FAMILY BUSINESS GOVERNANCE: AN INTEGRATED APPROACH USING AGENCY, STEWARDSHIP, AND SOCIAL CAPITAL THEORIES

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Abstract

The governance of family businesses has been a subject of great interest and research in recent years. As these enterprises contribute significantly to global economies, understanding their governance becomes crucial. Indeed, managing the governance of these organizations presents a unique challenge due to a variety of factors. One prominent aspect is their intricate and enduring stakeholder framework, which encompasses family members, senior executives, and controlling boards (Moufdi & Manosuri, 2021). This contribution, which is theoretical in scope, aims to open a debate on the theoretical approaches of corporate governance that researchers must mobilize while highlighting their main strengths and limitations when it comes to understanding the "family business" phenomenon. The results obtained show that the analysis of their governance requires a combination of the contractual view (agency theory being the dominant theory of this current) and the relational view (encompassing stewardship theory and social capital theory) of corporate governance. We believe that the theoretical framework thus adopted provides a multidimensional understanding of family business governance and provides comprehensive insight and significant relevance in understanding the intricacies of this organization's governance, offering valuable perspectives for researchers interested in this field of investigation.

Keywords: Family Business Governance, Agency Theory, Stewardship Theory, Social Capital Theory

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1. INTRODUCTION

The theoretical framework is one of the most important aspects of the research process and serves as the foundation from which all knowledge is built for a study (Grant & Osanloo, 2014). It functions as an effective instrument directing the progress of knowledge and acts as both a foundation and a reference point for conducting literature reviews, and, notably, for the analysis of methods and results.

Lysaght (2011) emphasized the importance of delineating the theoretical framework for research, asserting that:

"A researcher's choice of a framework is not an arbitrary one, but reflects important personal beliefs and understandings about the nature of knowledge, its existence (in a metaphysical sense) in relation to the observer, and the possible roles to be adopted and tools to be used accordingly by the researcher in his or her work" (p. 572).

In the same sense, Eisenhardt (1989) defines a theoretical framework as a structure that guides research based on a formal theory constructed using an established and coherent explanation of certain phenomena and relationships. Grant and Osanloo (2014) state in this regard that the theoretical framework comprises the selected theory or theories underlying the researcher's thinking about how he/she understands and predicts the topic, along with the concepts and definitions of such theory relevant to the researcher's disciplinary field.

This article aims to initiate a discourse on the theoretical approaches to corporate governance that researchers should employ, emphasizing their key advantages and drawbacks in comprehending the phenomenon of "family business". By employing this theoretical framework, we aim to present a multidimensional perspective on family business governance, which represents a gap in the knowledge base, enabling a comprehensive understanding of its dynamics.

Considering the unique ownership and control structure of family businesses, we find it intriguing to integrate the contractual perspective (dominated by agency theory) with the relational perspective (encompassing stewardship theory and social capital theory) of corporate governance. This combination of theoretical frameworks accounts for the distinctive aspects of family businesses and offers a more comprehensive understanding of their governance.

The rest of this paper is structured as follows. Section 2 focuses on a literature review where we construct our theoretical framework. Section 3 elucidates our methodology. Section 4 delves into the results of our research. Section 5 provides the conclusion.

2. LITERATURE REVIEW

The family business research community generally asserts that family business lacks a distinct theoretical foundation (Sharma et al., 2012). According to Sharma et al. (2012), prior studies on family businesses predominantly relied on theories from various fields, including strategic management, psychology, organizational behaviour, entrepreneurship, and sociology.

In their quest to comprehend corporate governance on a broad scale, and family business governance specifically, researchers have embraced various theoretical approaches. Indeed, the theoretical underpinnings of corporate governance applicable to family businesses, as identified in the literature, consist of theoretical currents that are often contradictory. They highlight extreme approaches to governance and underlying tensions between proponents of the "control-oriented" approach represented by agency theory and proponents of the "relationship-oriented" approach represented by stewardship theory and social capital theory. The foundational assumptions of these two extremes range from individualistic opportunism anchored in an environment of distrust to collectivistic cooperation rooted in an environment of trust (Gibson et al., 2013).

Despite extensive research into the governance of family businesses, a significant research gap remains. Although the theoretical landscape is rich, the overall integration and systematic comparison of these theories are lacking. Existing studies often focus on isolated individual theories, neglecting potential synergies or contradictions between them. As a result, the complex and dynamic nature of family business governance may not be fully taken into consideration.

Through the developments that follow, we seek to remedy this shortcoming while introducing a comprehensive and integrated model that combines several theoretical perspectives, ensuring, consequently, a comprehensive understanding of the complex dynamics of governance within family businesses.

2.1. The agency theory

2.1.1. Presentation of the theory

Regarded as a prevailing theoretical framework within corporate governance, agency theory pertains to collaborative associations where the principal entrusts decision-making authority to the agent, and the well-being of the former is influenced by the choices made by the latter (Berle & Means, 1932; Jensen & Meckling, 1976; Fama & Jensen, 1983).

Indeed, it is possible for the agent's interests to deviate from those of the principal. This fundamental issue, known as the principal-agent dilemma, arises from the separation of ownership and control within a firm and was initially recognized as far back as the 18th century by Smith (1776) and later by Berle and Means (1932). According to Jensen and Meckling (1976), the agency relationship is conceived as a contractual arrangement in which one or more individuals (the principal) engage another individual (the agent) to carry out specific tasks on their behalf, entailing the delegation of decision-making authority to the agent.

The theory, as outlined by Bosse and Phillips (2016) and Eisenhardt (1989), was formulated with a foundation built upon three distinct and explicit assumptions:

- *Both the principal and the agent are economically interested.* It is presumed that both parties in the principal-agent dynamic are motivated to maximize their personal utility and are guided by self-interest rather than the welfare of the entire organization. Individual actors exhibit distinct preferences when making decisions, which can vary from one person to another. Such behaviour often results in suboptimal outcomes for an organization, serving as the underlying source of the agency problem (Bird & Wiersema, 1996).
- *The principal and agent are rationally constrained.* The transfer of decision-making authority from the principal to the agent creates information imbalances that render it challenging for the principal to effectively oversee the agent's conduct due to a lack of comprehensive information. The principal constantly harbours concerns about the potential exploitation by the agent, who may

possess superior information. As explained by Eisenhardt (1989), the presence of asymmetric information leads to challenges related to adverse selection and moral hazard. Adverse selection arises when the agent conceals information about their qualities at the time of decision-making, with no incentive to disclose it since this would enable the principal to better evaluate their actions in the future. Moral hazard takes place when the agent, privy to information hidden from the principal, takes risks that are detrimental to the principal but advantageous for the agent. The agent inevitably seeks to deviate from working in accordance with the agreed contract due to the limited rationality of the principal, who struggles to accurately assess the real situation.

- *The agent is more risk-averse than the principal.* When considering risk preferences, the agent tends to be more risk-averse due to the interdependence of their job and income with a single company (Williamson, 1963). The manager lacks the ability to spread their employment across various sources, as discussed by Eisenhardt (1989). Conversely, the principal may adopt a risk-neutral stance since they can diversify their holdings across different companies, as proposed by Wiseman and Gomez-Mejia (1998). Given the agent's inclination toward risk aversion, their focus tends to be on minimizing present losses rather than maximizing future gains (Shukla et al., 2014).

The general retrospective presentation of the agency theory developed by Eisenhardt (1989) is shown in Table 1.

Table 1. General presentation of the agency theory

Elements	*Specifics of agency theory*
Key idea	Principal-agent relationships should reflect the efficient organization of information and risk-taking costs.
Analysis unit	Contract between principal and agent.
Human hypotheses	Personal interest; Limited rationality; Risk aversion.
Organizational hypotheses	Partial conflict of objectives between participants; Information asymmetry between the principal and the agent.
Informational hypotheses	Information as a resource.
Contract problem	Agency (moral hazard and adverse selection); Risk sharing.
Problem area	Relationships in which the principal and agent have partially different objectives and risk preferences.

Source: Eisenhardt (1989).

The decoupling of control from ownership results in shareholders having minimal or negligible influence over the decisions and actions taken by the company's managers (Salhi, 2017). In response, Jensen and Meckling (1976) point out that owners try to protect their investments by putting in place various governance mechanisms that make it possible to identify deviant behaviour by managers.

2.1.2. Agency theory and the family firm (context of application)

Agency theory hinges on the division between ownership and management, rendering the family business a distinctive and unique entity. Indeed, within these organizations, the same actor(s) play(s) both the role of partner and the role of manager. There is a natural alignment of interests between managers and owners regarding growth opportunities and risks. Similarly, managers are no longer incentivized to behave in an opportunistic manner (Schulze et al., 2001). Hence, agency conflicts are nearly non-existent because the proprietors, who simultaneously serve as managers, are driven to optimize the company's value, aligning this objective with their personal interests (Basly, 2006).

This particularity is the basis of the divergence in the research community regarding the applicability of agency theory in social and emotional contexts, such as the family business. Some researchers point out that this theory is not relevant in a context similar to that of family businesses, mainly because of the congruence of interests between the principal and the agent. However, other researchers have pointed out that the absence of antagonistic interests has limitations and that agency theory is relevant to the study of family business governance.

The family business: Congruence of interests between the principal and the agent

Within the realm of a family business, agency costs are mitigated since the owners actively participate in managing the business. This hands-on engagement alleviates conflicts of interest, stemming from the unique connection between family members who combine both management and control responsibilities. Consequently, family-owned enterprises are proposed as a cost-effective alternative to the elaborate internal governance mechanisms frequently employed by widely held firms to curb opportunistic behaviour.

In this regard, Li and Zuo (2020) specify that the academic community generally believed that companies using the family management model had lower agency costs than non-family businesses. The management right is unified, and the interests of the owner and the family manager tend to be the same, reducing the possibility of opportunistic behaviour by the family manager. Additionally, the degree of information asymmetry between family members is low, addressing the issue of information asymmetry between people the principal and the agent.

Similarly, other authors justify their assumption by stating that agency costs are mitigated by the trust that characterizes family relationships. Pollak (1985) specifies that altruism based on feelings of love and affection serves to limit opportunistic behaviour within the family, which is supposed to represent a cohesive unit.

Sharma et al. (1997) note that the goals and objectives pursued by the family firm are different from the firm value maximization objective enshrined in their non-family counterparts; the goals pursued by family firms are both financial and non-financial.

This specificity means that some actions that increase agency costs in managerial firms may not be the case in family firms (Chrisman et al., 2003). For instance, if a family manager aims to ensure a specific quality of life for their relatives, hiring a non-productive or inefficient family member aligns

with the manager's goals and, therefore, does not constitute an agency cost, as noted by Basly (2006).

Due to these considerations, numerous authors (Aronoff & Ward, 1995; Fama & Jensen, 1983; Melin & Nordqvist, 2000) assert that agency theory is not suitable for analyzing family firms. Nevertheless, despite the descriptive and predictive merits of the principal-agent framework, this conventional perspective that portrays the family firm as an efficient governance model is overly limited and simplistic in its outlook.

Conflicting interests in family businesses

The principle of convergence of interests within family businesses is mitigated in different ways, mainly with the dynamics of the family, the passage of the business from one generation to another and the presence of some of the family's external minority shareholders in the ownership structure of the business. Due to the potential conflicts that can arise across various levels within family businesses, Chrisman et al. (2004) argued that agency theory provides a valuable and productive framework for examining the specific challenges faced by these family-run enterprises.

The interplay within the family and the transition of the business across generations heighten the likelihood of conflicts, transforming this social structure into a group characterized by its lack of uniformity and shared interests (Hirigoyen & Ait El Amria, 2016). Instead of forming a unified group, the probability of conflicts surfacing and intensifying among family members grows, undermining their inclination toward altruism and exacerbating differences in their interests (Ward, 1997). Thus, it is becoming increasingly difficult to obtain general agreement and commitment while making decisions and building a shared vision of the future.

Furthermore, these conflicts could be intensified by the involvement of certain external minorities within the family. The participation of these minorities gives rise to the emergence of agency costs, and according to Basly (2006) there is a high likelihood that these costs will increase. The conflicts that lead to the agency costs, which Chrisman et al. (2004) considered to be the most intricate, are fundamentally rooted in the non-financial objectives pursued by the majority family manager.

This cohabitation leads, according to Basly (2006), two main consequences presented as follows.

The first is manifested in the divergence of objectives among parties sharing ownership. Indeed, according to Lubatkin et al. (2003), outside owners (part of the minority) prefer risky growth because they alone benefit from shareholder value appreciation and can reduce the inherent risk by diversifying their portfolios. However, family owners prefer low-risk investments and funding as a result of not diversifying their risks, due to both human and financial investment in the same organization (Fama & Jensen, 1983). The owner-manager fears both the loss of his job and his financial investment in the company he manages (Basly, 2006).

The second is that majority owners use their power and act freely and opportunistically at the expense of outside owners' interests and capital. Agency costs are therefore likely to increase.

In the end, and given the above, we can understand that family businesses show an absence of antagonism of interests and that agency costs have every chance of developing in this form of organization. These observations cast doubt on family firms' immunity to agency problems and justify the interest in mobilizing this theory, which offers a rich framework for studying the particular problems of family firms.

Nevertheless, agency theory has faced various criticisms that have prompted numerous researchers, including those with whom we align our perspective, to explore alternative theories as a means of addressing its limitations.

Agency theory operates under the assumption that individuals are economically rational and driven by self-interest, but it's worth noting that social actors within organizations can exhibit greater complexity, embodying self-fulfilling and community-serving stewardship (Davis et al., 1997; Donaldson & Davis, 1991).

Based on neoclassical economics, this theory does not explicitly acknowledge the influence of social structure on organizational behaviour. In this sense, Ghoshal and Moran (1996) point out that the social dimension of corporate governance mechanisms has been insufficiently developed by this traditional theory in favour of the importance given to contractual mechanisms, and in particular the ignorance of the aforementioned theory of the good social relations that can exist between owners and managers.

Another limitation of organizational finance identified in the literature refers to the neglect of a key variable in the analysis, which is "the family", specific to family businesses (Salhi, 2017). Voordeckers et al. (2007) state that ignoring the family as a variable in organizational research can lead to incomplete and ambiguous results.

To remedy these shortcomings, we harness the insights from relational governance theories, particularly stewardship and social capital, in conjunction with agency theory. This combined approach aids in comprehending the intricacies of family business governance.

2.2. Stewardship theory

2.2.1. Presentation of the theory

As a counterpart to agency theory, and in order to take into account criteria that are not necessarily economic (benefits and costs) that align the interests of the principal and the agent while identifying possible barriers, Donaldson and Davis (1991) introduced stewardship theory, where beneficial consequences for the firm emerge when the principal and the agent share the same interests and roles, rather than focusing on control and incentives to avoid possible opportunistic behaviour.

In this theory, the leader's behaviour is oriented toward collective and organizational goals rather than individual goals, achieving bigger and better results through cooperative behaviour, exhibiting a positive relationship between, 1) successful organizational performance, shareholder wealth maximization, and principal and stakeholder satisfaction, with, 2) the desires and interests of the leader (Nguyen, 2017).

Le Tian and Vernard (2012) agree and point out that opportunism is not the only motivation for human action and that the divergence of interests between the principal and the agent does not necessarily exist.

Stewardship theory assumes that leaders essentially want to do a good job and be seen as "stewards" of the companies. In this sense, Donaldson and Davis (1991) argue that the leader may be motivated by a need for achievement. His motivation is not necessarily linked to monetary factors but can be based on the feeling of belonging to the company and on the consideration of his colleagues and hierarchical superiors (Donaldson & Davis, 1991). Thus, a long-term relationship between the manager and the company encourages the emergence of common interests between them (Wasserman, 2006).

From the above, we can see that there is a substantive divergence between agency theory and stewardship theory insofar as the former is based on the assumption of the opportunism of individuals, and the latter is based on organizational identification. This discrepancy has implications for the recommendations regarding the controls that the principal should perform on the agent (Tosi & Gomez-Mejia, 1994).

Indeed, as developed above, the agency theory recommends the establishment of control and incentive mechanisms that reduce agency costs and protect the interests of shareholders by limiting the opportunistic behaviour of managers. However, these mechanisms are considered by proponents of stewardship theory to be ineffective and may have no influence, or even a negative influence, on managerial behavior.

This last trend recommends the consolidation of decision-making and control functions in the same persons or entities, which allows for a better strategic orientation of the company (Sundaramurthy & Lewis, 2003).

Table 2, developed by Madani (2010), summarizes the major differences between agency theory and stewardship theory.

Table 2. Comparison of agency theory and stewardship theory

Elements	*Agency theory*	*Stewardship theory*
Managers	Agents	Stewards
Governance approach	Economic	Sociological and psychological
Human behavior	Individualist Opportunistic	Collectivist Trustworthy
Manager motivation	Own objective	Principal's objectives
Interest of the manager and principal are:	Divergent	Convergent
Owner's attitude	Risk aversion	Propensity to risk
Principal Manager relationship based on	Control	Trust
Psychological mechanisms		
Motivations	Low level of need	High level of need
Identifications	intrinsic	extrinsic
Power	Low commitment Institutional	Strong commitment Staff
Contextual mechanisms		
Management philosophy	Control oriented	Involvement oriented
Vision	Short term	Long term
Objectives	Cost control	Improvement of the performance
Cultural differences	Individualism Strong distance hierarchical	Collectivism Low hierarchical distance

Source: Madani (2010).

2.2.2. Stewardship theory and the family business (application context)

Stewardship theory, regarded as the most fitting framework for grasping the unique aspects of family businesses due to its premise that family objectives steer the actions of family members engaged in the business (Davis et al., 1997), has been employed alongside agency theory to enhance our comprehension of governance within these enterprises (Madison et al., 2016).

Stewardship theory finds its place in the study of family firms because of the intrinsic characteristics of this entity that violate most of the assumptions of agency theory (Basly, 2006).

Within family businesses, stewardship finds its foundation in parental altruism, which is believed to restrain self-interest. The pursuit of the family's social welfare indeed propels family managers to prioritize intrinsic needs (Corbetta & Salvato, 2004). Family altruism fosters a sense of mutual care among family members and nurtures loyalty and dedication to both the family and the business as a cohesive entity (Lubatkin et al., 2003; Batson & Powell, 2003).

Conversely, the prosperity of the business can fulfil the personal satisfaction desires of family managers, who aspire to contribute meaningfully and be of value to both the family and the enterprise (Ashforth & Mael, 1989). In the same sense, Schulze et al. (2001) specify that the altruism of the owner-manager is manifested by the link between his well-being, as head of the family, and that of the other members of his family; this character is often conceived as a utility function in which the well-being of individuals is positively related to the well-being of others.

These unique characteristics inherent to family enterprises form the foundation for Davis et al.'s (1997) proposition suggesting that the management of family businesses can be most effectively examined using the framework of stewardship theory. This theory posits that managers are equally diligent and devoted to steering the company in the same way as the owners. Similarly, the governance of these entities is very particular, according to Melin and Nordqvist (2000), insofar as it must deal with the power and effective influence of the family on the company and not with the relations between owners and managers.

Madison et al. (2016) assert that stewardship theory is a pertinent theoretical framework suited for family businesses due to the amalgamation of roles, functions, and decision spaces.

2.3. Social capital theory

2.3.1. Presentation of the theory

Regarded as a successor to agency theory, social capital theory has gained significant traction in the examination of family businesses, as noted by Sorenson and Milbrandt (2023). The concept of "social capital" was initially introduced within a socio-microeconomic context by Coleman (1988). According to Coleman (1988), social capital represents an intangible, valuable asset that can be categorized as a distinct resource accessible to individuals.

Lemieux (2001) subscribes to a similar perspective, contending that this form of capital is neither situated within the tangible means of production (economic capital) nor vested solely in individuals (human capital). Instead, it resides within the framework of relationships among actors, whether individual or collective.

This form of capital can be recognized through three dimensions as elaborated by Nahapiet and Ghoshal (1998), which include:

- *Structural dimension.* Within this dimension, considerations encompass the arrangement and scale of the network (Lwango, 2009). It also delves into the intensity of connections among network members and the types of relationships that have formed within the family (Mesfar & Ben Kahla, 2018).
- *Relational dimension.* This dimension pertains to the quality and character of the relationships forged by actors through their interactions. It serves to illuminate the specific kinds of relationships within a network, with a primary emphasis on trust being the most significant among them.
- *Cognitive dimension.* Within this dimension, we consider the shared language, common codes, and historical background that members of the same network have in common.

2.3.2. Social capital theory and the family firm (application context)

By incorporating family members into the ownership structure of family businesses, these enterprises gain access to a range of resources that can potentially confer a competitive edge. Family connections facilitate the development and accessibility of a unique form of social capital, ultimately contributing to the long-term sustainability and competitiveness of family firms. In this sense, Xie et al. (2021) specify that through this capital, organizations can access a unique set of resources, which contribute to their sustainability and competitive advantage.

Social capital theory sheds light on how the family, as a primary social network, can be a source of competitive advantage that can explain the superior performance of family firms, called "familiness". This concept is introduced by Habbershon and Williams (1999) to define the unique resources a firm possesses as a result of interactions between family members, the family, and the firm (Salhi, 2017).

Regarded as a significant trait setting family businesses apart from their non-family counterparts, family social capital (FSC) remains a somewhat elusive concept lacking a universally accepted definition. Despite the attention it garners from researchers, an absence of consensus within the scientific community regarding its precise definition is evident when we examine the current state of the literature.

Nahapiet and Ghoshal (1998) stipulate that FSC revolves around factors such as solidarity and active family engagement. This resource is often deemed crucial for small and medium-sized enterprises (SMEs) and is viewed as a competitive advantage held by family businesses, as highlighted by Arregle et al. (2007). Similarly, building upon Nahapiet and Ghoshal's (1998) work, Baron and Markman (2000) regard social capital as a collection of assets that individuals can acquire through their associations with others, their participation in social networks, or simply by being recognized by them and possessing a favourable reputation.

The social capital theory holds significant relevance in investigating the governance of family firms, primarily because these entities are characterized by intricate webs of family connections. Within the literature, the family is frequently regarded as a primary source of social capital. The present state of research emphasizes the evident impact of FSC on shaping the governance structure within these organizations.

In this sense, Mesfar and Ben Kahla (2018) and Moufdi and Mansouri (2021) posit that the arrangement of the governance system in family firms may exhibit variations contingent upon the strength or fragility of their FSC. Likewise, Larioui and Alaoui Mdaghri (2016) assert that social capital should be regarded as a significant variable with a notable impact on the governance framework of family businesses. In a similar vein, Chafai (2023) underscores that social capital serves as an informal norm that cultivates collaboration among individuals and exerts influence on a company's governance structure, thereby reducing transaction costs in the economic realm.

Indeed, when family businesses possess robust FSC, characterized by a substantial family culture rooted in shared values, a common concern for the company's future, frequent social interactions among family members, a foundation of trust, and a shared vision, they typically adopt a governance system that relies heavily on informal relational mechanisms.

In summary, we are of the opinion that both stewardship theory and social capital theory can offer valuable insights and enhance the understanding of family business governance, given their ability to consider the familial aspects and the intricacies of social relationships. These two approaches are mobilized to complement the shortcomings of traditional organizational finance theory, which appreciates governance mechanisms from a static and restricted agency theory perspective.

The selected theoretical framework aligns with current theoretical perspectives in the field of family business governance research. In fact, as Corbetta and Salvato (2004), numerous scholars advocate for the incorporation of agency theory alongside other theories in this context.

Our composition of the theoretical framework allows us to understand the influence of the family, through its involvement in the ownership and control structure of family businesses, on the governance of these entities from a multidimensional perspective.

3. RESEARCH METHODOLOGY

This theoretical research was conducted through a deductive approach, starting with the existing body of literature on family business governance and theories. Subsequently, the process involved synthesizing and integrating these theories to develop a comprehensive framework. The research process can be summarized as follows.

The research began with an extensive literature review aimed at identifying relevant studies, articles, and scholarly works related to family business governance and the three selected theories. This review encompassed academic databases, journals, books, and conference proceedings, spanning the last two decades. The goal was to gather a comprehensive understanding of the existing theoretical landscape and identify potential gaps and discrepancies in the literature.

Based on the findings of the literature review, the theoretical framework was constructed, centring on the three primary theories: agency theory, stewardship theory, and social capital theory. The framework aimed to highlight the core tenets of each theory and identify their potential applications and implications for family business governance. Special attention was given to exploring how these theories complement or contrast with each other in the context of family-owned enterprises.

The next step involved integrating the three theories into a unified framework that could provide a holistic perspective on family business governance. This integration sought to identify commonalities, potential synergies, and areas of theoretical convergence among the theories. At the same time, any contradictions or tensions between the theories were carefully considered to ensure a comprehensive understanding of the complexities involved.

Finally, the research concludes with a critical appraisal of the contributions made to the existing literature on family business governance. By presenting a unified framework, this study aims to fill the research gap and provide scholars and practitioners with a robust and integrated tool for analyzing family business governance from a theoretical perspective.

By combining these theories, our study seeks to enrich the understanding of family business governance and lay the groundwork for future empirical research and practical applications.

4. RESULTS AND DISCUSSION

The results of this theoretical research endeavour provide valuable insights into the governance of family businesses, derived from the application and integration of agency theory, stewardship theory, and social capital theory. The findings are organized into three key sections:

Theoretical synthesis. The first major result of this study is the comprehensive synthesis of agency theory, stewardship theory, and social capital theory into a unified framework. The integration of these theories facilitated a deeper understanding of the complexities of family business governance, showcasing the diverse perspectives each theory brings to the analysis. Theoretical propositions emerged from this synthesis, illuminating how the interplay of these theories influences governance structures, decision-making processes, and performance outcomes within family-owned enterprises.

Identification of synergies and contradictions. The analysis revealed significant synergies between agency theory and stewardship theory, particularly in terms of their focus on aligning interests and fostering trust within family firms. The combination of these theories presents an opportunity to design governance mechanisms that balance accountability with a sense of ownership and loyalty. Additionally, social capital theory complemented the other two theories by highlighting the importance of social networks and relationships in family business governance. This emphasis on bonding and bridging social capital offered a unique perspective on the role of social ties in influencing governance dynamics.

However, the research also identified certain contradictions between the theories. While agency theory emphasizes monitoring and control to mitigate agency conflicts, stewardship theory proposes a more collaborative approach based on shared goals and values. Reconciling these contradictions proved challenging, signifying the need for context-specific analyses to understand when and how these different governance mechanisms may be more suitable.

Practical implications. The results of this theoretical research have practical implications for family business owners, managers, and policymakers. The integrated framework and theoretical propositions offer a toolkit for evaluating and designing governance structures that cater to the distinct characteristics of family businesses. By recognizing the role of agency, stewardship, and social capital, practitioners can navigate the challenges of governance and decision-making within the family context more effectively.

Furthermore, the findings underscore the importance of considering the unique nature of each family business when applying governance theories. Small and medium-sized family enterprises, for instance, may benefit from a stronger emphasis on stewardship and social capital, while larger firms may require a more balanced approach that incorporates aspects of agency theory.

5. CONCLUSION

In conclusion, it is evident that family businesses show an absence of antagonism of interests, and there is a likelihood that agency costs may develop in this form of organization. These observations challenge the assumed immunity of family firms from agency problems and justify the interest in mobilizing agency theory, which provides a rich framework for studying the specific challenges faced by family firms.

However, this traditional theory of organizational finance, which appreciates governance mechanisms from a static and restricted angle of agency theory, has shortcomings that we have addressed by mobilizing stewardship theory and social capital

theory. Indeed, we are convinced that these two approaches enable us to illuminate and provide a clearer understanding of how family business governance is structured, taking into consideration the familial aspect and the dynamics of social relationships.

The selected theoretical framework aligns with modern theoretical perspectives in family business governance research. In fact, as highlighted by Corbetta and Salvato (2004), numerous authors advocate for the incorporation of agency theory in conjunction with other theories. Our construction of this theoretical framework facilitates a comprehensive understanding of the governance of these entities from multiple dimensions.

Furthermore, while the theoretical framework offers valuable insights into family business governance, it provides little practical guidance on specific implementation strategies. Researchers and practitioners should work together to bridge the gap between theory and practice, translating theoretical propositions into workable governance practices.

With this contribution, we initiate a discussion surrounding the theoretical framework of corporate governance tailored to address the distinct characteristics of family businesses. By doing so, we encourage dialogue and exploration of the most suitable governance approaches that account for the unique complexities of family enterprises. We call on researchers to respond to this call in order to enrich the literature and find a consensus on the theories that can be used to study the phenomena related to the governance of family organizations.

By collectively exploring and analyzing various theories, we can advance our understanding of family business governance, bridge gaps in knowledge, and foster a shared understanding within the academic community. This collaborative effort will ultimately enhance the effectiveness and applicability of governance frameworks, enabling us to address the unique challenges and dynamics inherent in family organizations.

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