Finance managers in family firms: An upper-echelons view

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Structured Abstract:

Purpose: Informed by upper echelons theory, this paper aims to synthesize the current knowledge on finance managers in family firms and to suggest valuable future research avenues.

Design/methodology/approach: The paper is organized as a theory-informed literature review. Based on a keyword search in electronic databases, 17 journal articles that deal with finance managers in family firms were identified. In light of upper echelons theory, the results of these articles were analyzed and future research needs were identified.

Findings: Overall, our current knowledge on finance managers in family firms is scant and fragmented. At the same time, this paper’s review findings indicate that finance managers can play decisive roles in family firms, which is why we need further research on their roles. Upper echelons theory is suggested in this paper as a theoretical framework that is well suited to guide such further research.
**Originality/value:** This is the first review of the academic literature on finance managers in family firms. Its main value lies in providing a theory-informed synthesis of current research on this topic and highlighting fruitful future research avenues.

**Keywords:** Family business, family firm, finance manager, finance director, chief financial officer, CFO

**Paper type:** Literature review

### 1. Introduction

Recent meta-analytic evidence highlights that family firms tend to show better financial performance than do non-family firms (Wagner et al., 2015). This finding suggests that controlling families in family firms have appropriate financial management skills. However, some controlling families, especially those in the second or later generations, experience serious difficulties in managing their finances (Filbeck and Lee, 2000) because of, for instance, missing financial knowledge or the controlling family no longer wanting to manage the finance function (Hiebl, 2013a). For this reason, controlling families often turn to professional non-family finance managers. Such finance managers may help reduce the financial risk in family firms and thus increase family firm performance (Caselli and Di Giuli, 2010; Gordini, 2016; Lutz and Schraml, 2012). Therefore, finance managers may play decisive roles in family firms.

At the same time, in the current literature, no coherent picture of the role of finance managers in family firms has yet evolved. This is why the present paper—based on a mini literature review (Collins, 2014)—sets out to synthesize the existing literature and to highlight valuable future research avenues on this topic. In line with this endeavor, the paper draws on upper echelons theory, which is concerned with individual managers’ influence on firms’ strategic choices and their impact on firm performance (Hambrick and Mason, 1984; Hambrick, 2007). Finance managers such as chief financial officers (CFOs) are frequently regarded as upper echelons (Hiebl, 2014b; Menz, 2012; Plöckinger et
al., 2016) and the applicability of upper echelons theory to family business studies has been confirmed in a number of recent studies (Tretbar et al., 2016). Thus, this theory seems well suited as a guiding framework for synthesizing the extant literature on finance managers in family firms and proposing a theory-guided future research agenda.

The review findings confirm that upper echelons theory is capable of serving as a unifying framework for making sense of existing findings on finance managers in family firms. Based on this theory, a series of important future research avenues and concrete research questions are presented in this paper. Thus, this paper’s main contribution lies in its ability to highlight upper echelons theory as a suitable theoretical framework for the study of finance managers in family firms and in charting a theory-informed agenda for further research on such managers.

The remainder of this paper is structured as follows. Section 2 gives a brief overview on upper echelons theory and its relevance for the present paper. Section 3 details the review methods adopted and Section 4 presents a synthesis of the review findings in light of upper echelons theory. Section 5 charts promising future research avenues and Section 6 concludes the paper with its most important implications and limitations.

2. An upper-echelons view of finance managers in family firms

The main tenet of upper echelons theory is that top managers (i.e., upper echelons) as opposed to organizations decide on strategic issues and thus influence the firm’s strategic outcomes. The theory suggests that the objective situation influences the choice of top managers and their characteristics (Carpenter et al., 2004; Hambrick and Mason, 1984; Hambrick, 2007). For instance, in the context of family firms, the objective situation may include firm characteristics such as family firm status (i.e., family/non-family firm), family firm generation in charge, or firm age. In turn, these firm characteristics are theorized to influence the presence of top manager positions and the characteristics of the holders of these positions. Furthermore, and likely representing the most important message of upper echelons theory, Hambrick and Mason (1984) suggest that managerial
characteristics influence not only strategic choices and organizational outcomes (e.g., innovation), but eventually also firm performance.

More recently, research on upper echelons has found that the homogeneity or heterogeneity of top management teams impacts strategic outcomes and firm performance (Carpenter et al., 2004). This suggests that there are interaction effects between the characteristics of the upper echelons, which in turn impact strategic choices and organizational outcomes. Hambrick (2007) has suggested an important moderator of the relationship between upper-echelon characteristics and organizational outcomes—that is, managerial discretion, which refers to top managers’ latitude of action in influencing organizational outcomes and making strategic choices (Crossland and Hambrick, 2011; Hambrick and Finkelstein, 1987). Consequently, Hambrick (2007) suggests that upper-echelon characteristics will be better predictors of strategic choices and organizational outcomes if managerial discretion is high. An overview on the basic ideas and elements of upper echelons theory is shown in Figure I.

A key ingredient of upper echelons theory is the focus on top management characteristics. In their seminal paper on the upper-echelons perspective, Hambrick and Mason (1984) propose that in decision situations, top managers are significantly influenced by their values and cognitive bases. Given that these values and cognitive bases are hard to measure, the authors suggest measuring observable top manager characteristics instead. For instance, Hambrick and Mason (1984) suggest that top managers’ higher personal age is reflective of their psychological commitment to the organizational status quo. Given this commitment to the status quo, older top managers may be less open to innovations that challenge the status quo, suggesting that higher top manager age is negatively correlated with the pursuit of risky strategies such as engaging in innovation.

As indicated above, finance managers are regularly part of top management teams and can thus be regarded as upper echelons (Hiebl, 2014b; Menz, 2012; Plöckinger et al., 2016). This is why recent scholars have increasingly relied on upper echelons theory when studying finance managers such as
CFOs (e.g., Datta and Iskandar-Datta, 2014; Dauth et al., 2017; Hiebl et al., 2017). At the same time, in the recent family business literature, upper echelons theory has been increasingly utilized to study the impact of top management team members in family firms on organizational choices and firm performance (Tretbar et al., 2016). As such, upper echelons theory seems well suited for systematically synthesizing our current knowledge on finance managers in family firms and developing future research needs.

**Figure 1.** Overview of upper echelons theory (based on Carpenter et al., 2004; Hambrick and Mason, 1984; Hambrick, 2007; Hiebl, 2014b)

3. **Review methods and sample**

To present a review on finance managers in family firms that is as comprehensive as possible, this paper draws on systematic literature review procedures (Booth et al., 2016; McKelvey and Lassen, 2013). Such procedures support the production of literature reviews performed in a more transparent and comprehensible manner than more traditional literature reviews (Jesson et al., 2011). Specifically, systematic literature reviews discuss in greater detail how the papers reviewed were identified and how those included in the review sample were classified in terms of their research methods (Booth et al., 2016; Jesson et al., 2011). In general, systematic literature reviews
have gained much popularity in family business research in the past few years (e.g., Feliu and Botero, 2016; Frank et al., 2011; Mazzi, 2011; Pukall and Calabrô, 2014).

Following all the above-cited literature reviews, this paper also focuses on prior academic studies published in English-language peer-reviewed journals.[1] To identify papers on finance managers in family firms, the first methodological step taken was a keyword search in electronic databases. According to McKelvey and Lassen (2013, p. 174), in selecting appropriate databases for such keyword searches, the “Web of Science is a given.” Besides the Web of Science, however, comparable studies drawing on systematic literature reviews in family business and entrepreneurship research also included the EBSCO Business Source Premier, EBSCO EconLit, and/or Scopus databases in their searches (e.g., Feliu and Botero, 2016; Mazzi, 2011; McKelvey and Lassen, 2013; Pukall and Calabrô, 2014). Like the Web of Science, these three databases are not limited to publisher-specific content, but include a broad range of academic outlets from various publishers. This is why EBSCO Business Source Premier, EBSCO EconLit, Scopus, and the Web of Science were selected as electronic databases for the keyword search reported here.[2] Since such a literature review on finance managers in family firms has not yet been published, no restrictions in terms of the year of publication were introduced. Thus, all academic articles published until 2016 (the year this review paper was developed) were considered in the keyword search.

In this keyword search, the focus on finance managers was operationalized with the help of the following keywords: ("Financ* manager*" OR "chief financial officer*" OR "CFO*" OR "finance director*" OR "head of finance"). These keywords were combined in the search—via and “AND” conjunction—with the following keywords representing family firms: ("family business*" OR "family enterprise*" OR "family led*" OR "family controlled*" OR "family run"). The use of asterisks allowed for different word endings. For example, the keyword "family business*" captured both "family business" and "family businesses".
Excluding duplicates, this initial keyword search resulted in 15 papers. After an analysis of these 15 papers, 11 were excluded from further consideration because (i) they did not actually contain material on finance managers in family firms, (ii) they were not published in English or (iii) they contained practitioner rather than academic content. As a second step, the references of the initially identified four papers were scanned for further potentially relevant papers on finance managers in family firms. In addition, Google Scholar was utilized to identify further papers that cite the initially identified four papers. This procedure was repeated—in the form of a snowballing technique—for additionally found relevant papers. With the help of these measures, 13 additional studies of finance managers in family firms were identified. The review sample thus consisted of 17 papers.

Table I shows bibliographical and methodological information on these 17 papers. Interestingly, only three papers (Di Giuli et al., 2011; Hiebl, 2015) on finance managers in family firms were published in finance journals. Indeed, with eight papers (Filbeck and Lee, 2000; Gallo and Vilaseca, 1998; Gallo et al., 2004; Gordini, 2016; Gurd and Thomas, 2012; Hamilton, 1992; Hiebl, 2013a; Songini et al., 2015), family business and entrepreneurship journals appear to be the most frequent outlets for research on finance managers in family firms. Further, with three papers (Hiebl, 2013b; Hiebl, 2014a; Lutz and Schraml, 2012) and two papers (Amat et al., 1994; Jazayeri et al., 2011), respectively, general management and accounting journals were also found to be outlets for research on such managers. Of the 17 papers, nine relied on quantitative empirics as their primary method, six utilized qualitative empirical methods and one study each was designed as mixed methods research or conceptual research. The vast majority of available papers on finance managers in family firms—a total of 12 papers—were built upon data from European countries. Only two papers relied on data from the US and one paper each on data from Australia and Sri Lanka. Thus, of the 16 empirical papers in this review sample (the Hiebl (2013a) paper is conceptual), only one paper (Jazayeri et al., 2011) contained empirical data on a finance manager in an emerging-market family firm.

In terms of theoretical background, the review shows that the current literature on finance managers in family firms lacks a unifying theoretical understanding of the phenomenon. In fact, of the 17
papers analyzed, only 10 show some explicit theorization, while the remaining seven papers do not draw on any specific theory. As with family business research in general (Siebels and zu Knyphausen-Aufseß, 2012), the study of finance managers in family firms also seems to rely significantly on agency-theoretic arguments: seven of the 10 papers drawing on any specific theory mention agency theory as their theoretical background. The papers drawing on agency theory are mostly concerned with non-family managers obtaining finance manager positions. Thus, they draw on the traditional agency-theoretic argument that the separation of ownership and management in family firms by means of hiring non-family finance managers may lead to agency costs and thus inferior family firm performance (Caselli and Di Giuli, 2010; Gallo and Vilaseca, 1998; Gordini, 2016; Songini et al., 2015). As will be shown in the review findings, the empirical data reported in the reviewed papers mostly contradict this theoretical prediction for the case of non-family finance managers by highlighting that their presence is associated with superior firm performance. Thus, the applicability of agency theory to the study of finance managers in family firms seems limited. Instead, and as indicated above, upper echelons theory is proposed as an alternative unifying theoretical framework for the analysis of current studies and for providing recommendations for future studies on finance managers in family firms. The reason for this choice is that, unlike agency theory, upper echelons theory is capable of serving as an explanatory theoretical lens to all the current findings in the literature, as will be detailed below.

4. Review findings

The analysis of the papers revealed that their findings can be clustered into four groups related to upper echelons theory: (1) the influence of the objective situation on upper-echelon characteristics, (2) interactions between upper echelons, (3) the influence of upper-echelon characteristics on strategic choices and organizational outcomes, and (4) the influence of upper-echelon characteristics on performance. These findings clusters will be detailed in the following sub-sections.
### Table I. Overview of the reviewed papers

<table>
<thead>
<tr>
<th>Paper</th>
<th>Primary method</th>
<th>Country of research</th>
<th>Theory explicitly used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amat et al. (1994)</td>
<td>Qualitative empirics</td>
<td>Spain</td>
<td>—</td>
</tr>
<tr>
<td>Caselli and Di Giuli (2010)</td>
<td>Quantitative empirics</td>
<td>Italy</td>
<td>Agency theory</td>
</tr>
<tr>
<td>Di Giuli et al. (2011)</td>
<td>Quantitative empirics</td>
<td>Italy</td>
<td>—</td>
</tr>
<tr>
<td>Gallo and Vilaseca (1998)</td>
<td>Quantitative empirics</td>
<td>Spain</td>
<td>Agency theory</td>
</tr>
<tr>
<td>Gallo et al. (2004)</td>
<td>Quantitative empirics</td>
<td>Spain</td>
<td>—</td>
</tr>
<tr>
<td>Gordini (2016)</td>
<td>Quantitative empirics</td>
<td>Italy</td>
<td>Agency theory</td>
</tr>
<tr>
<td>Gurd and Thomas (2012)</td>
<td>Mixed methods</td>
<td>Australia</td>
<td>Agency theory, information economics, psychology</td>
</tr>
<tr>
<td>Hamilton (1992)</td>
<td>Quantitative empirics</td>
<td>US</td>
<td>—</td>
</tr>
<tr>
<td>Hiebl (2013a)</td>
<td>Conceptual</td>
<td>n.a.</td>
<td>Social role theory, agency theory, stewardship theory, resource-based view</td>
</tr>
<tr>
<td>Hiebl (2013b)</td>
<td>Qualitative empirics</td>
<td>Austria</td>
<td>—</td>
</tr>
<tr>
<td>Hiebl (2014a)</td>
<td>Qualitative empirics</td>
<td>Austria</td>
<td>Resource-based view</td>
</tr>
<tr>
<td>Hiebl (2015)</td>
<td>Qualitative empirics</td>
<td>Austria</td>
<td>Agency theory, stewardship theory</td>
</tr>
<tr>
<td>Lutz and Schraml (2012)</td>
<td>Quantitative empirics</td>
<td>Germany</td>
<td>—</td>
</tr>
<tr>
<td>Songini et al. (2015)</td>
<td>Quantitative empirics</td>
<td>Italy</td>
<td>Agency theory, stewardship theory, resource-based view, contingency theory, organizational control theory, company growth theory</td>
</tr>
<tr>
<td>Stergiou et al. (2013)</td>
<td>Qualitative empirics</td>
<td>Greece</td>
<td>Institutional theory, realist social theory</td>
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</table>
4.1 The influence of the objective situation on finance manager characteristics

This section focuses on findings in the existing literature that have shown an influence of the objective situation—that is, environmental and organizational characteristics (Carpenter et al., 2004; Hambrick and Mason, 1984)—on the characteristics of finance managers in family firms. In this regard, the reviewed findings are mainly concerned with firm and family characteristics. For instance, data on Italian SMEs suggest that family firms in their third or later generation are more likely to have a non-family CFO than in earlier generations (Di Giuli et al., 2011). Similarly, based on data on Spanish family firms, Gallo and Vilaseca (1998) find that family firms that are larger, older, and have a higher market share are more likely to have a non-family CFO.

Besides family generation, firm age and market share, the family or non-family status of a firm may be regarded as a firm characteristic in the sense of upper echelons theory. Gallo et al. (2004) compare CFO characteristics of large family and non-family firms. Their findings suggest that educational background, hierarchical level in the organization, and influence on decision-making do not differ significantly between large family and non-family firms. By contrast, the conceptual paper by Hiebl (2013a) as well as the multi-case study by Hiebl (2014a) suggest that non-family CFOs in family firms have less formal education than CFOs in non-family firms due to family firms generally placing less emphasis on formal education. Hiebl (2014a), however, qualifies this finding as being mainly true for small family firms, but less so for large family firms, where education requirements for non-family CFOs may be more similar to those in large non-family firms. Thus, in summary, these review findings on firm characteristics lend support to upper echelons theory by showing that firm characteristics impact finance manager characteristics in family firms. At the same time, the reviewed findings suggest that this relationship is moderated by firm size. That is, the relationship between firm characteristics and finance manager characteristics seems to be stronger for smaller family firms and weaker for larger family firms.
4.2 Interactions between finance managers and other upper echelons in family firms

As evidenced in the reviewed papers, family members are often deeply involved in the management of family firms and can thus mostly—and irrespective of their official positions—be regarded as upper echelons. The reviewed papers suggest that these family upper echelons can have a significant impact on finance managers—that is, other upper echelons—in family firms. First, the goals of the controlling family can influence the decision to hire a non-family finance manager instead of a family finance manager. Thus, put into the perspective of upper echelons theory, family goals may impact the kinship status of finance managers employed in family firms. Based on a survey of 195 privately held German family firms, Lutz and Schraml (2012) find that the probability of hiring a non-family CFO (instead of a family CFO) is higher when the family aims for low financial risk in the firm and when the family plans a family-internal business succession. In turn, they show that if the family aims for high degrees of independence and control in the family firm, they rather choose a family CFO and not a non-family CFO because the latter may dilute the family’s independence and control. In line with the latter notion, Lutz and Schraml’s (2012) findings also suggest that family firms aiming for long-term growth in firm value tend to employ family CFOs rather than non-family CFOs.

Second, family upper echelons’ expert knowledge in finance and accounting is likely to impact the choice and characteristics of non-family finance managers in family firms. In his conceptual study of the role of non-family CFOs in family firms, Hiebl (2013a) suggests that, given their frequent lack of knowledge in this area, when the controlling family assesses non-family CFO candidates, they tend to place more emphasis on the length of tenure in accounting and financial management than upper echelons in non-family firms. Similarly, Gurd and Thomas’ (2012) findings show that the insufficient financial knowledge of family CEOs may make the external infusion of such knowledge necessary and thus lead to the employment of non-family CFOs.

In addition to responsibilities in the family business, and depending on family upper echelons’ goals and preferences, non-family finance managers may also need to oversee the firm owners’ personal
investments or tax issues (Hamilton, 1992; Hiebl, 2014a), which may be especially pronounced in family firms with very high levels of family influence (Hiebl, 2014a). In such firms, non-family CFOs may be required to be experts in matters of finance and accounting as well as need additional knowledge in tax, law, and wealth management in order to be able to consult the controlling family on these issues (Hiebl, 2014a). These additional tasks may, however, be perceived as a burden by non-family finance managers (Hiebl, 2013b). Hamilton (1992) therefore suggests that family firm owners release non-family finance managers from such duties by hiring a professional outside asset manager. Similarly, organizing the family’s private wealth management outside the family firm also emerges as an important factor in Hiebl’s (2013b) field study of success factors for the collaboration of non-family CFOs with family firm owners.

Despite potential additional tasks, such as taking care of the family’s private financial matters, Gurd and Thomas (2012) find that non-family CFOs enjoy working in family firms due to the substantial variety of work and pace of decision-making. They also stress that as a precondition for a successful collaboration between non-family CFOs and family members, CFOs appreciate some freedom in their operation of the business. Giving non-family CFOs freedom of action and respecting their views is also the most frequently mentioned success factor that Hiebl (2013b) identifies for business families employing a non-family CFO. In line with this notion, Hiebl (2013a) theorizes that non-family CFOs in family firms are subject to less rigid control mechanisms compared with those imposed on CFOs in non-family firms. This proposition is also supported by Hiebl’s (2015) field study of 14 privately held Austrian firms. He finds that CFOs indeed experience only little control, but that this is mainly true for firms whose owners are actively involved in their management. If owners are no longer involved in managerial positions, they may introduce more formal control mechanisms, which also affect non-family CFOs (Hiebl, 2015).

Irrespective of their actual involvement in family firm management, both the hard and the soft skills of non-family finance managers seem to be important to family upper echelons. The family CEOs interviewed by Gurd and Thomas (2012) stress that a successful non-family CFO has the ability to get
on with the controlling family, which was also identified as an important factor in Hiebl’s (2013b) study of successful collaborations between business families and non-family CFOs. In line with this notion, in his conceptual work, Hiebl (2013a) proposes that family upper echelons prefer to hire non-family CFOs who have some prior work experience in family firms because they may already be better aware of the peculiarities of such a business environment. Confirming this idea, in his qualitative field study of 11 Austrian family firms, Hiebl (2013b) finds that the most important success factor for a non-family CFO in a family firm is being appreciative of family firm peculiarities such as the owners’ orientation toward less fact-based and more emotional decision-making. Moreover, the multi-case study findings of Hiebl (2014a) suggest that for the above reasons, when seeking to hire a non-family CFO, family firm owners place greater emphasis than non-family firm owners on a non-family CFO’s cultural fit with them (the owners), especially if family members are actively involved in the family firm’s management team.

Thus, in summary, the reviewed findings lend support to the notion that in family firms, upper-echelon characteristics are not just dependent on the objective situation, but also on family upper echelons’ goals and characteristics (cf. Tretbar et al., 2016). This seems to be specifically true for finance managers in family firms, since the reviewed papers discuss various interactions of finance managers with family upper echelons, which may make finance managers especially exposed to the influence of family upper echelons.

4.3 The influence of finance manager characteristics on strategic choices and organizational outcomes in family firms

Some of the reviewed studies investigate the influence of non-family finance managers and their characteristics on strategic choices and organizational outcomes in family firms. Among these, based on a survey of large Spanish family firms, Gallo and Vilaseca (1998) find that non-family CFOs have less influence on strategic decisions than family CFOs. In line with this notion, Gurd and Thomas
(2012) report that non-family CFOs are mainly concerned with the key finance and accounting tasks in family SMEs. The CFOs interviewed in their study also hold the view that they could be more involved in strategic planning and corporate management. Similarly, Hiebl (2013a) theorizes that when a family firm has a family CEO and a non-family CFO, the latter acts primarily as a financial advisor to the family CEO, whereas the family CEO holds most strategic decision-making power.

Pointing to interaction effects between the objective situation (in this case, the firm’s status as a family or a non-family firm) and finance manager characteristics, Hiebl (2013a) further suggests that compared with CFOs in non-family firms, CFOs in family firms generally occupy a more traditional role primarily focused on accounting and financial management rather than on strategic issues and that the area of responsibility of non-family CFOs is smaller in family firms than in non-family firms. For the same reason, Hiebl (2013a) theorizes that—assuming similar CFO qualifications—the CFO will receive lower total compensation in a family firm than in a comparable non-family firm, where CFOs are increasingly seen as highly influential and important strategists. However, given that many family firms turn to non-family experts due to their inability to provide sufficient financial management knowledge from the ranks of the family, Hiebl (2013a) also proposes that non-family CFOs can be expected to receive higher total compensation than family CFOs.

Potentially justifying such higher compensation, the presence of a non-family CFO has been found to be associated with the use of more sophisticated financial management techniques (e.g., cash management tools) in comparison to family firms with family CFOs (Di Giuli et al., 2011; Filbeck and Lee, 2000). As shown in the longitudinal case study by Amat et al. (1994), well-educated finance managers may foster the professionalization of accounting systems in family firms. More recently, however, some findings suggest that such benefits may not only be achieved with the help of non-family finance experts. Based on a survey among Italian family firms, Songini et al. (2015) find that also family firms with family CFOs show high levels of applying professional management practices.
In addition to such positive outcomes of finance managers in family firms, the presence of such finance experts may result in some challenges. Jazayeri et al. (2011) suggest that when introducing modern finance and accounting techniques such as a balanced scorecard, non-family CFOs may draw on their professional education and experience. However, similar to Stergiou et al. (2013), their case study also suggests that when finance and accounting personnel lead the introduction of such techniques, these techniques may be oriented toward finance and accounting numbers and not easily accessible to managers and employees outside this function, which may limit the impact of such techniques in the wider business. Such a limited impact may, however, be intended by non-family CFOs. In their case study of a Greek dairy producer, Stergiou et al. (2013) highlight that the incumbent non-family CFO kept the accounting information systems inaccessible to other managers to protect his relationship with the controlling family and secure his exclusive role as information provider. Thus, this case suggests that non-family finance managers may also use finance and accounting techniques for political reasons. In addition, too much freedom for and reliance on a non-family CFO may also lead to stagnancy in family firms. This is also exemplified by the longitudinal case study by Stergiou et al. (2013). They show that the incumbent non-family CFO did not implement the necessary changes to the firm’s management accounting systems because he was the only expert on the existing systems, which secured him close contacts with the senior family generation. However, failing to update the systems hampered the professionalization process in the family firm. This situation was only resolved when the junior family generation took over management responsibility and the old non-family CFO was replaced—as mentioned by Stergiou et al. (2013, p. 68), “with dignity”—by a new CFO who then introduced a new, more transparent management accounting system.

In addition to stagnancy, working together with non-family finance managers may result in outright conflict. For instance, Amat et al. (1994) describe the case of a growing Spanish family firm in which strategy discussions between finance managers and operative managers lead to conflict. As shown in this case study, the introduction of more formal management accounting systems (e.g., budgets)
may also lead to conflict between finance managers and other family firm managers who are used to more informal management (Amat et al., 1994). Conflicts may also arise between a non-family CFO and other finance and accounting experts. In their case study of a Sri Lankan family firm, Jazayeri et al. (2011) find that the CFO feared losing influence with the controlling family when an outside consultant introduced a modern performance management technique (the balanced scorecard). Eventually, however, the non-family CFO succeeded in leading the implementation project and the outside consultant left the firm.

To prevent conflicts and political games, non-family finance managers may need to establish or maintain open communication with the controlling family—especially when more than one family tribe is actively involved in the management of the firm, which may be the root cause of conflicts (Hiebl, 2013b). Such open communication may include the non-family finance manager criticizing the controlling family. Pointing to the importance of upper-echelon characteristics, Hiebl (2015) finds that such a critique by non-family CFOs is more likely if the CFO is older and his/her private wealth is considerable; the CFO may therefore risk losing his/her job when criticizing the controlling family too heavily. In turn, Hiebl’s (2013b) findings suggest that for the controlling family (or families), it is important to speak to non-family CFOs with one voice in order to not leave the CFO with conflicting instructions, which may hamper his/her positive impact on the business.

To summarize, the findings reviewed in this section underpin the notion rooted in upper echelons theory that top managers (e.g., finance managers) and their characteristics have a decisive influence on strategic choices and organizational outcomes. The review suggests that in the case of finance managers in family firms, this may not only result in positive outcomes but also in some challenges for family firms.
4.4 The influence of finance manager characteristics on family firm performance

Using upper echelons theory, we can expect that the presence and characteristics of finance managers have some effect on family firm performance (Hambrick and Mason, 1984; Tretbar et al., 2016). Whilst this theoretical argument is supported by the papers reviewed in this research, only two of these papers have investigated this issue. Both Caselli and Di Giuli (2010) and Gordini (2016) find that the presence of non-family CFOs is associated with better family firm performance—especially when the management team consists of a family CEO and a non-family CFO.

5. Future research avenues

Given that, overall, the literature on finance managers in family firms can be considered to be sparse, a large number of open questions remain, thereby leading to a variety of future research avenues. The research directions discussed in this section represent those most pressing and promising from the author’s perspective, and are summarized in Figure II. This figure shows how the suggested research questions fit into the overall upper-echelons framework as explained above.

5.1 Finance manager characteristics and finance and accounting techniques in family firms

The above-reviewed literature suggests that the status of a firm (i.e., family or non-family) influences the choice of finance managers and their characteristics. However, only Gallo et al. (2004) present a quantitative study of this matter, focused on very large Spanish firms. They find that non-family CFOs in family firms differ little from their counterparts in non-family firms. In turn, some qualitative and conceptual studies suggest differences in smaller family and non-family firms (Hiebl, 2013a; Hiebl, 2014a).
When interpreting the influence of family firm status and firm size as the objective situation as proposed in upper echelons theory, future research may investigate how various combinations in the objective situation influence finance manager characteristics in family firms (see exemplary Research Question 1 in Figure 2). Such research could aim to clarify whether the characteristics of finance managers indeed differ from family firms. Such research may provide valuable information for finance managers pondering joining a family firm by estimating which characteristics may be expected in family firms.

**Figure II.** Future research on finance managers in family firms: exemplary questions guided by upper echelons theory

Exemplary research questions:

1. How do finance manager characteristics differ depending on family influence, firm size and other context factors?
2. In how far can the usage of specific finance and accounting techniques in family firms be explained by the presence of finance managers and their characteristics?
3. How are such finance manager performance relations mediated by certain strategic choices made by finance managers (e.g., the implementation of suitable finance and accounting techniques)?
4. In how far are the performance implications of the usage of specific finance and accounting techniques in family firms contingent to the presence of non-family finance managers and their characteristics? (i.e., do certain techniques only work when specific types of finance managers are present?)
5.2 Finance managers, family firms’ strategic choices, and family firm performance

A central tenet of upper echelons theory is that top manager characteristics impact strategic choices and organizational outcomes, such as finance and accounting techniques (Hambrick and Mason, 1984; Hiebl, 2014b; Plöckinger et al., 2016). As the reviewed papers suggest, these techniques may be significantly affected by finance managers (Amat et al., 1994; Di Giuli et al., 2011; Filbeck and Lee, 2000; Songini et al., 2015; Stergiou et al., 2013). However, existing findings on the relationship between finance managers and finance and accounting techniques in family firms are either based on small-sample qualitative inquiries (Amat et al., 1994; Stergiou et al., 2013) or only analyze whether the mere presence of non-family finance managers affects these techniques (Di Giuli et al., 2011; Filbeck and Lee, 2000; Songini et al., 2015). As indicated by exemplary Research Question 2 in Figure II, future research should thus aim to scrutinize the relationship between finance manager characteristics and the use of finance and accounting techniques in family firms. Such research is also of practical relevance since it may better enable family firm leaders to foresee which type of finance manager to employ when implementing certain finance and accounting techniques.

Eventually, family firm leaders may not only aim to implement certain finance and accounting techniques, but also target improved family firm performance owing to their use. Upper echelons theory suggests that the interplay between top manager characteristics and organizational outcomes such as finance and accounting techniques may contribute to explaining the various dimensions of firm performance (Hambrick and Mason, 1984; Hiebl, 2014b). Therefore, it can be theorized that the interplay between finance manager characteristics and certain finance and accounting techniques is crucial for explaining and predicting family firm performance. Research on this issue, which is non-existent thus far, is therefore needed, as indicated by exemplary Research Question 3 in Figure II. In turn, certain finance and accounting techniques may only be able to positively influence family firm performance if certain types of finance managers are present (who may know how to properly use these techniques). Hence, exemplary Research Question 4 in Figure II suggests investigating the
extent to which the performance implications of the use of specific finance and accounting techniques in family firms is contingent on the presence of non-family finance managers and their characteristics.

A further prediction of upper echelons theory suggests that top manager characteristics may also be directly associated with firm performance (Hambrick and Mason, 1984). While the existing literature on finance managers in family firms has shown that the presence of such managers may positively impact performance (Caselli and Di Giuli, 2010; Di Giuli et al., 2011; Gordini, 2016), it seems unclear whether this relationship holds for all types of finance managers and their characteristics. Therefore, exemplary Research Question 5 in Figure 2 suggests more closely investigating the impact of certain finance manager characteristics (e.g., age, tenure, education) on family firm performance.

As some of the reviewed literature indicates, the impact of finance managers in family firms may be hampered by high levels of family influence and the controlling family not giving finance managers enough freedom to act (Gurd and Thomas, 2012; Hiebl, 2013a; Hiebl, 2013b). Thus, in the language of upper echelons theory (Hambrick, 2007), managerial discretion for finance managers in family firms may be low if family influence is high. For this reason, it would be interesting to investigate if the impact of finance managers and their characteristics on family firm performance is moderated by higher family influence and thus lower managerial discretion for finance managers (see exemplary Research Question 6 in Figure 2). While high family influence may generally lower non-family managers’ influence on family firms’ strategic choices, researching the moderating effect of family influence in the case of finance managers seems especially relevant and needed. This is particularly the case since in many cases, the very first position non-family managers obtain in family firms is the position of finance managers such as CFOs (Klein and Bell, 2007). Thus, due to lower experience of working together with non-family managers (Hiebl, 2014a), the moderating role of family influence in the relationship between finance manager characteristics and family firm performance may be particularly significant.
6. Conclusions and limitations

Existing research has shown that finance managers may be important drivers of family firm performance (Caselli and Di Giuli, 2010; Di Giuli et al., 2011; Gordini, 2016). At the same time, it suggests that the characteristics of such managers may be different in family firms compared with non-family firms (Hiebl, 2013a; Hiebl, 2014a) and that the collaboration of finance managers and controlling families may feature specific success factors (Hiebl, 2013b) and potential for conflicts (Amat et al., 1994; Jazayeri et al., 2011). Against this backdrop and informed by upper echelons theory, this paper sought to review the existing literature on finance managers in family firms based on a mini literature review, and suggests a theory-driven future research agenda.

The paper shows that upper echelons theory may serve as a unifying theoretical framework for understanding the role of finance managers in family firms. Existing research highlights aspects of the objective situation that affect the employment of finance managers in family firms. The literature has also shed light on how finance managers and their characteristics are related to family firms’ strategic choices and organizational outcomes. At the same time, predictions from upper echelons theory leave open many important questions for future research on finance managers in family firms. Indeed, the future research avenues presented above are only examples and do not represent a comprehensive list of research needs. Nevertheless, following the research avenues highlighted in Section 5 can be expected to result in a better understanding of finance managers in family firms and in valuable advice for family business practice.

Like any research study, this paper is subject to certain limitations. First, it only reviewed English-language journal articles on finance managers in family firms. This approach is common in contemporary reviews of finance, accounting, and family business studies (see Frank et al., 2011; Hoque, 2014; Linnenluecke et al., 2016; Pukall and Calabrò, 2014) and is reflective of the observation that novel research findings are primarily communicated in the form of English-language academic
journal articles. Nevertheless, such a procedure involves the risk of potentially missing other relevant work on the topic, which may not be published in academic journals or in languages other than English. Second, as with any literature review, the literature search may have missed relevant journal articles for the topic of interest. This risk was mitigated by the use of systematic literature review methods; however, the synthesis of the existing literature and development of future research avenues always involve some subjectivity. Thus, other authors may have come to different conclusions on the state of the current literature on finance managers in family firms.

Notes

[1] Besides academic articles in peer-reviewed journals, there are other published and non-published materials that might contain relevant findings for the present paper (e.g., PhD theses, conference proceedings, articles in practitioner journals). However, following prior systematic literature reviews in family business research (e.g., Frank et al., 2011; Mazzi, 2011; Pukall and Calabrò, 2014), such alternative materials were not considered in this paper since the peer-review process at academic journals is regarded as being more rigorous. Therefore, as put by McKelvey and Lassen (2013, p. 172), research results published in scientific journals are “considered to be the most valid.”

[2] In addition to or instead of EBSCO, Scopus, and the Web of Science, some of the above-cited references (Feliu and Botero, 2016; Frank et al., 2011; Pukall and Calabrò, 2014) have also included ProQuest databases in their keyword search. Due to missing access, this database vendor was not relied upon in this paper’s underlying keyword search. However, thanks to the analysis of references and citations, as well as the snowballing-like search for additional articles, it seems likely that despite the non-utilization of ProQuest, all relevant articles for the above review could be identified and included.

However, only the Sri Lankan case is referred to in the present paper, as only this case was highlighted by Jazayeri et al. (2011) as constituting a family firm, while the case firm from the UK can be classified as a non-family firm.

References


