

'Big Family:' Relatives Outside the Family Business Can Help It Thrive

Mat Hughes (University of Leicester)

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Words like “non-active” or “passive” are misnomers for family business members that work elsewhere. On the contrary, these “satellite” family members are quite active and beneficial to the family business. This article rectifies this misconception by providing evidence that demonstrates the value that family members working outside the family business can add.

Too often, family businesses are caught up in their own small circle of relationships. In the worst of cases, they tend to mainly trust themselves. Instead, we should think about “big family” and how family connections with other businesses can be even more valuable than those inside your own company.

In a previous *Family Business* article with Inés Herrero, I explained how “Too Much Love in the Family Can Hurt”^[1]. We summarized that relying on family relationships inside the family business can be beneficial up to a point, beyond which knowledge becomes increasingly overlapping and redundant, and fresh ideas and perspectives fail to enter the family’s thinking.

But family owners, family managers, and family advisors often overlook another group of family members: relatives who work for other organizations and businesses rather than the family firm. In a study of family-run fishing businesses in Spain, we identify how valuable family ties outside the family firm can increase its performance, and show that this effect is stronger for those family businesses that can also draw on nonfamily ties at other businesses and organizations.

In a new study, Inés Herrero, Barbara Larrañeta, and I looked at the total population of family-run firms in a regional cluster of the fishing industry in Spain, capturing all their social relations with members of other businesses and organizations, and distinguishing whether those relations contained a family connection or

not. Fishing is one of the most traditional and important sectors of the Spanish economy. It is heavily regulated and represents a vital way of living for many coastal towns and villages. The fishing sector involves many family firms, with many sharing family and nonfamily relations. Coastal towns and villages rely heavily on these often family-run businesses serving their community. These businesses provide social life and social traditions, camaraderie, and wealth.

We interviewed the captains of each of the fishing ships and identified the instances where parties acknowledged links to each other, whether family ties or not. Some of these family businesses have operated over generations in the fishery and other family members are also involved in fishing, but at different firms.

Here is what we found: the more relations the family firm has with family members working for other independent businesses and organizations in the same industry, the better its firm performance. For example, one Spanish family, when their nets tore and threatened their ability to fish the next day, was able to link with uncles and cousins employed by other firms to help with repairs.

Profitability relies on fishers catching high amounts of high-value species within the time they are legally allowed to fish per day. All the fishermen in our study targeted the same high-value species in a specific geographic area. Prices are set at the fish market through a bid, but high-value species tend to achieve a high price in the auction market. Because of this, fishermen often meet in the local taverns near the fishing port after selling their catches, where they can further socialize and interact. In separate interviews, we saw lots of advice sharing concerning repairs to the fishing gear and setting the hooks and lines for next day’s catch. We also found that having plenty of ties with other firms not bearing a family connection

improved these effects. These include links with unrelated captains and with fishermen guilds, which help them gain new insights into weather patterns, fishing techniques, and locations.

The Takeaways

1. “Big family” matters. Connect with satellite family members in other businesses and organizations. Family relationships can be especially beneficial to business success, and we urge family business owners, managers, and stakeholders not to neglect those family members working in other independent businesses and organizations. These family ties in other businesses can be even more valuable than those inside your own company. Family owners and managers should draw on those family members outside the business because they too can support the family business with unique knowledge and resources.
2. Run “big family” networking events. As we found in other research, it is tempting for family businesses to fall prey to groupthink and other forms of inward bias. Family members outside the business can provide fresh perspectives and ideas to keep your orientation from locking. Regular meetings and networking events not only help you create a feeling of familiarity and trust among all family members near and far, but also lets you tap into their many skills and resources.
3. Encourage some junior family members to work at other businesses seasonally or occasionally.
4. Where relevant, collaborate with the city/town in organizing festivals/cultural events associated with your industry (such as fishing) so that the networks can be further extended to include even other businesses such as banks (which can also sponsor) and other community members.
5. Proactively nurture family contacts in other businesses. Firms have unique opportunities to build and benefit from family relations. Importantly, family members inside the firm should be encouraged to go outside its borders and connect with family members in other businesses and organizations to extend the benefits of family relations.
6. Plentiful ties with other firms that don't have a family connection improved socializing,

knowledge sharing, and resource sharing, all beneficial to business success. Think about stakeholder relations and broader network ties. Relying solely on family relationships, whether inside or outside the firm's boundaries, can be dangerous because it neglects another crucial pool of relations: nonfamily ones. These relations offer novel ideas and new knowledge. Family managers should increase the number of ties with other family members located outside the family business and with trusting nonfamily actors to tap into knowledge and resources that enhance firm performance. While it's easy and convenient to connect only with family members in other businesses, don't neglect ties from outside the family. They offer a larger pool of knowledge and resources that can magnify the benefits to the family business.

7. Encourage all family members to cultivate connections, and show them how. A combination of different types of relationships can bring in important new insights and resources into the family business, if the owner's family is also aware of these types of relations.

Explore the Research

To learn more about the research read the full published article at the *Journal of Family Business Strategy*:

Herrero, I., Hughes, M., and Larrañeta, B. (2021), “Is blood thicker than water? Exploring the impact of family firms' familial social relations with other firms within their industries”, *Journal of Family Business Strategy*, in press, 100471.

[1] Herrero, I., & Hughes, M. (2020, February 3). Too much love in the family can hurt. Entrepreneur & Innovation Exchange. Retrieved June 30, 2022, from <https://familybusiness.org/content/Too-much-love-in-the-family-can-hurt>

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