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Agents, Stewards, and Capabilities: A Review

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Overview

Relying on stewardship and agency theory arguments, Miller and Le Breton-Miller (2006) developed 15 propositions focused on the relationship between four dimensions of family business governance (i.e., the level and mode of family ownership, family leadership, the involvement of family members in the business, and the planned or actual participation of later generations in the family business) and the development of key resources and capabilities (e.g., R&D, patient capital, long-term orientation, reputation, and social capital) and subsequent financial performance.

From an agency theory perspective, Miller and Le Breton-Miller argue that family businesses can represent an ownership structure where the interests between owners and managers can be advantageously aligned to lower agency costs and improve financial performance. They also suggest that stewardship attitudes, such as intrinsic motivation, identification with the organization, and a deep emotional commitment to the family firm and its success, will be particularly prevalent among the family leaders in family businesses. These stewardship attitudes can foster a long-term orientation, the development of valuable distinctive capabilities, and improve financial performance, especially when several members of the family are involved in the management of the firm.

Miller and Le Breton-Miller (2006), however, caution that under certain governance settings, such as excessive family ownership or managerial control, family CEOs, or poor monitoring from independent or nonfamily board of directors, family business owners can potentially exploit the interests of minority owners or act imprudently, diminishing financial performance.

However, other aspects of family governance can contribute positively to financial performance. The intention of the family to keep the firm in the family over subsequent generations, for instance, will augment the stewardship attitudes of family business leaders and lead to actions consistent with the long-term success of the firm (i.e., financial conservativism, reputation, and social capital building) and steps to preserve the tacit knowledge that exists within the family and the firm (i.e., executive apprenticeships, and building a stable, loyal top management team and strong corporate culture).

Impact

As of April 3, 2018, the 2006 article by Miller and Le Breton-Miller has garnered the impressive number of 910 citations, according to Google Scholar. The interest in and prominence of the article has grown over the years. The article was, for instance, cited 15 times in 2007, 78 times in 2010, 93 times in 2013, and 110 times in 2016. In 2017, it garnered 126 citations. The high number of citations in recent working papers further supports that the article has not lost anything of its appeal but, similar to a good red wine from Bordeaux, might only become better as time goes by.

Publications in family business journals led the article's number of citations until 2010. Starting in 2011, however, management journals have become the most common place in which the article is cited, not only indicating the relevance of family business research beyond the field of family business but also suggesting the value that the 2006 article has offered to a wider audience. This is similarly visible when considering that a significant share of citations comes from other journals than the "usual suspects," including, for example, psychology, sociology, ecology, and economic outlets. The article has not only been cited outside of the classic fields of business but also beyond non–North-American

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contexts; publications citing the article were written in Spanish, Portuguese, Mandarin, German, Polish, French, Turkish, Russian, Italian, among others.

Having perused both research that led to the article and research that has cited the article since then, we believe that Miller and Le Breton-Miller's piece has had such a successful career for at least three reasons. First, it is among the first articles introducing stewardship theory into the discipline of family business. Second, it is among the first articles integrating agency and stewardship theories in the context of family businesses. And finally, and perhaps most surprisingly, it is one of the first studies that discusses agency theory in *Family Business Review*. Subsequent researchers have not only benefitted from the wealth of interesting relationships proposed in this study but also from the theoretical groundwork this piece provided. As noted by Madison, Holt, Kellermanns, and Ranft (2016), these complementary theories have played a significant role in advancing the family business literature. Miller and Le Breton-Miller were theoretical pioneers when they argued in 2006 that differences in the governance dimensions of family firms influence agency costs and stewardship attitudes and, thereby, shape firm capabilities and firm performance. While the article's relative novelty might have surprised one or more reviewers back in 2006, time has shown that the arguments forwarded by Miller and Le Bretton-Miller have become foundational and mainstream within family business research. The article has become a classic and relevant read scholars interested in family business can ill afford to ignore.

References

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