

# A Typology of Family Firms: An Investigation of Entrepreneurial Orientation and Performance

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## Abstract

Drawing on family firm heterogeneity research, we develop a typology of family firms using differences in family influence and firm life cycle. We offer hypotheses regarding the relationships between the different firm types and two important outcomes: Entrepreneurial orientation (EO) and performance. Applying latent profile analysis to a sample of 684 Spanish and Portuguese family firms using variables related to family influence (i.e., ownership, family CEO) and firm life cycle (i.e., generational management, size, and presence of board of directors), we find four family firm types, which differentially affect EO and performance. Implications of our findings for EO, family firm performance, and the development of family firm typologies are discussed.

## Keywords

entrepreneurial orientation, entrepreneurship, factor/cluster/multidimensional scaling, analytical methods, latent profile analysis, family firm heterogeneity, family firm taxonomies

## Introduction

The family firm literature has begun to acknowledge the underlying heterogeneity among family firms (Chrisman, Chua, & Steier, 2005; Sharma, 2004; Westhead & Howorth, 2007). Furthermore, the literature maintains a strong tension between entrepreneurial and innovative family firms (Simon, 2009) and family firms that are reluctant to change and are highly conservative (Kellermanns, Eddleston, Barnett, & Pearson, 2008), resulting in equivocal findings in the literature in relation to both entrepreneurial orientation (EO) and performance. We attempt to address both problems in this article by developing a typology of family firm characteristics and offering hypotheses regarding how firm types are related to EO (e.g., Lumpkin & Dess, 1996; Miller, 1983) and performance (e.g., Carney, van Essen, Gedajlovic, & Heugens, 2015; O’Boyle, Pollack, & Rutherford, 2012).

Drawing from research on family influence and firm life cycle, we develop a typology (i.e., a broad theoretical model that depicts complex relationships between

variables) (Doty & Glick, 1994) of family firms that addresses underlying heterogeneity (Chrisman, Chua, & Steier, 2005; Sharma, 2004; Westhead & Howorth, 2007). We focus on family influence and firm life cycle as dimensions of our typology because family influence captures the essence of family firms that can facilitate particularistic behavior (Carney, 2005; Chrisman, Chua, & Litz, 2003; Chrisman, Chua, Pearson, & Barnett, 2012), and firm life cycle affects structural characteristics in which the family is embedded (e.g., Craig, Dibrell,

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& Garrett, 2014; Le Breton-Miller & Miller, 2013). We suggest that, together, these two categories of variables will lead to distinguishable family firm archetypes and that these archetypes will be associated with differing levels of EO and performance. In doing so, we build on theoretical and empirical evidence that the interplay of certain firm characteristics can influence important firm outcomes (e.g., Hienerth & Keßler, 2006).

By applying latent profile analysis (LPA) to a sample of 684 Spanish and Portuguese firms, we generate theoretically sound, distinct patterns of family firms that are based on variables derived from the family influence and life cycle domains. Therefore, LPA allows us to empirically test our typology and differences between the profiles in our sample. Our results provide insight into previous research on EO and performance, which have emphasized the antecedents of EO in isolation, rather than in combination. This is important, as the results of studies that examine the influence of family involvement and firm level variables on EO (e.g., Arzubiaga, Iturralde, Maseda, & Kotlar, 2018; Bauweraerts & Colot, 2017; Casillas, Moreno, & Barbero, 2010; Cruz & Nordqvist, 2012; Weismeier-Sammer, 2011) and performance (for recent meta-reviews, see Carney et al., 2015; O'Boyle et al., 2012; Wagner, Block, Miller, Schens, & Xi, 2015) are mixed.

We contribute to the literature in several ways. First, we develop a typology of family firms based on family influence and firm life cycle, providing a way to classify family firms more parsimoniously while also addressing the need to capture family firm heterogeneity (e.g., Daspit, Chrisman, Sharma, Pearson, & Mahto, 2018; Jaskiewicz & Dyer, 2017; Nordqvist, Sharma, & Chirico, 2014; Rauch, Wiklund, Lumpkin, & Frese, 2009; Stanley, Kellermanns, & Zellweger, 2017; Westhead & Howorth, 2007). While other typologies have been developed (e.g., Tagiuri & Davis, 1992), our typology is different in that we combine specific factors related to family influence and firm life cycle. Firm life cycle effects, in particular, are an overlooked source of heterogeneity among family firms (family-related life cycle effects are more commonly acknowledged, e.g., Gersick, Davis, Hampton, & Lansberg, 1997) despite evidence that stages in the life cycle are related to a variety of important outcome variables (e.g., Craig & Moores, 2006; Le Breton-Miller & Miller, 2013; Miller & Friesen, 1984).

Second, our proposed typology and results answer calls in the family firms literature to investigate configurations of variables (Daspit et al., 2018; Short, Payne,

Brigham, Lumpkin, & Broberg, 2009; Stanley et al., 2017). Indeed, Chrisman, Sharma, Steier, and Chua (2013) note that

it comes as no surprise that some family business researchers have employed this [configurations] perspective to decipher the patterns of attributes, behaviors, and outcomes of family enterprises. Perhaps what is a bit curious is that configurations are not more prominent in the family business literature. (p. 1257)

We demonstrate that LPA is a reliable technique that can be used to classify family firms with a wide variety of variables that “traditional” interactions and regression analysis cannot capture (see also Stanley et al., 2017).

Third, we contribute to the literature on EO and performance in family firms (e.g., Carney et al., 2015; Duran, Kammerlander, van Essen, & Zellweger, 2016; Kellermanns & Eddleston, 2006; Kellermanns et al., 2008; Lumpkin, Brigham, & Moss, 2010; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007; O'Boyle et al., 2012; Rosenbusch, Rauch, & Bausch, 2013) by showing that complex configurations are associated with different levels of EO and performance in family firms. LPA allows us to address the complex web of relationships among independent variables related to both EO and performance, thereby recognizing and furthering research on family firm heterogeneity that could not be assessed otherwise (Stanley et al., 2017).

Below, we present the theoretical framework and hypotheses of our study. Next, we describe the sample and methodology in more detail. Last, we present our findings and provide a brief discussion, including ideas for future research and potential limitations of our work.

## Literature Review and Hypotheses

### *Family Firm Heterogeneity*

The majority of family firms research has focused on distinguishing family and nonfamily firms and outcome differences between them, as well as family firm-specific relationships (e.g., Chrisman, Chua, & Kellermanns, 2009; Debicki, Matherne, Kellermanns, & Chrisman, 2009; Gedajlovic, Carney, Chrisman, & Kellermanns, 2012; Sharma, 2004; Short et al., 2009). Family firm focused research has linked isolated family firm variables to both EO (e.g., Kellermanns & Eddleston, 2006; Kellermanns et al., 2008) and performance (for recent meta-reviews, see Carney et al., 2015; O'Boyle et al.,

2012; Wagner et al., 2015). Yet the distinction between family and nonfamily firms, and even the isolated focus on select family firm variables, assumes a certain homogeneity within both family and nonfamily firm populations. However, the literature has begun to stress that family firms can be quite diverse and that a lot of variance exists even within the family firm population (Chrisman, Chua, & Sharma, 2005; Chua, Chrisman, Steier, & Rau, 2012; Nordqvist et al., 2014; Sharma, 2004; Westhead & Howorth, 2007). Therefore, a theory of the family firm must not only differentiate between family and nonfamily firms but also “explain variations among family businesses” (Chrisman et al., 2012, p. 267), which requires identifying important characteristics by which they may vary.

The literature has proposed a variety of ways to classify family firms (Astrachan, Klein, & Smyrnios, 2002; Gersick et al., 1997; Klein, Astrachan, & Smyrnios, 2005; Miller & Le Breton-Miller, 2005; Tagiuri & Davis, 1992). Yet there is still no consensus in the literature regarding how to define family firms (Hernández-Linares, Sarkar, & Cobo, 2018; Hernández-Linares, Sarkar, & López-Fernández, 2017). Therefore, distinguishing between different categories of family firms remains an important research gap (Chrisman & Patel, 2012; Chrisman, Sharma, & Taggar, 2007) and can help further research by establishing subgroups of family firms without compromising the ability to meaningfully analyze the data. Below, we introduce our approach to the family firm typology, which focuses on family influence and firm life cycle variables.

### *A Family Firm Typology*

To extend existing research on family firm heterogeneity and factors that distinguish family firms, we offer a typology of family firms. Typologies should not be confused with classification schemes, which include decision rules for placing firms into mutually exclusive categories. Rather, typologies are broad theoretical models of family firm characteristics that offer explanations for complex relationships between variables (Doty & Glick, 1994). The purpose is to represent complex constellations of firm attributes and how these attributes might influence outcomes (e.g., performance, EO). Yet we follow Doty and Glick (1994) in asserting that even “types” or groups are not homogeneous; there can be differences within each group, albeit the firms in those

groups are more similar to one another than to the firms in other groups.

While a plethora of variables vie for researchers’ attention, two important themes emerge from the literature: the role of family influence in the firm and the firm’s stage in the life cycle. Family influence variables have been at the center of much of the research on family firms (e.g., Gedajlovic et al., 2012; Sharma, 2004). Similarly, firm life cycle has long been acknowledged as a driving force in the management and family firms literatures (e.g., Gersick et al., 1997; Le Breton-Miller & Miller, 2013; Miller & Friesen, 1984). Accordingly, we chose these two dimensions as they can capture family firm heterogeneity. The dimensions capture not only the family firm–related influences but also the structural context that these influences operate in. In the next section, we discuss both family influence and firm life cycle as important factors that differentiate family firms and present the typology.

### *Review of Dimensions and Hypothesis Development*

To test our typology, we use a configural approach (i.e., LPA) as it allows for the examination of combinations of factors. A configuration is defined as “any multidimensional constellation of conceptually distinct characteristics that commonly occur together” (Meyer, Tsui, & Hinings, 1993, p. 1175). The established configurations of firm characteristics represent archetypes (i.e., different but frequently appearing types of firms) (e.g., Miller & Friesen, 1978). More specifically, archetypes are “. . . context-specific and are identified based on an array of organizational features. These features can include strategy, structure, process, size, and culture, among others, depending on a researcher’s interests” (Short, Payne, & Ketchen, 2008, p. 1056). Family business scholars acknowledge that successful family firms often are characterized by a balance of a variety of complex factors (e.g., family values, ideologies, practices) (e.g., Miller & Le Breton-Miller, 2005; Ward, 1987). Yet such typologies do not necessarily predict best performance or ideal archetypes that firms should strive for, as the notion of equifinality is well-established in both the family firms and the wider management research (Doty, Glick, & Huber, 1993; Fiss, 2007; Nordqvist et al., 2014). Yet the identified dimensions in our typology (i.e., family influence and firm life cycle) allow for wide

adaption to the specific research context. Below, we describe the dimensions of our typology in more detail.

**Family Influence.** Generally, family business researchers acknowledge that the extent of family involvement is a differentiating factor among family firms. However, questions regarding which specific components of family involvement should be investigated remain. We focus on two components: family ownership and the presence of a family CEO. Family ownership has been a key component of family firm typologies since Tagiuri and Davis (1992) proposed their three-circle model and has been included in many typologies of family firms (e.g., Nordqvist et al., 2014; Westhead & Howorth, 2007). Indeed, it is often the only variable used to differentiate between family and nonfamily firms with cutoff values for this distinction as low as 5%. Higher levels of ownership allow for more particularistic family firm behavior (Carney, 2005), which, in turn, enables the pursuit of socio-emotional wealth (SEW; e.g., Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007), thereby leading to distinctive patterns of family firms. Indeed, family ownership is considered a necessary but not a sufficient condition for family firm essence to develop (Chua, Chrisman, & Sharma, 1999). Hence, it is important to consider the joint effects of this variable with other family influence variables.

A second factor that enables the family to exert influence over the firm is the family kinship of the CEO (Huybrechts, Voordeckers, & Lybaert, 2013). Family firms tend to be overly dependent on a single decision maker (Feltham, Feltham, & Barnett, 2005), who generally dominates most important business decisions (e.g., Minichilli, Corbetta, & MacMillan, 2010). In the case of a family CEO, her or his interests tend to be highly aligned with the family owners' interests, which leads to reduced agency conflicts (e.g., Jiang & Peng, 2011) and higher performance (e.g., Minichilli et al., 2010). Indeed, the presence of a family CEO has been linked to particularistic behavior and a focus on current SEW (Yang, Stanley, Kellermanns, & Li, 2018). As such, the presence of a family CEO is a stronger indicator that the family wants to actively shape the family firm and thus an indicator of the essence of being a family firm (Chrisman et al., 2003; Yang et al., 2018). Next, we discuss firm life cycle as an important differentiating factor between family firms and the second dimension in our typology of family firms.

**Firm Life Cycle.** For decades, scholars have used organizational life cycle models to characterize firms. Several models have been offered, which account for the entrepreneurial and maturation stages (e.g., Miller & Friesen, 1984; Quinn & Cameron, 1983). Specifically, we focus on firm size, generational stage (i.e., managed by first or later generations), and the presence of a board of directors as indicators of the firm's life cycle. Below, we discuss each of these factors in turn.

First, existing research suggests that life cycle and other factors may determine the family firm's governance structures. Governance structures in family business can take many forms, from informal meetings to established agency controls (e.g., Chrisman et al., 2009; Neubauer & Lank, 1998). Younger and smaller firms tend to prefer less formal governance mechanisms (Nordqvist et al., 2014; Ward, 1987). More mature firms, often in an attempt to professionalize (Stewart & Hitt, 2012), may install boards (Pieper, Klein, & Jaskiewicz, 2008). Indeed, the installation of a board is likely to occur if the top management team needs to be monitored and the firm has moved beyond stewardship-related behavior, where high-level goal alignment between the family and the firm's goals are present (Pieper et al., 2008). Accordingly, we use the presence of a board as a key developmental milestone in family firms and an important life cycle variable that differentiates family firms.

Second, firm size is an important differentiating factor that is closely related to firm life cycle. Firms size has been related to investment activity (Hienerth & Keßler, 2006), survival (Wilson, Wright, & Scholes, 2013), and different needs of the family business in general (Hughes & Morgan, 2007). Indeed, larger firm size is an indicator of administrative complexity (Zahra, Hayton, & Salvato, 2004) as well as the need for control and monitoring systems (Miller, Minichilli, & Corbetta, 2013). Furthermore, firm size has been used as a control variable in virtually all studies assessing EO and performance. Yet the relationship of size with both EO and performance remains unclear (e.g., Boling, Pieper, & Covin, 2016; Eddleston, Kellermanns, & Zellweger, 2012; Miller & Le Breton-Miller, 2011).

Third, it is important to consider generational stage (Gersick et al., 1997). Specifically, we distinguish between first and later generations in management. Succession in family firms, which represents a transition between the generational stages, is a key milestone in family firms (De Massis, Chua, & Chrisman, 2008). Yet,

		<i>Earlier</i>	<i>Later</i>
<b>Family Influence</b>	<i>Lower</i>	<b>Type 1: Developing Non-Family Firm</b>  <b>Low family influence and early life cycle stage favor development into a non-family firm</b>	<b>Type 2: Waning or Tempered Family Firm</b>  <b>Low family influence and later stage in the life cycle point to diminishing family control and limited opportunities for particularistic behavior</b>
	<i>Higher</i>	<b>Type 3: Young Family Firms</b>  <b>Strong family influence and early life cycle stage allow for future particularistic behavior driven by family preferences</b>	<b>Type 4: Dynasty</b>  <b>Successful transitions and maturing organizational structures, family maintains a strong grip on the company</b>

**Figure 1.** Typology of family firm archetypes using family influence and firm life cycle.

while it taps into the development and governance of the firm, this characteristic serves a hybrid function, as the generational involvement in management also indicates further family influence. Indeed, family firms will be managed differently by the first generation than by sequential successors (e.g., Duran et al., 2016).

In sum, we argue that these five characteristics (i.e., family ownership, family CEO, board of directors, firm size, and first or later generation in management) are good indicators of family influence and firm life cycle that allow us to test our typology. Figure 1 summarizes our typology, where we combine lower and higher levels of family influence with earlier and later firm life cycle stages. The resulting two-by-two contains four types. Type 1 combines lower family influence and an early stage of the firm's life cycle. With regard to Type 2, family influence is still on the lower side, yet the firm is at a later stage in the life cycle. Types 3 and 4 are both characterized by higher family influence. Type 3 is paired with an earlier stage of the firm's life cycle and captures "born" family firms (Chua, Chrisman, & Chang, 2004). Last, Type 4 combines the strong family influence with later stages of the firm's life cycle. We expect to find empirical evidence for Types 2, 3, and 4. As our data set

includes only family firms, we do not expect to find Type 1 firms. Below, we argue that different firm archetypes will be associated with different levels of EO and performance. These outcomes were chosen as key variables of interest within family firm research (e.g., Carney et al., 2015; Debicki et al., 2009; Duran et al., 2016; O'Boyle et al., 2012; Yu, Lumpkin, Brigham, & Sorenson, 2012). Yet our typology can be adapted and used to predict other outcomes.

### *Family Firm Archetypes and Entrepreneurial Orientation*

Miller (1983) defined the "entrepreneurial firm" as any organization "that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch" (p. 771). Scholars have since adopted an approach based largely on this original conceptualization, considering that EO of a firm

is demonstrated by the extent to which the top managers are inclined to take business-related risks (the risk-taking dimension), to favor change and innovation in order to

obtain a competitive advantage for their firm (the innovation dimension), and to compete aggressively with other firms (the proactiveness dimension). (Covin & Slevin, 1988, p. 218)

Below, we will focus on EO as an overall latent construct, but we report on the subdimensions in our post hoc analyses (Covin & Slevin, 1989; Lumpkin & Dess, 1996). Following the call to consider heterogeneity in family firms (Chua et al., 2012; Hernández-Linares et al., 2017; Patel & Chrisman, 2014), we intend to use the above-established typology to understand differences in the entrepreneurial process and discuss the individual variables that have informed the typology.

First, family ownership likely influences EO. There is some evidence that EO is higher in the founder stage when ownership is centralized but dissipates as other generations become involved (e.g., Kellermanns et al., 2008). Therefore, the relationship between family ownership and EO may depend on life cycle stage. Founders are very driven to exhibit entrepreneurial behavior, while second and later generations may focus instead on SEW and be more risk averse. Furthermore, higher ownership enables particularistic behavior (Carney, 2005), which allows the family to pursue innovative and riskier strategies, particular as high ownership will give them “slack,” as failed innovation does not hinder their pursuit of SEW as their controlling state in the organization is not threatened. Yet lower family ownership may put pressure on the family firm to be more innovative, as external investors push for results while the family may be more reluctant to pursue risky strategies, as they threaten their ownership stake further in case of failure, suggesting that the effect of ownership is likely contingent on other variables.

Second, the presence of a family CEO is likely a key determinant in the pursuit of EO. For example, firms with a family CEO have a greater incentive to reduce firm-specific risk than do nonfamily CEO firms in order to maintain family prestige and wealth (Tsai, Kuo, & Hung, 2009); a nonfamily CEO will likely bring new ideas and skills to the family firm (Huybrechts et al., 2013). The positive association between firms with high family ownership, combined with active family management (i.e., family CEO), will likely lead to higher levels of EO (see also Lee & Chu, 2017).

Third, there is some evidence that the board of directors can have a profound effect on EO. One of the purposes of the board of directors is to provide service and

advice to management (Pieper et al., 2008; Sundaramurthy & Lewis, 2003). In performing these tasks, the board may contribute to the organizational value creation process, for example, by augmenting the expertise and know-how of the management team (Bammens, Voordeckers, & Van Gils, 2008; Huse, 1990), affecting the quality of strategic decisions and top management’s commitment to their execution (Mustakallio, Autio, & Zahra, 2002), or by favoring change and innovation in strategic decision making (Huse, 2000). Thus, the existence of the board not only affects strategic decisions of the company (Huse, 2000) but may also explain varying levels of EO (e.g., Arzubiaga et al., 2018; Bauweraerts & Colot, 2017). Yet the board’s effect on the family firm is contingent on many factors (Stewart & Hitt, 2012).

Fourth, firm size may also affect EO. Size seems to affect the family firm’s ability to raise the capital necessary for EO (Casillas & Moreno, 2010; Cruz & Nordqvist, 2012; Weismeier-Sammer, 2011). Larger firms might have better access to the external resources and more slack resources that can be invested in growth-oriented efforts (Eddleston, Kellermanns, Floyd, Crittenden, & Crittenden, 2013; Zahra et al., 2004) or research and development (Calabrò & Mussolino, 2013). With some exceptions (Boling et al., 2016; Garcés-Galdeano, Larraza-Kintana, García-Olaverri, & Makri, 2016), there is a positive relationship between slack or resources and the family firm’s ability to engage in entrepreneurship (Casillas, Moreno, & Barbero, 2011; Cruz & Nordqvist, 2012; Kellermanns & Eddleston, 2006; Kellermanns et al., 2008). Indeed, research suggests a need to consider the effect of firm size on EO (e.g., Casillas & Moreno, 2010; Cruz & Nordqvist, 2012; Rauch et al., 2009; Wales, Gupta, & Mousa, 2013).

Last, generational involvement has been found to affect EO linearly, curvilinearly, and via moderating influences (e.g., Chirico, Sirmon, Sciascia, & Mazzola, 2011; Kellermanns & Eddleston, 2006; Kellermanns et al., 2008; Sciascia, Mazzola, & Chirico, 2013), suggesting an underspecification of relationships and the need to investigate multiple variables jointly. For example, different firm types exhibit quite different growth and associated patterns of EO (Block, 2012). Stronger family influence together with later life cycle stages will lead to different complexities than the same family influence at earlier life cycle stages. Indeed, while some research argues or finds no effect (e.g., Casillas et al., 2011; Daily & Thompson, 1994), some studies have

found support for higher EO in first-generation management settings (Miller & Le Breton-Miller, 2011), while others suggest that EO is enhanced in second- and multi-generation firms (e.g., Cruz & Nordqvist, 2012; Kellermanns & Eddleston, 2006). Accordingly, the mixed findings and interactions between some of our profile variables suggest complex contingent relationships. Therefore, we expect different profiles (i.e., archetypes) of firms to emerge from the sample and that these profiles will differentially predict EO. Formally stated,

**Hypothesis 1:** Different firm archetypes, which are based on varying levels of family influence (i.e., family ownership, family CEO) and firm life cycle stage (i.e., board of directors, firm size, generational management), will be associated with different levels of EO.

### *Family Firm Archetypes and Performance*

Firm performance is undoubtedly an important outcome variable in family firms research (e.g., Carney et al., 2015; Debicki et al., 2009; Duran et al., 2016; O'Boyle et al., 2012; Yu et al., 2012). Therefore, it is important to understand the conditions that affect family firm performance. Even meta-analyses do not provide a coherent picture in this regard (e.g., O'Boyle et al., 2012; van Essen, Carney, Gedajlovic, & Heugens, 2011; Wagner et al., 2015). Indeed, as many of the confidence intervals of the family firm-specific effects on performance include zero, these summary studies point to the presence of contingencies among the variables. Considering the number of conflicting findings, it is not surprising that research suggests that performance can be optimized only when key variables are aligned (Rauch et al., 2009) and that the relationships between family firm characteristics and firm performance depend on other variables (i.e., moderators).

Family ownership percentage is a key variable that may influence, for example, family governance or other variables that affect performance (Nordqvist et al., 2014). Thus, family ownership is an important variable that differentiates family firms; albeit the relationship between ownership and performance in family firms is not fully understood and ownership is thus likely to be an important interacting factor with other family firm-specific variables. For example, when there are high levels of family ownership, the presence of a family CEO may allow the firm to act in a particularistic way. Yet the balance between family influence and governance has

important implications for success (e.g., Nordqvist et al., 2014).

The board of directors, in particular, can greatly influence firm performance as it can fulfill the aforementioned balancing function. As suggested by agency theory (Jensen & Meckling, 1976), a board of directors represents a formal corporate governance that allows shareholders to control the decision-making process (Pieper et al., 2008). Based on the resource-based view (Barney, 1991), some authors (Gabrielsson & Huse, 2005; Huse, 2005) argue that board advice promotes organizational performance to the extent that the knowledge held by board members complements the management team's knowledge base. The existence of a board of directors is considered a key corporate control mechanism and can constitute an internal source of competitive advantage (Bauweraerts & Colot, 2017) and, in turn, performance. Having a board is a key developmental milestone in the life cycle of an organization and thus will likely influence family firms behavior (Pieper et al., 2008). In addition, given the duality of the economic and noneconomic goals a family business pursues (Chrisman, Chua, & Litz, 2004; Chua et al., 1999), the presence of a board facilitates the development of governance structures that promote cohesion, a shared vision within the family, fewer harmful conflicts (Calabrò & Mussolino, 2013; Mustakallio et al., 2002) and higher firm performance (Huse, 2005). Yet the board is embedded within the wider context of the family firm.

In addition, firm size and generation also serve as distinguishing factors between family firms. The continued influence of the family in the firm is likely to generate family firm-specific benefits for the organization (Habbershon, Williams, & MacMillan, 2003). Larger firms endow the family with more resources and the ability to deploy them to their advantage, leading to superior performance. Indeed, in family firm studies, it has been argued that firm size is an important moderator in family firm studies that affects performance (Chu, 2011). Conversely, in the early stages, the firm is often solely managed by a family founder who is focused on building a stable business that can be left to future generations. Survival is of utmost importance; therefore, the firm's structure is less formal and more decentralized, leading to scenarios where more innovation can be possible (Craig & Moores, 2006). In the later stages, family firms are often risk- and change-avoidant and may simply want to maintain the status quo (Kellermanns & Eddleston, 2006) or even to avoid opportunities in order

to maintain SEW. As such, the generation managing the firm, particularly as a moderator, has also been linked to family firm performance (e.g., Eddleston et al., 2013).

Taken together, we believe that the outlined complexities between our life cycle and family influence variables will lead to different firm archetypes and will be associated with different levels of performance. Formally stated,

**Hypothesis 2:** Different firm archetypes, which are based on varying levels of family influence (i.e., family ownership, family CEO) and firm life cycle stage (i.e., board of directors, firm size, generational management), will be associated with different levels of performance.

## Method

### Research Procedure and Participants

The data for this study were collected as part of a wider research project in 2015 using a survey instrument, in line with recent studies (Revilla, Pérez-Luño, & Nieto, 2016; Stenholm, Pukkinen, & Heinonen, 2016). Our questionnaire was first developed in English, then translated into Spanish and Portuguese, and then back-translated into English to check for consistency. Both versions were pretested in the respective countries. Personalized invitations to complete an online, telephone, and paper survey were sent to randomly selected top managers of Spanish and Portuguese small- and medium-sized enterprises (SMEs), including an offer to share summary reports as an incentive. Similar to other researchers, we define SMEs as nonlisted private companies with 10 to 249 employees (e.g., Naldi et al., 2007). Our target firms came from the Iberian Balance Sheets Analysis System (SABI) database, which includes information on 1,366,768 Spanish and 536,014 Portuguese companies (as of March 2015) and has been used in earlier investigations of family firms (Hernández-Linares, Kellermanns, & López-Fernández, 2018). To obtain a representative sample of the population, and in line with previous studies (Sánchez-Famoso, Maseda, & Iturralde, 2014), we eliminated companies affected by special situations, such as liquidation, insolvency, and ceased activity.

Overall, the population of this study consisted of 127,174 SMEs (as defined above) across all sectors. Of the 27,176 companies randomly selected from the

database, 1,484 surveys were completed, yielding an initial response rate of 5.46%. Given the difficulty of identifying family businesses a priori, we identified them ex post. Although the literature reveals a large number of definitions and criteria for defining a family firm (e.g., see Hernández-Linares, Sarkar, et al., 2018), we used a subjective criterion (self-definition), similar to previous studies (e.g., Casillas et al., 2010), which allows us to capture the “essence” of being a family firm (Chua et al., 1999) as well as the most heterogeneity among the family firms. Specifically, we asked informants (69.74% of which were CEOs, the remaining 24.56% being top managers and 5.7% being managers) whether or not they perceived each of their firms as a family business. Overall, 684 firms were identified as family firms.

### Measures

#### Dependent Variables

**Performance.** We used a subjective measure of performance, which is common in the small business and family firms literatures (e.g., Eddleston & Kellermanns, 2007), since it yields more holistic evaluations and captures more than a single performance element. Specifically, performance ( $\alpha = .85$ ) was measured using an 8-item scale (Arend, 2013) with a 5-point response format ranging from *much worse* to *much better* than industry competitors. There is a strong correlation between objective and subjective performance measures (e.g., Ling & Kellermanns, 2010).

**Entrepreneurial orientation.** As mentioned above, EO is a multidimensional, latent construct. For the purpose of this article and as alluded to above, we not only focus on the overall latent construct but also provide a more fine-grained analysis of the five subdimensions (i.e., autonomy, competitive aggressiveness, innovativeness, proactiveness, and risk taking) in the post hoc analysis. Consistent with recent research (e.g., Shan, Song, & Ju, 2016), EO was measured using Hughes and Morgan’s (2007) 18-item measure, and a 5-point Likert-type scale. We use Hughes and Morgan’s (2007) scale because Lumpkin and Dess (1996) theoretically proposed five EO dimensions and later proposed scales for competitive aggressiveness and autonomy (Lumpkin & Dess, 2001), but they did not propose a scale for all EO dimensions. To remedy this, Hughes and Morgan (2007) used Lumpkin and Dess’s work as a guide in developing scales for

all EO dimensions and mostly sourced the items from previous studies (among others from Barringer & Blue-dorn, 1999; Hornsby, Kuratko, & Zahra, 2002; Hult & Ketchen, 2001; Lumpkin & Dess, 2001).

#### *Independent (Profile) Variables: Family Influence and Firm Life Cycle*

**Family influence.** Family influence was operationalized using two variables: (a) family ownership and (b) presence of a family CEO. Family ownership was measured by asking respondents “What percentage of ownership is in family hands?” Percentages were coded using categories: 1 = <10%, 2 = 10% to 25%, 3 = >25% and <50%, and 4 = >50%. Respondents indicated if the CEO is a family member (1 = *yes*, 0 = *no*).

**Firm life cycle.** Firm life cycle is operationalized using three variables: (a) board existence, (b) size, and (c) generational stage of management. Respondents indicated if the firm had a board of directors (1 = *yes*, 0 = *no*). Also, we use firm size as a differentiating variable, as it is related to firm life cycle. Furthermore, it has been identified as an important but underused moderating variable in the EO literature (e.g., Wales et al., 2013). In terms of size, the number of employees in the firm was extracted from the SABI database. Due to the lack of a direct measure of family succession and firm age, we captured generational involvement in the firm by distinguishing family firms that are managed by the first or later generations (López-Delgado & Diéguez-Soto, 2015). Respondents indicated whether the first generation is currently managing the firm (1 = *yes*, 0 = *no*) (Calabrò & Mussolino, 2013).

**Control variables.** We controlled for industry type because businesses of different industries may exhibit different organizational and environmental characteristics (Wiklund & Shepherd, 2005). Thus, following NACE (Nomenclature des Activités Économiques dans la Communauté Européenne) coding (statistical classification of economic activities in the European Community), we used four dummy-coded variables to classify firms as belonging to the primary, secondary, construction, or services sectors. Country was controlled for using one dummy variable (1 = *Spain* and 2 = *Portugal*). Despite the existence of a certain degree of homogeneity within the Iberian Peninsula, we cannot discount for some cultural specificities or unobserved heterogeneity among

countries that may influence the development of firms’ EO (Hofstede, 2001).

#### *Statistical Analyses*

To identify profiles in our sample, we conducted an LPA (e.g., Muthén, 2004; Muthén & Muthén, 1998-2009; Nylund, Asparouhov, & Muthén 2007) using the maximum likelihood estimator in MPlus 5.21 (Muthén & Muthén, 1998-2009). LPA was chosen over other techniques for several reasons. First, LPA has been developed as a tool that can identify complex patterns of relationships in a sample (for a first family firm application, see Stanley et al., 2017). Capturing the interactions among four or more family firm-specific variables to create distinctive patterns of firms in a sample is very difficult when using variable-centered techniques such as regression (Vandenberg & Stanley, 2009); it is virtually impossible to interpret all possible four- or five-way interactions. Furthermore, LPA is different from similar techniques such as cluster analysis because it is probability-based, rather than distance-based, meaning that the estimations are more rigorous and objective (Meyer, Stanley, & Vandenberg, 2013). While other configural techniques such as median splits (e.g., Gellatly, Hunter, Curriea, & Irving, 2009) and qualitative comparative analysis are available (e.g., Ragin, 1987), these techniques, like cluster analysis, often require the researcher to “eyeball the data” and make judgment calls due to the lack of statistical fit criteria for determining the number and nature of groups. Furthermore, LPA is a very flexible tool because it can handle a wide range of data (e.g., dichotomous, categorical, and continuous variables with large ranges) and both extremely large and small (i.e., 200) sample sizes. Finally, LPA produces a categorical profile membership variable, which may be used in subsequent analyses (e.g., regression, analysis of covariance [ANCOVA], etc.).

The best model (i.e., optimal number of profiles) was selected using criteria provided by Nylund et al. (2007). Specifically, the optimal model should show (a) the lowest sample-adjusted Bayesian information criterion (SABIC; Sclove, 1987), (b) a significant Lo-Mendell-Rubin likelihood ratio test (LMR LRT), (c) a significant bootstrapped likelihood ratio test (BLRT; McLachlan & Peel, 2000), (d) an entropy value closest to 1, (e) an adequate number of cases in each profile, and (f) posterior probabilities >75% for each profile. The size of the

profile (i.e., number of firms belonging to the profile) should not be too small, relative to the sample size (e.g., less than 1% of the overall sample). We also examined each profile to assess how theoretically meaningful it is (Lubke & Muthén, 2005).

Next, we conducted between-profile analysis of variance (ANOVA) using the independent variables to judge the distinctiveness of the profiles and to name the profiles. Finally, we tested for differences in the dependent variables (i.e., performance and EO) between profiles. We used ANCOVAs using profile membership as the independent variable and industry and country as control variables.

## Results

Means, standard deviations, and correlations of the variables are presented in Table 1.

### Latent Profile Analysis Results

Using the fit indices and other criteria outlined above, we determined that the four-profile model fit the data best. While the five- and six-profile latent model exhibited lower SABIC values (6972.64 and 7521.42, respectively) than the four-profile model (8022.22), the LMR LRT  $p$  values were significant for the four-profile model but not for the five- and six-profile models. Furthermore, the BLRT  $p$  value for the four-profile model was significant, indicating that the four-profile model shows better fit than the three-profile model. Last, the entropy value for the four-profile model (0.997) was closer to 1 than that of the five-profile (0.987) and six-profile (0.996) models, and the six-profile model showed errors. There are sufficient numbers of cases in each of the profiles (i.e., >1% of the sample size), and the posterior probabilities were high (.989 to 1), indicating that the four profiles are distinguishable from one another.

The profiles, which were derived from our analysis, are shown in Table 2 and were labeled based on both the quantitative and the qualitative (i.e., shape) differences between them. The results of the between-profile ANOVAs indicate that there are significant differences between the profiles in the independent variables—the profile names reflect these results. Profile 1 ( $N = 33$ ) includes firms with an average of 31.58 employees—most with no board of directors and a CEO who is a family member. Family ownership ranges from less than

10% to up to 25%, and most of the firms are managed by the first generation. Firms in this profile fit the description of Type 1 firms in our typology (developing nonfamily firms), due to the presence of a family-member CEO, but significantly lower percentage of family ownership.

Firms in Profile 2 ( $N = 233$ ) are similar to Type 1 firms in our typology in that they are small (i.e., average of 37.64 employees). However, they are similar to Type 4 firms of our typology in that almost all have a board of directors. Also, there are some similarities with Type 3 firms of our typology in that family influence, through high family ownership (i.e., 50% or more) and the presence of a family CEO, is high. Last, about half of these firms are managed by the first generation. Because this profile is a hybrid of Types 1, 3, and 4, we labeled it *Hybrid*.

Profile 3 ( $N = 405$ ) was the largest profile and includes firms with an average of 26.90 employees. Almost all these firms do not have a board of directors. The vast majority have a family-member CEO and ownership of 50% or greater. A little more than half of these firms are managed by the first generation. As this profile contains firms similar to those described in Type 3 of our typology, we labeled this profile *Young Family Firms*. This profile is distinctive due to the significantly larger number of firms with no board of directors and high family ownership.

Profile 4 is the smallest and most distinctive profile ( $N = 13$ ). We labeled it *Dynasty* due to the similarities to Type 4 of our typology and because the average number of employees (176.77) is significantly higher than that of the other profiles. Almost all these firms have a board of directors and family ownership of 50% or more. A little more than half have a CEO who is also a family member, and only one third are managed by the first generation.

### Analysis of Covariance to Test Differences in Outcomes

The results of the ANCOVAs using the categorical variable indicating profile membership as the independent variable are displayed in Table 3 and show that there are significant differences between the profiles with regard to performance,  $F(3, 676) = 4.07, p < .01$ . The results consisting of pairwise comparisons between profiles (using Tukey tests) indicate that firms in Profile 2 show

**Table 1.** Descriptive Statistics and Correlations Among Study Variables.

Variable	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Primary sector	0.03	00.16																
2. Secondary sector	0.29	00.45	-.11**															
3. Construction sector	0.10	00.30	-.06	-.21**														
4. Services sector	0.59	00.49	-.20**	-.76**	-.39**													
5. Country	1.5	00.50	.03	.12**	-.04	-.10*												
6. Percentage of family owned	3.83	00.56	.02	.02	.01	-.02	.02											
7. Family-member CEO	0.90	00.31	.03	-.06	.03	.03	.01	.01										
8. Existence of board	0.38	00.49	-.08*	.05	-.01	-.02	-.18**	-.01	-.18**									
9. Size (no. of employees)	33.63	35.11	-.03	.07	.01	-.06	.05	.01	-.20**	.24**								
10. Managed by first generation	0.57	00.50	.00	-.09*	.04	.06	.05	-.09*	-.11**	.06	-.02							
11. Performance	3.62	00.58	-.00	-.05	-.03	.06	-.15**	.06	.15**	-.02	.01	.04						
12. EO—risk taking	3.84	00.72	.04	.04	-.13**	.02	.14**	.01	.02	.07	-.03	.02	.29**					
13. EO—innovativeness	4.05	00.75	.03	.01	-.07	.03	.08*	.03	.05	.01	.01	.02	.36**	.58**				
14. EO—proactiveness	3.79	00.72	.05	-.07	-.09*	.11**	-.02	.02	.10*	.08*	-.03	.04	.40**	.52**	.66**			
15. EO—competitive aggressiveness	3.87	00.76	-.01	-.08*	-.01	.08*	-.02	.05	.13**	.01	-.02	.04	.45**	.45**	.55**	.63**		
16. EO—autonomy	3.53	00.77	.02	-.04	-.01	.04	-.07	.00	.05	.01	-.06	.05	.28**	.35**	.30**	.28**	.32**	
17. Overall EO	3.82	00.56	.03	-.04	-.08*	.07	.03	.03	.09*	.05	-.04	.05	.47**	.76**	.82**	.81**	.78**	.60**

Note: N = 684. EO = entrepreneurial orientation. Industry variables were dummy coded; country was coded 1 = Spain and 2 = Portugal. Existence of a board of directors, family-member CEO, and managed by first generation were measured using 1 = yes and 0 = no. Family ownership was measured using the following categories: 1 = <10%, 2 = 10% to 25%, 3 = >25 and <50%, and 4 = >50%. Performance and EO were measured using a 5-point scale.

\*p < .05. \*\*p < .01.

**Table 2.** Results of Latent Profile Analysis: Means Associated With the Four-Profile Model.

Profile	<i>n</i>	Percentage of family ownership	Family-member CEO	Existence of a board of directors	Number of employees	Managed by first generation
1. Developing nonfamily firms	33	1.61	0.88	0.36	31.58	0.67
2. Hybrid	233	3.93	0.84	1.00	37.64	0.50
3. Young family firms	405	3.95	0.94	0.00	26.90	0.61
4. Dynasties	13	3.92	0.62	1.00	176.77	0.31
Between-profile post hoc comparisons*		3, 2, 4 > 1	3 > 2, 4 1, 2 > 4	2, 4 > 1, 3 1 > 3	4 > 2, 1, 3 2 > 3	1, 3 > 4 3 > 2

Note. *N* = 684. Existence of a board of directors, family-member CEO, and managed by first generation were measured using 1 = yes and 0 = no. Family ownership was measured using the following categories: 1 = <10%, 2 = 10% to 25%, 3 = >25% and <50%, and 4 = >50%.

\*Post hoc comparisons (using Tukey tests) indicate which profile means differ significantly at  $p < .05$ .

**Table 3.** Analysis of Covariance Results: Outcomes Associated With the Four-Profile Model.

Profile	<i>n</i>	Hypothesis 1	Hypothesis 2	Post Hoc Tests				
		Performance	EO—Total	EO—Risk taking	EO—Innovation	EO—Proactiveness	EO—Competitive Aggressiveness	EO—Autonomy
1. Developing nonfamily firms	33	3.63	3.89	3.97	4.05	3.84	3.97	3.64
2. Hybrid	233	3.73	3.89	3.88	4.12	3.87	3.98	3.58
3. Young family firms	405	3.56	3.76	3.80	4.00	3.73	3.79	3.49
4. Dynasties	13	3.70	4.00	3.91	4.20	4.17	4.26	3.47
Between-profile post hoc comparisons*		2 > 3	2 > 3			2, 4 > 3	4 > 2 > 3	

Note. *N* = 684. EO = entrepreneurial orientation. Performance and EO were measured on 5-point scales.

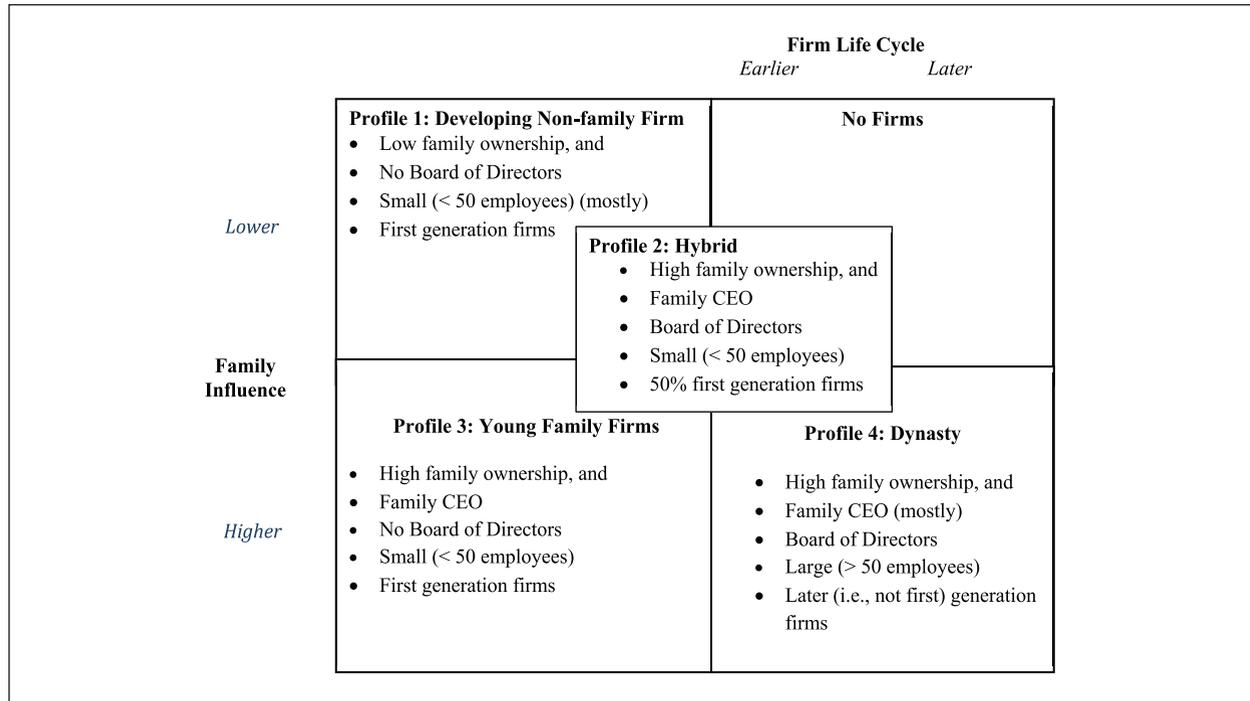
\*Post hoc comparisons (using Tukey tests) indicate which profile means differ significantly at  $p < .05$ .

higher levels of performance ( $M = 3.73$ ) than those in Profile 3 ( $M = 3.56$ ). We also found significant differences between the profiles in overall EO,  $F(3, 676) = 3.13, p < .05$ . Therefore, the results support Hypotheses 1 and 2, which suggest that the profiles will show significant differences in performance and EO. See also Figure 2, for a summary of our findings.

### Post Hoc Tests

We also conducted a more fine-grained analysis of EO by looking into the subdimensions. Most of the literature has followed a gestalt approach (Miller, 1983), which averages the different dimensions to create one overall construct, as we did in our main analysis. However, it is likely that the family firm profiles may also predict the individual dimensions of EO. Yet

research on the individual dimensions of EO in family firms is scant (Hernández-Linares & López-Fernández, 2018). Specifically, Hughes and Morgan's (2007) measure allows us to investigate risk taking ( $\alpha = .66$ ), innovation ( $\alpha = .84$ ), proactiveness ( $\alpha = .75$ ), competitive aggressiveness ( $\alpha = .78$ ), and autonomy ( $\alpha = .81$ ). While we did not find differences on all dimensions, we show differences in proactivity,  $F(3, 676) = 3.38, p < .05$ , and competitive aggressiveness,  $F(3, 676) = 4.63, p < .01$ . Specifically, Profile 2 (i.e., hybrid) showed higher levels of proactivity and competitive aggressiveness dimensions relative to Profile 3. Furthermore, Profile 4 (i.e., dynasties) showed higher levels of proactivity than Profile 3 and higher levels of competitive aggressiveness than Profiles 2 and 3. The results of the post hoc tests are also displayed in more detail in Table 3.



**Figure 2.** Family firm archetypes in sample  
 Note. The profiles portray the dominant combinations for each archetype.

## Discussion

The relationships between family firm characteristics, EO, its dimensions, and performance are not fully understood, and this has led to mixed findings in the literature (Hernández-Linares & López-Fernández, 2018). We suggest that one of the reasons for these inconsistencies is the existence of contingent relationships between variables that characterize the firm and that examining combinations of variables via LPA may bring additional insight to the literature (see Stanley et al., 2017) and highlight previously overlooked relationships. Testing our typology based on family influence (i.e., family ownership and family CEO) and firm life cycle dimensions (i.e., existence of a board of directors, generational management, and firm size), we find four archetypes that map onto our proposed typology, albeit not perfectly.

We hypothesized that the resulting profiles would show differences in both EO and performance—two important outcomes measures in family firm research (e.g., Yu et al., 2012). The results of our hypothesis testing provide support for both Hypothesis 1, which predicted

differences in EO, and Hypothesis 2, which predicted differences in performance. It is notable that not all firm types showed differences in EO and performance. This is consistent with the notion of equifinality proposed in the typology literature (i.e., Doty & Glick, 1994).

While we did not propose an ideal firm archetype in our study, one firm type exhibited the highest levels of EO and performance. Firm Type 2 (i.e., hybrid), which is shown in Figure 2, contains firms with a board of directors and a higher level of family ownership, making this profile distinct from the others. These performance and EO advantages are consistent with the literature, which stresses that particularistic behavior and the influence of the family may generate family firm-specific benefits; agency-type controls and professionalization may further stabilize performance (e.g., Carney, 2005; Chrisman, Chua, Kellermanns, & Chang, 2007; Habbershon et al., 2003; Stewart & Hitt, 2012). This emphasizes the need for good governance in family firms (e.g., Stewart & Hitt, 2012; Zahra, Neubaum, & Huse, 2000), which may balance out family influence. The remaining profiles fell into the developing nonfamily firm, young family firm, and dynasty categories.

Furthermore, our post hoc analysis showed that the derived family firm types (i.e., identified profiles) also showed meaningful differences in some of the subdimensions of EO. Accordingly, these results confirm not only the need to develop family firm typologies but also the need to consider underlying family firm heterogeneity when studying family firms (e.g., Chua et al., 2012; Daspit et al., 2018).

All in all, our study makes several important contributions to the literature. First, we contribute to the overall body of research on family firm typologies (e.g., Miller & Le Breton-Miller, 2006; Tagiuri & Davis, 1992) by providing a concise but adaptable framework based on family influence and firm life cycle. We demonstrate that LPA is a very useful and flexible tool that can be used to populate the different types in our typology (and other typologies); it is an ideal tool for capturing the underlying heterogeneity among family firms (e.g., Daspit et al., 2018; Jaskiewicz & Dyer, 2017; Nordqvist et al., 2014; Rauch et al., 2009; Stanley et al., 2017; Westhead & Howorth, 2007). It is notable that our findings are also mostly consistent with the only previous family firms study using LPA (Stanley et al., 2017), which used data from a different country. As such, our combined findings provide support for our proposed typology, as they both include family influence and firm life cycle variables. Furthermore, this type of combination of variables furthers our understanding of family heterogeneity, as it assesses simultaneously both family-related variables and the context they operate in.

Our results also have important theoretical implications for EO, family firm performance, and the wider family firm literature. We shed light on the research question of why some family firms are more entrepreneurial than others and thus explain inconsistencies or lack of findings regarding EO and performance (e.g., O'Boyle et al., 2012; Sciascia et al., 2013; van Essen et al., 2011; Wagner et al., 2015). We attribute the inconsistencies in the literature to the inability to capture complex interrelationships among variables. As our profiles show distinct performance and EO differences, we add to the wider literature on family firm outcomes (Yu et al., 2012). Specifically, our article suggests that LPA is an excellent tool for developing empirically derived groups of family firms (i.e., taxonomies) that help address research questions that cannot otherwise be addressed using traditional methods (e.g., regression).

## Limitations and Future Research Directions

Our study has some limitations that also provide opportunities for future research. First, we focused on family firms from Spain and Portugal; the observed relationships may be affected by cultural setting. However, since increased globalization tends to lead to similarities in business conduct across countries (e.g., Carr, 2005), we think that context may not significantly affect our findings. Despite this, future studies can test or extend our work to other countries.

Second, although cross-sectional designs are common in the strategic literature (e.g., Casillas & Moreno, 2010; Hughes & Morgan, 2007), employing a cross-sectional design constrains the strength of the causal inferences that can be made. Albeit the vast majority of EO studies use cross-sectional designs (Rosenbusch et al., 2013) and this design is common for survey-based research in family firms, longitudinal studies would provide a stronger research design that might address additional interesting avenues for research. For example, while our article implies that EO is stable over time, we know very little regarding the triggers that prompt firms to adopt different strategic orientations; therefore, researchers need to develop and test a dynamic model of EO. At which point in time or due to which unique influences does a firm cease to engage in specific EO-related behavior (e.g., competitive aggressiveness) in favor of other EO-related behavior (proactiveness) or stops being entrepreneurial at all? Some variables can inform both the family and nonfamily firms research (e.g., sudden CEO death) (Quigley, Crossland, & Campbell, 2017) or changes in the institutional context (Ge, Stanley, Eddleston, & Kellermanns, 2017).

Third, we used ANCOVA to test for differences in performance, EO, and the dimensions of EO between the profiles. Because the profile sizes ranged from 13 to 405, there may be some concern about differences in sample sizes. However, differences in sample size are a concern only when the  $F$  values are borderline significant (Keppel & Zedeck, 1989). As each of the  $F$  values for EO—total ( $p = .025$ ;  $F = 3.132$ ), performance ( $p = .007$ ,  $F = 4.069$ ), EO—proactiveness ( $p = .018$ ,  $F = 3.381$ ), and EO—competitive aggressiveness ( $p = .003$ ,  $F = 4.626$ ) were very robust, these differences in profile sizes should not be a concern.

Fourth, our performance variable is subjective. However, it is fairly common to capture family firm

performance by asking owners to provide subjective assessments of performance on various dimensions (e.g., competitive position, products, services, programs, and client satisfaction), and there is a strong relationship between subjective and objective measures of performance (Ling & Kellermanns, 2010). Future research should test the relationship between firm profiles and objective measures of performance.

Fifth, we focused on family influence and firm life cycle in generating our typology, which was widely supported by the profiles that we found. Focusing on these wider umbrellas allows for more flexibility in adapting the typology to available data and thus greatly enhances the applicability to other outcomes, which we discuss in more detail below. Yet it comes at the cost of being prescriptive in identifying variables. For example, while our input variables capture the power and experience dimensions of the F-PEC (Family Influence on Power, Experience, and Culture) (Astrachan et al., 2002; Klein et al., 2005), the culture dimension, which is derived from commitment in the F-PEC scale, was not used. Similarly, constructs like identification (Zellweger, Eddleston, & Kellermanns, 2010), or succession intention (e.g., Zellweger, Kellermanns, Chrisman, & Chua, 2012), could be used. Indeed, in a prior LPA study, succession intention was used (Stanley et al., 2017). Yet such variables would not be available in database related research, but our utilized variables can generally be assessed in both survey and database research. Thus, future research needs to walk a fine line in choosing theoretically related input variables for the typology based on family influence and life cycle while balancing availability with the dependent variable(s) under investigation.

Furthermore, one needs to note that the resulting profiles map well, but not perfectly, onto our typology. This, however, is not surprising as this will always be a function of the sample. For example, one would not expect a dynasty profile to emerge from a Chinese sample as most firms in this sample are younger due to the institutional context (Banalieva, Eddleston, & Zellweger, 2015; Yang et al., 2018). Accordingly, one should assess the meaningfulness of the profiles in context of the sample.

Last, there is an opportunity to develop additional family firm-related typologies and taxonomies based on family firms' specific scales (which have been recently proposed) while using LPA to test these. For example, the FIBER (Family control and influence, Identification of family members with the firm, Binding social ties,

Emotional attachment of family members, Renewal of family bonds to the firm through dynastic succession) scale initially proposed by Berrone, Cruz, and Gómez-Mejía (2012) and reconceptualized into the SEWi (Socioemotional Wealth Importance) scale by Debicki, Kellermanns, Chrisman, Pearson, and Spencer (2016), or the multidimensional familiness scale (Frank, Kessler, Rusch, Suess-Reyes, & Weismeier-Sammer, 2017), offers the potential to inform typologies, or at the very least to classify firms and address heterogeneity concerns within samples. Similarly, more general constructs that are related to family firm outcomes (e.g., the three dimensions of conflict: task, process, and relationship conflict) and family firm-related conflict (e.g., Eddleston & Kellermanns, 2007; McKee, Madden, Kellermanns, & Eddleston, 2014) could be used in an LPA. While current research focuses on the different types of conflict in isolation, LPA provides an alternative to interpreting three-way interactions. It can even be considered a superior approach when additional family firm-specific variables are added, as it is very difficult to interpret all possible four-way (or more) interactions.

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