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Could Nosy Family Members Be a Competitive Advantage? Familiness and Performance in Mexican Family Firms

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Introduction

Nosy relatives at times can be an asset given their excessive involvement in family business (FB) operations. This is one way to understand "familiness." Habbershon and Williams (1999) introduced the concept of familiness, and they define it "as the unique bundle of resources a particular firm has because of the systems interactions between the family, its members, and the business" (p. 11). They suggest that family involvement leads to familiness, which can be viewed as a unique, inseparable, and synergistic resource and capability arising from family participation and interactions. Chrisman et al. (2003b) later described the concept as the "resources and capabilities related to family involvement and interactions" (p. 468). Familiness is proposed as a source of competitive advantage that generates firm wealth and creates value. For this work, *familiness describes the positive influence of family involvement in the company* (Pearson et al. 2008).

We consider that the understanding of the construct of familiness and its effects on the goals, behaviors, and performance of family businesses is a prerequisite for furthering theoretical knowledge on family business (Hack 2009).

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E. Memili, C. Dibrell (eds.), *The Palgrave Handbook of Heterogeneity among Family Firms*,
https://doi.org/10.1007/978-3-319-77676-7_34

Specialized literature has identified several unique resources that are frequently referred to as the "familiness" of the firm (Cabrera-Suarez et al. 2001). Familiness has become a widely acknowledged and popular construct among family business researchers (Chrisman et al. 2003a; Habbershon and Williams 1999; Moores and Craig 2005; Nordqvist 2005; Matz and Ireland 2013). However, the sources and types of familiness are yet to be understood (Chrisman et al. 2003a). The construct itself—its dimensions, antecedents, and consequences—has been left almost unattended in the field (Sharma and Zahra 2004) and familiness remains a somewhat ambiguous concept (Moores 2009; Zellweger et al. 2010; Pearson et al. 2008; Rutherford et al. 2008).

Sharma (2008)—as well as Chrisman et al. (2005)—called for research to identify the uniqueness of family firms, focusing on how family involvement is an important element of company distinctiveness. Zellweger et al. (2010) contend that familiness is a multi-dimensional construct that needs to be better understood as it can affect the competitive advantage of family firms. The full specification of the familiness construct remains an active area of research (Pearson et al. 2008). For our purposes, familiness can be viewed as a continuous concept ranging from firms with very high family involvement having a strong familiness resource set (i.e., many unique family firm resources) to companies with no family involvement and thus having no familiness resources. Characterizing familiness as continuous in nature rather than strictly a dichotomy between family and nonfamily captures the variability of familiness as a resource across family firms (Habbershon and Williams 1999). Furthermore, this characterization helps capture the overall unique essence of family firms, in line with other researchers who have employed similar concepts of family involvement, family influence, and family control (Konig et al. 2013).

Some scholars have recently proposed that, considering the dynamics of overlapping family and business systems, organizational identity may be a key source of competitive advantage for family firms (Sundaramurthy and Kreiner 2008: 416). Adding organizational identity to the components of involvement and essence approaches to explaining family firm performance seems warranted, given preliminary research by Zellweger and Kellermanns (2008) showing that identity concerns in family firms explain a significant portion of performance variance within these types of businesses. Moreover, departing from the components of involvement and essence approaches, Eddleston (2009) argued that family involvement was based on family configuration and explained how some family firms are particularly proficient at creating a competitive advantage. In accordance with this author, we perceive family business as heterogeneous and acknowledge that while some families can be assets to an enterprise and build familiness, other families could be characterized more as liabilities.

To understand familiness, we need to identify the core dimensions that constitute the construct; otherwise, it risks remaining a broad concept that lacks conceptual clarity (Lambrecht and Korainen 2009). Therefore, the purpose of this chapter is to provide conceptual clarity by identifying the main dimensions of this family business resource. In this chapter, we offer an overview of family firms in Mexico and subsequently review the effects of familiness on company performance using the resource-based view approach, employed to explain theoretically the distinct competitive advantage resulting from familiness. In doing so, we take familiness from a conceptual construct to a more measurable dimension. Afterwards, we go on to outline the method adopted for our research design, then report the results and present a discussion of their implications. Finally, we conclude with limitations and suggestions for future studies.

The importance of our study is that each dimension used in our research (human resources, organizational resources, and process resources) is related to the way each company uses and transforms each one of the resources. Therefore, instead of considering the construct "familiness" as a resource, we can consider it a capability of the company. Our work aims to complement the content of familiness construct. We identify the three dimensions of familiness that can serve as dimensions in future researches.

Theoretical Background and Hypothesis Development

Family Firms in Mexico

Family-owned firms are the main form of business organization in Latin American countries, a phenomenon which has been true for some time, even among large listed companies. The presence of family groups among owners of such businesses is notable (La Porta et al. 1999; Castañeda 2000; Santiago and Brown 2009), with control being exercised through the use of pyramidal structures that enable controlling shareholders to separate their voting and cash flow rights (Mendes and Mazzer 2005). The family who owns the business usually plays an active role in management (La Porta et al. 1999), with over 90% of the 33 largest businesses in Latin America being family-owned and managed (La Porta et al. 1999) in the early 2000s.

Family businesses generate 60% of Latin America's gross domestic product (GDP) and employ 70% of the workforce in the region. If the management of these companies is broken down into generations, it can be seen that 47%

are managed by the first generation, 29% by the second generation, 14% are jointly managed by the first and second generations simultaneously, and only 10% are led by the third or fourth generation (E&Y 2014).

In Latin America, particularly in Mexico, family firms are smaller and younger than their counterparts in the rest of the world: almost half of them are in fact first-generation controlled. Research shows that there is both centralized decision-making and a lack of strategic planning (Burgoa et al. 2013; Durán and San Martín 2013). This situation implies a major problem for Latin American entrepreneurs because they need faster and more modern organizational systems to compete globally. However, only 15 years ago, it was unusual for a Latin American family company to have an international presence. Since then, several regional champions have internationalized their businesses in a series of well-planned opportunistic moves, as is the case with the following Mexican family firms: Bimbo, América Móvil, Cemex, and Televisa.

Regardless of size, Mexican family firms are owned and managed by one or more families or descendants of the founding family. As mentioned in a previous work (Ramírez Solís et al. 2016), five of the top ten biggest companies in Mexico are family businesses (Expansion 2015). These companies are América Móvil, Cemex, FEMSA, Telmex, and Telcel. The other five companies in the top ten are Pemex, CFE (government companies), Walmart, GM, and BBVA-Bancomer (Global Companies) (Avendaño et al. 2009). More than 90% of firms listed on the Mexican Stock Exchange (*Bolsa Mexicana de Valores* or *BMV*, in Spanish) have clear family representation in both capital and control (KPMG 2013).

In Mexico, micro and small and medium-sized (SMEs) enterprises represent 99.8% of total businesses, contribute 52% of GDP, and generate more than 71.9% of jobs (INEGI 2010). According to the SME Observatory (*Observatorio Pyme*, in Spanish), 65% of these companies are family businesses (CIPI 2003), meaning that family businesses represent the largest number of enterprises that currently exist in Mexico. Additionally, 60% of jobs are generated by FB, and they contribute half of the gross domestic product (GDP); around 90% of the more than three million businesses are managed by a family. According to the National Institute of Statistics, Geography, and Informatics (*INEGI*, in Spanish), 57% of these companies have been in existence for less than five years, and these small, more recently founded enterprises are comprised of one family and several non-related workers. They also experience family conflicts in the course of their day-to-day operations, with the younger generations facing more challenges than the founders (García Fuentes 2015).

As reported by Castañeda (2000), in most Mexican family firms the president of the Board of Directors is the main stockholder and the general manager, who therefore experiences little in the way of opposition from independent board members. This author shows that, on average, only 20% of firms allow a majority of external members on the board, and this fact does not necessarily mean independence since those external members can also be involved with another company within the same business group. Besides, an average of 35.2% of board members belong to the president's family, while 38.7% are executive managers and around 57% are employees or relatives of the president. A total of 76% of Mexican family firms lack policies regarding succession, and in 78% of these kinds of companies, family members do not compete with other candidates for a position in the business (Durán and San Martín 2013).

Effects of Familiness on Performance

Rutherford et al. (2008) documented 23 studies in their meta-analysis of the link between performance and familiness, almost all of which were published after 2000. Nine of those studies demonstrated support for a positive relationship between family involvement and company performance, with only one paper (Lauterbach and Vaninsky 1999) finding a negative relationship between business performance and familiness: nine studies demonstrated neutrality. Four studies in the same sample indicated partial support for a positive relationship. Galve and Salas (1996), for example, found no difference in profitability between a sample of family and nonfamily firms but did find that family firms are more efficient than nonfamily businesses.

Several results relevant to our argument are documented in the literature. For example, Schulze et al. (2001) found that the longer the CEO remained in their position, the weaker the performance of the enterprise. Zahra (2003) examined the impact of familiness on company performance in the international arena and found it to be associated with significantly higher performance, measured by the percentage of international sales. Olson et al. (2003) looked at 673 family businesses and found partial support for familiness and performance. They also found that multigenerational family businesses are associated with more revenues. Lee (2004) looked at a sample of 63 firms from the largest 150 family businesses in the United States and found that family firms had a lower profit margin, but a higher return on assets (ROA). Rutherford et al. (2006), using a sample of 934 family firms, found that multigenerational family firms were associated with greater performance, while tension (represented by the divorce rate) is associated with lower firm performance.

As we observed, the level of rigorous empirical study has significantly increased in the last ten years, and the relationship between familiness and performance is gaining more relevance. Despite this, however, the familiness construct is simply not clear enough, and further study is warranted. "The fact that research has not yet produced a dominant theory or conclusive evidence about how and why familiness is so ubiquitous and dominant makes this field of family business interesting and exciting" (Rutherford et al. 2008: 1106).

To understand the effect of family involvement on business performance, we used perceived financial performance, measured with a six-item scale, in our research. Participants reported the extent to which they were satisfied with three financial performance indicators: return on investment (ROI), profits, and sales. We also used three non-financial indicators: customer satisfaction, employee satisfaction, and general results.

Familiness and the Resource-Based View (RBV)

Several authors have applied RBV to the study of family businesses (Chrisman et al. 2009; Eddleston et al. 2008; Habbershon and Williams 1999). According to the RBV of the firm, resources are at the heart of competitive advantage and, therefore, business success; the RBV remains one of the most prominent theoretical foundations of today's management research (e.g., Newbert 2007). RBV describes how resources can contribute to the competitive advantage of organizations, and it is regarded as a good basis for developing a business strategy (Barney 1991). According to the RBV, companies survive by having a sustainable advantage resulting from the ability to combine their resources (Penrose 1959; Peteraf 1993; Wernerfelt 1984).

From the RBV point of view, familiness refers to the idiosyncratic company-level bundle of resources and capabilities that a particular firm has because of the systemic interaction between the family, its individual members, and the business (Habbershon and Williams 1999; Habbershon et al. 2003). Therefore, familiness is often used as a unique way of differentiating between family and nonfamily firms and between high-performing and underperforming family firms (Pearson et al. 2008).

Familiness is an important part of the family firm's resource portfolio; however, from recent extensions to the resource-based view approach, we know that directly owned or controlled resources do not directly produce positive outcomes. Indeed, resources must be managed for their value-creating potential to be reached (Chirico et al. 2013; Sirmon et al. 2007). Following on from this logic, resource management with a focus on structuring the resource portfolio has emerged. This highlights the importance of managers bundling resources into capabilities and leveraging those capabilities in market conditions (Sirmon et al. 2007, 2011).

RBV distinguishes the nature, characteristics, and potential of a firm's complex and unique internal processes and intangible assets, including the values, beliefs, symbols, and interpersonal relationships possessed by individual members of those groups interacting inside the organization (Barney 1991). The mixing of the resources mentioned above plus the total capabilities will together generate a unique competitive advantage for the firm (Irava and Moores 2010).

Sirmon and Hitt (2003) stated—regarding family firms and the RBV framework—that nonfamily firms acquire, shed, bundle, and leverage their resources differently from family-run enterprises. This usually happens because of the specific differences that family-owned businesses have, particularly Mexican ones. An example would be the way family members get involved in the firm as managers or CEOs even if they do not have the knowledge or the experience to hold this position in the firm.

We agree with Irava and Moores (2010) that familiness is composed of three main dimensions: human resources (*reputation* and *experience*), organizational resources (*decision-making* and *learning orientation*), and process resources (*relationships* and *networks*). To describe the variables used in our research, we must first define the kind of resources we considered to categorize them.

As a synthesis, we can say that the RBV framework assumes that business, diverse in resources and capabilities, is an antecedent for the creation of sustainable competitive advantage (Irava and Moores 2010). RBV has provided a better conception of family firms from an internal perspective. In family-owned firms, the presence of familiness has been related to the generation of sustainable competitive advantage, as each enterprise manages resources in a unique fashion (Irava and Moores 2010).

Many authors claim that as a resource, familiness yields both advantages and disadvantages for family firms (Sirmon and Hitt 2003; Habbershon and Williams 1999; Rutherford et al. 2008). Habbershon et al. (2003) label these as distinctive and constrictive familiness, respectively. We proposed that familiness is not only a resource but also a capability since the definition maintains that a capability is the way resources are used.

Process, Human, and Organizational Resources as the Main Dimensions of Familiness

The research of Irava and Moores (2010) attempted to identify what resources or resource category had more relation to familiness. They described a case-study methodology of four family-owned firms with similar characteristics, conducting interviews with family members in those companies using three distinct categories: physical, human, and organizational. Irava and Moores employed these specific divisions in accordance with the distinctions made by Barney (1991) who also defined resources as "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a company that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (Irava and Moores 2010: 102).

Irava and Moores (2010) found in their research that in the four cases analyzed there were six coincidences, among others, that were particularly important to mention as familiness dimensions. Those six dimensions were experience, reputation, decision-making, learning orientation, networks, and relationships. They further divided the six dimensions into three groups (human, organizational, and process resources), following the grouping of resources described by various authors (Barney 1991; Chatterjee and Wernerfelt 1991).

Familiness has been found to have positive (e.g., Tokarczyck et al. 2007) and negative (e.g., Leenders and Waarts 2003; Stewart 2003) effects on company performance. Habbershon et al. (2003) refer to these positive and negative outcomes as arising due to the distinctive and constrictive natures of familiness. However, the field has yet to determine the conditions and factors that cause the specific outcomes (Chrisman et al. 2003a).

Experience is often associated with a variety of assets, which may include managerial and technical skills (Urbano et al. 2013). Besides, it has been argued that because top managers of family firms are there for the long haul, they possess deeper informal firm-specific experiential knowledge that is used to develop the appropriate and enduring networking relationships with external stakeholders (Miller et al. 2009). Chief executives and top management team (TMT) members are instrumental in shaping the strategic direction of a firm (Ensley and Pearce 2001; Rajagopalan and Finkelstein 1992) and hence firm performance (McNamara et al. 2002). Their cognitive understanding and assessment of the business environment are critical in strategy development. For most family firms, the utilization of external networking relationships by top management is a means of acquiring the financial, human, and other strategic resources and capabilities for the strategic organization of their business activities (Acquaah 2012). Networks may also help to understand how resources are integrated and recombined in firms with dynamic capabilities (Grant 1996). In the Mexican context, which in general can be characterized as a transition economy, there is a shortage of experienced management with technical skills, knowledge and expertise, funding sources, and technology, and also exists what is known as institutional voids (Khanna and Palepu 1997). Therefore, human, organizational, and process resources enhanced and exploited by experienced family members in top management positions will positively influence firm's performance. This led us to formulate our first hypothesis:

H1. Family businesses with higher human, organizational, and process resources are more likely to have higher performance.

Concerning generational ownership, we argue that first generations are more apt to result in performance advantages when the family is more involved in the firm. This is probably due to the "founder effect" of first-generation family firms. Founders, by definition, are entrepreneurs (Salvato 2004). The founder built the business out of nothing, knows the business better than anyone, and sees the business as a vehicle to nurture the family in the future (Miller et al. 2008). Also, the founder is looking for additional skills or other attributes to increase his own and the firm's welfare and to enhance the family reputation (Block et al. 2011). Some researchers, such as Anderson and Reeb (2003), Barontini and Caprio (2006), Villalonga and Amit (2006), Adams et al. (2009), and Fahlenbrach (2009), found a positive impact of the family founder CEO on the firm performance. Founder successors may follow the same strategy as they see the firm as a heritage that may be preserved. Although due to less status and power compared to founder, they may be less devoted to the business (Breton-Miller et al. 2011). Family managers may enhance family socio-emotional wealth at the expense of financial performance (Block et al. 2011; Gomez-Mejia et al. 2007). Therefore, the firm valuation may be diminished.

On the other hand, some authors argue that descendant-controlled firms are more efficient and profitable than founder-controlled firms even though founder-controlled firms tend to grow faster and invest more in capital assets and research and development (McConaughy and Phillips 1999). However, recent studies have shown that founder-led family firms outperform nonfamily firms as well as family firms led by later generations (Miller et al. 2007). As such, first-generation family firms are unique, in that they are headed by entrepreneurial founders who recognized a business opportunity that they were able to exploit through the creation of a new business (Aldrich and Cliff 2003). In turn, these founders may be most capable of utilizing their firm's capabilities to further its success. Being entrepreneurs, many founders can create companies that stress the continuous exploitation of core competen-

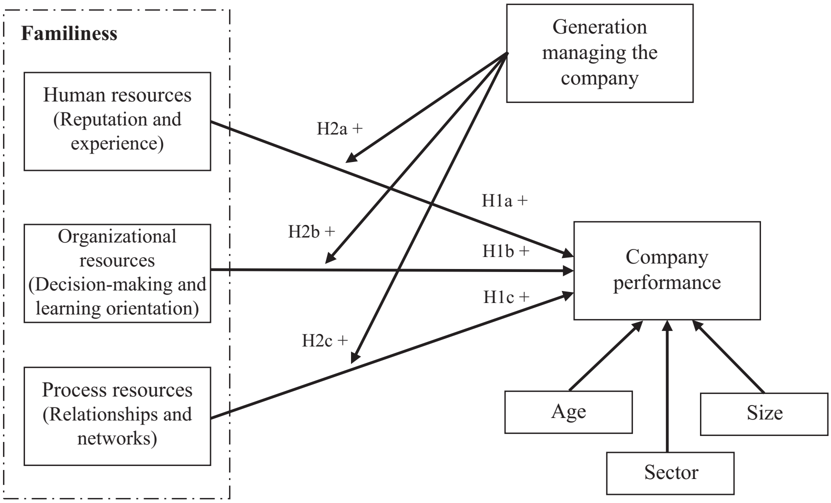


Fig. 34.1 Research model

cies, thus remaining successful, entrepreneurial, and growth-oriented. As such, founding generations may be best able to capitalize on their human, organizational, and process resources. This led us to formulate our second hypothesis:

H2. Family businesses managed by the first generation of owners/managers are more likely to report a positive and stronger relationship between familiness (human, organizational, and process resources) and company performance than those managed by the second, third, or fourth generation.

In Fig. 34.1, we show the model we are proposing for our empirical research, which represents the variables mentioned in the hypothesis.

Method

Data and Sample

For our work, we designed an empirical quantitative research instrument and implemented a survey as a data collection method. The sample consisted of small and medium-sized companies located in the four largest cities in Mexico regarding degree of industrialization: Mexico City, Guadalajara, Monterrey, and Puebla. Cluster sampling was performed according to the distribution shown in Table 34.1. In total, 360 companies were selected. Data collection

Table 34.1 Sample procedure

Sector	Industry	Services	Commerce	Total surveys by company size
Micro	12	12	12	36
Small	12	12	12	36
Medium	6	6	6	18
Total surveys by company sector	30	30	30	

Note: The distribution was the same for each city: Mexico City, Monterrey, Puebla, and Guadalajara. In total, the sample was of 144 micro, 144 small, and 72 medium businesses

took place in February 2014. In particular, personal interviews at the corporate facilities with directors, owners, and managers of the businesses with power over the decision-making process were the main source of our data. Specifically, one person per firm was interviewed, the majority being family members with a clear idea about the dynamics within the company.

The information gathered was validated by a special intelligence system called CS PRO which reduces human error (i.e., ranges, sequence, and internal consistency). Before any analysis, we tested for differences between the early and late respondents, and we found no statistical significance between the groups. The validation of data was carried out using SPSS, and finally, as we did not use incomplete questionnaires in our analysis, a total sample of 194 family businesses was yielded. It is a fact that the sample is not representative of all the family businesses in Mexico, but it does provide an overview of the specific context.

Variables and Operationalization

The dependent variable in our model corresponds to financial and operational performance. The independent variables consist of three dimensions: human, organizational, and process resources. We also controlled for variables that are likely to affect company performance, including the age of the business, size, and sector. We briefly describe each of the components of the model in the following paragraphs.

Dependent Variable

Financial and operational performance (Venkatraman and Ramanujam 1986) was measured with five items on a five-point Likert scale ranging from "inferior 1" to "superior 5." The scale was adapted from two different scales used previously, one proposed by Gupta and Govindarajan (1984) and the other by Kirca et al. (2005). The respondents indicated if their companies were inferior or superior in each of the following financial criteria: sales growth rate, gross profit margin and return on investment. Besides, respondents evaluated operational criteria: customer satisfaction, employee satisfaction, and global results.

Independent Variables

The human resources dimension was measured with seven items on a five-point Likert scale that merges two different constructs: experience and reputation. The experience scale was adapted from the ones previously used in O'Reilly and Chatman (1986), Allen and Meyer (1990), Carlock and Ward (2001), as well as Klein et al. (2005). The scale focuses on the quality of the suppliers, customers, and allies when compared to the industry norm, but also considers the commitment of family members to working towards business success. The reputation scale was adapted from instruments used previously in Cohen (1963), Delgado-Verde et al. (2011), as well as Fombrun et al. (2000). The scale measures products, services, leadership, vision, and financial reputation.

The organizational resources dimension was measured with seven items on a five-point Likert scale that combines different constructs: learning orientation and decision-making. Learning orientation measures the commitment to learning as part of organizational values and as a necessity to guarantee survival. The scale was adapted from Sinkula et al. (1997). Decision-making was adapted from empirical studies that previously measured the support (Lee and Rogoff 1996; Zellweger et al. 2011), control (Lee and Rogoff 1996; Klein et al. 2005), and emotional attachment (O'Reilly and Chatman 1986; Allen and Meyer 1990; Carlock and Ward 2001; Eddleston and Kellermanns 2007) of family members in decision-making within the firms.

The process resources dimension was measured with nine items on a five-point Likert scale that merges two different constructs: *relationships* and *networks*. On the one hand, *relationships* focus on analyzing the quality of social ties with employees, allies, and family members. On the other hand, *networks* concentrate on how the quality of social links with customers and suppliers feeds back into the firm to develop solutions. Both scales were adapted from previous empirical studies (Miller and Le Breton-Miller 2005; Miller et al. 2009; Cruz et al. 2010).

Moderating Variable

For the moderating variable, we asked the respondents which generation of the family was in charge of managing the firm. Four options were given, first, second, third, or fourth generation. The responses were dichotomized to enable the comparison to be made: the first group corresponding to the first generation and the second group representing the second, third, and fourth generations (Uhlaner et al. 2004).

Control Variables

To capture other organizational and environmental forces related to familiness and company performance, our analysis included three control variables. We asked the respondents the year of the company's foundation, the sector in which it could be classified (e.g., industry, commerce, or services), as well as its size regarding the number of employees. We expressed the age of the company in years (calculated as 2017 minus the founding year). Also, the company was classified according to size: "micro" from 1 to 10 employees, "small" from 11 to 30 employees, and "medium" with more than 30 employees (Mexican Economy Ministry 2002).

Results

Table 34.2 presents the descriptive statistics for the variables analyzed. Due to the use of Likert scales to measure the dependent and independent variables, their means and standard deviations are relatively similar, with organizational resources being the highest (mean = 4.08) and company performance the lowest (mean = 3.65). Regarding company size, 91 of the family businesses surveyed were micro enterprises (i.e., 0–2 employees), comprising 46.9% of the sample. Concerning corporate sector, the sample is distributed more or less equally between industry, services, and trading. The average age of the companies involved in the study is 21.3 years with a standard deviation of 17.8 years.

Regarding the correlations, Table 34.2 shows that company performance is significantly correlated with human resources, organizational resources, and process resources. The correlation level is less than 0.5 but highly significant. It is noteworthy that the correlation between company age and human

Table 34.2 Means, standard deviations, and correlations

	Mean	SD	1	2	3	4	5	6	7
1. Company performance	3.65	0.747	1						
2. Human resources	4.02	0.664	0.475**	1					
3. Organizational resources	4.08	0.631	0.395**	0.679**	1				
4. Process resources	3.92	0.669	0.468**	0.745**	0.712**	1			
5. Generation managing the company	0.69	0.463	0.058	0.069	−0.010	0.060	1		
6. Company age	21.3	17.8	−0.133	−0.142*	−0.100	−0.100	−0.475**	1	
7. Company size	1.72	0.765	0.012	−0.069	−0.102	−0.117	−0.288**	0.138	1
8. Company sector	1.95	0.810	0.070	−0.058	−0.118	−0.062	−0.038	0.034	0.063

$N = 194$
*$p < .05$, *$p < .1$

Table 34.3 Human resources, organizational resources, process resources, and company performance

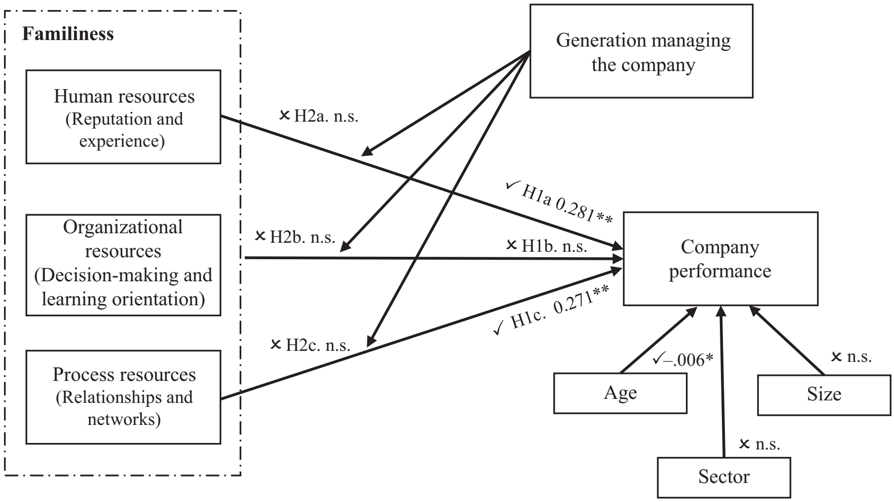
	Dependent variable: company performance				
Variables	1	2	3	4	5
1. Intercept	3.59** (0.185)	0.915** (0.386)	1.945*** (0.543)	1.341** (0.681)	1.468** (0.568)
2. Human resources		0.281** (0.111)	0.371*** (0.121)		
3. Organizational resources		0.076 (0.111)		0.489** (0.147)	
4. Process resources		0.271** (0.115)			0.497*** (0.130)
5. Generation managing the company			−0.986 (0.619)	0.110 (0.729)	−0.159 (0.630)
6. Human resources X Gen. managing the company			0.249 (0.151)		
7. Organizational resources X Gen. managing the company				−0.008 (0.174)	
8. Process resources X Gen. managing the company					0.044 (0.157)
6. Company age	−0.006* (0.003)	−0.003 (0.003)	−0.003 (0.003)	−0.004 (0.003)	−0.004 (0.003)
7. Company size	0.026 (0.071)	0.067 (0.062)	0.035 (0.065)	0.070 (0.069)	0.026 (0.041)
8. Business sector	0.067 (0.066)	0.097 (0.067)	0.102* (0.059)	0.109* (0.062)	0.093 (0.060)
R square	0.024	0.276	0.253	0.184	0.243
Adjusted *R* square	0.009	0.253	0.229	0.158	0.218
F-statistics	0.155	11.89	10.54	7.043	9.981

Standard errors are in parentheses
Probabilities of all F-statistics are less than 0.001, except for model 1
*$p < 0.10$ two-tailed test; **$p < 0.05$ two-tailed test; ***$p < 0.01$ two-tailed test

resources is negative. Besides, the correlations between the three independent variables are highly significant and close to 0.7.

To test the hypotheses, we used regression analysis due to the characteristics of the data, which consists of a mix of numerical and categorical measures. Before the analysis, we tested the reliability of the scale and found no statistical issues. Finally, we tested a variety of models to ascertain which gave the best fit (see Table 34.3).

Table 34.3 also shows that all models were significant except for model 1, which only included the control variables. In model 3, we regressed the three independent variables and the control variables. We found that human resources and process resources are highly significant, although this is not the case for organizational resources or any of the control variables. Also, model 3



Note: n.s. means not significant.

Fig. 34.2 Research model and results (Note: n.s. means not significant)

has the highest adjusted *R* square suggesting that human resources and process resources explain performance variance of 25.3% in the companies studied.

Concerning the moderating variable, the generation managing the business was not significant in any of the models. Regarding control variables, company age was only significant in model 1; business sector was significant in models 3 and 4, and company size was not significant in any model. In sum, model 2 presents the best fit. In Fig. 34.2, we present the final results based on our research model.

In sum, the results obtained lead us to accept hypothesis 1 partially, as only human resources and process resources are positively and statistically related to company performance. Regarding hypothesis 2, we found no evidence to support it, as the results in models 3, 4, and 5 show no statistical significance in any of the interaction variables. Nevertheless, it is noteworthy that the effect of the moderating variable in model 3 is the highest. In Fig. 34.3a, b, and c, the effects of the moderating variable are shown.

Figure 34.3a shows that even though the moderating effect is not significant, it is interesting how for those companies managed by the first generation the effect of human resources on performance is higher compared to the effect in companies run by other (second, third, and fourth) generations. In the following section, we present our discussion and conclusions regarding the results and the particular context of the study and the characteristics of the sample.

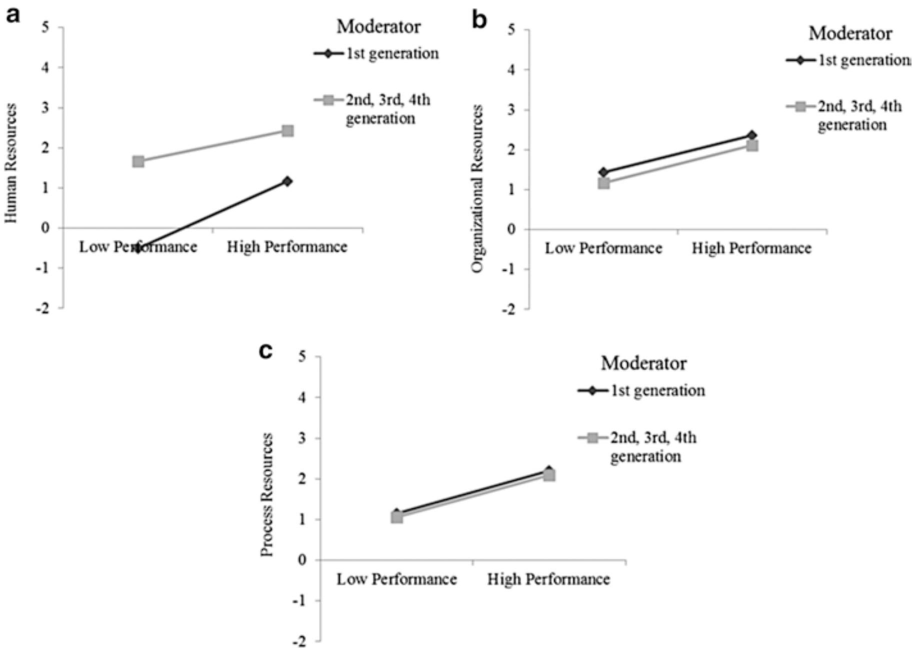


Fig. 34.3 **(a–c)** Interaction effects of moderating variable

Discussion

The involvement of family members in business gives rise to an idiosyncratic resource called familiness, which is widely accepted and studied in academic and non-academic business literature (Cabrera-Suarez et al. 2001; Pearson et al. 2008; Rutherford et al. 2008; Zellweger and Kellermanns 2008). Even though familiness helps to differentiate family businesses from other forms of business, we do not fully understand the nature of familiness nor the components of this construct yet (Chrisman et al. 2003a; Moores 2009).

The results presented in this chapter contribute to clarifying the familiness concept. We have demonstrated how RBV provides a useful approach in the conceptualization of the idiosyncrasy of familiness. We started from the familiness resource model presented by Irava and Moores (2010) composed of a unique bundle resources like reputation, experience/insights, and skills (human resources), learning orientation and decision-making (organizational resources), and relationships and networks (process resources). Using the social capital framework (Pearson et al. 2008), we relate the basic three dimensions of this model with the components of social capital: structural (process resources), cognitive (human resources), and relational (organizational resources). The influence of the family through these resource dimensions provides a theoretical body that can assist in understanding the impact of familiness.

However, in accordance with previous research (Sirmon and Hitt 2003), we agree that the mere presence of the three dimensions mentioned alone does not constitute a competitive advantage in performance. The characteristics of the resources also help to clarify the conditions associated with familiness advantage.

When we analyzed our sample and the results we obtained, we observed that only two of the three dimensions had a substantial impact on performance. Those dimensions were human resources and process resources, which together explain 25% of performance. These results made sense to us because in the field of family business, and specifically in Mexican firms, specific behaviors can be observed. For example, the company founder works harder on building relationships with suppliers and clients; consequently, this first generation is preparing and training their children and almost all other family members involved in the company to continue preserving those relationships for the future. In that sense, the founder of the enterprise is attempting to preserve reputation and obtain more experience through developing skills related to relationships, which has much to do with the way Mexican entrepreneurs behave.

It is important to mention that almost 50% of our samples are classified as micro businesses, comprising 1–10 employees including family and nonfamily members (Mexican Economic Ministry 2002). The results showed that company size was not determined by performance (−0.01). However, the age of the business has a critical level of significance (−0.16), meaning that to us the younger the company, the weaker the performance results. This makes sense because the mean of the age of the companies involved in the study was 18.5 years, and according to what we have experienced, we see that nowadays, second and third generations are likely to expect quick and easy results from the company they have inherited. Unfortunately, the lack of resilience of these subsequent generations frequently leads the company to rapid bankruptcy. Contrarily, those companies with experience and which were able to overcome challenges had the pace, resilience, and experience to make better decisions. Furthermore, those companies are well adapted because they already have significant long-term relationships with both suppliers and clients.

Conclusions

As we saw from the results obtained from the analysis, we must also conclude that regardless of how the generation running the company makes decisions, familiness is a factor that directly affects performance. This is also related to the fact that when making important decisions, especially those linked to continuing the business such as buying a new company, generating new products, or changing processes, generations get together and make the decision by debating about the future of the family as well as the company. It is very common for most second-generation CEOs to be less likely to make decisions on their own that may negatively affect the future of the family business (Kellermanns et al. 2012). In these circumstances, the second (or subsequent) generation is more likely to call for the advice and assistance of the founders of the enterprise, even when the founder has retired, and the relationship between the parties is less than ideal. However, an exception is made for the overall good of the company, with the younger generations willing to ask for assistance with collective decision-making (Alderson 2009).

According to the results we obtained, we can conclude that, in at least two of the three dimensions in which we divided the construct (human resources and processes resources), familiness does affect the performance of the enterprise. Also, we discovered that although the relationship between organizational resources and performance is weak, it still has an impact on the general results of the company. From our point of view, this could be explained by our experience with owners of family firms in Mexico, who experience difficulty making efficient decisions and do not learn from their mistakes.

We think the moderation of variable "number of generation" that acted differently in "human resources" of Fig. 34.3a was due to CEOs (individuals who own and manage simultaneously) begin their leadership hiring a team. Because this hiring process is executed directly by the owner and since in this initial stage involves little to none formal process, candidates are chosen based on closeness to the proprietor. "In the first generation, all the power tends to be concentrated in a single individual: the founder" (Dyer 1986: 72). The founder's stage is characterized by high cohesion that tends to diminish in later generations when more family members are involved in the operation, and family ties become more distant. Therefore, when the second generation takes control of the company, although there will be more formal and established processes, it is less likely that managers are aware of who is being hired and how this person will help the company in the future. This creates distance between the second generation and employees, and we believe the results obtained in Fig. 34.3a can be ascribed to this factor.

Our most important contribution to the field of familiness studies is that each dimension used in our research (human resources, organizational resources, and process resources) is related to the way each company uses and transforms each one of the resources. Therefore, instead of considering the construct "familiness" as a resource, we can consider it a capability of the company. This conclusion was reached when we analyzed the characteristics of the sample and observed that each company demonstrated commonalities in the way they manage and bundle their resources.

We agreed with Habbershon and Williams (1999), Sirmon and Hitt (2003), and Irava and Moores (2010) about familiness as a resource being misconceived as a capability. In our study, we separated the dimensions of familiness, seeing each dimension as a resource forming part of the Familiness construct. Familiness, therefore, is capability because according to Camisón (2002) "a capability is the know-how of a company." This is the way each firm manages bundles and optimally uses its resources," and this is exactly what familiness means to a business.

In brief, our study answers the "what" question in establishing the content of familiness. We identify the three dimensions of familiness that can serve as dimensions in future theory-building exercises.

Limitations and Future Research Directions

Our research presents some limitations, and we hope that recognizing them could be a catalyst for additional studies. The objective of the survey was to provide a deeper and richer description of the phenomenon of familiness. For that reason, we selected a sample from the most important cities in Mexico. The study, however, is cross-sectional: in the future, a longitudinal study will provide richer information and greater certainty in the effects of causality. Besides, the study was conducted using a sample of companies in Mexico: in the future, it could be extended to other countries and specific industry sectors.

Data collection was based on interviews with company owners and CEOs, regarded as reliable sources. However, future studies may use the opinion of multiple actors per company. Finally, there are more sophisticated methods for quantitative research (e.g., structural equation modeling), which are regarded as more robust than multiple regression analysis, the method we used in this chapter. For further research, a structural equation model should be utilized as the method of analysis.

Regardless of these limitations, we are confident our study provides opportunities for future research in this area. Our hope is a multigenerational family firms study in different contexts emerges from our work to determine how patterns differ. A change in culture may lead to different firm models, leading to specific feedback for firm owners and leadership in other regions. Another possibility is that future research will determine overall performance implications of our familiness resource dimensions and their patterns regardless of regional and cultural influence. May our proposals prove fruitful in advancing familiness studies and shaping future research.

Implications

Beyond the theoretical contributions of our work, there are also important practical implications to be considered by family firms in their efforts to enhance their sustainable competitive advantage. One of the primary interests of family businesses is to maintain control of the company to preserve the well-being of the household, the family legacy, and fulfill various family-related needs (Gomez-Mejia et al. 2007). However, to develop a competitive advantage and continue being positioned and embedded in their communities and business environments, family firms must innovate, seek opportunities, and take risks, but making decisions taking into account the different generations involved in the management of the business. Younger generations could provide a fresh perspective to the firm and renew the competitive advantage, while older family members could bring an experienced point of view to the decision-making process.

Due to the importance of various generations managing together family firms, it is crucial to strengthen the relationships with them and thus enhance the relational capital for the family businesses through activities that create significant connections with each other (e.g., learning activities like seminars, specialized workshops, etc.).

Not to be underestimated is the importance of training and education of family members involved in the business, as well as exposing them to the operations of the firm early on, so as to capitalize on the unique resource of the family firm that is the family unit and the inherent shared knowledge and vision, social and business relationships, and strong familial ties.

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