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Editorial Statement

Family Business and SMEs

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Family firms and SMEs (small and medium-sized enterprises) contribute about 70 to 90 percent of global GDP (McKinsey & Company, 2014) and the lion's share in job creation, and represent a growing area of research. For instance, scholars have looked into whether family firms have distinct goals, approach towards risks, governance structures and strategies, and whether they outperform nonfamily firms and why (Schulze & Gedajlovic, 2010). While research on family business and SMEs is still relatively not in the spotlight, such research in emerging and transitional economies is even more lacking. However, these firms play a critical role in their countries, if not more so than in mature markets. For example, family businesses contribute to about 60 percent of the aggregate GNP in Latin America. In China, about 67% of the firms were non-state owned and non-state-owned firms contributed to 47% of the R&D in 2017 (Report of the Top 500 Firms in China, 2017). The majority of these firms are family businesses and/or SMEs.

We call for more research on family firms and SMEs in emerging and transitional markets. The institutional void perspective on emerging/transitional markets suggests the unique challenges these firms face in such contexts, such as the regulatory risks, weak law enforcement, and lack of market intermediaries (Khanna & Palepu, 1997). In addition, these firms are subject to multiple institutional pressures from the state, traditional culture as well as the influences from globalization (Luo, Wang, & Zhang, 2017). In some transitional markets such as China, family firms have suffered from a legitimacy deficit and hence faced added difficulties in resource acquisition (Li, Chen, Chua, Kirkman, Rynes-Weller, & Gomez-Mejia, 2015).

Rigorous research is thus needed to shed light on how family firms and SMEs cope with the challenges and respond to the opportunities in such uncertain and fast-evolving markets with weak market institutions and multiple institutional pressures. Prior studies have suggested that the family relationships and ties built with other firms and political officials helped to substitute the weak market institutions and improve firm performance (e.g., Luo & Chung, 2013; Peng & Luo, 2000). But will such relationships also subject firms to risks and how do the firms tackle the risks? Why do some of them fail and others rise to be sector leaders? What are the different routes of scale-up? What are these firms' innovation strategies? How do they prevent themselves from being copied and achieve sustainability? How do they attract and retain talents? Do they pursue internationalization and how is it different from such strategies of nonfamily or large firms or their counterparts in mature markets? How do these firms manage diverse stakeholders in their environment such as customers, supply chain partners, the state, and community? These are some examples of important questions we can ask.

We seek studies on single or multiple emerging/transitional markets, or comparative research (i.e., comparing family firms or SMEs in emerging vs. mature markets). Different theoretical perspectives and research methods are welcome. Contribution to both theory and practice is a key requirement. The contexts of emerging/transitional markets will help to extend our management and organization theories, and we hope to attract studies that have significant managerial or policy implications.

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