

Title: Blood and Water: IT Investment and Control in Family-Owned Businesses

Speaker: Prasanna Karhade, The Chinese University of Hong Kong

Area: Strategy

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Abstract:

Family-owned businesses differ in their strategic intent and behavior as they serve as a reservoir of wealth and social status for their family owners. Family-owned businesses demonstrate relatively conservative strategic decision making that aspires long-term wealth preservation and enhancement. For family owners, investments in information technology (IT) raise a predicament as they are risky, yet a long-term imperative. We propose three hypotheses that build upon the thesis that family owners combine a deep understanding of the business with a strong influence on stakeholders within and beyond the firm's boundaries to exert strategic control in the extended enterprise. First, family ownership negatively influences IT investment, because family owners are likely to avoid investments in IT that are frivolous, reduce information asymmetry, or leave auditable digital trails. Second, the negative influence of family ownership on IT investment is weakened when a career professional is appointed in the senior-most executive position of a family-owned business. This is because professional executives strive to utilize IT for control and performance benefits, and family owners desire to use IT to monitor and control the non-family professional executive. Third, family ownership weakens the negative influence of environmental hostility on the relationship between IT investment and firm performance, as family-owned businesses incur less dynamic adjustment costs and maintain better alignment between IT and business strategy. Empirical analysis, consisting of panel regression estimations, on archival data of publicly listed Indian firms in the years 2006 to 2018 provides support for our theory that highlights how IT for control acts as a noneconomic motivation for the strategic IT behavior of firms. In doing so, we bring family ownership into the theoretical foreground for future IS scholarship. We contribute to theory and practice by advancing the nature of ownership and executive management as sources of heterogeneity in IT investment and its business value.

Speaker Profile:



Prof. Prasanna Karhade joined the CUHK Business School as an Associate Professor in the Department of Decision Sciences and Managerial Economics in August 2022. Prof. Karhade is interested in digital innovation, design thinking and entrepreneurship. His research has been published in MIS Quarterly, Information Systems Research, and Journal of Management Information Systems. He has currently started an ambitious research programme on micro-financing in GREAT (growing, rural, eastern, aspirational, and transitional) economies. Prof. Karhade loves hiking, poetry & meditation. Prasanna means happiness and so there is no incorrect

way to pronounce Prasanna — as long as you do it with a smile.

Teaching Areas: Digital Innovation, Entrepreneurship, FinTech

Research Interests: Digital Innovation & Entrepreneurship, Digital Platforms & Decolonization, Governance & Control of IT in Family Business

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