

Family power in governance of family businesses: cases from Sri Lanka

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Family businesses have been widely researched over the years. For instance, scholars attempted to distinguish family businesses over nonfamily businesses using many criteria. Although there is no commonly accepted such criteria to identify family businesses. More specifically, family power has been identified as a key criterion to explain the governance of family businesses. Following qualitative research approach and undertaking four case studies this paper aims to explain the ways in which family power shapes the governance of family businesses. The existing literature suggests that among other things, family ownership and their involvement in management contribute heavily to the governance of family businesses. The notions of agency and stewardship theories propose that family power could create positive outcomes such as minimizing agency costs between owners and managers. However, it can also form governance issues due to lack of professional management, particularly when the organizations become larger. Data was gathered through interviewing directors, owner-managers, family-tied non-executive employees of the four family owned businesses, and analyzed in three interactive processes, namely data reduction, data display, and conclusion drawing and verification. The findings suggest that the ownership control influence differently on the governance of family owned businesses depending on whether the family business is single owned or multiple owned. Further, the findings also suggest that the family management plays a significant role in the governance of family owned businesses. It was revealed that the level of involvement of family members on governance vary depending on the extent the family members are represented at the directorate, managerial and non-managerial levels of the family businesses.

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