

Report on “Family firms as kinship enterprises” by Sylvia Yanagisako

Donna Harris

Department of Economics, University of Oxford

I’ve been asked to review this short conference paper based on two questions: (i) is the contribution of the paper potentially significant? (ii) Is the analysis correct?

From the abstract, my expectation was that the paper would propose a new framework which sheds a new light on how family firms function and operate. To an extent, the paper attempts at doing this, but it falls short on delivering what it has promised in the abstract i.e. “suggesting an alternative heuristic approach of treating family firm as kinship enterprises that endure beyond the life of the firm.” In fact, the term “kinship enterprises” was defined for the first time only towards the end of the paper (on page 6). I think the topic is very interesting but I would like to see this concept brought forward in the paper and the mechanisms explained in more details on “how decisions about investment and reinvestment of capital, expansion and diversification and management structure are made” and how such mechanisms are at odd or in line with what the author calls “managerial capitalism”.

To address the first question: “*Is the contribution of the paper potentially significant?*”, I think it could potentially be significant and I am interested in ethnographic research methods especially in uncovering mechanisms which are not easily observable and difficult to measure using standard economic (quantitative or qualitative) research methods. However, I would have liked to see the concept of “kinship enterprises” explained more carefully in details and perhaps the author could discuss specific characteristics of kinship enterprises and how they help facilitate the functioning and operation of these enterprises. I would have liked to see examples from present-day economies around the world to make the article more relevant to the Rebuilding Macroeconomics initiative and the theme of the special issue. There is a mentioning of the “lack of understanding of what leads to generation of new family firms” on page 5, but the paper doesn’t really address this gap. The sentences that follow talk about the tendency in the literature to misconstrue the low rate of intergenerational transmission of family firms as evidence that family firms are not sustainable form of business. However, it didn’t explain what exactly leads to the likelihood of success or failure of family business and to what extent do “kinship enterprises” safeguard family firms against failure?

I am also interested in “kinship sentiments and commitment” which is mentioned briefly in the paper but the author doesn’t explain what this entails and how kinship sentiments and commitment interact with existing beliefs and decision-making processes, particularly of individuals in charge of the business – usually men. With respect to gender, the paper touches briefly on the fact that women are not usually given managerial role within the business and suggests in the last section (section V) that macroeconomists should revise “their calculations of productivity in national and transnational businesses to include the work of wives and daughters who do not only work for the firm, but also play an important role in bolster relations among family members.” It is not clear to me how one might go

about measuring such contributions and this is not suggested in the paper. I also wonder about economic inequality that may result from such kinship enterprises if this is still the way they operate today. Of course, women are much more educated and thus, more competitive in the labour market now than 20 years ago. How does this play out in the management and organisation structure of family firms today? I would imagine that family firms today operate very differently from those in the 1990s, even in the fashion industry in Italy. For example, a quick internet search revealed an interesting fact: one of the most famous Italian fashion brands, Prada, started in 1913 by two brothers, Mario and Martino Prada. But when Mario died, his daughter-in-law (not even a blood relation) took over the company in 1958. Her own daughter, Miuccia, joined the business in 1977 and moved the house in a completely different direction forgoing imported products in favour of leather goods (Harper Bazaar, 2014:

<https://www.harpersbazaar.com/culture/features/g3673/fashions-most-powerful-families/>). As mentioned above, this is just one type of industry (although it is an industry where family firms dominate).

According to a study by the Centre for Family Business at the University of St. Gallen, Switzerland reported by Forbes magazine in 2015, family-owned firms make up 80-90% of firms worldwide and are important drivers of GDP and job growth. The 500 firms included in the Global Family Business Index include well-known names such as Wal-Mart, Ford and Tyson, Hutchinson Whampoa and America Movil and together these 500 family firms account for \$6.5 trillion in annual sales, enough to be the third-largest economy in the world (Forbes, 2015: <https://www.forbes.com/sites/chasewithorn/2015/04/20/new-report-reveals-the-500-largest-family-owned-companies-in-the-world/#429267f83602>). How do such large family firms operate differently from small family enterprises? Which models are more conducive to long-term sustainable growth? These are the questions that I would have liked to see in the paper. To answer the first question, I think the paper asks a very interesting question but the contribution of the paper in its current form is not sufficient.

The second question: "is the analysis correct?" is difficult to answer as it uses a different methodology to what economists are used to. Ethnographic research relies on interpretations of the researcher and thus, it is not about being correct or incorrect. Instead, it is more about understanding and conveying the researcher's understanding of the context through the researcher's own prior, knowledge and mental model. Therefore, this question is not particularly relevant to the assessment of the current paper.