Article

Family Business Review
2022, Vol. 35(1) 45–67

DOI: 10.1177/08944865211064410
journals.sagepub.com/home/fbr
SAGE

Toward a Family Science Perspective on Executive Compensation in Family Firms: A Review and Research Agenda

Anneleen Michiels[1], Isabel C. Botero[2], and Roland E. Kidwell[3]

Abstract

In family firms, the family often plays a central role in the strategic decisions of the business. However, until recently, research has primarily focused on exploring the role that business factors play in firm decision-making, with less attention given to the role of the family system. This article reviews the research on executive compensation in family firms to understand whether and how the family system has been considered within this work. Guided by the application of family science theories, we provide a framework to explain why it is important to incorporate the family system in the future study of executive compensation in family firms. We conclude by discussing a research agenda outlining how elements of the family system can be integrated into future executive compensation research to inspire scholars to think differently about this important research topic.

Keywords

executive compensation, literature review, family firms, family science

Introduction

To remain competitive, family firms must attract and retain family and nonfamily executives who can help the business succeed. Even though there are several important human resource management practices that help explain why individuals are attracted to and decide to stay in a firm, executive compensation plays an important role in the decision to join and stay with a firm (Ensley et al., 2007). In a broad sense, executive compensation is a way of measuring and rewarding performance (de Kok et al., 2006), and it can affect executive decision-making and strategic choices (Finkelstein et al., 2009)—and ultimately the success or failure of the firm. Although research has explored aspects of executive compensation in family businesses, much of our current understanding is nested within the business system (Combs et al., 2020; Odom et al., 2019). This reliance on business factors often results in an "overly simplistic comparisons between family and nonfamily firms" (James et al., 2012, p. 88), and ignores the heterogeneity and complexity of family firms.

Given the importance of executive compensation and the complex nature of family firms, the goals of this article are to determine what we know about designing and implementing executive compensation in family firms and to explore the role the family system can play in this process. A focus on the importance of the family system allows us to address how the characteristics of the family (e.g., its level of cohesion, shared goals, and shared values) affect the family's decision-making processes as well as the structure and the outcomes of executive compensation in the family firm. This knowledge allows us to grasp the complexity of family systems, to consider the impact of the family system on decision-making about the family firm, and to help explain differences in executive compensation policies and practices across family firms. This way, future research can provide additional insights into how business families affect different behaviors in family firms, and how these

[1]Hasselt University, Diepenbeek, Belgium
[2]University of Louisville, Louisville, KY, USA
[3]Florida Atlantic University, Boca Raton, FL, USA

Corresponding Author:
Anneleen Michiels, Research Center for Entrepreneurship and Family firms, Hasselt University, Martelarenlaan 42, Hasselt, 3500, Belgium.
Email: anneleen.michiels@uhasselt.be

behaviors play a role in the compensation of family as well as nonfamily executives.

Guided by the principles of reflexivity and creative synthesis (Alvesson & Sandberg, 2020), we consider this review an "opening up exercise" that enables us to examine and rethink existing literature so as to generate new ways to consider this specific phenomenon. Reflexivity guides us with the following questions:

> What may be problematic and constraining in my and, in particular, my research community's way of thinking about this domain? Are there alternatives that I (we) don't consider? Can I (we) read literature or talk with people offering an alternative view, providing support in understanding the possible arbitrariness of the way we tend to do research, and produce a specific type of reasoning and results? (Alvesson & Sandberg, 2020, p. 1300)

Then, creative synthesis integrates existing frameworks with insights from the analysis to formulate a new perspective regarding the topic. By applying these two principles, we hope to direct research on executive compensation in family firms in a way that helps family business owners design compensation practices that reflect the family's goals and values (Binz Astrachan et al., 2021).

Our review of 71 journal articles about executive compensation in family firms (published between 1983 and 2020) indicates that research in this area is nested in the business system and is studied mainly on the basis of agency theory. Although agency theory-based research highlights family business heterogeneity, it mainly provides a generic, macro-level classification of the firm from a business perspective. Therefore, current research is unable to reveal the more complex heterogeneity of family firms. As family business research moves to better comprehend the family's impact on the business, we propose it is important to incorporate family science theories to understand how and why family characteristics and dynamics play a role in predicting drivers, outcomes, and decision-making processes regarding executive compensation in family firms. Thus, we build on the findings from our literature review to explain why and how family science theories bring to the forefront the family system as a way to understand and capture the multifaceted nature of executive compensation in family firms.

Examining the internal characteristics of business families (e.g., the number of family members involved in the business, generational stage of the firm, the power exercised by family members, personal dynamics among the family and in the firm) and the presence of family and nonfamily executives in the business will likely bring out the heterogeneity of family firms when it comes to executive compensation and invite comparisons across family firms. These internal characteristics address the diversity and complexity of families and their businesses (Chandler, 2015). They also point to the role that family science theories can play in explaining processes and outcomes that help foster and protect the family member goals and the needs of family shareholders and stakeholders. By not considering the family in the development of a family firm's compensation system, researchers fail to grasp the complexity of the family system.

To provide insights and to guide future inquiry, we developed a family science theoretical framework and a set of key research questions to understand the heterogeneity of executive compensation across family firms. Such a framework will encourage researchers to advance well beyond comparisons of the "average" family firm to the "average" nonfamily firm regarding executive compensation. Thus, a key contribution of this article is that, based on family science theories, it proposes and explains why and how family variables and relationships should be included in the future study of executive compensation in family firms. Theoretical perspectives in family science move beyond a primarily business orientation to address and explain family interactions. Such a focus can help researchers broaden the methodologies, data collection strategies, and compensation foci (i.e., consider structure or dispersion of pay, not just level). We hope to inspire researchers to think differently about executive compensation in family firms by providing a theoretical and empircal focus not addressed in previous work on nonfamily executives (Klein & Bell, 2007), nonfamily members in family firms (Tabor et al., 2018), and socioemotional wealth and human resource management in family firms (Cruz et al., 2011).

To achieve our goals, this article is structured the following way. First, we discuss the method we employed and the scope of the review about executive compensation in family firms. Next, we report the general characteristics of the research and synthesize what we know about executive compensation in family firms in terms of theoretical foundations, level of pay, structure of pay, and pay dispersion. Then, based on family science theories, we discuss why and how family factors can influence decisions about executive compensation in family firms. Finally, we advance examples of key research questions for future inquiry.

Method and Scope of the Review

To identify relevant articles to review, we followed the guidelines suggested by Tranfield et al. (2003) and David and Han (2004), which is consistent with previous reviews on family business research (e.g., Andreini et al., 2020; Calabrò et al., 2019; Michiels & Molly, 2017; Qiu & Freel, 2020). Given the high degree of heterogeneity in how executive compensation has been studied, we began the process by choosing to include only published, peer-reviewed, English-language journal articles, thereby excluding unpublished work or book chapters. Second, article titles or abstracts had to include terms referring to both family firms and executive compensation. We identified the following keywords to capture the "family entity": *family enterprise, family business, family firm, family SME, family influence, family owner, generation, family executive, family manager, family TMT*, or *family CEO*. These terms were combined with keywords used to capture the "executive compensation" entity: *pay, paid, salary, compensation, incentive, bonus, remuneration, LTIP, stock option*. We searched for the combination of an executive compensation entity and a family business entity in the title and/or the abstract of articles that were published in print or online through August 2020.

First, we scanned the major outlets for family business and executive compensation research individually by manually checking the indexes. Following the approach of Daspit et al. (2018), we searched 34 prominent journals in finance, management, and economics. Similar to Tabor et al. (2018), we added journals with a specific family business focus to this list (i.e., *Journal of Family Business Strategy* and *Journal of Family Business Management*). For the specific focus of this review article, we also added prominent journals in the area of human resource management (i.e., *Human Resource Management, Human Resource Management Journal, Human Resource Management Review*).

Subsequently, we broadened our search by entering the abovementioned search terms in three databases: EBSCO Host Business Source Complete, ProQuest Central, and Elsevier ScienceDirect. Finally, we queried researchers from the fields of family business, organizational behavior, and human resources management via three different listservs to see if they were aware of any other (forthcoming) articles relating to executive compensation in family businesses. For an article to be retained, authors needed to include executive compensation as an important construct or variable within the paper. Otherwise, the article was removed from consideration. Using the method and criteria described above, a total of 71 articles, published in 48 different journals comprise the basis for our review.

To analyze these studies, we used an excel data extraction sheet in which we coded descriptive elements (e.g., authors, journal, theories used, sample, methodology, and measures), the research question, main results, and important notes for each article. Table 1 provides an overview of all studies included in this review.

Executive Compensation in Family Firms: A Review

We now describe the extant research regarding executive compensation in family firms. First, we briefly discuss the general characteristics of the studies in the review followed by the major theoretical approaches taken in previous research and their limitations. Then, we summarize key findings related to executive compensation in the level of pay, the structure of pay and pay dispersion family firms, and the limitations of current research. In brief, we found that research in the family business field—similar to general executive compensation studies (see Edmans et al., 2017 for a comprehensive overview)—mainly considered three basic issues regarding compensation. The first group of studies focused on understanding the factors related to the amount of pay that executives receive (i.e., level of pay). The second group of studies explored the structure of the compensation packages that family firms used for family and nonfamily executives (i.e., structure). The third group of articles focused on the study of pay dispersion among executives. After summarizing these findings, we describe the accomplishments and shortcomings of extant research and use reflexivity and creative synthesis to set the stage for advancing a family science theoretical framework in which to center future research on executive compensation.

Table 1. Papers Included in the Current Review.

Source	Theoretical framework	Sample	Pay measures	Key findings
Amoako-Adu et al. (2011)	Optimal contracting theory; managerial power theory	700 firm-year observations from public Canadian firms	Total executive compensation	Family executives in dual class firms are paid more than nonfamily executives in the same position. The higher compensation comes mainly in the form of stock options. Family executives in dual class firms receive higher incentive-based compensation than family executives in single-class firms.
Baek and Fazio (2015)	Agency theory	1,532 public U.S. firms	CEO incentive compensation	Family ownership is negatively related to the propensity to adopt equity-based compensation plans and to the ratio of such compensation to total pay. The CEO's dividend income relative to the CEO's total compensation was negatively related to the propensity to adopt an equity-based compensation plan.
Banerjee and Homroy (2018)	Agency theory	577 public Indian firms	Total CEO pay	Business group affiliates with a family CEO use more performance-sensitive CEO pay than in widely held stand-alone firms.
Barkema and Pennings (1998)	Agency theory	143 private Dutch firms	CEO total compensation (base pay + bonus)	CEO's overt power has a curvilinear relationship with executive compensation. CEO's covert power magnifies the effect of equity holdings on compensation.
Barnett and Kellermanns (2006)	Organizational justice	*Conceptual*	NA	Perceptions of distributive justice influence nonfamily managers' attitudes toward pay, and how likely they are to engage in value-creating behaviors toward the firm.
Barontini and Bozzi (2018)	Agency theory	199 public European firms	Total CEO pay	In firms owned by descendants, the presence of multiple family members is beneficial in lowering CEO compensation, while the opposite is true in presence of the founder. The number of family representatives on the board exerts a strong influence on the pay of family CEOs, but not on the pay for nonfamily CEOs. In certain family clusters, CEO pay is higher than in NFFs.
Basu et al. (2007)	Agency theory	174 public Japanese firms	Total executive income (salary, bonus, dividends, capital gains)	A founding family-controlled firm tends to pay its top executives more.
Berrone et al. (2008)	Agency theory with contextual and institutional factors	*Conceptual*	NA	Builds conceptual model on the design of compensation packages in FFs that are in the high-tech sector.
Bhabra and Hossain (2018)	Agency theory	786 public and private Canadian firms	Total executive compensation (average of top 5)	Both family ownership and family majority ownership lead to higher total executive pay. Family ownership is positively associated with equity pay; however, when family owns the majority of the shares, the relation is negative. Similarly, family ownership is negatively associated with cash pay, and family majority ownership has a positive relation with cash pay.
Block (2011)	Agency theory (optimal contracting)	*Conceptual*	NA	Builds conceptual model on the effect of incentive compensation in accounting performance and CSR.
Bozzi et al. (2017)	Agency theory	986 firms from 11 European countries	CEO compensation structure	The negative effect of the level of investor protection on the level of CEO compensation is higher for family CEOs than for nonfamily CEOs in FFs.
Cai et al. (2013)	Agency theory, family trust	1,600 managers from Chinese private firms	Base salary, incentive contracts	Family managers earn higher salaries and receive more bonuses than nonfamily managers in the same firm.
Carlson et al. (2006)	Agency theory	168 Family SMEs	% base salary, % cash incentives, % noncash incentives, % benefits/perks	The use of cash incentives is significantly related to higher performing firms (on all levels: CEO, sales managers, other key managers, and all employees)
Chen et al. (2014)	Agency theory (principal-agent; controlling-minority)	6,387 firm-year observations from public Taiwanese firms	TMT pay structure; cash bonus	FFs offer a lower proportion of variable compensation to total compensation to their TMT than NFB. FFs with central agency problems provide their TMT with higher proportions of cash compensation than FFs without central agency problems.
Chen et al. (2016)	Agency theory, stewardship theory, upper echelons theory	173 executives from public Taiwanese firms	Perceived pay premium (experiment)	High executive compensation influences the incumbent CEO's perception about a professional manager's degree of stewardship, which is a key factor behind the CEO succession decision.
Chen and Chu (2020)	Agency theory, human capital theory	5,215 firm-year observations from public Taiwanese firms	CEO pay (salary/bonus)	The relationship between CEO compensation and CEO ability is much stronger in the presence of better compensation committees in FFs with nonfamily CEOs, but this relationship does not exist in FFs with family CEOs.
Cheng and Firth (2006)	Agency theory	336 public Hong Kong firms	CEO pay, average executive directors pay; compensation of top five employees; bonus per executive; bonus as % of pay	Found no evidence that directors use the power that comes from high stock ownership to award high compensation to themselves.
Cheng et al. (2015)	Agency theory	734 public Chinese firms	Total executive cash compensation	Family ownership is positively associated with total executive compensation. Governance factors affect how different family ownership structures influence compensation contracts.
Cheong and Kim (2019)	No specific theory	304 Korean family firms	Total executive pay	Family executives receive higher compensation than nonfamily executives in business group firms. The pay offered to family executives tends to be high when the proportion of shares held by other family members is low.

(continued)

Table 1. (continued)

Source	Theoretical framework	Sample	Pay measures	Key findings
Cheung et al. (2005)	Agency theory	412 public Hong Kong firms	Level of total pay for CEO and Chairman	The smaller the firm, the more likely it is for owner-managers to use their ownership rights to extract higher cash salaries for themselves.
Chourou (2010)	Agency theory	167 public Canadian firms	CEO total cash compensation	Owner CEOs in FFs receive higher levels of compensation than nonowner CEOs when voting rights and cash flow rights diverge.
Chrisman et al. (2007)	Agency theory, stewardship theory	208 private U.S. firms	Incentive compensation	FFs monitor family managers and compensate them with incentives to a large extent. The use of incentive compensation results in better firm performance.
Chrisman et al. (2014)	Bounded rationality	*Conceptual*	NA	Build a conceptual framework to explain why family-centered noneconomic goals and bounded rationality decrease the willingness and ability of FF to hire and provide competitive compensation to nonfamily managers even if those managers are more talented than available family managers and the labor market is composed of stewards rather than agents.
Chua et al. (2009)	Agency theory	*Conceptual*	NA	Builds conceptual model of managerial compensation that predicts favorable compensation treatment for family manager over nonfamily managers.
Cohen and Lauterbach (2008)	Agency theory, managerial discretion approach, exploitation approach	124 public Israeli firms	Total CEO pay	The mean pay of owner CEOs in FFs is almost identical to the mean pay of CEOs in partnership firms.
Combs et al. (2010)	Agency theory	381 public U.S. firms	CEO total cash compensation; stock options	Differences in CEO pay can be partially attributed to how family is represented among large public firms. Family CEOs in firms with multiple family members take less compensation than CEOs in NFBs. CEOs at family firms without multiple family members have higher compensation packages.
Croci et al. (2012)	Managerial power theory, optimal contracting theory	3,731 firm-year observations from public firms from 14 countries in Continental Europe	Total CEO pay level; CEO pay structure (equity ratio)	Institutional ownership is associated with higher levels of CEO cash and total compensation in FFs. They also increase the use of equity-based compensation both in FFs and NFFs.
Cui et al. (2018)	Behavioral agency model	2,950 public U.S. firms	CEO's long-term incentives	FFs tend to provide a higher level of long-term incentives to nonfamily CEOs than family CEOs. In addition, long-term incentives strongly motivate CEOs to improve firms' CSR performance, regardless of their family memberships.
De Cesari et al. (2016)	Agency theory	760 private firms from Continental Europe	Total CEO compensation; CEO cash compensation	CEOs of FFs have lower levels of total compensation, but they do not have lower cash compensation. Nonfamily CEOs are more able to exploit an acquisition to increase their compensation after the acquisition.
Dressler and Tauer (2015)	Socioemotional wealth (SEW); agency theory	230 public and private U.S. firms	Market salary estimates; implied compensation estimate	Market compensation returns for hired farm managers were compared with the estimated implied compensation manager returns for family managers.
Ensley et al. (2007)	Equity theory; tournament theory	200 private U.S. firms	Pay dispersion in TMT	Pay dispersion creates negative behavioral consequences in family teams where group dynamics are more complicated. Nonfamily TMT members respond more positively to long-term pay dispersion.
Farrell and Winters (2008)	Not theory driven but agency theory is mentioned	1,825 private U.S. firms	Total salary paid to all top executives	The authors find a negative relation between executive salaries and firms with greater than 50% family ownership.
Gallego and Larrain (2012)	No specific theory	1,648 executives from public and private firms from Argentina, Brazil, and Chile	Total CEO compensation	Professional CEOs in FFs make around 30% more than CEOs in other firms. Given that their sample includes only nonfamily CEOs, the family premium is not a mechanical result of nepotism.
Goh et al. (2016)	None that are clear	152 public French firms	Disclosure of stock options	FFs are less likely to disclose information on stock option expenses than NFFs.
Grabke-Rundell and Gomez-Mejia (2002)	Agency theory, resource dependency theory	*Conceptual*	NA	CEO's (family) stock ownership is expected to have a positive effect on the level of CEO pay.
Graziano and Rondi (2021)	Agency theory	1,092 firm-year observations from public Italian firms	Variable share of CEO pay to total CEO pay	Family CEOs' variable pay is lower than nonfamily CEOs' variable pay in industries where import penetration is high, products are differentiated, or domestic configuration is high.
Hsieh et al. (2019)	Agency theory	1,271 firm-year observations for 79 firms	CEO pay (cash pay, equity-based pay, and total compensation)	Immigrant-founder FFs compensate their CEOs with higher equity-based pay than immigrant-founder NFs.

(continued)

Table 1. (continued)

Source	Theoretical framework	Sample	Pay measures	Key findings
James et al. (2017)	Agency theory; stewardship theory	398 Canadian firms	Use of performance-based pay	Nonfamily managers are significantly less likely to be remunerated with performance-based pay or share ownership than family managers.
Jaskiewicz, Block, Combs, and Miller (2017)	Agency theory; signaling theory	335 public U.S. firms	CEO incentive compensation	Family owners use more CEO incentives and more effectively tie them to firm performance than founder owners.
Jaskiewicz, Block, Miller, and Combs (2017)	Agency theory; SEW	358 public U.S. firms	TMT pay dispersion (excl. CEO)	Family ownership is more positively related to TMT pay dispersion than founder ownership. Later generation family owners are negatively related to TMT pay dispersion.
Jong and Ho (2019)	Agency theory	279 public Malaysian firms	Level of total executive compensation	Family ownership is positively related to executive compensation.
Kim and Han (2018)	Managerial power theory	670 public Korean firms	Total CEO pay	Family CEOs in FFs do receive higher total CEO compensation than nonfamily CEOs in family firms. The pay-for-performance sensitivity is lower for family CEOs in FFs than nonfamily CEOs in FFs and CEOs in NFFs.
Gomez-Mejia et al. (2003)	Agency theory	253 public U.S. firms	Level of total CEO compensation	Family CEOs receive lower total pay than professional managers. Pay disadvantage increases as the family ownership position improves. Although family CEOs tend to earn less, they are compensated for assuming greater uncontrollable risk.
Lam and Lee (2012)	Agency theory	346 firm-year observations from public Hong Kong firms	Remuneration committee (dummy)	Family ownership has an adverse effect on the relation between the remuneration committee and firm performance.
Lansberg (1983)	No specific theory	*Conceptual*	NA	Exchange of resources is governed by affective principles, needs, and care about long-term well-being of others, not just the value of goods and services being exchanged
Gomez-Mejia et al. (2019)	Behavioral agency model	1,636 public U.S. firms	Stock options	While the design of the compensation package of FFs and NFFs is very similar, the observed effect of CEO incentives on risk-taking is practically nil for FFs. Thus, the monitoring advantage combined with the additional socioemotional risk bearing of family principals appears to negate the effect of CEO option incentives on risk-taking in FFs. Within FFs, family CEOs will be less inclined to make egocentric, higher risk strategic decisions aimed at increasing their prospective option wealth.
Mazur and Wu (2016)	Agency theory	362 public U.S. firms	CEO compensation structure	NFFs adopt higher value enhancing pay incentives than FFs.
McConaughy (2000)	Family incentive alignment hypothesis; agency theory	82 public U.S. firms	Level of total CEO compensation	Family CEOs receive less pay and their compensation is less sensitive to firm performance than nonfamily member CEOs
Memili et al. (2013)	SEW	2019 private U.S. firms	Incentives for nonfamily managers (dummy)	Family influence and control, and intrafamily transgenerational succession intentions are negatively related to the propensity to use incentives. The interaction effects of family management and ownership reduce the propensity to use incentive.
Michiels et al. (2013)	Agency (optimal contracting)	529 private U.S. firms	Total CEO compensation	Objective performance-based measures play a significant role in CEO compensation. CEO compensation is more responsive to firm performance in firms with low ownership dispersion and in the controlling owner stage. The pay-for-performance relation is slightly stronger for nonfamily CEOs than for family CEOs.
Navarro and Ansón (2009)	Agency theory	132 public firms	Remuneration committee	Family firms make less use of remuneration committees than nonfamily firms.
Nyantakyi (2016)	None that are clear	135 public and private African firms	Total CEO compensation	While family managers receive higher performance-based compensation than nonfamily managers, their compensation is less sensitive to firm performance.
Pagliarussi and Costa (2017)	Agency theory; identity theory	*Conceptual*	NA	The presence of family ties between principal and agent changes the optimal incentive contract parameters.
Patel and Cooper (2014)	Power distributions; structural power; TMT dynamics	1,934 firm-year observations from public U.S. firms	Compensation equality between TMT members	Greater equality in structural power (e.g., compensation) across family and nonfamily TMT members increases performance in FFs. This relation is stronger under increasing environmental dynamism and higher governance performance, but weaker under the presence of a founder CEO.
Perry et al. (2013)	None that are clear	605 public and private firms	Compensation practices	Family influence significantly predicts compensation preference. Compensation practices are negatively related to the FF owner's assessment of their business ethical stringency.
Pooser et al. (2017)	Stewardship theory; agency theory	86 public U.S. firms	Total CEO compensation level and structure	FFs have lower current CEO compensation and lower forward CEO compensation in comparison with NFFs.

(continued)

Table 1. (continued)

Source	Theoretical framework	Sample	Pay measures	Key findings
Ramaswamy et al. (2000)	Human capital theory, corporate governance theory	150 public Indian firms	Level of total CEO compensation	Increasing levels of family ownership decrease the incidence of managerial opportunism, reducing the incidence of excessive CEO compensation
Schulze et al. (2003)	Agency theory, theory of the household, altruism theory	883 private U.S. firms	Variable pay for family members (dummy)	Identifies circumstances in which altruism moderates the influence of pay incentives on the performance of FFs.
Sharma and Huang (2014)	No specific theory	14,073 firm-year observations from public U.S. firms	Pay dispersion	Family ownership increases the likelihood of CEO not being the highest paid manager.
Speckbacher and Wentges (2012)	Resource-based view	304 German and Austrian public and private firms	Incentives for TMT (dummy)	The use of incentive contract is lower in FFs. Involvement of founding family members in the TMT is associated with making less use of incentive contracts for managers.
Tang (2014)	Agency (optimal contracting); managerial power	1,582 firm-year observations from public U.S. firms	Total CEO compensation; CEO stock option grants	Stock option grants to nonfamily CEOs in FFs decreased after the passage of SOX. NFFs granted significantly more stock options than FFs before SOX, but not after its passage.
Tinaikar (2014)	Agency theory	210 public U.S. firms	Total CEO compensation; excess compensation	NFFs have more excess CEO compensation than FFs.
Tiscini and Raoli (2013)	Idiosyncratic private benefits approach	235 public Italian firms	Stock option plans (dummy)	The likelihood of SOP increases with higher involvement of key family members in the governance of a firm.
Tsao et al. (2015)	Agency theory	2,183 firm-year observations from public Taiwanese firms	Total CEO compensation	FFs positively moderate the relation between R&D investment and CEO compensation. CEO compensation is less sensitive to explicit performance measures in FFs when compared with NFFs.
Yarram and Adapa (2020)	Agency theory	821 firm-year observations from public Australian firms	Total CEO compensation	FFs have lower levels of CEO pay than NFFs.
Veliyath and Ramaswamy (2000)	Social embeddedness theory	122 public Indian firms	Total CEO compensation	Family shareholdings and the percentage of family directors on the board are predominant influences on CEO pay.
Wang et al. (2020)	Agency theory	14,152 public Taiwanese firms	Average managerial pay Average director pay	Pyramidal ownership and higher control-ownership deviation reduces executive compensation in FF.
Wu and Mazur (2018)	Information asymmetry, q-theory of investment, risk aversion	1,756 public U.S. firms	CEO incentive pay	Pay incentives in FFs are not associated with capital expenditures. Family CEO incentive pay manifests the family preference for lower risk, especially in firms with higher firm risk.
Young and Tsai (2008)	Social network theory	314 public Taiwanese firms	Total CEO pay	The pay of family CEOs is less sensitive to the CEOs social capital than that of nonfamily CEOs.
Yu et al. (2020)	Evolutionary psychology theory, SEW	421 public Chinese firms	Nonfamily executive salary (salary + bonus + allowance)	FFs with distant kinship ties are more likely to pay nonfamily executives lower salaries, compared with FFs with close kinship ties. This relation is moderated by firm performance and family ownership.

Note. FF = family firms; NFF = nonfamily firms; CEO = chief executive officer; TMT = top management team; SMEs = small- and medium-sized enterprises; CSR = corporate social responsibility; SOX = Sarbanes-Oxley; SOP = share option plan.

General Characteristics of the Studies in the Review

The body of articles about executive compensation in family firms began in 1983 with the work of Lansberg on the institutional overlap in family firms and its effects on human resource management. However, interest in the topic truly emerged in the 2000 to 2010 decade and grew exponentially in the past decade. The studies have been published in journals from a variety of disciplines including management, finance, economics, human resource management (HRM), strategy, and organizational behavior. Only eight articles included in the review were published in family business journals: five articles in *Family Business Review*, one in *Journal of Family Business Strategy*, and two in *Journal of Family Business Management.* The method employed in the research articles was either quantitative (87%) or theoretical (13%). None of the articles used a qualitative method. About 85% of the empirical studies explored executive compensation in publicly traded firms and most of them were single country studies. Interestingly, a third of the studies did not provide a clear definition of "family business" and did not provide any information regarding how family firms were identified in their samples.

Theoretical Foundations

Although our review identified a dozen theoretical frameworks used to develop hypotheses and predictions in the study of executive compensation in family firms (see Column 2 in Table 1), the vast majority of the articles heavily relied on agency theory as the theoretical framework for their predictions. Agency theory (Jensen & Meckling, 1976) focuses on the divergent interests and risk incentives of the owners of an enterprise (i.e., principals) versus its managers (i.e., agents), and assumes that compensation is an efficient means to effectively monitor and align the interests of owners and managers to reduce conflicts. Agency theory research in family firms generally assumes that family firm leaders are overly generous with family member employees in terms of compensation, promotions, and other rewards, regardless of qualifications.

Three general hypotheses about executive compensation have been explored using agency theory. First, *the optimal contract approach or incentive alignment hypothesis* suggests that executive compensation is designed to minimize agency costs (Aggarwal & Samwick, 1999; Demski & Feltham, 1978). From this perspective, the compensation of nonfamily executives or executives in nonfamily firms should be higher than family executives or family firms (i.e., assuming that family firms are family managed) because family executives/family firms have lower agency conflicts when compared with nonfamily executives/firms. Second, *the rent extraction/incentive alignment hypothesis* (Bebchuk et al., 2002) argues that given that senior managers control the pay setting process, executives in family firms will be more likely to compensate themselves better (i.e., in excess) in comparison with nonfamily executives and executives in nonfamily firms. The third hypothesis is the *idiosyncratic private benefits hypothesis* (Tiscini & Raoli, 2013), which argues that the extent to which family executives bring resources that are key for the success of the firm should increase the compensation that they receive.

Whereas a few studies have relied on stewardship, socioemotional wealth, and other theoretical approaches, which broaden the study of executive compensation in family firms by introducing additional assumptions, the overarching emphasis on agency theory potentially limits our understanding of this phenomenon by nesting it in the business system of the family firm. This is problematic because agency theory assumptions do not take into account the complexity of families and family firms (cf. Boyd & Solarino, 2016; Eisenhardt, 1989), and lead researchers to focus on general descriptive factors as the primary drivers of executive compensation in family firms with less emphasis on other internal factors that could play a very relevant role in the process. After we summarize and analyze the extant research, we propose a family science theoretical perspective in which to study executive compensation in family firms. As noted, such a perspective will increase the ability to capture the heterogeneity of executive compensation strategies across different types of family firms.

Level of Pay

Most studies included in the review focused on understanding the factors related to *the level (or total amount) of pay* that executives receive and most of them try to understand whether family firms pay their executives less or more than nonfamily firms. As discussed, the vast majority of these studies rely on agency theory to build their arguments. Results are mixed. Some studies support the long-standing view that CEO (chief executive officer) pay in family firms is lower due to the attenuation of the principal-agent problem (e.g., De Cesari et al., 2016; Pooser et al., 2017; Tinaikar, 2014; Yarram & Adapa, 2020). Others find that family ownership leads to higher executive pay levels, due to higher controlling-minority agency problems (e.g., Basu et al., 2007; Bhabra & Hossain, 2018; M. Cheng et al., 2015).

These mixed findings could have several causes. First, these studies mainly use a dummy variable as a measure of family businesses, thereby ignoring the heterogeneity of family firms. Given that differences among family businesses may be as large as, or even larger than, the differences between family and nonfamily businesses (Chua et al., 2012), these mixed findings are not surprising. Second, the employed definition for what constitutes a family firm widely varies, with ownership cutoff percentages of the owning family ranging from 5% (e.g., M. Cheng et al., 2015) to 25% (e.g., De Cesari et al., 2016), or 20% ownership of "insiders and employees" (Yarram & Adapa, 2020). Third, the measure of "total compensation" also widely varies across studies (see Table 1): inclusion or exclusion of dividend income, stock options, benefits, cash salary, long-term incentives, short-term incentives, and so on. This prevents us from comparing results and drawing conclusions from them.

Within family businesses, some researchers have investigated compensation differences between family and nonfamily executives. Again, results are mixed. Several empirical findings support the extraction theory, which suggests that family executives use their power to extract private benefits such as excessive compensation, thereby exploiting the firm and its outside shareholders (e.g., Cai et al., 2013; Cheong & Kim, 2019; Jong & Ho, 2019; Kim & Han, 2018). However, some studies find evidence for the family incentive alignment hypotheses, which assumes that family executives have superior incentives for maximizing firm value and are unlikely to act against the interests of the firm, thereby needing lower compensation levels and less incentive-based compensation (Gomez-Mejia et al., 2003; McConaughy, 2000). Again, widely varying measures of what constitutes "pay level" prevent us from drawing conclusions on whether family executives earn more or less than nonfamily executives in the family firm.

Apart from comparing family executives with nonfamily executives, researchers have started to explore the differences within family firms by incorporating variables such as family representation in management and board (Combs et al., 2010) or presence of the founder (Barontini & Bozzi, 2018). Yet, until now, research has failed to acknowledge the role of the family system as driver, moderator, or outcome of incentive compensation, with the notable exception of Yu and colleagues (2020), who investigated the impact of kinship ties.

Structure of Pay

A second group of studies explored the structure of the compensation packages that family firms used. These focused on how compensation packages are developed, what types of incentives are likely to be offered to executives in family firms or the proportion of variable pay in the compensation package, and what the consequences are. Most studies agree that family businesses make less use of incentive contracts (Baek & Fazio, 2015; Memili et al., 2013; Speckbacher & Wentges, 2012) and have lower levels of incentive pay (Baek & Fazio, 2015; Bhabra & Hossain, 2018; Mazur & Wu, 2016; McConaughy, 2000; Tsao et al., 2015) when compared with nonfamily businesses. These results are generally explained through the higher agency costs in nonfamily firms due to severe owner-manager conflicts.

Few studies have investigated the differences of pay structures between family and nonfamily executives within family businesses. In contrast to traditional agency predictions, studies by Chrisman et al. (2007) and Michiels et al. (2013) confirm that privately held family businesses do use incentive compensation for their family executives, arguing that incentive compensation mitigates agency problems in private family firms.

Other findings indicate that family businesses tend to provide higher levels of performance-related incentive pay to nonfamily executives as compared with family executives (M. Cheng et al., 2015; Cui et al., 2018; Kim & Han, 2018; McConaughy, 2000; Michiels et al., 2013). This can be explained in two different ways. First, given that family businesses are more likely to keep stock ownership within the family, they make more use of cash incentives to recruit, retain, and motivate nonfamily executives (Carlson et al., 2006). Second, given that family executives are inherently motivated by the prospect of socioemotional wealth preservation (Cui et al., 2018), they might need less incentive pay than nonfamily executives. Finally, the only study investigating the outcomes of incentive compensation within family firms is that of Gomez-Mejia and colleagues (2019), who find that a CEO's ties to the family influence his or her response to incentive compensation.

Thus, the majority of papers investigating executive pay structure focus on the difference between family and nonfamily firms. Although a few papers address the heterogeneity of family businesses by considering differences between family and nonfamily executives, the role of the family is absent in the current debate.

Pay Dispersion

Finally, a few studies focused on the issue of pay dispersion. Pay dispersion reflects the difference between the compensation level of individuals, and can be from the CEO down (i.e., vertical dispersion) or between members of the top management team (i.e., horizontal dispersion). Findings indicate that family ownership increases the likelihood of the CEO not being the highest paid manager (Sharma & Huang, 2014), and that the use of TMT (top management team) pay dispersion declines across generations (Jaskiewicz, Block, Miller, & Combs, 2017). Research shows that executive pay dispersion can have different outcomes for family than for nonfamily firms. In particular, Ensley and colleagues (2007) find that pay dispersion within the TMT creates strong negative behavioral consequences, especially in family firm TMTs, where group dynamics are more complicated. They also find that the close relationship between family members makes these teams more vulnerable to the negative impact of pay dispersion, as already proposed by Lansberg in his 1983 conceptual paper. Finally, Patel and Cooper (2014) find that pay dispersion among family and nonfamily executives harms firm performance.

With the exception of Ensley et al. (2007), all studies on pay dispersion rely on data from public U.S. firms, and current research again does not consider the role of family dynamics and its potential impact on pay dispersion across family firms.

Theories, Methods, and Unanswered Questions: Reflexivity

As mentioned above, our review is guided by reflexivity and creative synthesis (Alvesson & Sandberg, 2020). This exercise involves identifying and analyzing what may be constraining the family business research community's way of thinking about the domain of executive compensation and the availability of alternative approaches that extant research does not fully consider. Our inquiry leads us to use insights from this analysis and existing research frameworks to advance a new perspective to study the topic of executive compensation in family firms.

In general, family business research has evolved in distinct ways over the past decade (Sharma et al., 2019). There are movements away from studies that simply compare family with nonfamily firms (Payne, 2018), and away from a dominant focus on financial performance as the main motivation of family firm behavior (Gomez-Mejia et al., 2011). There is a movement toward family and individual-level variables as causal factors to predict or explain firm-level behaviors (Sharma et al., 2019). Yet, our review reveals that research on executive compensation in family businesses has not followed this trend. Many studies still focus on the differences in CEO compensation between the "average" family firm and the "average" nonfamily firm. The studies predominantly rely on agency theory assumptions, and have been largely reluctant to consider the role of the business family in formulating and implementing executive compensation in the family firm.

Up to now, executive compensation research in family firms emphasized topics such as level of CEO pay and antecedents of executive compensation. Less prominence was afforded to decision-making processes, outcomes, and a consideration of specific countries and types of family firms when exploring executive compensation as well as family dynamics. Although the findings thus far are informative, they are mainly rooted in agency theory, such that data are collected in a way that overlooks family and family member influence. To move forward, we should go beyond comparing family with nonfamily firms by exploring other aspects of executive compensation *within* family firms. To do this, alternative theories are needed to better explain the influence the family can have on executive compensation, and other aspects that have not been explored.

Guided by our review findings, we propose that more diverse theoretical perspectives will add a richness to the study of family firm executive compensation. A theoretical grounding in family science can help guide a new research emphasis. Theoretical perspectives in family science move beyond a primarily business orientation to address and explain family interactions. Such a focus will also help researchers broaden the methodologies, data collection strategies, and compensation foci (i.e., consider structure or dispersion of pay, not just level). Given the multiple instances of mixed results observed in our review, we align with Boyd and Solarino (2016, p. 1297) who argue that "... inconsistent findings could mean that (a) researchers are not asking the right questions (i.e., theory development issues) or (b) the questions themselves are appropriate but are not being studied in an optimal matter (i.e., research design issues)." Therefore, we can integrate past findings with different theoretical perspectives to address some of the unresolved issues in executive compensation across the family business literature.

Business-related theories often are used to explain how families engage in business decision-making (James et al., 2012). As the application of business theory in family business research increases, a decrease in the use of family science theory to explain family business phenomena has led to unsophisticated comparisons of family firms to nonfamily firms (Combs et al., 2020; James et al., 2012). Building on the arguments of others (e.g., Jaskiewicz, Combs, et al., 2017), we suggest that incorporating family science theoretical perspectives can provide more complete theoretical models and an increased understanding of family influences on various aspects of executive compensation across family firms. Jaskiewicz and colleagues (Jaskiewicz, Combs, Shanine and Kacmar, 2017) discussed several prominent family science theories and their potential usefulness, impact, and implications on management research generally and family firm research specifically. These theories posit that early (and ongoing) interactions and relationships in families have implications for current and future behavior of family members and influence what occurs within a family business. For example, some family firms are systematic in designing executive compensation plans, while in others, adverse outcomes result because a plan is not designed at all.

Incorporating Family Science Theories: Creative Synthesis

As indicated by our review, the vast majority of studies were framed with a single theoretical perspective, and agency theory was by far the dominant approach. However, it is neither new nor novel to say that "agency theory presents a partial view of the world, that, although it is valid, also ignores a good bit of the complexity of organizations. Additional perspectives can help to capture the greater complexity" (Eisenhardt, 1989, p. 71). Thus, to engage in creative synthesis by rethinking existing literature in ways that generate new ways of thinking (Alvesson & Sandberg, 2020), we introduce family science theories by offering research questions addressing how elements of the family system may predict and/or moderate relationships found in previous research and provide increased understanding of executive compensation in family firms.

The three-circle model of the family business (Tagiuri & Davis, 1996) proposes that three interdependent groups make up the family business system: family, business, and ownership. Examining one of those subsystems, the family, implies a discussion of family systems theory, a subset of general systems theory (Broderick, 1993). Family systems theory posits that the family is an open, complex, and hierarchical system in which established values, rules, and rituals guide the family's interactions. This theory focuses on how the family interacts and the behaviors resulting from members' efforts to maintain system boundaries by removing elements threatening the rules governing the system and its relationship with internal and external environments.

Attitudes, behaviors, norms, and roles in an extended family system may instill each family member with a strong family orientation and cohesiveness rooted in the family (Bacallao & Smokowski, 2007). The family system can also incubate and support entrepreneurial activities among family members (Jaskiewicz et al., 2015; Zellweger et al., 2011), perhaps affecting a family member's capability and desire to engage in varying levels of risk-taking. However, the overlap between family and business boundaries could also lead to problems with role ambiguity and role conflict for family members. Thus, the system can encourage family members to engage in highly positive as well as highly negative behaviors in an effort to maintain the system's stability (Kidwell et al., 2019). Examining executive compensation in family firms in light of the role of the family system could therefore provide additional insight into how family businesses make decisions about the compensation of family executives as well as nonfamily executives. It may also help researchers better understand the reasons for previous mixed results in the literature. For better or for worse, elements of the family system such as family orientation, harmony and communication norms, cohesiveness, and levels of risk-taking, role ambiguity, and role conflict among its members may tell us more about the family's decision-making processes,

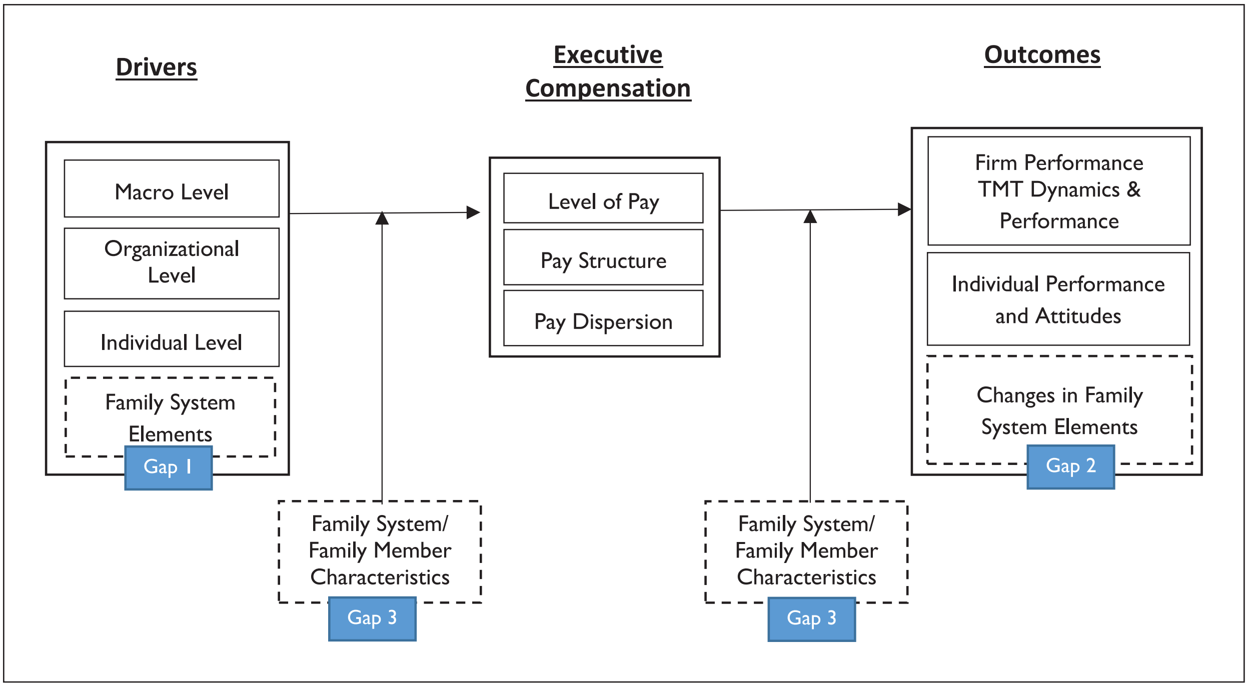

Figure 1 *Future Research on Executive Compensation in Family Firms*

the structure, and the outcomes of executive compensation in the family firm. Yet virtually no research to date has investigated these issues. Alternatively, family elements themselves might also be affected by executive compensation decisions. Within the intergenerational family firm, as we explain below, the effects of these elements of the family system can be influenced by family/family member characteristics, including sibling birth order, parenting style, kinship ties, stage in the family life cycle, and patterns of communication. With these factors in mind, we see gaps in at least three general areas:

1. In family firms, what impact do family system elements (i.e., family members' attitudes, behaviors, norms, and roles) have on executive compensation decisions?
2. In family firms, how do executive compensation decisions affect interactions and behaviors within the family system (i.e., levels and types of cohesion, conflict, communication among family members)?
3. In family firms, how do family system characteristics moderate relations between the drivers of executive compensation and the executive compensation decisions on the level, structure, and dispersion? And how do family system characteristics moderate relations between executive compensation decisions and organizational/family/individual outcomes (e.g., firm performance, top management team dynamics and performance, individual behavior and attitudes, and changes to elements of the family system)?

Figure 1 outlines a general framework for future research by incorporating the general research questions provided above to the previous research focus. The following discourse integrates and applies family systems and family characteristics drawn from several family science theories that are relevant to the study of executive compensation in family firms. After considering recent studies that focused on the application of family science theories to management and family business research (Combs et al., 2020; Jaskiewicz, Combs, Shanine, & Kacmar, 2017), we identified six family science theories that we believe are better suited to be leveraged for the study of executive compensation across family firms. These include the family-niche model of birth order and personality, parental control theory, evolutionary psychology theory, kinship theory, family development theory, and family communication patterns theory. We provide a series of novel and significant examples of potential research questions based on the family science theories that are particularly relevant in guiding future research on family firm executive compensation. These research question examples are linked to the appropriate family science theory in Table 2 and further explained below.

The family-niche model of birth order and personality proposes that factors such as the biological composition of the family, birth intervals, and personality differences in families influence a child's personality development (Paulhus et al., 1999; Sulloway, 1996). Tests of this model found that first-born children are more responsible and achievement-oriented than other siblings, whereas later-borns are more socially successful than their older siblings. In addition, younger children may become lazy and spoiled as they do not face the threat of the traumatic experience of being "dethroned" by a second sibling's birth (Sulloway, 1996). The model indicates that a competition may occur among the children to find the proper niche to provide them with access to parental resources. Research indicates that first-born children try to please their parents by being responsible and becoming conscientious adults, whereas later-born children develop an empathic adult character that can result in rebellion (Paulhus et al., 1999; Sulloway, 1996). Although much research has been undertaken using the model and how it applies to personality development, it is useful to consider its implications for executive compensation. For example, CEO birth order is positively associated with strategic risk-taking—with birth order effects being driven by sibling rivalry (Campbell et al., 2019). Previous research has found that family members in different TMTs within a family firm are paid differently and that this difference declines across generations (Jaskiewicz, Block, Miller, & Combs, 2017). Given that later-born children are more empathetic than first-born children, who also tend to be less demanding, we suggest that differences in birth order may affect how a family member negotiates compensation as an executive of the family firm. Thus, researchers might ask *How does birth order affect the relationship between a family member's position in the TMT and his or her level of executive compensation in family firms?* (Research question example [RQE1]).

This theoretical framework could also be used to explore whether there are different drivers in the executive compensation of family and nonfamily executives, and how they affect compensation across family firms. After all, some families are characterized by fairness norms that promote the fulfillment of family needs and equality between family members, and others are not. And in business, the prevalent norm is reward based on merit. In this context, it would be important to explore whether position in the family (i.e., older child, younger child) plays a role in how compensation is determined for family members, and the nature of that role. Exploring whether these family characteristics matter in determining executive compensation would address recent calls to better understand the importance of the family system in the family business (Frank et al., 2017; Zachary, 2011). At the same time, it would provide more insights into the performance outcomes of pay dispersion in different types of family firms, which is still a black box. Thus, researchers could address the following by applying the family-niche model of birth order and personality: *How do birth order and the degree of fairness norms within the family system relate to the establishment of an executive compensation system that is perceived as equitable by family and nonfamily executives?* (RQE2), and *how do perceptions of equity in the executive compensation of family members of the TMT relate to firm and TMT performance?* (RQE3).

Higher pay dispersion in TMTs influences team dynamics (Ensley et al., 2007). In particular, the higher the dispersion, the greater potential for affective and cognitive conflict, the lower the cohesion of the team, and the lower the effectiveness of the team. As noted, birth order potentially influences an individual's disposition. When family top management teams of siblings are composed of a wide difference in age, such diversity is likely to enhance the negative effects of team dispersion by creating more conflict due to the age differences between members. Drawing on the family-niche model of birth order and personality, scholars could gain further insights by asking *How does birth order composition of the TMT moderate the relationship between pay dispersion and team dynamics in the family firm?* (RQE4).

Parental control theory identified three dominant parenting styles (authoritarian, authoritative, and permissive) and found that each of the parents' styles had a different impact on the characteristics of their children

Table 2. Sample Research Questions.

#	Research question examples (RQE)	Theoretical framework
1	How does birth order affect the relationship between a family member's position in the TMT and his/her level of executive compensation in family firms?	The family-niche model of birth order and personality (Sulloway, 1996)
2	How do birth order and the degree of fairness norms within the family system relate to the establishment of an executive compensation system that is perceived as equitable by family and nonfamily executives?	
3	How do perceptions of equity in the executive compensation of family members of the TMT relate to firm and TMT performance?	
4	How does birth order composition of the TMT moderate the relationship between pay dispersion and team dynamics in the family firm?	
5	How does the mix of first- and later-born children in the family firm's TMT moderate the relationship between TMT pay dispersion and its outcomes?	Parental control theory (Baumrind, 1967, 1971)
6	How does the dominant parenting style (authoritarian, authoritative, permissive) experienced by team members who are offspring of the previous generation affect the outcomes of TMT pay dispersion?	
7	How does the degree of kinship ties between family members in the dominant family coalition moderate the relationship between the selection and type of executive in the team (family vs. nonfamily) and the level of pay received?	Evolutionary psychology theory and kinship theory (Stewart, 2003)
8	How do kinship ties of family members moderate the relationship between pay fairness perceptions of family members and their degree of stewardship toward the firm?	
9	How is the relationship between incentive-based compensation and business risk-taking by the family CEO moderated by the current stage and norms of the CEO's family life cycle?	Family development theory (Duvall, 1988)
10	Is the relation between executive compensation as a source of extrinsic motivation and the sense of accomplishment associated with attaining its individual-level outcomes as an intrinsic reward moderated by elements of the family system (such as cohesion, family communication patterns, and flexibility)?	Family communications patterns theory (Ritchie & Fitzpatrick, 1990)

CEO = chief executive officer; TMT = top management team.

(Baumrind, 1967, 1971) in terms of self-reliance, control, contentment, and trust. Parenting style not only affects how children behave as adults, but—in addition to the family's social environment—it has implications for how the children would behave relative to others in the family and the family firm. In summary, authoritative (demanding, yet warm) parenting generally leads to self-reliant, self-controlled, and content children, whereas authoritarian parents—detached, controlling and less warm than other parents—have children who are relatively discontent, withdrawn, and distrustful. Finally, the children of permissive parents (neither demanding nor controlling but relatively warm) are the least self-reliant, explorative, and self-controlled (Baumrind, 1971).

The family-niche model of birth order combined with parental control theory may help guide the study of how the best fit between compensation structure and the executive is determined. For example, our review indicated that very little is known concerning the antecedents and consequences of pay dispersion within the family firm TMT. These theories could therefore also be used to explore pay dispersion within family firm top management teams consisting of siblings and children raised by parents with different parenting styles. The mix of first- and later-born children and parenting style may affect the effectiveness of the TMT. Teams composed of all later-born siblings may possess higher levels of openness to experience that allows them to effectively manage ambiguity (Healey & Ellis, 2007). Teams composed of all first-born siblings from across different family units may suffer because their higher levels of conscientiousness and their desire to seek orderliness rather than accept ambiguity may result in all of them maneuvering to be the leader. In mixed teams, first-born siblings may attempt to create order that later-born siblings resist. Children whose parents displayed authoritarian parenting styles may be less trustful of the structure and mechanisms of the executive compensation scheme, while those raised by authoritative parents may possess an achievement orientation that fits well with a merit-based compensation system. The composition of the sibling (or cousin) TMT may thus have a strong impact on the actual outcome of TMT pay dispersion in terms of firm-level (e.g., firm performance), team-level (e.g., team performance), and individual-level outcomes (e.g., justice perceptions) Applying the family-niche model of birth order combined with parental control theory, scholars may seek to answer questions such as *How does the mix of first- and later-born children in the family firm's TMT moderate the relationship between TMT pay dispersion and its outcomes? (RQE5), and How does the dominant parenting style (authoritarian, authoritative, permissive) experienced by team members who are offspring of the previous generation affect the outcomes of TMT pay dispersion? (RQE6).* Multitheoretic studies could use various theoretical perspectives (e.g., family science and more traditional theories such as agency theory) for building individual hypotheses, or to see which theoretical perspectives have greater explanatory power (Boyd & Solarino, 2016). For example, the interaction of birth order and personality with parenting style on executive compensation might be contrasted in future research with predictions emanating from tournament theory (Ensley et al., 2007; Lazear & Rosen, 1981) and equity theory (Deutsch, 1985) in the use of merit-based executive compensation among teams of siblings and the competition for high performance within the TMT.

Evolutionary psychology theory and kinship theory provide family-oriented frames in which to examine the diversity of families that own and operate businesses and to study executive compensation across family firms (Yu et al., 2020). The biological view of kinship ties goes well beyond the close connections of spouses, children, and siblings to consider more distant kin such as cousins, aunts, uncles, in-laws, grandparents, and grandchildren (Stewart, 2003). Evolutionary theory posits that the importance of kinship ties in the family firm assists in understanding how a family's identity connects to the firm, the level of diverse interests between close kin and distant relatives, and how these interests interact (Nicholson, 2015).

Kinship ties can have negative effects on family firm executive compensation and performance (M. Cheng et al., 2015; Miller et al., 2007) by motivating family firm leaders to engage in such activities as nepotism (hiring and promoting family members regardless of merit), increased blurring of the lines between family and nonfamily matters, and pursuit of noneconomic goals (e.g., socioemotional wealth) potentially at the expense of economic objectives (Bertrand & Schoar, 2006; O'Brien et al., 2018). A recent study (Yu et al., 2020) found that—compared with family firms with close kinship ties—family firms with distant kinship ties were more likely to appoint a nonfamily CEO and to pay nonfamily executives lower salaries. Examining employee theft in family firms, O'Brien and colleagues (2018) proposed that genetically related family members receive preferential treatment, and a history of such privileges can lead these employees to misuse company resources. They found that purported genetic relatedness to the owner of a business increased an employee's theft intentions and decreased the expected severity of sanctions. Studies such as these indicate additional research involving evolutionary theory, kinship ties, and executive compensation across family firms is warranted. For example, due to entitlement and altruism that may flow to closely connected family members through their kinship ties, the relation between selection of executive, type of executive, and level of pay may be influenced. This leads to research questions such as *How does the degree of kinship ties between family members in the dominant family coalition moderate the relationship between the selection and type of executive in the team (family vs. nonfamily) and the level of pay received?* (RQE7).

Researchers might also investigate the extent to which kinship ties (e.g., close vs. distant vs. a mixture of each) between TMT family members affect the drivers of pay dispersion as well as the outcomes of pay dispersion; these might include pay satisfaction, justice perceptions, stewardship, and team performance. In some cases, the impact of evolutionary theory and kinship theory may have positive moderating effects. For example, in some instances, the level of pay TMT family members receive for leading the family firm can influence the level of fairness these members perceive and make them less likely to engage in stewardship behavior, which significantly contributes to the well-being of the firm and the family. However, when kinship ties among family members are close, this may reduce the negative relationship between level of pay and stewardship behavior due to the executive's feelings of obligation toward the family. Thus, another interesting research question could be *How do kinship ties of family members moderate the relationship between pay fairness* *perceptions of family member executives and their degree of stewardship toward the firm?* (RQE8).

Family development theory (e.g., Duvall, 1988) considers family transitions as the family moves through life cycle stages, how the development of each family member affects overall family development and vice versa as family norms systematically shift across the family's life cycle (Duvall, 1962). Families that can anticipate changes from one life cycle stage to the next are better equipped to manage transitions among stages. A link between family development stage and financial risk-taking (Chaulk et al., 2003) might be pertinent for top managers who still have children at home and that condition might interact with other factors that influence risk-taking, such as aspects of CEO compensation. For example, the impact of stock options on aggressive risk-taking might be less when executives are still raising family at home. Interestingly, this issue might be considered across all firms, not just family businesses. Other connections between the business life cycle and the family life cycle might affect the forms of executive compensation that are used by the firm as well as the process in which TMT compensation is established in family firms. In this regard, a promising line of inquiry might be the extent to which relationships between stock options and other incentive-based forms of compensation and aggressive risk-taking by the family CEO are moderated by the current stage of family development and the norms guiding decisions made in that stage. This discourse inspires the following research question: *How is the relationship between incentive-based compensation and business risk-taking by the family CEO moderated by the current stage and norms of the CEO's family life cycle?* (RQE9).

Finally, family communication patterns theory considers how communication norms in a family are influenced by in-family patterns of agreement and disagreement within the family (Ritchie & Fitzpatrick, 1990) and the degree to which effective communication through conversation and/or conformity occurs in families. In families that have a high conversational orientation, family members are encouraged to discuss any topic. When a high conformity orientation is present, family members emphasize accepting the same attitudes, values, and beliefs (Fitzpatrick & Ritchie, 1994). This theory—in combination with the *family systems' circumplex model*, which stresses balance among cohesion, flexibility, and communication in a family system (Olson, 2000)—could be used to explore the executive compensation decision-making process and the levels and types of communication that occur through family meetings and written family documents, such as family constitutions and agreements. For example, they can be used to explore what executive compensation means to family members in terms of motivation and rewards. The type of communication patterns and the degree of balance between the family system and the business system provide fertile areas for future research regarding the decision-making process in many family firm activities including the development and implementation of an executive compensation system. Pieper (2010, p. 28) identified the "likely existence of moderating variables that impact the relationship between extrinsic and intrinsic motivation." In our case, executive compensation can be considered a source of extrinsic motivation, and the resulting individual-level behavior and attitudes can be a source of intrinsic motivation for the executive. Based on the discussion above, the communication patterns and the degree of balance between family and business systems might moderate relationships between the motivational effects of executive compensation on the achievement and the value of its individual outcomes. Thus, potential research questions abound. We propose one example: *Is the relation between executive compensation as a source of extrinsic motivation and the sense of accomplishment associated with attaining its individual-level outcomes as an intrinsic reward moderated by elements of the family system (such as cohesion, family communication patterns, and flexibility)?* (RQE 10).

Discussion and Conclusion

This study reviews the literature on executive compensation in family firms and discusses the drivers and outcomes of executive pay levels, pay structure, and pay dispersion. It shows that a focus on publicly traded companies, reliance on secondary data, and extensive agency theory assumptions dominate the field. Guided by reflexivity and creative synthesis (Alvesson & Sandberg, 2020), we hold that current theorizing on executive compensation in family businesses has not sufficiently integrated the role of family dynamics. In this article, we therefore incorporated family science theories to guide future research, as elements of the family system may give us important insights about the family's decision-making processes, the structure, and the outcomes of executive compensation in the family firm. We believe the sample research questions advanced here may inspire researchers to think differently about executive compensation in family firms and to broaden the research focus theoretically and empirically.

Family businesses are characterized by the reciprocal relationship between the family system and the business system (Sharma, 2004). However, much of the research about family businesses so far has been nested within the business system (Combs et al., 2020; Odom et al., 2019). This emphasis is due in part to a reliance on theories that come from business-related scholarship (Combs et al., 2020), and often leads to overly simplistic comparisons between family and nonfamily businesses, ignoring the richness and complexities of family firms (James et al., 2012). This may lead practitioners to perceive academic research on the issue as distant from reality, and therefore to often rely on anecdotal evidence and "best practices" when designing executive compensation policies. Yet, "the gap between best practices and a more thorough understanding of cause and effect may be a rich zone for meaningful academic research, which can explain *why* and *how* certain practices work (or do not work) in specific contexts" (Binz Astrachan et al., 2021, p. 1). To that end, with this article, we encourage researchers to examine executive compensation in family businesses in light of the role of the family system. Research questions abound; we point to several sample research questions based on family science theories that may help researchers better understand the reasons for the previous mixed results in the literature. In addition, this focus might provide additional insight into how family businesses make decision about the compensation of family executives as well as nonfamily executives, and how the family system affects all aspects of the framework (antecedents, decision-making process, and outcomes) (see Figure 1). This way, future research can inform family business advisors and owners on the specific conditions under which certain compensation practices might obtain the desired effects, thereby obtaining an adequate family-practice fit (Binz Astrachan et al., 2021).

To address the research questions advanced in the previous section, some methodological considerations and strategies to guide future research are important to highlight. In addition to the narrow theoretical focus discussed earlier, perhaps the most problematic trend revealed from our review, is one that is shared with general studies of executive compensation (Devers et al., 2007; Gerhart et al., 2009; Gomez-Mejia & Wiseman, 1997). We observed a lack of methodological consistency throughout the different studies of executive compensation in family firms. More specifically, the operationalization of what constitutes "executive compensation," "pay dispersion," "firm performance," or "performance-related pay" varies greatly in the literature we reviewed generating multiple dependent variables across studies. In a field based on theoretical frameworks that specifically discuss the performance-pay and pay-performance relations, this is troubling, and makes it very difficult to compare the findings. Thus, to advance the field and facilitate comparison across studies, future researchers should carefully explain how the variables are measured and employ multiple measures to serve as robustness tests. Similarly, given that performance can be both an important driver and outcome of executive compensation, researchers need to be clear in arguments and measurement to avoid confusion when conducting reviews or meta-analyses.

Most of the data used to study executive compensation issues in family firms come from financial databases. However, a shift in interest toward family dynamics will require researchers to include factors such as emotions, perceptions, and behaviors associated with executive compensation. To incorporate these factors, future research should consider a wider variety of methodologies that can help us better understand this topic. For example, researchers could consider qualitative approaches to understand how executive compensation can affect the motivation of family and nonfamily executives. Researchers could also use experimental research designs to understand some of these dynamics. Another possibility is a multiple respondent approach, which would allow researchers to gain representativeness by forming a consensus-based data set in which method biases caused by individual respondents' affect or mood are reduced (e.g., Chua et al., 1999; Holt et al., 2017; Podsakoff et al., 2003). This means that as we open up this research field, by expanding its focus, we can also expand the type of data and information we can obtain, providing a wider methodological perspective of the field. Finally, future research could also consider multilevel designs and explorations. In the study of predictors, it may be that factors at different levels of analysis drive executive compensation. Thus, we could also employ multilevel methodologies to advance understanding of how these mechanisms affect executive compensation in family firms.

One way to broaden the methodological approaches used is to collect information through interviews or surveys with human resource managers, executives, family members, and board members who can explain the different processes that family businesses follow when determining how both family and nonfamily executives will be paid. A rigorous qualitative research approach could help investigators build and test theory in this important area. It would also be useful to explore the specific governance policies or practices that families and family businesses develop to guide their executive compensation practices, and to what extent this process is formalized and unique. For example, it is useful to understand whether family constitutions stipulate policies regarding compensation of family executives in the firm, and what is tied to compensation of higher level executives in the family firm. Exploration of these issues can promote collaboration from researchers who focus on corporate governance, finance, and human resources within family firms. In addition, findings in these new areas could better inform family business owners as to best practice approaches to the development of compensation packages within the family firm.

One final aspect generally overlooked in this research is the importance that cultural context can bring to our understanding of drivers and outcomes linked to compensation. Some of our findings provide evidence for differences among China, Africa, the United States, and Europe. Thus, it would be important for researchers to employ cultural context to interpret the results they obtain. After all, family systems differ greatly across cultures (Morioka, 1967). For example, in some cultures, entrepreneurs are expected to redistribute their wealth generously among their kin, and failure to do so can lead to painful emotional conflicts (Stewart & Hitt, 2012; Watson, 2007). These norms of cultural kinship, which are often at odds with economic reality, could have a serious impact on family firm executive compensation systems, and would be very interesting to explore.

In sum, as review articles "design trajectories, provide roadmaps that guide academic readers trough convoluted paths and set the direction of travel" (Patriotta, 2020, p. 1276), we hope that our article will stimulate researchers to examine compensation in family businesses in light of the role of the family system to advance family business knowledge and research.

Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

ORCID iDs

Anneleen Michiels https://orcid.org/0000-0002-2417-0106

Isabel C. Botero https://orcid.org/0000-0001-7125-1964

Roland E. Kidwell https://orcid.org/0000-0002-8482-3826

References

Articles included in the review are marked with an asterisk.

Aggarwal, R. K., & Samwick, A. A. (1999). Executive compensation, strategic competition, and relative performance evaluation: Theory and evidence. *The Journal of Finance*, *54*(6), 1999–2043.

Alvesson, M., & Sandberg, J. (2020). The problematizing review: A counterpoint to Elsbach and Van Knippenberg's argument for integrative reviews. *Journal of Management Studies*, *57*(6), 1290–1304.

*Amoako-Adu, B., Baulkaran, V., & Smith, B. F. (2011). Executive compensation in firms with concentrated control: The impact of dual class structure and family management. *Journal of Corporate Finance*, *17*(5), 1580–1594.

Andreini, D., Bettinelli, C., Pedeliento, G., & Apa, R. (2020). How do consumers see firms' family nature? A review of the literature. *Family Business Review*, *33*(1), 18–37.

Bacallao, M. L., & Smokowski, P. R. (2007). The costs of getting ahead: Mexican family system changes after immigration. *Family Relations*, *56*(1), 52–66.

*Baek, H. Y., & Fazio, P. L. (2015). The effect of family ownership and control on equity-based compensation: Evidence from S&P SmallCap firms. *Journal of Family Business Management*, *5*(1), 55–72.

*Banerjee, S., & Homroy, S. (2018). Managerial incentives and strategic choices of firms with different ownership structures. *Journal of Corporate Finance*, *48*, 314–330.

Barkema, H. G., & Pennings, J. M. (1998). Top management pay: Impact of overt and covert power. *Organization Studies*, *19*(6), 975–1003.

*Barnett, T., & Kellermanns, F. W. (2006). Are we family and are we treated as family? Nonfamily employees' perceptions of justice in the family firm. *Entrepreneurship Theory and Practice*, *30*(6), 837–854.

*Barontini, R., & Bozzi, S. (2018). Family firm heterogeneity and CEO compensation in Continental Europe. *Journal of Economics and Business*, *97*, 1–18.

*Basu, S., Hwang, L. S., Mitsudome, T., & Weintrop, J. (2007). Corporate governance, top executive compensation and

firm performance in Japan. *Pacific-Basin Finance Journal*, *15*(1), 56–79.
Baumrind, D. (1967). Child care practices anteceding three patterns of preschool behavior. *Genetic Psychology Monographs*, *75*, 43–88.
Baumrind, D. (1971). Harmonious parents and their preschool children. *Developmental Psychology*, *4*(1), 99–102.
Bebchuk, L. A., Fried, J. M., & Walker, D. I. (2002). Managerial power and rent extraction in the design of executive compensation. *The University of Chicago Law Review*, *69*, 751–846.
*Berrone, P., Makri, M., & Gomez-Mejia, L. R. (2008). Executive compensation in North American high-technology firms: A contextual approach. *The International Journal of Human Resource Management*, *19*(8), 1534–1552.
Bertrand, M., & Schoar, A. (2006). The role of family in family firms. *Journal of Economic Perspectives*, *20*, 73–96.
Bhabra, H. S., & Hossain, A. T. (2018). Does location influence executive compensation? Evidence from Canadian SMEs. *Journal of Management and Governance*, *22*(1), 89–109.
Binz Astrachan, C., Astrachan, J. H., Kotlar, J., & Michiels, A. (2021). Addressing the theory-practice divide in family business research: The case of shareholder agreements. *Journal of Family Business Strategy*, *12*(1), 100395.
*Block, J. H. (2011). How to pay nonfamily managers in large family firms: A principal—Agent model. *Family Business Review*, *24*(1), 9–27.
Boyd, B. K., & Solarino, A. M. (2016). Ownership of corporations: A review, synthesis, and research agenda. *Journal of Management*, *42*(5), 1282–1314.
*Bozzi, S., Barontini, R., & Miroshnychenko, I. (2017). Investor protection and CEO compensation in family firms. *Corporate Ownership and Control*, *14*(2), 17–29.
Broderick, C. B. (1993). *Understanding family process: Basics of family systems theory*. SAGE.
Cai, H., Li, H., Park, A., & Zhou, L.-A. (2013). Family ties and organizational design: Evidence from Chinese private firms. *Review of Economics and Statistics*, *95*(3), 850–867.
Calabrò, A., Vecchiarini, M., Gast, J., Campopiano, G., De Massis, A., & Kraus, S. (2019). Innovation in family firms: A systematic literature review and guidance for future research. *International Journal of Management Reviews*, *21*(3), 317–355.
Campbell, R. J., Jeong, S.-H., & Graffin, S. D. (2019). Born to take risk? The effect of CEO birth order on strategic risk taking. *Academy of Management Journal*, *62*(4), 1278–1306.
*Carlson, D. S., Upton, N., & Seaman, S. (2006). The impact of human resource practices and compensation design on performance: An analysis of family-owned SMEs. *Journal of Small Business Management*, *44*(4), 531–543.
Chandler, G. N. (2015). Control structures used in family business to manage wealth: Operationalization of antecedent and outcome variables. *Entrepreneurship Theory and Practice*, *39*(6), 1305–1312.
Chaulk, B., Johnson, P. J., & Bulcroft, R. (2003). Effects of marriage and children on financial risk tolerance: A synthesis of family development and prospect theory. *Journal of Family and Economic Issues*, *24*(3), 257–279.
*Chen, C.-J., Hsu, C.-Y., & Chen, Y.-L. (2014). The impact of family control on the top management compensation mix and incentive orientation. *International Review of Economics & Finance*, *32*, 29–46.
*Chen, Y.-C., & Chu, H.-L. (2020). Empirical research on the function of compensation committees: The influence of family control and professional managers. *Asia-Pacific Journal of Accounting & Economics*, *27*, 51–70.
*Chen, Y.-M., Liu, H.-H., Yang, Y.-K., & Chen, W.-H. (2016). CEO succession in family firms: Stewardship perspective in the pre-succession context. *Journal of Business Research*, *69*(11), 5111–5116.
*Cheng, M., Lin, B., & Wei, M. (2015). Executive compensation in family firms: The effect of multiple family members. *Journal of Corporate Finance*, *32*, 238–257.
*Cheng, S., & Firth, M. (2006). Family ownership, corporate governance, and top executive compensation. *Managerial and Decision Economics*, *27*(7), 549–561.
*Cheong, J., & Kim, W. (2019). Family pay premium in large business group firms. *Emerging Markets Finance and Trade*, *55*(10), 2314–2333.
*Cheung, Y.-L., Stouraitis, A., & Wong, A. W. (2005). Ownership concentration and executive compensation in closely held firms: Evidence from Hong Kong. *Journal of Empirical Finance*, *12*(4), 511–532.
Chourou, L. (2010). Compensation of owner managers in Canadian family-owned businesses: Expropriation of minority shareholders. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*, *27*(2), 95–106.
*Chrisman, J. J., Chua, J. H., Kellermanns, F. W., & Chang, E. P. C. (2007). Are family managers agents or stewards? An exploratory study in privately held family firms. *Journal of Business Research*, *60*(10), 1030–1038. https://doi.org/10.1016/j.jbusres.2006.12.011
*Chrisman, J. J., Memili, E., & Misra, K. (2014). Nonfamily managers, family firms, and the winner's curse: The influence of noneconomic goals and bounded rationality. *Entrepreneurship Theory and Practice*, *38*(5), 1103–1127.
*Chua, J. H., Chrisman, J. J., & Bergiel, E. B. (2009). An agency theoretic analysis of the professionalized family firm. *Entrepreneurship Theory and Practice*, *33*(2), 355–372.

Chua, J. H., Chrisman, J. J., & Sharma, P. (1999). Defining the family business by behavior. *Entrepreneurship: Theory and Practice*, *23*(4), 19–39.

Chua, J. H., Chrisman, J. J., Steier, L. P., & Rau, S. B. (2012). Sources of heterogeneity in family firms: An introduction. *Entrepreneurship Theory and Practice*, *36*(6), 1103–1113.

*Cohen, S., & Lauterbach, B. (2008). Differences in pay between owner and non-owner CEOs: Evidence from Israel. *Journal of Multinational Financial Management*, *18*(1), 4–15.

*Combs, J. G., Penney, C. R., Crook, T. R., & Short, J. C. (2010). The impact of family representation on CEO compensation. *Entrepreneurship Theory and Practice*, *34*(6), 1125–1144.

Combs, J. G., Shanine, K. K., Burrows, S., Allen, J. S., & Pounds, T. W. (2020). What do we know about business families? Setting the stage for leveraging family science theories. *Family Business Review*, *33*(1), 38–63. https://doi.org/10.1177/0894486519863508

*Croci, E., Gonenc, H., & Ozkan, N. (2012). CEO compensation, family control, and institutional investors in Continental Europe. *Journal of Banking & Finance*, *36*(12), 3318–3335.

Cruz, C., Firfiray, S., & Gomez-Mejia, L. R. (2011). Socioemotional wealth and human resource management (HRM) in family-controlled firms. In A. Joshi, J. Martocchio, & H. Liao (Eds.), *Research in personnel and human resources management* (pp. 159–217). Emerald Group.

*Cui, V., Ding, S., Liu, M., & Wu, Z. (2018). Revisiting the effect of family involvement on corporate social responsibility: A behavioral agency perspective. *Journal of Business Ethics*, *152*(1), 291–309.

Daspit, J. J., Madison, K., Barnett, T., & Long, R. G. (2018). The emergence of bifurcation bias from unbalanced families: Examining HR practices in the family firm using circumplex theory. *Human Resource Management Review*, *28*, 18–32.

David, R. J., & Han, S. K. (2004). A systematic assessment of the empirical support for transaction cost economics. *Strategic Management Journal*, *25*(1), 39–58.

*De Cesari, A., Gonenc, H., & Ozkan, N. (2016). The effects of corporate acquisitions on CEO compensation and CEO turnover of family firms. *Journal of Corporate Finance*, *38*, 294–317.

de Kok, J., Uhlaner, L. M., & Thurik, A. R. (2006). Professional HRM practices in family owned-managed enterprises. *Journal of Small Business Management*, *44*(3), 441–460.

Demski, J. S., & Feltham, G. A. (1978). Economic incentives in budgetary control systems. *The Accounting Review*, *53*, 336–359.

Deutsch, M. (1985). *Distributive justice: A social-psychological perspective*. Yale University Press.

Devers, C. E., Cannella, A. A., Reilly, G. P., & Yoder, M. E. (2007). Executive compensation: A multidisciplinary review of recent developments. *Journal of Management*, *33*(6), 1016–1072. https://doi.org/10.1177/0149206307308588

*Dressler, J. B., & Tauer, L. (2015). Socioemotional wealth in the family farm. *Agricultural Finance Review*, *75*(3), 403–415.

Duvall, E. M. (1962). *Family development* (2nd ed.). Lippincott.

Duvall, E. M. (1988). Family development's first forty years. *Family Relations*, *37*, 127–134.

Edmans, A., Gabai, X., & Genter, D. (2017). Exeuctive compensation: A survey of theory and evidence. *The Handbook of Ecobnomics and Corporate Governance*, *1*, 383–359.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, *14*(1), 57–74.

*Ensley, M. D., Pearson, A. W., & Sardeshmukh, S. R. (2007). The negative consequences of pay dispersion in family and non-family top management teams: An exploratory analysis of new venture, high-growth firms. *Journal of Business Research*, *60*(10), 1039–1047. https://doi.org/10.1016/j.jbusres.2006.12.012

*Farrell, K. A., & Winters, D. B. (2008). An analysis of executive compensation in small businesses. *The Journal of Entrepreneurial Finance*, *12*(3), 1–21.

Finkelstein, S., Hambrick, D. C., & Cannella, A. A. (2009). *Strategic leadership*. Oxford University Press.

Fitzpatrick, M. A., & Ritchie, L. D. (1994). Communication schemata within the family: Multiple perspectives on family interaction. *Human Communication Research*, *20*(3), 275–301.

Frank, H., Kessler, A., Rusch, T., Suess-Reyes, J., & Weismeier-Sammer, D. (2017). Capturing the familiness of family businesses: Development of the Family Influence Familiness Scale (FIFS). *Entrepreneurship Theory and Practice*, *41*(5), 709–742.

*Gallego, F., & Larrain, B. (2012). CEO compensation and large shareholders: Evidence from emerging markets. *Journal of Comparative Economics*, *40*(4), 621–642.

Gerhart, B., Rynes, S. L., & Fulmer, I. S. (2009). 6 pay and performance: Individuals, groups, and executives. *Academy of Management Annals*, *3*(1), 251–315.

*Goh, L., Joos, P., & Soonawalla, K. (2016). Determinants and valuation implications of compulsory stock option disclosures in a weak regulatory setting—The case of France. *Journal of International Financial Management & Accounting*, *27*(1), 26–64.

Gomez-Mejia, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The bind that ties: Socioemotional wealth preservation in family firms. *Academy of Management Annals*, *5*(1), 653–707.

*Gomez-Mejia, L. R., Larraza-Kintana, M., & Makri, M. (2003). The determinants of executive compensation in family-controlled public corporations. *Academy of Management Journal*, *46*(2), 226–237.

*Gomez-Mejia, L. R., Neacsu, I., & Martin, G. (2019). CEO risk-taking and socioemotional wealth: The behavioral agency model, family control, and CEO option wealth. *Journal of Management*, *45*(4), 1713–1738.

Gomez-Mejia, L. R., & Wiseman, R. M. (1997). Reframing executive compensation: An assessment and outlook. *Journal of Management*, *23*(3), 291–374.

*Grabke-Rundell, A., & Gomez-Mejia, L. R. (2002). Power as a determinant of executive compensation. *Human Resource Management Review*, *12*(1), 3–23.

*Graziano, C., & Rondi, L. (2021). Product market competition, executive compensation, and CEO family ties. *Review of Industrial Organization*, *58*, 357–397.

Healey, M. D., & Ellis, B. J. (2007). Birth order, conscientiousness, and openness to experience: Tests of the family-niche model of personality using a within-family methodology. *Evolution and Human Behavior*, *28*(1), 55–59.

Holt, D. T., Madison, K., & Kellermanns, F. W. (2017). Variance in family members' assessments: The importance of dispersion modeling in family firm research. *Family Business Review*, *30*(1), 61–83.

*Hsieh, C., Pandey, V., & Wang, H. (2019). Executive compensation of immigrant-founder firms in the USA. *International Journal of Managerial Finance*, *15*, 546–563.

James, A. E., Jennings, J. E., & Breitkreuz, R. S. (2012). Worlds apart? Rebridging the distance between family science and family business research. *Family Business Review*, *25*(1), 87–108.

*James, A. E., Jennings, J. E., & Jennings, P. D. (2017). Is it better to govern managers via agency or stewardship? Examining asymmetries by family versus nonfamily affiliation. *Family Business Review*, *30*(3), 262–283.

*Jaskiewicz, P., Block, J. H., Combs, J. G., & Miller, D. (2017). The effects of founder and family ownership on hired CEOs' incentives and firm performance. *Entrepreneurship Theory and Practice*, *41*(1), 73–103.

*Jaskiewicz, P., Block, J. H., Miller, D., & Combs, J. G. (2017). Founder versus family owners' impact on pay dispersion among non-CEO top managers: Implications for firm performance. *Journal of Management*, *43*(5), 1524–1552.

Jaskiewicz, P., Combs, J. G., & Rau, S. B. (2015). Entrepreneurial legacy: Toward a theory of how some family firms nurture transgenerational entrepreneurship. *Journal of Business Venturing*, *30*(1), 29–49.

Jaskiewicz, P., Combs, J. G., Shanine, K. K., & Kacmar, K. M. (2017). Introducing the family: A review of family science with implications for management research. *Academy of Management Annals*, *11*(1), 309–341.

Jensen, M. C., & Meckling, W. H. (1976). Theory of firm—Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360.

*Jong, L., & Ho, P.-L. (2019). Family directors, independent directors, remuneration committee and executive remuneration in Malaysian listed family firms. *Asian Review of Accounting*, *28*, 24–47.

Kidwell, R. E., Cox, K. C., & Kloepfer, K. E. (2019). The diversity of deviance: How it can hurt (and help) families and family firms. In E. Memili & C. Dibrell (Eds.), *The Palgrave handbook of heterogeneity among family firms* (pp. 643–672). Springer.

*Kim, H., & Han, S. H. (2018). Compensation structure of family business groups. *Pacific-Basin Finance Journal*, *51*, 376–391.

Klein, S., & Bell, F.-A. (2007). Non-family executives in family businesses: A literature review. *Electronic Journal of Family Business Studies*, *1*. https://jyx.jyu.fi/handle/123456789/20248

*Lam, T.-y., & Lee, S.-k. (2012). Family ownership, board committees and firm performance: Evidence from Hong Kong. *Corporate Governance: The International Journal of Business in Society*, *12*(3), 353–366.

*Lansberg, I. S. (1983). Managing human resources in family firms: The problem of institutional overlap. *Organizational Dynamics*, *12*(1), 39–46.

Lazear, E. P., & Rosen, S. (1981). Rank-order tournaments as optimum labor contracts. *Journal of Political Economy*, *89*(5), 841–864.

*Mazur, M., & Wu, B. (2016). Founding family firms, CEO incentive pay, and dual agency problems. *Journal of Small Business Management*, *54*(4), 1099–1125.

*McConaughy, D. L. (2000). Family CEOs vs. nonfamily CEOs in the family controlled firm: An examination of the level and sensitivity of pay to performance. *Family Business Review*, *13*(2), 121–131.

*Memili, E., Misra, K., Chang, E. P., & Chrisman, J. J. (2013). The propensity to use incentive compensation for non-family managers in SME family firms. *Journal of Family Business Management*, *3*(1), 62–80.

Michiels, A., & Molly, V. (2017). Financing decisions in family businesses: A review and suggestions for developing the field. *Family Business Review*, *30*(4), 369–399.

*Michiels, A., Voordeckers, W., Lybaert, N., & Steijvers, T. (2013). CEO compensation in private family firms: Pay-for-performance and the moderating role of ownership and management. *Family Business Review*, *26*(2), 140–160.

Miller, D., Le Breton-Miller, I., Lester, R., & Cannella, A., Jr. (2007). Are family firms really superior performers? *Journal of Corporate Finance*, *13*, 829–858.

Morioka, K. (1967). Life cycle patterns in Japan, China, and the United States. *Journal of Marriage and Family*, *29*(3), 595–606.

*Navarro, M. S., & Ansón, S. G. (2009). Do families shape corporate governance structures? *Journal of Management & Organization*, *15*(3), 327–345.

Nicholson, N. (2015). Primal business: Evolution, kinship, and the family firm. In S. M. Colarelli & R. D. Arvey (Eds.), *The biological foundations of organizational behavior* (pp. 237–267). The University of Chicago Press.

Nyantakyi, E. B. (2016). Family ties, firm performance and managerial compensations in African SMEs. *Small Business Economics*, *46*(3), 493–501.

O'Brien, K. E., Minjock, R. M., Colarelli, S. M., & Yang, C. (2018). Kinship ties and employee theft perceptions in family-owned businesses. *European Management Journal*, *36*, 421–430.

Odom, D. L., Chang, E. P., Chrisman, J. J., Sharma, P., & Steier, L. (2019). The most influential family business articles from 2006 to 2013 using five theoretical perspectives. In E. Memili & C. Dibrell (Eds.), *The Palgrave handbook of heterogeneity among family firms* (pp. 41–67). Springer.

Olson, D. H. (2000). Circumplex model of marital and family systems. *Journal of Family Therapy*, *22*(2), 144–167.

*Pagliarussi, M. S., & Costa, C. (2017). Identity in family firms: A theoretical analysis of incentives and contracts. *BAR—Brazilian Administration Review*, *14*(3), 2–25.

*Patel, P. C., & Cooper, D. (2014). Structural power equality between family and non-family TMT members and the performance of family firms. *Academy of Management Journal*, *57*(6), 1624–1649.

Patriotta, G. (2020). Writing impactful review articles. *Journal of Management Studies*, *57*(6), 1272–1276.

Paulhus, D. L., Trapnell, P. D., & Chen, D. (1999). Birth order effects on personality and achievement within families. *Psychological Science*, *10*(6), 482–488.

Payne, G. T. (2018). *Reflections on family business research: Considering domains and theory*. SAGE.

*Perry, J., Ring, J. K., Matherne, C. F., & Markova, G. (2013). Ethical human resource practices from the perspective of family ownership. *Academy of Management Proceedings*, *2013*. https://journals.aom.org/doi/abs/10.5465/ambpp.2013.172

Pieper, T. M. (2010). Non solus: Toward a psychology of family business. *Journal of Family Business Strategy*, *1*(1), 26–39.

Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y., & Podsakoff, N. P. (2003). Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, *88*(5), 879–903.

Pooser, D. M., Wang, P., & Barrese, J. (2017). A governance study of corporate ownership in the insurance industry. *Journal of Insurance Issues*, *40*, 23–60.

Qiu, H., & Freel, M. (2020). Managing family-related conflicts in family businesses: A review and research agenda. *Family Business Review*, *33*(1), 90–113.

*Ramaswamy, K., Veliyath, R., & Gomes, L. (2000). A study of the determinants of CEO compensation in India. *Management International Review*, *40*, 167–191.

Ritchie, L. D., & Fitzpatrick, M. A. (1990). Family communication patterns: Measuring intrapersonal perceptions of interpersonal relationships. *Communication Research*, *17*(4), 523–544.

Schulze, W. S., Lubatkin, M. H., & Dino, R. N. (2003). Exploring the agency consequences of ownership dispersion among the directors of private family firms. *Academy of Management Journal*, *46*(2), 179–194.

Sharma, P. (2004). An overview of the field of family business studies: Current status and directions for the future. *Family Business Review*, *17*(1), 1–36.

Sharma, P., Chrisman, J. J., & Chua, J. H. (1997). Strategic management of the family business: Past research and future challenges. *Family Business Review*, *10*(1), 1–35.

Sharma, P., Chrisman, J. J., Chua, J. H., & Steier, L. P. (2019). Family firm behavior from a psychological perspective. *Entrepreneurship Theory and Practice*, *44*, 3–19.

*Sharma, Z., & Huang, W. (2014). When do pay spreads influence firm value? *Applied Financial Economics*, *24*(11), 723–737.

*Speckbacher, G., & Wentges, P. (2012). The impact of family control on the use of performance measures in strategic target setting and incentive compensation: A research note. *Management Accounting Research*, *23*(1), 34–46.

Stewart, A. (2003). Help one another, use one another: Toward an anthropology of family business. *Entrepreneurship Theory and Practice*, *27*(4), 383–396.

Stewart, A., & Hitt, M. A. (2012). Why can't a family business be more like a nonfamily business? Modes of professionalization in family firms. *Family Business Review*, *25*(1), 58–86.

Sulloway, F. J. (1996). *Born to rebel: Birth order, family dynamics, and creative lives*. Pantheon Books.

Tabor, W., Chrisman, J. J., Madison, K., & Vardaman, J. M. (2018). Nonfamily members in family firms: A review and future research agenda. *Family Business Review*, *31*(1), 54–79.

Tagiuri, R., & Davis, J. (1996). Bivalent attributes of the family firm. *Family Business Review*, *9*(2), 199–208.

*Tang, H. (2014). Are CEO stock option grants optimal? Evidence from family firms and non-family firms around the Sarbanes–Oxley Act. *Review of Quantitative Finance and Accounting*, *42*(2), 251–292.

*Tinaikar, S. (2014). Voluntary disclosure and ownership structure: An analysis of dual class firms. *Journal of Management and Governance*, *18*(2), 373–417.
*Tiscini, R., & Raoli, E. (2013). Stock option plan practices in family firms: The idiosyncratic private benefits approach. *Journal of Family Business Strategy*, *4*(2), 93–105.
Tranfield, D., Denyer, D., & Smart, P. (2003). Towards a methodology for developing evidence-informed management knowledge by means of systematic review. *British Journal of Management*, *14*(3), 207–222.
*Tsao, S.-M., Lin, C.-H., & Chen, V. Y. (2015). Family ownership as a moderator between R&D investments and CEO compensation. *Journal of Business Research*, *68*(3), 599–606.
*Veliyath, R., & Ramaswamy, K. (2000). Social embeddedness, overt and covert power, and their effects on CEO pay: An empirical examination among family businesses in India. *Family Business Review*, *13*(4), 293–312.
*Wang, H.-D., Lin, C.-H., & Cho, C.-C. (2020). The dark and bright sides of agency problems: Evidence from insider compensation of family pyramidal firms. *Asia Pacific Management Review*, *25*, 122–133.
Watson, R. S. (2007). *Inequality among brothers: Class and kinship in South China*. Cambridge University Press.
*Wu, B., & Mazur, M. (2018). Managerial incentives and investment policy in family firms: Evidence from a structural analysis. *Journal of Small Business Management*, *56*(4), 618–657.
*Yarram, S. R., & Adapa, S. (2020). Does family ownership matter in executive pay design? *Personnel Review*, *50*, 880–899.
*Young, C. S., & Tsai, L. C. (2008). The sensitivity of compensation to social capital: Family CEOs vs. nonfamily CEOs in the family business groups. *Journal of Business Research*, *61*(4), 363–374. https://doi.org/10.1016/j.jbusres.2007.07.022
*Yu, X., Stanley, L., Li, Y., Eddleston, K. A., & Kellermanns, F. W. (2020). The invisible hand of evolutionary psychology: The importance of kinship in first-generation family firms. *Entrepreneurship Theory and Practice*, *44*, 134–157.
Zachary, R. K. (2011). The importance of the family system in family business. *Journal of Family Business Management*, *1*(1), 26–36.
Zellweger, T., Sieger, P., & Halter, F. (2011). Should I stay or should I go? Career choice intentions of students with family business background. *Journal of Business Venturing*, *26*(5), 521–536.

Author Biographies

Anneleen Michiels, PhD, is an Associate Professor of Finance and Family business at the Research Center for Entrepreneurship and Family firms at Hasselt University, Belgium. She is a former chair of the Strategic Interest Group on Family Business Research at the European Academy of Management and a past Scholar in Residence at the Family Owned Business Institute. Her research focuses on the influence of money on the family business and the business family and is published in academic as well as practitioner-oriented journals.

Isabel C. Botero, PhD, is a faculty member at the University of Louisville. She is a fellow at Family Firm Institute, a Certified Exit Planning Advisor, and has an Advanced Certificate in Family Wealth Advising. Her research focuses on strategic processes, governance, and next-generation issues in family enterprises. She is an associate editor for the journal of family business strategy and a past Scholar in Residence at the Family Owned Business Institute. Her work is published in management, communication, and family business journals.

Roland E. Kidwell, PhD, Louisiana State University, is DeSantis Distinguished Professor of Management, chair of the Management Programs Department, and director of the Adams Center for Entrepreneurship in the College of Business at Florida Atlantic University. His research focuses on executive compensation, succession, and dysfunctional behavior in family firms. His work has appeared in the *Academy of Management Review*, *Journal of Management*, *Journal of Business Venturing*, *Entrepreneurship Theory and Practice*, *Human Resource Management*, and other journals.