Commentary on the Multidimensional Degree of Family Influence Construct and the F-PEC Measurement Instrument

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In this commentary, we provide suggestions for further establishing the validity of the multidimensional degree of family influence construct and the reliability of the family influence on power, experience, and culture (F-PEC) measurement instrument. We also delineate a number of creative ways in which future researchers can incorporate this rigorous, relevant, and rich construct into their own research agendas.

Introduction

As fields mature, researchers typically move beyond simple dichotomous concepts and start to develop multidimensional constructs and continuous measures (Scott, 1981; Whetten, 2003). If the article Klein, Astrachan, and Smyrnios, 2005 is any indication, the field of family enterprise has now reached such a stage in its own evolution. The key conceptual contribution of the article lies in the development of the degree of family influence construct, which challenges researchers to move away from the artificial family versus nonfamily business dichotomy that currently predominates within the field. The article’s primary empirical contribution lies in the multidimensional and continuous operationalization of the family influence construct, which is achieved through the development of the Family influence on Power, Experience and Culture measurement instrument (F-PEC).

Just as the authors’ article offers these dual contributions to the family business literature, our commentary on their work strives to accomplish two overarching objectives. The first is to provide some methodological suggestions for how future research...
could extend the authors’ efforts at establishing the validity of the degree of family influence construct in general and the reliability of the F-PEC measurement instrument in particular. The second objective is to sketch out a series of potential theoretical directions for research on the degree of family influence construct as a whole and that on its component subdimensions. In keeping with the spirit of other commentaries in the field (e.g., Chrisman, Chua, & Litz, 2003), we conclude by briefly questioning the authors’ implicit assumption regarding the importance of a family’s level of influence over a business venture relative to the effects of other family system considerations.

Methodological Considerations

The authors conceptualize the family influence construct as consisting of three subdimensions (power, experience, and culture) and offer the F-PEC scale as a potential measurement instrument. In order to offer a well-grounded commentary on the validity and reliability of their proposed approach, we consulted what is considered to be one of the better treatises on the subject, that is, Schwab (1980). Schwab’s work captured much of social psychological thinking about construct validation during the 1960s and 1970s, when this topic was quite popular. We use Schwab’s essay as a guiding framework to highlight the aspects of validity and reliability that have been adequately established in the article. We also identify those aspects that represent opportunities for further research.

Construct Validity Assessment and Suggestions for Further Testing

Face Validity and Content Validity. For us, the degree of family influence construct measured by the F-PEC scale adequately demonstrates both face validity and content validity. The three subdimensions of power, experience, and culture not only appear to tap the primary means by which a family can exert its influence over a business venture but also incorporate a wide variety of the elements proposed in scholarly definitions of family enterprise. The items of the power subscale of the F-PEC index, for example, tap family influence via ownership, management, and governance. Similarly, the items of the experience subscale tap generational transfer along these same three spheres.

The items of the culture subscale are purported to tap both the overlap between family values and business values as well as the family’s commitment to the business. In our view, however, this subscale possesses less face validity than the other two. The linguistic content of some items does not appear, on the surface, to adequately tap what the authors claim this subscale should be measuring. Examples include: “your family has influence on your business” (which reads more like a one-item indicator of the global family influence construct); “deciding to be involved with the family business has a positive influence on my life,” and “there is so much to be gained by participating in the family business on a long-term basis” (both of which read more like potential outcomes of increased family influence); and, “your family members share similar values” (which does not tap the overlap between family and business values and could be scored highly even when a family does not exert any influence on a business venture). As these examples had noticeably lower factor loadings than the other eight items comprising the culture subscale, future researchers may want to consider dropping them from the index. Moreover, to improve the content validity of this subscale, it may be desirable to add items that more closely tap Chua, Chrisman, and Sharma’s (1999, p. 24) emphasis on the extent to which the business is operated as a vehicle to help achieve the vision of a better future for the family.
Convergent, Discriminant, and Predictive Validity. To our minds, the F-PEC scale of degree of family influence likely possesses some convergent and discriminant validity; however, along with criterion validity, both need more research before they can become convincing. Convergent validity could be established, for example, by demonstrating that firms which would be classified as “family businesses” according to existing rules of thumb actually do, in fact, score higher on at least one of the F-PEC scale’s three subdimensions than those firms that would be classified as “nonfamily businesses.” Convergent validity can also be established by showing that other methods of data reduction, such as multidimensional scaling, yield the same results as factor analysis. Discriminant validity rests on establishing that the subdimensions of the family influence construct are distinct from other concepts. Demonstrating the discriminant validity of the culture subscale will be particularly important, as it appears to have greater conceptual overlap with other concepts. Predictive validity can be established by showing that studies utilizing the proposed indices of family influence, as either independent or dependent variables, are capable of replicating established relationships within the family business literature.

Scale Reliability Assessment and Suggestions for Further Testing

Internal Consistency. Factor analysis is designed to create robust scales with high item loadings (Kim & Mueller, 1978), so it is comforting to see the tight scales with strong factor loadings reported by the authors. It is also very comforting to see that they were able to corroborate the dimensions through confirmatory factor analysis and not just devise them through exploratory approaches, particularly given that exploratory factor analysis can easily be criticized for being researcher driven and sample specific. However, there are a couple of issues that the authors might wish to address in the future.

First, is surprising is to see such a high Chronbach’s alpha of .93 reported for the culture subscale. An alpha of that level is difficult to obtain across four or five more closely related items with some random variation in response, let alone with 12 more diverse items such as those reported in the article (see Table 1). Normally, such high levels would be likely when there is some common method response bias, yielding an automatic response of similar pattern loadings. Second, the use of second-order factors (see Figure 3) to find the three subscales does not do much to convince a reader that the three dimensions are obvious and easy to find in the field. Normally, second-order structures are used when the latent variables indicated by the primary factors are tied together by one or two deeper latent variables (Joreskog & Sorbom, 1986). In the case of the F-PEC scale, there are no intermediate latent variables: at most one could say that the deepest latent variable is degree of family influence.

Interrater and Test–retest Reliability. A standard method for testing response bias is to consider whether or not other raters would have responded the same way to the constituent items of a measurement instrument. The authors obtained their data solely from the self-reports of each firm’s chief executive officer (CEO). It would have been comforting to know that other family members involved in the business had responded in a similar manner to the CEO—particularly on the seemingly more subjective culture subdimension. It also would have been reassuring to know that the CEOs had responded to the items of the culture scale with a high level of consistency across different points in time, which could have been assessed through a test–retest research design.
Theoretical Considerations

According to Weick (1995), theories can be evaluated according to their rigor, relevance, and richness. By distilling a broad range of family business theory into a multidimensional yet parsimonious construct, and substantiating the proposed dimensions through a large-sample confirmatory factor analysis, the authors have done a very good job of establishing the rigor of their family influence concept. Furthermore, by being sensitive to the large number of commonly used definitions of family business, their construct appears highly relevant to family business scholars. For us, however, the concept’s richness comes from its explanatory potential, not only for the construct as a whole but also for its constituent power, experience, and culture subdimensions. Below, we outline some possible research directions. The list is in no way intended as exhaustive—we simply hope that it will stimulate others to conceive of creative ways in which the rigorous and relevant concepts proposed by the authors can be incorporated into future research.

Illustrative Research Directions for the Global Degree of Family Influence Construct

Degree of Family Influence as an Independent Variable. One of the most obvious ways that researchers can incorporate the degree of family influence concept into their conceptual models is as an independent variable. In fact, the authors draw attention to a study that has already adopted such an approach: Niemela’s (2003) use of family influence as a predictor of networking and interfirm cooperation. In our view, the degree of family influence concept holds explanatory potential for a host of other phenomena of interest in the family business literature, such as: succession processes and outcomes, the willingness of next-generation family members to join the firm, intergenerational and intragenerational conflict, the types of strategies pursued by the firm, and the degree of professionalization within the organization.

Moreover, we believe that the degree of family influence construct might help explain the contradictory results apparent within the field’s existing body of empirical research, such as those based on comparisons between “family” and “nonfamily” firms along such outcomes as performance, strategic posture, and professionalization. By invoking the authors’ continuous concept—rather than dichotomizing firms according to some decision rule—researchers may discover that many of the field’s relationships of interest are actually curvilinear in nature. It may be, for example, that firms with both a low and a high level of family influence outperform those with a moderate level of family influence (i.e., the relationship is U-shaped in nature). In direct contrast, researchers may discover that the relationship more closely approximates an inverted-U shape: that is, it may be that firms with a moderate level of family influence are the top performers. Conceiving of family influence as a continuous rather than dichotomous variable certainly paves the way for the investigation of more sophisticated, and hopefully more predictive, functional relationships.

Degree of Family Influence as a Moderating Variable. As noted by the authors, another potential direction for future research lies in integrating the degree of family influence construct with mainstream research, by treating it as a potential moderator of other relationships. The strategy–performance relationship seems to be a natural starting point for such an endeavor. It is likely that certain strategies are more effective for firms with a lower degree of family influence whereas others are more effective for firms with a higher
degree of family influence. By treating a firm’s level of family influence as a moderator, researchers may be able to explain the equivocal results from studies based solely on percentage ownership as the distinguishing characteristic of “family” versus “nonfamily” firms (see Miller & Le Breton-Miller, 2003).

**Degree of Family Influence as a Dependent Variable.** The authors also allude to the possibility of treating the degree of family influence construct as a dependent variable. Two approaches seem fruitful. One would be to explore the factors that contribute to differences in the absolute level of family influence over business enterprises. It has long been recognized that the degree of “family-ness” of the most well-known family businesses varies across countries (Huber & Spitze, 1988). What is the range or real degree of the construct and its different subdimensions across different cultures and industries?

Another approach would be to explore changes in the degree of family influences over time. As noted by the authors, questions of why, when and under what conditions families strengthen, weaken, or withdraw their influence—that is, the dynamics of family influence—have not yet been explored. Aldrich and Cliff’s family embeddedness framework (2003, p. 590) offers a useful conceptual starting point, as it identifies a number of potential triggers in both the family and business spheres. Within the family sphere, for example, changes in the level of family influence may be triggered by: (1) family system transitions (such as marriage, divorce, retirement, and death); (2) changes in family resources (including not only financial and human resources but also time); and (3) changes in family norms, attitudes, and values (such as attitudes toward the relative importance of business versus family effectiveness). In the business sphere, Aldrich and Cliff’s (2003) framework implies that changes in the level of family influence may also be triggered by changes in the firm’s objective performance level and/or family members’ subjective perceptions of that performance.

**Illustrative Research Directions for the Separate Power, Experience and Culture Subdimensions**

Finally, researchers could examine the power, experience, and culture subdimensions of the family influence construct as separate independent, moderating, or dependent variables. Given that the authors raised such an approach in their article, we draw attention to some other ways for exploring the full explanatory potential of these subdimensions. One research strategy would be to explore the effects of the different subdimensions on one another. This approach could be used to address such questions as: does a high level of family power tend to foster a strong familial influence on the firm’s culture? Or, does a reduction in a family’s influence on a firm’s culture in one period lead to decreased concentration of family power in subsequent periods?

Another research strategy would be to explore different combinations of the subdimensions. For example, how do firms that are high in family power yet low in family experience and culture differ from those that are low in family power yet high in family experience and culture? It may be that the latter combination is particularly important for the development of distinctive resources and capabilities; that is to “distinctive familial-ness” (Habbershon, Williams, & MacMillan, 2003). Moreover, when firms are high on one level but low on another, are they more prone to conflict? Perhaps it is the consistency across subdimensions, rather than their absolute level, that minimizes the inherent conflict in family enterprise systems?
Conclusion

We applaud the authors’ effort to create and operationalize a truly multidimensional construct of “family business.” It is difficult for authors to not only be convincing in their arguments, but also to be heard and to make an impact on a field—yet these scholars appear to be doing just that, or are at least in step with the movement within the field. Chua et al. (1999), for example, stressed the importance of expanding conceptualizations of family enterprise beyond simple considerations of family ownership, involvement, and generational transfer. Moreover, by using confirmatory factor analysis, along with many of the latest factor analysis techniques for developing tight dimensions, the authors have made a positive step toward more valid and reliable measurement.

We would not be doing our job as commentators, however, if we did not raise a word of caution. In general, just as a construct is solidified and gains approval, it is often overturned by new theory, considerations, or techniques—a fact that the authors’ deep methods guru, Paul Lazarsfeld (1937), recognized long ago. For instance, we can well imagine that during the upcoming phase of growing enthusiasm for the extent of family influence construct developed by the authors, other researchers will begin to question the concept’s explanatory power, emphasizing instead the role played by the nature of family influence: that is, the effect of a family’s communication styles, conflict-resolution techniques, degree of hierarchy, traditional gender role expectations, degree of enmeshment–disengagement, and so on. One can imagine, for example, that two firms with equivalent degrees of family influence might experience very different outcomes. The first may thrive whereas the second dies because of differences in the way that each family exerts its influence on the business. Thus, it may not be the level of a family’s influence on a business venture that matters most, but rather the type of family that has an influence over a business venture—regardless of whether that influence level is low or high.

In this example, we see that the rigor and relevance of a theoretical construct, along with the reliability and validity of its measurement, may actually provoke future researchers to consider the richness of unexplored lines of thought. Thus, we end this commentary by noting that the F-PEC scale may itself be succeeded by another conceptualization and measure of family influence. Therefore, the best that the authors can do is to set up their scale to make such a succession smoother.

REFERENCES


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