Exploring only child female CEOs as potential family business leaders! A fresh lens on the entrepreneurial orientation-family firm performance relationship.

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In a European Parliament report presented to the Committee on Industry, Research and Energy, in 2015, the entrepreneurial role of women in family businesses was highlighted as a prerequisite for a prosperous family business ecosystem (Niebler, 2015). Additionally, the report called the European Commission to launch a study to investigate the presence of women in family businesses while also suggesting the need to promote female entrepreneurship in family businesses, including in leadership positions. In this context it is interesting to observe that researchers have increasingly investigated the role of women in family businesses (Samara et al., 2019). Indeed, giving further attention to the role of women within the family business contexts offers a unique opportunity to better understand female entrepreneurship (Jennings & Brush, 2013) and their impact on corporate performance (Adams & Ferreira, 2009).

In an attempt to better understand the entrepreneurship corporate performance relationship a large body of research has applied the construct of entrepreneurial orientation (EO), a construct derived from integrating entrepreneurship and strategy literature (Covin & Slevin, 1991). EO refers to the processes, practices and decision-making methods of firms that engage in entrepreneurial activities (Lumpkin & Dess, 1996). Here, it addresses the extent to which firms engage in decision making that is proactive, innovative and risky as they attempt to out-compete rivals (Miller, 1983). Initial research on EO foremost investigated its impact on firm performance and found a positive relationship, thus suggesting that firms adopting an entrepreneurial orientation perform better (Zahra & Covin, 1995). Since then, a steady growth in research into EO has resulted in a sizeable cumulative body of knowledge (Rauch et al., 2009). Research on EO has also gained traction in family business research where results have shown that family firms constitute a unique context for studying EO (Cruz & Nordqvist, 2012). Here, some researchers suggest that family firms are less entrepreneurial oriented as a consequence of their desire to protect family wealth which result in resistance and conservatism towards risk taking and innovation (Zahra, 2005). Other researchers suggest that family firms constitute a setting where their long-term ownership traditions foster entrepreneurship (Zahra et al., 2004) while also providing great potential for opportunity recognition (Aldrich & Cliff, 2003), thus resulting in high levels of corporate entrepreneurship (Rogoff & Heck, 2003). Additionally, researchers have investigated unique aspects of family firms, such as their long-term horizons and ownership, generational involvement, familiness and family leadership characteristics, as dimensions that relate to EO. Despite these efforts, research on EO in a family firm context is still not well understood (Cruz & Nordqvist, 2012) and there is a need to develop knowledge about the conditions where family firms sustain and increase transgenerational entrepreneurial orientations to survive and perform.

Over the years it has been recognized that EO is operationalized from the perspective and interpretations of the CEO. Accordingly, certain CEOs will be more inclined to strategic choices that adopt a strengthened entrepreneurial orientation (Covin & Slevin, 1991). In this context, upper echelons research (Hambrick & Mason, 1984) suggest that CEO gender is a characteristic that influences strategic choices and ultimately organizational outcomes. As such, female CEOs approach strategic decisions through a lens that reflects their personalized values, preferences and experiences. Hence, their strategic decisions differ from their male counterparts thus explaining why gender differences produce variances in firm outcomes. Given these assumptions, researchers have found gender differences in entrepreneurial orientation among CEOs, suggesting that women are positive contributors to entrepreneurial outcomes (Lyngsie & Foss, 2017). Considering that little is known theoretically and empirically about these specific effects among family business CEOs we respond to these shortcomings in this study.

Through application of the upper echelon theory and gender leadership literature this study aims at investigating the link between EO and firm performance in family-owned firms. We investigate whether the relation between EO and family firm performance differs in family firms lead by female vs male CEOs. Moreover, we offer critical insights and clarity to the CEO gender impact on the EO family firm performance relation by exploring moderating factors such as the CEO being a lonely child and family firm generational involvement. Consequently, our study explores the unique family firm context, both in terms of family structure (CEO being a lonely child) and evolution of family firms (involvement of a single-generation or multi-generations). In this process we draw on the dilution model, and literature stemming from family science and sociology (Blake, 1981) to explain the CEO lonely child effect, and on the family firm generational perspective (Cruz & Nordqvist, 2012) to explain the generational involvement effect.

We formulate the following hypotheses:

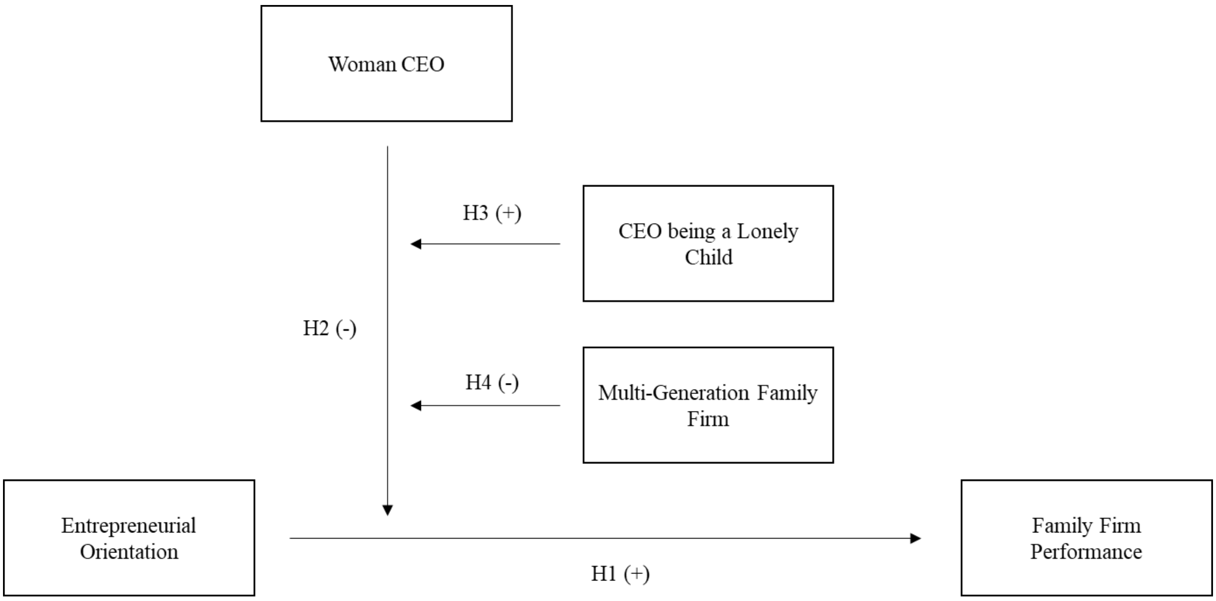
H1: There is a positive relationship between EO and family firm performance.

H2: The positive relationship between EO and family firm performance is negatively moderated by CEO gender being a woman.

H3: The CEO being a lonely child will positively moderate the relationship between CEO gender being a woman and EO family firm performance. Specifically, the negative relationship between CEO gender being a woman and EO family firm performance is mitigated when the CEO is a lonely child.

H4: Family firm generational involvement negatively moderates the relationship between CEO gender being a woman and EO family firm performance. Specifically, the negative relation relationship between CEO gender being a woman and EO family firm performance will be weaker in single-generational family firms and stronger in multi-generational family firms.

Figure 1. Research Model



We conduct empirical analysis using a cross-country single respondent family business survey launched by the Successful Transgenerational Entrepreneurship Practices (STEP) Project (Campopiano et al., 2020). Using a multiple linear regression statistical analysis with moderating effects, the results reveal that EO positively impacts family firm performance, suggesting that firms remaining proactive, innovative and risky in their decision-making benefit from these behaviors. Our findings moreover underline that female CEOs weaken the positive relationship between EO and family firm performance. Hence, we argue that female CEOs are caretakers of the family-business relationship with risk averse tendencies which we argue makes them less inclined to strategic choices that adopt a strengthened EO. We also find that the negative impact that female CEOs have on the EO family firm performance relationship becomes less pronounced when the CEO is a lonely child and more pronounced in multi-generational family firms. Here, we contend that women lonely children, as the sole receiver of their parents' resources and attention, while also being unexposed to competition and conflict from siblings, results in unique CEO qualities. Specifically, they possess strategic decisions making, leadership and entrepreneurial qualities that contribute to EO. Additionally, we argue that women CEOs influence three contingencies from the generational perspective (founder centrality, risk-taking and external orientation of their family firms) in ways that reduces EO in multi-generational family firms, thus making its negative effect more pronounced.

This paper makes a number of novel contributions to theory. First, we contribute to the gender leadership literature (Adams & Ferreira, 2009) by providing new insights that show how CEO gender differences influences organizations. Drawing on upper echelons theory we show that CEO gender differences are powerful predictors of strategic decision making that impacts EO and firm performance. This supports the notion that there is a CEO effect and that CEOs have influence over organizational outcomes (Quigley & Hambrick, 2015). We specifically demonstrate that differences among CEOs of diverse gender are actually driven by differences in their cognitive frames. The differences in cognitive frames demonstrate the salience of cautious, considerate and other-oriented behavioral tendencies by women CEOs resulting in risk averse decision making, along with their more synergetic approaches to the family-business relationship, stemming from their social nurturing and caretaking preferences. This also brings more understanding to gender leadership differences and its impact on EO in the specific context of family businesses. Thus, we follow calls to better understand context, in this case the family business context, when examining CEO gender differences and the powerful impact it may have on behavior and leadership.

Our theory, built on arguments from the dilution model, that gender effects on the EO family firm performance relationship are moderated by the CEO being a lonely child, receive robust support. Here, applying sociological and family science arguments, the dilution model helps us predict the consequences of childhood experiences on adulthood qualities and behaviors of lonely children family firm CEOs. This contributes to a better understanding of how specific family firm CEOs may contribute to entrepreneurship and performance. The use of the dilution model in combination with UET shows promise in a family business setting and allows us to extend research and bring new perspectives to the impact of family structure of the CEO (Calabrò et al., 2018). The analysis of the lonely child effect extends our understanding of the importance of parents' energy, time and financial resources in bringing up superior CEOs to the family firm. On the contrary as predicted by the theory and supported by our findings, no-lonely child CEOs have competed with their siblings for their parents´ resources and attention which we argue has a negative effect on the quality of their strategic decisions as CEOs. Consequently, our analysis teases out the unique experiences of lonely children CEOs with their consequences on strategic choices as leaders, thus bringing more depth to research on the effects of the CEO family structure. This follows calls to consider the lonely child construct as a unique phenomenon deserving it's own attention in the family structure and birth order debate.

The results we obtain also make a contribution to the generational perspective of family firms (Cruz & Nordqvist, 2012). Our findings, suggesting that the woman CEO impact on the EO family firms performance relationship is negatively moderated by the generational involvement of the family firm, are important for the discussion on the generational impact on EO in family firms. Our results specifically suggest that women have unique cognitive frames that help us explain why their negative impact on EO is weaker in single-generational firms and stronger in multi-generational family firms. As such, we show that the generational impact on EO is more easily predicted if characteristics such as CEO gender is considered.

Our research offers a number of insights for family business owners. In particular, while family business owners see entrepreneurship as vital for family firm survival across generations, our findings offers insights on how these priorities can be sustained. With our findings in mind, careful reflections should be made when appointing CEOs to family firms in light of their potential impact on EO and firm performance. Here, family firms should be aware that women and men have different priorities and behavioral tendencies that consequently impacts EO and family firm performance. Since, we find that women CEOs have a negative impact on the EO family firm performance relationship these insights should be considered when appointing the next family firm CEO.

Furthermore, our findings suggests that one should be cautious in generalizing female leadership advantages, despite the intuitive appeal of the business case for women in leadership. To that end, we provide refinements and improvements to the business case for women CEOs in family firms. Regardless of the negative impact that women CEOs may have on EO and performance we find that there are circumstances where these negative effects can be mitigated and diminished. Specifically, we find that they are mitigated and diminished when the women CEO is a lonely child and when there is single-generational involvement in the family business.

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