The Board of Directors in Family Firms: One Size Fits All?

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Boards of directors are governance bodies that serve important functions for organizations, ranging from monitoring management on behalf of different shareholders to providing resources. Board roles and characteristics vary widely among national cultures and, within each country, among different company types. Despite such variety, research on family business boards has been dominated by prescriptions and by the lack of an explicit recognition of family firm types characterized by different governance requirements. We argue that a contingency approach to defining board structure, activity, and roles offers useful guidance in understanding board contributions to family business performance. We develop a theory to show how board characteristics are a reflection of a family firm's power, experience, and culture makeup. This theory provides insight into descriptions of existing board choices and prescriptions for family firms interested in starting or adapting their board of directors.

Introduction

The family business board of directors and its relationship to firm performance have long been central to both research and corporate practice (Corbetta & Tomaselli, 1996; Huse, 2000; Larsson & Melin, 1997). Despite recognition of the enduring value that the model of a single, competent and all-powerful entrepreneur may have in some closely held family firms (e.g., Ford, 1992), the vast majority of family business studies have consistently pointed to the need for increasingly large, active, and external boards, even in closely held family businesses.

The near future is likely to witness increasing pressure in this direction. Growing shareholder activism in several countries will enhance public and market favor toward those entrepreneurs who are willing to involve outside directors and expose themselves to the resulting constructive criticism (Huse, 1995). Likewise, the ongoing tendency toward improving board functions within publicly listed companies will extend its effects to closely held family firms by mimicry and institutional pressures. In addition, internationalization processes will inevitably involve closely held family enterprises, exposing them to different governance systems, and hence increasing the pressure toward open governing bodies (Charkham, 1995). Finally, changes in the relationship between banks and companies resulting from recent supranational agreements (e.g., "Basle 2" in Europe) should also encourage the diffusion of active, external boards, given the resulting increased emphasis of governance issues in credit assessment. In synthesis, the day has come when individual leadership in family firms, although still essential, will last and produce most when it is part of a good governance system.

In contrast with this tendency, there is widespread agreement among scholars that no single corporate governance arrangement can fit the multifaceted needs of companies embedded in widely different cultural, historical, and institutional settings. Systems of corporate governance, by which companies are directed and controlled, are highly country specific, ranging from the "market-oriented" frameworks characterizing Anglo-Saxon countries such as the United States and the United Kingdom, to the "network-oriented" arrangements prevailing in Japan and in Latin countries such as Italy and France (Weimer & Pape, 1999). Cultural determinants and other systemic contingencies explain why, for example, publicly listed firms in the United States are characterized by active, external boards of directors, while in their Japanese counterparts the board, whose role is often described as "ceremonial," is mainly composed by internal appointments (Charkham, 1995).

These considerations suggest that current perspectives on family business boards should be taken cautiously and may need to be partially reassessed. The relentless process toward an increasingly active role of the board of directors in family firms will improve their survival and success prospects only if supported by a fine-grained understanding of the specific governance needs of different family firm types. Such understanding is not provided by the wholesale acceptance of standard governance makeups that fit large, publicly listed companies. Hence, one of the main tasks faced by researchers is to try and determine which settings best fit the assumptions in each theory they may want to apply (Daily, Dalton, & Cannella, 2003).

This article represents a step in this direction. Specifically, we address several important questions concerning family business boards of directors. What theoretical perspectives dominate descriptions and prescriptions concerning boards of directors in the family business literature? Are these dominant standpoints exhaustive in addressing board issues in family firms? Which additional theories have the potential to contributing to our understanding of the board-performance link in family-dominated companies? Which family-related contingent variables carry the highest potential in explaining or prescribing board configurations in this type of firms?

The exploration of these questions contributes to existing literature in several ways. First, we develop a model of family business boards that simultaneously incorporates insights from different frameworks, in contrast with the rather limited theoretical span of many existing models. Second, we explicitly link board characteristics to variables that recent contributions indicate as defining different family business types (Astrachan, Klein, & Smyrnios, 2002). This allows us to suggest a contingency model of boards of directors in family enterprises. The model may improve our understanding of the effectiveness of different board configurations in different family firm types, as well as related practical suggestions to family companies.

The structure of our article is as follows. We begin with a review of the literature on family firm boards of directors, pointing to the selective theoretical frameworks that have driven descriptions and prescriptions in the field. We then briefly illustrate the larger spectrum of theories of corporate governance that may provide further insight into family business boards. Following this, we integrate a recent proposal for building a family business typology with variables determining board composition, developing propositions that offer a contingency perspective on family business boards. We conclude the article by presenting implications for research and for practice.

Descriptions and Prescriptions: Some Features of the Literature on Family Firm Boards

Analysis of the family business literature on boards of directors reveals two prevailing features. First, the majority of studies tend to offer normative or prescriptive advice, which, as revealed by the board characteristics they suggest, is often inspired by a prevailing agency theory stance. Second, few studies explicitly relate board descriptions and prescriptions to factors that distinguish among different family firm types.

Agency-Based Prescriptions

Questions relating to the most suitable structure and roles of boards of directors in closely held family businesses are not new (Mace, 1948). However, for a host of reasons, research efforts have tended to focus on large, publicly listed companies: the perceived central role of individual leadership in guiding behavior and performance of closely held firms; the related view that there is no need to question stockholders' decisions if none of them is a "third" party; the assumption that companies seeking to attract capital from "third" parties have a greater impact on society; and the objective difficulties in obtaining data on governance issues from closely held firms.

Not surprisingly, the recent resurgence of scholarly and managerial interest in family business boards (also spurred by the special issue devoted to this topic by the *Family Business Review* in 1988) has relied heavily on the agency theoretical concepts that have dominated debate on corporate governance over the past three decades (Johannisson & Huse, 2000).

Prescriptions of effective board characteristics are dominated by suggestions to adopt relatively large, active, and external boards, the latter characteristic usually meaning that nonexecutive directors should not have personal or professional relationships with the family or the firm (e.g., Barach, 1984; Mathile, 1988; Nash, 1988). Even empirical and descriptive studies often do not hide an underlying, positive bias toward independence posited by agency theory: "The ideal board consists only of outside directors plus the CEO . . . In this spirit, the CEO has a majority of independent outsiders to provide oversight and also the maximum amount of valuable counsel on key business issues" (Ward & Handy, 1988, p. 290). This tendency, however, may result in unbalanced, if not even dangerous, prescriptions, since empirical evidence on the effectiveness of given board structures is far from being conclusive (Dalton, Daily, Ellstrand, & Johnson, 1998; Finkelstein & Hambrick, 1996; Zahra & Pearce, 1989).

Few studies take exception to this predominant view. Ford (1988, 1992), for example, suggests that outsiders reduce the influence of the board on several activities and functions, due to their lack of knowledge about the firm and its environment, and lack of availability to the firm. From a different perspective, Huse (1995) claims that board composition and board empowerment depend on the family firm's resource situation in relation to the environment. In another work (Huse, 1994), he suggests that family firm boards should be characterized by a difficult balance between independence and interdependence.

Agency theory has been adopted, though often implicitly, as the overwhelmingly dominant theoretical perspective in explaining these suggested or observed board characteristics. Hence, adoption of active, external boards is typically explained or justified by family leaders' inability to perceive the limitations of their behavior (Alderfer, 1988), by the clash between goals and values of individuals as both family members and managers (Mueller, 1988), by inside directors' submission to the family CEO or to their own narrow interests (Schwartz & Barnes, 1991), or by the risk the CEO runs of allowing his or her personal values and preferences to unduly impact ethical and economic rationality (Gallo, 1993). As a result, family firm peculiarities that may temper if not eliminate agency problems (Corbetta & Salvato, forthcoming) are either totally overlooked or downplayed: "Although family businesses are free of many of the corporate governance issues confronting publicly owned concerns, the vast majority have yet to add qualified outsiders to their boards" (Heidrick, 1988, p. 271).

Different Family Business Types

Suggestions from mainstream agency theory have often been directly applied to family firms without filtering them through these firm's peculiarities. Although several studies recognize that no two family business problems or opportunities are alike, the general tendency is to present descriptions and prescriptions as valid for all family firms, or, at best, for broad subsets such as "the small owner-managed firm" (Huse, 1995) or "the threshold family firm" (Whisler, 1988). Hence, several works conclude that although an active, outside board is not ideal for every family business at all times, empirical data and related practical advice point to the fact that outside directors are or should be as highly regarded by first-generation entrepreneurs as by CEOs of succeeding generations (e.g., Schwartz & Barnes, 1991). Notable exceptions to this tendency are those studies that clearly spell out family-related contingencies that may affect board characteristics (e.g., Jonovic, 1989; Ward & Handy, 1988; Whisler, 1988; Huse, 1994, 1995). These studies suggest that most family firms have a different chain of command than large, quoted companies. Moreover, board-management relations in family firms are often described as requiring simultaneous independence and interdependence, distance and closeness (Huse, 1994). Thus, existing theories on boards of directors may be difficult to apply in their purest form to all types of family firms (Hung, 1998; Larsson & Melin, 1997; Muth & Donaldson, 1998). This calls for a broader perspective for understanding family business boards, where competing theoretical views may help sharpen researchers' and practitioners' focus on opposing facets of this paradox (Corbetta & Montemerlo, 1999; Lewis & Keleman, 2002).

Tensions and Complementarities: Different Approaches to Corporate Governance

Researchers studying corporate governance have used a diverse set of theoretical perspectives to understand the characteristics, roles, and effects of boards of directors (Finkelstein & Hambrick, 1996). These perspectives can be broadly classified into two main groups (Daily et al., 2003; Hillman, Cannella, & Paetzold, 2000; Hillman & Dalziel, 2003): (1) those relating to a control role of boards of directors (which include agency, governance, monitoring, ratifying, and accountability roles) and (2) those envisioning provision of resources as the central role of a board (which include strategy, service, and legitimacy roles).

Despite the above-noted prevalence of agency/control considerations in describing family firm boards and in offering advice on how to improve their role, several empirically informed claims have recently been made to integrate the control and resource roles when developing descriptions and offering prescriptions (Charkham, 1995; Hillman & Dalziel, 2003; Korn/Ferry, 1999).

Agency theory describes the potential for conflicts of interest arising from the separation of ownership and control in organizations. According to this view, the primary function of boards of directors is to monitor the actions of "agents"/managers in order to protect the interests of "principals"/owners (Fama & Jensen, 1983; Jensen & Meckling, 1976; Mizruchi, 1983). Directors carry out their control function through specific activities like monitoring the CEO, monitoring strategy implementation, planning CEO succession, and evaluating and rewarding both the CEO and top managers. These activities allow directors to ensure that management behaves in the interests of shareholders.

In contrast with agency theory, stewardship theory (Davis, Schoorman, & Donaldson, 1997) defines situations in which managers and employees are not motivated by individual goals, but instead behave as stewards whose motives are aligned with the objectives of the organization (e.g., sales growth, profitability, innovation, international expansion, company reputation). The steward's pro-organizational behavior is aimed at improving organizational performance. This will in turn benefit the steward's principals, that is, the outside owners, when the steward is an executive or a board director, or managerial superordinates, when the steward is a lower-level manager or an employee. According to stewardship theory, the board's primary role is to service and advise, rather than to discipline and monitor, as agency theory prescribes. The CEO and the managerial body are characterized by high degrees of commitment toward the firm, and by a relevant overlap between their values and those of the organization. Hence, stewardship theory prescribes a board structure mainly characterized by insiders or by affiliated outsiders linked to the organization or to each other by social and family ties (Sundaramurthy & Lewis, 2003).

The second important group of board functions is the provision of resources. This perspective is dominant both within the resource dependence framework (e.g., Boyd, 1990; Hillman et al., 2000; Hillman & Dalziel, 2003; Pfeffer, 1972;

Pfeffer & Salancik, 1978), and stakeholder traditions (Donaldson & Preston, 1995; Luoma & Goodstein, 1999).

According to the resource dependence perspective, the success of a business depends on its ability to control critical environmental resources (Pfeffer & Salancik, 1978). The board is hence seen as one of a number of instruments that may facilitate access to resources critical to company success. Boards of directors provide the firm four primary types of broadly defined resources: (1) advice, counsel, and know-how; (2) legitimacy and reputation; (3) channels for communicating information between external organizations and the firm; and (4) preferential access to commitments or support from important actors outside the firm (Pfeffer & Salancik, 1978). This resource role is played by board directors mainly through their social and professional networks (Johannisson & Huse, 2000), and through interlocking directorates (Lang & Lockhart, 1990; Mizruchi & Stearns, 1988).

In a similar vein, the stakeholder approach also considers the provision of resources as a central role of board members. The main resource stakeholder scholars refer to is consensus. According to this perspective, the board should comprise representatives of all parties that are critical to a company's success. This will result in the firm's ability to build consensus among all critical stakeholders. The board of directors is hence seen as the place where conflicting interests are mediated, and where the necessary cohesion is created (Donaldson & Preston, 1995; Luoma & Goodstein, 1999).

It is not necessary to conclusively choose one theoretical perspective over another. Each may be partly suitable in any given situation. Indeed, one can obtain a better understanding of family business boards by trying to use more than one model in combination, rather than choosing among them (Lewis & Keleman, 2002; Salvato, 1999). Clearly, at some point the various selected perspectives will begin to make different predictions as to which board structure will or should prevail. At that point, it will be useful to have a rationale for understanding under which conditions each is more applicable. We contend that the predictive and prescriptive validity of these theories is contingent on variables that allow distinguishing among significantly different family firm types: the relative power of the family and other important stakeholders; family experience within the firm; and the degree of identification between family and business cultures (Astrachan et al., 2002). We now turn our attention to these relationships.

Bridging the Gaps: A Contingency Perspective on Family Business Boards of Directors

A lot of confusion exists when speaking and writing about family businesses, as very different types of companies and groups are all considered in the same manner (Salvato, 2002a). Obviously, no single governance makeup would equally suit all the heterogeneous business entities that may fall under the family business label. Failing to explicitly consider different family firm types when approaching corporate governance issues is problematic, because family and business cultures, which shape governance systems, differ widely across geographical boundaries, as well as over time and business life-cycle stages (Astrachan et al., 2002; Charkham, 1995).

Therefore, what we need is a contingency perspective on family business boards of directors. The general contingency theory argument is that superior organizational performance is a result of the proper alignment of endogenous organizational design variables with exogenous (i.e., not determined *inside* the organization) context variables (Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Miller & Friesen, 1983). A contingency model of family business boards of directors should hence link board composition variables to variables that simultaneously define different family business types, and bear relevance in determining governance needs. The latter type of variables has been tentatively highlighted by those few studies that have addressed family firm governance issues according to an explicit, though never fully developed, contingency approach. Hence, Ward and Handy (1988) point to the importance of the nature of ownership, CEO personality and experience, and the size, type, and life-cycle stage of the business. Similarly, Jonovic (1989) suggests variables defining ownership structure, composition of management team, and firm complexity as the main drivers of board choices. Finally, Huse (1994) adds to ownership structure and firm-level characteristics the company's previous track record in suggesting board configurations. Family-related contingency variables highlighted by these studies clearly cluster around three dimensions: ownership structure; composition and experience of managerial teams; organizational life-cycle stage and related firm complexity. Surprisingly, none of these studies explicitly mention cultural variables as relevant in determining board choices, in sharp contrast with established comparative corporate-governance literature (e.g., Charkham, 1995).

Recently, Astrachan et al. (2002) have suggested and empirically validated (Klein, Astrachan, & Smyrnios, 2003) a scale—the F-PEC—for assessing the extent of family influence on enterprises. This scale brings together the main family-related contingency dimensions suggested by previous works (i.e., ownership structure, managerial experience, life-cycle stage, and culture), offering a compelling view of variables affecting family firms' behavior and performance.

The F-PEC comprises three subscales. First, the *power* dimension measures the degree of overall influence on the enterprise either directly in the hands of family members or in those chosen by the family. The power subscale results from a combination of (1a) the extent of direct family ownership of the firm, and of indirect ownership through financial holdings; (1b) the extent of direct governance control through family board members, and indirect control through directors nominated by the family; and (1c) the extent of direct managerial control through family managers, and indirect control through managers chosen by the family.

Second, the *experience* dimension measures the influence of the family on the enterprise in terms of the experience, skills, and resources family members contribute to the firm. The assumption behind this dimension is that each succession adds considerable valuable business experience and skills to the company, although at a decreasing marginal rate. Hence, the experience subscale results from a combination of (2a) the generation(s) owning the company; (2b) the generation(s) managing the company; (2c) the generation(s) active on the governance board; and (2d) the number of contributing family members.

Third, the *culture* dimension measures the degree of identification between family and business values, and the impact such values have on the firm, as mediated from the family's commitment to the business. Hence, the culture subscale results from a combination of (3a) the extent to which family and business values overlap and (3b) the family's commitment to the business.

The F-PEC scale allows to compare businesses in terms of their levels of family involvement and, central to our arguments, in terms of the impact such involvement has on business behaviors that affect firm performance.

Figure 1 portrays the main relationships between contingency variables as depicted by the F-PEC scale, and board configuration choices. Obviously, F-PEC variables describing board configuration (i.e., (1b)—extent of governance control; (2c)—generation(s) active on the governance board) have been extracted from their subscales and included as intermediate variables (*Board Dependence* and *Board Capital*). This model-building choice is conceptually viable, given the structural characteristics of the F-PEC scale, for at least two reasons. First, the "level of influence via ownership, management, and governance is . . . viewed as interchangeable as well as additive" (Astrachan et al., 2002, p. 48). Second, the use of data derived from F-PEC subscales and total scores as either independent, dependent, mediating, or moderating variables has been asserted by its proponents (Astrachan et al., 2002, p. 47).

Board Roles and Firm Performance

Our model links family-related contingency variables (i.e., power, culture, and experience) to board configuration and roles and, in turn, to firm performance (Figure 1). As noted earlier, much of the family business literature on board composition has focused on agency/control roles of the board of directors. In line with recent conceptualizations, however, we suggest a model that links performance to both control roles and to the provision of important resources through board directors (Daily et al., 2003; Hillman & Dalziel, 2003). Such a broader model allows us to accommodate both family-related variables and governance perspectives that have been often overlooked by existing family business literature.

Board Dependence, Control, and Firm Performance

What are the main determinants of a board's effectiveness in monitoring managers? According to our model, and in line with agency theoretical frameworks, the main determinant of board control effectiveness is director independence from management. Board activism in monitoring managers clearly depends on directors' incentives to monitor. Although scholars consider both board independence *and* equity compensation as incentives to monitor, we only consider the former construct in our model. Recent works have actually contended in a rather conclusive way that directors' equity compensation and firm performance are not related in any empirically observable way (Dalton, Daily, Certo, & Roengpitya, 2003; Dalton et al., 1998).

A board can be defined as independent when insiders (current or former managers or employees of the firm) and outsiders who are not independent of current management or the firm (because of business dealings, or family or social relationships) do not dominate the board. In other words, a board is independent when there is a

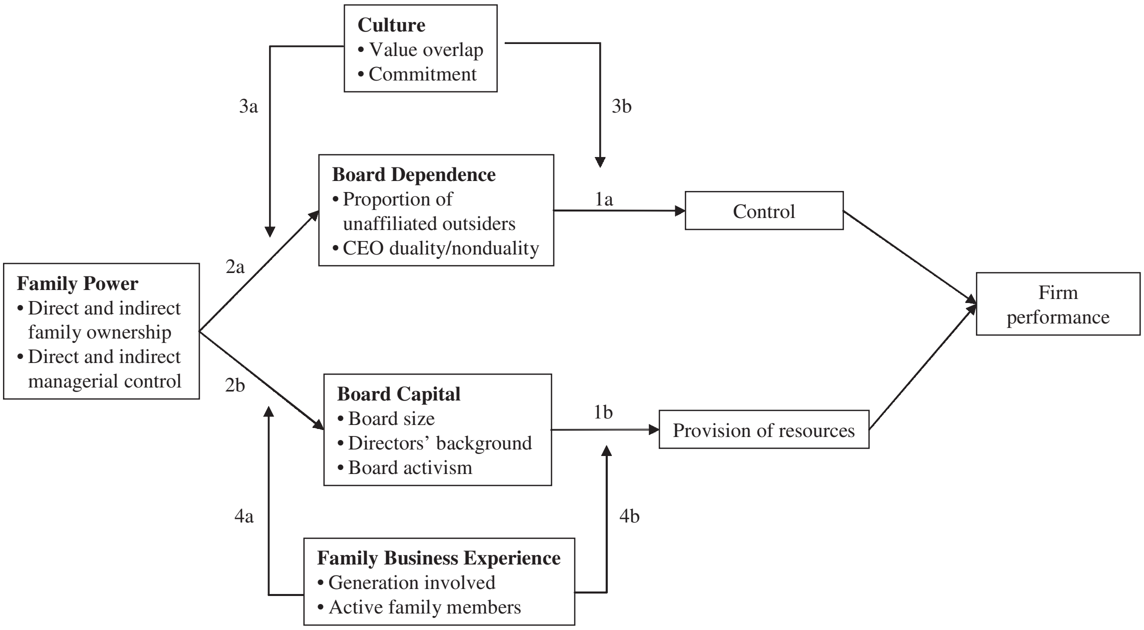

Figure 1 A Contingency Model of Family Business Boards of Directors

significant proportion of unaffiliated outsiders (Hillman & Dalziel, 2003). In addition to this, board independence is higher when the CEO is not also president of the board (CEO nonduality). Board independence improves monitoring effectiveness. As argued by agency scholars, dependence on the current CEO or, more broadly, on the organization creates a disincentive for insiders and affiliated outsiders to protect the interests of shareholders when their interests conflict with those of management. Hence, our model suggests that dependent boards will be less effective monitors.

Proposition 1a: Board dependence is negatively associated with control.

Although we are not here directly interested in the relationship between board characteristics and performance, both monitoring and provision of resources have an impact on firm financial or market results (Figure 1). This is a relationship that justifies the enduring attention researchers and practitioners alike devote to board configurations. According to an agency theoretical argument, hence, monitoring by boards of directors reduces agency costs inherent in the separation of ownership and control and, in this way, improves firm performance (Fama & Jensen, 1983; Zahra & Pearce, 1989).

Board Capital, Provision of Resources, and Firm Performance

What are the main determinants of a board's effectiveness in providing the firm important resources? According to our model, and in line with the resource-dependence perspective, network theory, and the literature on interlocking directorates, board capital is the main antecedent of providing resources. *Board capital* (Hillman & Dalziel, 2003) consists of both human capital (directors' experience, expertise, knowledge, skills, and reputation; Becker, 1964) and social capital ("the sum of actual and potential resources embedded within, available through, and derived from the network of relationships possessed" by board directors; Nahapiet & Ghoshal, 1998, p. 243).

To suggest a relatively easy way to operationalize the board capital construct, we propose to see board capital as dependent on three main board characteristics: board size, directors' background, and board activism. A first determinant of a board's potential to provide a company the resources it needs is the number of directors. The larger the board, the wider will be the provision of both skills and interorganizational links to the firm (Pfeffer, 1972). In addition to *board size*, however, provision of resources will also be deeply affected by board composition. In line with Hillman et al. (2000), we include directors' individual experience and occupational attributes (which we term *directors' background*) as a crucial component of a board's capital and, hence, of its ability to provide resources. Directors' personal and occupational background is central in determining both their skills, expertise, and information, and their linkages to other external constituencies. According to this logic, a large board entirely composed of insiders (i.e., current and former officers of the firm) will provide less resources and network links than an equally large board composed of insiders, business experts (e.g., current and former senior officers and directors of other firms), support specialists (e.g., lawyers, bankers, insurance company representatives, public relation experts), and community influentials (e.g., political leaders, university faculty, leaders of social or community organizations). Finally, provision of resources does not only depend on board size and composition, but also on the main characteristics of board processes: frequency, time dedicated to board meetings, selection of topics on the agenda, and type and quality of information available to directors (Forbes & Milliken, 1999; Sonnenfeld, 2002). We summarize processual aspects of board capital as *board activism*. Therefore, we assert the following.

Proposition 1b: Board capital is positively associated with the provision of resources.

As noted earlier, board roles are often depicted as having an impact on firm performance. According to the resource-dependence logic, resources provided by board members help reduce dependency between the organization and the environment, as well as reduce the related uncertainty for the firm (Pfeffer & Salancik, 1978). Moreover, a board's provision of resources lowers transaction costs (Williamson, 1984) and, more broadly, aids in the survival of the firm (Zahra & Pearce, 1989).

Family Power

Strong family ownership and managerial control break the traditional agency theory assumption that ownership and control are separated. The resulting lack of goal conflict and of a risk differential between owners and managers drastically reduce the need to ensure a match between managers and shareholders, that is, to reduce agency costs (Fama & Jensen, 1983). This will in turn predict that, under conditions of high family power, boards characterized by high levels of dependence (i.e., mainly inside/affiliated directors and CEO duality) will prevail. On the opposite end of the spectrum, low family power resulting from the presence of nonfamily owners and managers will increase goal conflict due to the separation of ownership and control. The resulting need to reduce agency costs will predict boards characterized by higher levels of independence, that is, external, unaffiliated directors and CEO nonduality. Therefore:

Proposition 2a: Family power is positively associated with board dependence.

Family power also has an impact on board capital. All things being equal, high family ownership and high family managerial control will predict homogeneous board structures characterized by a prevalence of family insiders. Whenever a single category of actors—family members, in this case–dominate an organization, managerial hegemony and class hegemony theories (e.g., Lorsch & MacIver, 1989; Useem, 1984) predict that the board role's will be increasingly to perpetuate elite and class power, rather than to provide genuinely diverse resources and insights. Hence:

Proposition 2b: Family power is negatively associated with board capital.

The rationale behind Propositions 2a and 2b may be the most compelling explanation for the dominant tendency, within family business studies, to prescribe increasingly large, external, and active boards of directors. If family power increases board dependence, which, in turn, curtails control activities, hence incrementing agency costs, firm performance may be improved by increasing the proportion of unaffiliated outsiders and by positing CEO nonduality. Similarly, if family power reduces board capital, hence jeopardizing the provision of resources, firm performance may be improved by increasing board size, its activism, and by increasing the variety of directors' background (e.g., Danco & Jonovic, 1981). In other words, board empowerment may both supplement the family's entrepreneurial and managerial know-how, and monitor business choices, hence preventing the company from falling into strategic traps (Ward, 1991).

This rationale will obviously hold in several instances, but we contend that explicit acknowledgment of family culture and family business experience as moderating variables may significantly affect both descriptive and prescriptive understanding of the relationships between family power, board composition, and board roles.

Culture

Family culture is a first moderating variable of the relationship between family power and board roles. More specifically, family culture affects the relationship between family power and the agency/control role of the board in family firms.

Some researchers have pointed to the inadequacy of traditional agency theorizing in family firms (e.g., Salvato, 2002b). Family firms are business settings in which the three levels of command—owners, board, and top management—often consist of the same individuals, or individuals from the same family (Larsson & Melin, 1997; Ward, 1991). In such instances, the agency view of corporate governance—based on the assumption that the relationship between owner and manager functions as a distinct chain of command—may not hold (Jensen & Meckling, 1976). A controller-type board may hence disrupt company efficiency by reducing CEO and manager motivation (Donaldson & Davis, 1994). Furthermore, agency theory does not explain situations where members of a board are so unsuitable or obsessed with control that they thwart legitimate ambitions of capable and motivated executives (Ford, 1992). To account for these situations, which are likely to be frequent in some family firms, we introduce family culture as a moderating factor in the relationship between family power and control.

As mentioned above, the family culture construct included in our model consists of two dimensions: the extent to which family and business values overlap, and the family's commitment to the business. Commitment is here viewed as involving three main factors: personal belief and support of organizational goals and visions; willingness to contribute to the organization; and desire for a relationship with the organization. Value overlap is simply measured as the extent to which family and business share similar values (Astrachan et al., 2002; Carlock & Ward, 2001). Clearly, high levels of both value overlap and commitment will radically alter the agency assumption of shareholder/manager conflict. More in line with the assumptions of stewardship theory, high levels of commitment and value overlap will likely reduce, if not eliminate, agency costs for any given level of ownership/management separation (Davis et al., 1997). Hence, for any given level of family power (i.e., family ownership and managerial control), greater commitment and value overlap will reduce, although obviously not eliminate, the need for increasing board independence (i.e., increasing the proportion of unaffiliated outsider, and separating the chairman/CEO roles). Similarly, for any given level of board dependence, higher levels of value overlap and commitment will positively affect the relationship between board dependence and control. More formally:

Proposition 3a: Culture will moderate the relationship between power structure and control.

Proposition 3b: The higher family commitment and value overlap, the lower will be the need to reduce board dependence, for any given level of family power.

Proposition 3c: Value overlap and commitment will positively affect the relationship between board dependence and control.

Experience

In our model, family business experience affects the relationship between power structure and provision of resources. As suggested by F-PEC proponents, family business experience (i.e., number of generations involved and number of active family members) is a major provider of resources to the family firm: "Each succession adds considerable valuable business experience to the family and the company" (Astrachan et al., 2002, p. 49). Involvement of CEO spouses, discussions between owner-parents and their young adult children on business topics, entrepreneurial activities of children active in the family business, contacts with external constituencies through family members' social and professional networks—these are all examples of how family business experience may add substantial business resources to the family firm. Family members active within the firm will interact with managers and board directors alike, hence significantly enhancing the board's effectiveness in providing resources. Hence, for any given level of family power (i.e., family ownership and managerial control), greater family business experience will reduce, although obviously not eliminate, the need for a large, varied, and active board. Similarly, for any given level of board capital, greater family business experience will positively affect the relationship between board capital and provision of resources. In more formal terms:

Proposition 4a: Experience will moderate the relationship between power structure and provision of resources.

Proposition 4b: Experience will negatively affect the relationship between family power and board capital, by reducing the need for a larger, more varied, and active board.

Proposition 4c: Experience will positively affect the relationship between board capital and provision of resources.

Discussion and Implications

We began this article by noting that research on boards of directors in family firms has primarily focused on agency issues. Although authors have often referred to multiple board functions, which may play different roles in different stages of a family firm's lifecycle, the vast majority of work tends to offer family firms the agency-based prescriptions of having increasingly large, external, diverse, and active boards.

The literature recently has contained calls for consideration of models of governance that integrate different theoretical perspectives and contingency variables (e.g., Daily et al., 2003; Hillman & Dalziel, 2003; Muth & Donaldson, 1998). Our article contributes to this literature by offering a systemic perspective on boards of directors in family firms. We recognize that several institutional, cultural, and economic phenomena will increasingly pressure family firms to enhance the functions of their boards. However, we contend that board configurations in family firms should explicitly take into consideration relevant contingencies derived from family involvement.

Hence, we propose a preliminary explanation of the influence of family involvement variables on board structure and functioning. In particular, this article makes a contribution by integrating different theoretical perspectives on boards (i.e., agency, stewardship, resource dependence) and their related roles (i.e., control and provision of resources), with concepts capturing the controlling family's business culture and business experience. This integration helps us avoid the outright application to all types of family firms of governance models developed for organizations of a rather different nature. The resulting model has some contingency qualities, although limited to considering family-related contextual variables.

Our model may also be subject to relatively straightforward empirical testing since operationalization of included constructs has already been proposed by existing works (see Astrachan et al., 2002 and Carlock & Ward, 2001 for family-firm-related constructs; see Dalton et al., 1998, 2003 for board-related constructs). Empirical studies that examine the comparative influence of family-related variables on board configuration and roles will advance the literature on family business boards by explaining the extent to which different variables capturing family culture and family involvement in the firm influence board effectiveness. Empirical approaches can be used to measure the comparative effects of these various family-related dimensions in order to determine those that are most influential at various stages of the family firm's evolution. For example: "Is board independence less important when the family is highly committed to the business, and when family and business values overlap?" "Will family culture override the effects of family power on board dependence and on control?" "What levels of commitment and value overlap guarantee enough accountability to avoid having a board mainly composed of unaffiliated outsiders?" "Is enhancing board capital beneficial when several generations and family members are actively involved in the business?" "Will family business experience override the effects of family power on board capital and provision of resources?" "What are the interactive effects of value overlap and commitment in moderating the power-control relationship?" "What are the interactive effects of the number of generations involved and the number of family members active in the business in moderating the power-provision of resources relationship?"

As a result, one long-term aim of empirical research in this area might be to investigate configurations of family business boards of directors associated with different dimensions of family culture and family involvement in the business. Similarly, process-oriented research based on case studies drawing on our model may enable scholars to better explain inconsistencies in past research on family business boards, to disentangle the contributions that multiple theoretical perspectives have to offer in explaining their dynamics, and to clarify the many tradeoffs inherent in board design (Forbes & Milliken, 1999).

By reflecting on these insights, family business managers and consultants should realize that increasing board size, activism, and the proportion of unaffiliated outsiders will not lead to improved performance under all conditions. It is important to reflect on the contingent situation created by various aspects of family involvement in the business. Family firms that explicitly take the extent and quality of such involvement into consideration will develop boards of directors through which they will reap rewards by improving its effectiveness in providing both control and accountability, and resources that are vital to the firm prospects for success and survival.

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