or impact of these networks of boards in the increasingly complex structures of family-controlled enterprises.

Board Process: The literature on boards has been dominated by studies of board structure and demographics, with much less attention to board process and functioning (Forbes and Milliken, 1999; Ricart et al., 1999; Carver and Oliver, 2002). Zahra and Pearce in their excellent literature review conclude: ‘There is a wide gap between the normative literature's recognition of these board roles and empirical documentation of the extent to which each is performed in reality...There are countless lists of what boards should do. Yet, evidence on what boards actually do is not well documented' (Zahra and Pearce, 1989: 304, 325).

Some critics argue that, regardless of their makeup, boards are ill-equipped to accomplish the governance tasks that have been assigned to them, because of lack of time (corporate boards meet an average of 18 hours per year), lack of specific information (due to sheer volume and to willful withholding by managers), and lack of the full range of skills that are required (Eisenberg, 1976; Shleifer and Vishny, 1997; Baird and Rasmussen, 2007). It has been suggested that the gap between implementation and effective performance is even larger in family firms than in corporations in general, as the owners' ambivalence about board-dominated governance in general leads them to create boards and then ignore or circumvent them (Corbetta et al., 2002).

Forbes and Milliken studied boards as decision-making groups. They express a general negative view of the potential for boards, describing them as large, elite, and episodic decision-making groups -- the kind of groups particularly vulnerable to 'process losses...It is often difficult for the board to do these [control and service tasks], …and on many boards the quantity and quality of substantive interaction are, in fact, minimal' (1999:490). They posited that board functioning depends both on board demographics and on board processes such as conflict management, norms on levels of effort, and level of cohesiveness on the board. They offer a set of testable hypotheses about the direct and indirect impact of board process on firm performance. James (1999a) discusses the purposes and constraints on reciprocal relationships in governance, comparing family-based informal ties with formal contractual relationships. He generates hypotheses about the conditions that make one or the other more appropriate and effective, particularly in the extended time horizon of family continuity (James 1999b). Neither set of hypotheses has been tested.

The interpersonal process in family business boards in particular has generated a very small literature, despite the opportunity to test many family dynamics models and theories in the working context of business governance (e.g., family lifecycle models, Bowenian theory, structural family analysis, psychodynamic theories). Johnson (2004) presents a conceptual analysis of a case study, but few other articles go beyond pure description, with an emphasis on the drama of conflict. There is to date no significant empirical study relating board process (task clarity, conflict management, team development, leadership style, generational and branch collaboration and competition) to governance effectiveness (financial oversight, strategy formation and implementation, succession planning) in family companies.

Board Tasks of Special Importance in Family Business Governance: One of the board's tasks that has special meaning in family companies is determining appropriate distributions to owners (Easterbrook, 1984; Farinha, 2003). Distributions are an important governance responsibility in all corporations, affecting capital-raising and shareholder behavior in general, but in family-owned companies they take on special financial, lifestyle, and symbolic importance. Setting dividends serves the purpose of maintaining investor commitment and defusing anxiety about insider expropriation, even though in economic terms dividends are often a low-efficiency method for providing return on investment, particularly when they are paired with raising capital through debt (Shleifer and Vishny, 1986; Setia-Atmaja et al., 2009; Yoshikawa and Rasheed, 2010).

Some agency theorists argue that one of the purposes of dividends is to reduce the amount of free cash under the control of managers, in order to reduce Type 1 (owner-manager) agency risks and costs (Gugler, 2003). It is also hypothesized that dividends reduce Type 2 (owner-owner) agency costs by 'leveling the playing field' between insider shareholders (who may have a number of different financial perquisites and benefits that are not available to minority and non-managerial owners) and the shareholder group at large (Faccio et al., 2001; Setia-Atmaja et al., 2009:864). Given the importance of financial rewards, it is surprising that there is not much literature on the particular meaning of dividends in family companies, particularly the impact of percent ownership, generation in control, family branch involvement in management, geography, and liquidity needs of the family members. There is also no empirical research exploring whether or not there are typically different levels of dividends between wholly-owned or closely held family companies and family-controlled publicly-traded companies.

A second board governance task of particular importance to family businesses is succession planning. There is an extensive family business literature on succession planning; in fact, it is the most written-about topic in the field (Sharma et al., 1997; Chrisman et al., 2003). However, most of that research is on development and selection procedures, and the incumbent-successor relationship.

Only a small number of studies address the governance aspects of succession: the organizational location of control over the succession process, the role of the board, and the performance outcomes of different succession procedures (Handler, 1994). One recent paper by Phan et al. (2005) offers an excellent review of the governance dynamics in succession planning. They find only one empirical study of 'the link between succession and firm performance'. That study (Morris, 1997) found that while the succession process can be enhanced through successor preparation, clarity on the decision-making procedures, and open communication, the relationship between the process and firm performance was mixed. Phan also found a negative correlation between the stakeholder satisfaction with the succession plan, and revenue growth; that is, the more the family liked the succession process and outcome, the less well the company performed after the transition. This is a provocative early finding on a very specific governance-succession dynamic, representing the great opportunity for interesting research on this topic.

In summary, there is no area of family business research more promising or consequential than empirical investigations of the governance performance of boards of directors in family-controlled companies. The descriptive practitioner literature is extensive, but outcome research is scarce. Huse (2000) identifies four seminal review papers on board performance and impact (not specifically on family company boards, but on SME boards, which overlaps significantly but not completely with the family-controlled territory): Zahra and Pearce (1989), Pettigrew (1992), Johnson et al. (1996), and Forbes and Milliken (1999). All four reviews suggest detailed and well-considered research agendas. More recent review articles have continued the call (Daily et al., 2003; Uhlaner et al., 2007). Most of the authors offer theoretical models or extensions of classical theory such as agency, stewardship, stakeholder analysis, behavioral economics, and all end their presentations of hypotheses and propositions with a call for empirical research. It is time for the field to catch up.

Other Mechanisms of Governance in the Ownership and Business Circles

In publicly traded companies, families have other techniques in addition to board membership to exercise ownership control. Research on these ownership features has for the most part not been reported in the family business literature, even though the research samples heavily represent family-controlled, publicly-traded companies. We are including these ownership vehicles and processes in this review of the research on governance implementation, because they have a major impact on governance and are particularly important in family-controlled businesses.

1. Blockholding: This term refers to the concentration of ownership in the hands of individuals and voting blocks. The general rule is that any shareholder who owns directly or controls 5% or more of the voting shares of a corporation is a "blockholder." This ownership concentration is the classic characteristic of family-controlled firms. In the general organizational literature, there are many warnings that this kind of concentrated ownership is a threat to rational governance, but in the growing number of published studies on the impact of organizational blockholders, the results are unremarkable. For example, Bozek and Laurin (2008) found that firm performance may be negatively affected when a blockholder has the incentive and opportunity to expropriate resources from minority shareholders, but that special voting rights, as in many family firms, does not itself lead to poorer performance. La Porta and his colleagues (La Porta et al., 1999, 2000) analyze large samples of international data on ownership dispersal, generally finding that the weak regulatory and judicial conditions that exist in most non-US economies favor family consolidation of governance authority[3]. A fair summary of this literature would be that there is no strong evidence of a general detrimental impact of blockholding (Holderness, 2003; Ben-Amar and Andre, 2006), particularly in economies like the U.S. where there are strong legal and normative protections for the rights of minority shareholders (Burkart et al., 2003). Nevertheless, there is a need for more study of the power dynamics among large and small blockholders in family firms (Jara-Bertin et al., 2008), and in particular the governance consequences of various representation solutions.

2. Dual Stock Class Systems: This is the second control mechanism often used by families at the point when they seek outside capital, and transition from a privately held to a traded company. In these companies one class of stock, widely traded or at least transferable, holds the majority of the equity of the firm; a second class of stock, very closely held (in these cases most often within the family, or even in one sector or generation of the family) controls the governance (voting) rights (Masulis et al., 2008). The most common ratio is 1:10; that is, each supershare carries 10 votes (Gompers et al., 2007). It is estimated that 5-8 per cent of U.S. publicly-traded corporations have more than one class of common stock. Economists who study corporate finance have suggested a

negative impact of supershares on the ability to attract investment capital, and hypothesized Type II agency costs of expropriation of minority shareholder rights and benefits by the controlling elite (Harris and Raviv, 1988; Bebchuk et al. 1999; Bozec and Laurin, 2008). But other studies have found no overall detrimental effect in family companies (Grossman and Hart, 1988; Barontini and Caprio, 2005; Villalonga and Amit, 2008). The consensus is that dual-class stock structures are very effective at warding off potential hostile takeovers, and while they definitely carry some cost in the capital markets, that is often seen as worth it to insiders (Gompers et al., 2007). DeMott (2008) suggests that some wealthy owners will gladly sacrifice a marginal portion of share value to secure continued control. Nevertheless, there are situations where single-class, one-share-one-vote rules appear to lead to better choices and more merit-based decisions, particularly when assessing the performance of managers (Harris and Raviv, 1988). Studies on the impact of dual-classes of stock on generational dynamics among family branches, board performance, and succession planning in family firms has not been reported.

3. Chair/CEO Role Duality: One aspect of corporate structure that has generated some empirical research concerns the advantages or disadvantages of the same individual serving as board Chair and CEO (duality). The U.S. tradition has been to emphasize efficiency and alignment, leading to more frequent duality. In Europe and the old British Commonwealth, with a stronger tradition of checks and balances, the roles are rarely combined. But the situation may be different in family firms. Bartholomeusz and Tanewski, for example, found that family firms in an Australian sample were four times more likely than non-family public firms to have one individual as CEO and Chair (2006); Navarro and Ansón (2009) found that 55 per cent of their sample of Spanish family businesses had one person serving in both roles. Kor (2006) found a similar percentage in Asian family firms.

For publicly traded corporations in general, there are numerous studies testing the impact of duality vs. separation on performance, operations, strategy, conflict, liquidity, cost of capital, reputation in the market, and human resource management. However, as in the other topics of governance assessment, no conclusion seems to be very strongly supported. The trend in the US over the past two decades has clearly been toward separation of the roles, as endorsed by the Sarbanes-Oxley requirements for publicly traded companies (Braun and Sharma, 2007). However, there are a growing number of studies challenging the empirical justification for opposing duality in family firms (Boyd, 1995; Baliga et al., 1996; Coles et al., 2001; Daily et al., 2003; Kor, 2006; Braun and Sharma, 2007). For example, Braun and Latham (2009) found that in a recession, dual leadership companies recovered faster. Daily and Dollinger's early work (1992) on owner-managed and professionally-managed family companies found a small, non-significant advantage for duality. Westphal (1999) presents some interesting findings that even when the roles are split, strong social ties between CEOs and directors can actually improve board input in strategic decision-making, without an accompanying loss in board oversight. In contrast, there is a small literature on the entrenchment of owner-family CEOs in the face of poor performance. Hillier and McColgan (2004, 2009), for example, find that family CEOs are less likely to be fired after business downturns than non-family CEOs, independent of the CEO's personal shareholding. In addition, they report in a sample of UK listed companies (50 per cent with CEO/Chair duality) that stock prices, sales growth, and employment all climb following the departure of a family CEO, if the successor is not a family member (see also Pérez-González, 2001). It may be that in good times, duality fosters efficiency and lowers agency costs; in bad times, it insulates poor executive performance and slows needed change. There is clearly a need for more specific research on duality in family companies that takes into account industry, generation of the leader, board membership and activity, and capital structure.

4. Shareholder Agreements: Shareholder agreements have been traditionally discussed in the literature as part of the legal and financial infrastructure of the business, but not as a governance tool. They are most often drafted to control the transfer of voting shares, in order to restrict dispersal, to retain desired balance among family branches through a sequence of rights of refusal for tendered shares, and/or to specify the process for valuation in an effort to reduce conflict in within-family transfers. The governance implications of these agreements are becoming better understood, alongside their tax and financial consequences (McCahery and Vermeulen, 2006), but the core governance questions have not yet been addressed. For example, what is the link between the terms of the share-transfer provisions and the engagement of branches in the succession process? Do liquidity options available to minority family shareholders affect the engagement of family members and branches in governance, and if so, with what consequences for process (board-manager cooperation or conflict)

and outcomes (firm performance)? What difference does it make to governance if in-laws are permitted to be owners, either through inheritance, gift, or divorce?

A special subcategory of shareholder agreements with particular relevance to family companies is prenuptial agreements. Like all forms of shareholder agreement, these are designed in part to control the dispersal of ownership shares, in this case as a result of (usually later-generation) marriage. Once again, there is a fairly broad descriptive literature about prenuptial agreements (Estess, 1996), and some informal literature by legal and other advisors either advocating or opposing them in principle (Griffiths, 2011), but no systematic empirical research on their impact on governance process, firm performance, and ownership continuity, or on their effect on the process of sibling partnerships and cousin consortiums (for example, are talented and appropriate in-laws still eligible for board service if a prenuptial prohibits them from inheriting shares, and if so, are they entitled to distributions that may be available to other directors?).

5. Shareholder Assemblies

The shareholder assembly is typically described as an expansion of the company's annual meeting, a standard in corporate governance. Well-designed shareholder assemblies are usually organized so that owners hear from business leaders about company performance, interact with the board of directors, and ratify (sometimes with discussion or even debate) the overall strategy and financial plans of company leadership. The shareholder assembly also typically elects the family directors.

Family business advisors have routinely advocated convening such meetings as high-involvement, face-to-face events, rather than relying on the proxy-based rituals that are common in traditional public companies. Consultants have written about the benefits of integrating geographically-dispersed family branches; highlighting company accomplishments in an effort to sustain long-term financial commitment; motivating potential next-generation members to be willing to participate in governance by filling family-designated seats on boards, councils, and committees; demonstrating family engagement to employees, managers, outside directors, and current and potential investors; and explaining or justifying decisions about distributions (Elstrodt, 2003 ; Poza, 2008). However, the impact of the design, attendance, and agenda of shareholder assemblies on the board and managerial behavior that follows, on relationships among shareholders, or on company performance in family firms remains to be studied.

Sometimes in the descriptive literature and in practice, shareholder assemblies are not clearly distinguished from family assemblies, which appropriately belong in a different circle with different membership, tasks, and sources of legitimacy. In first-generation controlling owner businesses, there may be no practical difference. However, as the company grows and there are both owners and non-owners in the expanding family, the distinction has important governance implications. For example, especially in families who have a newly formalized governance structure, the shareholder assembly may elect the family council, which may be a practical convenience but actually is not a shareholder responsibility. Alternatively, sometimes family assemblies take in upon themselves to select family directors, also a blurring of the circles unless the shareholders have formally delegated that task to the council. In either direction, this crossover can be a transitional step, when the family is too large for all members to participate actively in governance, but not large enough to support separate gatherings of current shareholders and the extended family. This illustrates a core gap in the governance implementation literature. Research on the optimal timing of a separation of ownership and family governance, and the performance and continuity consequences of being either "too early" or "too late," would be a significant contribution to the literature.

6. Trusts, Private Trust Companies, Estate Planning, and other Wealth Transfer Structures and Mechanisms

Even further from the mainstream of governance research are the systems that families put in place to preserve and transfer wealth. These structures are discussed in the legal, financial, and business literature as financial entities, but they also have serious governance implications, both obvious and hidden. The use of trusts as estate planning tools, primarily to shield large inheritances from taxes, exploded in the second half of the 20th century. As state and federal laws permitted and encouraged a wide range of trust structures, clients turned to their legal advisors to suggest best practices. Hughes (2004) was one of the first voices to point out that the criteria that attorneys used to choose trustees and frame their roles -- financial expertise, credibility, and dependability -- were ignoring a critical part of the role. Trustees are governors. During the settlor's lifetime, they have ready access to his/her judgment and priorities. But what about subsequently? Trustees fulfill their fiduciary responsibility to the beneficiaries by making critical investment choices, and in many cases those choices have profound impact on strategy, financial structure and risk profiles, and viability of the companies -- which often come to be owned not by the family descendants of founders, but by the trusts themselves. Some of the newer structures, such as private trust companies, may add even further to the governance complexity.

Professionals have begun to think and write more about the governance aspects of wealth transfer in families. However, a significant, formal research literature has yet to emerge testing the effectiveness of various solutions, such as the impact of the particular kind of trust (for example revocable, irrevocable, GRATs, GRITs, generation-skipping, beneficiary-controlled) on performance in the owned companies. This is a great opportunity for legal scholars and family-business researchers to collaborate on investigating the consequences beyond tax minimization of trust design: for example, the policies for the selection of initial and successor trustees, the trustee-director relationship, the role and membership of private trust company boards, differences in the behavior of successor generations depending on whether they are outright inheriting owners or trust beneficiaries, consequences of the age at which the beneficiary has access to trust capital, and the impact on governance and strategy of different kinds of trustees (such as institutional trustees, family trustees, and private trust companies). The number of significant family-controlled enterprises that will become trust-controlled in the coming decades greatly increases the urgency of generating good data and analyses as soon as possible.

Summary of Governance Implementation in the Ownership and Business Circles

A very high proportion of the published literature on governance concerns boards of directors. The practice literature is strongly supportive of independent boards for family enterprise. The research literature lags behind (true for non-family businesses as well). Correlational data on the relationship between board structure and firm performance is beginning to accumulate; data on board process is still rare.

We briefly summarized the literature on six other governance topics in the ownership and business circles that have particular importance for family enterprises: blockholding, dual class stock systems, CEO/Chair duality, shareholder agreements, shareholder assemblies, and trusts. For all of these topics, there is some research on their design and operation in corporations in general. What remains to be developed is a broad literature on their particular implementation in family owned and controlled companies, and the integration of financial, legal, business, and family variables in assessing their impact on governance and continuity in family enterprise.

GOVERNANCE IN THE FAMILY CIRCLE

We are stretching the traditional definition of governance when we include the family circle, because there are no 'owners' in a family. Nevertheless, families need governing as well -- not only in the sense that all human systems may benefit from leadership and structure, but because business-owing families have organizational work to do as *families*, and their ability to do that work efficiently and effectively has material consequence for business and financial operations, and for the preservation of family wealth.

However, we are not proposing that all aspects of family process are usefully called governance. There is a difference between family relationships, harmony, or communication, and governance. Family governance is specifically concerned with enterprise goals. We consider the family to be engaged in governance only when they are attending to the financial and operational interdependence of family members in their businesses, foundations, offices, investment portfolios, and assets held in common. This distinction is important because it provides the justification for formalizing family governance, while freeing the family to think about its organizational control functions separately from its network of personal relationships.

Governance in the family circle, as in the business and ownership, is enacted through one or more organizational settings and procedures. We will review the literature on implementation of governance in family councils, family assemblies, family mission statements, family offices, and family foundations.

The Family Council

The family council is the board of directors for the family circle (Poza, 2009). It can be an all-inclusive, self-appointed, or elected workgroup of family members, whose main tasks are to make decisions about the business of the family and to educate families about the enterprise (Lansberg, 1999; Dickstein, 2003; Jaffe, 2005; Goldbart and DiFuria, 2009;). Gersick et al. define the family council as ‘a group who periodically come together to discuss issues arising from their family's involvement with a business. The fundamental purpose of a family council is to provide a forum in which family members can articulate their values, needs, and expectations vis-à-vis the company and develop policies that safeguard the long-term interests of the family’ (1997:237).

Like boards of directors, family councils have been very widely advocated by family business advisors for decades (Ward, 1987; Lansberg, 1988, 1999, 2007; Herz-Brown, 1993; Aronoff and Ward, 1996; Gersick et al., 1997; Jaffe et al., 1998; BDO Center for Family Business, 2004; Jaffe, 2005; De Visscher, reported in Cruz, 2008; Poza, 2008, 2009; Parada et al., 2010). Family Business Magazine archives include almost 200 articles describing family councils. Most of the professional literature focuses on the general benefit of the council for both the family and the firm (Gray, 2009), particularly in later stages of family firm development (sibling partnership and cousin consortiums) (Lansberg, 2007; Moore and Juenemann, 2008). Advocated functions of the family council include:

- forging family consensus, and counteracting declining family bonds and low identification with the firm, as families grow and spontaneous social contacts among family members decrease (Kets de Vries, 1993; Mustakallio et al., 2002)
- articulating a family strategy for business and wealth management (Goldbart and DiFuria, 2009), including planning, rule setting, and collaborative asset allocation, which are "not natural activities for families" (Dickstein, 2003)
- limiting family conflicts that could negatively affect the business (Benson et al., 1990; McManus, 1990)
- supporting succession planning (Handler, 1994; Leon-Guerrero et al., 1998; Lansberg, 1999), particularly in facilitating the family's exploration of their "collective dream of continuity " (Lansberg, 1997), and in conveying a policy-driven, stewardship culture and enthusiasm for the business (Aronoff and Ward, 1996)
- educating and welcoming younger generations (Lansberg, 2007; Poza, 2009), as ‘a forum for lifelong learning’ (Aronoff and Ward, 1996:282)

Many articles include case stories. For example, Lamp presented the case of the first six years of the Eddy Family Council. The Eddy Family framed the role of the Family Council as the caretaker of ‘investors' relations’. They believe the family council has ‘clearly strengthened the business…and the family’ (2007:5). The author concludes that the critical conditions for the family council to accomplish its tasks are education and socialization of new family council members, and an independent budget for funding its activities. Daugherty (2009) illustrates a case of a family council that led a transition in both the management and ownership of a family firm. This case portrays the governance functions of the council, fostering and enhancing ties among family members, allowing it to frame the policies of restructuring and redesign.

Nevertheless, after 25 years of both family firm research and extensive consulting interventions in business families, there is essentially no evaluative outcome research on family councils[4]. Many articles propose roles for the family council in key governance functions, and may provide case examples, but they do not present aggregate data on the councils' implementation or performance. As a result, there is no consensus as to the design details: the most effective size, composition, frequency of meetings, election process, roles, or specific tasks of the family council. And, most importantly, there is no longitudinal, controlled research to actually test the effectiveness of family councils at achieving their objectives.

Looking forward, a first step might be the creation of typologies, which will allow testing the impact of the different legal, financial, and organizational forms that family councils take. The interesting work will be in the details: Who pays for them? How are their budgets managed? Where does the membership come from -- election, appointment, volunteerism, or some other process? For elected councils, are they at large or representative, and if the latter, representing what constituencies? What tasks tend to lead to experiences of success for council members, and what other tasks are experienced as frustrating or failed efforts?.

Second, research on the impact on council structure and process of specific family characteristics such as marital stability, variance in number of offspring across generations and branches, emigration and geographic mobility, traditions of inheritance, and gender dynamics, would add to our understanding of their governance functions. Researchers can also explore the impact of culture, geography, and ethnicity on council design (for example, Brenes et al. (2011) found that Latin American business families use Family Councils as communication facilitators, not governance tools).

Then, the most pressing need is for basic performance metrics for family councils. We need to build a body of research on the four main outcomes most commonly sought by family councils: 1) finding the family's "common ground" on business values, business culture, philanthropy and wealth management; 2) educating family members, particularly the rising generations, about the family enterprise; 3) facilitating communication between the extended family and the leaders in the ownership and business circles; and, as a result of the other three tasks, 4) enhancing the family's commitment to the enterprise. Impact studies are always difficult, requiring inspired selection of dependent measures, and most often multi-method longitudinal data gathering. But considering the extensive endorsement of this governance solution, it is clearly one of the topics most deserving of the effort.

Other Family Circle Governance structures:

Family Assemblies

Family assemblies are the periodic (typically annual) gathering of an extended family. These events often include formal meetings where information is shared about investments and operating companies, speakers and facilitated discussions, and other recreational activities that are common in family reunions. Ward argues that 'the best practice" that is most important to long-term family business growth is the process of holding family meetings' (1997: 335). Other advisors suggest that family meetings can help families achieve consensus regarding family mission, family values, and the raison d'être for the sustainability of the family business over generations (Vilaseca, 2002; Jaffe and Lane, 2004; Montemerlo, 2005 and Gimeno et al., 2006). Family Assemblies are often recommended as particularly useful in large family groups with broad geographic dispersal, highly diffused ownership, and a desire to sustain economic interdependence through subsequent cousin generations.

It is a reasonable hypothesis that shared experiences with the extended family will facilitate governance implementation: selection of directors, trustee-beneficiary relationships, capital retention, and broad support for investment and distribution policies. However, as for family councils, the overall impact of family assemblies, as well as specific operational questions such as the differentiation between family assemblies and shareholder assemblies, and the most effective frequency, agenda, and choices about who gets invited, are interesting and as yet unexplored research topics.

Family Constitutions, Protocols, and Mission Statements

Many advisors work with families on creating mission statements or family constitutions and protocols, beyond the shareholder agreements that govern ownership. The recent increase in interest in family constitutions may be in response to the maturation of a large cohort of entrepreneurial post-World War II nuclear families through sibling and multi-generational partnerships to complex, geographically-dispersed family networks (Gersick, 2002a, 2002b). In addition, popular culture presents young adults in these extended families with an unlimited array of alternative value systems and lifestyles. Senior generation leaders who are concerned about the continuity of the enterprise in this 'competitive market' for the family's attention, may use a constitution to articulate their values and culture, to formalize the ‘rules of engagement’, and to emphasize the obligations and requirements for participation in the benefits of future ownership.

Family constitutions have been seen as a nice-to-have accessory in the U.S., and more of a first-choice governance option in Latin America and parts of Europe. Brenes et al. (2011) found them to be very popular in concept in Latin America, although often not implemented or adhered to. In the U.S., they received a flurry of attention after Covey identified mission statements as a habit of successful individuals and families (Covey, 1989; McClain, 2006).

So far the literature on family mission statements and constitutions is primarily descriptive; the value is seen as self-evident by the professionals who advocate them (for example, Hauser, 2003; Coombes and Wong, 2004). Some case studies conclude a benefit of formal statements (Lewine, 2006). Other authors discuss the value of protocols to promote particular outcomes, such as ‘fair process’ (Van der Heyden et al., 2005; Blondel et al., 2001), or the avoidance of later problems such as ‘reputation exposure, wealth entropy, family division and legal costs’ (Griffiths, 2011). We could not identify any formal study aggregating governance provisions from a large sample of family constitutions, or assessing the impact or specific benefit of family mission statements on governance or family firm performance.

Family Offices

The term ‘family office’ is used to cover a very wide range of service centers, investment oversight functions, back office operations, and other support services for family members (Murray et al., 2002). Some family offices are closely linked to operating businesses, using company staff to provide financial and legal support for family members. Other family offices are actually just one individual or a collection of independent contractors from various professions, designed primarily to enhance coordination among investment, legal, insurance, and tax advisors. However, a growing number of families have created something much more formal: an independent partnership or corporation with a significant budget and staff who operate the business of the overseeing the family's private wealth. Professionals estimate that there are 3,000 family offices of this type in the US, and the number is growing annually. The concept of governance is clearly relevant for these organizations.

Once again, most of the literature on family office governance is advice-giving from experienced professionals, and case examples (for example Hauser, 2001; Families in Business, 2003 [brief articles by Maslinki, Youngman, Stern, Beyer and Brown, Patterson, and Ward]; Jaffe and Lane, 2004; Griffiths, 2011). Lansky and Pendergast (2010) offer some interesting observations that generate testable research hypotheses, such as that wealth management does not provide the same ‘glue’ for extended families as governing an operating company, that individual rights are more relevant in family office governance, and that the wide range of services make family office governance more complicated. Additional questions that are raised in case studies include: What constituencies have a legitimate right to governance authority in a family office: investor-funders, clients for services, or the entire family? What governance mechanisms work to integrate and balance the goals of these stakeholders? Can family councils effectively act as boards of directors for family offices, and if not, what structure is most effective?

The family office industry has matured well beyond its former preoccupation with service menus and the selection of money managers, and some aggregate data are emerging. The Wharton

Global Family Alliance publishes results of their research program on family offices, concluding that 'family governance is key' (Amit et al., 2008: 31; see also Knowledge at Wharton, 2008; Amit and Liechtenstein, 2009). Their survey and interview data summarize both operational practices and governance structures.

However, family office research highlights one of the special features of the family business field: a significant amount of the research that is conducted is proprietary, available only to clients or members and subscribers of private associations. For example, the Family Office Exchange (www.familyoffice.com) publishes a number of survey reports, case studies, and papers by practitioners about family offices, but they are not published in the academic literature. They are available to fee-paying members or, in some cases, for purchase by the public. This blending of fee-for-service products with knowledge generation is complicated for the field. It is not peer reviewed like journal articles, but the work may represent the insightful conclusions of experienced professionals. For example, FOX publishes *50 Best Practices for an Enduring Family Enterprise*, described as 'a comprehensive guide to the proven strategies and approaches family offices have used to improve nearly all aspects of their operations. It highlights proven governance and operational practices your management team and governing board can use' (Family Office Exchange, September 2008: List price, $4500); or *How Wealth Owners Measure Value: Evaluating the Performance of Your Wealth Advisor or Family Office* (Family Office Exchange, October 2010: List price, $1500). There are similar other sources. Campden (www.campdenresearch.com) publishes reports such as an annual *European Family Office Survey* (for 2011 entitled *Beyond Uncertainty: Family Offices Adapt to Unpredictability*. Price: $3140). The integration of valuable proprietary findings and data into the mainstream is a policy and professional challenge, discussed in more detail in the section on future research below.

Family Foundations

The research literature on family foundation governance is even more limited than the work on family businesses. There are estimated to be more than 40,000 private foundations in the US alone, and many more donor-advised funds and corporate giving programs in family-controlled companies. The Family Foundations division of the Council on Foundation has been that organization's fastest growing sector over the past several decades. Philanthropy in general has benefitted from an enormous increase in attention to professionalism, transparency, fiscal accountability, strategic planning, impact assessment, and all aspects of organizational functioning. However, the focus of the literature in the field has been and continues to be on program -- the work of grant-making, analogous to operations in the family business -- with much less attention to governance.

An early small-sample study of family foundations (Gersick et al., 1990) proposed a set of hypotheses for further study, but until very recently there had been few empirical studies of governance structure in family philanthropy. The publications that do address governance are almost exclusively case stories and best-practice suggestions written by experienced family participants in philanthropy or by professional advisors to foundations from a variety of disciplines (Esposito, 2002; Angus, 2004), or guides for regulation-compliant governance, written primarily by attorneys (McCoy and Miree, 2010). Examples of more formal research on family foundation governance include one study sponsored by the National Center for Family Philanthropy (Gersick et al., 2004), another by the Foundation Governance Project of the Center for Effective Philanthropy (CEP, 2004, 2005), and a forthcoming study on the effects of governance on grant-making strategy by Lungeanu and Ward. The Gersick et al. study of governance and continuity in multi-generational family foundations found a range of governance practices that evolved through successor generations, but in general an under-investment in board structure and development, preparation of rising generations, and operational and financial oversight, when compared with grant-making activities. The CEP study is straightforward in acknowledging that, 'given that there is no universal, comparable performance measure for foundations -- no analog to a company's stock price or profitability, for example -- it is difficult to connect governance practices to foundation performance' (Center for Effective Philanthropy, 2005: 2). As a 'proxy' for direct measures, they rely on CEO and trustee perceptions of foundation board effectiveness.

Angus and Herz-Brown (2007) found in an online-based survey that most families are 'informal' in their governance structure and processes for philanthropy, and have not specifically discussed or chosen governance procedures. Nevertheless, most philanthropy consultants observe that family philanthropy has been dramatically professionalized in recent decades, and data on governance needs to catch up. Most of the governance implementation issues described earlier for the business circle are relevant for family foundations, in particular: a) the correlates of governance behavior with foundation performance; and b) the differentiation and integration of the different vehicles for family philanthropy, including corporate philanthropy in family-owned firms, family foundations, and personal and branch giving within philanthropic families. How are each of the streams governed to collectively reflect the family's philanthropic values, and how are the family's human capital resources most optimally allocated among them? The professional literature estimates that up to $6 trillion will be transferred in the United States through philanthropy over the next few decades (Havens and Schervish, 1999; Journal of Gift Planning, 2006). The need for more quality research on governance in this sector is urgent.

Summary: Governance Implementation in the Family Circle

There is a small but developing literature investigating more differentiated family governance roles across stages of development (Leon-Guerrero et al., 1998). In particular, governance can act as a counterbalance to the negative effects of increasing family and ownership complexity (Jaffe and Lane, 2004) as the ownership governance system evolves from a controlling owner to a sibling partnership and further to a cousin consortium (Gersick et al., 1997; Lansberg, 1999; Steier, 2001). Some research addresses the consequences of increasing family complexity: decreases in entrepreneurship, capability development, business growth and family firm financial performance (Lambrecht and Lievens, 2008); a decline of family satisfaction regarding family-company relationships (Gimeno et al., 2006); a decrease in family interrelation and cohesiveness due to increasing differences in personal goals, values, and commitment to the business (Ward, 1997); and a rise in the agency cost of conflict (Schulze et al., 2001). These authors and others (Montemerlo, 2005; Vilaseca, 2002) conclude that family governance can diminish the de-stabilizing pressure of complexity and growth, and enhance the owing-family unity and commitment to the business by formalizing family-firm relationships and regulating the role of the family in the business.

But this optimistic hypothesis, endorsed in practice by most family business consultants, needs empirical testing (Astrachan, 2009). Future research can articulate the criteria that distinguish effective family governance from ineffective efforts, and to apply those criteria to both case examples and large samples to assess outcomes. This is a different task from the ownership and business governance circles, because in those cases there is an existing full literature on corporate governance, both theory and practice. The work in those arenas is to adapt, refine, and apply those theories and general hypotheses to family owned and controlled firms. In contrast, in the family circle, while there is plenty of work in print on family dynamics, relationships, roles, communication, and conflict, there is very little organizational literature on how those dynamics play out in family governance. The field is wide open for new empirical studies.

Summary: A Research Agenda for Family Enterprise Governance

New research over the past several decades on corporate governance in general, and the increasingly sophisticated studies on family business, are the foundation for a major leap forward in governance implementation research. The work of practitioners with family councils, boards of directors, family offices, succession planning, strategy, and corporate finance, has raised a clear and compelling set of hypotheses that need testing. In addition, leaders in the field are calling for research with practical implications -- relevant works that reduce the knowing-doing gap (Sharma, 2010). New web-based techniques for broad sample data gathering are widely available. A very large population of senior and junior generation family leaders have participated in executive education, joined family business forums, and been introduced to scholarship and theory in graduate programs. They understand the value of research, and are eager for normative data. There is also a growing cadre of students at all levels of graduate and professional education who are more aware of family enterprise, and looking for interesting and consequential research topics. The opportunity is there to return to the theories and models that have been presented by academics, and the prescriptions and experience of consultants, and to use rigorous sampling, data-gathering, and data-analytic tools to look at what is actually in place in family business governance and how it is working. We do have some exemplary beginnings. The 2012 FFI Best Quantitative Dissertation award was for Memili's work in just this area: an extensive investigation of the impact of governance mechanisms on firm performance, and the link between family involvement, corporate governance provisions, and profitability in publicly traded family firms (2011). Her complex analysis is a major contribution, and should be emulated.

In each of the sections above, on business, ownership, and family governance, we have summarized ideas for further research that are suggested in articles in the existing literature. In addition to these specific topics, there are a few major themes in research on governance implementation that deserve attention from multiple studies and approaches.

1. <u>The development of governance through stages of formalization and growth.</u> As the level of expertise required to govern effectively increases, and the percentage of family members in each generation who can actively participate in corporate governance goes down, roles for family members must become differentiated. There is a pressing need for more research on the ways families govern over time (for example, how families evolve from selecting family directors as a symbolic or representational right of shareholding, toward choosing individuals who are prepared to be value-adding contributors to the bottom-line performance of the enterprise). There is also an immediate need for research on the governance role of non-director family owners, particularly in family businesses owned by second, third, and later generations.

2. After 30 years of intensive advice, education, and encouragement for governance implementation in family firms, how are families dealing with ‘governance fatigue’, later-generation leadership, and the threat of inadequate talent or interest in governance? Legal and financial advisors have done a powerful job in recent decades helping families secure their financial resources for current and future generations. Their success takes some of the pressure off rising generations to commit themselves to family governance, especially the most talented, who have other attractive and lucrative options. The family business is no longer the only, or even necessarily the best, game in town as it was for the founding generations. What rewards will be required to sustain governance implementation in the future?

3. <u>More cross-cultural and international research.</u> The bulk of research on agency theory and corporate governance has been conducted on the largest US corporations. Now there is a growing body of studies from other countries, many of which highlight the dominant role of family enterprise in their economies[5]. Some of the articles point out particular features of the legal system, capital market, or cultural traditions that affect governance structures in different economies (for example, the two-tiered board system in Europe, discussed in Huse, 1998; Licht et al., 2001, 2007; Tabalujan,

2002; Pieper, 2003; Filatochev et al., 2005). Others test key hypotheses in new settings, such as the relationship between family control and organization performance in Europe (Barontini and Caprio, 2005), or the effect of weak or strong legal protection for minority owners in various countries on the felt need of controlling shareholders to maintain voting control (Morck and Yeung, 2003). However, as in the US-focused writings, there is still very little empirical research on governance implementation that goes beyond case stories and general models. Many academics are calling for more focus on outcomes and for cross-cultural replication of promising research from one region to another (Uhlaner et al., 2007).

4. Integrating research and practice. The combination of research and practitioner experience provides an excellent platform for the next stage of knowledge generation. This goal has been put forward by Sharma and Nordqvist (2008) in their article on value creation within family-owned business. Their study makes an elegant case for the uniqueness of family governance for each family enterprise based on the underlying values that each family holds. We suggest that researchers follow their initiative and look closely at family heterogeneity (Davis, 1982; Hollander, 1983; Ward, 1987; Lansberg, 1988), identifying the core attributes of family business and relating them to different governance structures and designs.

But the integration of formal academic research and practice reporting will not come easily. In the section above on family offices, we mentioned the extensive research on governance sponsored by professional associations. While some of their work is understandably aimed at advocating for their constituents, emphasizing accomplishments and successes rather than rigorously testing hypotheses, they also conduct studies that document the prevalence of governance structures, and in some cases the demographics, typical budgets, and activities of boards, family offices, and foundations[6]. Much of this research on governance implementation is in the form of case studies and aggregated experience; there is little outcome or impact research concerning governance. Nevertheless, their work provides a very promising platform for the academic researchers to build on, to the extent that it is available to them.

The association-sponsored research issue is only a special case of a more general dilemma with two parts: constraints on sharing proprietary data, and on the best methods for investigating complex phenomena. Throughout its relatively short history, family business has been a practitioner-driven field. While the involvement of scholars from the relevant social and behavioral sciences has been accelerating, it is still primarily a guild of professionals delivering services to clients while building both a proprietary and a disseminated knowledge base. The bulk of our shared understanding at present about family enterprise governance has come from their careful observations, action research, case methods, and post-hoc analyses.

However, as in all professional fields, competitive success among providers is based in part on knowing more, and having better answers, than others. It is natural for practicing professionals to be prescriptive rather than equivocal, and there is little incentive to engage in rigorous research that would highlight variability[7], or commoditize best practices. In contrast, academics have institutional and career-advancing incentives to challenge common knowledge, and a tradition that until something is true at least 95 per cent of the time it cannot be considered to be anything but chance. But they have their constraints as well. The more complicated, quantitative/qualitative designs are expensive and take too long for most academics. Longitudinal, intensive, multi-method data gathering in large samples of operating family enterprises is a dream design that will always be rare. So in a field like family business, with complex phenomena and little guiding theory, the practitioners tend to rely on untested conclusions on big questions, and the researchers focus on rigorous detail for manageable small ones.

We need to find a way to capitalize on and integrate the best of both approaches. More research needs to be addressed to the issues and fascinating unknowns of family enterprise governance in all three circles: the structure and process of boards; the fair, productive, and collaborative management of wealth; and the effective organization of families across time and generations. As that happens, we will all have to challenge well-accepted ‘common knowledge’ about governance practice and help each other keep focused on the core task at hand -- discovering what is really true so that we can intervene in ways that are truly helpful.

Notes:

1. A huge body of literature has developed to explore the conditions that either create or reduce agency costs and risks. Fama and Jensen (1983) suggested that family businesses minimize agency costs, since ownership and management are unified in the same individuals, which creates a significant advantage for family companies in the marketplace. That conclusion was challenged by other researchers, who countered that while some kinds of agency costs might be ameliorated (owner-manager costs, sometimes called Type I agency costs), a different set of costs (called Type II) were much higher --- the split between those owners in control (through majority holdings, executive roles, or both), and more peripheral and minority owners (Morck and Yeung, 2003; Morck, et. al, 2005; Burkart et. al., 2003).

2. The assignment of the board of directors to either the ownership or the business circle is arbitrary, but it illustrates an ambiguity in the Three-Circle Model that may actually be the best evidence of that model's conceptual usefulness. In fact, the board of directors must reside in both circles. How a board sorts out its different (and sometimes misaligned) obligations to the ownership and business circles on such issues as dividends, debt, risk, expansion, compensation, and career development for owner-employees, is exactly the kind of dilemma that the model illuminates.

3. There is a very large literature in corporate economics on the relationship between the level of regulatory and judicial protection of investors and the sources and cost of capital across regions and countries. This work suggests one very interesting explanation of the global prevalence and persistence of family ownership (as a capital-protection mechanism in economies with weak or unenforceable public policy), but it falls outside the domain of this chapter.

4. This may indicate that the professionals, associations, and scholars in the field have institutionalized the family council as a sign indicator that a family enterprise has been "professionalized," without any requirement to assess its functioning or impact (Melin and Nordqvist, 2007). A recent study on family firm governance practices from an institutional theory perspective (Parada et al., 2010), pointed out the influence of collective norms, such as those that emerge in professional associations, on the establishment of formalized family governance systems. Families model other families in business in their responses to the challenges they face as family enterprises (mimetic forces), and family firm associations and professionals have identified a loosely-constructed

set of best practices that are most frequently recommended to their clients (normative forces). Creating a family council is one of these practices. We agree with Parada *et al.* (2010) that institutional pressures help organizations evolve, but sometimes the structures are endorsed without attention to specific content, tasks, authority and functionally.

5. Exemplary articles include: Australia (Bartholomeusz and Tanewski, 2006; Setia-Atmaja et al., 2009), Europe (Corbetta and Tomaselli, 1996; Huse, 1998; Ricart et al., 1999; Klein, 2000; Gubitta and Gianecchini, 2002; Van den Berghe and Carchon, 2002; Barontini and Caprio, 2005; Bennedsen et al., 2006; Voordeckers et al., 2007; Jara-Bertin et al., 2008; Sciascia and Mazzola, 2008; Navarro and Ansón, 2009; Kowalewski, et al., 2010; Bettinelli, 2011), Ghana (Abor and Biekpe, 2007), Indonesia (Tabalujan, 2002), Japan (Yoshikawa and Rasheed, 2010), Latin America (Brenes et al., 2011), Lebanon (Fahed-Srieh, 2009), Malaysia (Amran and Ahmad, 2009) and Southeast Asia (Suehiro, 1993; Chang, 2003; Filatochev, et al., 2005; Peng and Jiang, 2010).

As would be expected given the development of the world economy in recent decades, there is a particularly active literature about Asian family enterprise (Khan, 1999; Faccio et al., 2001; Yeh et al., 2001; Yeh and Woidtke, 2005; Lee et al., 2008; Lee and Li, 2009; Shyu and Lee, 2009), with a focus on the cultural and economic characteristics of mainland and overseas Chinese family companies (Lawton, 1996; Carney and Gedajlovic, 2001; Filatotchev et al., 2005; Wu, 2006; Chen and Hsu, 2009: Lansberg and Gersick, 2009)

6. For example:

• The National Association of Corporate Directors (NACD) publishes white papers and booklet series on leadership and governance, addressing specific challenges facing boards and directors from both public corporations and private and family owned business.

• The FFI Practitioner, an electronic journal edited by the Family Firm Institute, provides practical advice on governance practices and professional interventions, with a cross-disciplinary perspective (it is published in both English and Spanish). Articles in the Practitioner have covered such topics as compensation (Schneider, F.S and Schneider M, K., 2005), family member employment policies and procedures (Krasnow, 2005), innovation (Craig and Moores, 2009), wealth management (Greenberg, 2006), and consulting challenges (Ginsburg and Saunders, 2011).

• The Family Office Exchange (FOX) Research Studies include numerous survey and data-based analyses of family office practices and wealth management activities of its member offices and, to some extent, of the broader population. While they have focused more on services than on governance, FOX Research Studies have addressed topics such as investment risk planning and management, wealth transfer, multi-family and family office sustainability and performance, selection and oversight of professional advisors, and development of successor generations.

• In philanthropy, The Council on Foundations reports on governance and board composition in family foundations, and publishes case stories and common practice written by participants and professionals in family philanthropy (for example, Stone, 1993). Similarly, the Association of Small Foundations publishes The Essentials, a quarterly publication that includes practical articles on governance practices, grant-making processes, and the management of small foundations. The National Center for Family Philanthropy (NCFP) newsletter, Passages, often presents case examples, survey results, and references to research literature. The NCFP Pursuit of Excellence Project is a specific effort to gather and disseminate implementation data on governance and operations to a broad audience of family foundations, particularly those not large enough to hire consultants and engage in their own more elaborate research and benchmarking efforts.

7. Researchers are happy to explain small percentages of the variance; clients expect a bit more.

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Chapter 4: Governing Philanthropy in Family Enterprises

Abstract

Building on two case studies and TPC Theory, this study explores the process through which two entrepreneurial families organize and govern their overall philanthropic activities. Both cases pursue their philanthropic goals via diverse vehicles in different systems. The study illustrates the different factors that can affect the configuration of the governance systems around the practice of philanthropy. The findings of the study offer important implications for theory and practice and lead the way for future research in the field of philanthropy in the family enterprise context.

Keywords: *Governance, Philanthropy, TPC Theory, Case Studies, Family Enterprise, Entrepreneurial Family.*

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Governing Philanthropy in Family Enterprises

The literature on family enterprise suggests that they are prevalent in economies worldwide and are important actors in the philanthropic sector (Breeze, 2009; Deniz-Deniz & Cabrera-Suarez, 2005; File & Prince, 1995; Litz & Stewart, 2000). It has also been estimated that family businesses and business families account for close to 40% of all of the dollars donated to charitable organizations and charitable causes in different countries around the world (Breeze, 2009; Pharoah, 2008; US trust 2013). The important role that family enterprises play in supporting economic and social challenges faced by society, and the positive outcomes that entrepreneurial families are experiencing because of their involvement in philanthropy have generated interest in this topic in the family enterprise field in recent years (Feliu & Botero, forthcoming; Hess et al., 2002). Most of the research on philanthropy in family firms has focused on family foundations as the primary vehicle to pursue the social interests of the family (Gersick, 2006; Lungeanu & Ward, 2012). The focus on foundations has narrowed the scope of the research and writing about the practice of philanthropy in family firms. An important characteristic of philanthropy in family enterprises is that it can be practiced using different types of vehicles (Feliu & Botero, forthcoming). For example, family members can choose to engage in philanthropy as separate individuals, as a family, through the company, or as a combination of any of these vehicles. Because of this, understanding how entrepreneurial families govern their philanthropic efforts can be challenging.

In its most general form governance in family enterprises describes a set of structures and processes that are put in place to set strategic goals, maintain key relationships, safeguard the family, maintain accountability and achieve performance (Gersick & Feliu, 2014; Golbart & DiFuria, 2009; Uhlaner et al., 2007). In the context of family enterprises, research on governance has focused on the mechanisms used by the family and the business to determine formal structures, processes, policies and agreements that they should use to manage the relationship between the family and the business (Gersick, et al., 1997; Neubauer & Lank, 1998; Lansberg, 1999; Mustakallio et al., 2002). Governance is important because it can facilitate how entrepreneurial families achieve their philanthropic goals, and in the philanthropy domain in particular, governance is expected to support the unity among the owners and their commitment to the philanthropic project. Unfortunately, we know very little about how family enterprises and entrepreneurial families govern their overall philanthropic activities. To address this gap, the current study explores the different vehicles that entrepreneurial families use to practice philanthropy and the processes they follow to make decisions about governance to ensure that philanthropy meets the objectives of both the family and the business.

This paper uses TPC Theory (Tichy, 1982; 1983) as the primary framework to explain how decisions about governance of philanthropy are made. TPC theory offers a theoretical lens to analyse the relationships among the motives and characteristics of the family and the business to determine what factors play a role when making decisions about governance in the philanthropic efforts of entrepreneurial families. Using a case study approach I argue that the "family philanthropic Dream" (i.e., the family's motivation to engage in philanthropy), the philanthropic structures through which philanthropy is practiced, and the funding of these practices will affect which governance structures are used. The two cases presented illustrate different ways entrepreneurial families engage in philanthropy and the different factors that can affect the configuration of their governance systems around this practice. The families described were both facing a transition in governance and ownership of the firm at the time of the study. However, the cases vary in the generation of family that was in charge, the age of the firm, the country in which the enterprising family resided, and the industry of their primary business. I believe that the main contribution of this exploratory study is that it helps explain the different processes that two entrepreneurial families pursue to organize and govern their philanthropy when it is delivered across diverse organizational realms. It also reveals the impact of family and business dynamics on core decisions regarding the philanthropic effort. This approach can further our understanding of the philanthropic process in family enterprises and capture more effectively the diversity of mechanisms through which families impact the communities they serve.

To achieve this goal, the article proceeds as follow. The first section provides a brief review of what is currently known about philanthropy in family enterprises. Second, the article summarizes the governance literature in family enterprises and presents the rationale for the connection between the "family philanthropic Dream", the philanthropic vehicles, and the funding of philanthropy to determine the governance approach to philanthropy. Third, the methodology is presented. This is followed by the description and analysis of two case studies. The article concludes with a summary of the main findings, contributions, implications for research and practice, and limitations of the project.

Theoretical Framework and Research Questions Development

Philanthropy in Family Enterprises

Philanthropy can be defined as "the voluntary donation of resources (i.e., time, money, effort, or knowledge) to support causes that are primarily intended to promote the betterment of society with no direct expectation of economic returns," often by attacking an existing problem or seeking to address the needs of individuals or groups (Feliu & Botero, forthcoming). Philanthropy in family enterprises is distinctive because it has a dual nature: it can be practiced and governed from either the business or the family realm, or from both. Published literature has explored this topic either from the family or from the business system, with no studies integrating these two approaches.

The Three-Circle Model is the dominant conceptual model for family business, first articulated by Tagiuri and Davis (1996) and elaborated into a three-dimensional developmental model by Gersick et al. (1997). The Three-Circle Model conceptualizes family enterprise as a Venn diagram of three subsystems -- the owners, the business (or other operating organization[s]), and the family -- each with its distinctive membership, agenda, and developmental processes. The Three-Circle Model offers clarification on the tasks and purposes of governance in reference to each of the key subsystems. The inclusion of philanthropic endeavours with the Family Firm system is an interesting challenge for the Three-Circle Model. First, philanthropy is an activity that can be led by each of the subsystems: the family, the firm, or ownership subsystem, and therefore carries potential governance tasks of each of the systems. It is likely that the configuration of the overall philanthropic project has different forms and functions for different families in different circumstances and contexts (as Carter & Ram, 2003 posits for entrepreneurial ventures). There is a gap in the literature regarding the application of the model to the non-operating aspects of the family enterprise (i.e. family office) or to the non-revenue-generating operations (i.e. family foundations, patronage projects, among other philanthropic ventures). For example, the definition of who are the "owners" is unresolved. The donors do not own the philanthropic vehicle, and particularly later generations may not even invest in it. For instance, in case the entrepreneurial family pursues philanthropy through a foundation, from the moment of the initial gift, the funds are owned by the foundation and its board has the authority and responsibility over those assets. The entrepreneurial family becomes a stakeholder, and influencer, but not an owner. Although this research challenge is not directly relevant for this study, it is an important theme for future analysis. This lack of integration has lead to an incomplete understanding of philanthropy in the context of family firms.

The recent review by Feliu and Botero indicates that most of the research on philanthropy in family firms has explored the motivations that family enterprises and entrepreneurial families have to engage in philanthropy. Although the primary goal may be the betterment of society, business families and family enterprises have secondary motives that also guide their involvement in philanthropy. These secondary motives can be grouped into three general categories. *Family-oriented motives* include factors such as the importance of family identity, legacy, and wealth benefits. Motives that are family oriented suggest that family enterprises engage in philanthropy because by doing so, the family can benefit in some way (Feliu & Botero, forthcoming). *Business-oriented motives* include the influence of strategic, political, and network factors on the practice of philanthropy. Feliu and Botero argue that in many cases family enterprises engage in philanthropy because it is part of their strategy, because it can help their political capital, or because others who are relevant in the industry have expectations for the business to engage in philanthropy. The third category represents *dual-motives.* From this perspective, family enterprises and business families engage in philanthropy because doing so helps the reputation of the family or the business, represents the moral characteristics of the business or the family, or because it can be a tool for learning inside the business or the family. Family enterprises use combinations of these motives when making decisions about philanthropy, in pursuit of the "family philanthropy Dream" (Gersick et al., 2004).

The "Dream" is a concept defined by Levinson (1978) who argues that it represents a "vague sense of self-in-adult-world. It has the quality of a vision, an imagined possibility that generates excitement and vitality" (p. 91). The Dreams of individuals are the guiding light of their evolving lives and they are activated when a person is faced with critical choices. Within the area of philanthropy, the Dream informs an individual's genuine interest in giving. At the family level, the viability of a group of relatives to engage in philanthropy together depends on the connection of family members’ dreams, defining a collective family Dream for the family philanthropy (Gersick et al., 2004). The integration of the individual Dreams into a “shared Dream” help develop the collective vision of the future that inspires family members regarding what to do with their philanthropic endeavours. This shared Dream in a family structure comes from the “family’s fundamental values and aspirations” (Lansberg, 1999, 75-76). Additionally, it helps the family to explain why engaging in philanthropy is important to them. The “family philanthropy Dream” is the foundation of the mission of the philanthropic vehicles and projects that the family decides to pursue, as these are the places where the family aspirations regarding philanthropy can be lived out (Gersick et al, 2004).

A second aspect that Feliu and Botero note is that family enterprises and entrepreneurial families can practice philanthropy at multiple levels and using multiple vehicles. They can practice philanthropy as individuals, as a family, as a company or as a combination of these. Although there are multiple vehicles that can be used, family firms and entrepreneurial families tend to be more unstructured and less formal in how they practice philanthropy (Breeze, 2009; US Trust, 2013). Research indicates that the degree of formality used in philanthropy depends on variables such the level of professionalization of the family enterprise, the number of family members involved in the philanthropy, previous experiences in the field, the access to professional advice, and the level of engagement of the business with external stakeholders (Breeze, 2009; US Trust, 2013). However, most of the literature focuses on foundations as a formal vehicle for philanthropy. This paper goes one step forward and aims to fill the gap by studying the integration of philanthropy in the firms discussed when this is pursued at different levels (i.e. holding company and business units) or in different areas (i.e. family and business).

In the next section I introduce the concept of governance and what we currently know about the governance of philanthropy in family enterprises.

The Governance of Philanthropy in Family Enterprises

The focus of this study is the governance of the practice of philanthropy by entrepreneurial families independent of what subsystem (i.e., family, business, or ownership) is the primary driver of the family philanthropic Dream. Except from a few studies on family foundation governance (Gersick et al., 1990; Esposito, 2002; Angus, 2004; CEP, 2004, 2005; McCoy & Miree, 2010; Lungeanu &

Ward, 2012), the study of the governance of philanthropy in the context of business families is very limited. Snowdon-Blanchard (2008) suggests that although most families are "informal" in the governance structures and processes that they use in philanthropy, as a whole they are becoming more professionalized and more strategic in nature.

In a recent review, Gersick and Feliu (2014) argue that in family enterprises each subsystem (i.e., family, business, and ownership) has a different governance structure that needs to work in coordination if the family enterprise is to succeed. As the family enterprises evolve so do their governance structures. Thus, governance in family enterprises is a complex process that involves decision-making and implementation of policies concerning the management of family concerns, business concerns and its ownership.

In the context of philanthropy, research on governance has focused on family foundations as the primary vehicle to execute philanthropic endeavours (Feliu & Botero, forthcoming). Danco and Ward (1990) and Gersick el al. (1990) were the first to explore governance of foundations by focusing on the tasks of the board of directors. They argue that in a foundation the role of the board includes paying attention to fiduciary responsibilities of the foundation, ensuring compliance with the legal and tax regulations, ensuring stewardship of the founder's vision, overseeing utilization and distribution of funds according to the foundation's mission, providing advise to the foundation managers, and accountability and support in the planning of the succession and continuity of the family foundation. They suggest that in many cases board composition should include both family and non-family trustees appointed based on their qualifications. Other studies on the governance of foundations describe guidelines for compliant governance (McCoy & Miree, 2010) and best-practice recommendations pursued by professional advisors to foundations (Angus, 2004; CEP, 2004, 2005; Esposito, 2002; Gersick et al., 2004).

Recently, Lungeanu and Ward (2012) presented a study on the effects of governance on the grant making strategy of a foundation. The authors analysed how the foundation's board size and composition affect the decision-making and patterns of giving in independent family and non-family foundations. They conclude that the generation stage of the family and the level of family control of the board influence grant making in family foundations. They also argue that diversification in grant making increases as the family includes new generations.

On the whole, our knowledge about the governance of philanthropy in family enterprises is based on what we know about family foundations. But entrepreneurial families tend to pursue their philanthropic goals through diverse philanthropic vehicles in different systems as their pursue their entrepreneurial interests through diverse businesses (Michael-Tsabari et al., 2014). This study aims to explore this broader phenomenon, family philanthropy across delivery formats and the governance of the philanthropic activity all parts considered, and area mainly unexplored and at the leading edge of the practice.

Theoretical Framework

This paper uses Tichy's TPC Theory (1982, 1983) to analyze the study cases because it provides insights into how family and ownership dynamics shape the governance of philanthropy. These dynamics, in turn, interact with the entrepreneurial pursuits of business families (Aldrich & Cliff, 2003). Our field has yet to grasp the full complexity of ways in which the dynamics of business families affect the structure and performance of the companies and philanthropic organizations they own and control (Zachary, 2011). Tichy looks at organizations as the interaction of three interdependent sub-systems: the technical, the political and the cultural systems[1]. He uses a rope metaphor to explain his theory (1983). He states that organizations are like loosely woven rope composed of technical, political, and cultural strands. While the strands can be dealt with individually, they are interdependent strength of the rope (that is, the sustainability of the organization) depends on the extent to which the activities associated with each strand are aligned with the others and pulling in the same direction. Moreover, Tichy's key assertion is that effective organizational evolution (or managed change) must attend to the three strands. (Tichy, 1983b).

[1] It's worth noting that Tichy's conceptual formulation fits quite well with the Three-Circle Model advanced by Gersick et.al. (1997) for understanding family enterprises. The political system reflecting many of the dynamics associated with the exercise of influence in the ownership circle (the ultimate source of legitimized authority in family companies); the technical system reflecting the ways in which tasks and people organized in the performance driven systems of the business circle and, the cultural subsystem reflecting the many ways in which the values, norms and traditions of the family shape their organizations.

The political sub-system refers to the way in which power and authority are distributed in the organization and reflected in its various reward and resource allocation systems. The political sub-system drives who gets to influence whom, and in what area. The dynamics of the political system reflect the needs and agendas of dominant groups in the system. Applied to the practice of philanthropy in entrepreneurial families, the political sub-system depicts who gets to define the mission and the vision of the family enterprise and how philanthropic priorities are defined and executed. The governance architecture and the distribution of power across functions, groups and roles are also a reflection of the political subsystem of the organization. The allocation of political power also drives such essential processes as the development and selection of successors and the timing and manner in which senior leaders depart. Most importantly, the funds that are ultimately allocated to philanthropy, the sources from where these funds are drawn as well as the strategic decision determining how they are spent are also an expression of how political influence is wheeled among the key players in the family enterprise.

In some family enterprises philanthropy is viewed primarily as a family activity although, in fact, the ultimate decisions are made by the board of the enterprise or holding company because they control the distribution of funds necessary to sustain either the foundation or other philanthropic initiatives. Hence just looking at the foundation to explain how grant-making priorities are established would overlook the powerful influence that the business board may exert over the philanthropic choices that are made. Unlike the technical and cultural sub-systems, the political system operates in ways that are less formalized and manifest. In fact, many decisions that are ultimately determined by political factors are frequently justified retroactively in technical or cultural ways. For example, a family CEO looking to ingratiate himself with the local elites may push for a particular philanthropic initiative but justify it using the language and rationales that derive from the more explicit cultural or technical criteria used to describe the family’s foundation mission and methods. Organizations in general, including family firms, devote much time to the management of the political dynamics underlying the relationships among key stakeholders (Tichy, 1983).

The technical system reflects the design of the organizational setting, how the technical resources (the tasks, technologies, organizational procedures, and also the resources available) that are arranged to produce expected outcomes in the most efficient manner. In the case of philanthropy it would be the management of the philanthropic practices, including: the strategic plans that define fundamental priorities and tasks that derive from it, the management information and control systems that are used to track the way grant making is carried out, the methodologies such us the human resource systems for recruiting, developing, assessing and retaining employees; the processes used for designing job descriptions and task responsibilities and for fitting people to roles in the structure, and so forth. In short the organizational design of philanthropy that determines what managerial "best practices" are adopted and how efficiently and effectively these activities are carried out. Typically, the larger and more complex a family foundation is, the more emphasis is placed on the "production and bureaucratic" logic of its technical design. Once a family defines certain philanthropic objectives, then the system must organize itself in the way it feels would be most effective to attain those objectives. So while political agendas and the power dynamics among key stakeholders matter enormously, there are in fact better and worse ways for organizing the system to accomplish its philanthropic goals. If the technical elements of organizational design are totally subordinated to the politics of the system, philanthropic activities will not be sustainable. So while the technical elements in variably reflect the dynamics of the political system they also serve to constrain it in service of efficiency. For example if the selection process driving the choice of successor is oblivious to the technical requirements of the role and is allowed to be shaped purely by the power dynamics among the key players, the sustainability of the system is almost certainly compromised. Similarly, an extremely qualified successor is likely to fail if he or she does not have the support of the most powerful players in the system.

The cultural system is what holds the organization together, its normative glue as expresses in its shared beliefs, traditions, values and norms. Culture provides meaning and the unique identity of the system by embodying a set of values that help to justify why certain behaviors are encouraged at the exclusion of others (Tichy, 1983). Culture, and the underlying values that define it, is especially important in family firms (Déniz-Déniz & Cabrera-Suárez, 2005; Miller & Le Breton-Miller, 2006; Lansberg, 1999; Dyer, 1988). Some cultures contribute to the success of the family enterprises, and others constitute a major stumbling block (Dyer, 1988). Culture plays an important role in the decision-making process of family enterprises, and since the leaders mostly build and shape the cultural patterns of the family business, they must comprehend the effects of those cultures and take steps to warrant that they nurture the continuity of their enterprises and the well-being of their families. Values and in a broader sense, the family culture, have also been identified as motives – legacy, family identity and moral motives, for philanthropy (Feliu & Botero, forthcoming). As the political system, the cultural evolves informally and over time.

As it pertains to philanthropy, Tichy's theory informs about how the technical, political and cultural dynamics of the family enterprise, and the interplay among them, impacts the decisions concerning the practice of philanthropy and the processes that families pursue to make those decisions. Without an alignment of the mission of the philanthropy – "the family philanthropic Dream" defined by the dominant group – political sub-system, the vehicle or vehicles (and their organization) developed for managing the philanthropy – the technical sub-system, and the values and family culture in which decisions are based, the culture sub-system, the efficacy of the philanthropic endeavors can be jeopardized or the philanthropy can serve other motives beyond the "family philanthropic Dream".

This theory is also useful for analyzing how family and ownership dynamics impact business and ownership succession. According to Tichy, an effective organization is one in which there is good strategic alignment between the political, cultural, and technical systems of the organization. If change occurs these systems need to evolve simultaneously, otherwise effective change and evolution is undermined. In family enterprises generational transitions are the drivers of discontinuous change the effective management of which requires aligning the technical, the political and the cultural forces identified by Tichy. These transitions require a renegotiation of authority, power, responsibilities, roles, strategies and making adjustments to the culture of the family and its enterprises. Moreover, these changes don't always happen simultaneously or at the same pace. In moments of uncertainty, like transitions and successions, a strategic look at the three systems is needed, so that the uncertainty can be reduced and the alignments between the systems figured out.

The TPC theory highlights issues such as justice, equity, separation of powers, checks and balances, and the dynamics of decision-making that are key for understanding the complex organizations such us family enterprises. Therefore, the case studies presented here will be analyzed through the lens of TPC theory, as it offers a framework for understanding the dilemmas that entrepreneurial families face when deciding on how to govern their philanthropy.

Methodology

This paper explores the governance of philanthropy within its real-life context and provides a vehicle to understand this phenomenon based on an in-depth multi-case approach. The benefit of a multi-case study is that it allows a certain replication of logic and observations between each case and provides the opportunity to compare insights and observations. This replication produces more precise and generalizable results compared to single case studies (Brown & Eisenhardt, 1997; Eisenhardt, 1989; Yin, 2003).

This project was developed while collaborating as a consultant with the two families to help them review their philanthropic efforts. The cases were selected because they illustrate the practice of philanthropy and decision-making in a naturally-occurring environment (Eisenhardt & Graebner, 2007). The cases provide rich data in three ways. First, the two business families yield insights based on commonalities and differences emerging from comparison among them. Second, both cases exemplify the complexity of the practice of philanthropy in multigenerational business families that own holding companies through which they control a portfolio of operating companies. Both systems had formal and informal philanthropic practices in place, with at least one foundation. And, third, the two business-families were facing a transition in governance and ownership of the firm at the time of the study.

It is important to note that these business families differed in the generation of family that was in charge, the age of the firm, the country in which the enterprising family resided and the industry of the original business that established the family’s wealth. Previous research indicates that these factors moderate the relationship between the motivations for philanthropy and how philanthropy is practiced in business families (Feliu & Botero, forthcoming). The names of the business families and some other information have been disguised for confidentiality reasons.

Data Collection

The data collection lasted approximately three months with each case, which allowed for longitudinal observations and the opportunity to have several interviews with relevant actors from each family. Additionally, the author was able to follow up with these enterprising families a year after collecting the initial information. The data collection process was designed to capture the complexities of the cases, the interconnectedness of the philanthropic project with the family and the family enterprise, and also to bring into alignment the data, facts, records, and learning from each case.

The sources of data for this study included three types of information. First, semi-structured interviews were used to collect data from family owners, family governors (i.e., family Board member), non owning family members who were not active in the business, and with non-family directors and relevant non-family executives from the enterprises and the foundations. The second source of data collection came from written documents. The final source of information was participation and observation in family council and family assembly meetings where philanthropy was the agenda. Obtaining information from different sources allowed for methodological triangulation of evidence and higher levels of confidence in the quality of data (Yin, 2003).

Interviews were conducted individually with each participant. The average length for each interview was three hours. They were conducted in two parts. In the first part, open-ended questions were asked without telling the respondents about the particular phenomenon of interest in the study. This was done to avoid influencing their responses. During the first part, respondents had the opportunity to share their stories and views of how philanthropy started and evolved over time. During this phase of the interview, probing questions were posed to acquire details related to the stories. In the second part, structured questions were asked about the philanthropy practice, its governance process, its management, and the connection of philanthropy with other business family entities and their governance (e.g., Family Council, Holding Board, Owner's Council, or Family Office). Appendix 2.1 (pp. 151) presents the interview guide.

The written documents reviewed for this project included family council minutes, foundation board minutes, owners' council minutes, annual data on the philanthropy budget, report on annual giving, the foundations' annual report, and the foundations financial statements. Secondary written sources (i.e., newspapers, company press releases, company and foundations websites) were also used. These written documents were reviewed to obtain background information about the family enterprise, the history of philanthropic projects, the history of family giving, the formalization of philanthropy practices, the funding procedures that the family followed, and the decision–making processes for philanthropic giving.

Finally, the participation and direct observation of family council and family assembly meetings complemented the data gathered in the individual interviews. The researcher made observations of the business families' approach to decision-making about their philanthropic projects and the integration of governance structures into their projects. This facilitated the analysis of data, enabling the researcher to understand each case thoroughly (Eisenhardt, 1989).

Although data for the two cases was collected in different years, the procedure followed to obtain the information was the same. The researcher first collected demographic information about the business family and the family business. This information is presented in table 3.1 (pp. 141). Following preliminary work, the interviews were conducted. The first interview was carried out with the contact person of each family. This person helped the researcher determine other relevant people within the family enterprise system to interview. Once the list of relevant others was determined, they were contacted and interviewed independently.

Case Descriptions and Analysis

Due to confidentiality, the names, locations and industries of the families have been changed, but the relevant data and information regarding the practices, governance structures and dynamics stay true to the reality. Table 3.1. (pp. 141) and Table 3.2.a. (pp. 142) for the first case, The Alfa Family, and Table 3.1 (pp. 141) and Table 3.2.b (pp. 144) for the second case, The Beta Family offer the demographic data and a summary of the relevant information regarding the research question that this study addresses, for clarity reasons as well as for facilitating the analysis and comparisons between cases.

Case 1: The Alfa Family

I interviewed 9 members from the Alfa Case. Six family members were interviewed, including the Chairman of the Family Council, the former CEO of the Alfa Holding Company, the Chairman of the Foundation, one family director, an in-law in this case, and two other family members. The three non-family members included the Foundation CEO, one executive from the Foundation, and one independent director from the Holding Company. The Guide for the Interviews is in Appendix 2.1 (pp. 151).

The Alfa Family is an interesting learning case as it has a long-term history as a multigenerational entrepreneurial family enterprise, one of the largest in Latin America. The case offers high overall complexity: sixth generation of the family as owners of a diversified and international family holding company with well-developed governance architecture. Along with the entrepreneurial business initiatives, the family has developed philanthropic endeavours in both the family and the business areas. The company is based in Chile. The family firm had just started to plan for the transition into the sixth generation when the interviews for the case study were done. The business was founded in 1904 by Rodrigo Alfa, in Valparaíso, at that time 53, and his two elder sons, Pablo, 23, and Jorge 20. Rodrigo had been a professor, politician and journalist before starting his own printing and publishing business. After his death his sons continued to run the business and expanded it into selling paper products and other office supplies and offset printing along with international operations. The family has deliberately maintained a low profile during Chile's turbulent years. The family has placed a high premium on unity and educational achievement, resulting in many members of recent generations graduating from top-notch universities worldwide and securing positions with leading multinationals. At the heart of Alfa's long-term success had been a vision, mission and set of values emphasizing both profitability and a deep commitment to enhancing social values in the communities in which they operate. The business is professionally governed and managed. "Doing things well" is the motto by which Alfa has become known throughout Chile. And "Alfa has to be reinvented every day…" is the rule that Pablo Alfa, former Alfa CEO lived by.

Over the years, the governance of the Alfa Holding has evolved into a system composed by a nested hierarchy of boards -- the board of the holding company, and separate boards for each of the operating companies. A Nominating Committee leads the evaluation and selection of candidates to become board members, who are ultimately confirmed by the Shareholders Assembly. As part of the governance architecture, the family created in 1995 the "Alfa Family Protocol" with two broad objectives. First, to preserve the integrity of the family business, increasing its equity while always respecting its stated values and principles. And second, to preserve family unity.

For the Alfa family, the family, its philanthropy, and the business, with its own grant-making projects, are independent. They believe the philanthropy project, represented in their foundation, is the project that will endure over the years, keeping the family united and the family legacy alive. The Alfa Family thinks that the business will not have the same impact in terms of family identity and unity due to different reasons. One reason is that the family values translate into being more close to the philanthropic projects than to the business ones. Another reason is the dispersion of ownership among family members. The growing extended family cannot financially depend only on the business to financially support their lifestyles any more. A third reason is that there is a diminishing number of family members working in the business over generations. The Alfa family has been very successful in promoting education and professional development to the family, resulting in many family members pursuing their own professional dreams apart from the family business.

The family has a Protocol that sets the guidelines for the family, the business and the foundation. The Protocol helps to distil the motivations that are the base of the family philanthropy:

- Great commitment to the community. "The owners of Alfa have always looked at the company as the most important economic asset, for the progress of the community and the family."
- The family moral and religious principles lived with gratefulness --"The family has donated a portion of the organization to The Alfa Foundation, and the foundation has made efficient social contributions in recognition of the blessings from God"
- The family core and shared values --"The family has a history of respecting its solidarity and harmony" and "The family will transmit to all generations a commitment to honor and preserve its legacy, values and Christian principles"

These three themes are all bound together by a deep sense of respect and tradition that the family is committed to preserve. The family lives their values. As an example, the "social dividend" reflects family solidarity and harmony. The Alfa Family set an investmentment company that mirrors the shareholder's structure of the holding company to maintain and grow a pool of funds that could be used to pay dividends to shareholders when the company could not but also to ensure that all family members, regardless of ownership percentage, enjoy a minimum standard of living in the matter of housing, healthcare, education and other basic needs. Interviewees defined the "family philanthropic Dream" as "Giving back to the vulnerable community by supporting them and their individuals to develop so that they can prosper". The Dream remains important in the 6th generation, as the " shared Dream" is a reflection of the family values -- social responsibility, solidarity, self-improvement, personal development, integrity; respect, trust and modesty. They pursue this Dream mainly through the family foundation, but also through their direct giving activity. The foundation was created in 1955 and the family define it as "an organization of social justice and Christian charity, and an expression of solidarity." At that time, the family was enjoying a good life. The company performed well and had a prosperous future, but not the community. The family shared the idea that a certain amount of welfare-comfort was sufficient and aimed to return to society what the society has given them with the prosperity of the business. They decided to help the people in their communities. The family considered that the company had its own corporate social responsibility programs that focused on the company's collaborators, so the focus of the foundation would be the responsibility towards the community. The foundation focuses on "vulnerable communities" carrying on four different programs on education and culture, family and social capital development, inclusive business and housing. A common theme in all the four programs is the development of individual leadership, entrepreneurship, and working capacities in community members.

The family donated 40 per cent of the company's shares to the foundation. The decision was unanimous among the second generation and the third generation. They also created with unanimous agreement the mandate of the foundation. The family was a pioneer in the trend to give back during the donors' lifetimes and at young ages. The endowment is in the form of dividend-paying company shares, which means that the foundation would be sustainable if the company prospered, and is independent from the family's financial annual decisions regarding profit distribution from the holding company.

Both the foundation and the business are acknowledged for being professionally and independently managed and governed. “The foundation acts as a business organization but with the difference that it has an impact and it works in the social sector”. The Foundation has an Advisory Committee of experts, to strengthen and complement the board. The foundation has also been forward-thinking in evaluating the impact of its four programs and it has created different alliances with local universities and international institutions to be in the loop of the best practices in the field. This expertise is the “asset of the foundation” and today they benchmark with other families who are entering into the philanthropy arena for the first time.

The family and Family Council are responsible for making decisions regarding the mission and governance of the foundation. The method they use to decide on the family branch representatives is *cooption in eternum.* This is a method based on the vote of the current family director, who elects his/her successor. The family feels that this guarantees that the legacy and mandate of the foundation is respected over the years (“we look for the best stewards”). The same method is applied for the election of Family Council members. The Family Council elects the independent directors of the foundation, making sure they share their same vision and values. The family influences the philanthropy as governors, at the Family Council and the Board of the Foundation level, not as managers.

As for the direct giving activity of the branches, each branch internally organizes to make the decisions on their giving. All the branches were informal in their giving and committed to different institutions that focused on causes related to the “family philanthropy Dream”. Finally, the businesses engaged in different grant-making activities, some are pursued in the holding and others are carried out in the operating businesses. Although there is no grant-making policy, there are some guidelines ascertained by the holding board. Besides the guidance, the holding board oversees the practice. Based on the guidelines established by the holding, the boards of the operating businesses and/or the CEOs (with some limits that can be different in each of the business units) decide on the grant-making. The philanthropy in this case respects the philanthropic mission of the family – family philanthropy Dream, but adapts to the needs of the communities in which the businesses operate. In addition, there is the understanding that the company has its own corporate social responsibility programs that focus on the company's collaborators, so the focus of the giving is the responsibility towards the community where they operate.

Case 2: The Beta Family

I interviewed 12 members from the Beta Case, 10 family members and two non-family ones. The family participants were 2 members from the 2nd generation, the Chairman of the Owner's Council and Holding Company, and one Owner's Council member, and 8 members from the 3rd generation. Third generation members had different roles in the family enterprise: the Chairman of the Family Council; the Secretary of the Owner's Council; a director of the Board of the foundation, two Owner's Council members that also hold positions as directors in boards of the businesses, and two family members not involved in governance at that moment, but interested and educated in field. As for the non-family members, one was the CEO of the family foundation and the other a director of the family foundation board. I used the same interview guide as in the Alfa Case (See Appendix 2.1 in page 151).

The Beta Family is working on adapting the governance structures to a new strategy for the holding company and to complete the transition to the third generation in the governance of the family enterprise. This work has generated the need to rethink the philanthropy and its governance in the overall family enterprise, as some members of the third generation were becoming increasingly disengaged from the family philanthropy. As the Alfa case, the Beta family enterprise is an important actor in its industry (in this case, the food industry), and in its community. The Beta Family Enterprise was founded in 1937 by Giorgio and his wife Elena, and produces homemade pasta for commercialization in the region of Verona, Northern Italy. From a small business they fast grew to a significant producer in Italy and Europe. In 1958, three of Giorgio's five children joined the business, expanding its strategy to new products, not juts traditional Italian food but complementary goods, and multiplying its international presence. The Beta Family Firm has always been acknowledged for its innovation in products but also in publicity and merchandizing. Giorgio had always been very involved in cultural initiatives in the region, in diverse expressions of his homeland culture, such as the arts -- including music, theater and literature. Giorgio was a hard worker, a visionary and a true entrepreneur, "he loved the creation of new ventures, he loved that part of the business, once the project was created and developed, he passed it to others for their management and he turned his efforts into a new venture", and he also was an innovator. The values instilled by Giorgio are reflected in the family and the business. These are commitment to the family roots, hard work, innovation, entrepreneurship, independence and courage. These values are embedded in all the initiatives the founder promoted, in the business and philanthropy arena, and are also present today.

The Beta Company was admired for being one of the first Italian companies to introduce new managerial techniques, innovative marketing practices, and strategic approaches in their different businesses. The company diversified and internationalized. In 1962, the holding company was created and non-family executives were introduced in relevant positions. The Beta Holding is today the second largest Italian company in terms of international presence, with operations sizable market share in five continents. In 1971, at the age of 67, still young compared with his peers in the industry, Giorgio passed the baton to the three sons and one second generation in-law who were already working in the company with him. From then, he devoted himself to philanthropy.

The second generation continued the professionalization of the governance of the group to today. The governance of the family enterprise is a multi-level governance structure. There is one board for each of the three business units and beyond them a holding board. The four members of the second generation previously involved in the business are now holding different governance positions in the board of the holding company and in the owner's council. The holding board focuses on ownership issues such as the mission and vision of the holding, group strategy, portfolio management and main business indicators at the group level (i.e. risk, debt-maturity, liquidity and financial ratios, and ownership ratios, among others), and the business boards focused on the "business".

In 1990 the Family Council was created with participation of all five branches of the family and members from the second and the third generation. They also agreed on several policies to oversee the involvement of the third generation in the family firm, deciding that the current and next generations would not be involved in management of the firm, but would be involved in its governance. The family believes that the success of the business contributes to the well-being and unity of the family. Therefore, they decided that it was crucial that the governance of the business was efficient and effective. They needed the best family governors to participate in the governance of the group so they could attract the best independent directors at the holding and business boards. In 2006, the family initiated a process based on meritocracy criteria (and not branch representation) to select the third generation members that would participate in governance. This process resulted in 2008 in the election of three members from the third generation who participate in diverse governance committees at the business board level and are directors of the Beta Holding Board.

Some family members were not comfortable with the decision on the Holding Board not having equal branch participation. The meritocracy criteria were not understood and accepted to the same extent by all branches. In response to the concerns of this group of family owners, the Beta Family established in 2010 the Owners' Council. This is the main authority on ownership issues and concerns, and is composed of members from the second and third generation that represent all family branches. The interviewees agreed that the Owner's Council enhanced ownership communications, trust, harmony, improving the efficiency of decisions at the shareholder's level.

As the company grew, the philanthropic endeavors of the family, and the budget devoted to it, also became more significant over the years, focusing on the culture of the Verona region. The "family philanthropy Dream" was defined by the interviewers as "the preservation and development of the cultural identity of our region while fostering innovation, entrepreneurship and excellence in our community by example of our own practice". All interviewers agreed that this "Dream" was still the "founder's dream" and that they weren't sure all family members share it with the same intensity.

Philanthropy was first pursued in the family system, through direct giving to institutions and projects related to Giorgio's concerns and interests. The giving was substantial, and all decisions on giving were made by Giorgio and his wife. In 1973 the first generation created the Family Foundation, coinciding with Giorgio's retirement from the business. With the Foundation the family initiated their own philanthropic initiative (i.e. scholarships, literature competitions, educational programs for schools, and editorial business, all under the same umbrella). Along with the Beta Family Foundation, the first generation continued supporting different cultural projects and institutions in the region. The philanthropy remained a first generation project mainly until the founder passed away in 1989. At that time the second generation took the lead in the philanthropy area. One of the two siblings not involved in the holding became the Chairman of the board of the

Foundation, and the other the representative of the family in relevant social and cultural projects that were part of the patronage activities of the family. The appointment of these two positions was a decision of the second generation. Since 1989, the foundation has been governed by the board, with very little involvement of the Family Council or the Holding Board. Every year the second generation ratifies the budget for the Foundation and for the rest of the patronage activities at the family level. The second generation does not have a formal process in place to do so.

The second generation carries on the projects founded by their father, respecting the legacy, but with a little more professionalization. Rigor and professionalization were values of the founder that have been integrated in the management of the foundation. The Board of the Foundation was complemented with independent directors, and in 2005 the board appointed a new CEO. This CEO had a mandate to modernize the programs the foundation was offering. Also, the Family Council began to engage in some of the patronage activities supported by the family, and it began to regularly inform the extended family about the philanthropic activity. In 2010, along with establishing the Owner's Council, the second generation decided to create a Third Generation Committee for the Foundation to get their insight. The three members of the committee where appointed by the second-generation siblings with the lead of the Chairman of the Foundation without a formal process in place.

At the business level, a business foundation was established in 1983 in one of the business units. After almost no activity, except for some grant-making, the business foundation started to gain importance in 2002 when the foundation developed its own programs focused on research in the food industry and education on healthy eating habits. The foundation has the name of the business unit and its governance was once defined by the holding board, who also set the guidelines for the governance, mission and funding of the foundation and the patronage activities at the business level. With the holding's directions, the board of the business unit decides on the composition of the board of the foundation. One board member at the business level, one board member at the holding level, the CEO of the business and one independent director and an expert in the field focus of the foundation conformed the Board of the Foundation. The Board of the business oversees the management and grant-making of the foundation. Furthermore, the Beta Group supports patronage activities from the businesses. These initiatives are related to the businesses strategies and are decided and supervised by both the CEOs of the Businesses and their boards, with certain limits for the CEOs and both following the Holding Board instructions. Finally, the Holding Board supports other social causes when the request arrives to the corporation. In this case, the application, which is not always formalized, is addressed by the board of the Holding, by the Chairman of the Holding Board, and/or by the Owner's Council, depending on the institution that does the request, the area and the amount. There is no grant-making policy for this process.

At the time of the study, the family was entering into a succession process. The process was supported by external advisors and formulated under the principles and rigor and meritocracy. The scope of the succession process included the corporation and with it, both the holding and the business governance. But quickly the succession process expanded to include the philanthropy, integrating the third generation's vision of philanthropy into the "family philanthropy Dream". This highlighted the interconnection of the family and business philanthropy. As part of this process a Philanthropy Committee was created. The Committee included the Chairman of the Family Council, one member of the Owner's Council, a family director from the Family Foundation, a Director from the board of the Business Foundation, and a director from the Holding Board. Their responsibilities include having complete understanding of the entrepreneurial family philanthropic activities, integrating the concerns and interest of family, family owners and businesses into the strategy for the philanthropy that respects the "family philanthropy Dream", and aligning the philanthropic business and family initiatives with the philanthropic dream. The Philanthropy Committee is a delegate structure of the Owner's Council, which decides on both the strategy and the funding to implement it.

Analysis of Cases

Following TPC as the theoretical framework for this study, I focused my observations on the interrelationship between the "family philanthropy Dream", the funding, and the philanthropic vehicles with the governance structures and processes of the philanthropy.

As observed in the cases, the philanthropic project for each family has different configurations and fulfills different functions (Carter & Ram, 2003). These arrangements can be related to the "family philanthropy Dream". Depending on the social aspirations that the family aims to accomplish through their philanthropy, the activity will require a certain structure. In the case of the

Alfa Family, the philanthropy is centered in the family. There is a strong communion among family members from different branches and generations, about the purpose of the philanthropy, about the Dream, and the values that they aim to convey through the practice. To accomplish their goals it required a formal structure that allows for the preservation of their legacy and for a rigorous management of the activity. Both of these are accomplished through the decision to use the foundation as a vehicle to pursue the philanthropy.

The foundation, as a formal organization permits a prearranged governance design, and predefined family participation. The use of a foundation enables the family to elect their foundation representatives, which strengthens and preserves the family culture and values. The foundation structure also facilitates professionalized and rigorous management as it provides the tools to implement good governance. Additionally, the shared philanthropic practices (i.e. family and business grant-making, family foundation, business foundation) foster the emotional ownership (EO)[2] of the overall family enterprise project by the family (Björnberg & Nicholson, 2012). Similarly, the foundation structure enables the family to channel their philanthropic activities in a way that helps to have an impact in the community and its members.

The Beta Family connects the family and the business over philanthropy, and is strategic in the sense that their "philanthropy Dream" outlines a desired outcome for the philanthropy. The Beta Family has a holistic vision for the philanthropy. Their aim is for their philanthropic effort to be productive and have an impact on the society first, but also on the family. The impact on the family should help foster family unity, cohesion, and connectedness. For the business, the philanthropic Dream should help enhance its visibility and reputation. The vehicles chosen for the entrepreneurial family to carry on its Dream are one business and one family foundation, and patronage in both realms. As the Alfa Family, the foundations support their aspirations to control the projects, focus and effectiveness in the philanthropic activities.

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[2] Emotional Ownership refers to a phenomenon defined by Björnberg and Nicholson as a sense of ownership that is a matter of sentiment, associated with belongingness and attachment beyond the monetary significance of the ownership bond (with the Family Enterprise), in which the family has a central role (2012, 381).

In the Beta Family, the patronage helps the family complement their support of the causes included in the Dream, and it is sometimes driven to comply with the stakeholder's expectations on the family regarding philanthropy. The final authority in philanthropy lies in the Owner's Council, supported to accomplish its role by the Philanthropy Committee. This system approach to the governance of philanthropy facilitates a holistic perspective of the activity, an integrative vision, the alignment of philanthropy management and governance principles between family and business systems with the causes, and more productive impact of the funds devoted to the Dream. Furthermore, in both cases, the Dream incorporates the aspiration for social change and social performance.

Based on my observations, the "family philanthropy Dream" informs the role of the family within the philanthropy projects. First, both cases show that the families aim to excel in their philanthropic efforts. Therefore, professionals and experts in the field manage these activities, and the role of the family is at the governance level. This also connects with the values that underline the Dream and the family enterprise culture enhancing "good work", innovative management practices, rigor, and efficient organizations. Gersick and colleagues (2004) stated that one of the essential ingredients for family foundations to work is to have skilled and self-aware executive directors that can both lead the foundation's internal work and navigate the family dynamics. The Alfa Foundation has these characteristics (i.e., a trusted CEO of the foundation with long tenure). The Beta Family Foundation also showed the importance of this characteristic when the second generation drove reforms in the foundation to strengthen its programs and to appoint a new CEO. Additionally, the family entrepreneurship culture was depicted in their practices, which shows the family as a driving force of behavior (Michael-Tsabari et al., 2014), as well as the shared family culture regarding the management and governance standards. These activities also show that the family drives the entrepreneurial activity, and that there is commitment from the founders and succeeding generations to the sustainability of philanthropic projects.

Both families have a clear, agreed-upon, and communicated process for family involvement in governance. The Alfa Family uses a *cooption in eternum* method, and the Beta Family uses an external-led meritocracy process for the business system, and committee selection for the family system. It is worth noting that both families are aware of the importance of next generation involvement in philanthropic governance and also of the selection process so that it enhances the next generation bonding as well as good governance. Björnberg and Nicholson (2012) in their study on EO identified trust as closely linked with EO and related to the practice of fair process for the integration of the next generation into governance. According to these authors, achieving a high standard of family governance along with a large involvement from the following generation, will increase the likelihood that the next generation will have a clear sense of belonging to the family business.

Further observing the governance configuration and the family involvement in it, it is valuable to note that in both cases the governance includes independent and expert directors along with family directors. In the Alfa Family, the extended family is considered for both family and family philanthropy governance. While in the Beta Family, independent directors and family owners both belong to governance bodies in the philanthropy, ownership and business structures. This leads to my next observation, it being that funding is relevant and has important implications for the governance and the type of philanthropy that families pursue. The permanent endowment of the Alfa Family Foundation allows for a pure family orientation, for the family sovereignty of the project, and for an impact focused and long-term philanthropic effort. However, the Beta Family philanthropy is funded through the dividends of the holding company. Because of this, the owners have a dominant voice in the main decision body regarding this practice. Funding can also have an impact on the philanthropic vehicle chosen. If resources are not guaranteed in the long-term, families may decide in favor of a grant-making foundation not involved in developing its own projects (Gersick et al. 2004). As a consequence, the chances to achieve the desired impact are limited.

The situation is very different in the Beta Case. The Beta Family has been fully committed to philanthropy since the establishment of the Family Foundation, even when the business went through challenging moments. The second generation has always agreed on the financial support of the philanthropic activities. This may change as the family enterprise system evolves and the third generation is alone in the governance of the family enterprise (Gersick et al. 1997). As Lansberg (1999) explained, the Dream may undergo subtle alterations and may have to be revisited to accommodate to the new situation, the shared experience and understanding of one another's interests, and the attitudes of the siblings that may or may not be present in the third generation. Being aware of the Dream and how it evolves becomes very relevant in philanthropy. Both families mentioned that there is an appropriate moment for a family to decide on entering into philanthropy together. For this to occur there must be a common spirit that can be very difficult to reach in later generations of a family, where diversity among family members increases.

It is also noteworthy that both of the cases presented have implemented clear architectural governance designs with clear boundaries and responsibilities among the different structures and the different areas of the family enterprise. This allows the system to create synergies and to have autonomous and independent areas in the family, the business and the philanthropy to focus on.

A final observation from my analysis is that the outcomes of philanthropy have an impact on the organization, the community receiving the gift, the family and the business. These effects may be desired or unanticipated outcomes. From a family firm system perspective, the following impacts should be noted. First, the impact that philanthropy has on reputation. The "good work," as the Alfa family mentioned, is acknowledged and spread. Both families and their businesses benefit from the appreciation of the contributions of the foundation. Reputation and visibility are enhanced as well as the relationship with national and international stakeholders. Following the reputation theme, the fact that both foundations share the family name promotes rigor, ethical standards and good work within foundations activities. Both families consider their family name " the most important asset" that they own. Thus, they will try to protect it through actions that are seen positively by others (Cennamo et al., 2012; Cruz et al., 2014) Second, management and governance practices and expertise are transferred between the business and the philanthropic organizations. As Danco and Ward (1990) presented, this transfer may first be from the company to the foundation, due to the fact that in most cases, the foundation founders were businessmen. Third, philanthropic activities that involve family nurture family cohesion, stewardship, and a sense of belonging (Breeze, 2009; Schwass & Leif, 2008). All of these factors play an important role in the non-economic value that families obtain from their relationship with the family enterprise (Cruz et al., 2014).

The TCP framework holds that effective organizational change and evolution requires alignment among the technical, the political and the cultural components of an organization. Indeed the concept of the philanthropic Dream itself reflects all three elements of the framework and the analysis of the cases from the perspective of TPC theory yields a number of interesting insights. For instance, the philanthropic aspirations of a family often reflect the values and traditions of the family, which are in turn rooted in its ethnicity and historical experience across generations. Similarly, adherence to certain elements of the philanthropy (like the original intent of the donor who funded the family's foundation) is often used to justify the personal agendas of certain individuals in the family and find expression on the way influence is exerted. The "family philanthropy Dream" also underlies many of the design assumptions determining the technical elements of the way philanthropy is organized and practiced. For example, the Dream guides the degree to which family members are directly involved with philanthropy or whether they delegate many of the tasks involved to non-family professionals. The Dream also frames the degree of organizational rigor that gets applied to the process of grant making and the tracking of a family foundation's effectiveness in accomplishing the desired impact in target communities[3].

In the analysis of the Alfa Case, it is evident that the cultural and political dynamics affected the governance of the philanthropy by the selection of the *cooption in eternum* mechanism as the method for appointing family directors for the philanthropic project. It is also patent the impact of the political dynamics of the Beta Family on the governance design of its philanthropy. Based on observations from the case, in the second generation the governance configuration was a balance. All family branches had equal power. Each sibling from the second generation held a relevant position in the governance of the family firm various organizations. The analysis of the interviews showed that the rationale to decide on this precise governance arrangement aimed to balance the participation and influence among the siblings. As Lansberg (1990) notes, this is especially important in sibling's partnerships and cousin's consortiums. Politically, this choice was heavily influenced by the need to keep a balance of power among the branches of the family, more than by the pursuit of organizational efficiency or meritocracy. As Gersick and colleagues (1997) have observed, the fact that philanthropic organizations are more immune to the competitive forces of the markets, makes them inherently more

[3] An interesting illustration of this idea is the way in which the Gates foundation embodies the dedication of the founders to organizational rigor and the systematic tracking of the foundation's objectives. In this case the Dream reflects Bill Gates' conviction that the application of scientific management methods to philanthropy is integral to the very mission of the organization. (see interview with Bill Gates New York Times Magazine (Ross Sorkin, 2014)

malleable organizationally than operating business. Compromising on efficiency and meritocracy for the sake of balancing political influences across branches of the family brought a more sustainable alignment to the Beta family's philanthropic efforts while preserving the underlying cultural values integral to the family's philanthropy Dream –in keeping with Tichy's TCP formulation (Tichy, 1982, 1983). Interestingly, at that time, the decision was justified by the second generation as essential for promoting family harmony and well-being. Hence the Foundation's technical system (the composition of its board, the selection, prioritizing and tracking of grant initiatives as well as the choice not to hire professional managers but to instead encourage family member to perform most administrative task) evolved into a much more familial organization which stood in sharp contrast to the family's operating business, were efficiency, meritocracy, organizational rigor and performance were deeply embraced.

Over the last ten years, the Beta family's business has grown significantly as has their Foundation. With the rise and engagement of the third generation, all of whom have been brought up to embrace professionalism and merit, the original alignment among the political, technical and cultural forces in the system has begun to change increasing the levels of stress and conflict. As the third generation cousins have come of age, they have risen to positions of increasing authority and influence in the governance of the business and of the Foundation. The gradual retirement of the siblings has now led to a majority of cousins on the board of the company. In addition, the distribution of cousins with topnotch educations and a track records of professional excellence is not evenly spread among the branches. The technical compromises that the second generation was willing to make to the sake of harmonizing the political and cultural forces in the family seem increasingly problematic for to the cousins (particularly to those with more meritorious backgrounds). Eager to embrace more rigorous organizational systems in the foundation the cousins appear much more willing to compromise the egalitarian ethos of the second generation in an effort to enhance the performance of the Foundation. As the transition unfolds, the Beta cousins have engaged in renegotiating the balance of power across generations and among the branches as it pertains to the governance of Foundation. Naturally, the process is still evolving and whether the second (and some of the third) generation will accept a more professionally governed foundation in which there might not be representation of all the original branches is still to be seen. It is evident, however, that the political the technical and the cultural forces that had been in equilibrium in the past are misaligning as the transition unfolds.

While the family was much more willing to adapt to the requirements of the technical system in the business, in the philanthropic realm the change has induced more tension. Gordon and Nicholson (2008) suggested that where there is emotional attachment, there is a greater chance for struggles in the control among family branches and between potential successors. In this case, the second generation Chairman of the Foundation wanted to decide on the succession in the foundation on his own, without the participation of either the Owner's Council (dominated by third generation cousins) nor his siblings, and without considering any formal process that implied meritocracy. This member was attempting to compensate the decrease in the involvement of his branch in the governance of the business with opportunities in the foundation. As the observation shows, although the technical and cultural systems were aligned, the political one was not, causing uncertainty and a delay in the succession in the board of the foundation until the family could manage the political dynamics of the system and the dilemma between meritocracy and branch participation could be addressed.

In contrast, the Alfa family established a much more clear differentiation of the Foundation from the enterprise from the start. The family's objective was to establish a lasting institution and hence applying organizational rigor was viewed as imperative. With the family's blessing, the Foundation was quick to hire top-notch professionals and to define a clear and engaging mission and adopt advanced organizational practices. The cultural and political elements were managed through the composition of the Foundation's board. Given the strong Roman Catholic roots, the family invited the archbishop of the city to join the board, included a number of senior family members who were carefully selected because of their commitment to the family's values and philanthropy Dream.

The emphasis on technical excellence has paid off and the Alfa family's Foundation is widely recognized as one of the most effective philanthropic organizations in Latin America. It has also contributed to enhancing the goodwill of the family in the community. So much so, that at the height of the political turmoil in Chile one of the Alfa cousins was kidnaped and promptly returned unharmed in great measure because the local community spontaneously took to protest on the streets demanding that the cousin be handed back. Indeed, the Alfa's are one of the few prominent Chilean families who drove around with out bodyguards and bulletproofed cars at the height of the social unrest in the late 70's and early 80's. In their case, the technical excellence serves to reinforce the cultural and political components of the system.

The recognition and stature that the family derives through its philanthropy fosters a notable sense of pride and enhances the Alfas commitment to their enterprise, their Foundation and each other. Cousins interested in participating on the Foundation's board are carefully vetted on their professional accomplishments and, especially, on the their commitment to stewardship. In this case the cultural and political elements are subordinated to the constraints dictated by the pursuit of technical excellence. The cultural norms in the family have evolved to discourage anyone with lesser credential from applying to the board of the Foundation. Similarly, cousins serving on the board, serve along side dignitaries and top ranking professionals from Chilean society. Even those who are most ambitious, must tamper their influence for the sake of the institution.

As of late, an interesting new dilemma has emerged. The Alfa's operating company's performance has been seriously affected by the Chilean recession and dividends available to the Foundation have fallen. So far the Foundation has been able to tap its savings to close the shortfall and programs have been unaffected. Rather than cutting back philanthropic programs and risking a potential loss of face vis-à-vis the community, the political forces in the family have begun to gather and many Alfa cousins are insisting that the turnaround of the company be expedited. This in turn has increased the political will in the family to tackle challenges in the business. For example, for the first time in its history the Alfa Company Board selected a non-family CEO. As an early step, the Board encouraged the new CEO to carefully review the performance of the senior management team and to ensure he had the team necessary for implementing the strategic chances necessary to improve performance. Following the review, several Alfa cousins in senior management were put on notice – something the prior family CEO had been very reluctant to do.

Both of these cases heighten the importance of organizational interdependence across the philanthropic and the for-profit activities of enterprising families. Neither the organizational behavior of family foundations nor of family businesses can be fully understood in isolation. The traditions, values and political dynamics of the owning family, the configuration of governance (how direction, accountability and control are set) as well as the architecture of the portfolio of activities that make up the sum-total of a complex family enterprise system are interdependent and multi-causal. The TCP framework helps us unravel how the sub-systems interact with the whole.

Discussion and Conclusions

This study represents an important milestone for enterprising families who are thinking about their engagement in philanthropy, by taking into account an integrative approach that considers both the family and the business system. The case studies offer interesting and novel insights about the interrelation of the political, technical and cultural systems with the governance configuration of the philanthropic practices in entrepreneurial families. The cases also highlight the impact of funding on the philanthropic activity of entrepreneurial families and on its governance.

The purpose of this paper was to further understand the decision-making process regarding the governance of philanthropy by the in-depth study of two different entrepreneurial families. The case studies show that entrepreneurial families engage in philanthropy through a diversity of vehicles in both the family and the business. The cases suggest that there is not a single way in which entrepreneurial families approach philanthropy. There are families like the Alfa, that engage in philanthropy at different levels and in different systems -- family and business, with no organizational or governance connection between the two. From a system perspective, this can imply different philanthropic missions in the family arena and in the business arena, with the family more focused on family-oriented motives and the business on business and dual motives (Feliu& Botero, forthcoming). Other families take a holistic approach to philanthropy and develop philanthropic initiatives in both the family and the business system under an overall “Philanthropy Dream”, which includes family and dual motives (Feliu& Botero, forthcoming). In this case, the governance of philanthropy is multi-layered, with a board-of-boards deciding on the strategy of philanthropy and the governance principles that will guide the overall practices, and a second layer of governance for each of the philanthropic vehicle. This second-layer body oversees the development of the strategy, set operational goals, and oversees the management and operations of the organization that does the philanthropy (i.e. family foundation, a business foundation, a patronage committee, a social business) while enhancing accountability and assessing the social performance.

Second, the study aimed to shed light on how decisions about governance of philanthropy are made by entrepreneurial family enterprises. The analysis of the cases illustrates that these families govern and make decisions regarding philanthropy mainly in formal and professionalized structures with family involvement complemented with independent experts in the field, in particular in the foundations. As far as grant-making in the family arena is concerned, although informal procedures are more prevalent, both cases studied, point out that families are currently working on redefining these processes in order to institutionalize them. The study also shows that entrepreneurial families are innovative in their management procedures in the foundations, with the aim of having a larger and measurable social impact.

The analysis of the cases shows that as the literature in family enterprise illustrates, foundations are still a relevant vehicle for families who want to formalize their giving in both the family and the business systems. In the Beta case the Family has also institutionalized the patronage activity and created a governance system for the overall family philanthropy: The Philanthropy Committee. This philanthropy committee is a delegate body of the Owner’s Council and is responsible for overseeing the philanthropy of the overall family and business systems. On the other hand, the Alpha case shows that some families decide not to integrate the philanthropy of the overall family business system and therefore establish independent governance bodies for the family philanthropy and for the business philanthropy.

This study contributes to the exiting work on philanthropy and on family foundations (Danco & Ward, 1990; Gersick et al., 1990; Lungeanu, R & Ward, J.L., 2012) with an integrated approach to the governance of the overall philanthropic activities pursued by the entrepreneurial family.

An important theoretical contribution of the study is the use of TPC theory in the context of Family Firms. TPC suggests that for organizations to be effective in pursuing their strategic goals and changes, the cultural, political and technical systems have to be aligned. When applied in the context of philanthropy in family firms, this theory is useful to understand multi-generational and complex entrepreneurial family firms with diverse business and philanthropy activities in place. Throughout the cases presented, TPC theory provides insights in how the political or cultural systems can hinder the changes in governance and management required in transitions. In this regard, the Beta Case shows that when the alignment is missing among the systems (in this case, the political one) it causes uncertainty and a delay in the succession in the board of the foundation. As for the Alfa Family, the three systems are lined up, with the technical excellence reinforcing the cultural and political components of the system. As such, this study contributes to the family business literature by offering TPC as a framework that can also be applied to other family firm endeavors.

The observations of the study could also be useful in discussing in greater depth issues relating to the role of the Dream when a complex multi-generational family involves itself in philanthropy for the first time. More specifically, the cases suggest that time is important, and the convergence in values, aspirations and vision for the future in the philanthropy arena to try to reach agreement on a shared “family philanthropy Dream” becomes more challenging as generations pass. The cases also indicates that philanthropic families must perform a carefully balancing act: engage the personal interest and aspirations into a shared Dream, while working together as a family, so that increasing family complexity over generations does not affect the performance of philanthropic endeavors (Gimeno et al., 2006). Family dynamics, as shown in the Beta Case, can affect the philanthropy, even if families strike to become more strategic, professional or more business-like in their practice.

Another important insight from the study is that professionalization is a key element for complex and multi-generational entrepreneurial families. The cases show that those vested with ultimate decision-making authority are not the same people who hold the substantive knowledge necessary to make good judgments about social needs and how to meet them. As a result the families in these cases invest in professional and expert management. A learning from this insight is that families have to be aware of the need to complement family talent with external talent to meet the philanthropic goals.

A final conclusion of the study is the concern that entrepreneurial families show regarding impact and performance measures. As the cases illustrate, performance in philanthropy has not been monitored enough like in business, and multi-generational entrepreneurial families are beginning to develop, and populate, their governance structures so that they can meet set strategies based on value creation and focused activities, all expressed in clear goals against which performance can be measured. The cases also illustrate that the philanthropic vehicles develop tools and techniques but also borrow them from the family business to carry on their philanthropic endeavor in a professionalized and accountable way. These findings suggest that if the field develops in this direction it will probably encourage more entrepreneurial families to support social goals, as they will see them using their assets in an effective and efficient initiative, as they do with their businesses.

Implications for Practice

The practical implications of this study are twofold. First, it provides a lens (i.e., TPC Theory) for family business and philanthropy practitioners to understand the dynamics in the family enterprise that are relevant during transitions and changes in governance configurations. This article applied this framework to philanthropy, but this framework can also be applied to dilemmas faced in other family firms' systems or contexts. When there is resistance to change, it is important to have instruments that help practitioners identify subtle forces like political dynamics that can jeopardizes the change process (Tichy, 1982).

Second, as family enterprises are increasingly engaging in philanthropic efforts, this study provides better understanding of how to build a governance system that supports the different philanthropic initiatives in line with the particular characteristics of these organizations. As shown in the analysis of the Beta case, the family decided on the governance structure that better accommodated the philanthropic goals, while navigating the family political dynamics that came into play. The family had to postpone changes in the governance of the foundation due to the transition process from the second generation to the third to address some family tensions around the principles and process that guided the involvement of third generation members in governance. This informs the need of governance structures to have the real, and legal, authority and power to make the decisions they are supposed and designed to make.

Limitations and Future Research

As with all research, this study has some limitations and provides opportunities for future research. First, this is a descriptive study in nature. The aim of this project was to further our understanding of the governance of philanthropy, and to provide insights for future research. The selection of the cases can be a limitation because these organizations already had organized their philanthropic participation and do not provide insights into how families can start to develop their governance structure. The sample chose while being convenient in nature, may not provide all of the characteristics that a random selection of cases could offer. With this in mind, it would be useful if future research could explore different samples of entrepreneurial families to better understand how they govern their philanthropic activity.

The use of case studies is also limiting with regards to the generalizability of the results. Giving the descriptive nature of the case study approach, the purpose was not to generalize, but to understand and describe what entrepreneurial families do in their philanthropic endeavors. With this in mind, future research could use other methodological approaches to find out information about the governance of philanthropy by entrepreneurial families. These approaches could include surveys or the analysis of archival data. These other forms could aide in the generalization of results to a broader sample.

Likewise, the TPC theory framework applied offers only one lens through which to examine how entrepreneurial families make decisions about philanthropy. Qualitative data from case studies can often be explained from different perspectives and the use of other theoretical frames to examine the same or similar data would offer more theoretical insights. One of the theoretical lenses that could be applied in this context is Institutional Theory. There is an increasing institutionalization of the family enterprise (Melin & Nordqvist, 2007). Parada and colleagues' study on the effects of institutionalization processes on the governance of family enterprises noted that there is an institutional-driven change process of governance practices and values led by family business professional associations. (Parada et al., 2010); thus, future studies may delve into the role of societal pressures, originated by professional associations and other benchmarking initiatives, on the practice and governance of philanthropy by family enterprises.

Another limitation is that although the study includes entrepreneurial families from two different national cultures, there was not enough information to conduct a cross-cultural analysis of philanthropic behavior. Feliu & Botero (forthcoming) suggest that country can be a moderator variable for how motives influence the vehicle of choice for the practice of philanthropy. Although the legal and tax regulations regarding foundations and other social initiatives can motivate and influence the philanthropic endeavors in entrepreneurial families, neither of the two case studies indicated that tax advantages or legal issues motivated them to engage in philanthropy. Thus, future research should continue to explore whether there are cross-cultural differences in the motivation for entrepreneurial families to engage in philanthropy and in the way they choose to practice their philanthropy.

Unlike previous studies in philanthropy (e.g. Campopiano et al, 2014; Danco & Ward, 1990; Gersick et al, 1990; Lungeanu & Ward, 2012) this research is focused on entrepreneurial families and their firms. Therefore, it is possible that themes illustrated by the cases can only be attributed to this particular type of family enterprise, with diverse business units and various philanthropic endeavors. Based on this, future research should continue to expand to other types of entrepreneurial families and explore how they engage in the practice of philanthropy. Likewise, it would be interesting to study the relationship between this practice and entrepreneurial orientation (EO), defined as the attitudes and mind-sets of families to engage in entrepreneurial activity (Zellweger et al., 2012). In particular to delve into the role of philanthropy in nurturing EO, if there is any, and also to explore the impact of EO in philanthropy engagement and in the way this is practiced.

Other interesting areas for future research include understanding the application of the Three-Circle Model to family philanthropic ventures. Similarly, national differences, such as in culture, laws in relation to philanthropy vehicles such us foundations, and generational wealth transmission or patronage, would add value to the field and enable further understanding of how these variables impact the “family philanthropy Dream”. Another interesting topic for future research is how to foster respect for the governance structures in the family and family owners. Respect has been highlighted in these cases as a family value that supports the whole architecture and enhances the efficiency of the whole entrepreneurial family Enterprise. It would be interesting to study whether the education and development of family and family owners affects the existence of respect and /or the efficiency of competence of the governance of the family enterprise as a whole. As Lansberg and Gersick (2015) suggest, ownership education for the understanding of the governance system is fundamental to respect it and participate in it. Finally, we should note that the family system, the business system, and the philanthropic efforts endure and change over time regarding their interdependence. This results in a complex configuration of the family enterprise system over time; therefore future research must consider how the family system and all its dynamics affect the philanthropic activity.

Conclusion

In closing, I hope this study encourages further work at the crossroads of entrepreneurial family, philanthropy and governance, and encourages new research ideas using empirical methods that can further asses the insights provided by the cases presented.

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Chapter 5: Concluding Chapter

General Discussion

This dissertation started out with two broad research questions:

- What is the role of philanthropy in family enterprise?
- How do entrepreneurial families and family enterprises practice and govern their philanthropic efforts?

To help answer these questions, the study offers an up-to-date analysis of philanthropy in the context of family enterprises. It also contributes with a comprehensive exploration of family enterprise governance. A complete perspective of both areas was required before presenting the third part, a study of the governance of philanthropy by entrepreneurial families through a descriptive case study methodology and using TPC Theory as a framework. The TPC Theory is applied as overarching theoretical lens in the analysis of the cases and it provides insights to further comprehend the impact of family and ownership dynamics in the governance of philanthropy in family enterprises.

In summary, findings from this dissertation suggest that, first, entrepreneurial families are the drivers of significant philanthropic behavior. Second, that entrepreneurial families are heterogeneous in their engagement in philanthropy, and therefore, in the vehicles they use and the governance they put in place to oversees and make decisions regarding these efforts. And third, that family dynamics affect the governance configuration of their philanthropic practice.

This dissertation contributes to the existing family enterprise philanthropy literature in several ways (e.g. Danco & Ward, 1990; Gersick et al, 1990; Lungeanu & Ward, 2012). First, it presents a holistic approach to the governance of the overall philanthropic activities pursued by entrepreneurial families that goes beyond the traditional focus on foundations. Furthermore, it contributes to the existing entrepreneurial literature on family business (e.g. Michael-Tsabary et al., 2014; Rosenblatt, et al., 1985; Zellweger et al., 2012) by studying the entrepreneurial behavior of family firms in relation to the philanthropy arena. Previous studies in this area have focused on the firm as the unit of analysis and on the business as the entrepreneurial pursuit. In addition, the study increases the awareness that there is not necessarily just one vehicle to express the family Philanthropic Dream. Recognizing the various philanthropic initiatives at different levels of the firm that can be the result of entrepreneurial family philanthropic interests require further conceptualization and investigation.

Adding the family's perspective has revealed the critical role played by the family system in the configuration and evolution of family enterprise philanthropy and its governance over time. By showing that the philanthropic activity is often driven by the family, this dissertation emphasizes the need to include the family system in the study of family firm philanthropy, and also that the analysis of the evolution of philanthropy and its governance configuration over time has to be conducted at the family level. Therefore, adding the family's perspective on philanthropic behavior over time not only better describes reality but also enriches the understanding of the family firm's complexity (Litz & Stewart, 2000).

From a practical perspective, the findings suggest that there is a case for proactive involvement from both younger and older generations in philanthropy. This research suggests that entrepreneurial families need to look to two primary areas principally if they are to engage in philanthropy: the chances of having impact with the practice and the governance of the overall philanthropic projects. Both cases studied illustrate that that impact matters, and it is a relevant part of the "family philanthropy Dream". From a governance perspective, the study suggest that entrepreneurial families want decision-making structures that are inclusive, complemented with external talent, and built with clear processes to participate. Therefore, taking the step of creating a robust family governance system is a good investment for any family business that aims to engage in philanthropy, particularly those families who want to involve the next generation.

General Limitations

As with every research, it is important to discuss the limitations of this dissertation in order to provide a comprehensive understanding of the contributions. Below I highlight the theoretical and methodological considerations.

Theoretical Considerations: TPC theory is newly applied in the family business domain, and, although it offers several benefits in the analysis of the influence of family dynamics in philanthropic behavior and its governance in entrepreneurial families, it also poses important challenges. First, the cultural and especially the political systems of family-driven organizations are not always clear-cut. Furthermore, the three systems, technical, political and cultural, are evolving over time and sometimes informally (in particular the cultural and political ones) (Tichy, 1982). Therefore it is challenging to grasp the complexity of the interplay between family dynamics and the practice and governance of philanthropy through a case study methodology when those dynamics are not always clearly and explicitly outline. The case study approach cannot completely describe the full scope of complexity of a growing entrepreneurial family and the effects of their evolving dynamics over time.

Methodological Considerations: Further research effort is warranted to examine a broader set of observations or national contexts, and apply other methodological approaches that allow for generalization of results to a broader sample. This dissertation is a relevant first step to the phenomenon, giving the descriptive nature of the case study approach applied.

Avenues for Future Research

The observations in the case studies and the theoretical considerations of the three academic papers offer suggestions and new perspective on family enterprises. There might be several interesting avenues for future research in regard to the role of philanthropy in family enterprises and the governance of these efforts. I would like to highlight four of these opportunities that seem especially relevant for both academic and practical purposes.

First, this dissertation mentions but could not delve deeply into the role of ownership as a separate system from the family regarding philanthropy. The literature on philanthropy in family enterprises is approached from two of the Three-Circle perspectives, the family and business/businesses. But while in the first generation, there is typically an overlap of family and ownership, this overlap diminishes in succeeding generations (Gersick et al, 1997). The inclusion of philanthropic efforts with the family's operating businesses challenges the Three-Circle Mode. The analysis of the cases highlights blurred lines between family and ownership when considering philanthropy in the context of family enterprise. As pointed out in the fourth chapter, the analysis of the Beta Case shows that although family is a driving force for philanthropy it turns out to be only an influencer and not the “owner” of the activity. Furthermore, even if the family owners invest in the activity and fund it, the conceptualization of them as “owners” is not accurate and it leads to disorientation when studying the decision-making and power dynamics in these systems. Thus, this is a relevant theme for future analysis.

Second, two constructs studied in the literature, family entrepreneurial orientation (FEO), defined as the attitudes and mind- sets of families to engage in entrepreneurial activity (Zellweger et al., 2012), and Emotional Ownership, as the “sense of ownership that is a matter of sentiment, associated with belongingness and attachment beyond the monetary significance of the ownership bond” (Björnberg & Nicholson, 2012, p.381), emerged in the analysis of the cases. Future research opportunities may study the interplay between FEO and the philanthropic behavior of entrepreneurial families, and the one between philanthropy engagement and EO in the context of family enterprises.

Third, some literature in the Family Business field points out the particular role that women can play in the family business system. In 1998, Nelton wrote about the need to study whether the rise of women in family business could affect its practices and processes such as governance, leadership and succession. However, in the literature revised for the literature review paper (Second Chapter of the dissertation) we didn’t find a single study that addresses this concern within the philanthropy practice by family enterprises. Therefore, this opens an opportunity for future research in this field. Several questions arise when thinking about women participation in philanthropy. For instance, do women show different giving patterns than men? Do family enterprise philanthropy in women-run family business differ from such ventures in family firms run by men? Are foundations an opportunity for women that are excluded from meaningful executives roles in the business? (Gersick et al.,1990).

Fourth, the cases analyzed presented two entrepreneurial families who believed that responsible and professional practices in both their philanthropic endeavors and their businesses could affect social change and improve the quality of life of their communities. Both families had the resources – time, talent, and treasure -- to invest in philanthropy. Further research efforts may examine a broader set of cases to see if the themes highlighted in this dissertation remain in force in other entrepreneurial families in different cultural contexts. Also, future studies could apply other methodological approaches that allow for generalization of results to a broader sample. Further understanding of how both researchers and practitioners can support these families in their social practice is socially relevant in today's world where family firms are ubiquitous and account for a substantial share of economic activity in most countries (Aldrich & Cliff, 2003) and where there are many social needs uncovered.

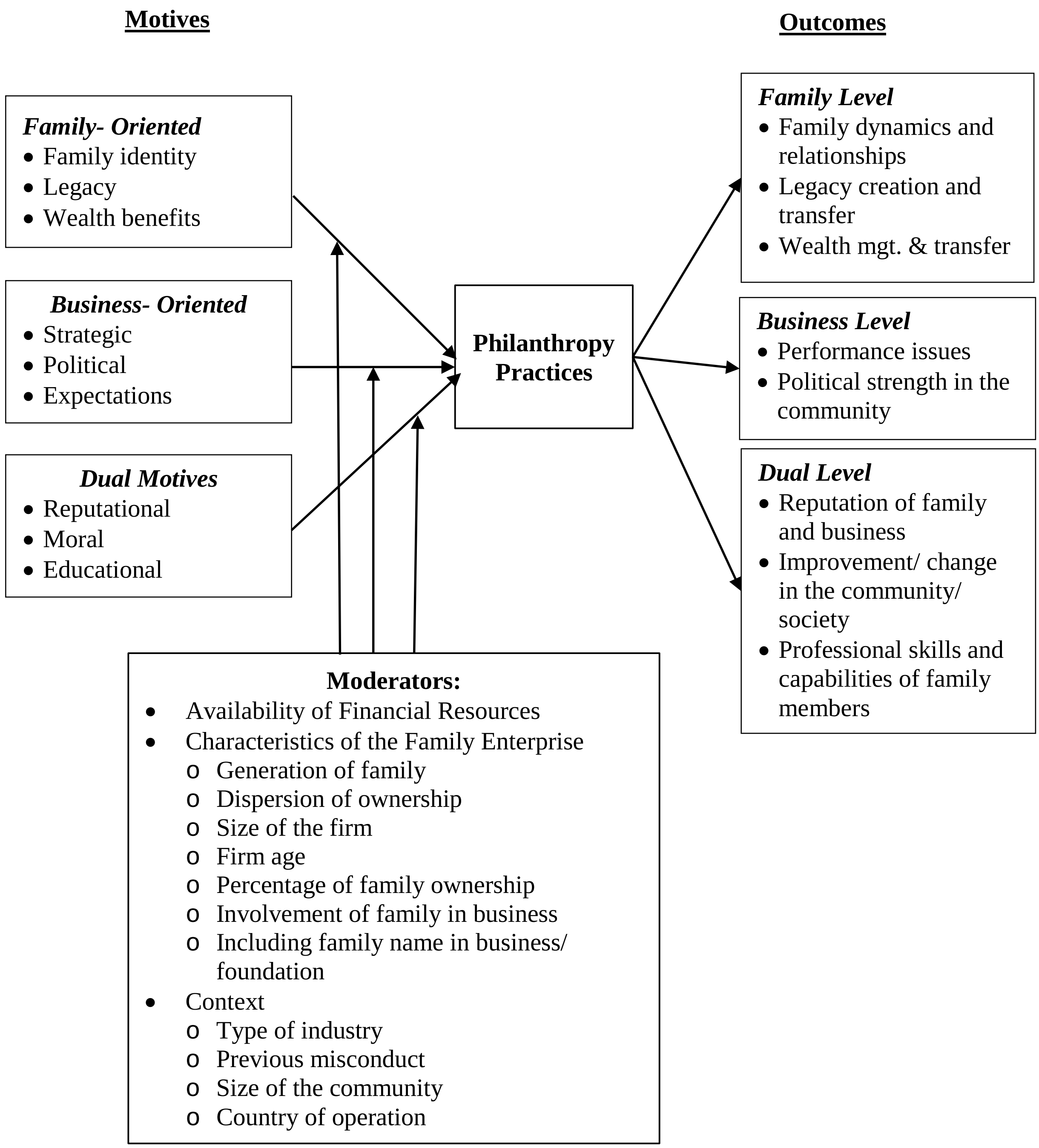
Conclusions

Entrepreneurial family enterprises were the research context chosen to study the philanthropic efforts of family firms and their governance configuration, due to their complexity that allowed for a holistic study of the phenomenon. The findings of this dissertation suggest that entrepreneurial families may be important actors in the philanthropy sector as they have the drivers – The Family Philanthropy Dream, the culture, the resources and the knowledge -- needed to engage in the practice of philanthropy in a focused, strategic, professionalized and productive way. Furthermore, the cases analysis offers insights in the important role of family dynamics when entrepreneurial families make decisions regarding how to practice and govern their philanthropic efforts.

Figures

Figure 1.1

Motives and Outcomes of engaging in Philanthropic Efforts in the Context of Family Enterprises



Tables

Table 1.1 *Sample Definitions of Philanthropy*

Year	Author	Philanthropy Definition	Practice Driven	Academic Driven
		Sample Definitions "Commitment to the Common Good" Approach		
2000	Litz & Stewart	Philanthropy involves giving of time and money with a charitable purpose (Implied)		x
2014	Campopiano et al.*	Altruistic activities intended to serve others. This includes: the act of donating money, goods and services to support a socially beneficial or humanitarian cause.		x
2008	Pharoah	Philanthropy is the voluntary giving and serving of individuals and communities beyond one's family	x	
		Sample Definitions "Community Investment" Approach		
1988	Atkinson & Galaskiewicz	Donation to charity that is tax deductible and serve the public good and may or may not benefit the organization.		x
2006	Robinson	Philanthropy has a long-term focus and its purpose is to establish long-term capital funding with financial capital creating and supporting programs for one or more initiatives. In contrast charitable giving is short-term focus involving a one-time donation for a specific purpose.	x	
		Sample Definitions of Blended Approaches		
		"Commitment to the Common Good" and "Community Investment"		
2006	Madden et al.	One of the activities through which a company engages with its community. Philanthropy is defined as the voluntary giving of money, time or in-kind goods by a business without any direct commercial benefit and with the purpose of benefiting the community welfare.	x	
2012	Rey-Garcia	Corporate actions that are a response to societal expectations that businesses should be good citizens. It is one of the four components of corporate social responsibility. And, it is discretionary.		x
2014	Dou et al.*	Charitable donations with discretionary responsibility of where and how much to donate despite the society's expectations.		x
		"Community Investment" and "Marketing"		
1995	File & Prince	These authors equate philanthropy with cause related marketing. Cause related marketing are joint ventures between non-profits and businesses that include giving to the community and expecting a return.		x

Note. The "*" next to the author's name indicates that this article was published in a family business journal.

Table 1.2

Motives for Philanthropic Efforts in Family Enterprises

	Family-Oriented Motives
Family identity	Reflects that philanthropy is important to the family, part of its culture and identity, and describes important values.
Legacy	Highlights the family's concern in creation, preservation and transfer of its legacy.
Wealth benefits	Suggest that families are motivated to do philanthropy because it can serve as a way to transfer and manage their wealth
	Business-Oriented Motives
Strategic	Highlights that philanthropy is important to the family enterprise/business because it can help the bottom line of the business in the long-term.
Political	Guided by a desire to gain political goodwill in the community.
Expectation	Based on the desire to fulfill the expectations of relevant others like competitors or similar organizations.
	Dual Motives
Reputational	Guided by the desire to develop and preserve positive perceptions of the family and the family business from external and internal non-family stakeholders.
Moral	Emerge from the good intentions of the family and the business to contribute to the welfare of others and achieve social change. It is tied to the belief that "with great wealth comes great responsibility".
Educational	Based on the concern to educate family members about business, family and personal skills. The belief is that philanthropy can serve to this process.

Table 1.3

Theoretical Approaches Used to Explain Motivations for Philanthropy

Theory	Explanation	References	Motives
Agency	In "Owner-controlled firms" philanthropy is not seen as an agency cost because owners may not exclusively focus on stockholders.	Atkinson & Galaskiewicz (1988), Zhang et al. (2012)	Family Identity Strategic
Enlighted Self- Interest Model	Socially responsible actions by a firm will be reciprocated over time by support from loyal customers, employees, suppliers and other stakeholders.	Niehm et al. (2008)	Family Identity Reputational
Organizational Identity	Engaging in socially responsible actions is part of the identity that firms want to project to others.	Bingham et al. (2010); Cruz et al. (2014); Dyer & Whetten (2006)	Family Identity Reputation Moral
Social Capital	Philanthropy helps develop ties between the business and the community that can be valuable.	Campopiano et al., 2014); Harvey et al. (2011); Lähdesmäki & Takala (2012); Niehm et al. (2008)	Political Reputation
Socio-Emotional Wealth (SEW)	Practicing philanthropy enhances different dimensions of SEW that are important for family businesses identity.	Cruz et al. (2014); Dou et al., 2014)	Family Identity Legacy Reputation
Stakeholder Identity Orientation	Organizations engage in philanthropy because these actions are consistent with how the business wants certain stakeholders to view the firm.	Bingham et al. (2010)	Moral Reputation
Stakeholder	Family firms engage in philanthropy to meet the demands of relevant stakeholders.	Bingham et al. (2010); Cruz et al. (2014); Fernando & Almeida (2012); Zhang et al., (2012); Zellweger & Nason (2008)	Expectation
Stewardship	Practicing philanthropy helps the family firm act as good steward in the community where they work.	Campopiano et al (2014)	Strategic Political Reputation
Sustainable Family Business	Philanthropy enhances the interaction between the firm and the community, which is essential for the sustainability of the firm.	Fitzgerald et al. (2010)	Legacy Expectation

Table 1.4

Types of Philanthropic Practices

Practice	Definition
	Individual Practices
Check book Philanthropy	Giving because someone asks.
Formative philanthropy	Giving back to organizations that are important to the person.
Cause philanthropy	Supporting causes that are important for the individual.
	Family Practices
Collaborative giving	Working with a group of family members to create a pool of funds used for philanthropy.
Donor advised funds	A fund set by a private donor (individual, family or corporation) within one public foundation.
Family foundations	Practicing philanthropy through an entity in which a family or some of its members endow and play a significant role in its governance and /or management.
Planned donations	Donations that are planned and done as a group.
	Corporate Practices
Foundations	Supporting philanthropic causes through a separate and independently governed legal entity from the parent company but maintaining close ties with it (i.e. contributions to maintain its giving or reflecting the parent's interests).
Endowments	Exercising philanthropy by a donation of money or assets to a non-profit organization for the on going support of that organization.
	Multiple Levels
Charitable trusts	A trust settled for both charitable purposes and public benefit.
Giving circles	A collective way of practicing philanthropy, in which donors come together, formally or informally, to combine their resources for a cause.
Public community foundations	Engaging in philanthropy by irrevocably giving funds to a chosen community foundation.

Table 3.1. Case Demographic data at the year of the study

Case	**Case 1: Alfa Family**	**Case 2: Beta Family**
Country	Chile	Italy
Generation of family	6th Generation	4th Generation
Number of Family Members	280	88
Number of Family Owners	210	25
Date of business foundation	1904	1937
Annual Revenue	$1.7B	$1,5B
International presence	YES[1]	YES[2]
Number of business units/companies	7	3
Main/Core Industry	Printing Services, paper products and office supplies.	Food Industry
Philanthropy Practice	YES	YES
Family Foundation	YES	YES
Corporate Foundation	NO	YES (Business Level)
Other (Patronage[3])	Grant-making at the business level	Patronage
Existing Owner's Council	NO	YES
Existing Family Council	YES	YES
Existing Holding Board	YES	YES
Existing Business Boards in each business unit	YES	YES
Existing Foundation Board	YES	YES
Family participating in Governance:	YES	YES
Owner's Council	Not apply	7
At the Holding Level	4 from 9	4 of 7
At the Business Level	Yes, with a majority of independent directors.	Yes, with majority of independent directors
At the Foundation		4 of 7
Family participating in Management:	28 family members	NO
At the Holding Level	The Chairman is a Family Member	The Chairman is a Family Member
At the Business Level	28	0
At the Foundation	0	0
Level of professionalization at the corporate and business level	High	High

[1] International presence of Alfa Company: Offices in 16 countries, manufacturing plants in 9 of the 16 and serves 60 countries among the 5 continents.

[2] International presence of Beta Company: Presence in all 5 continents. Offices in 18 countries and manufacturing plants in 8 of them.

[3] Patronage: giving support, mainly with money to an organization or to events aligned with the "family philanthropic dream".

Table 3.2.a. The Alfa Case. Case Description at the year of the study

Motives/ Family Philanthropic Dream	**<u>Motives:</u>** **Family Identity:** "It's part of the Alfa's DNA: we need to share our luck with our collaborators and the community"; Family Values: social responsibility, solidarity, self-improvement, personal development, integrity; respect, trust and modestly. Values are transmitted by example. "The values that are the grounds of the philanthropic activity remain the same over the years and the generations, what it changes are the mechanisms to fulfill them" **Moral Motives:** Christian believes. "To give back to the community what the community has given us with the prosperity of the company"; "The Foundation is the tool that allows the family to payback to God, to give God his dividend". **Legacy Motives:** Believes on individuals and community development. The family respect the legacy: "The principles never change, there are adapted to the circumstances" **<u>Family Philanthropic Dream:</u>** "To give back to the vulnerable community by supporting them and their individuals to develop so that they can prosper"
Structures	**At the individual an branch level:** Direct Giving and Community Foundations (15 per cent of the family does philanthropy individually) **At the Family collective level:** they began with direct giving evolving to an operating family foundation because they aimed to run their own projects and have an impact the community: The Alfa Foundation. **Company/Business level:** Grant-making to the communities where they do business at both the businesses and the Holding Level.
Governance **Governance**	**<u>At the Family Level:</u>** **The Family Council** decides on the principals and governance design of the Family Foundation. **The Family Protocol:** defines the mandate (confirming the By-laws of the Foundation) and guidelines for the Foundation. **The Alfa Foundation –** **The Board of the Foundation:** The board is strategic and provides oversight. It meets every two months to define and supervise the guidelines, strategy and budget, and supervision of the executive team. - Board Composition: 13 Directors elected by the Family. 9 family directors 2 for each 4 branches and 1 extra director for the branch that is larger. 5 principal directors and 4 acting directors, who have to be approved by the principal directors. The branches decide on their representatives by cooption in eternum[1]. The Family directors are stewards of the legacy. 4 non – family directors elected by the Family Council that contribute with expert know-how in philanthropy and in the programs the foundation runs he Family Council. - The Chairman and Vice-Chairman of the Foundation are elected by the Family Council and so far are Family Directors. - Decisions are made by unanimity. - The Board appoints the CEO, a non-family executives that attends the Boards meetings with voice but not vote. Below the CEO, the management team is recruited based on expertise and talent criteria. **Advisory Committee of the Board:** Advice the Board with the strategic planning. The Committee meets every three months. **Bylaws of the Foundation**: the mandate of the foundation has to be respected, the focus and the mechanisms to achieve the mandate can be adapted but the mandate is unmovable. **<u>At the business level:</u>** Grant-making activities in the Business are decided by the Board of the Business and/or the Business CEO. There is no formal grant-making policy. Grant-making activities in the holding are decided by the Holding Board.

[1] Cooption in *eternum*: a method based on the vote of the current family director, a method that guarantees that the legacy and mandate of the foundation is respected over the years ("we look for the best stewards").

Funding	<u>**At the Alfa Family Foundation level:**</u> **The Foundation owns the 23 percent of the Family Business**. This is a permanent endowment. The Foundation receives dividends from the Company every year. **Partner/Alliances with other public and private institutions, national and international. This** contributes to the funding of different programs. "For each peso that the foundation receives from dividends, the partners contribute with four extra ones so they can organize programs for 5 pesos" "We've become social businessmen" <u>**At the Business Level:**</u> The Holding Board decides on the Grant-making. There is no budget agreed annually for these activities.
Outcomes	**Family Dynamics and Relationships:** Family Unity and Cohesion: "What keeps the family together". **Legacy Creation and Transfer: Stewardship:** "the project where we all feel included and identified with". Transfer of values over generations. **Reputation:** Although unlooked for, the Foundation has provided the family with a positive image in the community and prestige for the management of the foundation, which impacts the business positively. **Change in the Community:** The funding mechanism allows for a sustainable foundation that can commit to a vision and a strategy. Independent from the welfare of the family and increasingly from the financial success of the business.

Table 3.2.b. The Beta Case. Case Description at the year of the study

Motives/ Family Philanthropic Dream	<u>**Motives:**</u> **Family Identity:** "We live the family values and the legacy of the founders through the philanthropy"; "The philanthropy will become the shared project of the family, a place where we all agree and feel proud of"; Family Values: generosity, entrepreneurship, meritocracy, innovation, commitment with the cultural roots/origins of the family and the community. **Family Legacy**: "To preserve the legacy of our grandfather, he was fully committed with protecting and enhancing the cultural identity of our region" **Reputational Motives:** "Through the philanthropy we build reputational capital for the family and the business" <u>**Family Philanthropic Dream:**</u> "To work together as a family preserving the legacy of our grandparents, the cultural identity of our community and supporting entrepreneurship in innovation areas, while fostering the reputation of the family business"
Structures	**At the individual an branch level:** Direct Giving (mainly done by the 5 members of the 2nd Generation) **At the Family collective level:** - Family Foundation that have the name of the Grandfather - Diverse patronage activities. **Company/Business level:** - One Business Foundation in one of the business units - Diverse Patronage Activities at the Holding Level and Business Level.
Governance **Governance**	<u>**At the Family Philanthropy Level:**</u> **The Family Council** gathers the philanthropic concerns and interests of the family and keeps the family informed and educated on the topic. **The Owner's Council:** "the final decision-making body". It revises the mandate of the Foundation, appoints the Board of the Foundation and decides on the annual funds that shareholders will contribute to the foundation. It also decides on patronage activities. <u>**The Beta Family Foundation-**</u> **The Board of the Foundation:** ***Role of the board***: strategic and informative, with a limited overseeing role. The Board appoints the CEO of the Foundation. It meets quarterly. Recently, and due to a succession of the Chairman of the Board of the Foundation, the Board has incorporated the 3rd non-family director and appointed a non-family director as Chairman. The mission and strategy of the Foundation was being revisited, based on a workshop on the 3rd Generation Philanthropic Vision. ***Board Composition***: 7 Directors elected by the Owners Council; 4 family directors, 1-2G member and 3 – 3G members that provides the family philanthropic vision and values to the Board; 3 non-family directors that contribute with expert know-how in philanthropy and in the programs the foundation runs; selected based on meritocracy; decisions are made by unanimity first, and when unanimity cannot be reached by simple majority **Bylaws of the Foundation**: The Owner's Council has recently revised the Bylaws of the foundation to adapt them to the new configuration of the Board. The Family is working on a redefinition of the mandate of the Foundation building on the 3G Vision on Philanthropy. <u>**At the business level:**</u> **The Holding Board** offers some guidelines to the businesses regarding the Foundation's Board composition, activity and budget/ funds. The guidelines also include the patronage activities. **Foundation – The Board of the Business** decides on the mission of the Foundation, which is related to the Healthy Innovation on the Food Industry. It also elects the Board of the Foundation, composed integrated by board members at the business level, one board member

	at the holding level and the CEO of the business. The Board of the Business decides on the funds to assign to the Foundation, and oversees the management and grant-making of the foundation. The Holding Board **Patronage activities:** - The businesses are engaged in diverse patronage initiatives related to their strategy. Both the CEOs of the Businesses and their Board have the authority to decide on these practices, with certain limits for the CEOs. - Patronage activities at the Holding level are decided by the Chairman of the Holding Board and/or by the Owner's Council. There is no grant-making policy. **<u>System Level:</u>** The Owners' Council, through a Philanthropy Committee, oversees the overall philanthropic activity and translates the "Family Philanthropic Dream" into a mission for the family system philanthropy, which is convey to the Family Foundation, Family Council and to the Holding Board. The Council decides on the funding and gives guidelines on governance principles and funding.
Funding	**At the Family Level- The Beta-Family Foundation level and patronage initiatives:** The Owner's Council decides on the amount devoted to Family Philanthropy. The funding source is the Holding profits. **At the Business Level:** The funding sources are the business units.
Outcomes	**Legacy Creation and Transfer: Family Stewardship:** "a shared project through which we preserve the family legacy and identity and makes as feel united and part of a big thing". Transfer of values: "Makes the family feel responsible for managing the business well so that they can support the Foundation". **Reputation:** "Although not Through the philanthropic and patronage activities our family and our companies are positively perceived and more visible for our stakeholders" **Improvement and change in the community: Significant and sustainable social impact.** The revision of the philanthropic project and its governance structures aim to improve the focus of the foundation so that it can be more efficient in achieving social impact.

Appendix Section

Appendix 1.1. List of Sources Included in the Review

Year	Author	Academic	Practice	Family	Business	Outside US	RQ1	CSR	RQ2	Theory	RQ3	Foundation	RQ4
1988	Atkinson & Galaskiewicz	x			x		x		x	x			
1990	Brody & Strauch		x	x							x	x	
1990	Danco & Ward	x		x					x		x	x	
1990	Gersick et al.		x	x					x		x	x	
1990	Hansen		x	x					x		x	x	
1990	Hayes & Adams		x	x					x		x	x	
1990	Von Lossberg		x	x							x	x	
1990	Ylsvisaker		x	x							x	x	
1993	Prince et al.	x			x				x				
1995	File & Prince	x			x		x	x	x		x		
1998	File & Prince	x			x		x	x	x				x
2000	Litz & Stewart	x			x		x		x		x		
2004	Hersch		x	x	x		x		x				
2004	Uhlander et al.	x			x	x	x	x	x				
2005	Deniz & Cabrera	x			x	x	x	x	x		x		
2006	Dyer & Whetten	x			x		x	x	x	x			
2006	Gersick et al		x	x					x			x	
2006	Madden et al.	x			x	x	x		x		x		
2006	Robinson		x	x			x		x				
2007	Gallo		x	x					x				
2008	Gray		x	x	x				x				
2008	Niehm et al.	x			x		x	x	x	x			x
2008	Ottinger		x	x					x		x	x	
2008	Pharoah		x	x		x	x		x			x	x
2008	Schwass & Lief		x	x	x		x		x				
2008	Snowden-Blanchard		x	x					x		x	x	
2008	Zellweger & Nason	x		x	x		x		x	x			
2009	Breeze		x		x	x	x		x		x		x

Year	Author	Academic	Practice	Family	Business	Outside US	RQ1	CSR	RQ2	Theory	RQ3	Foundation	RQ4
2009	Bronfman		x	x					x		x		
2009	Chenier		x	x							x		
2009	Ward		x	x					x				
2010	Bingham et al.,	x			x		x	x	x	x	x		
2010	Credit Suisse		x	x		x			x		x		
2010	Fitzgerald et al.	x			x		x	x	x	x	x		
2010	Rey & Puig	x		x		x	x		x		x	x	
2011	Eichenberger & Johnson		x	x			x		x				
2011	Harvey et al.,	x			x		x		x	x			
2011	Lerner		x	x			x		x		x	x	
2011	Moody et al.,		x	x					x			x	
2011	Pharoah, C. et al.		x		x	x	x		x			x	x
2012	Fernando & Almeida	x			x	x	x	x	x	x			x
2012	Kranenburg& Zoet-Wissink	x			x	x	x	x	x				
2012	Lähdesmäki & Takala	x			x	x	x	x	x	x	x		
2012	Lungeanu & Ward	x		x					x		x	x	
2012	Rey-Garcia	x			x	x	x	x	x		x	x	
2012	Winer		x	x	x				x		x		
2012	Zhang et al	x			x	x			x	x			x
2013	Eichenberger & Johnson		x	x			x		x				
2013	Rey Garcia & Puig Raposo	x		x		x	x		x		x	x	
2013	U.S. Trust		x	x					x		x		x
2014	Campopiano et al	x			x	x	x		x	x			
2014	Cruz et al	x			x	x	x	x	x	x			
2014	Dou et al	x			x	x	x	x	x	x			
2014	Du	x			x	x	x	x	x				
2014	Hoy & Rosplock	x		x	x		x	x	x				
	Totals	**28**	**27**	**31**	**30**	**18**	**33**	**16**	**50**	**13**	**27**	**18**	**8**

Note. “X” indicates that a publication was coded under the characteristics described in the header.

The four research questions explored were:

RQ1- how is philanthropy conceptualized?

RQ2 - what are the motivations for philanthropy?

RQ3 - how is philanthropy practiced?

RQ4 - what are the outcomes associated with philanthropy?

Appendix 2.1. Interview Guide

1. **Information about the interview**
    a. Name of the Interviewee
    b. Date and location of the interview
    c. What is the relationship with the philanthropy project?

2. **History**
    a. Context of the Family's philanthropic activities:
        i. Context in which the family began its philanthropic activities
            1. Personal Intentions
            2. Family Values
            3. Values of the Company (Corporate Social Responsibility Policy)
            4. Social Context
            5. Legal Context
        ii. Who was involved and what roles did they play
        iii. Relationship between these people (family branch to which they belong, generation, relationship with the family company)

    b. Context of the enterprise at the time philanthropic activities were initiated
        i. Family business or Family Offices at the time of initiating social action.
        ii. Current businesses (currently operational), indicating which members of the family are currently active in the business.
        iii. Context of the donation (where the initial funds originated from) (Note all the different philanthropic actions that they are engaged as a family, their goals and how they are each funded).
        iv. Initial intention of the people who began the philanthropic activities:
            1. Original mission or mission statement
            2. The intent was communicated formally, informally, or deduced by the members of the family

3. **Declaration of purpose, mission and criteria for the selection of projects.**
    a. Is there an articulated mission? (For the family philanthropy as a whole and for each specific project, such as Foundation, Philanthropy Fund, Patronage Policy,….)
    b. Are there restrictions or requirements on the type of action, place, etc. to be considered a beneficiary?
    c. Who was in charge of defining the mission? And in charge of revising it when needed?
    d. Who approved the mission?
    e. How much unanimity was there in relation to the mission?
        i. Between family branches
        ii. Between generations
        iii. Between people in leadership (leadership group) and other advisors (trustees)
        iv. Between directors and support staff?
    f. Challenges or problems encountered (obtain information or details of the story or history)

4. **Development of the Philanthropy (retrospective review of the history of the development of the philanthropic actions)**

    a. **How is philanthropy carried out:**
        i. Using a Foundation:
            1. Foundation of the company/corporation

2. Family Foundation
3. Individual Foundations by different members of the family

ii. Support of certain causes, individuals or foundations of third parties such as community foundations.
iii. Social Enterprise/Entrepreneurship
iv. What is the trigger or determining factor that leads to the selection of a certain practice or philanthropic vehicle.

5. How philanthropy is governed?

a. Is there a formal decision-making body that set strategic goals, maintain key relationships, safeguard the health of the philanthropic project, keep it accountable and control and recognize achievement and performance of the philanthropic project?
b. Are there different levels of governance? (For example, one body that oversees the philanthropy projects overall the family enterprise system assuring that the philanthropic intentions of the family are pursue and respected. And then, boards or decision-making bodies for each Foundation or philanthropic project that exist (such as a family Foundation, a Business Foundation, a Philanthropy Committee for specific donations,…))
c. Who is responsible for appointing members to the decision-making body? To whom it depends/To whom it depends? To whom it is delegated? (de quién depende? A quien responde?)
d. How is the board or decision-making group composed**?** What criteria govern its selection?
    1. Specifically:
        a. Family members
        b. External people/Independent professionals
    2. How were they chosen?
    3. Who were the leaders?
    4. Were the decisions participatory and shared by the people involved (or the Board), and at what level?
    5. Who was not included?
e. What is the contribution of the board or decision-making body?
f. Roles:
    i. Is there a formal description of the position of Director?
    ii. Is there a formal description of the position of Secretary or Chairman of the Committees
    iii. Is there a formal description of the position of Chairman of the Board of the Foundation/Philanthropic Action Leader? Must it be a member of the family?
    iv. Is there a succession plan in place for Chairman of the Board or Philanthropic action leader?
        1. Is it a position that will always be filled by a family member?
        2. Is it based on hierarchy?
        3. Family branches?
        4. Can it be a non-family member?
        5. Or a spouse?

    v. Who defines this process? Who is responsible for its implementation?

g. Are there governance committees and what are they?
    i. How are the directors assigned to the committees?
    ii. What roles do the committees hold in the process of making donations?

6. Integration of Governance

a. What connections, if any, do the different philanthropic entities or projects have with:
    i. The Family:

1. Is the family invited to participate (visit, learn and be informed)
2. Is the family involved in the decision making process (does their opinion carry weight in decisions regarding grants, governance and management of the social action)
3. What does the family contribute to the social action?
4. What does the social action bring to the family?

ii. The Family Business Operations:

1. Of the various levels of the philanthropic activity, does a relationship with the family philanthropy exist with:
   a. Philanthropy of the Corporation
   b. CSR of the operational business

2. Level of Relationship:
   a. Impact on the Mission (donations)
   b. Information
   c. Strategic Value
   d. Identifying family - company

iii. Family Office
iv. Other Family Foundations
v. Other Foundations outside the family
vi. Family Council
vii. The Government or other Public Institutions
viii. Other family structures (Family Assembly)

7. Continuity Planning (part of Governance)

a. How are the members/younger generations becoming involved in philanthropic projects
   i. What steps are carried out in the education and/or socialization of future Directors or persons in charge of the project?
   ii. Do they first participate in junior Board or Committees?
   iii. Are they sent to professional meetings, seminars or conferences?
b. What steps are taken to anticipate the transition?
   i. Is there a mandatory age of retirement or other limiting requirements?
   ii. Is the new generation involved in the decision making process? To what extent?
c. Does the involvement of the new generation lead to:
   i. Change in the philanthropy model
   ii. Change in the mission and philanthropic purposes

8. How philanthropy is managed? (Stewart and Hitt, 2012: Delegation to professionals ; Rational, analytical ; Innovative , Formalized, command and control)

a. Is there a formal description of the position of the person in charge of the Foundation, Social Enterprise, or other philanthropic vehicle?
b. Who is responsible for appointing the CEO o General Director?
c. Does a family member occupy this position?
   i. Are there different employment criteria for members of the family?
   ii. Is the process of evaluation different?
   iii. Is the compensation different?
d. Are there professional support staff (not family employed)?
   i. How was the decision to hire them made?

   ii. What qualifications were sought for these support staff?
   iii. Who oversees staff?
   iv. Are there formal evaluations and procedures of feedback for support staff?
   v. Are the support staff positions occupied by members of the family?
      1. Are there different employment criteria for members of the family?
      2. Is the evaluation process different?
      3. Is compensation different?
   vi. What role do the support staff play in the management of the participation of the philanthropic project?
e. Does management apply rational, analytical and innovative work procedures?
f. Is there a formalized command and control?
g. Are there consultants?
   i. What type, with what training and experience?
   ii. With what purpose?
h. Are there assessments of the impact of the philanthropy in place?
   i. Which ones and how often?
   ii. Who is in charge of them?
   iii. To whom are communicated?
   iv. In the event of a negative evaluation, what decisions are made to this regard? Who is ultimately responsible?

9. How is the philanthropic activity funded? Who has the ultimate decision in that front?
a. Are there different sub-categories of funds?
b. Are there discretionary funds?

10. Family Dynamics

a. Structure
   i. Who are considered to be members of the Philanthropic project? Who can participate in the project, in the management or as the entrepreneur?
   ii. Is the distinction between blood family members and spouses important to the family?

b. Leadership
   i. Who are the leaders?
   ii. How much authority do they exercise and where do they come from?
      1. Formal Leadership position
      2. Age or generational hierarchy
      3. Family branch or other "political" front
   iii. How are leaders from future generations identified?
   iv. How are leaders from future generations prepared and selected?
      1. The current leader chooses the new leader
      2. Branch decision
      3. Collective decision (from the Family or Shareholder Assembly)
      4. Hierarchy
      5. Family Council decision
      6. Board of Directors of the Corporation decision
      7. Board of the Foundation decision (Family Foundation model)

c. Communication
   i. Is the family communication open and honest?

11. Impact of philanthropic activity (collateral impacts)

a. What is the impact of philanthropic activity in:

i. Family?
ii. New generations?
iii. Ownership?
iv. Enterprise?
v. Family Office?

b. What benefits would you highlight that would not have been achieved any other way?

i. Do you believe the family is aware of the benefits?
ii. Do you believe that the ownership is aware of the benefits?
iii. How about the top executives of the company (and the Board of Directors)?

12. Closing Questions

a. Is there anything else that has not been asked that would help in understanding the development of Philanthropy over time?
b. Based on your experience, could you suggest a topic of governance, troubleshooting or planning, that could benefit other families and their philanthropic initiatives?
c. Would you recommend that we interview someone else? (If the person you recommend is not part of our list, could you explain why you recommend them?)

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