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PUBLICATION ETHICS AND PUBLICATION MALPRACTICE STATEMENT

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Innovation at the Heart: Unveiling the Strategic Mastery of Family Firms in Resource Management

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Abstract In the current business landscape, innovation is essential for companies to ensure their survival and competitiveness. However, innovation often requires substantial investments that may exceed a company's internal resources, leading businesses to seek alternative mechanisms such as technological collaboration with external entities and R&D investment. Research has shown that both strategies positively influence firms' innovation performance. However, the factors affecting organizational behaviour and outcomes are often overlooked. Family businesses, characterized by their unique ownership structure and intertwined financial and non-financial goals, are ideal for studying how these objectives impact innovation decisions. This study aims to determine whether technological collaboration and internal R&D expenditure have a greater effect on the innovation processes of family firms compared to non-family firms. Using data from 2,415 Spanish companies over ten years, this research contributes to the literature by integrating the socioemotional wealth perspective and demonstrating that family firms are better equipped to implement and benefit from these strategies to enhance innovation outcomes.

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Innovación en el corazón: revelando el dominio estratégico de las empresas familiares en la gestión de recursos

Resumen En el panorama empresarial actual, la innovación es esencial para que las empresas aseguren su supervivencia y competitividad. Sin embargo, la innovación a menudo requiere inversiones sustanciales que pueden exceder los recursos internos de una empresa, lo que lleva a las empresas a buscar mecanismos alternativos, como la colaboración tecnológica con entidades externas y la inversión en I+D. La investigación ha demostrado que ambas estrategias influyen positivamente en el desempeño innovador de las empresas. Sin embargo, los factores que afectan el comportamiento organizacional y los resultados a menudo se pasan por alto. Las empresas familiares, caracterizadas por su estructura de propiedad única y sus objetivos financieros y no financieros entrelazados, son ideales para estudiar cómo estos objetivos afectan las decisiones de innovación. Este estudio tiene como objetivo determinar si la colaboración tecnológica y el gasto en I+D interno tienen un mayor efecto en los procesos de innovación de las empresas familiares en comparación con las empresas no familiares. Utilizando datos de 2,415 empresas españolas durante diez años, esta investigación contribuye a la literatura integrando la perspectiva de la riqueza socioemocional y demostrando que las empresas familiares están mejor equipadas para implementar y beneficiarse de estas estrategias para mejorar los resultados de la innovación.

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1. Introduction

In today's business landscape, innovation has become paramount for companies to ensure their survival and competitiveness (Fontana & Nesta, 2009). However, innovation often requires substantial investments that may surpass a company's internal resources. Consequently, businesses often seek alternative mechanisms, such as technological collaboration with external entities and R&D investment, to bolster their innovation efforts (Cassia et al., 2012; Classen et al., 2012). Research has shown that technological collaboration positively influences firms' innovation performance, as measured by patents or joint inventions (Faems et al., 2005; Kang & Park, 2012; Kim & Song, 2007; Miotti & Sachwald, 2003). Additionally, internal R&D expenditure also has a positive effect on firms' innovation performance (Mate-Lordén & Molero, 2020; Nieto & Santamaría, 2010). However, these analyses often overlook the factors that affect organizational behaviour and outcomes (Aguilera et al., 2024). Given the importance of goal setting for predicting these organizational behaviours and outcomes, it is key to a detailed understanding of what factors affect organizations' decision to pursue a specific set of goals (Aguilera et al., 2024). One of the key factors that explain organizational behaviour is related to the corporate governance and ownership of the firms. Family firms are the most common type of company (Faccio & Lang, 2002). They are characterized by a unique ownership structure, and their organizational goals intertwine both purely financial objectives and non-financial ones. Thus, given their prevalence in society and their distinctive characteristics in setting objectives, we believe that this type of organization is ideal for studying how their goals can impact the decisions they make to enhance innovation (Cassia et al., 2012; Classen et al., 2012).

According to Gómez-Mejía et al. (2007), family firms are organizations that pursue both financial and non-financial goals. The socioemotional wealth (SEW) perspective (Gómez-Mejía et al., 2007; King et al., 2022) refers to these non-financial goals, which address the family's emotional needs, such as retaining family control and maintaining a strong family-firm identity. Thus, the preservation of SEW influences goal setting being these organizational goals closely tied to the organizational mission or purpose (Aguilera et al., 2024), but also to more operational issues related to their implementation. Therefore, on the one hand, we observe a blend of financial and non-financial goals within their overall utility function, as family managers are faced with balancing rational and emotional considerations

when setting goals and making decisions (Kotlar et al., 2020; Zellweger et al., 2013), and on the other, they possess greater capabilities to implement and achieve these goals because family firms exercises greater control over the constant monitoring of managers and the influence of processes within the organisation (Carney, 2005; Gedajlovic & Carney, 2010), due to the close relationship between the family and the business. Consequently, we believe that family firms are better equipped to integrate both technological collaboration and internal R&D expenditure into their objectives and implement them more effectively to achieve greater innovation outcomes.

Therefore, the main objective of this study is to find out whether these two factors - technological collaboration and internal R&D expenditure - would have a higher effect on the innovation processes of family firms in comparison with non-family firms. While various factors impact innovation performance, such as market conditions and regulatory environments, external technological collaboration and internal R&D expenditure were chosen due to their direct relevance to family firms' strategic decision-making and their potential for measurable innovation outcomes. They represent tangible and actionable strategies that family businesses can implement to drive innovation: external technological collaboration facilitates access to external knowledge, expertise, and resources crucial for innovation; similarly, internal R&D investment signifies a commitment to innovation within the organization, fostering the development of new products, processes, or services to enhance long-term competitiveness and sustainability. The database used to test our hypothesis was the "Survey on Corporate Strategies", where information on 2415 Spanish companies over 10 years (2006-2015) are available.

This article makes a significant contribution to the literature. Calabrò et al. (2019) and Röd (2016) emphasize the ongoing efforts to identify and comprehend the factors that influence innovation within family-owned businesses. This persistent call underscores the crucial role of innovation in sustaining the competitive advantage and long-term viability of family firms. These reviews underscore the necessity for a more comprehensive examination of how family dynamics affect the innovation outcomes within these enterprises. We contribute to the family firms literature by integrating the SEW (Aguilera et al., 2024; Davila et al., 2023; Kotlar et al., 2018) with the role of two factors—external technological collaboration and internal R&D expenditure—that impact innovation in family firms. The primary contribution lies in analysing how SEW, tied to the family's affective needs such as identity, family influence, and the perpetuation of the

family dynasty, influences family firms' responses to investments in innovation and technological collaboration compared to non-family firms, and how they apply and take advantage of these factors to enhance their innovation outcomes. Furthermore, the study also contributes to the innovation literature by demonstrating that family firms, due to their unique organizational goals aligned with their purpose and their capability for rapid implementation, are the entities best positioned to capitalize on these investments and collaborations with other stakeholders in terms of innovation.

The paper is organized as follows. The next section contains the theoretical reasoning that justifies our hypotheses. Section 3 describes the sample, the variables, and the estimation procedure. Section 4 summarizes the results of our empirical tests. The final section discusses the findings and conclusions.

2. Theoretical Framework and Hypothesis Development

According to Cilleruelo Carrasco et al. (2008), innovation is a systematic, multifactorial process originating from an idea, knowledge, or need. It encompasses both product and process changes, recognizing improvements, possessing practical applications, market and societal acceptance, and serving as a means to an end (OECD, 2005). Within innovations, a distinction can be made between product innovations (new knowledge is applied to design and develop new or improved products or existing products, Gopalakrishnan & Damanpour, 1997) and process innovations (new knowledge is used to implement new or improved production processes that reduce cost (Fagerberg et al., 2004)). For instance, for market entry, product innovations are usually more appropriate than process innovations, as they allow responding quickly to customer needs, increasing product quality and variety, and gaining market share ahead of competitors (Nieto & Santamaría, 2010). In turn, process innovations lead to improvements in production efficiency and cost reductions, thanks to investments in machinery or new technology to the search for greater flexibility (Cohen & Klepper, 1996). Therefore, product innovation is usually more critical than process innovation in achieving a competitive advantage. While process innovation reduces production costs, product innovation creates enhanced versions of existing products that customers perceive as having greater value. In addition, they often tend to be more striking, objective, and palpable to external stakeholders, such as customers, investors, and competitors, in contrast to process innovations. For this reason, in this re-

search we will focus only on product innovation. The innovation processes within family firms have been extensively studied by numerous researchers, leading to several systematic literature reviews aimed at unravelling the complexities of these processes. For instance, Calabrò et al. (2019) and Röd (2016) have conducted comprehensive reviews to identify the unique factors influencing innovation in family-owned firms. The persistent call to identify and understand these factors underscores the significance of innovation in maintaining the competitive edge and long-term sustainability of family firms. These reviews highlight the need for a deeper exploration of how family dynamics impact the innovation outcomes in these enterprises.

Among the important factors that can affect the innovation process in family firms, we will examine one external factor and one internal factor, both of which we consider to have significant influence on innovation. Regarding the external factor, we are going to study collaboration with other external agents aimed at innovation. This factor has been studied by authors such as Kim and Song (2007), Hoang and Rothaermel (2005) or Huang et al. (2011), who found a positive effect on product innovations. Also, many authors consider it to be one of the most efficient instruments for coordinating the innovation activity of companies (Hoang & Rothaermel, 2005; Schoenmakers & Duysters, 2006; Tripsas et al., 1995; Ulset, 1996; Von Hippel, 1988). Regarding the internal factor, we are going to study the internal R&D expenditure made by the company itself. It is particularly interesting for us to study this factor as many authors have concluded that internal R&D expenditure is positive for innovation (Nieto & Santamaría, 2010; Villagómez-Sánchez et al., 2019), and authors such as Villagómez-Sánchez et al. (2019) conclude that R&D generates higher revenues than any other innovation expenditure.

2.1. The effect of external technological collaboration on product innovation

Scientific-technological collaboration has been revealed as a hybrid mechanism for the coordination of resources for the promotion of research activities that lead to the formation of technological capacities and skills in organisations, a necessary condition for a better innovative performance (Galván, 2017; Teece et al., 1997; Veugelers, 1998). In our analysis we have categorized technological collaboration as an external factor due to its involvement with agents external to the company. Nevertheless, it's essential to note that such collaborations entail the utilization of resources not only from the external agent but also from the company itself, resulting in a hybrid combination of both. Hence, we con-

clude that technological collaboration represents a hybridization of external and internal factors. Companies decide to collaborate with each other to get the resources and capabilities that they cannot generate within themselves through the different types of learning or that they cannot obtain efficiently in the market (Das & Teng, 2000). To this end, they often help strengthen technology networks by entering into agreements with other technologically advanced companies, with research organizations, and by engaging with customers, suppliers and even competitors (Cuervo-Cazurra & Un, 2007; Nieto & Santamaría, 2007).

Researchers have found that firms use different types of R&D partners for different purposes (Teece, 1980). Firms that collaborate with customers are primarily looking for new ideas or ways to reduce the uncertainty associated with bringing innovations to market (Von Hippel, 1988). In contrast, partnerships with suppliers are often aimed at improving the quality of inputs or reducing costs through process innovations (Hagedoorn, 1993). Collaboration with competitors, on the other hand, is often motivated by potential synergy effects (Das & Teng, 2000) or by sharing R&D costs (Miotti & Sachwald, 2003). Finally, cooperation with universities and research institutes often pursues radical product innovations that may open up completely new markets or market segments (Monjon & Waelbroeck, 2003; Tether, 2002).

Regarding the literature on the effect of technological collaboration on firm innovation, we note that several authors find a positive relationship between technological collaboration and innovative performance (Faems et al., 2005; Miotti & Sachwald, 2003; Nieto & Santamaría, 2007). According to them, this effect is due to the fact that technological alliances boost the innovative capacity of the firm through the effective combination of the partners' resources and the exploitation of complementarities.

Similarly, other authors find that the importance of collaborative innovation stems from its positive effect on innovation performance, both at the collaboration level (Hoang & Rothaermel, 2005; Kim & Song, 2007), and at the firm level (Huang et al., 2011; Kang & Park, 2012; Keil et al., 2008; Lahiri & Narayanan, 2013; Mention, 2011; Sampson, 2005; Soh & Subramanian, 2014; Tomlinson, 2010; Vasudeva et al., 2013; Xie et al., 2016).

Therefore, we note that most of the literature supports a positive relationship between collaboration with external actors and innovation.

2.2. The effect of internal R&D expenditure on product innovation

The second factor to be studied is the company's own internal R&D expenditure. This is an internal factor, as it forms part of the internal structure of the company and can positively or negatively influence the results of innovation projects (Buesa et al., 2002; Campoverde et al., 2021).

In accordance with the definition provided by the Basque Statistical Institute (2012), internal R&D expenditure is expenditure on Scientific Research and Technological Development activities carried out within the company's Research Unit or Centre, regardless of the origin of the funds, during the reference year. Expenditure carried out outside the centre, but in support of internal R&D tasks, is also included.

Depending on the nature of the expenditure, a distinction is made between current and capital expenditure. Among current expenses, we distinguish between personnel expenses and other current expenses. About the former, they comprise the total remuneration of all types of personnel, including social security contributions paid by the company, with the exception of travel expenses, which are included in other current expenses. The latter correspond to small equipment and miscellaneous supplies; energy; maintenance and minor repairs; rental and cleaning of premises; purchase of services; remuneration proportional to the R&D activity of indirect personnel; and travel allowances. Excluded are actual or imputed depreciation and amortisation expenses. On the other hand, capital expenditure refers to gross capital investment in land, buildings, major capital works, inventories, plant and equipment, carried out during the reference period by the company for R&D activities, irrespective of the form of financing.

Attending to the effect of internal R&D expenditure on innovation in firms, it is interesting to mention the work of Nieto and Santamaría (2010), which analyses technological collaboration and innovation in technology-based companies. This study finds that the effect of innovation expenditure on innovation performance is positive. They find that internal development expenditures have a positive impact on the propensity to innovate in product innovation.

In the same vein, the work of Mate-Lordén and Molero (2020) obtains results that show that the investment of private resources in internal R&D has a positive effect on the technological performance (patents) of Spanish firms. In turn, the work of Villagómez-Sánchez et al. (2019) shows that innovation expenditures generate a positive effect on innovative performance, and the separation of these expenditures allows us to determine that R&D generates higher revenues than

any other innovation expenditure. Finally, [Love and Roper \(1999\)](#) find that the effect of R&D intensity on the number of new or improved products is highly significant and positive.

Thus, we observe that most of the literature shows a positive relationship between investment in internal R&D expenditure and innovation.

2.3. The moderating role of family ownership on the external technological collaboration and product innovation relationship

The Willingness Paradox in family firms describes a phenomenon where these firms, despite their ability to manage promising collaborative projects, are generally reluctant to open the product innovation process to the outside world. This paradox can be analyzed through the lens of the Resource-Based View (RBV), which argues that collaborations are valuable resources for overcoming barriers to innovation, exploiting synergies of resource complementarities between partners, and serving as an important source of competitive advantage for family firms' innovation ([Das & Teng, 2000](#); [Feranita et al., 2017](#)).

According to the RBV, collaborations enable family firms to overcome resource constraints that may be shaped by their governance structures. These collaborations are seen as a means to combine complementary resources between partners, resulting in synergies that can drive innovation. Therefore, from this perspective, collaborations should be viewed as a key competitive advantage for family firms, helping them innovate more effectively.

Nevertheless, the paradox arises when we observe that, despite recognizing the value of collaborations and having the capability to manage them, many family firms exhibit a marked reluctance to open their innovation processes to external actors ([De Massis et al., 2015](#)). This behavior can be influenced by several SEW factors specific to family firms, such as the desire for maintaining the family control. Family firms often have a strong desire to maintain control over their operations and key processes. Opening up the innovation process could be perceived as a threat to this control. Another example is the perceived risk associated with opening the innovation process, especially in terms of intellectual property and trade secrets. These characteristics can explain why, despite the potential benefits highlighted by RBV studies, family firms may be inclined to avoid opening their innovation processes. Allowing external actors, such as suppliers, to gain influence and control over the technological trajectory of products ([Almirall & Casadesus-Masanell, 2010](#); [De Massis et al., 2015](#)) could jeopardize their accumulated SEW. In fact, [Gómez-Mejía et al. \(2007\)](#) showed that, in order

to protect non-financial profits, family firms are willing to accept higher risks, because when the family's SEW is threatened, family managers are likely to make decisions that are not guided by economic rationality. In this sense, the preservation of SEW has been shown to be the fundamental reference point that drives strategic decision-making in family firms ([Zellweger et al., 2013](#)). Therefore, when making strategic decisions, family managers often face a balancing act between rational and emotional considerations, which overlap and sometimes compete with each other ([Kotlar et al., 2020](#)). This interplay of goals setting it has been found to condition family managers' behaviour with respect to seeking technology partnerships ([Classen et al., 2012](#)). Therefore, it can be observed how due to SEW, family firms develop a strong concern about possible losses of control ([Gómez-Mejía et al., 2007](#)), and these concerns can complicate collaborative relationships with external partners when open innovation implies a restriction of the firm's control over the technological path of the product ([Almirall & Casadesus-Masanell, 2010](#)).

Nonetheless, despite the aforementioned reasons that a priori lead family entrepreneurs to be more reluctant to collaborate technologically with other organizations, the existence of a significant body of research (e.g., [Arregle et al., 2007](#); [Eddleston et al., 2008](#); [Le Breton-Miller & Miller, 2015](#)) suggests that, drawing on attributes such as "long-term orientation" and "high level of social capital", largely stemming from stewardship theory, family firms might demonstrate a greater propensity to participate in collaborative innovation efforts aimed at enhancing SEW when compared to non-family firms. As a result, one could contend that this distinctive conduct might serve to mitigate to some extent the behavioural agency concerns related to risk aversion and the preservation of SEW in relation to the choice of participating in collaborative innovation initiatives.

Despite the contradictions found in the literature regarding the greater or lesser propensity of family firms to collaborate with other agents for research, what is clearer is that the family firm has a greater capacity to implement that new knowledge. Researchers determine that due to family members' unwillingness to lose control (e.g., [Gómez-Mejía et al., 2007](#)), resource constraints stemming from their governance structures and size (e.g., [Carney, 2005](#)), the distinctive aspects of their social capital (e.g., [Arregle et al., 2007](#); [De Massis et al., 2015](#); [Ireland et al., 2002](#)) and long-term orientation ([Miller & Le Breton-Miller, 2005](#)), collaborative innovation can be an effective means of overcoming barriers to innovation and an important source of competitive advan-

tage for innovation in family firms (De Mattos et al., 2013; Hitt et al., 2000; Sirmon et al., 2008). Thus, once the decision to collaborate is made, the implementation will be much more effective. The combination of a focus on long-term goals and a strong network of social connections contributes to the enhanced capacity to foster and cultivate successful, enduring relationships with stakeholders (De Massis et al., 2015; Miller & Le Breton-Miller, 2005) throughout innovation processes. This discovery is in line with earlier research suggesting that external social capital enhances the success of alliances and partnerships (Ireland et al., 2002). In addition, a notable competitive advantage of family firms is speed and agility in decision-making (Dodero, 2020). This is an advantage that is fundamentally provided by the vision and passion of the founder, who normally works very closely with customers adding value to the relationship through good products and excellent services. According to Poza (2007), this situation, i.e. the speed and agility of decision-making and the close relationship with customers, makes it easier for them to detect the needs of their customers before others, which allows them to take less time to bring new products to the market, and therefore to be more efficient in their innovation processes.

Therefore, considering that external collaboration is positive for the innovation of any company (Faems et al., 2005; Miotti & Sachwald, 2003; Nieto & Santamaría, 2007), and that family firms have a superior capacity to exploit their knowledge (Dodero, 2020; Poza, 2007), we believe that the use of external collaborations by family firms in their product innovation processes is greater, and we formulate the following hypothesis to test this:

Hypothesis 1 (H1). *The family firm positively moderates the effect of technological collaboration on the achievement of product innovations.*

2.4. The moderating role of family ownership on the internal R&D expenditure and product innovation relationship

According to Cirillo, Ossorio, and Pennacchio (2019), family involvement in ownership diminishes firms' allocation of resources towards research and development (R&D), posing a potential threat to both the established order and the familial well-being. Similarly, Choi and Choi (2015) observed a negative association between family ownership and R&D investment (Briano-Turrent et al., 2023). This observation is also corroborated by the findings of Chen and Hsu (2009), who, in their examination of a sample of Taiwanese firms, identified a negative correlation

between family ownership and R&D expenditure. Despite numerous studies indicating that family-owned firms tend to invest less in R&D, there is a body of research suggesting that they are proficient in managing resources efficiently, resulting in enhanced innovation outcomes. For instance, Chen and Hsu (2009) note that while reduced R&D investment in such enterprises may indicate a reluctance to undertake risky ventures over the long term, it could also signify that firms with substantial family ownership are adept at leveraging R&D resources effectively, thus requiring less R&D expenditure compared to those with minimal family involvement. Garcés-Galdeano et al. (2024) also show that family firms have faster decision making, which allows increasing the speed and intensity of efforts to identify and collect new knowledge. Therefore, the rapid recognition of an important project and the agile decision-making process enhance the return on investment in terms of innovation. Similarly, Durán et al. (2016) observe that family-owned enterprises allocate fewer resources to innovation projects compared to non-family firms. However, this observation does not imply inferior innovation capabilities among family-owned firms. Their meta-analysis of 108 primary studies from 42 countries indicates that family firms excel in resource utilization, effectively translating innovation inputs into tangible outputs.

It is worth mentioning that the results of the report "Family firms facing the challenge of innovation", prepared by Ernst & Young (EY) and the Institute of Enterprise (IE) Center for Families in Business in the year 2022, also support these results. According to this study, family firms manage innovation more efficiently. The report shows how efficiency in innovation management drops dramatically when the company is no longer controlled by a family group. On average, the efficiency ratio falls by 19 patents per million euros invested in R&D. In contrast, when the company becomes part of a family group, it is estimated to increase by eight patents per million euros invested in R&D expenditure.

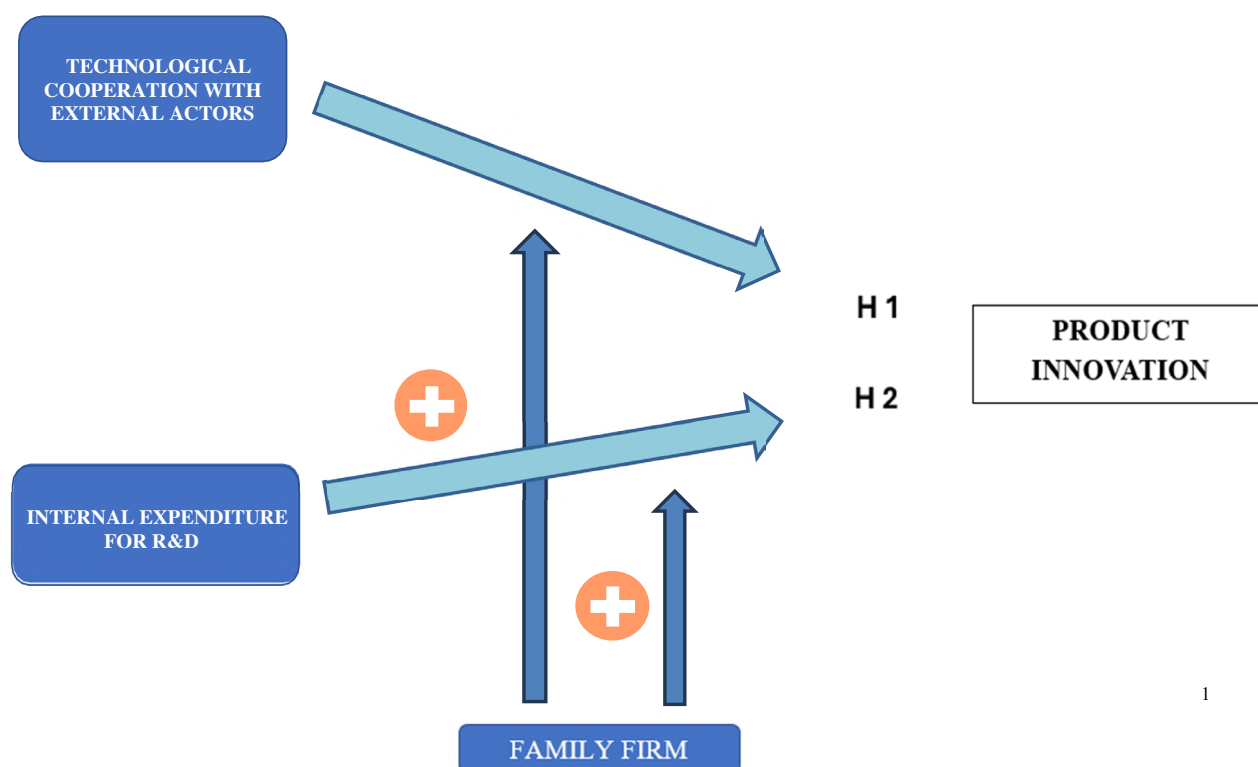
These findings collectively emphasize the intricate dynamics inherent in the innovation strategies of family firms and their skilful resource utilization. The concept of SEW plays a pivotal role in understanding the relationship between resource utilization and innovation within family firms (Fuetsch, 2022). Given that SEW encompasses the emotional needs of the family, such as identity, family influence, and the perpetuation of the family legacy (Miller et al., 2015) it becomes evident that family firms, driven by SEW considerations, excel in leveraging resources allocation efficiently for innovation initiatives. SEW provides family firms with a unique set of

motivations and values that guide their strategic decision-making processes. This emotional endowment encourages family firms to focus on sustainable, long-term goals, potentially influencing their approach to innovation (Gómez-Mejía et al., 2014; Le Breton-Miller & Miller, 2006). The adept resource utilization observed in family firms may be attributed to their ability to align innovation initiatives with the preservation of socio-emotional wealth, thus fostering a more balanced and strategic deployment of resources (Schmid et al., 2014). In essence, SEW acts as a guiding force, shaping the relationship between family firms, resource utilization, and their distinctive approach to innovation.

In view of these results, the second hypothesis aims to test whether the moderating effect of the family firm on the effect of internal R&D expenditure on the production of product innovations is positive. It seems that family firms invest less in R&D expenditure (Durán et al., 2016), but we want to verify that despite spending less, they make better use of this expenditure, in the sense that they are more efficient and obtain more products. To this end, the following hypothesis is formulated:

Hypothesis 2 (H2). *The family firm positively moderates the effect of internal R&D expenditures on the achievement of product innovations.*

Figure 1. Theoretical model



1

3. Methodology

3.1. Sample and data collection

In order to carry out this study we have used the information obtained from a database called Survey on Corporate Strategies (ESEE). This is a database that collects data obtained from a combined work of a governmental entity, the Spanish Ministry of Industry, and the State Industrial Holding Company (SEPI) Foundation. The latter is a Spanish foundation that aims to promote and

carry out economic and business studies. It also manages and promotes the university and management training process. So, it can be said that the data used in our analysis are objective in nature.

In order to be included in the sample, companies were required to show indicators of innovative performance and to be in the sample for the entire fiscal year in which the data were collected. Companies were also categorised as family or non-family, and were required to indicate a measure of company size. Accordingly, a final

sample has been obtained containing information on 2415 enterprises, ranging from micro enterprises (less than 20 employees) to large enterprises (more than 500 employees), over a time period of 10 years from 2006 to 2015.

From this database, information has been collected related to the innovative performance of the company, the funding they receive from different governmental entities and individual company characteristics such as company size, employment level and investment in R&D expenditure. The definition of a family firm within this dataset is based on self-assertion, i.e. a family firm is defined according to its own perception based on the founder, values and objectives. It can be said that the variables found in the ESEE are of valid use as they have been used in works such as the one carried out by [Máñez et al. \(2004\)](#) and [Pérez et al. \(2004\)](#).

3.2. Description of variables

To carry out the study, an econometric model has been created, which is composed of one dependent variable, two independent variables, one moderating variable and control variables. In the following, we will describe all of them, explaining the role they play in the model.

In order to measure the impact that the factors under study have on the product innovation processes of family firms, the dependent variable used is a dummy variable that takes the value (1) if the firm obtains product innovations, and the value (0) if it does not. In this way, it has been possible to study to what extent the aforementioned factors affect the probability of obtaining product innovations. This variable has been used in several studies such as the ones of [Campoverde et al. \(2021\)](#) or [Minguela-Rata et al. \(2014\)](#).

Regarding the independent variables, firstly, a qualitative variable has been introduced, which is composed of the sum of four dummy variables that collect information on different types of technological collaboration between companies. Therefore, it collects information about four types of collaborations, collaboration with customers, collaboration with suppliers, collaboration with competitors and collaboration with universities and/or technology centres. This variable can adopt a total of 5 values. If it adopts the value (0) means that the company does not engage in any kind of collaboration, if it adopts the value (1) makes one type of collaboration, if it adopts value (2) it makes two types of collaborations, if it adopts value (3) it makes three types of collaborations and, finally, if it adopts value (4) means that it carries out all types of collaboration. This variable has been included in the model with the intention of analysing whether the impact of technological collaboration on the

achievement of product innovations is significant, and whether this impact is positive or negative. This variable has been used by authors such as [Feranita et al. \(2017\)](#), [Nieto et al. \(2015\)](#) and [Campoverde et al. \(2021\)](#).

Secondly, a quantitative independent variable has been included in the model that captures the amount of internal R&D expenditure made by the companies, divided by the total number of employees of the company. This variable has been used also in works such as [Buesa et al. \(2002\)](#) or [Campoverde et al. \(2021\)](#). The unit of measurement used is thousands of euros. This variable has been included in the model with the intention of analysing whether the impact of internal R&D expenditure on obtaining product innovations is significant, and to see whether this impact is positive or negative.

In order to test the moderating effect, a dummy variable has been introduced which takes the value (1) in the case of being a family firm and the value (0) in the case of not being a family firm. This is a self-reported value that has been used in other works such as [Máñez et al. \(2004\)](#) and [Pérez et al. \(2004\)](#). It has been included in the model as a moderating variable with the intention of analysing the moderating impact of the family firm on the effect of technological collaboration and internal R&D expenditures in obtaining product innovations.

In addition, in order to test the hypotheses, it has been necessary to control for a number of individual company indicators that we believe may have an impact on their innovative performance. First, dummy variables have been included to determine to which type of industry the firms belong, distinguishing a total of 20 different industries. These control variables have been used similarly in works such as the one of [Huergo \(2006\)](#) or [Nieto and Santamaría \(2010\)](#). We consider it important to include these variables to avoid potential problems related to the industry to which these companies belong, as, for example, some industries tend to receive larger amounts of financial support than others ([Boter & Lundström, 2005](#)).

In turn, a variable measuring the total number of employees in R&D departments has been added with the intention of capturing the relative size of these departments and their impact on the firm's overall innovative performance ([Buesa et al., 2002](#)). Subsequently, to control for the factors in the environment in which a firm may operate, the variables Market Dynamism and the Number of Competitors in the Market, which control for dynamism and competition in the market of the sector to which the firms belong ([Schumpeter, 1942](#)), have been added. These variables have been also used by [Nieto and Santamaría](#)

(2010).

The last control variables used in the model are firm size, measured through the natural logarithm of the total number of employees (Cam-poverde et al., 2021), and the age of the enterprise, measured in years (Briano-Turrent et al., 2023). These variables allow an adequate control of the specific characteristics of the company.

3.3. Method of estimation

In this context, two indices, White (1980) and Breusch and Pagan (1979), have been employed to detect the presence of heteroscedasticity in the sample. Heteroscedasticity refers to the presence of non-constant variability in the errors of a regression model, violating one of the fundamental assumptions of Ordinary Least Squares (OLS). In classical linear regression, it is assumed that the variance of errors is constant across all levels of predictor variables. When this assumption is compromised, it can affect the efficiency and statistical validity of the estimates.

In our case, the results of these tests indicate the presence of heteroscedasticity, thus it is necessary to address this issue to obtain more efficient and valid parameter estimates.

The Weighted Least Squares (WLS) method is a technique that tackles the heteroscedasticity problem by adjusting the weights assigned to

each observation based on the variance of errors. The idea is to give more weight to observations with lower error variance and less weight to those with higher variance. This way, the disproportionate influence of observations with high variability on the estimation of model parameters is corrected.

In our case, the choice to use Weighted Least Squares is justified because this approach allows for more efficient and reliable estimates in the presence of heteroscedasticity, improving the validity of statistical inferences (Stanley & Doucouliagos, 2015; White, 1980). The weighting of observations is done according to the magnitude of error variances, so observations with greater precision contribute more to the estimation process.

4. Results

Descriptive statistics are shown in Table 1. It shows that the probability of having carried out some kind of collaboration during the 10 periods is almost 60% and the average investment per employee made by the companies in internal R&D expenditure was a total of 852,000€. In terms of obtaining product innovations, 17% of the companies studied obtained this type of innovation.

Table 1: Descriptive analyses and correlations

Variable	Mean	S. D.	1	2	3	4		
1. Product innovation	0.170	0.380	1					
2. Technological collaboration	0.593	1.030	0.420***	1				
3. Relativised internal R&D expenditures	852.420	2726.100	0.288***	0.407***	1			
4. Family business	0.417	0.493	0.015*	-0.037***	-0.020**	1		
5. Age of the company	29.100	19.900	0.097***	0.191***	0.120***	0.038***		
6. Ln (No. of employees in the company)	4.090	1.410	0.271***	0.499**	0.234***	-0.099***		
7. Relative total R&D employment	19.400	54.100	0.259***	0.368***	0.580***	0.005		
8. Market dynamism	0.177	0.707	-0.062***	-0.099***	0.070***	0.008		
9. Number of competitors in the market	0.112	1.280	-0.128***	-0.181***	0.088***	0.045***		
Variable				5	6	7	8	9
5. Age of the company				1				
6. Ln (No. of employees in the company)				0.303***	1			
7. Relative total R&D employment				0.060***	0.117***	1		
8. Market dynamism				0.012	-0.142***	-0.065***	1	
9. Number of competitors in the market				-0.107***	-0.281***	-0.081***	0.025***	1

(*) Significant at 10%; (**) Significant at 5%; (***) Significant at 1%.

Referring to the characteristics of the companies under study, it is noteworthy that 41.7% of them are family firms and their average age is around 30 years. It is also worth noting that the family firm shows a negative correlation with technological collaboration and internal R&D expenditure. That is, family firms are expected to collaborate less technologically and to invest less in internal R&D expenditure than non-family firms. These descriptive results are in line with studies such as [De Massis et al. \(2015\)](#), [Chen and Hsu \(2009\)](#), and [Durán et al. \(2016\)](#).

There is also a negative correlation between firm size, as measured by the natural logarithm of the total number of employees in the firm, and the family firm. This means that the family firm is generally smaller in size than the non-family firm. Finally, it is noteworthy that technological collaboration, internal R&D expenditures and family firm show a positive correlation with the variable “Product innovations”, so their effect on this variable is expected to be positive. Based on the results shown in Table 2, we will analyse whether the models presented support the two hypotheses (H1 and H2).

Table 2: Regression analyses

Variable	Model 1	Model 2	Model 3	Model 4
Technological collaboration	0.113 ***	0.010***	0.110 ***	0.101 ***
Internal expenditures	2.187e-05 ***	2.163e-05 ***	2.204e-05 ***	2.073e-05 ***
Family firm	0.001	0.018 ***	0.006 ***	0.019 ***
Seniority of the company	-4.577e-06	-1.885e-05	-4.134e-06	-1.869e-05
Ln (No. of employees in the company)	0.002 ***	0.002 ***	0.002 ***	0.002 ***
Relative total R&D employment	2.680e-04 ***	2.692e-04 ***	0.001***	2.639e-04 ***
Market dynamism	-1.043e-05	5.529e-05	-1.307e-06	5.644e-05
No. of competitors in the market	-0.001 ***	-0.001 ***	-0.001 ***	-0.001 ***
Technological collaboration *Family firm		0.029***		0.025 ***
Internal expenditure *Family firm			6.607e-06 ***	4.346e-06 *
Constant	-0.002	-0.001	-0.002	-0.001
R-squared	0.368	0.332	0.345	0.333
No. observations	11634	11634	11634	11634

(*) Significant at 10%; (**) Significant at 5%; (***) Significant at 1%.

Industry variables have been included in the regression but are not shown in the table.

Firstly, in model 1, we find it particularly interesting to note that the family firm individually does not show a significant positive effect on the achievement of product innovations. That is, we do not find significant evidence to determine that family firms, per se, obtain more product innovations than the rest of the firms.

Second, we observe that the effect of technological collaboration with external agents on the achievement of product innovations is positive and significant in all the models ([Faems et al., 2005](#); [Miotti & Sachwald, 2003](#); [Nieto & Santamaría, 2007](#)). Likewise, in model 2, the variable that captures the interaction between technological collaboration and the family firm also shows a positive and significant effect in all the models, so we conclude that the models presented support and confirm our first hypothesis (H1) where

the family firm moderates positively the effect of technological collaboration in obtaining product innovations. In other words, it is confirmed that family firms are able to take better advantage of technological collaborations than non-family firms, so that the impact of these collaborations on the increase of their product innovations is greater. This advantage can be attributed to the unique characteristics of family firms, such as the long-term orientation and high level of social capital. Both help to explain the superior ability to nurture and develop prosperous, long-standing relationships with the stakeholders ([De Massis et al., 2015](#); [Miller & Le Breton-Miller, 2005](#)). These traits enable them to quickly identify and respond to customer needs, thus accelerating the introduction of new products to the market. In essence, family firms manage knowledge more

effectively and can leverage technological collaborations with external partners more efficiently. Secondly, in model 1, we observe that the effect of internal R&D expenditure on product innovation is also positive and significant, as pointed out by authors such as [Love and Roper \(1999\)](#). In the same way, in model 3 the variable that captures the interaction between relativised internal R&D expenditures and the family firm also shows a positive and significant effect in all the models, allowing us to conclude that the models presented support and confirm our second hypothesis (H2) where the family firm moderates positively the effect of internal R&D expenditures on the achievement of product innovations. The confirmation of this hypothesis means that the family firm is more efficient in taking advantage of internal R&D expenditures than in non-family firms. For each unit invested, family firms achieve a greater increase in product innovations than non-family firms. This efficiency could be due to their particular characteristics, such as the agile strategic decision-making process ([Dodero, 2020](#); [Poza, 2007](#)), makes it easier for them to detect the needs of their customers before others, which allows them to take less time to bring new products to the market, and therefore to be more efficient in their innovation processes. In model 4, all interactions are shown, all of them maintaining the level of significance. In summary, the study highlights that family firms not only capitalize on technological collaborations better but also manage their internal R&D expenditures more efficiently, resulting in superior product innovation outcomes compared to non-family firms.

5. Conclusion

This study aims to determine whether technological collaboration and internal R&D expenditure have a greater effect on the innovation processes of family firms compared to non-family firms. Our results indicate that family firms benefit more from technological collaborations, achieving greater increases in product innovation compared to non-family firms. Additionally, our findings suggest that family firms are more efficient in managing internal R&D investments. This could be due to their particular characteristics, which give them competitive advantages that other firms do not have. Family firms have greater speed and agility in their decision-making, and they also have a close relationship with their customers ([De Massis et al., 2015](#); [Miller & Le Breton-Miller, 2005](#)). Both long-term orientation and high level of social capital help to explain the superior ability to nurture and develop prosperous, long-standing relationships with the

stakeholders. They can detect the needs of their customers before others, thus being able to be quicker in bringing new products to the market. In other words, they are able to manage knowledge better, and can therefore take better advantage of technological collaborations with external agents and R&D investment in terms of innovative performance.

Our results align with prior research indicating that family-owned enterprises may invest less in R&D compared to non-family firms, but this doesn't imply inferior innovation capabilities. Instead, family firms excel in optimizing resource utilization, effectively translating innovation inputs into tangible outputs ([Chen & Hsu, 2009](#); [Durán et al., 2016](#)) demonstrating that family firms manage innovation more efficiently.

5.1. Contributions

This article makes a significant contribution to the literature by addressing the ongoing efforts to understand the factors that influence innovation within family-owned firms, as highlighted by [Calabrò et al. \(2019\)](#) and [Röd \(2016\)](#). These studies emphasize the critical role of innovation in maintaining the competitive edge and long-term sustainability of family firms, thereby underscoring the need for a deeper examination of the unique dynamics affecting innovation in these enterprises.

Our research enhances the family business literature by integrating the concept of SEW ([Aguilera et al., 2024](#); [Davila et al., 2023](#); [Kotlar et al., 2018](#)) with the examination of two key factors—external technological collaboration and internal R&D expenditure—that drive innovation in family firms. The primary contribution of this study lies in analyzing how SEW, which encompasses the family's emotional needs such as identity, influence, and the preservation of the family legacy, shapes family firms' approaches to innovation and technological collaboration compared to non-family firms. Specifically, we explore how family firms leverage these investments to enhance their innovation outcomes.

Additionally, this study contributes to the broader innovation literature by demonstrating that family firms, due to their distinctive organizational goals and swift decision-making capabilities, are particularly well-equipped to maximize the benefits of investments in innovation and technological collaborations with external partners. This unique alignment of family firms' strategic objectives with their innovation activities positions them advantageously to exploit these factors for superior innovation performance.

5.2. Practical implications

Given that the results demonstrate family firms' superior ability to leverage collaborations and R&D investments, we recommend family firms to increase their technological collaborations with customers, suppliers, competitors, universities, and technology centres, and enhance their internal investments in R&D. These actions are supported by evidence showing that the unique characteristics and competitive advantages of family firms make them more efficient at managing financial and knowledge resources, translating these into new and improved products.

Furthermore, given the importance family firms place on preserving SEW to ensure the company's longevity for future generations, it is essential for them to adopt these practices to innovate and stay competitive in the market. Engaging in technological partnerships is particularly beneficial, as it provides a valuable means of acquiring funding and knowledge without the high risks and costs associated with private financing. By leveraging such collaborations, family firms can not only bolster their innovation capabilities but also fortify their position in the market, thereby ensuring long-term sustainability and succession planning.

5.3. Limitations and future research

Finally, we refer to the limitations we encountered in carrying out the study. In this regard, we must mention the limitations found with respect to the database used for the study. Firstly, it only collects information from 2006 to 2015, and unfortunately, we currently do not have access to the data for the update, so it would be interesting to study the same hypothesis in recent years. Furthermore, the database used only collects information about Spanish companies, so, if we wanted to check whether these conclusions also apply to family firms at the European and global level, it would be necessary to study companies from all over the world.

It is also worth noting that the database used does not contain information about the family generation in which the firm is located, whether the CEO is family member or not, or how the top management team of the family firm is composed. It would be interesting to study how these factors can influence innovation processes in these firms.

Finally, we have observed that family firms exhibit a commendable ability to optimize their connections with other enterprises and stakeholders, effectively utilizing their internal resources devoted to R&D. It becomes intriguing to delve deeper into the inquiry of whether these businesses are able to leverage additional forms

of public or external resources in a similar manner. Understanding their aptitude for harnessing such resources beyond their immediate network could shed light on the broader strategies employed by family firms in maximizing their overall competitiveness and innovation capabilities. This exploration may provide valuable insights into the holistic resource management practices adopted by family enterprises, contributing to a comprehensive understanding of their dynamic role within the business ecosystem.

Conflict of interest statement

Declaration of interest: none.

Ethical statement

The authors confirm that data collection for the research was conducted anonymously and there was not possibility of identifying the participants.

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Data availability statement

The data that support the findings of this study are available from the corresponding author, [L.G.G], upon reasonable request.

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The Role of Networks for Radical Change in Family firms: A Systematic Literature Review

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Abstract: In this literature review, we explore the pivotal role of family firms' networks (e.g., relationships with employees, suppliers, or customers) in the detection and implementation of radical change. Prior research has mostly taken an isolated perspective, studying only one or two of the three fields "family firms," "networks," and "radical change." We provide a comprehensive synthesis of existing literature, including 79 scholarly papers and use the Input-Process-Output (IPO) framework as an organizing instrument to analyze insights from research on family firms, networks, and radical change. We develop a research agenda targeted at linking networks, radical change detection, and radical change implementation in family firms, highlighting that family firm networks, with their distinct configurations and behaviors, can significantly influence the success or failure of radical change adaptation.

CÓDIGO JEL M100

PALABRAS CLAVE

Empresa familiar,
red, social capital,
cambio radical, re-
visión sistemática

El papel de las redes en el cambio radical de las empresas familiares: Una revisión sistemática de la literatura

Resumen: En esta revisión bibliográfica, exploramos el papel clave de las redes que mantienen las empresas familiares (por ejemplo, las relaciones con empleados, proveedores o clientes) en la detección e implementación de cambios radicales. Buena parte de las investigaciones anteriores han adoptado una perspectiva individualizada, estudiando sólo uno o dos de estos tres campos «empresas familiares», «redes» y «cambio radical». Este trabajo ofrece una síntesis exhaustiva de la bibliografía existente de esos tres campos en su conjunto, que incluye 79 artículos académicos. Para su análisis, se utiliza el marco Input-Process-Output (IPO) como instrumento organizativo. Desarrollamos una agenda de investigación dirigida a vincular las redes, la detección del cambio radical y la implementación del cambio radical en las empresas familiares, destacando que las redes de empresas familiares, con sus distintas configuraciones y comportamientos, pueden influir significativamente en el éxito o el fracaso de la adaptación al cambio radical.

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1. Introduction

Networks can have a crucial impact on the behavior of all firms, including family firms, both positively and negatively (Adjei et al., 2019). Positive effects comprise leveraging close-knit, informal networks (Karlsson, 2018), and supportive connections (Hayward et al., 2022) for innovation, while negative effects include less explorative behavior (Ceipek et al., 2021), and reduced ability to initiate change (Cater & Schwab, 2008). Ultimately, networks impact, amongst other factors, radical change adoption and hence the long-term success of the firm (Ciravegna et al., 2020). Extant research showed that family firms display both, different network configuration compared to nonfamily firms (Bika & Frazer, 2021; Carney, 2005; Kandade et al., 2021) as well as heterogeneous behavior when detecting and implementing radical change¹ (Covin et al., 2016; Nieto et al., 2015; Shepherd et al., 2020), due to complex dynamics in family firms (Maseda et al., 2022). More specifically, family firm networks typically display close-knit (Karlsson, 2018), homogenous ties (Lester & Cannella, 2006), limiting the integration of external knowledge (Brinkerink, 2018; Nieto et al., 2015) and innovation (Herrero, 2018). Family firm idiosyncrasies, such as social capital (Herrero, 2018; Sherlock et al., 2023) and familiness (Carnes & Ireland, 2013; Zahra et al., 2004) significantly impact family firms, including the adoption of radical change (Kammerlander et al., 2018; Szewczyk et al., 2022), innovativeness (Brinkerink, 2018; Martínez-Alonso, et al., 2022; Matzler et al., 2015; Spriggs et al., 2013), and performance (Anderson et al., 2005; Daspit & Long, 2014; Sitthipongpanich & Polsiri, 2015). Family firms might hence face several different challenges based on their network configuration and behavior when undergoing radical change, including recognizing and capitalizing innovation (Bendig et al., 2020; Chirico et al., 2022; Groote et al., 2021; Koka & Prescott, 2008), ultimately impeding the longevity of the firm (Chrisman et al., 2021; Ciravegna et al., 2020). Yet, when high levels of initiative, extensive networking, willingness to take risks, and funding are given, family firms are just as likely as nonfamily firms to achieve radical change (Covin et al., 2016). Family firms today are facing an increasing number of strategic and economic uncertainties—including heightened market volatility, rising in-

flation, international geopolitical conflicts, and rapid technological advancements (Bianco et al., 2009; Pantaleo & Nirmal Pal, 2008). These global developments necessitate strategic change and intensify the need for radical change in family firms. As a result, understanding how family firms leverage their networks to navigate these complex transformations is increasingly important. However, in the current research landscape, the three overarching fields of research on family firms, networks, and radical change have not yet been collectively addressed. There are only few, isolated studies on the fields of family firms, networks, and radical change and existing knowledge is fragmented and lacks comprehensive integration. This literature review will address this gap by synthesizing and integrating the scattered insights to provide a cohesive understanding, as radical change has gained importance for family firms. Integrating the fields of family firms, networks, and radical change is critical for three reasons: (1) networks hold substantial importance within the context of family firms (Carr et al., 2011; Zamudio et al., 2014); (2) literature elucidates that networks are essential for implementing radical change (Kumaraswamy et al., 2018; Vardaman et al., 2012); and (3) the necessity for radical change in organizations is ever-increasing in response to ongoing global developments (Pantaleo & Nirmal Pal, 2008). Our aim of this paper is hence to analyze and categorize the current state of research and to create a synthesis of the existing studies, including the configuration and behavior of family firm networks with a focus on radical change detection and implementation. Moreover, we comprehensively integrate the challenges pertaining to the impact on family networks, alongside the discussion of potential strategies to address these issues. The underlying research question of the literature review hence is: *What influence do networks of family firms have on their detection and implementation of radical change?*

Building on the research question posed by Hu and Hughes (2020) “What resource bundles should family firms possess or develop to facilitate radical innovation? Are there specific resource histories and trajectories that create, facilitate, or hinder the family firm in terms of radical innovation activities?” (pag. 1217) —we synthesize insights from three key literature streams: “family firms,” “networks,” and “radical change.” This integration elucidates the mechanisms through which family firms detect and implement radical change through their network. Our comprehensive approach advances the understanding of familiness, networks, and radical innovation, thereby paving the way for future research grounded in the proposed framework.

1. Radical change is defined as firms comprehensively modifying their resources to enhance and sustain long-term competitive advantage (Stopford & Baden-Fuller, 1994), which entails updating and transforming their fundamental concepts (Guth & Ginsberg, 1990) across the organization (Al-Mashari & Zairi, 1999).

To address the research question, we conducted a systematic review of relevant literature. This comprehensive review entails a detailed examination and synthesis of 79 scholarly papers, each specifically focusing on at least two out of the three relevant research areas. A central component of our approach is the use of the IPO (Input-Process-Output) framework, which aids in understanding and interpreting the interactions of family firms within their networks, facing radical change. By structuring the synthesis along the IPO, we can more effectively analyze how the network contributes to the family's firm's ability to detect and implement radical change, thereby providing clearer insights into the dynamics at play.

This literature review makes two contributions to research on the intersection of family firms, networks, and radical change: (1) linking and synthesizing existing knowledge along the IPO framework to improve our understanding of the nexus of the three research fields; (2) elaborating on future research avenues for scholarly investigation based on the identified current research gaps. The literature review links the three fields, highlighting how family firms' unique networks affect their ability to detect and implement radical change. Existing literature is so far lacking the connection of the three fields, as currently only two papers have addressed all three fields (i.e., [Brewton et al., 2010](#); [Zahra, 2010](#)), each with a rather narrow focus.² Our review demonstrates that while family firm networks have received considerable attention (e.g., [Carr et al., 2011](#); [Ciravegna et al., 2020](#); [Karlsson, 2018](#); [Lester & Cannella, 2006](#)), the aspect of navigating radical change is less explored ([Hu & Hughes, 2020](#)), suggesting a crucial direction for future research.

2. Key Concepts and Definitions

The literature review synthesizes the three overarching fields of "family firms," "networks," and "radical change." For the purpose of this literature review, we define family firms as "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" ([Chua et](#)

[al., 1999, p. 25](#)). We define a network as the interaction of firms ([Peña Ramírez & Levy, 2022](#)), with a focus on the relations that a single firm has with others. A firm's networks can for example include relationships with suppliers, customers, lenders, mentors, and competitors ([Kilkenny & Love, 2014](#)). As noted in the introduction, radical change is characterized broadly, referring to firms adapting their resources significantly to sustain long-term survival ([Stopford & Baden-Fuller, 1994](#)), including a comprehensive overhaul and transformation of core concepts ([Guth & Ginsberg, 1990](#)) across the organization ([Al-Mashari & Zairi, 1999](#)). We hence understand radical change as an overarching term that encompasses radical innovation with the latter referring to the introduction and commercialization of an entirely new concept in the market ([Bouncken et al., 2018](#); [Colombo et al., 2017](#)), including a significantly new or different technology that marks a risky shift from current practices ([Bouncken et al., 2018](#); [Garcia & Calantone, 2002](#)).

3. Structured Literature Review

We conducted a systematic literature review to develop research questions and educate empirical research practice ([Tranfield et al., 2003](#)), exploring and providing a comprehensive synthesis of existing knowledge across the multiple fields ([Hatum & Pettigrew, 2004](#); [Hernández-Linares & Arias-Abelaira, 2022](#); [Montiel et al., 2023](#)). This approach allows for the identification of key themes, trends, and gaps within the literature, offering a foundation for future research. By integrating insights from 79 papers, the literature review ensures a holistic understanding of the interplay between family firms, networks, and radical change, thereby guiding the formulation of relevant research questions.

3.1. Literature search process

The literature search involves a structured search process with a predefined search, including keywords and a consistent set of search strings used throughout the process ([Tranfield et al., 2003](#)) (see Table 1). Specifically, the process of conducting a systematic literature review consists of five sequential steps ([Mertens, 2005](#)): (1) Examining seminal articles to establish key terms; (2) inputting relevant "keywords" and their respective combinations into databases to identify and choose articles pertinent to the defined research topic; (3) analyzing relationships among key terms to uncover commonalities and disparities; (4) constructing a literature map connecting interrelated terms; and (5) continuously updating the literature map and article list during the

2. Moreover, we also identified two literature reviews in our systematic literature review, each of them covering only two of the three fields: one review focuses on family firms and radical change ([Hu & Hughes, 2020](#)), while the other one explores the intersection of family firms and networks ([Stasa & Machek, 2022](#)).

review, while providing a comprehensive review overview. As we soon realized that there is a void of articles covering all three research streams (i.e., joint search of all three research streams resulted in hardly any results), we also conducted three separate searches, each of them focusing on a combination of two out of the three research streams.

To compile a collection of articles pertinent to the present subject, we implemented filtering criteria, including keywords and associated synonyms extracted from established articles focusing on three predefined combinations: “family firm AND network,” “family firm AND radical change,” and “network AND radical change.” Additionally, we defined synonyms for each overarching keyword to ensure covering all relevant papers. For the keyword “family firm” seven synonyms were defined: “family business,” “family led,” “family owned,” “family company,” “family managed,” “family controlled,” “family involvement,” and “family enterprise” (adapted from [Cordoba et al., 2024](#)). For the keyword “network” we identified three additional synonyms: “strong ties,” “weak ties,” and “social capital” ([Uhlener et al., 2015](#); [Salvato et al., 2020](#)). Lastly, for the keyword “radical change” we identified five synonyms based on [König et al. \(2013\)](#) and [Hu and Hughes \(2020\)](#), namely “disruption,” “transformation,” “disruptive change,” “discontinuous change,” and “discontinuous technology.” Through the thor-

ough exploration of keywords and synonyms, we prevented the oversight and exclusion of significant journal articles ([Kraus et al., 2020](#)).

We restricted our search to peer reviewed articles in English; we excluded scholarly books, conference papers, and research notes from the search. To ensure an overarching, holistic search, there was no restriction to the publication timeframe. The timeframe of articles identified ranged from 1993 to September 2023, from earliest to latest publication. To ensure high quality of the included papers, we focused on the Top 50 Research Journals according to the Financial Times in the structured part of our search and added few additional relevant journals, in particular on the topics of family firm research and innovation: *Family Business Review*, *Journal of Family Business Strategy*, and *Journal of Product Innovation Management*. For reasons of consistency and efficiency, we did not search the websites of the journals directly, yet we carefully selected a database to perform a reliable literature review ([Aparicio & Iturralde, 2022](#)). Therefore, we utilized SCOPUS for the systematic search, being the leading curated database for research journals and articles ([Cantu-Ortiz, 2018](#)), including all papers from the above-mentioned journals. SCOPUS is a preferred source for extensive data analyses due to its trustworthiness for researchers, universities, and policy makers ([Baas et al., 2020](#)).

Table 1: Search protocol

Time period	not limited
Search fields	‘Title,’ ‘Abstract,’ ‘Keywords’
Search keywords	<i>Network:</i> (“network” OR “strong ties” OR “weak ties” OR “social capital”) <i>Family firms:</i> (“family business” OR “family firm” OR “family led” OR “family owned” OR “family company” OR “family managed” OR “family controlled” OR “family involvement” OR “family enterprise”) <i>Radical change:</i> (“radical change” OR “disruption” OR “transformation” OR “disruptive change” OR “discontinuous change” OR “discontinuous technology”)
Search strings	“family firm AND network” “family firm AND radical change” “network AND radical change”
Research journals	Top 50 Financial Times Research Journals + Family Business Review, Journal of Family Business Strategy, Journal of Product Innovation Management (search conducted in database SCOPUS)
Document type	Article or Review
Language	English

The initial search for the defined keyword combinations resulted in a total of 233 articles published in the above-mentioned journals. After

screening the titles and abstracts of the articles, we excluded 144 articles, specifically 6 duplications and 138 articles that did not explicitly focus

on the search quest. For instance, we excluded articles not focused on the defined research topic, such as those addressing IT, supply chain, or education-related topics. After the initial screening of titles and abstracts, we diligently read the remaining 89 articles. In a following step, we excluded 19 articles that solely emphasized one (rather than two or three) of the three keywords/research fields. Hence, a total of 70 articles remained after the systematic screening. In a next step, we screened previously selected seminal articles for relevant additional papers through backward citation³. We identified 9 additional relevant articles to be included in literature review. As of September 2023, we hence identified a total of 79 papers relevant to the topics of family firms, networks, and radical change through a combination of systematic and unsystematic search. Out of the 79 papers identified, a majority of papers (n=49) covered the two keywords “family firm AND network,” while the combination “family firm AND radical change” covered 16 papers. We further identified 12 articles from the general management literature covering “network AND radical change,” and only two papers focusing on all three key words “family firm AND network AND radical change” (i.e., [Brewton et al., 2010](#); [Zahra, 2010](#)).

While our primary interest is the effect of networks on family firms undergoing radical change, we still consider identified nonfamily articles as valuable, contributing to the overarching knowledge on network and radical change. We included the keyword combination “radical change AND networks” and hence also searched for nonfamily firm-specific articles dealing with the influence of networks on radical change to provide a holistic overview of literature on the phenomenon. Such approach of including literature on nonfamily firms is in line with other published family firm reviews (e.g., [Strike et al., 2018](#)) and ensures to avoid any ‘white spots’ in family firm research and to come up with relevant avenues for further research.

It is important to note that, in order to increase the quality of the literature review, the literature search process included thorough discussions among the two authors about whether to include or exclude certain articles. Both authors independently read the abstracts/articles and formed their own opinion about exclusion vs. inclusion.

3. The purpose of such an unsystematic literature review approach is to identify papers that (a) are relevant yet use different terms as compared to those used in the systematic part and (b) are relevant (e.g., due to their influence on the field as mirrored in citation numbers) but are published in outlets that were not considered as targets in the systematic part.

Discussions terminated when a consensus was reached.

3.2 Data analysis

In our analysis, we employed deductive coding, which enabled us to distinctly identify the three unique stages inherent in the IPO framework (see Figure 1). We extracted relevant items from the original articles’ conceptual models, hypotheses, propositions, as well as quantitative and qualitative findings. A synthesis of the coding allowed us to obtain a comprehensive overview of the state of the literature, revealing three distinct streams: (1) network, (2) radical change detection, (3) radical change implementation. We linked the three literature streams to the Input-Process-Output (IPO) framework and defined “network” as input component. Networks are recognized in the reviewed articles as the initial catalyst that can trigger the processes of radical change detection and implementation ([Koka & Prescott, 2008](#); [Ramachandran & Ramnarayan, 1993](#)). Following this, we categorized “radical change detection” as the process stage based on the input derived from the firm network allowing change to be identified ([Cabrera-Suárez et al., 2011](#)). Lastly, we identified “radical change implementation” as the output, as this step is resulting from the process of radical change detection ([Harryson et al., 2008](#); [König et al., 2013](#)) and the active decision to act on radical change ([Hall et al., 2001](#)). In this last phase, the knowledge and resources derived from the network are translated into concrete actions and radical change implementation strategies ([Brinkerink, 2018](#)).

3.3. Descriptive analysis

By systematically examining each step of the Input-Process-Output framework ([Bacq & Lumpkin, 2014](#)), this research endeavor (1) conducts a critical evaluation of the existing literature and (2) discerns and extracts the core research challenges, thereby establishing a research agenda for future investigations concerning family firm networks and their association with radical change ([Booth et al., 2016](#)).

Out of the 79 articles in our sample, 42 papers utilize quantitative methodologies, 13 employ qualitative methodologies, 18 are conceptual approaches, two are literature reviews, three are mixed-method papers, and one uses a fsQCA approach. Among 59 papers that explicitly mention a specific theory, 53 applied one theory and 6 applied two theories, with a total of 24 unique theories available in our sample. More specifically, we could identify five major theoretical perspectives in our sample. (1) Social capital theory (n=14) finds its principal utility in the analysis of

network dynamics, and hence in the input step. Furthermore, social capital theory is also aptly extended to the study of innovation behavior, particularly in the context of radical change detection. (2) Family social capital (n=6) finds its application within all three steps (input, process, output), underscoring its relevance in analyzing the familial social ties that influence network dynamics. (3) Resource-Based View (RBV) (n=9) is notably deployed when explaining radical change detection, primarily due to its focus on the identification of rare and inimitable resources as a source of competitive advantage (Barney, 1991). Therefore, our findings suggest that family firms

require specific sets of resources to remain competitive and adaptive in the face of radical change. (4) Agency theory (n=7) is applied to all three steps in our sample: network, radical change detection, and radical change implementation. Agency theory is often used in conjunction with the RBV due to its emphasis on the principal-agent relationship inherent in network dynamics. (5) Sustainable Family Business Theory (SFBT) (n=4) is predominantly employed in the context of radical change implementation, aligning with its fundamental premise of emphasizing family firm survival, attributed to the unique resource characteristic of family firms (Stafford et al., 1999).

Figure 1: IPO framework with focus on theories utilized

	Input ①	Process ②	Output ③
Focus of data sample:	<div>Network</div> <div>n=30</div>	<div>Radical change detection</div> <div>n=24</div>	<div>Radical change implementation</div> <div>n=25</div>
Family firms n=47	Social capital theory (n=8) FSC (n=2) <div>n=20</div>	Resource-based view (n=5) <div>n=13</div>	Sustain. fam. bus. t. (n=3) FSC (n=2) Org. learning t. (n=2) <div>n=14</div>
Nonfamily firms n=12	Network model (n=1) <div>n=3</div>	Knowledge-based view (n=1) <div>n=5</div>	<i>no dominant theory</i> <div>n=4</div>
Comparison of family and nonfamily firms n=20	Resource-based view (n=2) Agency theory (n=2) <div>n=7</div>	<i>no dominant theory</i> <div>n=6</div>	Social capital theory (n=2) <div>n=7</div>

n= papers identified

4. Findings

4.1. Networks of family firms

Family firms' networks exhibit unique characteristics that distinguish them from nonfamily firms. Specifically, they focus on ties within close-knit (Karlsson, 2018), homogeneous networks of like-minded companies (Lester & Cannella, 2006), aiming to maintain control and longevity (Ciravegna et al., 2020) (see Table 2). These firms are less likely to be part of business groups and have cross-group ties, therefore being less embedded within such networks (Mani & Durand, 2019) than nonfamily firms. Additionally, family firms construct networks rooted in kinship, ethnicity, community, and political ties, fostering solidarity (Carney, 2005). By forming 'as-if-family' ties, developing non-kin connections grounded in shared values, trust, and compatibility, family firms can enhance knowledge sharing (Bika & Frazer, 2021; Kandade et al., 2021).

Within the field of research on networks and fam-

ily firms, social capital has increasingly gained attention. Social capital includes internal (bonding) and external (bridging) social capital (Carr et al., 2011). Internal social capital outlines relationships within the firm and external social capital relationships with external stakeholders (Chirico et al., 2022; Herrero & Hughes, 2019). Family social capital dimensions (i.e., structural, cognitive, and relational social capital (Herrero & Hughes, 2019)) describe the network composition of family firms, impacting firm-internal and firm-external relationships (Herrero & Hughes, 2019; Sanchez-Ruiz et al., 2019), with the controlling family and the family firm shaping the family social capital and its strategic outcomes (Anderson et al., 2005). Specifically, extensive structural capital can impede organizations in adapting their strategies, as established networks may restrict their capacity to adopt novel external knowledge (Herrero & Hughes, 2019). Family firms prioritize internal social capital (Carr et al., 2011), emphasizing bonding over

bridging social capital (Zellweger et al., 2019). Bonding social capital is fostered through strong identity and shared vision in family firms (Uhlener et al., 2015). Leveraging social capital more effectively than nonfamily firms (Ciravegna et al., 2020), close-knit networks of family firms reduce contracting and monitoring costs, fostering long-term success (Karlsson, 2018). From an organizational perspective, family firms are superior at utilizing social capital when connecting with new ventures, accessing novel knowledge (Zahra, 2010). Family social capital contributes to the organizational social capital, by protecting the interest of the firm in a coercive manner, especially highlighting the relevance of organizational identity (Arregle et al., 2007). Family involvement increases community involvement, creating and preserving socio-emotional wealth (Mani & Durand, 2019). While community-level social capital can be beneficial, its impact on individual firms may be relatively modest, as collaboration among firms is in most cases still limited (Lester & Cannella, 2006). Shortcomings in human and financial capital within family firms, leading to higher agency costs (including unfavorable selection of resources, opportunism, and shirking), can be, at least partly, offset by social capital (Levie & Lerner, 2009).

The influence of the family within the network of family firms is ambiguous and can either lower (Daspit & Long, 2014) or boost (Anderson et al., 2005; Sitthipongpanich & Polsiri, 2015) performance. When shifting from a family-centric to a nonfamily-centric external network, family firm owners can increase firm performance by minimizing moral hazards and cost-to-benefit ratios, fostering increased relational independence (Daspit & Long, 2014). Yet also help provided by family members can provide advantages due to their heterogeneous knowledge, and the rapidity of services provided at low to non-existent cost (Anderson et al., 2005). Research found that highly successful managers employ their interpersonal network (mostly friends and family) to a larger extent, unleashing more resources compared to less successful managers (Ramachandran & Ramnarayan, 1993), with closeness of friends being most valuable for social capital generation (Sitthipongpanich & Polsiri, 2015). Especially cultural and geographical variation can explain heterogeneous outcomes on the influence of family within the network of family firms (Daspit & Long, 2014; Sitthipongpanich & Polsiri, 2015). Overall, the positive effect of nonfamily social capital in family firms is stronger than that of

family social capital, due to higher levels of diversity, professionalism, and salaries tied to firm performance for external management (Sanchez-Famoso et al., 2015).

Family firms, however, also encounter challenges associated with their network structure, including bifurcation bias (Ciravegna et al., 2020) and agency costs (Chrisman et al., 2021; Levie & Lerner, 2009). Specifically prioritizing family assets and relationships impede family firms from fully realizing the longevity of their network connections (Ciravegna et al., 2020). Challenges (e.g., bifurcation bias, agency costs) based on the network configuration of family firms can be resolved by managing altruism, control, social capital, and succession (Chrisman et al., 2021) and by the implementation of governance mechanisms (e.g., contract renegotiations) (Chrisman et al., 2021; Groot et al., 2022), to ensure the survival of (multi-)family firms (Cabrera-Suárez et al., 2015; Groot et al., 2022). Family governance with explicit guidelines, effective communication, and decision-making methods contribute to the stimulation of family social capital, promoting alignment of individual interests with the overall welfare of the family firm, resulting in enhanced resilience (Cabrera-Suárez et al., 2015; Groot et al., 2022). Managers must continuously reassess their network, adjust it according to the environment (Koka & Prescott, 2008), as well as adapt and reshape social relationships when necessary (Salvato & Melin, 2008). By utilizing three steps of corporate diplomacy, (1) familiarization with outside stakeholders, (2) acceptance of corporate values, (3) engagement for stakeholder value creation, family firms can improve their network, increasing the probability for longevity (Ciravegna et al., 2020), building reliable partnerships and social capital, based on vulnerability and mutual engagement (Hayward et al., 2022). With an increased number of (internal and external) ties, family firm managers maintain connections throughout the network enhancing the controlling family's appropriability and enabling the leverage of family's bridging social capital for accessing external resources (Salvato & Melin, 2008). Access to heterogeneous knowledge leads to cost advantages and expanded exchange opportunities (Daspit & Long, 2014; Salvato & Melin, 2008), with higher level of product upgrading associated to the number of ties a firm has with other firms and government support institutions (e.g., public research institutes, training centers) (McDermott et al., 2009).

Table 2: Summarized findings on Input: Network

Paper	Type	Sample	Theory	Findings
Arregle et al., 2007	Conceptual	n/a	SC	<ul style="list-style-type: none"> □ FSC contributes to the development of OSC, by protecting the interest of the firm in a coercive manner, focusing on the organizational identity and rationality
Daspit & Long, 2014	Conceptual	n/a (based in Uganda)	SC	<ul style="list-style-type: none"> □ Moving from family-dominated external network to nonfamily-dominated external network will positively influence firm performance, increasing relational independence of external network
Lester & Cannella, 2006	Conceptual	n/a (based in the US)	SC	<ul style="list-style-type: none"> □ FF operate in a community of similar firms to foster and maintain family control and persistence
Cabrera-Suárez et al., 2015	Quantitative	173 SME FF, Spain (2011)	SC	<ul style="list-style-type: none"> □ Structural dimension of FSC has significant impact on the engagement of FF establishment of (corporate goals related to key nonfamily stakeholders)
Carr et al., 2011	Quantitative	341 FF, USA	SC	<ul style="list-style-type: none"> □ FF prioritize internal SC, which is largely dependent on family members
Sanchez-Famoso et al., 2015	Quantitative	172 FF in Spain	SC	<ul style="list-style-type: none"> □ Positive effect of nonfamily SC on FF is stronger than FSC (due to more heterogeneity, professionalism, and salaries tied to performance)
Sorenson et al., 2009	Quantitative	405 small FF, USA (1997-2000)	SC	<ul style="list-style-type: none"> □ Positive relationship between collaborative dialogue and ethical norms, ethical norms and FSC, FSC and firm performance
Uhlaner et al., 2015	Quantitative	679 firms (FF and non-FF)	SC	<ul style="list-style-type: none"> □ Positive effects of bonding OSC on bridging OSC □ FF identity can have a positive moderator effect on network mobilization effect when combined with a strongly shared vision of the firm, regardless of ownership-management overlap
Wu, 2007	Quantitative	108 FF in manuf. sector, Hong Kong	SC	<ul style="list-style-type: none"> □ Information sharing plays a mediating role in relationship between different dimensions of SC and firm performance
Hadjielias et al., 2022	Qualitative	62 stakeholders in 23 small privately owned FF, Cyprus	FSC	<ul style="list-style-type: none"> □ SC (structural and relational) is reconfigured during external crisis □ Depending on identification vs. obligation with firm, SC is differently influenced
Groot et al., 2022	Quantitative	175 FF, globally	FSC	<ul style="list-style-type: none"> □ Family governance can stimulate FSC by strengthening family identity □ Family governance helps align individual interests with the collective well-being of the FF, creating resiliency
Karlsson, 2018	Quantitative	89,000 private FF, Sweden (2004-2010)	RBV	<ul style="list-style-type: none"> □ FF more than non-FF leverage SC for close-knit, informal networks, reducing contracting and monitoring expenses
Carney, 2005	Conceptual	n/a	Agency theory	<ul style="list-style-type: none"> □ FF owners benefit from enhanced networking, creating unique SC and fostering relational contracts with external partners □ FF managers build connections on solidarity (i.e., kinship/ethnicity/community/political affiliation)
Chrisman et al., 2021	Conceptual	n/a	Agency theory	<ul style="list-style-type: none"> □ Interfamily agency problems linked to SC negatively impact the survival of multi FF □ SC related interfamily agency problems are negatively related to the survival of multi FF
Mani & Durand, 2019	Quantitative	4,983 publicly listed companies (FF and non-FF), India (2001, 2005, 2009)	Behavioral Agency Model theory	<ul style="list-style-type: none"> □ Family involvement decrease likelihood of business group affiliation and cross-group ties, being less embedded within overall network □ Family involvement increases the community involvement preserving and creating socio-emotional wealth

Paper	Type	Sample	Theory	Findings
Kandade et al., 2021	Qualitative	24 next gen. leaders, India (2017)	LMX	<ul style="list-style-type: none"> Relationships with nonfamily stakeholders are crucial for successful businesses High-quality relationships developed through mutual respect, trust, early affiliation, mentoring, mutual obligation
Zamudio et al., 2014	Conceptual	n/a	n/a	<ul style="list-style-type: none"> Overview of network measurement (incl. advantages and disadvantages)
Zellweger et al., 2019	Conceptual	n/a	n/a	<ul style="list-style-type: none"> Family ties generate bonding SC rather than bridging SC Different social relationships: (a) intra-family relationships; (b) extra-family relationships; (c) intra-firm relationships; and (d) extra-firm relationships
Stasa & Machek, 2022	Literature review	69 studies (2001-2020)	n/a	<ul style="list-style-type: none"> SC in family firm research is fragmented
Anderson et al., 2005	Mixed methods	68 firms, Scotland	n/a	<ul style="list-style-type: none"> Help provided by family outside the family firm offers heterogeneous resources and perspectives, and rapid services at low to non-existent cost 25% of most important network contacts are family and majority works outside family's company
McDermott et al., 2009	Mixed methods	112 wineries, Argentina	n/a	<ul style="list-style-type: none"> Higher level of product upgrading is positively associated with number of ties a firm has to other firms
Bika & Frazer, 2021	Qualitative	55 ff, Scotland (1980s)	n/a	<ul style="list-style-type: none"> FF can build 'as-if-family' ties, with non-kinship-based connections, building on common values shared by emotions, developing trust and compatibility in decision-making
Ramachandran & Ramnarayan, 1993	Quantitative	67 cases of small entrepreneurs, India (1986-1990)	n/a	<ul style="list-style-type: none"> Pioneering entrepreneurs employ interpersonal network to a larger extent
Halinen et al., 1999	Conceptual	n/a	Network model	<ul style="list-style-type: none"> Radical change in a dyad is likely to lead to radical changes in the surrounding network Incremental change circle leading to radical change and vice versa
Zahra, 2010	Quantitative	779 manufacturing firms, USA	Relational view theory	<ul style="list-style-type: none"> FF are better in positioning themselves to harvest large OSC stocks, investing in new ventures, learning from innovation and interactions, building knowledge sharing and trust FF use OSC to develop alliances and joint ventures
Niemelä, 2004	Qualitative	5 FF (furniture production), Finland (1995, 2001)	Resource dependence theory	<ul style="list-style-type: none"> Owner-managers learned how to use their personal and institutional power to develop their network Knowledge, skills, motivation, and volition (will-power), and "affection" are needed to utilize power
Levie & Lerner, 2009	Quantitative	634 surveyed (56% FF), UK (2005, 2006)	RBV, Agency theory	<ul style="list-style-type: none"> Agency costs higher in FF than in non-FF FF accept family owner/manager with lower human capital (measured by education level)
Sitthipongpanich & Polsiri, 2015	Quantitative	832 FF observations (excl. banks, finance), Thailand (2001-2005)	RBV, Agency theory	<ul style="list-style-type: none"> Family-led firms' lower firm value (smaller pool of candidates, extract private benefits) Connections made by family CEO through directorates have negligible impact and might be similarly gained through interorganizational relationships, where personal friendships hold more value than professional associations
Hayward et al., 2022	Conceptual	n/a	Social Exchange theory	<ul style="list-style-type: none"> Family vulnerability helps develop supportive connections

Paper	Type	Sample	Theory	Findings
Ciravegna et al., 2020	Conceptual	n/a	Transaction Cost Economics (TCE)	<ul style="list-style-type: none"> □ To extend nonfamily ties with external stakeholders (bridging SC) three steps required: (1) familiarity, (2) acceptance, (3) engagement □ FF utilize corporate diplomacy to transfer economizing practices to subsequent generations, to support longevity

Note: Abbreviations used in Table: Family Social Capital (FSC), Family firm (FF), manufacturing (manuf.), Methods (m.), Social Capital (SC), Organizational Social Capital (OSC), Qualitative (Qual.), Quantitative (Quant.), Resource-based view (RBV), Sustainable Family Business Theory (SFBT), Theory (t.)

4.2. Radical change detection in family firms

Literature on radical change detection in family firms is overall embedded in innovation research, with a theoretical focus on familiness (Carnes & Ireland, 2013), social capital (Herrero, 2018; Sherlock et al., 2023), and networks (Brinkerink, 2018; Groote et al., 2021; Nieto et al., 2015) (see Table 3). Familiness⁴ can impede radical change detection as it emphasizes stability over pioneering efforts, hindering explorative innovation (Carnes & Ireland, 2013), hence managing familiness is crucial (Irava & Moores, 2010).

Although research on the effect of social capital on radical change is still lacking, some research investigated the relationship between social capital and family firm innovativeness in general. Family social capital can have two contradicting effects on family firm innovativeness, either fostering innovation (Sherlock et al., 2023) or limiting innovation (Herrero, 2018), ultimately suggesting opposite effects on radical change detection. Potentially encouraging radical change detection, increased family social capital can boost innovativeness (Sherlock et al., 2023) through fostering a market-oriented culture (Cabrera-Suárez et al., 2011), knowledge absorption, and product development (Chirico et al., 2022). With human and social capital as positive mediators between family commitment and innovativeness, family commitment enables competitive strategies such as innovation (Sherlock et al., 2023), which foster radical change detection. Contrarily, family social capital may also impede family firms from accepting ideas from external ties (Herrero, 2018), as tightly knit connections restrict members' ability to challenge established norms and explore innovative solutions (Chirico & Salvato, 2016). Family ties with top management fosters consensus and minimizes conflict, thereby diminishing the capacity to detect radical change (Cater & Schwab, 2008).

Family firms tend to rely on long-term, deep relationships in their external network (Brinkerink, 2018), and they are less likely to utilize unknown external sources as they aim to prevent knowledge spill-over to externals (Nieto et al., 2015). Additionally, perception filters (e.g., "not-invented-here") and biases impede incumbent firms from recognizing and capitalizing on opportunities in disruptive technology, hindering innovation (Groote et al., 2021), and ultimately preventing radical change detection. In the context of innovation, family firms demonstrate heightened absorptive capacity for exploitative innovation relative to nonfamily firms, yet they exhibit a deficiency in explorative innovation (Brinkerink, 2018), and this effect is stronger, the stronger the family influence is (Ceipek et al., 2021); hence, family influence encourages incremental change rather than radical change. Strong ties between owning family and managers hinder the ability to detect and initiate radical change, as consensus orientation is increased and conflicts are avoided (Cater & Schwab, 2008).

Three distinct patterns contribute to radical change detection in family firms, primarily emphasizing exploratory innovation through (1) external orientation (Herrero et al., 2022; Nason et al., 2019; Spriggs et al., 2013; Zahra et al., 2004), (2) unprecedented views (Jiang et al., 2021; Nason et al., 2019), and (3) long-term orientation (Cater & Schwab, 2008; Hanson et al., 2019). External orientation encourages entrepreneurship, thereby opening up to heterogeneous knowledge (Zahra et al., 2004). Prioritizing exploratory innovation capacity when engaging with their networks, rather than emphasizing exploitative innovation (Spriggs et al., 2013), will potentially foster radical change detection by absorbing novel knowledge. Nonfamily connections offer diverse, non-redundant, and innovative knowledge (Nason et al., 2019), making novel knowledge more available (Herrero et al., 2022), thus increasing the opportunities for radical change detection. Addressing the challenge of reduced attention to distant knowledge in family firms (Brinkerink, 2018; Piezunka & Dahlander,

4. Defined as unique resources and capabilities derived from the family's involvement and interaction with the firm (Pearson et al., 2008)

2015), network-based knowledge sourcing emerges as a viable solution, offering an alternative to crowd-based approaches and mitigating issues of filtering and disregarding solutions with content and structural distance (Piezunka & Dahlander, 2015). An unprecedented perspective helps managers when dealing with radical change, as those, who react independent of their past experiences,

are well-positioned to develop innovative and successful business models (Jiang et al., 2021). When detecting radical change, it is essential for firms to consider different stakeholders, including incumbents and disruptors, within the ecosystem (Kumaraswamy et al., 2018), as increased socializing supports firm managers to recalibrate their knowledge structures, for novel input (Nason et al., 2019).

Table 3: Summarized findings on Process: Radical change detection

Paper	Type	Sample	Theory	Findings
Pearson et al., 2008	Conceptual	n/a	SC	<ul style="list-style-type: none"> □ Familiness creates organizational performance outcome beyond economic performance □ Antecedents of familiness: time, interdependence, interaction, closure
Stanley & McDowell, 2014	Quantitative	149 FF and non-FF (education sector), USA	SC	<ul style="list-style-type: none"> □ Interorganizational trust, self-efficacy is positively associated with performance in FF and non- FF
Chirico & Salvato, 2016	Quantitative	199 FF (C-level), Switzerland	FSC	<ul style="list-style-type: none"> □ FSC increases mutual understanding among family members, facilitating knowledge internalization, enhancing product development - Dense social relationships (based on FSC) constrain members ability to challenge existing paradigm and explore creative solutions
Herrero, 2018	Quantitative	230 FF and 170 non-FF in manufacturing business, Spain	FSC	<ul style="list-style-type: none"> □ If FSC is high, FF are reluctant to accept ideas coming from others, nonfamily managers can function as moderator when creating strong bonding SC □ FSC has a positive effect on ROE and null effect on ROA (opposite for non- FF)
Carnes & Ireland, 2013	Conceptual	n/a	RBV	<ul style="list-style-type: none"> □ Resource bundling subprocesses of FF resources can influence innovation outcome: (1) stabilizing, (2) enriching, (3) pioneering
Irava & Moores, 2010	Qualitative	4 FF, Australia	RBV	<ul style="list-style-type: none"> □ Firms should exploit familiness advantages and manage disadvantages, for long-term performance
Sherlock et al., 2023.	Quantitative	275 FF, globally	RBV	<ul style="list-style-type: none"> □ Human and SC positively mediate the relationship between family commitment and innovativeness
Zahra et al., 2004	Quantitative	536 manufacturing firms (41% FF), USA (1997)	RBV	<ul style="list-style-type: none"> □ 4 dimensions of FF culture significantly influence entrepreneurial activities: (1) Individual vs. group, (2) external, (3) short-term orientation, (4) familiness
Hanson et al., 2019	Quantitative	22 family SME (farms), USA	SFBT	<ul style="list-style-type: none"> □ Families need to identify and comprehend their access to short- and long-term resilience stock □ Relational ethics bridge from past to future
Nason et al., 2019	Conceptual	n/a	Behavioral theory	<ul style="list-style-type: none"> □ Socialization introduces business-owning families to new actors who bring new information and force a recalibration of the business-owning families' collective knowledge structure
Groote et al., 2021	Qualitative	24 interviews (mail order industry) (9 firms), Germany	Disruptive innovation	<ul style="list-style-type: none"> □ Perception filters/bias, judgmental overconfidence, and decision-making bias, are negatively linked to innovation □ Not-invented-here syndrome and group-think phenomena support the wrong innovation, which may be even worse than non-innovation

Paper	Type	Sample	Theory	Findings
Trantopoulos et al., 2017	Quantitative	>1,072 firms, (manufac-turing industry), Switzerland (2005, 2008, 2011)	Knowledge Based view	<ul style="list-style-type: none"> □ Firms need to align their strategies for acquiring external knowledge with targeted IT investments to enhance their innovation outcomes
Kumaraswamy et al., 2018	Conceptual	n/a	n/a	<ul style="list-style-type: none"> □ Papers on disruptive innovations integrate and link various complementary fields such as disruption theory, ecosystems, framing, institutional theory, identity theory, and process theory
Cater & Schwab, 2008	Qualitative	2 firms (with turnaround experience)	n/a	<ul style="list-style-type: none"> □ Family ties among top managers increase consensus orientation, reducing ability to initiate change □ With informal management system is in place, ability to change is reduced (only firefighting) □ FF' long-term focus aids in adopting retrenchment strategies during turnaround
Hatum & Pettigrew, 2004	Qualitative	2 FF (edible oil industry), Argentina	n/a	<ul style="list-style-type: none"> □ Flexible firm has strong identity based in core values with previous generations □ Earlier professionalization helps building a more heterogeneous top team, less flexible firms relied on family members
Ceipek et al., 2021	Quantitative	46 CDAX firms, Germany (2002-2013)	n/a	<ul style="list-style-type: none"> □ Increased family influence leads to a negative impact on explorative behavior (in context of IoT)
Piezunka & Dahl-ander, 2015	Quantitative	922 firms with 105,127 crowd-sourced ideas, USA + Western Europe (2007-2011)	n/a	<ul style="list-style-type: none"> □ Organizations tend to filter out suggestions (through crowding, and content/structural distance) capturing distant knowledge □ Potential solution: network-based knowledge sourcing (opposite of crowd-based knowledge sourcing)
Hopp et al., 2018	Quantitative	1,078 journal articles (1975-2016)	n/a	<ul style="list-style-type: none"> □ Disruption as a complex concept involving individuals, groups, and organizations within wider economic and social systems (disruptive innovation (macro level) vs. radical innovation)
Herrero et al., 2022	Quantitative	131 fishing firms (93 FF), Spain (2013-2014)	n/a	<ul style="list-style-type: none"> □ Relationships outside of FF boundaries with family members increases performance □ Nonfamily connection for novel, non-redundant knowledge equally important
Jiang et al., 2021	Quantitative	18 refugees in host countries, (2016, 2020)	n/a	<ul style="list-style-type: none"> □ Entrepreneurs who think independently from their experience may be in a better position to create new and effective business models when they experience disruption
Brinkerink, 2018	Quantitative	346 manufacturing SME (FF and non-FF), Netherlands (2014)	Organiza-tional Learning theory	<ul style="list-style-type: none"> □ FF have higher absorptive capacity for exploitative innovation, relying on long-term, deep relationships with external network □ FF are less conducive to exploratory innovation research
Jones et al., 2008	Quantitative	403 publicly traded firms (203 FF) (1994, 1998)	Relational view theory	<ul style="list-style-type: none"> □ Affiliate directors are more active in assisting FF than non-FF in pursuing growth strategies, particularly product diversification, by utilizing their experience, knowledge, and networks
Spriggs et al., 2013	Quantitative	199 small to midsize FF, USA	RBV, Agency theory	<ul style="list-style-type: none"> □ If Innovative capacity is high, firm performance is higher □ Small firms should prioritize innovative capacity in their network interactions instead of focusing on a col-laborative network approach

Paper	Type	Sample	Theory	Findings
Cabrera-Suárez et al., 2011	Conceptual	n/a	RBV, Stakeholder theory	□ FF with high FSC are more likely to develop market-oriented culture through adaption of stewardship orientation (close relations and frequent interactions)

Note: Abbreviations used in Table: Family Social Capital (FSC), Family firm (FF), manufacturing (manuf.), Methods (m.), Social Capital (SC), Organizational Social Capital (OSC), Qualitative (Qual.), Quantitative (Quant.), Resource-based view (RBV), Sustainable Family Business Theory (SFBT), Theory (t.)

4.3. Radical change implementation in family firms

While results of prior research is ambiguous, most extant studies display family firms more likely to focus on implementation of incremental rather than radical change (Nieto et al., 2015) (see Table 4). Yet depending on the resources and culture of family firms, they are just as likely as nonfamily firms, to achieve radical change (Covin et al., 2016; Wang et al., 2016), when displaying “high levels of proactiveness, networking, risk-taking, and financial resources support” (Covin et al., 2016, p. 5625). In the context of threatened socio-emotional wealth within a family, the likelihood of implementing radical change is increased, grounded in the significance of family firm continuity (Chrisman et al., 2015).

Family influences the firm’s radical change adoption speed, intensity (Brinkerink et al., 2020; Kammerlander et al., 2018; Szewczyk et al., 2022), and aggressiveness (Kammerlander et al., 2018; Szewczyk et al., 2022). Family firms vary in their identity elasticity, which impacts the adoption speed and intensity of radical change implementation, (Brinkerink et al., 2020). Depending on the method of measurement, radical change adoption aggressiveness is either low (Brinkerink et al., 2020; Kammerlander et al., 2018) or high (Szewczyk et al., 2022). Additionally, the family innovator’s dilemma results in lower adoption aggressiveness, as family firm managers prioritize current wealth over future wealth (König et al., 2013). When implementing radical change, family firms display more adoption stamina compared to nonfamily firms due to “patient capital” (König et al., 2013), and when possessing higher functional integrity, they are more inclined to allocate family income to radical change implementation in support of the family firm (Olson et al., 2003).

Family firms leverage their external network and internal social capital to turn external challenges into entrepreneurial opportunities (Salvato et al., 2020), leading to the implementation of radical change. Social capital (i.e., structural and relational) influences the adaptive capacity of family firms in dynamic environments, facilitating the recombination of resources for novel strategic initiatives (Salvato & Melin, 2008). In

response to radical change, family firm managers exhibit heterogeneous reactions contingent upon their “social” capability (Shepherd et al., 2020). Resource and interpersonal transactions during stable times create resilience, which serve as a foundation when implementing radical change (Brewton et al., 2010).

Family firms face challenges when implementing radical change based on their specific network (Bendig et al., 2020; Chirico et al., 2022; Koka & Prescott, 2008). Prominent and entrepreneurial alliance networks⁵ are negatively related to radical change implementation, as both network configurations are lacking required information to adjust efficiently (Koka & Prescott, 2008). Literature on the influence of family on innovation outcome is ambivalent, with some studies stating family involvement tends to be linked with a smaller number of innovations (Bendig et al., 2020), with an increased number of unrelated owner families hindering knowledge integration (Chirico et al., 2022) and ultimately impeding radical change implementation. Conversely, other literature suggests that family involvement can positively impact the number of innovations (Matzler et al., 2015) and enhance product innovation efficiency (Martínez-Alonso et al., 2022), likely fostering radical change implementation.

In the implementation of radical change in family firms, three supporting factors come into play, (1) strong vision (Mustakallio et al., 2002), (2) open culture (Hall et al., 2001), (3) supportive internal (Hall et al., 2001; Harryson et al., 2008; Vardaman et al., 2012) and external network (Bendig et al., 2020; Chirico et al., 2022). A strong vision among family members enhances strategic decision quality and commitment (Mustakallio et al., 2002) to radical change implementation. Culture plays a pivotal role in implementing radical change as an open culture with explicit values within a family firm can significantly enhance the level of learning (Hall et al., 2001). Moreover, the

5. Prominent alliance networks emphasize the advantages of accessing like-minded, established companies, while an entrepreneurial network position prioritizes bridging diverse information sources for uniqueness rather than redundancy (Koka & Prescott, 2008).

influence of networks on the implementation of radical change in family firms is contingent upon various contextual factors such as specifics like national culture, regulations, and further country-specific aspects (Sitthipongpanich & Polsiri, 2015), as well as the company's organizational structure, particularly its management setup (e.g., family vs. nonfamily CEO) (Chrisman et al., 2015; Vardaman et al., 2012).

Good interpersonal relations, within the family as well as between family members and employees, further support radical change implementation (Hall et al., 2001). Network centrality (i.e., strong network, mentoring, and sufficient information) supports employees to interpret

change as controllable (Vardaman et al., 2012) and increases explorative innovation in learning alliances (Harryson et al., 2008). To foster communication during radical change implementation, medium strength boundaries between the family and the firm are key (Distelberg & Blow, 2011). External network connections are crucial, an increased number of unrelated families owning the company can contribute to higher levels of radical innovation with a strong commitment to change and knowledge integration (Chirico et al., 2022), and board members play a moderating role, attenuating the negative link between family involvement and the number of inventions (Bendig et al., 2020).

Table 4: Summarized findings on Output: Radical change implementation

Paper	Type	Sample	Theory	Findings
Salvato & Melin, 2008	Qualitative	4 FF in wine industry, Italy/Switzerland	SC	<ul style="list-style-type: none"> □ SC (structural, relational) enables businesses to secure resources, engage in strategic collaborations, and foster trust with nonfamily partners, facilitating innovation (exploration) and effective use of existing resources (exploitation) □ Balancing exploration and exploitation can lead to long-term survival of FF
Bendig et al., 2020	Quantitative	1,85m patents from 258 S&P 500 firms, USA (2006-2013)	SC	<ul style="list-style-type: none"> □ Board members have a moderating role, attenuating the negative link between family involvement and the number of inventions
Salvato et al., 2020	Quantitative	180 firms (excl. banks, finance) surviving 2009 earthquake, Italy (2004-2013)	SC	<ul style="list-style-type: none"> □ Superior longevity of FF is largely due to their resilience, characterized by their capacity to absorb, react to, and benefit from challenges □ FF can turn adversities into entrepreneurial opportunities by exploiting their industry positioning and connections
Herrero & Hughes, 2019	Quantitative	163 FF (food manufacturing industry), Spain	FSC	<ul style="list-style-type: none"> □ Relational: ROE positively correlated with relational dimension of FSC; but negatively to family management □ Structural: Curvilinear inverted-U shape relationship with FF financial performance
Sanchez-Ruiz et al., 2019	Quantitative	845 and 646 FF, USA (2002, 2007)	FSC	<ul style="list-style-type: none"> □ High FSC (relational, cognitive) shows positive significance with nonfinancial internal outcomes but no significant effect on financial outcomes □ Indistinguishable FSC is positively associated with economic growth □ Low FSC almost indifferentiable to non-FF
Nieto et al., 2015	Quantitative	15,173 manufacturing firms (41% FF), Spain (1998-2007)	Agency theory	<ul style="list-style-type: none"> □ FF are less likely to achieve radical innovations but have high propensity to achieve incremental innovations □ FF are less inclined to turn to external sources, likely due to potential spill-over effects
Danes et al., 2009	Quantitative	533 small FF, follow-up of 311 FF, USA (1997, 2000)	SFBT	<ul style="list-style-type: none"> □ In short term, human and financial capital contributed more to success perception than FSC □ Long term FSC contributed more to success perception
Brewton et al., 2010	Quantitative	311 FF, USA (1997, 2000)	SFBT	<ul style="list-style-type: none"> □ Resource and interpersonal transactions during stability create resilience capacity, serving as foundation for addressing stresses during times of disruption (e.g., natural disaster) (Confirming SFBT)

Paper	Type	Sample	Theory	Findings
Olson et al., 2003	Quantitative	673 FF, USA (1997)	SFBT	<ul style="list-style-type: none"> □ In response to disruptions, families with higher functional integrity scores are likelier to allocate family income to address business cash flow issues than those with lower scores
Mustakallio et al., 2002	Quantitative	192 FF, Finland	Agency theory, Social theory of governance	<ul style="list-style-type: none"> □ FF adopt a relational governance approach, embedding SC in family and management relationships, with a strong shared vision among members enhancing strategic decision-making and commitment.
Covin et al., 2016	FsQCA	1671 FF and non-FF, DACH	Entrepreneurial orientation theory	<ul style="list-style-type: none"> □ FF can be just as innovative as non-FF (in contrast to previous studies) □ High levels of proactiveness, networking, risk-taking, and financial resources support the output of innovation in general and radical innovation in particular
Distelberg & Blow, 2011	Mixed m.	492 interviews in 11 small to midsize FF, USA (2009)	Family Business Systems	<ul style="list-style-type: none"> □ The family system is key to communication with medium strength in boundaries (between family and firm) most beneficial □ When boundaries are diffuse create hierarchy among nonfamily employees
Chrisman et al., 2015	Conceptual	n/a	Four Cs	<ul style="list-style-type: none"> □ The relationship between degree of family command of a firm and adoption of discontinuous technologies is negative □ Relationship between the importance of FF continuity and the adoption of discontinuous technologies is positive
Szewczyk et al., 2022	Quantitative	75 e-commerce S&P 1500 firms, USA (1995-2019)	Four Cs	<ul style="list-style-type: none"> □ Manifest-based measure: family influence is linked to quicker but less aggressive adoption □ Language-based measure: family influence is linked to slower but more aggressive incumbent adaption
Harryson et al., 2008	Qualitative	120 interviews, Germany/Italy/Sweden/USA (2002-2006)	Inter-organizational knowledge transfer and networking	<ul style="list-style-type: none"> □ Volvo turned network knowledge (by formal and informal networking of employees) and disruptive technologies into innovation, using learning alliances to support explorative and exploitative innovation
König et al., 2013	Conceptual	n/a	n/a	<ul style="list-style-type: none"> □ Adoption aggressiveness is lower in FF due to family innovator's dilemma, and preference of current wealth over future wealth □ Family influence results in less open search and reduced adoption flexibility □ FF have more adoption stamina due to "patient capital"
Hu & Hughes, 2020	Literaturer-view	51 papers	n/a	<ul style="list-style-type: none"> □ Until 2018 no literature review on radical change and FF □ Research gap: analysis on FF and radical innovation
Bövers & Hoon, 2021	Qualitative	1 FF (clothing industry), Germany	n/a	<ul style="list-style-type: none"> □ FF can draw on their past to address strategy-identity-inconsistencies, resulting from navigating rapid and disruptive change: 'Inventing history' is most effective
Wang et al., 2016	Quantitative	> 6,000 observations, China (2001-2010)	n/a	<ul style="list-style-type: none"> □ FF with political connections are more likely than non-FF to transform core business
Koka & Prescott, 2008	Quantitative	162 steel firms, globally (1980-1994)	n/a	<ul style="list-style-type: none"> □ If industry is undergoing radical change: both types of alliance networks are negatively related to performance (entrepreneurial vs. prominent)
Brinkerink et al., 2020	Conceptual	n/a	Organizational identity	<ul style="list-style-type: none"> □ Identity elasticity of FF drives timeliness (early vs. late) and nature (threat vs. opportunity) of interpretative frames □ Differences in framing are likely to influence speed and intensity

Paper	Type	Sample	Theory	Findings
Hall et al., 2001	Qualitative	2 case studies in FF, Sweden	Organizational learning theory	<ul style="list-style-type: none"> □ To encourage and foster a process of radical change, FF need to strive for explicit and open cultures □ Strong interpersonal relations are key
Chirico et al., 2022	Quantitative	236 FF, Spain	Organizational learning theory	<ul style="list-style-type: none"> □ Increased number of unrelated owning families negatively affect radical innovation in FF □ When commitment to change and knowledge integration are high, an increased number of unrelated owning families leads to higher level of radical innovation
Shepherd et al., 2020	Qualitative	110 interviews, Lebanon	Positive psychology, Positive organizational scholarship	<ul style="list-style-type: none"> □ 'Social' capability for resilience is created through activities building a basis for resilience
Vardaman et al., 2012	Quantitative	148 public school teachers, USA	Social network theory	<ul style="list-style-type: none"> □ Network centrality (incl. friendships) and self-efficacy are linked to interpreting change as controllable

Note: Abbreviations used in Table: Family Social Capital (FSC), Family firm (FF), manufacturing (manuf.), Methods (m.), Social Capital (SC), Organizational Social Capital (OSC), Qualitative (Qual.), Quantitative (Quant.), Resource-based view (RBV), Sustainable Family Business Theory (SFBT), Theory (t.)

5. Discussion

In the scholarly discourse surrounding the influence of family firms' networks on radical change, a heterogeneous narrative emerges. Research has shown that the networks within family firms are distinctively different from those of nonfamily firms, primarily characterized by their close-knit (Karlsson, 2018), homogenous ties (Lester & Cannella, 2006). This distinctive network configuration, coupled with the influence of familiness and social capital, fosters exploitative innovation and decreased external knowledge absorption (Brinkerink, 2018), thereby presenting challenges for radical change detection and implementation. However, literature also suggests that under certain conditions, such as specific network configurations and other factors (e.g., cultural context, inherent innovativeness, financial resources) family firms are at least equally capable of achieving radical change as their nonfamily counterparts (Covin et al., 2016). This nuanced understanding underscores the complexity of the relationship between family firms' networks and their capacity for radical change.

5.1. Opportunities for future research: Networks

Existing literature on networks describes their configuration and the interaction of family firms within their networks (e.g., Anderson et al., 2005; Carney, 2005; Hadjielias et al., 2022). Hence we know that family firms utilize close-knit (Karlsson, 2018), homogeneous networks (Lester & Cannella, 2006) that focus on control and lon-

gevity (Ciravegna et al., 2020). Paramount for future research is the investigation of how family firms reconcile the dichotomy between broad and closed networks, a decision that oscillates between capitalizing on established advantages and venturing into the acquisition of diverse, potentially transformative knowledge (Brinkerink, 2018). Research should also consider under which conditions family firms are able to restructure their networks for long-term success (incl. radical change adoption). Moreover, further research is required to explore how family firms can modify their network structure and related behavior to enhance bridging social capital, which is critical for accessing external resources (Uhlener et al., 2015) (see Figure 2).

RQ1. How can family firms optimize their network set-up for radical change, leveraging exploitation and exploration?

Additionally, the cultural dimensions underpinning networking strategies, particularly the interplay between individualism and collectivism, emerge as a critical area of inquiry. Such exploration is expected to shed light on how social capital is influenced by varying cultural contexts across different geographical landscapes (e.g., Sitthipongpanich & Polsiri, 2015). It is very likely that industries, cultural background, and country affect family firms' networks, influencing radical change, depending on the context in which the firm is established. Understanding these factors can provide valuable insights and reveal patterns and strategies that might be unique to specific

regions. Such comprehensive analysis can help understand the diverse ways family firms navigate and leverage their unique positions within their respective cultural and industrial environments.

RQ2. How do cultural and industry contexts influence the networking strategies of family firms during periods of radical change?

Equally important is the examination of the management dynamics in family firms undergoing radical change, specifically contrasting the networking approaches of family versus nonfamily managers. Here, the focus should be on discerning whether nonfamily managers in family firms utilize their networks distinctively and how such utilization affects radical change adoption and implementation. Moreover, the managers' diverse professional backgrounds prior to their tenure in the family firm as well as the personality traits of these managers, ranging from extroversion to introversion, should be investigated as potential significant determinants of these networks and their subsequent impact on the firm's adaptability to radical changes.

RQ3. How do the personality traits, professional experiences, and backgrounds of family and nonfamily managers affect the network dynamics of family firms during radical change?

5.2. Opportunities for future research: Radical change detection

Current literature pertaining to the detection of radical changes within family firm networks predominantly focuses on innovation-related themes (e.g., Brinkerink, 2018; Kumaraswamy et al., 2018; Trantopoulos et al., 2017), with a particular emphasis on the pivotal role of entrepreneurial culture (e.g., de Groote et al., 2021; Jiang et al., 2021; Zahra et al., 2004). Upon synthesizing these articles, a discernible narrative emerges, highlighting the imperative for family firms to foster innovation for the detection of radical change. Yet, there is a need to explore under which conditions an innovative culture within a family firm leads to early vs. late detection of radical change (Chirico et al., 2022), thus enabling the firm to respond more effectively to radical change. Additionally, future research should examine if and how the configuration and behavior of family firm networks, underpinned by an innovative culture, leads to early detection of radical change. Current literature displays family firms' unique challenges including the prevailing influence of family impeding the introduction of external perspectives (Carnes & Ireland, 2013; Chirico & Salvato, 2016). Moreover, the

dual nature of family social capital can either foster (Sherlock et al., 2023) or limit innovation (Herrero, 2018), depending on the social capital configuration (Herrero & Hughes, 2019). Yet, literature has not yet presented any optimum network configuration and recommended behavior for early radical change detection.

RQ4. How can family firms leverage social capital to improve their network configuration, fostering an innovative culture to detect radical change early?

One important aspect for future research is to understand the detailed process of detecting radical change in family firms, with focus on the role of networks. This involves delving into the mechanisms through which family firms leverage their unique network structures to recognize and act upon opportunities for radical change. It is crucial to examine how family firms interpret and make sense of change—both initially and over time—especially when such insights are derived from their networks. This inquiry will shed light on the sense making processes within family firms as they navigate the emergence of radical change. Furthermore, future research should aim to pinpoint the types of relationships that best facilitate responsiveness and adaptability to radical change within family firms. Such research should build upon patterns such as external orientation (Herrero et al., 2022; Nason et al., 2019; Spriggs et al., 2013; Zahra et al., 2004), unprecedented views (Jiang et al., 2021; Nason et al., 2019), and long-term orientation (Cater & Schwab, 2008; Hanson et al., 2019), encouraging exploratory innovation (Spriggs et al., 2013) and openness to diverse knowledge sources (Herrero et al., 2022). These factors potentially enhance the detection of radical change.

RQ5. How the process of family does firms detecting radical change based on their networks look like, and how can they leverage their networks to detect and interpret radical change?

5.3. Opportunities for future research: Radical change implementation

Literature pertaining to the implementation of radical change is centered around three themes: likelihood of achieving radical change (e.g., Ni-eto et al., 2015; Covin et al., 2016; Wang et al., 2016), the influence of family on the implementation of radical change (e.g., Kammerlander et al., 2018; Szewczyk et al., 2022; Brinkerink et al., 2020), and family firms' capacity for resilience (e.g., Shepherd et al., 2020; Brewton et al., 2010). In family firms, the implementation

of change varies significantly, with a spectrum ranging from incremental (Nieto et al., 2015) to radical innovation depending on resources and culture (Covin et al., 2016; Wang et al., 2016). A key area for investigation is the specific challenges encountered by family firms during the implementation of radical changes, particularly in relation to their internal and external network ties. Hence, future inquiry should aim to discern which network ties are beneficial and resource-providing during the implementation phase, and which ones function as impediments.

RQ6. How do different network ties benefit or distract family firms from their goals when implementing radical change?

Furthermore, it is essential to explore if and which adjustments in the external and internal network ties of family firms are necessary for successful radical change implementation. Current research suggests that supportive internal (Hall

et al., 2001; Harryson et al., 2008; Vardaman et al., 2012) and external networks (Bendig et al., 2020; Chirico et al., 2022), good interpersonal relations (Hall et al., 2001), and strategic network centrality for employees (Vardaman et al., 2012) are crucial for successful radical change implementation, without specifying the process of family firms collaborating with network ties. With resilience acting as a cornerstone during the encounter with radical change (Brewton et al., 2010), there is an intriguing possibility of applying the Sustainable Family Business Theory to the context of radical change implementation in family firms. Investigating the applicability of this theory could provide valuable insights into the resilience and adaptability of family firms in face of radical changes.

RQ7. How can family firms create resilience and adaptability when undergoing radical change?

Figure 2: Identified research gaps and future opportunities

	Networks	Radical change detection	Radical change implementation
Research gap	<ul style="list-style-type: none"> • Optimum between broad and closed networks of family firms, capitalizing on established advantages and acquiring diverse, potentially transformative knowledge • Conditions required for family firms to have the capability to restructure their networks for long-term success • Modification of family firm network structure and related behavior to enhance bridging social capital, to access external resources • Factors influencing cultural dimensions within social capital underpinning networking strategies, particularly the interplay between individualism and collectivism 	<ul style="list-style-type: none"> • Factors influencing innovative culture within family firm leading lead to early versus late detection of radical change • Configuration and behavior of family firm networks, supported by an innovative culture, leading to the early detection of radical change • Identification of optimum network configuration and recommended behaviors for the early detection of radical change in family firms • Detailed process of detecting radical change in family firms, with a focus on the role of networks, including the mechanisms through which family firms leverage their unique network structures 	<ul style="list-style-type: none"> • Challenges faced by family firms during the implementation of radical changes are influenced by their internal and external network ties, including beneficial and disadvantageous ties • Applicability of the Sustainable Family Business Theory, previously associated with natural disaster response, to understand the resilience and adaptability of family firms facing radical change
Future research opportunities	<ul style="list-style-type: none"> • How can family firms optimize their network set-up for radical change, leveraging exploitation and exploration? (RQ1) • How do cultural and industry contexts influence the networking strategies of family firms during periods of radical change? (RQ2) • How do the personality traits, professional experiences, and backgrounds of family and non-family managers affect the network dynamics of family firms during radical change? (RQ3) 	<ul style="list-style-type: none"> • How can family firms leverage social capital to improve their network configuration, fostering an innovative culture to detect radical change early? (RQ4) • How does the process of family firms detecting radical change based on their networks look like, and how can they leverage their networks to detect and interpret radical change? (RQ5) 	<ul style="list-style-type: none"> • How do different network ties benefit or distract family firms from their goals when implementing radical change? (RQ6) • How can family firms create resilience and adaptability when undergoing radical change? (RQ7)

5.4. Contributions

This literature review makes two pivotal contributions to research on the intersection of family firms, network analysis, and radical change. Firstly, the review links and synthesizes existing literature knowledge across the three fields, integrating diverse strands along the IPO frame-

work. The literature review enhances current literature reviews, by not only exploring the impact of family firms and radical innovation (i.e., Hu & Hughes, 2020) and family firms and social capital (i.e., Stasa & Machek, 2022) on radical change, but also addresses how family firms' reliance on close-knit networks (Karlsson, 2018) affects their

ability to detect and implement radical change. This synthesis provides a holistic view of the current state of literature, highlighting the complex interplay between family firms, their networks, and their ability and willingness to detect and implement radical change.

Secondly, the literature review sheds lights on future research avenues, proposing scholarly investigations into the dynamics of these relationships and suggesting a need for more in-depth studies, particularly on understanding how family firm networks influence the strategic decisions about and adaptation to radical change. Notably, it draws attention to the lack in literature that comprehensively addresses all three fields of 'family firm,' 'network,' and 'radical change' simultaneously, with currently only two papers explicitly focusing on this nexus. The first of these two articles, authored by [Brewton et al. \(2010\)](#), centers on the implications of natural disasters in family firms, thereby focusing on a niche within the broader discourse of radical change. The second article, authored by [Zahra \(2010\)](#), delves into the influence of organizational social capital, specifically in the context of firms' investments in new ventures. This gap signals a crucial area for future research, suggesting the need for more in-depth studies that explore these interconnections. Understanding these dynamics is also essential for developing more effective strategies for family firms facing radical change. The research gap is evident in instances where radical change is used in the context of natural disasters (i.e., [Brewton et al., 2010](#)) or emerging economies (i.e., [Hatun & Pettigrew, 2004](#)), rather than being systematically explored in the context of the significant reconfiguration of resources ([Stopford & Baden-Fuller, 1994](#)). Notably, scholarly attention has been more profoundly directed towards the exploration of family firm networks in comparison to the investigation of family firms navigating through phases of radical change. Consequently, the treatment of the topic on radical change in conjunction with family firms, and networks remains underdeveloped, with a noticeable deficiency of comprehensive and integrated research within the literature.

5.5. Practical implications

With family firms facing ongoing economic and strategic challenges, this literature review provides three practical implications by outlining the unique network configurations and behaviors to navigate the opportunities and challenges associated with radical change. Firstly, family firms need to recognize the advantages and limitations of closed networks in family firms. It is crucial to leverage close-knit, homogeneous networks to foster exploitative innovation while acknowledg-

ing the limitations of external knowledge absorption. Secondly, family firms should encourage and implement exploratory innovation practices, by opening their network, to identify and adapt to radical changes early. Lastly, family firms need to fully commit to radical change and cultivate a supportive culture that empowers employees to embrace and drive radical change. The literature review helps family firms to recognize the necessity of improving their network configuration to foster innovativeness, thereby enhancing the ability to detect and implement radical changes effectively. Recognizing the conditions under which family firms can achieve radical change similar to nonfamily firms provides actionable insights for enhancing adaptability and resilience. Ultimately, this literature review equips practitioners with a nuanced understanding of how to strategically manage networks within family firms to drive radical change.

5.6. Limitations

This literature review is subject to several limitations that merit acknowledgment. Firstly, the scope of this review was confined to papers published in English language, thereby excluding potentially relevant studies conducted in other languages. Additionally, the review did not encompass books and other forms of literature, only focusing on selected, high-quality journals. The actual number of papers and research efforts in this specific area is limited. This scarcity of dedicated research has led to a reliance on studies with varying focuses and relying on various concepts related to the core topic at hand; they focused, for instance on adopting exploratory innovations. Consequently, this diversity in study focus somewhat dilutes the specificity and applicability of the findings to the precise intersection of family firms, their networks, and radical change. The vast array of related concepts in the three fields also presents a limitation, as it was not feasible to include every single concept related to the topic. Another notable limitation lies in the temporal context of the studies reviewed. The role of networks in the context explored, particularly since the 1990s, may have evolved, and this review does not account for such potential changes over time. Moreover, cultural and regional differences have not been extensively explored in the existing literature, which limits the generalizability of the findings across different contexts and types of family firms. Depending on the individualism vs. collectivism level in a culture, network support might be more or less available and useful. Further, one could imagine that large families might require different processes and structures to successfully incorporate the input of networks as compared to business

owned and managed by one or few individuals. Moreover, it is likely that ‘next gen members’ who are socialized in a more open, globalized, and digitalized world, will have different network ties as compared to older generations and might also use them differently for radical change detection and implementation. Furthermore, the literature review is limited in its theoretical analysis, having examined only the five most prominent theories. This narrow focus may overlook other relevant theoretical frameworks, potentially also from other disciplines such as sociology or psychology, that could provide additional insights into the complex interplay between family firms, networks, and radical change. These limitations highlight additional areas for future research and underscore the need for a broader, more inclusive approach in subsequent studies.

5.7. Conclusion

In conclusion, this literature review explores firms’ networks and their substantial influence on both the detection and implementation of radical change in family firms. Through a synthesis of existing literature, it sheds light on how these firms’ unique network configurations and behaviors critically shape the detection and implementation of radical change. This paper addresses a notable gap in existing research by cohesively linking the three interrelated fields of family firms, networks, and radical change. The literature review utilizes the Input-Process-Output framework, synthesizing theory, and content-related findings, while setting a clear research agenda. This agenda articulates specific, actionable research questions that pave the way for future scholarly exploration. The review underscores the complexity of the influence of networks on family firms facing radical change and highlights the need for further empirical investigation to deepen our understanding of these interactions and their impact on firm transformation.

Author contribution statement

The authors contributed equally to the work.

Conflict of interest statement

The authors declare that they have no conflicts of interest.

Ethical statement

The authors declare that all ethical standards, as noted by DFG (“Guidelines for Safeguarding Good Research Practice”) have been adhered to.

Declaration on the use of generative AI in the writing process

The authors declare that generative AI was not used in the research and writing process

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Data availability statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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Nepotism and Turnover Intention in Middle Eastern Family Firms: Examining the Mediating Influence of Individual and Organizational Factors

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Abstract This study examines nepotism's direct and indirect effects on family firms, considering several critical factors mediating individual and organizational aspects. Specifically, on a sample of 387 family firms in the Middle East region, we investigate the mediating role of commitment, engagement, and job satisfaction in the relationship between nepotism and turnover intention. Using a structural equation modeling methodology to test our propositions empirically, results corroborate the pivotal mediating effects in elucidating how nepotism affects turnover intention. Our paper adds depth and nuances to this complex phenomenon in the context of strong familial influence in business development.

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Implicación,
Satisfacción laboral

Nepotismo e intención de rotación en empresas familiares de Oriente Medio: examinando la influencia mediadora de factores individuales y organizativos

Resumen Este estudio examina los efectos directos e indirectos del nepotismo en las empresas familiares teniendo en cuenta la influencia de varios factores individuales y organizativos clave. En concreto, investigamos en una muestra de 387 empresas familiares libanesas, el papel mediador del compromiso, la implicación y la satisfacción laboral en la relación entre nepotismo e intención de rotación. Utilizando una metodología de modelización de ecuaciones estructurales para probar empíricamente nuestras proposiciones, los resultados corroboran los efectos mediadores fundamentales para dilucidar cómo afecta el nepotismo a la intención de rotación. Nuestro trabajo añade profundidad y matices a este complejo fenómeno en el contexto de la fuerte influencia familiar en el desarrollo empresarial.

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1. Introduction

Family firms have long been recognized as vital contributors to economic stability and growth in the global business management landscape (Lim et al., 2023). However, the unique dynamics within these firms often introduce challenges that can significantly impact their long-term sustainability (Jaskiewicz et al., 2013). While family involvement in business can foster loyalty, commitment, and shared values, it can also lead to perceptions of unfairness and inequity, particularly among non-family employees (Ushakov & Shatila, 2021). This dual-edged nature of nepotism makes it critical to understanding organizational behavior and employee dynamics within family firms (Jeong et al., 2022). In the Middle Eastern context, the issue of nepotism is particularly pronounced due to the region's solid cultural emphasis on familial ties and the predominance of family-owned businesses (Kidwell et al., 2024). The intertwining of business and family can exacerbate the effects of nepotism, potentially leading to reduced job satisfaction, engagement, and organizational commitment among employees (Kiziloğlu, 2022). Nepotism, defined as favoritism towards relatives or close associates, is typically associated with family firms, often showing the prevalence of family members in key managerial positions and leadership roles (Jeong et al., 2022). While familial involvement can foster a sense of heritage, dedication, and shared values, it can also introduce complexities related to fairness, transparency, and equality (Schmid & Sender, 2021). Job satisfaction measures how content and fulfilled employees feel with their roles, work environment, and overall employment conditions (Lim et al., 2023). It is a crucial determinant of employee motivation, performance, and intention to remain with or leave an organization (Jeong et al., 2022).

As for engagement, it represents the level of enthusiasm, involvement, and emotional investment that employees have in their work. High levels of engagement are associated with greater productivity, commitment, and lower turnover intentions within an organization (Hughes & Childers, 2023). At the same time, Lim et al. (2023) defined organizational commitment as the emotional attachment, loyalty, and dedication that an employee feels towards their organization. High levels of commitment often lead to a strong desire to contribute to the organization's success and a lower likelihood of leaving the company (Kiziloğlu, 2022). Lim et al. (2023) also defined turnover intention as the likelihood or intent of an employee to leave their current job and seek employment elsewhere. High turnover intention is often a result of dissatisfaction with

job conditions, lack of engagement, or low organizational commitment, and it can significantly impact organizational stability and performance (Shatila et al., 2024).

Despite the scarcity of studies on nepotism, literature generally assumes that family involvement harms firm performance (Jaskiewicz et al., 2013). Although some studies theoretically introduce the potential positive impact of nepotism (Firiray et al., 2018), it is generally evidenced that nepotism introduces more detrimental effects on family firms when family connections rather than merit determine job placements or advancements (Kumar et al., 2022). This could lead non-family employees to perceive nepotism as unfair, impacting on their job satisfaction, commitment, and retention (Bloom & Van Reenen, 2007).

The research gap in understanding the impact of nepotism on psychological and behavioral outcomes within Middle Eastern family firms is particularly significant given the unique cultural and organizational dynamics of the region (Aloulou et al., 2024). In many Middle Eastern countries, family ties are deeply ingrained in social and business practices, often leading to the expectation that family members will be prioritized in employment decisions. While this can foster loyalty and continuity within the family business, it can also create an environment where non-family employees feel marginalized or undervalued. This sense of unfairness can lead to various negative outcomes, such as decreased job satisfaction and reduced organizational commitment. However, despite the prevalence of nepotism in these settings, there needs to be more empirical research that explores how these practices specifically impact employee behavior and attitudes in the Middle Eastern context (Nigam & Shatila, 2024). Most existing literature has focused on Western contexts, where the implications of nepotism may differ due to distinct cultural norms and business practices (Aloulou et al., 2024). Furthermore, the limited research that does exist often needs to account for the complex interplay between individual and organizational factors that mediate the relationship between nepotism and turnover intention. For instance, while some studies have identified a direct link between nepotism and turnover intention, few have explored how this relationship is influenced by organizational commitment, employee engagement, or job satisfaction. These mediating variables are crucial for understanding how nepotism impacts employees' decisions to stay with or leave an organization. Examining these mediators is necessary for literature to provide an accurate picture, potentially overlooking critical mechanisms through which nepotism exerts influence. This gap in the

research underscores the need for more comprehensive studies that consider the multifaceted nature of nepotism's impact on employee outcomes, particularly within the context of Middle Eastern family firms, where these dynamics are especially pronounced.

Using a resource-based view (RBV) framework (Barney, 1991; Sirmon & Hitt, 2003), we consider that nepotism can erode human capital resources associated with employee engagement, job satisfaction, and organizational commitment, leading to increased turnover intention. This, in turn, can result in diminished productivity, higher recruitment costs, and disruptions in business operations. Specifically, by delving into these relationships, this study analyzes the effects of nepotism on turnover intention, considering the mediating effects of job satisfaction, organizational commitment, and employee engagement.

The study structure proceeds by establishing nepotism as a framework for formulating hypotheses, then outlining the empirical methods and explaining the results comprehensively. The paper concludes by discussing the main findings and exhibiting some essential academic and practical implications.

2. Theoretical Framework and Hypotheses Development

RBV (Barney, 1991) comprehends the intricate dynamics of resource interactions in the link between nepotism and turnover intention. According to this perspective, distinct and valued resources and capabilities influence an organization's competitive advantage and performance. RBV is consistent with the notion that workers are valuable assets. The adverse associations between nepotism and employee outcomes, such as job satisfaction, organizational commitment, and engagement, may hurt an organization's pool of resources (Firfiray et al., 2018). Nepotism is one of the phenomena that usually characterize family firms. The preference for relatives or close associates has significant positive and negative implications (Firfiray et al., 2018; Neckebrouck et al., 2018). Jeong et al. (2022) state that family firms try to preserve their social-emotional wealth at the cost of reducing their financial wealth, which is why they involve their immediate family members in organizational management. They refer to strategic nepotism, which involves family members in organizational management by enhancing managerial competencies and relying on skill development, which results in better performance.

However, few studies have supported this optimistic view of nepotism. According to Skorodzievski et al. (2023), the knowledge of family

businesses is dissolved from different perspectives. Therefore, employees may believe their promotions and incentives are compromised in a potentially nepotistic environment, relying more on personal ties than merit. Employees feel their worth is undervalued, leading to negative feelings of unfairness, anger, and frustration (Akin & Karadas, 2023). Thus, most literature consistently highlights the detrimental impact of nepotism on several outputs (e.g., employee satisfaction, work engagement, and organizational commitment) and in various contexts (Agarwal, 2016; Basterretxea et al., 2019; Topsakal et al., 2024). Studies show that in environments where nepotism is prevalent, employees often feel insecure, untrusted with the company, unsatisfied, and unmotivated because of perceived unfairness in promotions and opportunities, which favor family connections over merit. This reduced enthusiasm for their roles leads to decreased organizational commitment and morale (Gorji et al., 2020; Lim et al., 2023; Moresová et al., 2021;). This negative effect of nepotism also includes turnover intention -the likelihood of seeking employment elsewhere. Employees are more likely to consider leaving their current jobs if they observe biased practices (Alwerthan et al., 2018). Whenever family, friends, relatives, or employees receive preferential hiring, promotions, or salary increases, regardless of their qualifications or performance, employees tend to look for other, more meritocratic, and equal jobs (Abbas et al., 2021; Dryjanska, 2023). Considering the above arguments, the first hypothesis is proposed as follows:

H1: Nepotism has positive and indirect effects on turnover intention.

Serfraz et al. (2022) have documented the detrimental impact of nepotism on job satisfaction. When employees perceive that hiring, promotions, and other career advancement opportunities are based on personal connections rather than qualifications or performance, it can lead to resentment, frustration, and decreased job satisfaction (Chen et al., 2021). This perception of injustice can create a toxic work environment, where employees feel undervalued and demotivated, ultimately hampering their job satisfaction (Erdirencelebi et al., 2021). Moreover, nepotism in the workplace can erode trust between employees and management, further diminishing job satisfaction. When workers believe that favoritism prevails over competence, it can lead to disengagement and a lack of confidence in the organization's leadership (Gholitabar et al., 2020). This lack of trust can cause employees to feel disconnected from their work and less com-

mitted to the organization's goals. As a result, overall morale within the workplace can suffer, leading to higher turnover rates and lower levels of job satisfaction among the broader employee base. Madden et al. (2020) researched the impact of nepotism on job satisfaction in the Pakistani context. Data were collected from 189 female employees working in family businesses in Sindh, Pakistan, using a purposive sampling technique (Ohana et al., 2023). The results demonstrated that nepotism tends to impact job satisfaction negatively; as nepotism increases in the workplace, the job satisfaction rate will decrease.

The relationship between nepotism and employee engagement has been explored extensively in the organizational behavior literature, with a consensus that nepotism negatively affects employee engagement (Sidani et al., 2023). When nepotism is prevalent, it can lead to disengagement as employees feel that their efforts and achievements are not recognized or rewarded fairly (Skorodzyevskiy et al., 2023). This perception can demotivate employees, reducing their enthusiasm and dedication to their roles, thereby decreasing their overall engagement levels. Furthermore, nepotism can create an environment where non-favored employees feel alienated or excluded from critical decision-making processes and opportunities for advancement (Camisón et al., 2021). This exclusion can lead to feelings of isolation and detachment from the organization's mission and goals, further reducing engagement. Employees who perceive their hard work will not be recognized or rewarded due to favoritism are less likely to go above and beyond (Gorji et al., 2020). The negative impact of nepotism on engagement is, therefore, significant, as it affects not only individual employees but also the broader organizational culture and effectiveness (Hughes et al., 2023).

The literature on organizational commitment suggests that nepotism can significantly undermine employee commitment, which refers to employees' psychological attachment and loyalty toward their organization (Kidwell et al., 2024). This perception of favoritism can lead to disillusionment, decreasing their commitment to the organization and increasing the likelihood of turnover (Lim et al., 2023). In addition to eroding loyalty, nepotism can disrupt organizational justice and fairness, critical components of employee commitment. When employees believe that promotions and rewards are based on personal relationships rather than merit, their commitment to the organization's goals and values can diminish (Ma, 2021). This lack of commitment can manifest in decreased job performance, lower organizational citizenship behavior, and a general decline in workplace morale. The literature emphasizes

that commitment is essential for organizational stability and success, and nepotism poses a significant threat to fostering a committed and motivated workforce (Jones, 2013; Madden et al., 2020).

While the prevailing literature often portrays nepotism as an opposing force on employee commitment, it's crucial to acknowledge that its effects may not be universally detrimental (Miller, 2023). In specific cultural or familial settings, nepotism could potentially strengthen employee commitment. For instance, in family-owned businesses or organizations where familial ties are highly valued, nepotism can foster a sense of loyalty and trust among those who benefit from these relationships (Moresová et al., 2021). In such environments, employees who are part of the familial network may feel a more substantial commitment to the organization, driven by a sense of duty to their family and the legacy of the business. This perspective suggests that nepotism could potentially enhance commitment in organizations where personal and professional relationships are closely intertwined and culturally accepted (Neckebrouck et al., 2018). Moreover, it is important to note that the impact of nepotism on commitment can vary depending on the transparency and fairness of nepotistic practices. Some researchers have suggested that when nepotism is openly acknowledged and accompanied by clear communication about its reasons and limits, its adverse effects on commitment can be mitigated (Ohana et al., 2023). For example, suppose employees understand that certain family members are hired due to their unique skills or knowledge that align with the organization's needs. In that case, they may be more accepting of these practices (Abbas et al., 2021). This transparency can help maintain a sense of organizational justice, which is crucial for sustaining employee commitment. Based on the above arguments, we propose the following hypotheses, with the hope that they will inspire further research and discussion:

H2: There is a negative relationship between nepotism and job satisfaction

H3: There is a negative relationship between nepotism and engagement

H4: There is a negative relationship between nepotism and commitment

The literature extensively supports the notion that job satisfaction is inversely related to turnover intention, meaning that as job satisfaction decreases, the likelihood of an employee intending to leave their job increases (Camisón et al., 2021). When employees are satisfied with their jobs, they are likelier to feel a sense of belong-

ing, fulfillment, and loyalty to their organization. This satisfaction reduces their desire to seek employment elsewhere, lowering turnover intention (Hughes et al., 2023). On the contrary, when employees experience dissatisfaction due to poor management, lack of recognition, or unchallenging work, their motivation to remain with the organization diminishes, leading to higher turnover intentions (Bauweraerts et al., 2023). Research also indicates that job satisfaction protects against turnover by fostering positive attitudes and behaviors in the workplace (Jeong et al., 2022). Satisfied employees are more engaged, productive, and willing to go the extra mile for their organization, further solidifying their intention to stay (Kidwell et al., 2024). Additionally, organizations prioritizing job satisfaction often experience lower turnover rates as they create a work environment where employees feel valued and supported (Firiray et al., 2018). This relationship has been consistently observed across various industries and cultural contexts, suggesting that job satisfaction is crucial to an employee's decision to stay with or leave an organization (Schmid & Sender, 2021). Therefore, improving job satisfaction can be an effective strategy for organizations to reduce turnover intentions among their workforce (Akin & Karadas., 2023). Employee engagement is another critical factor that inversely influences turnover intention. Engaged employees typically exhibit higher levels of enthusiasm, dedication, and absorption in their work, translating into a solid commitment to their organization (Alwerthan et al., 2018). This commitment reduces their desire to leave, as they are likelier to find satisfaction and meaning in their roles (Schmid & Sender, 2021). Moreover, engagement is often linked to positive organizational outcomes such as increased productivity, innovation, and overall performance, further strengthening an employee's resolve to remain with the organization (Camisón et al., 2021). Engaged employees are also more likely to have positive relationships with their colleagues and supervisors, creating a supportive work environment that discourages turnover (Akin & Karadas.,

2023). However, employees may become disengaged when engagement levels drop, leading to feelings of detachment, apathy, and a higher likelihood of considering alternative employment opportunities (Kidwell et al., 2024). The inverse relationship between engagement and turnover intention underscores the importance of fostering a culture of engagement within organizations, as it can significantly reduce the risk of employee turnover.

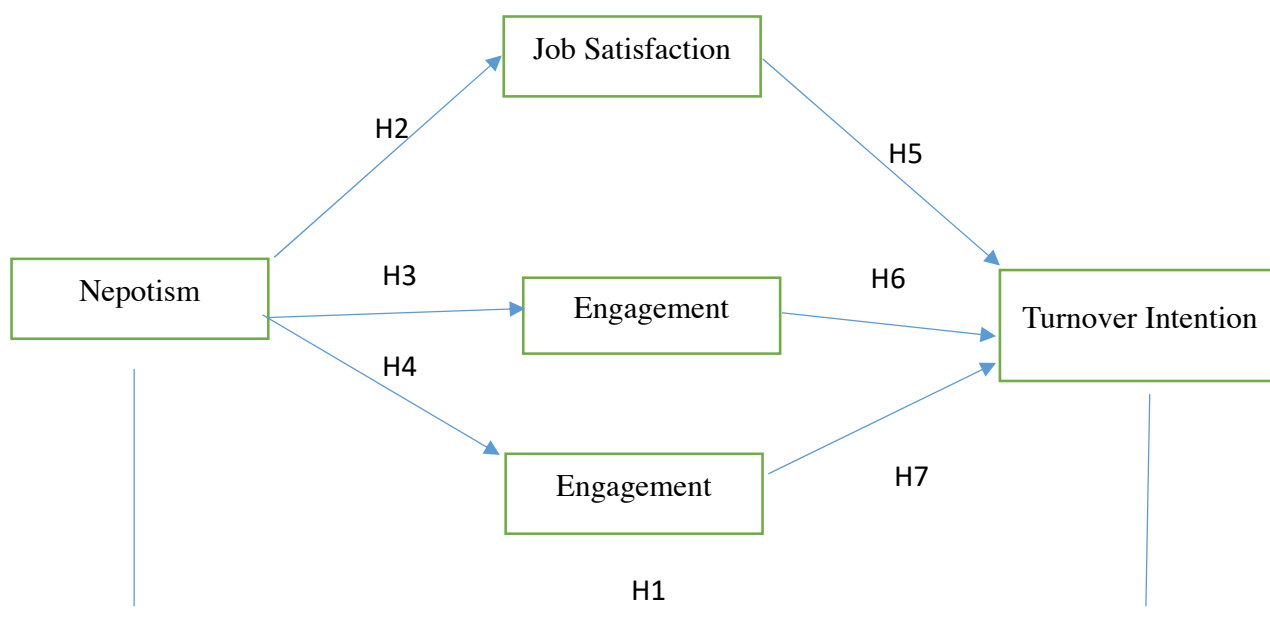
The literature suggests a strong negative relationship between commitment and turnover intention, indicating that higher levels of commitment are associated with lower turnover intentions. Employees who are committed to their organization are more likely to identify with its values, mission, and goals, which fosters a sense of loyalty and responsibility to remain with the organization (Akin & Karadas., 2023). This commitment often manifests in a willingness to go above and beyond in their roles, a desire to contribute to the organization's success, and a reluctance to leave even when faced with challenges or alternative job opportunities. Furthermore, organizational commitment can be categorized into affective, continuance, and normative commitment, each reducing turnover intention (Kidwell et al., 2024). The literature emphasizes that organizations can reduce turnover intentions by fostering a strong sense of commitment among their employees, whether through enhancing job satisfaction, providing career development opportunities, or cultivating a supportive organizational culture (Alwerthan et al., 2018). Based on the above arguments, we propose the following hypotheses:

H5: There is a negative relationship between job satisfaction and turnover intention

H6: There is a negative relationship between engagement and turnover intention

H7: There is a negative relationship between commitment and turnover intention

Based on the above literature, the following model has been developed:

Figure 1. Research model

Source: Author work

3. Methodology

This study aims to empirically examine how nepotism influences turnover intention in family firms, considering the mediating roles of job satisfaction, engagement, and commitment. A quantitative research methodology was implemented to address the research problem. This approach was chosen for its ability to statistically validate relationships between variables and provide generalizable findings across a large sample. The study employed a structured questionnaire distributed via Google Forms, targeting Middle Eastern family businesses. A total of 490 questionnaires were distributed, and 387 valid responses were received, resulting in a response rate of 80%. This sample size is adequate for robust statistical analysis and gives meaningful insights into the studied relationships.

The study utilized a purposive sampling technique, justified by the need to focus specifically on family businesses within a particular region. This non-probability sampling method was selected to ensure that the sample accurately represented the population of interest—family businesses where nepotism is a relevant and culturally significant factor. Targeting businesses that meet specific criteria (family ownership, involvement in management, and firm size), the study could gather relevant data that aligns with the research objectives. Structural Equation Modeling (SEM) was employed to analyze the col-

lected data. SEM was chosen for its ability to test complex relationships between multiple variables simultaneously, making it suitable for examining both nepotism's direct and indirect effects on turnover intention. SEM allows for including mediating variables, such as job satisfaction, engagement, and commitment, providing a comprehensive understanding of the underlying mechanisms in the relationship between nepotism and turnover intention. The robustness of the model was assessed using various fit indices, and the results provided empirical support for the hypothesized relationships.

Table 1 presents the sample characteristics related to family ownership, involvement in management, generational stage, firm size, and firm age within the sample population. The distribution of family ownership shows that most firms have a significant ownership stake, with 37.9% holding between 40% and 60% ownership. Regarding family involvement in top management, a substantial proportion (40.3%) of firms have 50% to 75% family involvement. Concerning the generational stage, most firms (55.5%) are in the second generation, involving both the founder and their children. Firm size distribution indicates that a significant portion (39.7%) of firms have fewer than 50 employees, while 37.7% have between 250 and 500 employees. Regarding firm age, a considerable portion (35.4%) falls within the 5 to 9 years range, followed by 25.8% in the 10 to 14 years range.

Table 1. Family business characteristics

Family ownership		
10% to 20%	43	11.11%
20% to 40%	114	29.4%
40% to 60%	147	37.9%
60% to 80%	68	17.5%
80% to 100%	15	3.8%
Family involvement in management		
Less than 5%	57	14.7%
10% - 50%	49	12.6%
50%-75%	156	40.3%
75%-100%	125	32.2%
Family generation		
First generation	117	30.2%
Second generation	215	55.5%
Third and further generation	55	14.2%
Firm Size		
Less than 50 employees	154	39.7%
Between 50 and 249 employees	73	18.8%
Between 250 and 500 employees	146	37.7%
500 employees and above	14	3.6%
Firm Age		
Less than 5 years	90	23.2%
Between 5 years and 9 years	137	35.4%
Between 10 years and 14 years	100	25.8%
Between 15 years and 19 years	20	5.16%
20 years and more	40	10.33%

Source: Author work

Table 2 presents the characteristics of respondents in terms of their job positions and work experience. It shows that the majority of respondents, 52%, are in middle management positions, followed by 33% in lower management, and 15% in top management roles. In terms of experience,

35% of the respondents have 6 to 10 years of experience, making this the most common experience range. This is followed by 32% of respondents who have 1 to 5 years of experience, 20% with 15 to 20 years of experience, and 13% who have over 21 years of experience.

Table 2. Characteristics of respondents

Job Position	
	Percentage
Lower Management	33%
Middle Management	52%
Top Management	15%
Experience	
1 year to 5 years	32%
6 years to 10 years	35%
15 years to 20 years	20%
21 years and above	13%

Source: Author work

The questionnaires were built on the Likert scale extracted from previous literature; for instance, nepotism was operationalized using a structured questionnaire that included Likert-scale items assessing (ranging from 1 "strongly disagree" to 5 "strongly agree") employees' perceptions of the prevalence of nepotism within their organizations based on the scale of [Ramez \(2023\)](#). *Job satisfaction* (SAT) is considered the mediator in this research and was used to gauge overall contentment regarding job roles and working conditions within family businesses. Job satisfaction was measured based on [Pimentel and Pereira's \(2022\)](#) scale ranging from 1, "strongly disagree," to 5, "strongly agree.". The scale was validated by [Macdonald and MacIntyre \(1997\)](#).

Engagement (ENG) is considered the second mediator and was operationalized based on [Schaufeli et al. \(2022\)](#) on a Likert scale ranging from 1 "strongly disagree" to 5 "strongly agree". *Commitment* (COM) is considered the third mediator and was measured based on [the Mahfud et al. \(2022\)](#) scale (ranging from 1 "strongly disagree" to 5 "strongly agree").

Turnover intention (TI) is the dependent variable and reflects employees' intentions to leave their jobs within family businesses. It was assessed based on the scale developed by [Razzak et al. \(2021\)](#) through a set of questions (ranging from 1 "very unlikely" to 5 "very likely") asking participants about their future career plans and their likelihood of seeking alternative employment.

4. Findings

We first conducted a dimension reduction analysis to refine the factors under consideration. The results are summarized in Table 3, which provides the factor loadings for two dimensions: nepotism and engagement. Factor loadings represented the strength of the relationship between each item and its dimensions. As per [Hair et al. \(2014\)](#), a factor loading threshold of 0.5 was applied in our

analysis as a criterion for inclusion. Items with factor loadings below this threshold were eliminated in the dimension-reduction process. Specifically, item NEP6, with a factor loading of 0.362, was eliminated in the nepotism dimension. In the engagement dimension, item ENG8, with a factor loading of 0.361, did not meet the inclusion criteria since it does not significantly contribute to the final dimension scores. In the Commitment dimension, items COM1 and COM4, with factor loadings of 0.498 and 0.497, respectively, were excluded. Additionally, in the Satisfaction dimension, SAT6, which had a factor loading of 0.493, was eliminated. Lastly, in the Turnover Intention dimension, item TI4, with a factor loading of 0.458, did not meet the inclusion criteria and was consequently removed from our analysis. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy returned a value of 0.739, indicating that the dataset is suitable for factor analysis. Bartlett's Test of Sphericity also yielded an approximate chi-square value of 638.782 with 10 degrees of freedom and a p-value less than 0.001. This outcome suggests that the correlation matrix significantly differs from the identity matrix, further confirming the suitability of the dataset for factor analysis.

Table 3. Dimensionality and reliability of measures

Construct	Items	Factor loadings
Nepotism (NEP)	NEP 1	0.588
	NEP 2	0.794
	NEP 3	0.723
	NEP 4	0.715
	NEP 5	0.791
	NEP 6	0.362
Engagement (ENG)	ENG 1	0.684
	ENG 2	0.729
	ENG 3	0.730
	ENG 4	0.623
	ENG 5	0.671
	ENG 6	0.773
	ENG 7	0.778
	ENG 8	0.361
Commitment (COM)	COM 1	0.498
	COM 2	0.698
	COM 3	0.768
	COM 4	0.497
	COM 5	0.703
	COM 6	0.707
	COM 7	0.714
	COM 8	0.678
Satisfaction (SAT)	SAT 1	0.710
	SAT 2	0.787
	SAT 3	0.748
	SAT 4	0.683
	SAT 5	0.745
	SAT 6	0.493
Turnover intention (TI)	TI 1	0.667
	TI 2	0.837
	TI 3	0.775
	TI 4	0.458
	TI 5	0.738
	TI 6	0.789

Source: Author work

5. Results

Table 4 presents the results of robustness tests for five key variables: NEP, ENG, COM, SAT, and TI. The Cronbach's Alpha values, ranging from 0.701 to 0.858, are above the acceptable threshold of 0.7, indicating that the scales used for these variables exhibit good internal consistency (Cronbach, 1951). This suggests that the items within each construct reliably measure the same underlying concept. Composite Reliability (CR) values are also strong, exceeding the 0.7 benchmark across all variables, confirming the constructs'

reliability. Additionally, the Average Variance Extracted (AVE) values are all above 0.5, indicating adequate convergent validity. This means that the constructs are capturing sufficient variance from their respective items, reinforcing the validity of the measurement model. The Square Root of the AVE (SQRT AVE) values are all higher than their respective AVE values, providing evidence of discriminant validity, meaning that each construct is distinct from the others. The KMO value for NEP is 0.782, above the minimum threshold of 0.6, suggesting that the sample size is adequate for factor analysis and that the data is suitable for such analysis.

Table 4. Robustness tests

Variable	Cronbach Alpha	CR	AVE	SQRT AVE	KMO
NEP	0.701	0.846	0.527	0.726	0.782
ENG	0.719	0.878	0.510	0.714	
COM	0.858	0.860	0.506	0.711	
SAT	0.832	0.854	0.540	0.735	
TI	0.836	0.874	0.582	0.763	
Cronbach Alpha > 0.7, CR > 0.7, AVE > 0.5, KMO > 0.6					

Source: Author work

Table 5 presents the model fit indices for the structural model under consideration. The model fit is assessed using several vital indices: the Chi-square to degrees of freedom ratio (CMIN/DF), Goodness-of-Fit Index (GFI), Normed Fit Index (NFI), Relative Fit Index (RFI), Incremental Fit Index (IFI), Tucker-Lewis Index (TLI), and Comparative Fit Index (CFI). The CMIN/DF ratio is 2.173, below the recommended threshold of 3, indicating an acceptable fit between the model and the observed data. This ratio suggests that the model is consistent with the data, supporting its validity. The GFI value of 0.839 exceeds the

minimum recommended value of 0.8, indicating a reasonable fit of the model to the data. The other fit indices also provide strong support for the model's adequacy. The NFI and IFI values are 0.952 and 0.893, respectively, which exceed their respective thresholds of 0.9 and 0.8, demonstrating a good fit. However, the RFI value is 0.963, slightly above the 0.9 threshold, indicating strong consistency between the proposed model and the observed data. The TLI and CFI values are 0.813 and 0.950, respectively, exceeding the 0.8 benchmark, indicating that the model adequately accounts for the complexity of the data.

Table 5. Model fit

Model	NPAR	CMIN	DF	CMIN/DF	GFI	NFI	RFI	IFI	TLI	CFI
Default model	71	586.860	270	2.173	0.839	0.952	0.963	0.893	0.813	0.950
CMIN < 3, GFI > 0.8, NFI > 0.9, RFI > 0.9, IFI > 0.8, TLI > 0.80, CFI > 0.80 (Hair et al., 2014)										

Source: Author work

Table 6 shows NEP, ENG, COM, SAT, and TI correlations. The correlations range from -0.710 to 0.572, with several significant at the 0.01 level.

These correlations are notably lower than the corresponding Square Root of the Average Variance Extracted (SQRT AVE) values presented in

Table 3. For instance, the highest correlation, 0.572, between ENG and COM is still lower than the SQRT AVE values of ENG (0.714) and COM (0.711). This indicates that each construct shares more variance with its items than any other construct, confirming discriminant solid validity. To illustrate further, the correlation between NEP and TI is 0.325, below the SQRT AVE for both NEP

(0.726) and TI (0.763). Similarly, the correlation between SAT and TI is -0.710, again lower than the SQRT AVE of SAT (0.735) and TI (0.763). These comparisons underscore that the constructs are distinct from one another, as the variance shared within a construct exceeds the variance shared between constructs

Table 6. Discriminant validity

	NEP	ENG	COMM	SAT	TI
Nepotism (NEP)	1				
Engagement (ENG)	-0.325**	1			
Commitment (COM)	-0.197**	0.572**	1		
Satisfaction (SAT)	-0.255	0.307**	0.487**	1	
Turnover intention (TI)	0.325	-0.244**	-0.444**	-0.710**	1

** Correlation is significant at the 0.01 level (2-tailed)

Source: Author work

Table 7 provides the results of the path analysis, which examined the relationships and associations between the variables in our study. The first set of paths represents the influence of nepotism on other variables. Nepotism negatively influenced commitment (estimate: -2.601, C.R.: -2.872), engagement (estimate: -2.971, C.R.: -2.873), and satisfaction (estimate: -2.730, C.R.: -2.805), and positively influenced Turnover Intention (estimate: 4.752, C.R.: 2.790). Additionally, there are

paths from satisfaction, engagement, and commitment to Turnover Intention. Satisfaction negatively influenced turnover intention (estimate: -0.772, C.R.: -10.044), engagement (estimate: -0.727, C.R.: 2.345), and commitment (estimate: -0.739, C.R.: -2.468). These path analysis results reveal the directional relationships and strengths among the variables in our study, shedding light on how nepotism affects other constructs and how Satisfaction, Engagement, and Commitment collectively impact Turnover Intention.

Table 7. Path analysis

			Estimate	S.E.	C.R.	P
Commitment (COM)	<---	Nepotism (NEP)	-2.601	0.905	-2.872	0.004
Engagement (ENG)	<---	Nepotism (NEP)	-2.971	1.034	-2.873	0.002
Satisfaction (SAT)	<---	Nepotism (NEP)	-2.730	0.973	-2.805	0.005
Turnover Intention (TI)	<---	Nepotism (NEP)	4.752	1.703	2.790	0.019
Turnover Intention (TI)	<---	Satisfaction (SAT)	-0.772	0.077	-10.044	0.000
Turnover Intention (TI)	<---	Engagement (ENG)	-0.727	0.310	2.345	0.012
Turnover Intention (TI)	<---	Commitment (COM)	-0.739	0.300	-2.468	0.014

Source: Author work

Figure 2 illustrates the structural model examining the relationships between Nepotism as the independent variable, Job Satisfaction, Engagement, and Commitment as mediators, and Turn-

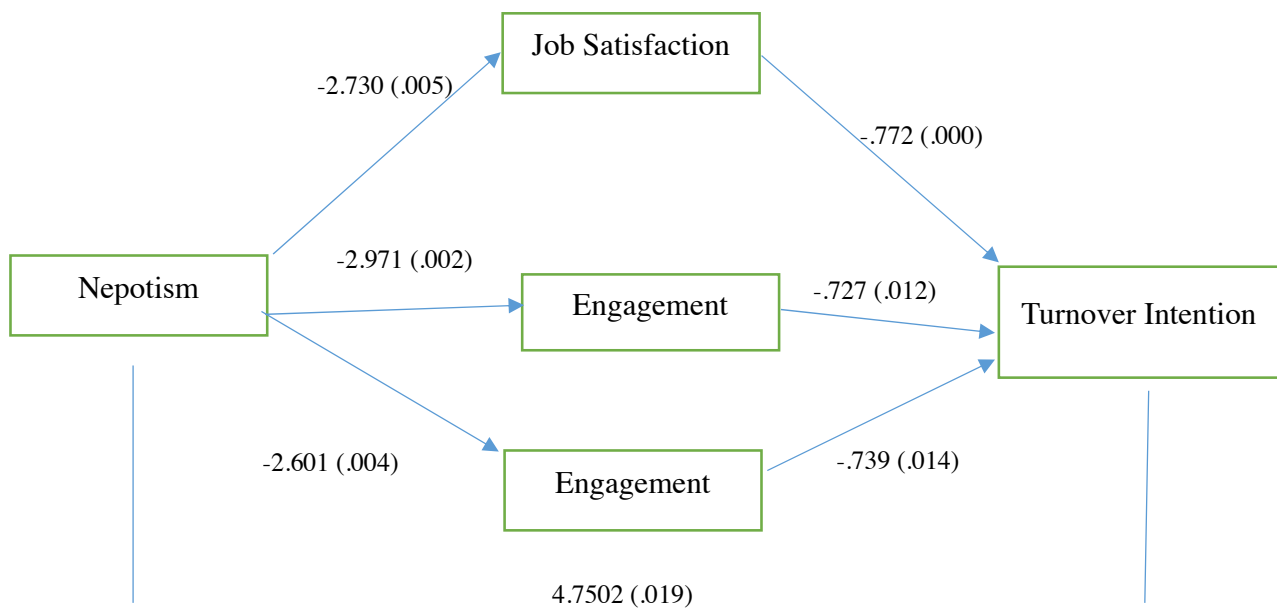
over Intention as the dependent variable. The model highlights several significant pathways with corresponding coefficients and p-values. Nepotism negatively impacts Job Satisfaction (-2.730,

$p = 0.005$), Engagement (-2.971 , $p = 0.002$), and Commitment (-2.601 , $p = 0.004$), indicating that higher levels of nepotism within an organization are associated with lower levels of these three mediators. This suggests that nepotism undermines employee morale and attachment to the organization, leading to negative organizational outcomes.

The mediating variables, in turn, significantly influence Turnover Intention. Specifically, Job Satisfaction has a strong negative effect on Turnover Intention (-0.772 , $p = 0.000$), showing that employees who are more satisfied with their jobs

are less likely to intend to leave the organization. Similarly, Engagement (-0.727 , $p = 0.012$) and Commitment (-0.739 , $p = 0.014$) also negatively influence Turnover Intention, reinforcing that higher levels of employee engagement and commitment reduce the likelihood of turnover. Interestingly, Nepotism directly influences Turnover Intention positively (4.7502 , $p = 0.019$), suggesting that apart from its indirect effects through Job Satisfaction, Engagement, and Commitment, Nepotism also directly contributes to higher turnover intentions, likely due to perceived unfairness and reduced organizational trust.

Figure 2. Structural equation model



Source: Authors work

6. Discussion

In the Middle Eastern context, where family-owned businesses are prevalent, nepotism often plays a significant role in these firms' management and operational structures. As indicated by the negative path coefficient, Nepotism tends to diminish job satisfaction among employees. This outcome is particularly relevant in the Middle East, where the strong emphasis on familial ties and loyalty can lead to perceptions of favoritism and unfairness among non-family employees. When employees observe that promotions and opportunities are influenced more by family connections than by merit, their job satisfaction is likely to decrease. This feeling of discontent may stem from a perceived lack of equal opportunity and recognition, which are critical to maintaining morale and motivation in the workplace (Firfiray et al., 2018).

The results of this study demonstrate that nepotism also negatively impacts employee engagement, which is a crucial determinant of productivity and commitment in the workplace. In the Middle Eastern business environment, where familial relationships often dominate, employees who are not part of the family may feel alienated or less valued, leading to lower levels of engagement. Engagement requires employees to feel a sense of belonging and purpose within the organization. However, in a nepotistic setting, where important roles and decisions are reserved for family members, non-family employees might struggle to thoroughly invest themselves in their work. The lack of transparent and equitable practices can hinder their enthusiasm and emotional investment, ultimately reducing their willingness to go above and beyond in their roles. The results are in line with the studies of Sarfraz et al. (2022) and Schulze and Bövers (2022).

The study further reveals that nepotism negatively impacts organizational commitment. In the Middle East, where loyalty to family and close-knit social networks is highly valued, non-family employees might feel less committed to the organization if they perceive that nepotistic practices hinder their career advancement and recognition. Organizational commitment thrives in environments where employees believe in the fairness and integrity of the leadership. However, nepotism can undermine the psychological contract between employees and the organization, reducing commitment. Employees might feel that the organization does not reciprocate their efforts and loyalty, particularly if they perceive that family members are given preferential treatment. The study's findings align with the results of [Rivera and Melo \(2023\)](#) and [Ramos et al. \(2014\)](#).

The study's findings suggest that higher job satisfaction is associated with lower turnover intention. In Middle Eastern family businesses, where nepotistic practices already challenge job satisfaction, addressing the factors contributing to employee dissatisfaction is crucial to reduce turnover rates. Employees who are satisfied with their job roles, working conditions, and the fairness of management practices are less likely to seek employment elsewhere. In the Middle Eastern context, where job opportunities may be limited and family businesses play a significant role in the economy, maintaining high job satisfaction is essential to retaining talent. Organizations that fail to address issues of fairness and recognition may face higher turnover rates as dissatisfied employees look for more equitable and rewarding opportunities elsewhere. The findings of the study are in line with the findings of [Bauweraerts et al. \(2023\)](#) and [Kiziloğlu, \(2022\)](#).

Employee engagement is also shown to influence turnover intention negatively. In the Middle East, fostering high levels of employee engagement is particularly important in family-owned businesses, where employees may otherwise feel disconnected due to nepotistic practices. Engaged employees are likelier to remain loyal to the organization and less likely to consider leaving, as they feel a solid connection to their work and the organization's goals. However, in a nepotistic environment, where non-family employees might feel excluded from key decision-making processes and opportunities, engagement levels can suffer, leading to higher turnover intention. Addressing this issue by promoting inclusivity and recognition can help Middle Eastern family businesses retain their employees and reduce the costs associated with high turnover. The results are in line with the studies of [Sarfraz et al. \(2022\)](#) and [Schulze and Bövers \(2022\)](#).

Finally, the study shows that organizational commitment significantly reduces turnover intention. In Middle Eastern family firms, where commitment might be compromised by nepotism, it is essential to foster a sense of loyalty and attachment among all employees, not just family members. Organizational commitment is a key factor in retaining employees, as it reflects their emotional attachment to the organization and their willingness to contribute to its success. In Middle Eastern family businesses, building a culture of fairness, transparency, and inclusivity can strengthen organizational commitment, thereby reducing turnover intentions. By addressing the negative impacts of nepotism, Middle Eastern family firms can enhance employee commitment and ensure long-term stability and success. The findings of the study are in line with the findings of [Bauweraerts et al. \(2023\)](#) and [Kiziloğlu \(2022\)](#). The study indicates that nepotism directly increases turnover intention. This is particularly relevant in the Middle Eastern context given the cultural emphasis on familial loyalty within businesses. Non-family employees who perceive that their career advancement is blocked by nepotism may feel compelled to leave the organization for better opportunities where their efforts and merit are more likely to be recognized. This turnover can be detrimental to Middle Eastern family firms, losing valuable talent and institutional knowledge. To mitigate this, family businesses in the Middle East should consider implementing more meritocratic practices that reward performance and contribution, regardless of familial ties, to retain their best employees and reduce turnover intention. The findings of the study are in line with the findings of [Bauweraerts et al. \(2023\)](#) and [Kiziloğlu, \(2022\)](#).

7. Academic Contributions and Practical Implications

This study makes several significant theoretical contributions to the understanding of nepotism and its impact on employee turnover intention in family firms, particularly within the Middle Eastern context. By integrating the RBV framework, the research advances the theoretical understanding of how nepotism influences the human capital resources of organizations, specifically in family-owned businesses where familial ties are deeply ingrained in the organizational structure. The study highlights how nepotism can erode valuable human capital by negatively impacting job satisfaction, employee engagement, and organizational commitment, which are crucial resources for maintaining competitive advantage. This study shows that the pervasive culture of nepotism in family firms causes employees to become

less emotionally invested in their work, affecting their commitment, enthusiasm, and loyalty to the company (Kidwell et al., 2024), and negatively impacting the stock of human capital resources and organizational performance (Camisón et al., 2021). Academically, this study expands and updates the understanding of nepotism beyond socioemotional considerations by focusing on relevant direct and indirect individual behaviors and attitudes that influence employees' turnover intention.

By shedding light on how nepotism influences turnover intention and human capital resources, the study contributes to a more comprehensive knowledge of the dynamics at play within family firms. Building upon the RBV perspective, which emphasizes the strategic significance of human capital resources, family businesses can leverage this understanding to implement targeted interventions to promote fairness, meritocracy, and inclusiveness in their organizational practices.

These academic implications are directly connected to the suggestions for practitioners. We can infer several approaches in the workplace to mitigate the effects of nepotism. Organizations can minimize the adverse consequences of nepotism by promoting fairness, transparency, and merit-based decision-making in their employment practices (Hughes & Childers, 2023; Chandler et al., 2021). Enhancing and sustaining employee engagement, such as creating a positive work environment, offering development opportunities, and recognizing and rewarding employee contributions, can help reduce turnover intentions and retain valuable talent (Miller, 2023; Dawra et al., 2022). To do that, several key strategies should be implemented. Firstly, establishing transparent criteria and processes for employee advancement based on merits, competencies, and performance rather than familial connections is critical. Investing in leadership and management training programs for family managers can equip them with the necessary skills to lead effectively and promote a culture of fairness and equality. Second, creating a culture of inclusivity and equal opportunities is essential for addressing nepotism. This involves communicating a commitment to fairness and inclusiveness through policies, practices, and open dialogue. It is crucial to encourage employees to voice their concerns and actively address perceptions of favoritism or bias. Regular employee surveys and feedback sessions can help identify nepotism-related issues, which should be promptly addressed through concrete actions and continuous improvement of human resource practices and organizational culture. Finally, monitoring employee engagement and job satisfaction is vital. Utilizing employee engagement surveys to gauge enthusiasm and dedica-

tion in the workforce enables prompt action if nepotism-related issues are identified. Encouraging regular discussions between employees and supervisors to address job satisfaction concerns and developing clear career paths for all employees further contribute to retaining talented individuals and reducing turnover intentions. By implementing these strategies, family businesses can effectively mitigate the adverse effects of nepotism and cultivate a positive organizational culture conducive to sustained success.

Furthermore, the study contributes to the literature by providing empirical evidence on the mediating roles of job satisfaction, engagement, and commitment in the relationship between nepotism and turnover intention. Previous research has largely focused on the direct effects of nepotism, but this study reveals the complex, indirect pathways through which nepotism influences employee behavior. By doing so, the research adds depth to existing theories of organizational behavior and employee dynamics in family firms, particularly in contexts where cultural norms strongly influence business practices. The findings suggest that the impact of nepotism on turnover intention is not only direct but also mediated by key psychological factors, offering a more comprehensive theoretical model for understanding employee retention in family businesses.

8. Conclusions

This study provides a comprehensive examination of the impact of nepotism on employee turnover intention within the context of Middle Eastern family firms, emphasizing the critical mediating roles of job satisfaction, employee engagement, and organizational commitment. Through the application of SEM, the findings reveal that nepotism negatively influences these mediators, thereby increasing employee turnover intention. In the Middle Eastern context, where family-owned businesses are prevalent and cultural norms strongly emphasize familial loyalty, the implications of these findings are particularly relevant. The study shows that nepotism, although culturally ingrained, can undermine the psychological contract between non-family employees and the organization, leading to feelings of unfairness, alienation, and ultimately, a higher propensity to leave the company. These insights are crucial for regional family firms, as they underscore the need for more meritocratic and transparent practices to maintain a committed and satisfied workforce.

The research contributes to the broader literature by filling the gap in understanding how nepotism impacts employee behavior and organizational

dynamics in non-Western contexts. It extends the RBV by demonstrating how nepotism can erode critical human capital resources, which are vital for sustaining a competitive advantage.

9, Limitations and Lines of Future Research

This study has limitations, which can be the starting point of exciting lines of future research. First, this study is conducted in a specific context where family businesses are developed. Although this context brings important particularities and complexities to understanding nepotism in family firms, family businesses can widely vary in size, industry, and organizational culture. Thus, replications in different contexts can provide a more comprehensive understanding of this topic. Second, while this research is based on a quantitative approach, it may not capture nepotism's nuances and qualitative aspects. Future studies may do this combination, using mixed-method approaches, to offer a more holistic perspective of nepotism in family firms. Finally, this study used a cross-sectional design and captured data at a single point in time. Although this design is suitable for examining associations between variables, it cannot establish causality or track changes in perceptions and experiences over time. Longitudinal studies can offer insights into the dynamics of nepotism as they evolve within family businesses. Future studies might include the relationship between the mediators themselves; for example, the researchers should consider the relationship between engagement, commitment and job satisfaction.

Author contribution statement

Khodor Shatila: Conceptualization, Methodology, Validation, Formal analysis, Investigation, Data Curation, Writing - Original Draft, **Alba Yela-Aránega:** Writing - Original Draft, Writing - Review & Editing, Visualization, **Gregorio Sánchez-Marín:** Writing - Review & Editing, Supervision.

Conflict of interest statement

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Declaration

This article was prepared solely by the authors without the use of generative AI tools

Data availability statement

The data that support the findings of this study are available from the first author, [K.S], upon reasonable request.

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Comparing Psychosocial Well-being in Italian Family Businesses: Seniors vs. Juniors

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Abstract: Subjective well-being is particularly important in family firms, where it also affects the economic performance of the business. It has been studied in many ways, but no study has considered intergenerational differences in the perceptions of well-being of entrepreneurs working together in the firm, an important issue especially when implementing organizational intervention programs. This study explores the psychosocial well-being of senior and junior family members belonging and working in the same family businesses in Northern Italy. Sixty-seven pairs of seniors and juniors participated in this research, completing an online questionnaire between June and November 2019. A snowball sampling technique was used to recruit participants, with seniors playing the central role in selecting their junior counterpart. Participants' well-being was assessed across several dimensions, including self-esteem, individual well-being and organizational well-being. The results showed significant differences between seniors and juniors in almost all dimensions assessed, with seniors reporting higher levels of self-esteem and organizational well-being. This observation underscores the imperative of acknowledging intergenerational differences when elucidating the landscape of well-being within the intricate fabric of family businesses. Consequently, this study posits the indispensability of integrating intergenerational perspectives into the discourse on the dynamics of well-being in the context of family businesses.

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Comparación del bienestar psicosocial en las empresas familiares italianas: seniors vs. juniors

Resumen: El bienestar subjetivo es un aspecto especialmente importante para las empresas familiares, ya que también afecta a los resultados económicos de la empresa. Aunque este tema se ha estudiado previamente en distintos trabajos, adoptando distintas perspectivas, no han tenido en cuenta las diferencias intergeneracionales en las percepciones del bienestar de los empresarios y empresarias que trabajan juntos en la empresa. Esta es una cuestión importante que tener en consideración, sobre todo, a la hora de aplicar programas de intervención organizativa. Este estudio trata este ámbito y explora el bienestar psicosocial de los miembros senior y junior de la familia que pertenecen y trabajan en la misma empresa familiar en el norte de Italia. Sesenta y siete parejas de seniors y juniors participaron en esta investigación, completando un cuestionario en línea entre junio y noviembre de 2019. Se utilizó una técnica de muestreo de bola de nieve para reclutar participantes, con los seniors desempeñando el papel central en la selección de su contraparte junior. El bienestar de las y los participantes se evaluó a través de una serie de dimensiones, incluida la autoestima, el bienestar individual y el bienestar organizacional. Los resultados mostraron diferencias significativas entre seniors y juniors en casi todas las dimensiones evaluadas, con los seniors declarando niveles más altos de autoestima y bienestar organizativo. Esta observación pone de manifiesto la importancia de reconocer las diferencias intergeneracionales a la hora de dilucidar el panorama del bienestar dentro del intrincado tejido de las empresas familiares. Además, reconoce la importancia de integrar perspectivas intergeneracionales en el discurso sobre la dinámica del bienestar en el contexto de las empresas familiares.

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1. Introduction

There are various conceptualizations of well-being, and since the last century, the World Health Organization has defined it as “a state of emotional, mental, physical, social, and spiritual well-being that enables individuals to reach and maintain their personal potential within society” (World Health Organization, 1948). In the last three decades, there has been a significant increase in mental health and psychosocial well-being research both in family and non-family businesses, encompassing theoretical explorations, empirical investigations, and interventions aimed at enhancing it (Arijs & Michiels, 2021; Šarotar Žižek et al., 2015). Porto-Robles et al. (2022) introduce the subjective well-being approach as a new way to study family businesses, focusing on the well-being of individual family members as an important factor in the survival of the family business, given that “these companies do not survive - not because of economic problems but because of family problems that affect the business family members’ well-beings” (Porto-Robles et al., 2022, p. 81). These considerations are made from a review of the literature that links the main theories of family business grouped by psychological fields to the theories of socio-emotional wealth (de Groote & Bertschi-Michel, 2021; Erdogan et al., 2020; García-Cabrera et al., 2018; Jiang et al., 2018; Kellermanns et al., 2012; Sharma et al., 2020; Yu et al., 2020) and the impact on economic performance (Akerlof & Shiller, 2010).

However, all these studies do not take into account the importance of an intergenerational approach to the study of subjective well-being and do not measure it directly (Aldamiz-Echevarría et al., 2017; Pozzi et al., 2023). Motivated by this identified gap, the present study seeks to measure the perceptions of individual well-being of family generations working in the same company, with the idea that there may be generational differences within the same company that could result from different power and hierarchical relationships. Taking these differences into account can be crucial in preventing possible generational conflicts in the management of the company (Ceja et al., 2012).

2. Literature Review

Defining and measuring well-being in family businesses is very difficult. The multidimensionality of the construct of well-being and the different measures that can be taken to relate it to family businesses have generated a very broad reflection that is difficult to summarize. This section will cite

research and studies from different disciplinary orientations and with different interpretations of well-being in family businesses.

The author’s interest is to highlight how all the research is equally interesting and informative in describing the topic at hand, but lacks the ability to measure and compare the perception of well-being in family businesses from the different generations of entrepreneurs working together in family businesses.

In terms of studying well-being in family businesses, early research by Olson et al. (2003) takes a broader perspective on business success, including subjective measures of family success. Olson uses the Family Adaptability, Partnership, Growth, Affection, and Resolve (APGAR) instrument as a measure of family health or functioning, which includes adaptability, partnership, growth, affection, and assertiveness. A higher APGAR score indicates better functional integrity of the family, but it focuses primarily on how the family manages the overlap between family and business, rather than how that overlap affects family well-being.

An in-depth study of the importance of the organizational context (using the concepts of support and leadership) on entrepreneurial and employee well-being was conducted by Ceja et al. (2012). A good fit between task and employee focus, reflected in a supportive organizational culture and people- and task-oriented leadership styles, but also a positive work atmosphere, characterized by a high frequency of supportive behaviours among coworkers and between supervisors and subordinates, and a balance of power relations, can increase employee well-being.

Leung et al. (2020) define subjective well-being in both a positive and negative sense and across work and family domains (Hahn et al., 2012; Lyubomirsky et al., 2005), specifically focusing on the presence of low tension and high satisfaction across different life domains (Diener, 2000) as predictors of subjective well-being. Leung et al. (2020) use job satisfaction, family satisfaction, burnout, and job stress to assess the subjective well-being of SME owners. They conclude that family support plays an important role in the subjective well-being (SWB) of SME owners, but the effects vary depending on the type of support. Emotional support is perceived as a resource that promotes SWB through better work-life balance (WFB), while instrumental support may be counterproductive because it could make SME owners feel less competent and threaten their self-esteem. More recently, Vázquez and Campopiano (2023) have promoted the development of the individual and organizational well-being of family entrepreneurs

by considering the integration of concepts such as psychological ownership, socio-emotional wealth and ownership skills. In particular, the authors suggest recognizing and managing the diversity of family members' goals, seeing them as an asset rather than a hindrance, and cultivating the younger generation's sense of purpose and calling, because when members perceive their work as a calling, they experience fulfilment and contribute to the success of the business. But also fostering psychological ownership, i.e., encouraging activities such as family history research or special projects, can increase a sense of ownership and control, which contributes to well-being, and finally, developing ownership skills, i.e., offering internship opportunities, mentoring, and family sharing moments can help develop specific skills for managing assets and running the business. In addition, [Vázquez and Campopiano \(2023\)](#) urge entrepreneurs to instil in new generations an understanding of the importance of ownership and family wealth management.

The study of both mental health and psychosocial well-being is therefore of interest to researchers. With regard to mental health, many authors examine the impact of, for example, the mental health of individual family members on succession from a psychodynamic perspective ([Khaleelee, 2008](#)). Other authors propose specific therapies for the well-being of FBs, which must pursue specific goals, tactics and strategies ([Lee & Danes, 2012](#)). They also propose specific guidelines for the assessment of troubled family businesses ([Michael-Tsabari & Lavee, 2012](#)). Still others analyse the issue of mental disorders ([Miller et al., 2020](#)).

Many scholars analyse the topic of mental health by looking at the topic of work-family conflict and how this can affect both the life and job satisfaction of owners (i.e., [Boles, 1996](#)). From a psychosocial well-being perspective, some authors have examined the topic of well-being as the fulfilment of psychological needs of individual family members ([Cooper & Peake, 2018](#)). Other authors have understood well-being through the theme of self-efficacy in relation to human and social capital ([DeNoble et al., 2007](#)). Still others have used self-efficacy as a mediating variable between the influence of perceived parental support and psychological control on next generation engagement in family businesses ([García et al., 2019](#)). Others, again, have focused on adolescents and how male adolescents who perceive more parental support work in their family businesses ([Hansen & Jarvis, 2000](#)) or hiring them promote a greater sense of psychological well-being and improve their family relations ([Houshmand et al., 2017](#)). Moreover,

some scholars have focused on the well-being associated with spousal emotional support in new family businesses and how it may be important for developing a better work-life balance ([Campopiano et al., 2017](#); [Gudmunson et al., 2009](#)). [Umans et al. \(2021\)](#) highlight the critical role of quality relationships in family businesses, particularly in the succession planning process. The presence of strong and positive relationships among family members, between the CEO and the successor, and between the successor and non-family managers significantly increases the likelihood of success in succession planning and implementation. Interpersonal relationships are the nervous system of an organization. Quality relationships, referred to as "anchor relationships" are characterized by flexibility, cohesion, and open communication. These relationships are critical in dealing with times of stress and uncertainty, such as the succession process, and help people feel more connected to the organization.

However, despite significant advances in the field of research on mental health and psychosocial well-being in family businesses, a gap has emerged in the literature on family business research if generational differences are not considered, while most of the research described focuses only on individuals, co-entrepreneurs and successors (see for a review [Arijs & Michiels, 2021](#)).

The mental health or psychosocial well-being of family businesses remains largely unexplored, especially when comparing entrepreneurs working in the same family business who belong to different generations ([Pozzi et al., 2023](#); [Ruggieri et al., 2014](#)). [Rubenstein \(2017\)](#) has shown how well-being in general, i.e. the degree to which people perceive subjective well-being, general quality of life and overall satisfaction with life, differs significantly across demographic variables such as age, marital status, ethnicity, education level, occupation and income, and is related to six specific domains of well-being, summarised in the I-COPPE model (Interpersonal, Community, Occupational, Physical, Psychological and Economic; [Prilleltensky et al., 2015](#)). According to Rubenstein, these domains are interrelated and synergistic, so that the I-COPPE model could also be a valid framework for exploring well-being across generations and demographic variables. Moreover, given the importance of the idea of continuity and survival between generations in FBs, the variable of time and the perception of well-being in relation to it seemed interesting to study. Consequently, exploring well-being in FBs represents a promising and crucial area of research, with the potential to provide a better understanding of organizational and family

dynamics and to identify effective strategies to promote the well-being and sustainability of these organizations in the long term.

Considering the above, this paper addresses the following general research question: Are there any differences in psychosocial well-being as perceived within senior and junior generation of entrepreneurs working together in the same family firm? The term “Seniors” (SRs) in this context refers to family entrepreneurs actively involved (i.e., working as CEO) in the business of the generation preceding that of the juniors. Conversely, “Juniors” (JRs) refers to family members belonging to the generation succeeding that of seniors working with the senior in the same firm and expecting to succeed to Seniors. Examples of this relationship include parents (seniors) and their children (juniors) as well as uncles and aunts (seniors) and their nieces and nephews (juniors) actively working together in the same firm.

This research question turns out to be of paramount importance considering that family businesses are the predominant form of business in all places in the world and a mainstay of the global economy (Miroshnychenko et al., 2024). This means that better understanding the dynamics between the different generations present in firms can help understand many of the businesses to date while also giving a new perspective, both theoretical and practical, on organizational well-being. However, it is essential to recognize the preliminary nature of this study and the need for further research to fully elucidate the complexities of well-being within family businesses.

3. The Present Study

3.1. Procedure

The present study is part of a larger research that aimed to study family businesses from the perspective of SRs and JRs family members working in the same family firms (Pozzi et al., 2023). Data collection occurred from June to November 2019, involving 67 family businesses in the Northern region of Italy. The study included 67 SRs and 67 JRs who completed an online questionnaire examining measures of well-being (a detailed description can be found in the measure section). Through snowball sampling (Goodman, 1961), 200 individuals were contacted and asked to complete an online questionnaire via Qualtrics platform. Initially, the researchers contacted organizations and industries in Northern Italy. The first point of contact was the family business SRs (i.e. CEOs), who were asked to identify a JR, their successor actively working within the company. Subsequently, the identified

JR was contacted and their recognition of the SR as the predecessor was verified using a control question. Participating pairs provided congruent responses, meaning that they mutually identified as SR and JR. The final sample consisted of 67 pairs, including both SRs and JRs from the same FB. In accordance with American Psychological Association (APA) ethical guidelines (Standard 3.10, Informed consent), participants were informed of the purpose, aims and procedures of the study and of their right to refuse or withdraw at any time. There was no payment to participants for participation.

3.2. Participants

All participants included in the study were selected from the Northern region of Italy. Out of the total sample of sixty-seven pairs (67 seniors and 67 juniors), the junior group comprised 21 females (31.3%), with an average age of 33.64 years ($SD=9.20$). Among the senior group, there were 21 females (31.3%), with an average age of 62.05 ($SD=8.66$). Regarding the categorization of the participating family businesses, the study encompassed 30 micro firms (44.8%), 17 small firms (25.4%), and 6 medium firms (9.0%). Information pertaining to firm size was not provided by 14 firms (20.8%).

3.3 Measures

Generation. Generation was assessed by requesting participants to specify their identification of the SR or JR figure. SRs and JRs family members working in the same family firms work together in the company at the time of data collection. The SRs were asked the following question: “Who would you choose to be your junior (by junior we mean the person in your family who will succeed you in the business, e.g., son, daughter, nephew, etc.)”. It is important to highlight that this paper’s emphasis lies on the well-being of the business, therefore, the specific nature of personal relationships between SRs and JRs (e.g., father-son and uncle-nephew) was not measured. **Self-esteem.** Self-esteem was measured by the Rosenberg (1965) scale, in the Italian adaptation of Prezza et al. (1997). The scale consists of 10 items (Likert scale from 1 “Not at all agree” to 5 “Completely agree”). An example of an item is “I think I am worth at least as much as others” (Alpha SRs = .73; Alpha JRs = .78).

Organizational well-being. It was measured through the Organizational well-being scale by Avallone and Bonaretti (2003). The instructions for completion are (in the example is the JR version), “The following questions are about your working relationship with the senior. How much do you agree with the following statements?”. The scale consists of 10 items (Likert scale from

1 “Not at all agree” to 6 “Completely agree”). An example of an item is “He listens to me and is willing to consider my suggestions” (Alpha SRs = .91; Alpha JRs = .92).

Individual well-being scale. Individual well-being scale was measured through the Italian validation of the I-COPPE (Di Martino et al., 2018). The scale measures the perception of well-being from a multidimensional point of view and on three different time levels (present, past, and future). In this scale there are seven dimensions of well-being: overall, interpersonal, community, occupational, physical, psychological, economic. The compilation instructions, for each dimension, are, “These questions are about your life. On the scale, zero (0) represents the Worst that your life could hold for you and ten (10) represents the Best”. An example item is, “Considering what your relationships with the important people in your life are like at this time, which number would you choose?”. In the present paper, we decided to add an eighth ad hoc dimension related to family business well-being to measure, in the same way as the previous dimensions (and on the present, past, and future), perceived well-being when thinking about the family business: “Given the current state of the family business, what number would you choose?”.

4. Data Analysis and Results

To address the research question, which aimed to examine intergenerational differences between SRs and JRs family members working in the same family firms concerning their perception of well-being, paired samples t-tests were employed. The paired samples t-test is a statistical analysis used to measure significant differences between groups of individuals who experience both conditions of the variables of interest. In our case, this analysis is used to measure statistically significant differences in perceptions of the three types of well-being in groups of seniors and juniors who have experienced the same organizational context because they work together in it.

The well-being dimensions that resulted to be significantly different between seniors (SRs) and juniors (JR) groups can be found in Table 1. Differences between SRs and JRs are related to almost all the assessed dimensions.

By aggregating the data from all the SRs and JRs, our analysis enabled the identification of distinct dimensions of well-being where significant differences exist between SRs and JRs. First, SRs report a higher level of self-esteem than JRs, as well as a higher perception of organizational well-being.

The I-COPPE multidimensional measure of well-being highlighted the following differences: 1) Overall Well-Being: SRs report statistically higher levels only in relation to the past; 2) Interpersonal Well-Being: SRs report statistically higher values only in relation to the present; 3) Community Well-Being: There are no statistically significant differences between SRs and JRs in any of the three time periods; 4) Family Business Well-Being: SRs report statistically higher values in all three time dimensions; 5) Occupational Well-Being: SRs report higher levels of well-being in both the present and the past; 6) Physical Well-Being: There are no statistically significant differences between SRs and JRs in any of the three time periods; 7) Psychological Well-Being: SRs report statistically higher levels only in relation to the past; finally, 8) Economic Well-Being: SRs report statistically higher values in all three time periods. In general, it seems important to note that JRs do not have statistically higher scores than SRs in any of the dimensions. The results are commented on in the next section.

5. Discussion

The data shows that SRs have higher levels of well-being than JRs in their own lives and within their organizations. The general data on individual well-being, as measured by self-esteem, and organizational well-being show this. As described by Leung et al. (2020), self-esteem is related to the type of perceived emotional or instrumental support. Specifically, JRs’ lower self-esteem could be attributed to high instrumental support, i.e., with the perception that family members (i.e., one’s senior) engage in behaviours or attitudes aimed at facilitating a person’s daily operations, such as providing business advice as well as work and financial resources to support the activity of the support recipient. Greater self-esteem perceived by SRs may instead be the result of emotional support, which is the behaviours or attitudes of family members or other coworkers aimed at providing encouragement, understanding, attention, and positive regard. Emotional support can help promote better work-life balance by enhancing an individual’s positive experiences in managing the demands of work and family. In addition, emotional support can foster feelings of intimacy, trust, and closeness, which can lead to a more positive self-image and a greater sense of role fulfilment.

Table 1. Paired t-test between seniors and juniors on all the well-being dimensions

	Mean SRs	Mean JRs	t (df)	p
Self-esteem	4.35	4.15	-2.354 (66)	0.022*
Organizational Well-Being	5.20	4.70	-4.125 (66)	< 0.001*
I-COPPE				
Overall well-being				
Present	7.56	7.50	-0.244 (65)	0.808
Past	7.64	7.06	-2.114 (65)	0.038*
Future	8.21	8.56	1.746 (65)	0.086
Interpersonal well-being				
Present	8.21	7.76	-2.033 (65)	0.046*
Past	8.11	7.64	-1.850 (65)	0.069
Future	8.50	8.55	0.200 (65)	0.842
Community well-being				
Present	6.93	6.40	-1.940 (66)	0.057
Past	6.93	6.57	-1.260 (66)	0.212
Future	7.22	6.99	-0.788 (66)	0.434
Family Business well-being				
Present	8.04	7.24	-5.054 (66)	< 0.001*
Past	7.81	6.90	-4.287 (66)	< 0.001*
Future	8.64	8.27	-2.196 (66)	0.032*
Occupational well-being				
Present	8.00	7.55	-2.062 (66)	0.043*
Past	8.01	7.22	-3.446 (66)	0.001*
Future	8.38	8.35	-0.131 (65)	0.896
Physical well-being				
Present	7.44	7.83	1.577 (65)	0.120
Past	7.56	7.53	-0.106 (65)	0.916
Future	8.05	8.29	1.042 (65)	0.301
Psychological well-being				
Present	7.53	7.16	-1.643 (66)	0.105
Past	7.63	7.09	-2.014 (66)	0.048*
Future	8.09	8.24	0.630 (66)	0.531
Economic well-being				
Present	7.70	6.92	-3.841 (65)	< 0.001*
Past	7.53	6.65	-3.496 (65)	0.001*
Future	8.32	7.86	-2.281 (65)	0.026*

Note: Asterisks indicate that the means are significantly different between seniors and juniors. The level of significance is considered to be $p \leq .05$.

In the current study, it is interesting to explore this aspect by looking at the specific domains that make up the more general well-being indicators. Over time, focusing on the past, present and future, we observe a more specific description of the type of well-being. The domains that most influence the well-being of SRs in the present are closely related to the family business (family business well-being), which provides employment (occupational well-being) and economic security (economic well-being). It is also probably the main place where interpersonal relationships are developed (interpersonal well-being). These domains are a constant in SRs' perceptions of well-being. Together with psychological well-

being, they are the most frequently mentioned domains in the past and the ones with the largest gap compared to juniors.

The findings highlight that the well-being of JRs is never higher than the well-being of SRs in these domains. There may be other things that boost their self-esteem and distinguish them from the generation before them. These data are intriguing and allow us to note the need to analyze even more closely these firms, where the weight of the generations in determining well-being is probably greater than in non-family contexts. Could the weight of responsibility, of duty, of the need to commit to a previous generation that has expectations, be the variables that weighs

most on the well-being of JRs, especially when the latter know that they have to guarantee the continuity of their business?

Results show us that JRs always come out as “losers” when they compare themselves with their SRs in these domains. What might be the effect of being around SRs who are doing so well and comparing oneself to them? Perhaps this is a limiting comparison. Even in the future, in terms of well-being from their own family business and economic power, JRs perceive lower levels of well-being. So, what can be done to bridge this gap? Can exposure to such “healthy” older generations have an impact on the well-being drive of JRs?

Certainly, the issues related to the recognition of the work of JRs and their involvement in business decisions (Pozzi et al., 2023) could make this difference in perceived well-being less apparent, as well as the perception of autonomy, which could bridge the perception of receiving a lot of instrumental support in work decisional choices. As Corona (2021) pointed out, a successful generational transition requires preparing the next generation while taking into account their own level of well-being. According to the authors, this can be achieved through holistic training, i.e. preparing successors that goes beyond technical and academic skills to include aspects such as interpersonal relationship management, effective communication, conflict management and leadership. The goal of a family business should be to develop individuals who can run the business successfully, while maintaining family harmony and the well-being of all members. But attention must also be paid to the transmission of the company's values and culture, for example through moments of family sharing, participation in company events and the creation of a “historical archive” that tells the story of the company's evolution, as previously highlighted by Vázquez and Campopiano (2023). Above all, however, and of interest to the study presented here, is the importance of quality relationships. High quality relationships are critical to successful succession planning and overall well-being. According to Corona (2021), the younger generation must learn to establish and maintain positive relationships with family members, non-family managers and external stakeholders in order to foster a peaceful and productive work environment.

It would therefore be interesting to further explore the findings of this study by including an analysis of strategies for conflict management, effective communication and climate of mutual respect within the family.

Two other results are interesting. The first is that the generations do not differ in their perceptions

of physical and community well-being. The second is that the data on community well-being is the lowest on the well-being scale. Community is the domain in which family business protagonists perceive the least well-being. There is a large body of research highlighting the importance of community for family firms. Communities are often drivers for entrepreneurs to invest and have a business vision, given the context in which they are embedded. Why does community not affect the well-being of entrepreneurs? This question could be left to qualitative research. This exploratory research is not without limitations, mainly since it was conducted before the COVID and the European economic crisis (i.e. the Ukrainian crisis). This study has several limitations. It is a study that uses a cross-sectional design and does not differentiate in understanding the intergenerational relationship between the genders of seniors and juniors, as suggested by some recent works (Pozzi et al., 2023). In addition, another source of information in understanding general perceptions of well-being should also consider marital relationships (Campopiano et al., 2017; Mbwire, 2024).

6. Practical Implications

The practical implications of this study relate to the well-being of SR and JR generations within the same family business. This intergenerational difference is very often under-researched and under-recognized.

The literature is often interested in looking at the general data, often in economic rather than psychological terms. The present contribution allows first to see the different types of well-being, individual and organizational, of the two generations and then to include perceptions of the past, present and future.

The perceptions and experiences of entrepreneurs are very important for constructing a family and entrepreneurial narrative in family businesses, mainly because of their impact on business and future decisions. Knowledge of the intergenerational gap can enable advisors to work on reducing it and improving the organizational climate.

Conflicts can arise from different perceptions of the company and from different perceptions of well-being. Low self-esteem is an indicator of psychosocial well-being that reflects a person's status. Low self-esteem is related to many factors and can lead to functional behaviors and inaction.

Author contribution statement

Maura Pozzi: Conceptualization, Methodology, Formal analysis, Investigation, Writing - Review & Editing, Supervision. **Daniela Poli Martinelli:** Formal analysis, Investigation, Writing - Original Draft, Visualization. Writing - Review & Editing. **Anna Greiner:** Writing - Original Draft. **Carlo Pistoni:** Methodology, Formal analysis.

Conflict of interest statement

Declaration of interest: none.

Ethical statement

The authors confirm that informed consent was obtained from all participants involved.

Declaration on the use of generative AI in the writing process

During the preparation of this work the authors did not use any AI software.

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Data availability statement

The data that support the findings of this study are available from the corresponding author, MP, upon reasonable request.

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Harnessing Kinship for Family Business Development in Rural Tourism: Insights from Indonesia

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Abstract: The tourism sector in Indonesia offers a significant platform for family businesses to drive economic growth, particularly in rural areas. In such settings, these enterprises often involve not only nuclear families but also extended families connected through kinship networks. This study examines the role of kinship in the development of family businesses within the Ciletuh Palabuhanratu UNESCO Global Geopark, Indonesia. Focusing on family enterprises in Ciwaru village, the research aims to explore how kinship relationships contribute to business sustainability and growth. Utilizing qualitative methods and a case study approach, the study applies concepts of family business, kinship, and inheritance systems. Findings reveal that kinship serves as a critical resource, providing labor, facilitating business promotion, ensuring generational continuity, and broadening business activities. These networks foster cooperation, trust, and shared experience, enabling family businesses to thrive. Furthermore, the growth of these enterprises has played a pivotal role in addressing poverty in Ciwaru village, highlighting the socio-economic impact of kinship-based family businesses.

CÓDIGO JEL Z13, Z32

PALABRAS CLAVE

Empresa familiar,
Parentesco, Turismo
rural

Aprovechando los lazos de parentesco para el desarrollo de empresas familiares en el turismo rural: Evidencia desde Indonesia

Resumen: El sector turístico en Indonesia ofrece una plataforma significativa para que las empresas familiares impulsen el crecimiento económico, particularmente en las zonas rurales. En estos contextos, dichas empresas suelen involucrar no solo a familias nucleares, sino también a familias extensas conectadas a través de redes de parentesco. Este estudio examina el papel del parentesco en el desarrollo de empresas familiares dentro del Geoparque Mundial UNESCO Ciletuh Palabuhanratu, Indonesia. En concreto, la investigación busca explorar cómo las relaciones de parentesco en la aldea de Ciwaru contribuyen a la sostenibilidad y el crecimiento empresarial. A través de métodos cualitativos y un enfoque de estudio de caso, el análisis aplica conceptos de empresa familiar, parentesco y sistemas de herencia. Los hallazgos revelan que el parentesco actúa como un recurso clave, proporcionando mano de obra, facilitando la promoción del negocio, garantizando la continuidad generacional y ampliando las actividades empresariales. Estas redes fomentan la cooperación, la confianza y la experiencia compartida, permitiendo que las empresas familiares prosperen. Además, el crecimiento de estas empresas ha desempeñado un papel fundamental en la lucha contra la pobreza en la aldea de Ciwaru, destacando el impacto socioeconómico de las empresas familiares basadas en parentesco.

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1. Introduction

This study builds on the findings of previous research on family businesses and kinship to explore the role of kinship in family businesses in rural tourism. This study contributes to two bodies of literature. First, it helps develop a theoretical framework of the characteristics and strategies of family businesses in rural tourism. Second, it develops a theoretical framework regarding the implications of kinship in family businesses. The comprehensive framework in this study reveals how the implications of kinship in family businesses in Southeast Asian rural tourism can be utilized by future research.

Kinship as an approach in family business research was first introduced by Alex Stewart in 2003 (Stewart, 2003; Verver & Koning, 2018). The kinship approach in research continues to be used to analyze certain aspects of family businesses, such as social networks (Khayesi et al., 2014; Li et al., 2022; Peng, 2004), resilience (Engeset, 2020; Lin & Wen, 2021), ethnic groups (Verver & Koning, 2018), households (Alsos et al., 2014), opportunities (Khavul et al., 2009), and the value of altruism (Karra et al., 2006). The discussion in these studies shows that kinship is closely related to business resources and has implications that can support and hinder business performance.

Research that uses kinship to analyze business social networks (Khayesi et al., 2014; Li et al., 2022; Peng, 2004) shows that kinship networks can be the main channel of entrepreneurial resource acquisition in family businesses. Research by Li et al. (2022) highlighted the advantages of kinship networks that can facilitate psychic resources compared to industrial networks in small tourism firms (STFs) in rural tourism areas of China. Then, Khayesi et al. (2014) linked kinship networks with their maintenance costs to enhance resource acquisition in small family businesses in Uganda. Meanwhile, Peng (2004) highlights the further function of kinship networks in protecting property rights and reducing transaction costs in family businesses in rural China.

Further research uses kinship to analyze business resilience strategies (Engeset, 2020; Lin & Wen, 2021). This research shows that kinship ties can support family businesses in surviving or adapting to a problem. Lin and Wen (2021) highlighted kinship ties in facilitating the ownership status of business assets to reduce expenses and avoid bankruptcy of a family hotel business in China. Meanwhile, Engeset (2020) highlighted kinship support in ensuring the availability of potential successors to family hotel businesses in rural tourism areas in Western Norway when faced with internal problems.

Other studies using the kinship approach (Alsos et al., 2014; Karra et al., 2006; Khavul et al., 2009; Verver & Koning, 2018) also show valuable findings. Verver and Koning (2018) highlighted the variety of kinship ties that influence different levels of connectedness, reciprocity, and trust in ethnic Chinese family businesses in Cambodia. Then, Alsos et al. (2014) highlighted the function of kinship relations in family livestock businesses in Scotland and Norway on resource potential and business growth. Khavul et al. (2009) highlighted kinship rules in informal family businesses in North Africa that can create different business opportunities and outcomes between men and women. Also, Karra et al. (2006) highlighted the influence of the altruistic behavior of kin members in family businesses in Turkey on the widespread welfare benefits of businesses at the group or broader community level.

The findings of these previous studies make a valuable contribution to developing the kinship approach in family businesses. However, there are spaces from each study that our research can fill. First, in the context of the region, most of the studies were conducted in Asian countries (Li et al., 2022; Lin & Wen, 2021; Peng, 2004; Verver & Koning, 2018; Karra et al., 2006), but have not included Indonesia as part of Southeast Asian countries where 95% of businesses are known to be family businesses and contribute to the national economy, as shown in data published by Price Waterhouse Coopers (PWC, 2014; PWC, 2018). We agree with the statement of research limitations (Alsos et al., 2014; Engeset, 2020; Khavul et al., 2009; Li et al., 2022; Peng, 2004) regarding generalization issues in the context of different countries, cultures, and companies. For example, Li et al. (2022) showed that companies in China, which are heavily influenced by government regulations, are likely to differ from Indonesia, which adheres to the Pancasila economic system. Second, in the focus of analysis, most studies (Engeset, 2020; Khayesi et al., 2014; Li et al., 2022; Lin & Wen, 2021; Peng, 2004) conduct an in-depth analysis of an aspect but have not shown possible linkages with other aspects, for example between kinship networks and business expansion strategies. Third, the family business units studied are limited to a single product or service, such as the hotel business (Engeset, 2020; Lin & Wen, 2021) or livestock and agriculture (Alsos et al., 2014). A wide variety of family business products or services generally characteristic of rural tourism areas (Li et al., 2022) have yet to be looked at simultaneously in one study.

Although these previous studies show the development of the kinship approach in family business research, we agree with Verver and Koning's (2018) statement that until 2023,

there will be relatively little use of the kinship approach in family business. We explored the novelty of the research topic in the last five years using bibliometric analysis. The results show that kinship-related family business research appears new, scarce, and unrelated to rural and tourism aspects. Therefore, our study fills the gaps obtained from the results of bibliometric analysis and the previous studies described earlier. We fill these gaps by including two additional variables, rural and tourism, to analyze aspects of the family business through a kinship approach in the context of the Indonesian state, business, and culture.

This study adopts [Verver and Koning's \(2018\)](#) idea that kinship has become one of the main factors influencing entrepreneurship. According to [Eriksen \(2015\)](#), kinship is the first social institution to influence a person's identity, livelihood, and career. In our research, kinship is understood as a social relationship between a person and their siblings, either from the father's, mother's, or both sides ([Kroeber, 1917](#); [Lowie, 1961](#); [Makarius et al., 1977](#)). These social relationships are based on blood and marriage relations and center on the nuclear family and extended family ([Turner, 1981](#)). Using kinship in family businesses can more broadly explore the relationships, values, and norms relevant to the business ([Stewart, 2010](#); [Verver & Koning, 2018](#)).

The implications of kinship in family businesses can support firm performance ([Mars & Ward, 1984](#); [Ward, 1987](#)). First, kinship ties expand access to 'cheap' with relatively long working hours of labor from the family ([Boissevain, 1990](#); [Stewart, 2014](#)). Second, kinship ties make it easier for parties involved in financing and underwriting activities ([Morokvasic & Phizacklea, 1990](#); [Werbner, 1984](#)). Third, kinship ties allow next-generation candidates to become company leaders ([Brunelli & Carlo, 2019](#); [Dick & Morgan, 1987](#)). However, the implications of kinship in family businesses can lead to work inefficiencies and minimum wages ([Arru et al., 2021](#); [Ram & Holliday, 1993](#)). Kinship ties reinforce nepotism, which allows incompetent kin members to hold important positions and wage negotiation practices ([Stewart & Hitt, 2010](#)). Kinship lines also allow for gender-biased practices in business succession ([Hoel, 1982](#)).

Our study is based on qualitative research on family businesses in Ciletuh Palabuhanratu UNESCO Global Geopark (CPUGG), Indonesia. Family businesses comprise 85% of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia and contribute 82% to the country's GDP ([PWC, 2014](#); [PWC, 2018](#)). However, only 30% of these businesses survive past the first generation ([Poza, 2010](#)). The tourism sector in Indonesia

supports the growth of these family businesses, and there is growing academic interest in their collaboration in the tourism sector ([Damiasih & Ihalauw, 2021](#)). Ciletuh Palabuhanratu UNESCO Global Geopark (CPUGG) was internationally recognized in 2015. This rural area has extended families accompanied by primordial solid ties.

2. Literature Review

2.1. Characteristics of family businesses in rural tourism areas

Family businesses in rural tourism areas have distinct characteristics that set them apart from businesses in other areas. Cultural uniqueness, social life, ethnic groups, and properties are distinctive features of rural tourism ([Flanigan et al., 2014](#); [Lin & Wen, 2021](#)). Family businesses in rural tourism tend to develop businesses oriented towards culture, heritage, health, and tourism activities (Lane, 1994). Generally, family businesses in rural tourism areas are dominated by small tourism firms (STFs) founded and managed by local families ([Hallak et al., 2015](#); [Lai et al., 2017](#); [Li et al., 2022](#)). In some Asian countries, these small community-based enterprises provide authentic products or services (accommodation or food) and contribute to sustainable rural development and poverty alleviation ([Komppula, 2014](#); [Lai et al., 2017](#); [Li et al., 2022](#)).

Generally, family businesses in rural tourism areas tend to apply the principle of sharing and interdependence between each other ([Alsos et al., 2014](#); [Engeset, 2020](#); [Li et al., 2022](#)). This sharing principle allows those involved in the family network to share voluntarily and collectively for the development of the business ([Alsos et al., 2014](#)). This principle tends to be taboo in family businesses in general because it goes against market logic ([Stewart, 2003](#)). Therefore, sharing becomes a distinctive characteristic in rural family business tourism because it does not go through calculations like formal companies ([Stewart, 2003](#)). A case in point is seen in the research of [Alsos et al. \(2014\)](#), which shows the location of family-owned livestock businesses in rural tourist areas of Scotland and Norway that have kinship relationships and are close to each other. The location of these businesses nearby is based on the view that each family or relative-owned business activity is seen as an interconnected and not separate entity. According to Alsos, these small rural businesses can be seen as an integral element, or he likens them to the 'spokes of the wheel' of a business system. Family businesses that coexist with other businesses can benefit from access to quality raw materials at competitive prices and flexible access ([Alsos &](#)

Carter, 2006).

Family businesses in rural tourism areas are classified as small businesses (Alsos et al., 2014; Engeset, 2020; Li et al., 2022) with simple organizational structures consisting of owners, managers, and employees (Curtis & Slocum, 2022). Decision-making in these businesses is fast, allowing for quick detection and proactive response to changes (Engeset, 2020; Thomas et al., 2011). Bichler et al. (2020) show that decision-making in family hotel businesses in rural Serfaus (Austria) is based on emotional, social, and family concerns but less on economic concerns. The simple organizational structure makes business financial management more effective (Mzid et al., 2019).

The goals of family businesses in rural tourism areas are not only oriented toward financial gain but also oriented towards regional and social attachment and personal, family, and community well-being (Andersson et al., 2002; Komppula, 2014; Rutten & Boekema, 2007; Tohidyan & Rezaei, 2019). Research (Curtis & Slocum, 2022; Engeset, 2020; Getz & Petersen, 2005) shows that the goals of small family businesses in rural tourism areas tend to be more related to lifestyle, family gatherings, and recreation rather than financial gain. Social welfare is paramount, especially relationships with family members and other business owners (Bichler et al., 2020). These businesses prioritize social benefits, ecology, regional attachment, and social networks (Kallmuenzer et al., 2017; Peters & Schuckert, 2014). They feel responsible for the social environment, which can influence business and destination development (Campopiano et al., 2012; Huang et al., 2015; McManus et al., 2012). However, the long-term goal of family businesses in rural areas remains economically oriented to support family life (Engeset, 2020; Kallmuenzer et al., 2017). This is evidenced by the continuous maintenance of business succession processes for future generations (Bichler et al., 2020).

Family businesses in rural tourism areas are built on the aspirations and abilities of family members regarding operational, strategic, and organizational aspects of the business (Chrisman et al., 2005). The role of family members in the family business is differentiated by the type of family, namely members of the nuclear family and members of the extended family (Verver & Koning, 2018). Generally, family businesses are owned and run by the nuclear family, but in the process of establishment and operation, they rely heavily on the support of the extended family (Alsos et al., 2014; Khayesi et al., 2014; Karra et al., 2006; Li et al., 2022; Lin & Wen, 2021; Peng, 2004; Verver & Koning, 2018). Furthermore, nuclear family members are involved in ownership,

core management, and resource gathering, while extended family members are involved in resource assembly, providing assistance, and handling central management positions (Verver & Koning, 2018). The significant role of nuclear and extended family members in the business shows that family businesses in rural tourism areas have substantial social capital to maintain the business (Li et al., 2022; Lin & Wen, 2021; Engeset, 2020; Chrisman et al., 2011). Trust, commitment, and dedication significantly contribute to business operations in rural family businesses compared to knowledge gained from formal education (Li et al., 2022). However, the generation gap in mindset causes a crisis of trust, often when older generations prefer conventional methods and younger generations want to innovate with current trends (Engeset, 2020).

Family businesses in rural areas are also operated by communities that were formerly migrants (Bosworth & Farrell, 2011; Mitchell & Shannon, 2018). For example, research by Mitchell and Shannon (2018) shows that various groups of migrants enter rural areas in Canada for different reasons, timing, and goals. Their businesses are tailored to the needs of tourism activities in the village areas (Bosworth & Farrell, 2011). Their motivations to migrate and open businesses in rural areas are economic factors (income and job creation) and non-economic factors such as lifestyle, facilities, and family (Bosworth & Farrell, 2011; Mitchell & Shannon, 2018).

For family business owners in rural tourism areas, providing employment opportunities for family members is essential (Bichler et al., 2020; Engeset, 2020; Tew & Barbieri, 2012). For example, in Engeset's (2020) study, employing family members created a sense of pride for family hotel business owners in rural Norway. Furthermore, in the research of Arru et al. (2021), the owners of family businesses in rural Italy even had to provide sufficient wages to family laborers to prevent them from leaving their homes to seek employment elsewhere. Family labor is considered necessary, especially for those who still reside in rural communities (Kallmuenzer et al., 2017). The recruitment system for the workforce in rural family businesses is informal and conducted through word of mouth (Ram & Holiday, 1993). According to research by Ram and Holiday (1993), this informality allows the workforce to come from kin members of the owner. The workers carry out the recruitment system to persuade relatives or friends to come and work. Family labor will gain a unique position in the business, extending to other family members' networks (Kallmuenzer et al., 2017).

Like businesses in general, family businesses

in rural tourism also apply various strategies to support their business sustainability. When discussing strategy, it will be related to business resilience. Family businesses in rural tourism areas tend to be resilient because they have strategies to deal with complex situations (Engeset, 2020). Generally, business resilience has three strategy perspectives: adaptation, survival, and innovation (Amann & Jaussaud, 2012). Adaptation involves recovering from a crisis and repairing 'damaged' conditions. Survival involves restoring the situation to the previous normal, while innovation and change involve fundamental business renewal (Dahles & Susilowati, 2015). For example, in Engeset's research (2020), when a family hotel business in rural Norway faces an internal crisis such as the business owner's death, family members will carry out a survival strategy by transferring positions to other family members to return to normalcy. This strategy shows that instead of 'bouncing forward', the strategy adopted is 'bouncing back' to return to the state before the crisis occurred (Lengnick-Hall & Beck, 2005). However, when the family hotel business faces external challenges, such as increasing tourists, family members will innovate and change strategies by expanding and improving hotel facilities according to market tastes. These strategies and innovations show a 'bounce forward' to make significant changes in the business (Davoudi et al., 2012). Business expansion is also shown in Lin & Wen's (2021) research on family businesses in rural Chinese tourist areas that carry out business promotion activities through social media during the COVID-19 pandemic. Apart from expansion, according to Alsos et al. (2014), innovation and change strategies carried out in family businesses in rural tourism areas in Norway also include the establishment of new businesses in addition to pre-existing businesses. This aligns with Engeset & Heggem's (2015) statement that family businesses in rural tourism areas are seen more as business diversification activities.

Business strategies in rural tourism areas also relate to household strategies based on joint decisions (Abbas et al., 2001; Wallace, 2002). Essential decisions in family businesses are made through deliberations to reach agreements (Ferguson & Olofsson, 2011; Fuller, 1990; Jervell, 2011). The connection of household strategies in rural family businesses allows risk avoidance, especially those related to capital, because it can significantly affect business conditions (Komppula, 2014). In addition to household strategies, businesses in rural tourism areas are also related to customer attraction strategies by positioning customers as references for marketing activities, product development, and operations (Ross,

2009). In this business, customers are likened to the 'backbone' of the business, so it is essential to maintain good relations with customers. Curtis and Slocum's research (2022) shows that 'tasting rooms' are part of the strategies used by wine business actors in California to build intimate relationships, sustainable feedback, and loyalty with customers. Promotion commonly used in business is 'word-of-mouth' promotion conveyed to consumers as advertising media. This promotional step is practical and does not require a significant cost because the information given to consumers switches to product or service dissemination. Ultimately, the experience provided leads to product or service recommendations to related consumers (Nugraha, 2023).

2.2. Implications of kinship in business performance

The primary element in the social and cultural environment that most influences entrepreneurship is kinship (Verver & Koning, 2018). Kinship is the first significant social institution influencing a person's identity, livelihood, and career (Eriksen, 2015). Kinship can be understood as social relationships that occur between a person and their relatives, either through the father's (patrilineal), mother's (matrilineal), or both (bilateral) lines (Kroeber, 1917; Lowie, 1961; Makarius et al., 1977). These social relationships are based on blood ties and marriage and center around the nuclear and extended family (Turner, 1981). In the context of entrepreneurship, Holy (1996) defines kinship as a geological network that allows individuals or groups to share 'without calculation,' thus contradicting the logic of the market. Stewart (2003), therefore, sees kinship as a distinctive order of morality that can conflict with market logic. These moral orders converge in family businesses or households (Alsos et al., 2014). Through the household or family business, kinship provides benefits in entrepreneurial activities, such as providing access to resources in the form of capital, social support, mentoring, access to business channels, markets, networks, and information (Alsos et al., 2014; Stewart, 2003; Benedict, 1968). Previous studies (Khayesi et al., 2014; Alsos et al., 2014; Khavul et al., 2009; Karra et al., 2006; Ram & Holliday, 1993) show that the implications of kinship for business performance can be positive and negative.

The positive implications of kinship on family business performance are that it can form social capital that is useful for obtaining business resources, especially labor, business successors, and trust (Brunelli & Carlo, 2019; Boissevain, 1990; Dick & Morgan, 1987; Morokvasic & Phizacklea, 1990; Stewart, 2014; Werbner, 1984). In Asian countries, family labor is the key

to success (Mars & Ward, 1984; Ward, 1987). Kinship ties can expand access to resources and labor from families, which are relatively 'cheap' with relatively long working hours (Stewart, 2014; Boissevain, 1990). Kinship networks supply reliable labor resources and can act as sustainable control mechanisms (Dick & Morgan, 1987). Kinship can ensure the availability of successors who fit the family culture (Brunelli & Carlo, 2019). Kinship ties also facilitate trust in financing and guaranteeing company activities (Morokvasic & Phizacklea, 1990; Werbner, 1984). Social capital as a form of kinship that has positive implications for business performance can be in the form of social networks and altruistic values (Khayesi et al., 2014; Karra et al., 2006). Kinship ties can form social networks that increase business resource acquisition (Khayesi et al., 2014; Arregle et al., 2007). These social networks, derived from kinship ties, are often utilized by startup-phase small family businesses to acquire initial resources (Khayesi et al., 2014; Arregle et al., 2007; Greve & Salaff, 2003). These social networks are formed from first-level individual network contacts (Greve & Salaff, 2003). The size of this social network can increase if family members or relatives enter one's network (Khayesi et al., 2014).

In addition to forming social networks, kinship ties can form the value of altruism, which also benefits the acquisition of business resources (Karra et al., 2006). In family businesses, altruism is categorized as a resource that benefits the owner (Schulze et al., 2003). This is because the value of altruism encourages business owners or parents to care for and provide facilities to their children. In return, children will be devoted to their parents by helping their family's business work (Alsos et al., 2014). Altruistic behavior in a business does not only work within the scope of family or close relatives. However, it can also be transferred to pseudo-families based on distant kinship and ethnic ties (Karra et al., 2006). Altruism in this reciprocal business can align the interests of family members and reduce agency costs (Karra et al., 2006). Research by Karra et al. (2006) on family businesses in Turkey shows that reciprocity in a family business can be in the form of gifts from owners to management.

Besides having positive implications, kinship also has negative implications, which can hinder company management and create gender bias (Ram & Holliday, 1993; Khavul et al., 2009). Arru's research (2021) shows that using family labor leads to inefficiencies and less-than-maximum wage earnings. This is because kinship ties reinforce family culture (such as nepotism), which encourages negotiation practices in wage distribution (Stewart, 2003). In addition, the

recruitment system through kinship networks is also considered less rational and puts pressure on management because it often does not align with the company's needs (Ram & Holiday, 1993). Kinship ties can also reinforce family ideology, allowing less competent family members to hold important positions in the company (Stewart & Hitt, 2010).

The implications of kinship in business succession also allow for gender bias practices. Previous research highlights that families are more of a resource for men than women (Hoel, 1982). In other words, male family members are more likely to benefit from the company compared to women, who are potentially subjected to injustice. Watkins & Watkins' research (1984) shows that when they reach adulthood, sons of entrepreneur owners are more likely to have obedient and supportive partners, while daughters are likely to have ad hoc, peripheral, and business-savvy partners. Ram and Holiday's research (1993) shows that women's jobs in the company are related to their gender roles in the domestic sphere, such as managing the workplace, finances, and employee wages. In some cases, women also hold positions at the same level as supervisors but not as managers. Women have roles and contributions to the sustainability and growth of the company, but their performance is often not considered and visible due to its informal nature (Ram & Holliday, 1993). The implications of kinship for gender bias practices are also shown in the research of Khavul et al. (2009), which shows that kinship ties or rules in East Africa provide different opportunities for men and women to engage in business (Khavul et al., 2009).

3. Methodology

Case studies are the most widely used qualitative method in family business research (DeMassis & Kotlar, 2014). The study of family businesses, which consist of two systems, namely family and business, interact with each other and form a unique organization, so it is very relevant to the features available in case studies (Tagiuri & Davis, 1996). Referring to the writing of DeMassis & Kotlar (2014), who have synthesized several definitions of methodological experts, case studies are an integral part of qualitative empirical research that can serve as a unique strategy to investigate contemporary phenomena in real life in depth. Features in the case study approach can reflect the heterogeneity of theory and analysis in family business (DeMassis & Kotlar, 2014). Therefore, to explore the role and implications of kinship in family businesses unique to the CPUGG as a rural tourism area, we

use a case study.

Field research was conducted in Ciwaru village in Ciemas District, Sukabumi Regency, West Java Province, Indonesia. The reasons for selecting this location were (1) the center of the CPUGG tourist area, which is busy with tourists; (2) the existence of the community's entrepreneurial activity; and (3) the existence of values and traditions of rural life.

3.1. Data collection

Primary data collection was carried out for two weeks in September 2023. Data collection techniques were carried out through participant observation and in-depth interviews. Participant observation was chosen to understand activities, social interactions, and everyday business culture (DeMassis & Kotlar, 2014). Observations were carried out by visiting businesses directly to involve themselves in the daily activities of the perpetrators. Thus, it allows us to be part of the activity and observe and interact with the workers directly. Some places used as observation locations include Palangpang Beach, Darma Highlands, Cimarunjung Waterfall, Sodong Waterfall, Kunti Island, Cikadal Beach, Cimarunjung Homestay village, and KB village.

The selection of the eight observation locations

was based on the following criteria: (1) the presence of community economic activities; (2) the presence of local values and wisdom; (3) having many tourists; and (4) being a popular tourist destination or having the potential to be developed. Observations were conducted in the morning, afternoon, and evening at eight locations. Observations were guided by Spradley's (1980) triangle of social situations, namely places, actors, and activities carried out by local people and tourists in CPUGG. The techniques used were jotting or making field notes and picture documentation.

In-depth interviews explore personal experiences, opinions, and values held by family business members, which cannot be fully accessed through observational techniques (DeMassis & Kotlar, 2014). Interviews were carried out by having direct and regular dialogue with the informants. Before conducting the interview, we conducted a questionnaire survey of all residents in Ciwaru Village who own a family business with 30 people. Furthermore, the data collected in the survey was selected representatively based on development (upper, middle, and lower). There were 15 informants in this study.

Table 1. Profile of respondents

No.	Informant's Name	Position	Business sector & Business Name	Ethnicities	No. of Interview	Length (min)
1	Mr. Berkah	Owner & manager	Lodging - Samudra Jaya	Sunda	2	121
2	Mr. Hendry	Owner & manager	Lodging - Bukit Soca	Sunda	2	153
3	Mrs. Suni	Owner	Roadside Stall - Warung Cimarunjung	Sunda	2	200
4	Mr. Deni	Owner & manager	Homestay - Cimarunjung Homestay	Sunda	2	162
5	Mr. Redit	Manager (heir)	Roadside Stall - Warung Palangpang	Sunda	2	116
6	Mr. Udin	Owner	Seafood Stall - TPI Ciwaru	Sunda	2	197
7	Mr. Harry	Owner & manager	Lodging - D'Leuit Exa Dua	Sunda	2	129
8	Mr. Yuda	Manager	Boat rental & Tour Guide - Kang Yuda Boat	Sunda	2	134
9	Mrs. Anita	Owner & manager	Homestay - Putri Tunggal	Sunda	2	171
10	Mr. Namsa	Owner & manager	Boat Rental & Tour Guide - Namsa Boat	Betawi	3	217
11	Mr. Mamad	Owner & manager	Lodging - Ratu Pantai	Sunda	2	160
12	Mrs. Luna	Owner	Lodging - Pandawa	Sunda	2	156
13	Mrs. Nuni	Owner & manager	Restaurant - Raja Laut	Buginese	3	200
14	Mr. Teja	Owner & manager	Homestay - Siti Zahra	Sunda	2	118
15	Mrs. Yoyo	Owner & manager	Seafood Stall & Restaurant - Warung Mamih	Sunda	2	124

The selection of research informants was based on the following criteria: (1) business owners or managers around the tourist area; (2) community leaders or traditional leaders who have knowledge related to local entrepreneurial culture; and (3) represent each type of business. Interviews are conducted periodically. Each informant was interviewed about 1-3 times on different days. The tools used are voice recordings, notes, and image documentation. The interview data for this study includes insights from 15 family business participants (see Table 1). All information regarding the informants has been kept strictly confidential. To maintain anonymity while enhancing reader comprehension, pseudonyms have been used in place of the informants' real names.

The study examined six categories of family businesses in Ciwaru village (see Table 2). These categories were identified through survey findings and direct observations. The family business cases considered in this research are as follows:

- a. Lodging is a provider of lodging services for tourists.
- b. Roadside stalls are retail product providers sold to the public or tourists.
- c. Restaurants are providers of local food or drink products.
- d. Boat crossing provides tourist services, and boats are used to cross the island.
- e. The tour guide and services for tourists crossing the island, including snorkeling and diving.
- f. Fish auction is an auction service for fishermen to sell through third parties.

Table 2. Details of family businesses

No	Business Name	State of Business	Starting Year	Business Digitalization	CEO Leadership	Product or Services	Market	Business Management
1	Samudra Jaya	Intermediate	2018	Online ordering	-	Lodging	Local	Structured
2	Bukit Soca	Intermediate	2016	Online ordering	-	Lodging	Local	Structured
3	Warung Cimarunjung	Low	2012	-	-	Food/drink	Local	Unstructured
4	Cimarunjung Homestay	Top	2014	Online ordering	-	Lodging	Local	Unstructured
5	Warung Palangpang	Intermediate	2018	-	-	Food/drink	Local	Unstructured
6	TPI Ciwaru	Top	1959	-	-	Auction	Local	Structured
7	D'Leuit Exa Dua	Top	2017	Online ordering	-	Lodging	Local	Structured
8	Kang Yuda Boat	Intermediate	2017	Online ordering	-	Guide	Local	Unstructured
9	Putri Tunggal	Intermediate	2017	Online ordering	-	Lodging	Local	Unstructured
10	Namsa Boat	Top	2000	Online ordering	-	Guide	Local	Unstructured
11	Ratu Pantai	Top	2006	Online ordering	-	Lodging	Local	Structured
12	Pandawa	Low	2018	Online ordering	-	Lodging and Food/drink	Local	Unstructured
13	Raja Laut	Top	2016	Online ordering	-	Food/drink	Local	Unstructured
14	Siti Zahra	Low	2014	Online ordering	-	Lodging	Local	Unstructured
15	Warung Mamih	Low	2015	-	-	Food/drink	Local	Unstructured

3.2. Research bias

Potential biases that could arise in the research activities include sample selection bias, observer bias, and confirmation bias in small businesses in Ciwaru Village. These potential biases can be reduced by combining different data sources (Tracy, 2010), such as combining data from interviews and observations (De-Massis & Kotlar, 2014). Using multiple data sources in research

can increase the credibility of the data collected (Patton, 1990). Therefore, we triangulated the methods and data to reduce potential bias in the research.

At the beginning of data collection, a survey was conducted to avoid bias in the research process, and the sample selection was narrowed down according to the criteria. In order to avoid observer bias, repeated observations were carried

out so that the reality of the family business journey could be seen. In addition, confirmation bias is avoided by conducting repeated interviews and considering possibilities that may arise during the research. Researchers conducted interviews with informants considered competent to provide information regarding the research topic. Reducing research bias is also carried out in the data analysis process at the coding stage, which is carried out repeatedly to agree on the coding and meaning of each informant (Magnani & Gioia, 2023).

3.3. Data analysis and findings

Data analysis in this study was inspired by Gioia's methodological approach of developing data through coding and themes to assemble a systematic data structure (Gioia et al., 2013). Data analysis in family business research using Gioia's methodological approach (Butt et al., 2021; Nulleshi, 2022; Rashid & Ratten, 2020; Valenza et al., 2023; Wolff et al., 2024) can produce findings that are rich in knowledge and holistic in nature. This is because the data structure obtained from the informants' understanding is developed with the researcher's understanding using relevant theoretical concepts (Magnani & Gioia, 2023). Informants in family business research are considered knowledgeable agents (Valenza et al., 2023) because informants are more competent and experienced in the field of business work they are engaged in (Magnani & Gioia, 2023). The development of deep data structures through this approach can accommodate the use of new approaches in family business inductively (Butt et al., 2021). The analysis results through Gioia's methodological approach provide rich findings and concrete evidence to strengthen the research conclusions (Magnani & Gioia, 2023). Therefore, Gioia's methodological approach inspired us in the analysis process in order to present rich and exciting knowledge about kinship in family

businesses. We followed Gioia's methodological approach for our data analysis, which involved five distinct steps. These steps are outlined below, and the results of applying Step 3 (aggregate dimensions) are presented in Table 3.

Step 1: Identify the First Code. We take some direct quotes from the data provided and observe the phenomena described. Example: "Sometimes they (relatives) are even more enthusiastic than us. For example, when a motorbike passes by (to the village), and they see the sign, chances are they are people who want to stay. They immediately approached us and took us to our house."

Step 2: Second-Level Theme Categorization. Based on the first code, similar phenomena are grouped into broader themes. For example, the role of relatives in the family business covers all aspects of family members' involvement in managing the business built together with the family.

Step 3: Aggregate Dimensions. Integrate related themes into larger constructs. For example, business characteristics present research data corresponding to the family business's characteristics in each case studied.

Step 4: Theoretical Model Development. Based on aggregate dimensions, we developed a theoretical model that describes family/kinship relationships in business management that impact the tourism sector in Ciwaru Village. For example, This model will show that forming a family business in tourism activities contributes to improving the local economy by developing sustainable tourism infrastructure.

Step 5: Verify and Refine. This step involves verifying the model by going back to the existing data to ensure its good fit. Example:

Checking consistency between data and interpretations in the model.

Ensure all critical aspects of the report are represented in the model.

Adjust the model based on input or additional data that may be obtained from further research or verification with interested parties.

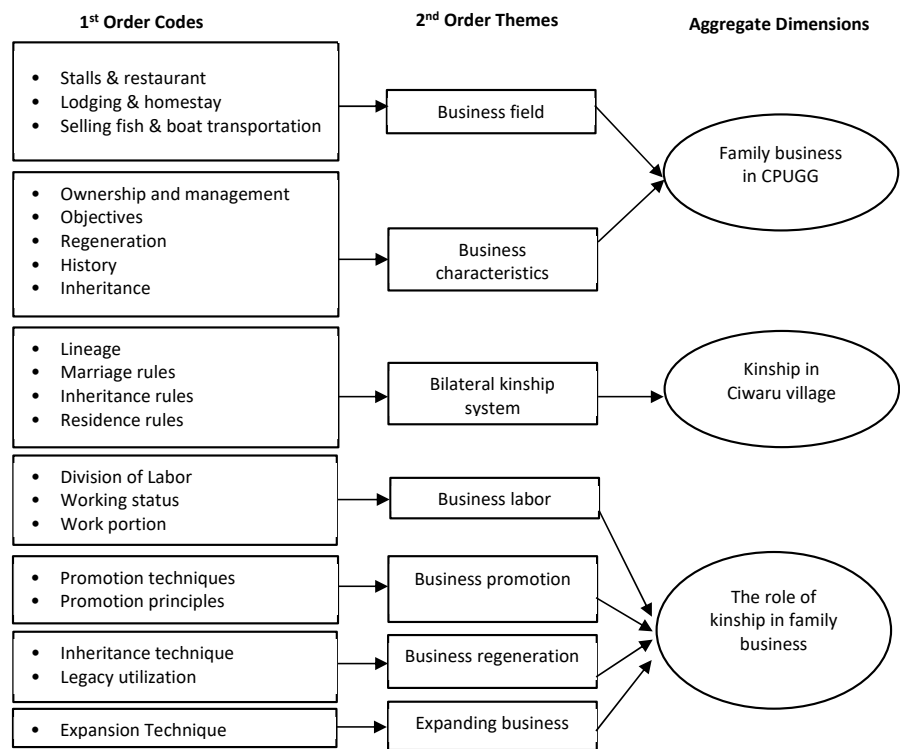
Table 3. Aggregate dimensions

Interview Sample	First-Order Concept	Second-Order theme	Aggregate Dimension
<i>Usually, what is sold is processed sea-food, coconut ice, instant noodles, drinks, and many more</i>	Stalls & restaurant - products	Business field	Family business in CPUGG
<i>In the Cimarunjung area, around 102 houses are used as homestays.</i>	Lodging & homestay -amount	Business field	Family business in CPUGG
<i>This business has been running since 2005. At that time, it was just my friend and me selling. Now, my children and grandchildren are also opening businesses here.</i>	Selling fish & boat transportation - history	Business field	Family business in CPUGG
<i>The inn was built on land owned by my parents. My children and wife usually assist the management. However, sometimes, my nephew and cousins also help.</i>	Ownership: own inheritance management: Family members and relatives	Business characteristics	Family business in CPUGG
<i>My husband's income was not enough to fulfill my children's school needs, so I opened a restaurant to supplement my family's income.</i>	Objectives: Improving the family economy	Business characteristics	Family business in CPUGG
<i>To be honest, I really hope that my grandchildren will continue the business. Fortunately, they will.</i>	Regeneration: extended family/ relatives	Business characteristics	Family business in CPUGG
<i>At that time (2016), I was trying to find business opportunities in the tourist area. When many tourists came, I immediately contacted my brother-in-law to lend me a boat. I now use the boat as a business.</i>	History: involving extended family/ relatives	Business characteristics	Family business in CPUGG
<i>I always involve my adult children in managing the business. Therefore, that one day, he would understand how to manage the business when I am no longer around.</i>	Inheritance: heir involvement	Business characteristics	Family business in CPUGG
<i>Like the Sundanese, we use pancakaki. We involve both the mother and father's side of the family.</i>	Lineage: tribal rules	Bilateral kinship system	Kinship in Ciwaru village
<i>There are no specific partner selection rules. It seems to be free. Some marry their childhood friends, office mates, or parents' acquaintances. Some are from within the tribe or outside the tribe. However, for the wedding procession, we use Sundanese customs.</i>	Marriage rules: unbound, but tradition prevails.	Bilateral kinship system	Kinship in Ciwaru village
<i>For inheritance, the community uses the rules set out in Islam. However, in principle, whether a boy or a girl is equally entitled,</i>	Inheritance rules: following religion but equal	Bilateral kinship system	Kinship in Ciwaru village
<i>There are no specific rules. It depends on the child. Parents are not pushy. Most of them have their own houses and do not live in-law's houses. Unless a woman is pregnant, she usually lives with her in-laws first.</i>	Residence rules: unbound	Bilateral kinship system	Kinship in Ciwaru village
<i>My younger sister assisted me. She cleaned the house and served guests while I focused more on guest administration.</i>	Division of Labor: by gender	Business labor	The Role of kinship in family business

Interview Sample	First-Order Concept	Second-Order theme	Aggregate Dimension
<i>For example, if I am out of the house, she takes over customer service for a while. When I return, the task switches back to me.</i>	Working status: Temporary	Business labor	The Role of kinship in family business
<i>My brothers do most of the cooking. My daughter doesn't help, as they are busy at school.</i>	Work portion: extended family > nuclear family	Business labor	The Role of kinship in family business
<i>Because my brother and I both have businesses, we recommend each other to customers. If they need something, I refer them to my brother's business, and vice versa.</i>	Promotion techniques: recommend each other	Business promotion	The Role of kinship in family business
<i>The principle is that we are mutually beneficial not only for different businesses. Even though my business field and my brothers are the same, we still recommend him.</i>	Promotion principles: mutual benefit	Business promotion	The Role of kinship in family business
<i>Introduce the business first by getting involved in it. I have been doing this since my children were young. After they grew up, I started teaching them how to manage the business. Not only that, but I also sent them to school to study marine engineering.</i>	Inheritance technique: transfer of knowledge and experience	Business regeneration	The Role of kinship in family business
<i>When I inherited a boat and diving equipment from my parents, I did not think about becoming a fisherman. Instead, I thought of using the inheritance as capital for a boat rental and diving business for tourists.</i>	Legacy utilization: Capital	Business regeneration	The Role of kinship in family business
<i>My Children and grandchildren have expanded their business by opening businesses elsewhere. Some open food, gasoline, phone credit, and stalls. However, they test them first in my shop. If they fail, they improve them, and if they succeed, they practice them outside the shop.</i>	Expansion Technique: Opening a different business	Expanding business	The Role of kinship in family business

Upon completing the five-stage data analysis process guided by Gioia's methodological approach, we developed a data structure (see Figure 1).

Figure 1. Data structure



We identified three main themes in this study: family businesses in rural areas of CPUGG, the kinship system of village communities, and the role of kinship in family businesses in these areas. To enrich the discussion, we present the data structure through narratives, images, and sentence quotes, linking them to the literature review. These findings are detailed in the results and discussion section.

4. Results and Discussion

4.1. Family businesses in Ciwaru village

Small shops and restaurants are the most common family businesses found in the area. These businesses provide various food needs for tourists, including packaged food and drinks, ready-to-eat meals, processed beverages, and seafood products. These businesses become a supplementary source of income for the community, alongside farming and fishing. Small shops and restaurants predate the official designation of Ciemas Sub-District as a geopark tourism area in 2015, reaching its peak from 2016 to 2018 with the establishment of new shops. Lodging and homestay businesses are also prevalent, offering various accommodation options to cater to tourists' needs. In particular, the Cimarinjung Homestay village provides 102 rental units for tourists. The development of

lodging and homestay businesses started in 2007 and has continued to grow. The peak of business expansion occurred in 2018 and 2019, coinciding with the peak of tourist visits to the area. Business development occurs gradually, starting with simple accommodations and expanding based on the capital and the increasing number of tourists yearly.

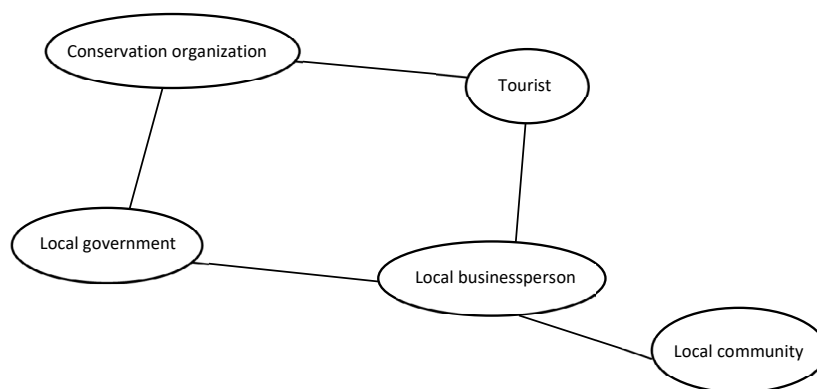
Other businesses include fish sales at the Ciwaru Fish Auction Place (TPI Ciwaru). Various types of fish, shellfish, and seaweed caught by fishermen are available for sale. Typically, fish sellers are also fishermen who own boats. Therefore, besides selling fish, they provide boat transportation services for tourists. However, the number of businesses in this category is less abundant than small shops or lodgings and can only be found in specific locations. This business has been operating since 1959 and continues to operate. Establishing businesses in Ciwaru village aims to improve family and regional welfare. Before the influx of tourists, the Ciemas Sub-District was the poorest in Sukabumi Regency. However, when the number of tourists surged, along with the government's plan to designate tourism as part of the Ciletuh Palabuhanratu Geopark area, the community aspired to overcome economic challenges by opening businesses. Establishing these businesses took work, with most businesses built on family-inherited land and personal land purchases. Besides being used for daily

family needs, profits were reinvested as capital for business development. Thus, 2016 to 2019 marked significant business growth in the Geopark tourism area, especially in Ciwaru village.

Social network analysis identifies the entities involved based on existing data. These entities include individuals, groups, or organizations that

play a role in the development and operation of the Geopark, including family businesses in Ciwaru Village: local communities, local entrepreneurs, local government, tourists, and interrelated conservation organizations. The following chart shows a Python visualization and library network (see Figure 2).

Figure 2. CPUGG Social Network



These family businesses are owned by nuclear families consisting of couples and children. However, extended family members such as grandchildren, sons-in-law, and brothers or sisters in law often manage the businesses. Family members control every critical position in the business. Consistent with the concept of family businesses, every family member involved has shared responsibilities in conducting business activities (Gomulia, 2013). In small shops and restaurants, tasks such as serving customers, cooking orders, shopping, and parking management are shared among husbands, wives, and children. However, managing finances and decision-making are typically handled by family members who play a leading role in business operations. In contrast, the division of tasks based on gender is more apparent in lodging and homestay businesses. Serving guests, meeting their food needs, maintaining cleanliness, and managing homestay facilities are generally the responsibilities of wives or women. This is related to the feminine characteristics associated with the domestic realm (Macionis, 2013).

Meanwhile, marketing, negotiation, and decision-making on rental agreements are typically the responsibilities of husbands or men, who tend to position themselves as the primary leaders or owners of the business. Adolescent or adult children usually play a role in assisting their fathers in marketing and promoting the business. Most family lodging and homestay businesses

have used digital media for marketing and promotion. They advertise on social media and lodging booking platforms. In the fish sales and boat transportation businesses, tasks such as serving customers, buying fish from collectors, operating boats, and promoting the business are entirely the responsibilities of men and do not involve women. Thus, in practice, only husbands and children are involved in business activities. To meet tourists' changing needs, many established lodging businesses have hired non-family members, such as receptionists and managers, while maintaining control over decision-making and management. The succession and regeneration of family businesses are integral to the desires of every business owner. They intend to pass down the business to their descendants, as evidenced by their efforts to involve their children or grandchildren in business activities. The hope is that the next generation will learn and desire to continue and develop the family business.

4.2. Kinship in Ciwaru village

The kinship of Ciwaru village cannot be separated from that of the Sundanese ethnic group. Ciwaru village is part of the Sundanese ethnic group residing on the island of Java. Although not all residents are direct descendants of the Sundanese (there are minority ethnic groups such as Javanese, Betawi, Bugis, and Madura), generally, the kinship system used by the community refers

to the Sundanese kinship system. The residents of Ciwaru village live side by side, each having their role. This applies to families in Ciwaru village as well. They have lived based on the Sundanese life cycle since ancient times. The Sundanese life cycle is a cultural aspect and part of the kinship process that regulates marriage and descent based on inherited life values (Mardotillah, 2016). The kinship system in Ciwaru village is bilateral, meaning descent is traced from both the father and mother. Similar to the Sundanese community in general, in Ciwaru village, the father holds the position of the head of the household, and the mother is the homemaker. In a bilateral kinship system, there is generally equality between women and men, including rights and obligations, decision-making, and inheritance sharing (Santika & Eva, 2023). This equality is also reflected in the daily lives of Ciwaru village residents, where there is no societal norm favoring or disadvantaging either gender. However, because almost the entire population of Ciwaru village adheres to Islam, the practice of this equality is sometimes only partially realized, as Islamic law is used to regulate rights, obligations, and inheritance distribution as a form of compliance. The focal point of kinship in Ciwaru village is the nuclear family, consisting of the father, mother, and children. However, the extended family often participates in various family functions, such as childcare and economic support. This means that while performing these functions, the nuclear family does not act independently but is assisted or even delegated to the extended family. The community highly values kinship relationships with the extended family. This is reflected in the use of the term '*pancakaki*', referring to the group called '*bondoroyot*', which draws descent lines in an ambilineal system referring to ancestors from the past. Determination of descent draws seven lines from above, namely *kolot*, *embah*, *buyut*, *bao*, *janggawareng*, *udeg-udeg*, and *gantung siwur*, and seven lines from below, including a child, *incu*, great-grandchild, *bao*, *janggawareng*, *udeg-udeg*, and *gantung siwur*.

Ciwaru village residents do not have specific rules for choosing marriage partners. Marriages can occur through exogamy (between different ethnicities, tribes, and clans) and endogamy (within the same ethnicity, tribe, and clan). The choice of a marriage partner is based on personal preferences rather than parental decisions. In practice, Ciwaru village residents also adhere to Sundanese customs and marriage customs, such as the rules for giving '*seleh*' (bridewealth), providing dowry, and hosting ceremonies or celebrations. Married couples can decide where to live after marriage without customs dictating their residence. The tourist environment and

homestay businesses further influence this freedom, while some couples may choose to live with their parents during pregnancy or when they do not have a home yet.

4.3. The role of relatives in family business

The limited involvement of private or governmental entities in businesses gives the community complete control to develop business models according to existing opportunities. Therefore, the community considers a family-based business model involving a kinship network the most prevalent and ideal. Kinship plays a crucial role in fulfilling family functions. The current concept of the nuclear family cannot independently perform all family functions. In certain situations, family functions are assisted and delegated to the extended family (Ihromi, 2019).

One family function to be discussed in this writing is the economic function. According to Suprajitno (2004), economic function refers to implementing economic activities accompanied by management within the family environment to create sustainability and develop family life. Ciwaru Village is located in a rural environment synonymous with the existence of family kinship to support daily family needs. According to Durkheim (1994) (cited by Ariany, 2002), rural conditions are synonymous with communities characterized by a sense of togetherness and bound by mechanical solidarity. This aligns with economic cooperation in family businesses in Ciwaru Village, which is not only centered on the roles of husbands, wives, and children but can extend to both sides of the family. The research results show four kinship roles in family business, as follows.

4.3.1. Provide labor

Like other businesses, family businesses require human resources for development and progress. Labor is considered an asset in the business, so it must be qualified and characterized by competence in its respective fields. Employee performance has a significant impact on the development of the ongoing business. Therefore, utilizing labor must align with the capabilities and goals of the business (Rizqi & Nabila, 2022). In lodging and homestay businesses, having more than one employee is ideal. This is because these types of businesses involve tasks that are challenging to perform independently. Tasks include caring for accommodation units or houses and catering to guests' food and lodging needs. As a result, a significant workforce becomes necessary for lodging or homestay businesses. Relatives and nuclear family members who own the business are involved in management activities. In several

accommodations, wives and children contribute significantly to the management activities led by their husbands or fathers. They handle guest administration, prepare accommodations, and market them online. Simultaneously, business leaders also involve their extended families, such as siblings, in-laws, nephews, and grandchildren, as employees in the business. However, the employment status of extended family members is temporary. They usually assist or temporarily replace the nuclear family in business management activities when the owners cannot perform their duties (due to illness or travel).

"Sometimes they (relatives) are even more enthusiastic than us. For example, when a motorcycle passes by (to the village), and they look at the sign, they are likely to be the ones who want to stay. They come straight to us and are escorted to our house." - Teja (55), homestay owner.

This practice applies to small shops, restaurants, fish sales, and boat transportation services. Business owners involve both nuclear and extended family members as employees. In some businesses, extended family members play a more central role than the nuclear family. Suni (73), a small shop and restaurant owner, involves her husband, children, grandchildren, and daughters-in-law in business activities. They serve customers, cook, and manage vehicle parking. According to Suni, she is greatly assisted by the presence of her family in business activities, especially her eldest grandson, who faithfully accompanies Suni in running the business. Her grandson often replaces Suni to shop for supplies or merchandise at the market.

"Umi (grandma) cannot go to the market anymore. This shop is also quite basic and small. My child used to sell phone credit at the shop, but not anymore because he is married now. Only my grandson likes to arrange shopping in the shop while parking motorcycles and cars." - Suni (73), small shop and restaurant owner.

Similarly, Yuda (24), the initiator of the boat transportation business owned by his brother-in-law, involves his ability to identify opportunities and utilize his relative's assets (the boat), successfully raising the economic standard of his family. As a business manager, Yuda operates the business activities entirely to generate income, which will be evenly distributed with his brother-in-law.

"My brother in law cannot catch fish now, so the boat is often unused. So, I suggested borrowing it to use it to ferry tourists who want to go crossing. Because if it is not used, it is a waste. I better use it to make money." - Yuda (24), boat transportation service manager.

In some family businesses, the involvement of relatives as employees is also influenced by gender. For instance, in the fish sales business, Udin (73) only involves male family and relatives in his business activities. He says jobs like fishing in the sea and participating in auctions require strong and sufficient stamina. Therefore, male family members or relatives are more suitable for the workforce associated with masculinity. Meanwhile, female family members or relatives are directed more towards domestic work responsibilities.

However, additional labor is involved from outside the family or relatives in some family businesses, such as large-scale lodging businesses. Mamad (54) owns the first and largest lodging business in the tourist area. He employs neighbors and trusted friends as cleaning service staff, cooks, and security guards. Mamad obtains some of these employees based on the recommendations from his paternal relatives.

4.3.2. *Promoting family business*

The preservation of trust among family business owners and managers is critical to business development. Trust values foster support from various parties, which benefits business growth. One form of this support is promotional media through relationship networks. According to Khaira (2018), the preservation of trust in a business is believed to be beneficial for increasing sales, problem-solving, business opportunities, building networks, and promotion through media, thereby enhancing the competitiveness of a business. One of the business activities aimed at business development is the search and maintenance of consumer trust. In addition to being a business development tool, promotion indicates the success of a business's marketing. The primary goal of promoting goods or services in business activities is to provide information about the offered goods or services, establish communication media to convince potential customers to make purchase decisions and increase business turnover as the ultimate goal (Kasmawi et al., 2018).

Family business owners in Ciwaru village have kinship relationships and indirectly support each other's business development. In this case, kinship is likened to a medium used in business promotion with the principle of mutual benefit. The first step in promotional activities is the customer acquisition process carried out by business owners. Research findings show that customer acquisition activities are divided into conventional and modern. In conventional acquisition, offers are made directly to tourists or visitors who come to the tourist area. In modern acquisition, offers are made online using various digital applications such as Traveloka,

Google Maps, Agoda, and Instagram. Interestingly, besides these two methods, there is another way that business owners use to attract customers, namely through promotional cooperation between relatives who have existing businesses.

The role of relatives as a business promotion medium is evident in the restaurant business owned by Nuni (44). The development of the family business she manages with her husband and child is inseparable from the role of her relatives. Initially, Nuni's restaurant business was just a simple lesehan (one typical Indonesian restaurant). However, thanks to the family business and the support of her relatives, Nuni's business gradually grew. It is known that Nuni's relatives have diverse businesses. Her father-in-law Udin (73) has a fish sales business, her uncle Awan (46) has a lodging business, and her nephew Gaga (31) has a boat transportation service business.

The presence of relatives engaged in various businesses encourages promotional activities and business recommendations. Promotions and business recommendations occur when visitors or tourists purchase food at Nuni's restaurant. As a business owner, Nuni builds good relationships with customers, including giving recommendations for services or goods needed by customers.

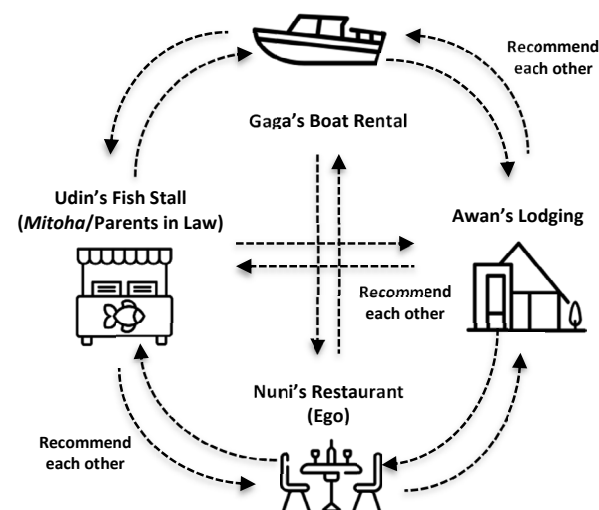
"When it comes to tourists, some are frequent, and some are here for the first time. If someone eats here, I usually guide them. For example, if they want snorkeling, they can contact my nephew. Then, if they need accommodation, they can contact my uncle. Sometimes, tourists do not know the prices; therefore, they fear being overcharged by the owners. So, if I intend to help them buy, I also help my relatives simultaneously." - Nuni (44), restaurant business owner.

Customer needs that align with the business areas of Nuni's relatives provide an opportunity for visits and the use of services or goods by her customers to her relatives' businesses. Nuni's relatives also carry out this promotional and business recommendation activity. Thus, indirectly, this benefits both Nuni's business and her relatives (see Figure 3).

Berkah (33) also engages in business promotion and recommendations within her family-owned lodging business, collaborating with her younger sister Putri's (29) restaurant. Berkah provides a food ordering service for guests, sourcing the meals from Putri's restaurant in front of the lodging. The food orders delivered to guest rooms always include a business card from Putri's restaurant. This is done to promote Putri's business, ensuring guests know the restaurant is easily accessible from the lodging. Additionally, Berkah and the receptionists often offer guests

attractive discounts to dine at her sister's restaurant. Putri reciprocates this strategy. When handling customer payments, she always includes business cards and lodging coupons owned by Berkah along with the change. Family businesses benefit each other through these promotional and recommendation activities, enabling them to sustain their existence until now.

Figure 3. Promotional activities and business recommendations in Nuni and her relatives



4.3.3. Managing and ensuring family business re-generation

The role of relatives in business development is reflected through the inheritance system implemented by the owners for family members. Based on the inheritance system within the bilateral kinship lines, the inheritance rights passed down to the next generation are distributed equally, without any differentiation based on gender. This is because this kinship system's descent or heirship line originates from both males and females. Moreover, determining inheritance rights is based on mutual agreement through a consensus process (Santika & Eva, 2023). Business inheritance is pursued for material gain and for preserving a long-established business. This ensures that the business continues to operate sustainably for future generations. Although businesses in Ciwaru village are currently in the first generation, indirect business regeneration has already occurred through the owners.

In some businesses, capital used by owners comes from assets inherited from their parents. For instance, ancestral land is utilized by their children to establish various businesses such as lodging, food stalls, and restaurants. Additionally, their children use boats and fishing equipment to create a fish-selling business.

The heirs utilize these inherited assets to initiate businesses that align with their interests and potential. The development of these first-generation businesses continues today, gradually expanding from small-scale to more extensive operations. Luna's (40) lodging business, which initially had only one room on her parents' land, has now expanded to four units. Redit's (25) food stall business, initially a tiny snack stall, has grown into a larger establishment with facilities such as gazebos, bathrooms, and a prayer room. Apart from inherited assets, the heirs also leverage family business traditions. Practices like mutual assistance, decision-making through deliberation, prioritizing family welfare in the business vision, and providing customer service with a friendly and courteous attitude are incorporated into the business.

The owners do not solely carry out the family business development process but involve actively engaged family members. Family involvement in business management marks the beginning of business inheritance. Typically, this inheritance occurs when the owners can no longer lead the business, and the heirs are deemed ready to take over the responsibilities. This is evident in Harry's (51) lodging business, where his children are actively involved in business management. The involvement of his two children has reached the stage of managing a branch of the lodging business. Harry imparts business traditions to his children, teaching them to serve and maintain good relationships with tourists. In this case, Harry deliberately trains his children to become future lodging business leaders and managers. Therefore, besides passing down the lodging business, Harry also passes business knowledge and skills to his two children.

A similar situation is found in the boat-crossing business owned by Namsa (42). Since childhood, Namsa's son has been involved in business activities. Namsa teaches his son skills such as diving, operating the motorboat, and basic knowledge about ancient rocks. The goal is for his son to become a professional geopark tour guide in the future. In addition to providing hands-on field training, Namsa facilitates his son's theoretical learning about marine science through formal education. Thanks to his efforts, Namsa's son has obtained a professional diving certificate and basic geology knowledge. Instead of solely ensuring the success of the family business regeneration, Namsa also contributes to elevating his son's professional status in the future.

However, in practice, a small portion of businesses cannot enforce the continuation of family business regeneration. This is because not all business heirs have the interest and capability to lead and

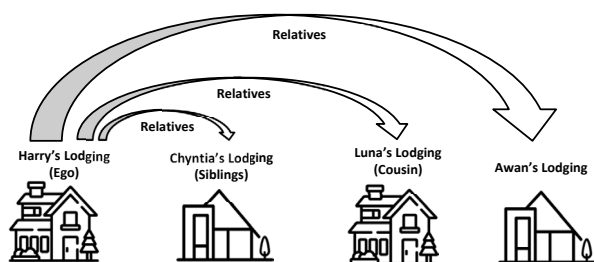
manage the business. For example, Hendry's (51) lodging business does not obligate his children to continue the family business. Hendry allows his children the freedom to develop interests and pursue their dreams. If, at some point, his children are interested in continuing the family business, Hendry would be very grateful.

4.3.4. *Expanding the family business*

When discussing the business inheritance system in Ciwaru village, in practice, it not only refers to the transfer of authority over the business to the next successor but also entails the expansion of the family business, whether in the same or different fields. This means that the expansion of the family business does not have to focus on a single business field but can also encompass various other business sectors, such as culinary, lodging, services, and restaurants. Generally, the second generation of first-generation business owners initiates this business expansion by leveraging inherited assets such as land and money. Through this business expansion, the aim is to create a network of family-based businesses to achieve resilience and the development of the family business.

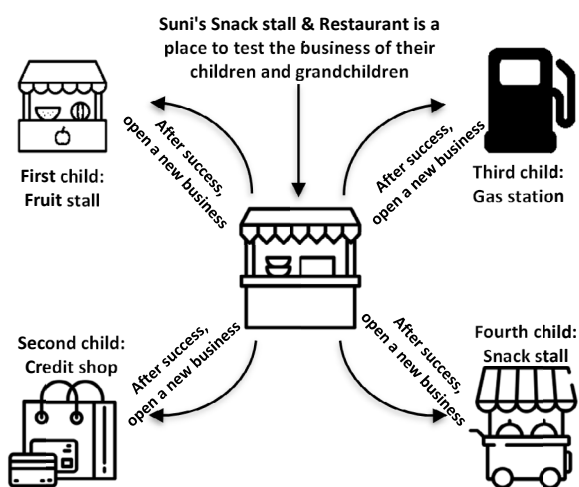
The expansion of the family business in Ciwaru village began when the geopark tourist area became popular among domestic and international tourists. This activity was intensified from early 2016 to 2019. Consequently, various businesses were established during this period along the tourist area. The expansion of the family business is evident in the lodging business owned by the extended family of Harry (51). Initially, only Harry decided to utilize the ancestral land to build a lodging business. As Ciwaru Village developed into a tourist destination, Harry's sibling, Chyntia (45), became interested in establishing a lodging business on their parents' inherited land next to Harry's business. Shortly after, two of Harry's nephews and nieces, Luna (40) and Awan (46), also constructed lodging businesses. The establishment of lodging businesses by Harry's relatives illustrates the activity of expanding the family business (see Figure 4).

Figure 4. Family business expansion in Harry's relatives



Further business expansion is also evident in the case of the eatery and restaurant businesses owned by Suni (73) and his relatives. However, in this scenario, business expansion not only partially focuses on one business field but also extends into various other sectors. The business expansion activities involving Suni's relatives include three biological children and one grandchild. Each offspring and grandchild is engaged in a different business sector. The first child manages a fruit stall business, the second child operates a mobile phone credit stall, the third child oversees the fuel sales business, and the grandchild is responsible for the snack stall business. Interestingly, each business sector undergoes a trial and error phase within Suni's business, allowing them to gauge success and make necessary improvements. Once they have learned and formulated successful new business strategies, Suni's children and grandchild independently establish family businesses spread across various points in the tourist area (see Figure 5).

Figure 5. Family business expansion in Suni's relatives.



5. Discussion

The first literature review reveals the characteristics of family businesses in rural tourism areas, including product and service orientation, principles, decision-making, goals, roles of family members, workforce, recruitment system, and strategy. The characteristics covering these aspects are similar to our research findings in CPUGG. Similar to family businesses in rural tourism areas in Asia, family businesses in Indonesian CPUGG are small businesses whose products and services are oriented toward tourism activities, known as Small Tourism Firms (STF) (Hallak et al., 2015; Komppula, 2014; Li et al., 2022; Lai et al., 2017), such as tour guide, boat rental, homestay, and hotel businesses. These family businesses in CPUGG represent culture and tribal identity (Flanigan et al., 2014; Lin & Wen, 2021) through Sundanese cultural values implemented in daily business activities, such as the value of 'Someah Hade Ka Semah' (friendliness) in welcoming tourists (Hermawati et al., 2024). These family businesses in CPUGG have helped to improve the economy and welfare of families and the surrounding community (Lai et al., 2017).

Previous studies mentioned that family businesses in rural tourism areas tend to apply the principle of sharing and interdependence between each other (Alsos et al., 2014; Engeset, 2020; Li et al., 2022). Like family businesses in rural Norway (Alsos et al., 2014), when viewed from the location, almost every family business building in CPUGG is close to each other. For example, the hotel business owned by the Harry family, whose four buildings are close together and extend vertically. This pattern is found in the hotel business and the *warung* (stall) business. Instead of increasing competition, the proximity of the buildings makes it easier for business owners to share business resources (Alsos & Carter, 2006), such as hotel equipment, food products, and labor. This suggests that, unlike family businesses in rural tourist areas in general, family businesses in CPUGG also coexist and depend on each other (Engeset, 2020; Li et al., 2022).

Previous studies highlight that small businesses with simple organizational structures and rural tourism family businesses tend to make quicker decisions (Engeset, 2020; Curtis & Slocum, 2022; Thomas et al., 2011). However, even though these businesses are small and simple, rural business owners often face challenges. For instance, according to an informant who owns a fish auction business, they need to make more careful and precise decisions when fishing in bad weather. Often, the decisions made by older fishermen (parents) are opposed by younger

fishermen (their children), who have higher energy and stamina. Decision-making based on natural conditions complements [Bichler et al. \(2020\)](#) findings related to business decisions in rural areas driven by emotional, family, and social concerns rather than economic or financial ones.

Studies of rural tourism family businesses highlight the importance of welfare and attachment within a business ([Kompupula, 2014](#); [Kallmuenzer et al., 2017](#); [Rutten & Boekema, 2007](#); [Tohidyan & Rezaei, 2019](#)). In the field, informants emphasized these two aspects when discussing the goals of establishing the company. According to them, besides being economically oriented, the business also aims for the social welfare of individuals, families, employees, and the community. They realize that economic and social activities in business are interrelated, and they need to integrate these into the local structure to gain specific social capital ([Granovetter, 1973](#); [Le Breton-Miller et al., 2011](#); [Rutten & Boekema, 2007](#)). Setting business goals toward welfare indicates that business owners seek benefits beyond economic ones, such as social, ecological, regional, and social network advantages ([Kallmuenzer et al., 2017](#); [Peters & Schuckert, 2014](#)).

Family involvement and attachment are vital in rural tourism family businesses ([Kallmuenzer et al., 2017](#); [Souto, 2015](#)). This characteristic is evident from informants' statements, who frequently mentioned the roles of nuclear and extended family members in their company's performance. In practice, nuclear family members are involved in ownership, ensuring the availability of capital and labor, managing finances, places, and properties, and making decisions. Meanwhile, extended family members support the availability of labor, skills, connections, and business operations. This differentiation in roles corresponds with [Verver & Koning's \(2018\)](#) idea that nuclear family members focus on resource gathering and company management, while extended family members contribute to assembling and supporting essential resources. However, in some cases, the gathering and management of resources are more often handled by the extended family rather than the nuclear family. This means that, besides having distinctive roles in the company, nuclear and extended family members can overlap and be transferable.

The existence of family businesses that are not of Sundanese (native) descent indicates a history of migrants coming to rural tourism areas to open businesses in the tourism sector. One informant, a restaurant owner, is of Bugis descent, having inherited the business from his grandfather. In

the field, the arrival of migrants in rural areas supports [Mitchell and Shannon's \(2018\)](#) research, highlighting economic factors, lifestyle, and family as the primary motivations for migrants choosing to do business in villages.

The availability of jobs and wages for family members is another characteristic of rural tourism family businesses ([Tew & Barbieri, 2012](#)). Similar to the findings of [Ram and Holliday \(1993\)](#), the significant opportunities for family members as laborers indicate that family business recruitment systems are informal. Business owners will recruit family members and relatives directly through word-of-mouth and ensure they receive wages. However, in the field, such systems are sometimes different. For example, in the boat service business, the relatives persuaded the owner to start the business and managed the wage system instead of offering jobs to relatives. In small restaurant and stall businesses, informants do not go through a recruitment system and receive wages directly from the owner. One informant stated that he worked voluntarily and did not mind not receiving wages because helping was a form of devotion to his grandmother. This case complements the findings of [Ram and Holliday \(1993\)](#) and [Arru et al. \(2021\)](#) that a sound recruitment system, sufficient wages, and other factors such as family affection and obedience influence the welfare and comfort of labor.

Previous studies mentioned several strategies carried out by family businesses in rural tourism areas to maintain the business, such as survival, innovation, expansion, diversification, household, and promotion strategies ([Alsos et al., 2014](#); [Curtis & Slocum, 2022](#); [Engeset, 2020](#); [Lin & Wen, 2021](#)). Family businesses have implemented some of these strategies in CPUGG. For example, when the homestay business started operating, it tended to attract fewer tourist guests than the hotel business. Therefore, the family owner of this homestay business carried out an innovation strategy by updating his house's facilities (similar to a hotel) but did not eliminate the homestay concept of serving and living together. The strategy carried out by this homestay business includes an innovation strategy because it involves renewal ([Amann & Jaussaud, 2012](#); [Dahles & Susilowati, 2015](#)). In addition, the innovation strategy is also carried out by the hotel business by gradually expanding the hotel unit so that it can accommodate the needs of tourist lodging accommodation, which continues to grow every year.

Interestingly, similar to the findings of [Alsos et al. \(2014\)](#), family businesses in CPUGG do not focus on business expansion activities alone to innovate but also open new businesses in different fields. This is reflected in the warung business, where

each family member opens a new business with different products and services, such as fruit shops, gas stations, snack stalls, and electronic pulses. This pattern shows that family businesses in CPUGG can also be seen as diversification activities (Engeset & Heggem, 2015). Opening a new business around the parent business or a relative's existing business can strengthen their extended family's social status as respected business owners in the village. This supports the assertion that the purpose of small family businesses in rural tourism areas is lifestyle-related (Curtis & Slocum, 2022; Engeset, 2020; Getz & Petersen, 2005).

They are turning to the second literature review that reveals the implications of kinship on firm performance. Previous studies highlight the positive implications of kinship for family business performance in forming social capital that is beneficial for acquiring business resources, such as labor, business successors, and trust (Brunelli & Carlo, 2019; Boissevain, 1990; Dick & Morgan, 1987; Morokvasic & Phizacklea, 1990; Stewart, 2014; Werbner, 1984). The kinship ties of the CPUGG people, which follow a bilateral system (father and mother), allow them to form networks with members of larger kin (Greve & Salaff, 2003). In the field, these networks stemming from kinship ties influence the resources that people obtain for business operations (Khayesi et al., 2014). These resources include labor, capital, information, support, access, markets, and networks (Stewart, 2003). For example, Mamad benefited from maintaining a social network with his brother-in-law, who served in the local government, through access and permission to expand the hotel business unit along the shoreline. In the field, kinship networks that benefit business resources (Khayesi et al., 2014) are also influenced by altruistic behavior implemented by business owners to their kin members (Karra et al., 2006). For example, boat rental and tour guide business owners work hard to send their children to college. In return, when his son graduates, he will help his parents with their work, so the business gains skilled labor without recruiting non-family labor. This case example supports the statement of Karra et al. (2006) that reciprocal altruism can align the interests of family members and agency costs.

Previous studies highlight relatives as 'cheap' labor with long working hours, contributing significantly to a business's success (Boissevain, 1990; Mars & Ward, 1984; Ward, 1987). In practice, this idea is evident in the section on the role of relatives as business labor. For example, relatives are trusted to help in the homestay business because it requires more labor to manage lodging units, properties, food, administration,

and management. The involvement of relatives in various jobs supports Nordman's (2016) statement that besides being cheap, relatives are also reliable labor. However, instead of being seen as 'cheap' labor, studies also highlight that relatives, often receiving minimal wages, can be less competent, leading to inefficiencies in work and company management (Ram & Holliday, 1993; Arru et al., 2021). In some field cases, such practices do occur. Not all relatives can be relied upon for all types of work. For instance, in lodging businesses, owners prefer to employ non-relatives for administrative positions. However, this recruitment still involves relatives who recommend them. The supportive and obstructive implications of kinship on company performance support Ram and Holliday's (1993) notion that family businesses are not always harmonious but involve exploitation and negotiation practices.

Employment arrangements in family businesses tend to assign some jobs to only one gender. This shows the practice of gender dichotomy in the division of labor. Women are always identified with feminine attributes, so the work usually requires skill, precision, and gentleness. Meanwhile, men are identified with masculine attributes, so their work requires a lot of energy and information technology knowledge (Macionis, 2013). Practices like this are a common phenomenon that is often found on the island of Java, Indonesia, especially in rural areas. Considering that in this region, patriarchal cultural values are still institutionalized in people's daily lives (Ihromi, 2019). Moreover, the teachings of the Islamic religion that society adheres to are pretty strict in dividing the duties of women and men in a family.

In addition to viewing kinship as a labor source, studies also highlight kinship's role in business succession (Brunelli & Carlo, 2019; Dick & Morgan, 1987). This statement aligns with field findings, where informants, as restaurant business owners of Sundanese (local) ethnicity, often trust blood relatives to continue and develop the company in the future. In other cases, business succession is allowed for blood relatives and through marital relations. However, studies also note that kinship-influenced business succession can lead to gender bias (Hoel, 1982). For example, when the time comes, a lodging business owner will directly pass on assets or the company to his son, unlike his daughter, who must first meet parental expectations. This finding supports Watkins & Watkins' (1984) idea regarding different criteria for spouses chosen by the business owner's sons and daughters. Sons receive supportive spouses, while daughters receive ad hoc spouses skilled in business. In essence, sons are generally predetermined to inherit and lead the company,

while daughters inherit, but the leadership role is transferred to their husbands. The transfer of business unit management to the next generation in the CPUGG area emphasizes the social capital, such as trust, self-confidence, interest, and experience, that family members need to possess (Chrisman et al., 2011; Li et al., 2022). Children are taught to continue the business and acquire specific skills that support it, but in some cases, this is supplemented with formal education.

Previous studies and findings regarding family business strategies discussed in the first literature review section also show the implications of kinship (Alsos et al., 2014; Curtis & Slocum, 2022; Engeset, 2020; Lin & Wen, 2021). For example, a hotel business cooperates with its relatives who own a restaurant business to recommend each other's products and services. Then, other restaurant businesses also collaborate with businesses owned by their relatives, such as fish businesses owned by in-laws and boat transportation owned by cousins, to obtain supplies of seafood raw materials. In the homestay business, relatives help adaptation strategies for homestay business owners amid the development of digital technology. They provide assistance and education to business owners on online lodging booking applications so that they can get used to the technology. These collaborations are part of a promotional strategy that utilizes kinship networks as social capital to obtain business resources (Alsos et al., 2014; Khayesi et al., 2014). Promotion strategies are employed among relatives to promote and expand the business using a word-of-mouth system (Nugraha, 2023).

Interpreting the research findings using the two main themes of the literature review showed that kinship is a form and a tool for social relations to obtain economic benefits (Ihromi, 2019). Relatives have a role in developing the family business. Relatives act as successors to the family business and as initiators of establishing other family businesses. Apart from being beneficial for the development and sustainability of private family businesses, it is also beneficial for the surrounding community in absorbing labor (Eriksen, 2015). As a result, family business in CPUGG contributed to a source of regional income. The development of family businesses is slowly alleviating the village community's poverty. Thus, the family tourism business based on kinship relations has contributed to economic and social welfare for the rural community.

6. Conclusions, limitations, implications, and future research

6.1. Conclusions

Based on the findings, kinship is crucial in family businesses in the CPUGG tourist area. Kinship is involved from the inception of the business, its management and development, to the next generation's succession. Cases reveal that many family businesses in the tourism sector are initiated with initial capital from family heritage, which can be land assets, buildings, or money.

The characteristics of family businesses in rural areas are related to small business units, unique employee recruitment processes, and specific business strategies. The statement that family business units are generally small cannot be fully proven in this research. Not all family business units in the CPUGG area are small; many are in the medium to upper business range, especially in the lodging sector. This is likely related to the CPUGG area being a remote tourist destination, making lodging businesses quite popular. Although located in a rural area, market demand conditions also significantly influence the business scale.

Another characteristic can be seen in the employee recruitment process. Recruitment in family businesses is done informally, allowing relatives to become workers. Similar practices occur in family business units in CPUGG, which commonly recruit employees based on family ties. When additional labor is needed, business owners will recruit non-relatives they already know. Therefore, the kinship network is a reliable labor source for family businesses in the CPUGG area.

Family businesses' business strategies generally include adaptation, survival, innovation, and change. Findings show that innovation and change are the most common strategies, which means further business development, such as expansion or diversification, to achieve greater profits. This is evident in the various types of businesses built and managed by a single family, such as boat rental services and fish sales.

Kinship implications play a role in the operation of family businesses in rural areas, including both as sustainable labor successors and as an effective marketing strategy. Tourism businesses are assets to be inherited by the next generation. They educate their children in business by involving them in management from an early age. Regeneration takes place as the business progresses. Regeneration can occur by continuing the existing business and diversifying by opening new businesses of different types.

Kinship implications also manifest as a word-of-mouth business promotion strategy. This is

effective without high costs. This happens in family business units in the CPUGG area, which rely on word-of-mouth recommendations as advertising media. When a tourist visits a restaurant in CPUGG, the restaurant owner will recommend other facilities managed by their relatives, such as lodging businesses or even snorkeling services; relatives can become effective marketing agents because a single customer has the opportunity to purchase products or services from different businesses owned and managed by relatives.

6.2. Limitations

We believe the data from the 15 informants we interviewed and analyzed using Gioia's methodological approach has sufficiently answered our research questions. The informants we selected represented the categories and criteria of informants that we mentioned earlier in the data collection techniques section. The data we need to answer our research have all been answered by the 15 informants, so we have considered the data saturated. Data analysis using Gioia's methodological approach has helped our research develop research findings to present holistic data (Magnani & Gioia (2023)). However, 15 informants is a small sample size representing all family businesses in CPUGG. Some previous studies (Nulleshi, 2022; Valenza et al., 2023) that discussed family businesses also experienced limitations in the sample because they only used nine informants. Therefore, the limited sample in our study has limited the generalizability of the findings.

Another limitation of our study is that due to presenting holistic data, the data we present is not very deep, especially around the kinship system, division of labor, and family business management. Therefore, we suggest that future researchers deepen these topics.

6.3. Practical implications

The practical implications are closely related to the managerial management of family business units. Two main points are understanding sustainable models and managing dominant factors. The first point includes leadership succession, an organizational culture that supports innovation, and the next generation's involvement. Leadership succession involves the development of potential leaders and the next generation through the transfer of knowledge and skills. A well-prepared leadership transition mechanism also needs to be established. Next, organizational culture is essential because it encourages creativity and innovation and actively involves all employees, especially the next generation. If necessary, dedicated employees can be rewarded.

The second point is that managing dominant factors influencing family business entrepreneurship can be achieved through family commitment, entrepreneurial orientation, and adaptability. Managing family commitment can be done by developing decision-making mechanisms that involve all family members and ensuring alignment between business goals and family values. Entrepreneurial orientation and resources can be managed by facilitating the development of innovative ideas from the family's internal resources. Adaptability is also needed to respond to external changes. By paying attention to these factors, managers can effectively manage family businesses. Good internal management and responsiveness to external factors can help achieve optimal family business growth and sustainability.

Practical implications can also be seen about public administration as a study that can serve as a bridge for providing access to the creation of financing schemes, policy support, coordination and partnerships, and the development of a supportive ecosystem. Further knowledge exchange can be facilitated through entrepreneurship training, which involves forming consultation and mentoring between family business owners, industry associations, and the government as policymakers. Practical recommendations can be made for public administration policymakers. A more comprehensive understanding of the research findings' implications can help policymakers design and implement appropriate support for family businesses in the tourism sector.

6.4. Theoretical implications

The theoretical implication of this research is that business activities refer to the concept of family business. The findings of this family business are connected to the anthropological concept of kinship, which refers to biological relationships and relationships formed due to culture. Society highly values kinship relationships with extended families, which is one reason many family members have a role in the family business. Findings show that business activities only use nuclear or biological family members to run well. Each family member who is part of the business is found to have a leading role as a workforce and a business promotion tool. This shows that both biological and non-biological families can have essential roles. They are a workforce and promotional work tool and help create opportunities for other roles to build a better business experience.

6.5. Future research

From the explanation above, business enterprises growing in Ciletuh Palabuhanratu UNESCO Global Geopark (CPUGG) are all based on kinship. Whether it is a small shop (warung), restaurant, homestay, or fish sales and boat transportation services, each of the SMEs is managed by several members of one extended family. Therefore, the findings in this article are meant to contribute to the development of theoretical arguments in family business and kinship. In the family business theoretical field, the findings in this article are evidence of the appearance of family-based SMEs in rural tourism areas. This article is also meant to give an empirical case study of the importance of kinship and extended family in reaching economic benefits. On the other hand, this article might also be helpful as an evidence-based paper for reference sources in making regulations for the authoritative party managing tourist areas, such as the local government in Ciletuh or UNESCO itself. Further research in the case of family business in SMEs in the CPUGG tourism area can also be conducted in more detail to explain the causal relations between kin-based business enterprises and their economic, social, and cultural implications for the development of rural tourism areas.

Author contribution statement

All authors contributed equally to the preparation of the manuscript. Each author made substantial contributions to the research process, including defining the research concept and design, collecting field data, processing and analyzing the data, presenting the findings, drafting the article, and revising it.

Conflict of interest statement

The authors declare no competing financial, public, or institutional interests. They affirm that the authors have full access to all data presented in this paper, assumes full responsibility for the accuracy of the data analysis, and holds the authority for preparing the manuscript and deciding to submit it for publication.

Ethical statement

This research was approved by Badan Kesatuan Bangsa dan Politik Kabupaten Sukabumi (NO.4849/UN6.Q/TU.00/2003) on September 6, 2023.

The authors confirm that data collection for this research was conducted anonymously, ensuring no possibility of identifying the participants. Pseudonyms have been used for the informants

listed in the manuscript to enhance clarity and readability for the audience.

Declaration on the use of generative AI in the writing process

The author does not use generative AI in the writing process.

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Data availability statement

Data supporting the findings of this research is available at <https://www.researchgate.net/profile/Mohd-Puzi/publication/354754471/Family-Business-and-Local-Community-Entrepreneurship-in-Promoting-Sustainable-Development/links/614b28fba595d06017e27107/Family-Business-and-Local-Community-Entrepreneurship-in-Promoting-Sustainable-Development.pdf>

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Decent Work in large Latin American Family Businesses: A Study of the Effects of Family Control

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Abstract: This study investigates how family ownership and governance structures influence the adoption of decent work practices in listed family firms in Latin America between 2010 and 2019. Decent work, as defined by the International Labor Organization (ILO), includes fair working conditions, job security, and social protection, all critical aspects for the dignity and well-being of workers. This topic is of great importance due to its impact on sustainable economic and social development. The objective of the study is to analyze how board independence, ownership concentration, CEO duality, and the presence of family CEOs affect the implementation of decent work practices. Using data from family firms listed on Latin American stock exchanges, multivariate regression analysis statistical techniques were used to assess these relationships. The results considering 432 observations show that a high concentration of family ownership favors the implementation of ethical and humane labor practices, reflecting the values of the family's socio-emotional wealth. Moreover, independent board members play a crucial role in promoting these practices, mitigating shareholder conflicts and balancing the interests of all stakeholders, benefiting all employees. This study expands the understanding of how specific characteristics of family firms can foster ethical labor management in emerging markets, providing valuable empirical evidence for policymakers and business leaders committed to improving labor practices and promoting decent work in these companies. It contributes to previous literature by offering a Latin American perspective on the interaction between family ownership and corporate governance in promoting decent work.

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Trabajo Decente en grandes Empresas Familiares Latinoamericanas: Un Estudio de los Efectos del Control Familiar

Resumen: Este estudio investiga cómo la propiedad y las estructuras de gobernanza familiar influyen en la adopción de prácticas de trabajo decente en empresas familiares cotizadas en América Latina entre 2010 y 2019. El trabajo decente, definido por la Organización Internacional del Trabajo (OIT), incluye condiciones laborales justas, seguridad en el empleo, y protección social, todos aspectos críticos para la dignidad y bienestar de los trabajadores. Este tema es de gran importancia debido a su impacto en el desarrollo económico y social sostenible. El objetivo del estudio es analizar cómo la independencia del consejo, la concentración de la propiedad, la dualidad del CEO y la presencia de CEOs familiares afectan la implementación de prácticas de trabajo decente. Utilizando datos de empresas familiares listadas en bolsas de valores latinoamericanas, se emplearon técnicas estadísticas de análisis de regresión multivariante para evaluar estas relaciones. Los resultados que consideran 432 observaciones muestran que una alta concentración de propiedad familiar favorece la implementación de prácticas laborales éticas y humanas, reflejando los valores de la riqueza socioemocional de la familia. Además, los miembros independientes del consejo desempeñan un papel crucial en la promoción de estas prácticas, mitigando conflictos

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entre accionistas y equilibrando los intereses de todas las partes interesadas, lo cual beneficia a todos los colaboradores. Este estudio amplía la comprensión de cómo las características específicas de las empresas familiares pueden fomentar la gestión laboral ética en mercados emergentes, proporcionando evidencia empírica valiosa para políticas y líderes empresariales comprometidos con la mejora de las prácticas laborales y la promoción del trabajo decente en estas empresas. Contribuye a la literatura previa al ofrecer una perspectiva latinoamericana sobre la interacción entre la propiedad familiar y la gobernanza corporativa en la promoción del trabajo decente.

1. Introduction

Family businesses form the backbone of Latin American economies, accounting for a significant share of Gross Domestic Product (GDP) and employment in the region (Erdirençelebi & Çini, 2021). These firms play a crucial role in job creation and economic stability, as many of them are small and medium-sized enterprises that contribute significantly to local and regional development; additionally, even large companies in the region tend to be family owned. However, managing decent work within these firms presents challenges. The combination of family relationships and ownership and control structures can influence employment practices and job quality, creating unique dynamics that affect the implementation of fair and safe working conditions (Jobbehdar & Cem, 2023).

Decent work, according to the International Labor Organization (ILO, 1999), includes aspects such as job security, fair working conditions and social protection. This concept is essential to ensure that employees enjoy a decent and humane work environment that promotes their well-being and that of their families. The importance of decent work lies in its ability to improve the quality of life of employees, increase their job satisfaction and promote job stability, which is essential for the sustainable development of any economy.

To date, the literature has explored various variables that may influence decent work from a business perspective. For example, board independence, shareholding concentration, CEO duality, and the presence of family CEOs are factors that have been identified as determinants in the adoption of ethical and fair labor practices (Hernández-Linares et al., 2023; Kubo, 2018). However, there is a notable scarcity of research that specifically addresses how these variables influence decent work within the context of family businesses in Latin America (Cortés & Botero, 2016; Flores Novelo, 2019).

This study aims to fill that gap by exploring the relationship between family control and the implementation of decent work practices in family-owned companies listed on Latin American stock exchanges. Using a quantitative approach, this study analyzes data from companies listed

in Latin American stock exchanges between 2010 and 2019, assessing the impact of variables such as board independence, shareholding concentration, CEO duality, and the presence of family CEOs on the adoption of decent work practices. The study thus aims to provide empirical evidence on how family ownership and management impact the quality of employment and labor practices in Latin America.

The interest in carrying out this work on family businesses is justified due to their relevance to the business fabric and their capacity to generate employment. Furthermore, understanding how the distinctive characteristics of these companies can facilitate or impede the promotion of decent work is crucial for developing policies and strategies that improve working conditions in the region. This study offers practical guidelines for managers and policymakers, emphasizing the importance of robust governance structures to foster fair and productive working environments. This study expands the understanding of how socio-emotional wealth and stakeholder theories apply to family firms in Latin America. By demonstrating that a high concentration of family ownership and greater board independence can promote ethical and sustainable labor practices, the study reinforces and expands these theories in a new geographic and cultural context. By analyzing multiple dimensions of decent work and their relationship with the family governance structure, the study offers a comprehensive view that enriches the multidisciplinary literature on corporate governance, human resource management, and labor sustainability in family firms.

The paper is organized in five sections: Section 2 begins with the theoretical framework, which reviews the relevant literature and develops the hypotheses. Section 3 contains the methodology, detailing the study design and the analytical techniques used. The results are presented and analyzed in the next section, while the discussion interprets these findings in the context of existing theory, considering practical implications and limitations. Finally, the conclusions section summarizes the main findings and limitations and proposes future directions for research, offering a perspective on how to move forward in this

field of study.

2. Theoretical Framework and Literature Review

2.1. Decent work

Latin America has seen significant progress in the improvement of working conditions since 2000; although significant challenges remain, such as business informality and the presence of “maquiladoras” that often result in low-paid jobs and unsafe working conditions (Chávez & Alfageme, 2022; Schincariol et al., 2017). These jobs often involve long working hours and intensive exploitation (Merino-Salazar et al., 2017).

In 1999, the ILO introduced the concept of decent work, defining it as working conditions that promote human security and dignity, including gender equality, which contributes to the worker's satisfaction and personal value (ILO, 1999). This concept promotes the organization and participation of employees in decisions that affect their lives, improving their prospects for well-being and that of their families (Ma et al., 2021; Nizami, 2019; Vargas-Montero et al., 2020). Decent work is considered a comprehensive and multidimensional concept that encompasses several standards in favor of workers' dignity and livelihood, including job creation, social protection, fundamental employee rights and social dialogue (Di Nuovo et al., 2022; dos Santos, 2019). The ILO details ten pillars of decent work, which include employment opportunities, adequate income, job security and social security, among others (López Mera, 2020).

Studies on the implementation of these practices reveal benefits such as improved job satisfaction and lower desire for turnover, in addition to positively influencing employee performance and commitment (Huang & Yuan, 2022; Işık et al., 2019; Lee et al., 2021; Liu et al., 2023). Thus, decent work is presented as a key factor to promote productivity and social justice, promoting sustainable development in the region (Dodd et al., 2019).

2.2. Family business and decent work

The conceptualization of the family business is complex and varied, due to international institutional and cultural differences. Although there is no unified consensus, common elements in many definitions include family control and authority over the business and interest in preserving the family legacy (Gómez-Mejía et al., 2023; San Martín & Durán, 2017).

Globally, family businesses constitute most business organizations, contributing significantly

to GDP and job creation. In Latin America, they represent around 60% of the regional GDP, playing a crucial role in economic and social development (Galvis & Galvis, 2017; Ramírez-Solís et al., 2021).

However, the relationship between family businesses and decent work presents challenges. Some practices, such as nepotism and bifurcation bias, can contravene decent work principles, favoring family members over non-family employees in aspects such as training, performance appraisal and compensation (Combs et al., 2018; Goel et al., 2019; Jennings et al., 2018). Despite this, recent studies suggest that the inclusion of non-family employees can revitalize these companies and improve the perception of equity and commitment among staff, encouraging their permanence and contributing to the sustainability of the company (Christensen-Salem et al., 2021; Hsueh et al., 2022; Yazici et al., 2022).

2.3. Family control and decent work

The socioemotional wealth theory suggests that family firms prioritize not only economic but also family goals. This theory highlights elements such as the power and identity of the family within the company, and the continuity of the family legacy as key factors (Porto-Robles et al., 2022). From this perspective, controlling families tend to reserve key positions for family members, balancing family emotional justice with fairness towards non-family employees (Samara & Paul, 2019). This balance does not necessarily imply that the needs of non-family employees are neglected, but rather that an internal harmony that promotes a fair and decent work environment for all workers is sought.

On the other hand, the stakeholder theory argues that family businesses consider the needs of all stakeholders when formulating strategies, which is closely related to decent work (Santos, 2023). This theory promotes a holistic view where cooperation between employees, customers, and other actors is essential for the creation of sustainable value (Freeman et al., 2020). The combination of intense family control and adoption of the stakeholder perspective can facilitate fair and sustainable labor practices. Concentration of family ownership can lead to management that favors long-term sustainability and decent work, mitigating conflicts and promoting equitable labor policies (Rosecká & Machek, 2023; Schweiger et al., 2023).

Family businesses tend to value continuity and stability, promoting fair and safe work environments to maintain the family reputation and legacy across generations. Family principles and beliefs, such as social responsibility and community engagement, are factors that

reinforce the implementation of ethical and humane labor policies (Ernst, 2022).

Given the high level of family control in Latin American companies and its impact on labor equity and working conditions, the following hypothesis is proposed:

H1: Greater share concentration in the hands of the business family favors decent work in large Latin American family businesses.

Socioemotional wealth theory suggests that family control in firms may sometimes prioritize personal interests over social responsibilities, including decent labor practices. This is especially evident when a family CEO is at the helm, who may favor the interests of the owning family, often focusing on non-financial goals to preserve socioemotional wealth (Tsung et al., 2023; Zellweger et al., 2012).

However, stakeholder theory offers an alternative view, highlighting how firms, under the direction of a family CEO, can accumulate and benefit from unique resources such as the practical knowledge of workers (McGahan, 2021; Steijvers et al., 2017; Su et al., 2023). This approach can include social benefits that promote greater identification and job satisfaction among employees, contributing to job stability and sustainable management of human talent, crucial aspects especially in the volatile economies of Latin America (Kettunen et al., 2021; Machek & Hnilica, 2020; Watkins-Fassler et al., 2016). In this context, the following hypothesis is raised:

H2: The presence of a family CEO has a positive impact on decent work in large Latin American family businesses, through the implementation of practices that promote stability and job satisfaction, essential for sustainability and generational continuity.

CEO duality, which occurs when a family CEO also holds the presidency of the board of directors, intensifies their sense of belonging and emotional commitment to the company. This situation can strengthen their influence in favor of family interests, which could have negative consequences for other stakeholders by prioritizing paternalistic practices that mainly benefit family members, deviating from rational logics of performance and compensation (Gómez-Mejía et al., 2007; Jasir et al., 2023; Yan & Zhang, 2023). These practices can lead to perceptions of inequity by non-family workers, negatively affecting the concept of decent work (Waterwall & Alipour, 2021).

However, from the perspective of stakeholder theory, the position of a dual family CEO could

also enhance sustainable human resource management. By having greater authority, a dual family CEO could foster a sense of identity and roots in non-family workers, reducing staff turnover and promoting a healthier and more equitable work environment. This approach allows for greater participation in decision-making and development opportunities, benefiting long-term organizational sustainability, even in volatile contexts such as those in Latin America (Christensen-Salem et al., 2021; Llach et al., 2023; Rodríguez-Aceves et al., 2023). Based on these observations, the following hypothesis is proposed:

H3: The presence of a dual family CEO in large Latin American family businesses has a positive impact on decent work, by balancing commitment to the family and responsibility towards other stakeholders.

The composition of the Board of Directors (BD), specifically the proportion of independent members, is crucial in the management of social responsibility in family businesses. A BD dominated by family members may lean towards decisions that prioritize the socio-emotional wealth of the family to the detriment of corporate social responsibility (CSR), such as the promotion of decent work (Tsung et al., 2023; Vieira, 2018). In Latin America, this trend is more marked due to the limited knowledge about effective governance mechanisms (Méndez & Vázquez, 2023).

The stakeholder theory underlines that independent directors can improve the socially responsible performance of the company. They contribute to reducing the information asymmetry between shareholders and stakeholders, reduce conflicts of interest and facilitate cooperation between owners, managers and employee representatives, promoting fair labor practices. (Boers, 2020; Veltri et al., 2021; Wu et al., 2019). Furthermore, independent directors can foster collaborative networks that favor labor justice and organizational efficiency (Bauweraerts et al., 2022; Schepers et al., 2021), and improve the attraction, retention, and compensation of non-family employees, which increases the productivity and competitiveness of the company (Chaparro & Lora, 2017; Gutiérrez Crocco & Martin, 2022).

Given the high volatility of Latin American economies, independence in the BD can be essential to ensure the sustainability of family businesses in the region (Ramírez-Lozano et al., 2023). Based on these arguments, the following hypothesis is proposed:

H4: The independence of the board of directors in large Latin American family businesses is positively related to decent work.

3. Data, Sample and Variables

3.1 Data and sample

The sample used in this study was obtained through a systematic and rigorous process that ensures its representativeness and validity. The following steps were followed to select the sample: 1) Definition of the study universe: It includes all large non-financial family businesses listed on three Latin American stock exchanges: Mexico, Chile, and Colombia, between 2010 and 2019. These are the Spanish-speaking countries with the most important economies in Latin America. This period was chosen to capture a sufficient time range to observe trends and changes in decent work practices. 2) Selection criteria: a) Listed companies: Only family businesses that are listed on stock exchanges were included, which guarantees the availability of financial and governance data necessary for the analysis. b) Definition of family business: Family businesses were those in which one or more families own at least 50% of the voting shares. The criterion for this is the coincidence of surnames, which is widely used in the international literature (Anderson et al., 2012). 3) Data sources: A database was built from the annual reports of the main non-financial companies listed on Latin American stock exchanges, according to their market capitalization (share price multiplied by the number of shares in circulation). The information collected includes both quantitative data of a financial nature and qualitative data of a non-financial nature; the latter are necessary to construct the decent work and family control variables. 4) Filtering process: a) Initially, all companies listed on the main stock exchanges in Latin America were identified (for example, Bovespa in Brazil, Bolsa Mexicana de Valores in Mexico, Bolsa de Comercio de Santiago in Chile). There were 910 observations for a total of 91 companies: 27 in Chile (270 observations), 35 in Colombia (350 observations) and 29 in Mexico (290 observations), during a 10-year analysis period from 2010 to 2019, constituting a balanced panel. Later years are excluded because they are atypical given the COVID-19 pandemic. The database is large enough to perform robust statistical analyses and obtain generalizable conclusions. b) The criteria for defining a family business were applied to filter those that meet the established requirements. c) Subsequently, companies with incomplete or inaccessible information were excluded, ensuring

that the final sample was made up of companies with complete and verifiable data for the study period. 5) Sample size: The final sample consisted of 432 observations in total, of which 110 were for family businesses in Chile, 95 for family firms in Colombia, and 227 for family businesses in Mexico. It should be noted that almost half of the sample corresponds to family businesses, where business families own most of the shares, which shows the predominance of family firms in Latin American economies. 6) Representativeness: To ensure the representativeness of the sample, it was verified that the selected companies came from different industrial sectors and countries within the Latin American region. This ensures that the results of the study reflect a diversity of business contexts and practices.

3.2. Variables

The variable *decent work* refers to a set of working conditions that ensure the dignity, safety and well-being of workers. This concept, introduced by the International Labour Organization (ILO), covers multiple dimensions that include: 1) Employment opportunities: Access to jobs that provide sufficient income to live on. 2) Adequate working conditions: Safe and healthy work environment. 3) Social Protection: Social security and protection against occupational risks. 4) Fundamental labor rights: Respect for and compliance with basic labor rights, such as non-discrimination and equal opportunities. 5) Social dialogue: Active participation of workers in decisions that affect their working lives.

There are several studies that use the variable decent work to analyze working conditions and their impact in different contexts. The ILO proposed a detailed guide on decent work indicators and their application in labour policies in Asia and the Pacific, under the title *Decent Work Indicators for Asia and the Pacific: A Guidebook for Policy Analysis* (ILO, 2008). Another example is the work of Muñoz de Bustillo (2020), which carries out a systematic review of the literature on decent work and economic growth in developing countries, evaluating how the improvement in working conditions can contribute to sustainable economic development. The review of the companies' annual reports allowed us to extract information on six different dimensions of decent work, based on ILO guidelines (Kubo, 2018; Lout et al., 2022; Monteiro et al., 2022). First, the data, initiatives and corporate programs corresponding to decent work were identified in the annual reports, such as institutional relations between workers and the company, occupational safety and health, training and education, diversity and equal opportunities, and equality in remuneration.

Subsequently, each of these dimensions was processed as a dummy variable, assigning values of "1" when the annual reports present evidence of the presence of that particular decent work practice and "0" otherwise. From this, a decent work index (SDS1) was constructed for each of

the observations in the sample, calculating the simple arithmetic average of the dichotomous values of the variables, which take the position of the dependent variable in the econometric model to determine SDS1. Table 1 shows a summary of the derivation of variables and their measurement.

Table 1. ILO dimensions and measurement variables

Dimensions of the ILO		Corporate reports of Listed Companies	
Dimension	Detail	Decent work variables	SDS1 measurement
Job Opportunities	Access to jobs that provide sufficient income to live on.	Access to training and education for work	1= included in reports 0= not included in reports
Adequate working conditions	Safe and healthy work environment		
Social Protection	Social security and protection against occupational risks	Occupational health and safety	
Fundamental labour rights	Respect and compliance with basic labor rights, such as non- discrimination and equal opportunities	Diversity and equal opportunities / Equal pay	
Social Dialogue	Active participation of workers in decisions that affect their working lives	Institutional relations between workers and companies	

The explanatory variables included in the study were selected based on their theoretical and empirical relevance for the analysis of the relationship between family control and decent work practices. These variables include board independence, ownership concentration, CEO duality, and the presence of family CEOs. Each of these variables has been previously studied in the literature on corporate governance and decent work and are expected to significantly influence the labor practices of family firms.

Family control, according to authors such as Blanco-Mazagatos et al. (2018), Madison et al., (2021) Meier & Schier (2020), and Steijvers et al. (2017), can be measured through variables such as the percentage of shares held by the business family (SharePercent), the presence of a family CEO (FamilyCEO), the duality of the CEO (Duality) and the independence of the Board of Directors (IndepCA), which correspond to the explanatory variables of the econometric model.

The *presence of a family CEO* is constructed as a dummy variable, which takes the value of 1 if the CEO is a member of the business family and 0 otherwise. As for the *CEO duality*, this is also constructed as a dummy variable, with a value of 1 if the CEO is also the Chairman of the board of

directors, and 0 otherwise. The *independence of the board of directors* refers to the percentage of independent directors within it and is measured through the ratio of the number of independent directors to the total number of directors. To calculate *the percentage of shares* held by the business family, the 10 main shareholders are taken and the percentage of shares belonging to members of the majority family is added.

The control variables used are the *size of the family business* (CompanySize) measured by the natural logarithm of the organization's assets, as well as *the age of the company* measured in years, *the presence of women on the board of directors* (Women) and *the return on assets* (ROA).

Table 2 summarizes the descriptive statistics of the data collected. First, it is noteworthy that on average Colombia ranks first in terms of decent work (SDS1), followed by Mexico and finally Chile. In addition, Colombia and Mexico have similar and much higher averages than Chile in terms of independence of the CEO and duality of the CEO. Mexico is the country with the highest average presence of family CEOs. Finally, the high levels of concentration of family ownership in the region are noteworthy.

Table 2. Descriptive statistics

Variable	Country	Average	Minimum	Median	Maximum
SDS1	Chile	0.3627	0.0000	0.3333	0.8333
	Colombia	0.8106	0.0000	1.0000	1.0000
	Mexico	0.7568	0.0000	1.0000	1.0000
IndepCA	Chile	0.1749	0.1000	0.1429	0.4286
	Colombia	0.4031	0.2000	0.2857	0.8182
	Mexico	0.4764	0.2143	0.4853	0.8182
Duality	Chile	0.2254	0.0000	0.0000	1.0000
	Colombia	0.6364	0.0000	1.0000	1.0000
	Mexico	0.7226	0.0000	1.0000	1.0000
Women	Chile	0.0563	0.0000	0.0000	0.4000
	Colombia	0.1277	0.0000	0.0000	0.4000
	Mexico	0.0841	0.0000	0.0833	0.3333
Family CEO	Chile	0.6127	0.0000	1.0000	1.0000
	Colombia	0.4091	0.0000	0.0000	1.0000
	Mexico	0.7808	0.0000	1.0000	1.0000
SharePercentage	Chile	78.2720	52.1500	81.1868	100.0000
	Colombia	91.6782	79.4800	93.2900	100.0000
	Mexico	92.6914	71.0000	95.4000	100.0000
CompanySize	Chile	15.4021	12.3307	15.0546	17.9138
	Colombia	6.1041	3.9771	6.2619	8.3685
	Mexico	13.9262	11.4166	13.6472	17.9138
ROA	Chile	0.0498	-0.0223	0.0429	0.2296
	Colombia	0.0326	-0.0562	0.0205	0.2127
	Mexico	0.0767	-0.0562	0.0641	0.3131

4. Results

4.1 Methodology and econometric results

A multiple linear regression was performed using the ordinary least squares method. Following the recommendations of [Barnett and Salomon](#)

(2012) and [Meier and Schier \(2020\)](#), who used first-order autoregressive models in their studies on corporate social responsibility (CSR), the decent work index is included as an independent variable with a one-year lag. This approach allows capturing the inertia of previous organizational efforts reflected in corporate reports, increasing

the sensitivity of the model to organizational trends and patterns in the implementation of decent work. The results obtained from the regression are presented in Table 3.

Table 3. Statistically significant variables in the multiple linear regression model

Variable	Coefficient	Standard error	t-statistic	Prob.
CONSTANT	0.894121	0.060381	14.80791	0.0000
SHAREPERCENTAGE	0.000727	0.000320	2.269361	0.0276
FAMILYCEO	0.010810	0.013286	0.813627	0.4197
DUALITY	0.008737	0.017057	0.512188	0.6108
INDEPCA	0.185219	0.064020	2.893137	0.0056
WOMEN	0.154849	0.082404	1.879136	0.0661
AGECOMPANY	-0.000287	0.000205	-1.403982	0.1665
COMPANYSIZE	-0.004441	0.003720	-1.193608	0.2383
ROA	0.057825	0.092305	0.626456	0.5339
LOGSDS1(-1)	0.406617	0.030336	13.40360	0.0000
R-squared	0.832329			
Adjusted R-squared	0.827851			
Regression standard error	0.117460			
Sum of squares of residuals	4.649535			
Log likelihood	255.8571			
Statistic F	185.8762			
Prob(F statistic)	0.000000			

4.2. Discussion of results

The empirical analysis reveals that shareholding concentration in the business family has a positive and statistically significant impact on the implementation of decent work practices, with a p-value less than 5%. This confirms the first hypothesis (H1), supporting the notion that the concentration of ownership in family hands strengthens the adoption of equitable labor policies, aligned with the socio-emotional wealth theory and the stakeholder theory, which promotes decent work and long-term sustainability (Samara & Paul, 2019; Santos, 2023). Thus, intense family control in Latin American companies favors a fair and sustainable work environment. Furthermore, the independence of the board of directors plays a crucial and positive role in the adoption of these practices, verifying the fourth hypothesis (H4). This finding is consistent with the literature suggesting that board independence can effectively mediate conflicts between

shareholders, fostering a balance that benefits all stakeholders, including employees (Wu et al., 2019).

The other hypotheses have not been supported in a statistically significant way, so the impact of a family CEO and CEO duality do not have significant repercussions on the incorporation of decent work practices in the companies considered. Finally, by incorporating the SDS1 variable lagged for one period as an explanatory variable, it was found that previous practices related to decent work tend to perpetuate themselves, highlighting the importance of continued business policies on these practices (Huang & Yuan, 2022).

5. Theoretical and Practical Implications

This study expands the understanding of how ownership structure and board composition in family firms can affect the implementation of decent work practices. These findings are

relevant for policymakers and business leaders as they provide empirical evidence that can guide the improvement of labor practices in listed family firms in emerging markets.

From a theoretical perspective, this study contributes to the development of socio-emotional wealth (SEW) theory and stakeholder theory by showing how family firms, motivated by the conservation of their socio-emotional wealth and their responsibility towards stakeholders, can foster decent labor practices. SEW, which includes dimensions such as family identity, social influence and family affection towards the business, suggests that family firms are willing to invest in practices that benefit not only the owning family but also employees and the community (Gómez-Mejía et al., 2007). This study provides evidence that a high concentration of family ownership can be a catalyst for the implementation of fair and equitable working conditions, supporting the premise that SEW positively influences the adoption of decent labor practices.

Furthermore, stakeholder theory proposes that companies that consider the needs of all their stakeholders, including employees, customers, and the community, are more likely to implement social responsibility and decent work policies. This study reinforces this theory by demonstrating that the governance structure, specifically board independence, can play a crucial role in promoting these practices. (Freeman et al., 2004).

The results of this study offer clear guidelines for business leaders and policymakers in emerging markets. For business leaders, it emphasizes the importance of structuring independent and diversified boards of directors that can oversee and promote the implementation of ethical labor practices. For policymakers, it suggests the need to develop regulatory frameworks that incentivize family businesses to adopt decent labor practices, thereby benefiting a broad spectrum of workers and contributing to sustainable economic development.

Finally, this study provides evidence of how the interaction between family ownership and governance structure can facilitate or impede the promotion of decent work, offering a clear path for future research and business practices that aim to improve working conditions in the context of family businesses. Future research could further explore how other aspects of SEW, such as family cohesion and legacy, influence decisions related to decent work, as well as variations in different cultural and economic contexts.

6. Conclusions

This study has explored how family ownership and management influence the implementation of decent work practices in family-owned companies listed in Latin America. Through rigorous empirical analysis, it has been found that a higher concentration of family ownership tends to favor the development of labor practices that respect the principles of decent work, aligned with the preservation of socio-emotional wealth and stakeholder theory. Furthermore, it has been observed that the independence of the board of directors plays a crucial role in the adoption of these practices, suggesting that more independent boards can promote policies that favor all stakeholders, including employees.

The implications of this study are significant for both academia and business practice. From a theoretical perspective, these results add to the understanding of how distinctive features of family firms, such as ownership concentration and board composition, can be used to foster a more ethical and humane work environment. From a practical approach, this work provides evidence that can guide family entrepreneurs and policymakers on how to structure their governance to promote better work practices.

However, this study is not without limitations, which mainly stem from its focus on a specific geographic and economic context. Future research could benefit from comparing these results with family firms in other contexts to explore whether the observed dynamics are universal or region-specific. Furthermore, it would be beneficial to broaden the focus to include how other aspects of management, such as corporate culture and human resource strategies, interact with family ownership and management in shaping employment practices.

In conclusion, this study reinforces the importance of considering the peculiarities of family businesses in research on work practices and offers a promising path for future research seeking to understand more deeply the mechanisms through which family ownership and management can be channeled to improve both business performance and employee well-being. Future lines of research could also include the analysis of smaller family businesses since, although large companies, which employ a larger number of people, have been analyzed, SMEs represent most of the business fabric and, therefore, are of great importance in job creation.

Author contribution statement

The authors contributed equally to the work.

Declaration of conflict of interest

The authors declare that they have no conflicts of interest with regard to the publication of the results of this research, given that the data fused to support the conclusions were obtained from public sources.

Ethical declaration

The authors declare that the ideas, concepts and theoretical contributions of other researchers have been duly referenced and that intellectual property rights have properly been attributed to them.

Statement on the use of generative AI in the writing process

The authors declare that no generative artificial intelligence was used in the preparation of this manuscript.

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Data availability statement

The authors confirm the availability of data used in this study.

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Job Creation: a Comparative Analysis of Organisational Structures in Family and Non-family Firms through the Economic Cycle

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Abstract: This study examines the impact of family ownership and the separation of ownership and management on firm performance, measured in terms of job creation. The analysis compares differences between family and non-family firms, as well as between firms managed by external professionals and those in which management responsibilities are undertaken by owners. By leveraging the panel structure of the dataset, the study further explores the influence of economic cycles, accounting for different combinations of ownership and management structures. A key finding of the study challenges the view that family firms generally outperform non-family firms in terms of job creation. Although this applies to non-professionalised firms, which account for most family firms, it does not apply to professionalised firms. Phases of the economic cycle are found not to affect the performance of family and non-family non-professionalised firms differently. However, professionalised family firms are found to both suffer more the effect of recessionary phases and display a greater capacity for job creation in expansive phases than professionalised non-family firms.

CÓDIGO JEL

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PALABRAS CLAVE

Estructura organizativa, Empresa familiar, Empresa no familiar, Ciclo económico, Creación de empleo.

Creación de empleo: un análisis comparativo entre las diferentes estructuras organizativas de las empresas familiares y no familiares a través del ciclo económico

Resumen: Esta investigación tiene como objetivo estudiar el efecto de la propiedad familiar de la empresa y la separación entre propiedad y gestión, en el rendimiento empresarial medido en términos de creación de empleo. Para ello se comparan las diferencias entre empresas familiares y no familiares, así como entre aquellas empresas dirigidas por profesionales externos a la propiedad y aquellas en las que las tareas de dirección son asumidas por los propietarios. Aprovechando la estructura de panel de la muestra, el trabajo se completa con el estudio de la influencia del ciclo económico, en función de las distintas combinaciones de estructura de propiedad y gestión. Una de las principales conclusiones del estudio cuestiona que las empresas familiares superen de forma generalizada a las no familiares en términos de creación de empleo. Aunque esto se aplica a las empresas no profesionalizadas, que representan la mayoría de las empresas familiares, no se observa en las empresas profesionalizadas. Al diferenciar el efecto del ciclo económico en función de sus fases, se observa que, entre las empresas no profesionalizadas, no aparecen diferencias entre empresas familiares y no familiares tanto en la fase recesiva como en la de recuperación. Sin embargo, entre las empresas profesionalizadas, las familiares sufren más los efectos de la fase recesiva y muestran una mayor capacidad de recuperación del empleo en la fase de recuperación.

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1. Introduction

The importance of family business in world economies is beyond doubt. For example, in Spain, according to estimates by the Family Business Institute, family firms account for 88.8% of all businesses, contribute approximately 57.1% of gross value added, and generate 66.7% of private jobs ([Instituto de Empresa Familiar, 2024](#)). These figures highlight their economic and social relevance, which makes them an interesting academic object of study.

One of the main areas of research in family business studies has been to compare their performance with that of other types of organisations. Family firms are unique owing to their distinctive attributes, which result in equally distinctive advantages and vulnerabilities. In consequence, numerous studies have explored the relative superiority of family businesses over non-family businesses or vice versa ([Aguilera et al., 2024](#); [Aparicio et al., 2021](#); [Memili et al., 2015](#); [Moreno-Menéndez & Casillas, 2021](#); [O'Boyle et al., 2012](#); [Pollak, 1985](#) or [Wagner et al., 2015](#), among others). Similarly, extensive research has focused on heterogeneity within family businesses ([Arteaga & Basco, 2023](#); [Chua et al., 2012](#); [Daspit et al., 2018](#); [Hernández-Linares et al., 2017](#); [Garcés-Galdeano, 2023](#); [Hiebl & Li, 2020](#); [Rienda et al., 2021](#)) and compared the performance of family businesses that keep management within the family with those that delegate management to external professionals ([Fang et al., 2022](#); [Gómez-Mejía et al., 2007](#); [Miller & Le Breton-Miller, 2006](#) or [Vandekerckhof et al., 2015](#)).

However, despite the abundant literature on the matter, few studies compare the performance of family and non-family businesses while simultaneously considering the approach to management of non-family firms, i.e. whether management is kept within the owners or delegated to external professionals ([Ortiz et al., 2023](#); [Ortiz & Gargallo, 2024](#)). This gap may stem from the assumption that, in the face of the recognised heterogeneity of family businesses in terms of professionalisation of management ([Miller et al., 2014](#); [Tabor et al., 2017](#)), non-family firms have often been assimilated to large, dynamic, modern, and professionally managed corporations ([Barth et al., 2005](#); [Garcés-Galdeano & García-Olaverri, 2020](#); [Stewart & Hitt, 2012](#)). This implicit assumption overlooks the heterogeneity of non-family businesses. However, data from the Spanish National Statistics Institute (INE) reveal that, among firms with ten to 49 workers, over 38% are non-family and that 70% of them are owner managed. Conversely, among the top ten Fortune 500 companies in 2016, three were family-owned, including Robert Bosch GmbH and

BCD Group, which demonstrates the substantial size and degree of professionalisation of some family firms.

These findings challenge the presumed homogeneity of both family and non-family firms, raising concerns that research results based on these assumptions may be biased, yielding different if not contradictory conclusions. Although heterogeneity is not exclusively limited to the degree of professionalisation of management, this aspect remains a recurring topic in the academic literature on family businesses ([Hiebl & Li, 2020](#); [Martínez et al., 2007](#); [Stewart & Hitt, 2012](#); [Waldkirch, 2020](#)) so it deserves special attention.

Against this backdrop, this study aims to analyse the effect of ownership and managerial professionalisation on business performance measured in terms of job creation. The analysis is based on the premise that both family and non-family businesses can either keep management within the ownership or delegate it to external professionals, resulting in four categories of companies: professionalised family businesses, non-professionalised family businesses, professionalised non-family businesses, and non-professionalised non-family businesses ([Ortiz et al., 2023](#); [Ortiz & Gargallo, 2024](#)).

In addition, given the significant role played by family businesses worldwide and the socioeconomic value of job creation, the study also aims to determine whether certain combinations of ownership and management lead to superior outcomes in terms of job creation or whether differences in performance across the four categories are negligible.

This study contributes to the family business literature by adopting a comprehensive approach rooted in agency theory and socio-emotional wealth perspectives. It explores how the interplay between family ownership and the professionalisation of management affects job creation, particularly in different phases of the economic cycle. The study provides novel insights into an underexplored area by simultaneously addressing the heterogeneity of family and non-family businesses in terms of the professionalisation of management. The study employs a selection bias model to differentiate results based on whether management is delegated to external professionals, offering a significant methodological contribution.

Likewise, the findings shed light on differences in job creation between family and non-family firms based on their degree of professionalisation, offering a more nuanced understanding of these organisations' characteristics and performance. This has important implications for academia, business practitioners, and policymakers. Finally,

the panel structure of the sample facilitates the examination of the effect of different economic cycles. Notably, the results reveal that during the recovery phase of the economic cycle, professionalised family firms are the first to drive job creation, adding further value to the study's findings.

The rest of the article is organised as follows. Section 2 reviews the most relevant academic literature, section 3 presents the sample and defines the study variables, section 4 presents the models and empirical results, and section 5 presents the main conclusions.

2. Theoretical Framework

The academic literature has consistently sought to determine whether family businesses are a more efficient organisational model than their non-family counterparts, as well as to identify the key differences between them. As outlined in this section, several theories have been deployed to argue for either the superiority or the limitations of family businesses. These include agency theory (Jensen & Meckling, 1976; Jensen, 1986, 1993), the resource- and capacity-based view - linked to the concept of idiosyncratic resources or *familiness* (Habbershon & Williams, 1999; Habbershon et al., 2003; Sirmon & Hitt, 2003)-, stewardship theory (Davis et al., 1997; Miller & Le Breton-Miller, 2006; Miller et al., 2008) or, more recently, the socio-emotional wealth (SEW) perspective, which refers to the non-financial utility or affective endowment associated with family business ownership (Berrone et al., 2012; Gómez-Mejía et al., 2007).

Among the studies that emphasise the positive aspects of family businesses, particular attention has been paid to the reduction of agency problems within family relationships, as well as to attributes such as altruism, loyalty, and trust, qualities that can foster operational flexibility, streamline decision-making, and mitigate opportunistic behaviours (Pollak, 1985). Sirmon and Hitt (2003) identify distinctive resources specific to family businesses that distinguish them from non-family firms, while Habbershon and Williams (1999) and Habbershon et al. (2003) emphasise that the constant interaction between family and business - referred to as *familiness* - can create unique, hard-to-replicate capacities that contribute to the survival and growth of family businesses. Likewise, arguments closely aligned with the SEW approach, such as stronger long-term orientation (Lumpkin & Brigham, 2011), a heightened concern for reputation (Rousseau et al., 2018), a shared value system, or the emotional bonds between family members and employees (Gómez-Mejía et al., 2001), have

been used to explain evidence that points to the superior performance of family firms compared to non-family firms (Naldi et al., 2013 or Tsao et al., 2016).

Conversely, studies addressing the limitations of family businesses argue that the interaction of family, business, and ownership can also lead to governance challenges that hinder efficiency. The same traits that foster mutual trust among family members may lead to excessive tolerance of underperformance (Chrisman et al., 2009 or Pollak, 1985). Schulze et al. (2001) and Chrisman et al. (2007) emphasise altruism, adverse selection, and weak control mechanisms induced increased agency costs in family firms. Cruz et al. (2010) caution that perceptions of indulgence and trust in family managers can be a double-edged sword, fostering cooperation but also weakening formal control and supervision, as reported by other authors (Jaskiewicz et al., 2017; Sánchez Marín et al., 2020). Nepotism in family management may deter the utilisation of external resources and discourage non-family employees from sharing knowledge (Chirico, 2008a). Additionally, the effects of adverse selection must also be considered, as highly qualified external managers may hesitate to join firms where performance evaluations and career advancement seem to be largely influenced by family ties rather than merit (Fang et al., 2022). In contrast to these opposing views, other authors observe no significant differences between family and non-family firms in terms of performance, or report ambiguous results (Chirico & Bau, 2014 or Minichilli et al., 2010). For instance, O'Boyle et al. (2012) found no difference in a meta-analysis of 78 articles, while Wagner et al. (2015), in another meta-analysis of 380 studies, observed a positive effect of family ownership on performance in 61% of cases, but note that their findings were influenced by factors such as the definition of "family business" or the performance metrics used, the type of firm, company size, contextual factors, etc.

The professionalisation of family businesses, i.e. transferring management responsibilities to external professionals, is another contentious topic in the academic literature. In this regard, numerous studies compare professionalised and non-professionalised family firms (Chang & Shim, 2015; Dekker et al., 2015; Fang et al., 2022; González-Cruz & Cruz-Ros, 2016; Lin & Hu, 2007), and others compare these two groups with non-family firms (Garcés-Galdeano et al., 2020). However, as Dyer (2006) points out, keeping ownership and governance in the same hands is not an exclusive trait of family firms. Thus, non-family firms may present similar dynamics, and non-related owners can also

manage their businesses. Therefore, the debate should not focus on the professionalisation of family businesses, but on professionalisation, irrespective of ownership type. Following Dyer's clarification, it can be inferred that many of the traits attributed to non-professionalised family firms also apply to non-professionalised non-family firms where management is controlled by owners or their direct successors.

Family businesses tend to prioritise non-economic factors tied to the family's emotional needs, such as maintaining social ties around the family business, preserving control for future generations, or enhancing the family's reputation and well-being elements, central to the SEW perspective (Gómez-Mejía et al., 2007; Le Breton-Miller & Miller, 2009). These links, absent in non-family firms, may explain the reluctance of family businesses to hire non-family managers, as this could be perceived to undermine their socio-emotional wealth (Vandekerckhof et al., 2015).

Considering this, owner-managed businesses can more easily align the interests of the company with those of its owners, thereby addressing agency problems related to the control and motivation of professional managers (Fama & Jensen, 1983). In addition, reputational concerns arising from the close identification of ownership with the business are an incentive for owner-managers to enhance the firm's performance (Anderson et al., 2003; Miller & Le Breton-Miller, 2006).

On the other hand, relying on owner-managers restricts the pool of executive talent to members of the ownership group, excluding potentially more skilled and capable external professional managers (Bennedsen et al., 2007; Chirico, 2008b). This can breed resentment among employees who perceive that merit and ability are not adequately valued as criteria for senior management positions (De Massis et al., 2013, 2015; Miller & Le Breton-Miller, 2006; Poutziouris et al., 2015; Schulze et al., 2001; Sciascia & Mazzola, 2008). This discontent can have a knock-on effect, reducing the motivation and performance of non-owner employees, which is bound to have a negative impact on company results. Moreover, adverse selection may occur, deterring highly qualified candidates from joining the organisation due to anticipated limitations on their professional career development (Chrisman et al., 2007 or Schulze et al., 2001).

Summing up, proponents of professionalisation argue that hiring external managers for the company enables it to address potential skill deficits within the ownership group. This becomes especially critical as the complexity of the firm's operations or structure increases (Block, 2011;

Chua et al., 2009; Dyer, 1989; Klein & Bell, 2007). Flamholtz and Randle (2012) refer to the professionalisation of management to overcome one of the main "growing pains" faced by businesses, namely the lack of sufficiently trained managers capable of steering the organisation through growth and complexity.

Finally, concerning the reasons that lead companies to grow, Donaldson and Lorsch (1983) argue that the ultimate drive for companies to grow is to ensure their long-term survival. Grant (2014) and Goold (1999) point out that executives seek growth as a mean to achieve greater opportunities for promotion and social prestige, regardless of ownership interests. Kochhar and Hitt (1998), link growth to the stock of resources and capacities of the firm. Meanwhile, Canals (2001) notes that, although growth entails risks, avoiding it may lead to even greater challenges, such as losing new customers or failing to comply with existing client demands, ultimately forcing companies to pursue growth, even if only moderate, or, on the contrary, to retract their position in the markets.

Several authors, including Daily and Dollinger (1992), Donckels and Fröhlich (1991), or Hamelin (2013), suggest that family businesses are less likely to grow than non-family firms. This reluctance is linked to factors such as reluctance to incur external financing, which limits their growth potential (Hiebl et al., 2013 or Westhead & Cowling, 1997 among others), and socio-emotional considerations, such as the fear of losing control of the business (Berrone et al., 2012 or Chua et al., 2009).

Conversely, as families expand, the firm is often compelled to grow to generate sufficient wealth for future generations. This dynamic implies that family firms must grow to align with the natural expansion of the family (Heck, 2004; Kuratko et al., 1997). In this process, professionalisation provides an effective framework to overcome limitations related to asymmetric altruism, adverse selection, and the lack of necessary networks and expertise to navigate growth processes (Schulze et al., 2001, 2003; Chrisman et al., 2014). Enhancing performance-based incentive systems, improving control mechanisms, and reducing bias in management practices can further contribute to the success of family firms (Michiels et al., 2013; Sánchez Marín et al., 2020; Verbeke & Kano, 2012).

Based on these arguments, and recognising the dichotomy in the professionalisation of non-family businesses, our first hypothesis is as follows:

H1: Professionalised family businesses do not generate less employment than professionalised non-family businesses.

The impact of economic cycles on firms is substantial, affecting both family and non-family businesses. However, prior research suggests that family firms may display inherently different behaviours during crises (Heino et al., 2024; Škare and Porada-Rochoń, 2021). They tend to adopt a longer-term orientation in their management strategy (Donckels & Fröhlich, 1991; Ward, 1997), which makes them less volatile and more resilient to adverse economic conditions and profit declines (Bauweraerts & Colot, 2013). From the SEW perspective (Gómez-Mejía et al., 2007), family business owners prioritise socio-emotional factors such as retaining control of the company, preserving the family legacy, fostering intergenerational cohesion, and protecting the firm's reputation, which is closely tied to the family's image (Rousseau et al., 2018).

As a result, family owners are often more committed to preserving employment and business stability than to maximising short-term profits (Bassanini, 2013; Baù et al., 2024; Block, 2010; Rivo-López et al., 2022). This commitment drives them to adopt more prudent and conservative measures during periods of economic uncertainty. For instance, Miller and Le Breton-Miller (2006) indicate that family businesses are more reluctant to downsize, which, while reducing costs, can undermine morale and erode the firm's human capital and knowledge base. Casillas et al. (2013) find that family businesses experiencing negative results prioritise maintaining or increasing employment, even at the expense of divestments assets. In the same vein, Rivo-López et al. (2022) note that SEW considerations promote greater employment stability across economic cycles in family firms. Although owner-managers identify more closely with the business than external professionals (Gómez-Mejía et al., 2003), family ownership also influences non-family managers by emphasising the importance of binding social ties as described in the FIBER model of Berrone et al. (2012). These ties reflect the family firm's social relationships with stakeholders, particularly employees and local communities, where family firms are often deeply rooted. Furthermore, greater stability in employment and less pressure on external managers to achieve short-term results reduce their preference for mass layoffs or drastic

adjustments during economic downturns. This preference for maintaining relatively stable employment during recessions is the basis for our second hypothesis:

H2: Family businesses, whether professionalised or non-professionalised, are less sensitive, in terms of employment, to the effects of the economic cycle.

3. Methodology

3.1. The sample

The data used in this study are drawn from the Survey on Business Strategies (ESEE), an annual survey conducted by the SEPI Foundation. The ESEE provides a representative sample of Spanish manufacturing firms with ten or more employees, stratified by size and activity (Fariñas & Jaumandreu, 1999). The survey includes an annual average sample of 1800 companies. Over the years, especially since the onset of the 2008 financial crisis, the sample has experienced a significant turnover of firms, with departures offset by new entries. This dynamic helps to maintain the sample's size and representativeness. Moreover, the ESEE is subject to rigorous validation and logical consistency controls that ensure its quality and reliability over time.

The variables within the dataset are measured on an annual basis, enabling the construction of a panel dataset. This temporal dimension, coupled with the clear identification of the three phases of the economic cycle during the period under study, provides a valuable framework for analysis. Specifically, the period from 2006 to 2008 represents an expansionary phase (albeit with the financial crisis emerging in the final quarter of 2008, causing a contraction of the GDP, which nevertheless remained above zero); and the recessionary phase lasted between 2009 and 2013; and the recovery phase spanned from 2014 to 2018 (Table 1). This structure allows us to analyse whether variations in employment differ across the economic phases, as expected, and whether these affected family and non-family firms, both professionalised and non-professionalised, differently.

Table 1. GDP variation¹

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP variation (%)	8.32	2.86	1.81	-4.11	-2.73	-3.28	-5.27	-1.40	2.05	3.73	1.53
Economic cycle	Expansionary			Recessionary					Recovery		

Source: Own elaboration based on data from INE.

The sample for this study consists of an unbalanced panel of 1092 Spanish manufacturing firms over the period 2006-2018. The panel

includes companies for which data for all variables is available for at least seven years during the study period. The number of companies per year is summarised in Table 2.

Table 2. Annual distribution of firms in the sample

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of firms	832	899	974	1,092	1,092	1,092	1,092	1,092	1,092	1,092	1,023
Family and professionalised	100	116	125	164	154	151	152	156	158	159	151
Family and non-professionalised	226	268	302	321	327	341	337	333	326	317	291
Non-family and professionalised	319	323	351	392	385	366	376	377	372	369	337
Non-family and non-professionalised	187	192	196	215	226	234	227	226	236	247	244

Source: Own elaboration based on ESEE.

As shown in the table above, the modal number of firms in the study period is 1092 (specifically in the years 2009-2015). On average, family

businesses account for 44% of the sample and non-family businesses for 56%.

Table 3. Average number of employees

Phases of the business cycle	Expansionary	Recessionary	Recovery
Number of employees	289	236	235
Family and professionalised	287	235	246
Family and non-professionalised	104	89	92
Non-family and professionalised	565	474	476
Non-family and non-professionalised	73	54	57

Source: Own elaboration based on ESEE.

The sample is biased towards larger firms. The average number of employees in the sample is 242, compared to an average of 61 employees

for firms with ten or more workers, according to data from the Spanish National Statistics Institute (INE)².

1. The variation in GDP was calculated by updating the annual values to the last year presented (2016) and calculating with these values its variation by one over the previous year.

2. This information was obtained based on the number of companies by size segments and the number of workers of each company in the INE's website.

This discrepancy, which might initially appear as a limitation, is less restrictive than it seems, since, as Table 4 illustrates, the percentage of professionalised firms increases with size, reaching 100% among non-family firms with more than 1,000 employees and 72.5% among

family firms of similar size. These indicates that professionalisation correlates with greater organisational complexity and that family firms face additional constraints related to size, likely driven by the desire to retain control within the family (Ortiz et al., 2023; Ortiz, 2021).

Table 4. Distribution of family and non-family firms by size (INE-ESEE), including professionalised family and non-family firms

	Family and non-family firms in the INE report and in the sample (%)				Professionalised family and non-family firms in the sample (%)	
	INE		SAMPLE		SAMPLE	
	(All sectors)		(Manufacturing)		(Manufacturing)	
Number of employees	Family	Non-family	Family	Non-family	Family	Non-family
Total	82.80	17.20	43.50	56.50		
0 a 10	84.10	15.90	--	--		
10 a 49	61.70	38.30	46.10	53.90	16.10	31.82
50 a 199	43.60	56.40	48.30	51.70	38.11	67.64
200 a 999	25.00	75.00	37.00	63.00	61.04	90.05
1,000 or more	19.90	80.10	10.80	89.20	65.08	98.06

Source: Own elaboration based on INE and ESEE.

3.2. Variables

The dependent variable is the relative growth in employment of each firm. Following prior studies (Backman & Palmberg, 2015; Bjuggren, 2015; Chen et al., 2014; Davis & Haltiwanger 1990, 1992; Lee, 2006; Rivo-López et al., 2022; Ruano, 2000) employment variation is calculated as the year-on-year difference in the number of employees, normalised by the total number of employees in the previous year ($t-1$).

In this study, the definition of “family business” and “professionalised company” is particularly important. Two variables from the ESEE are key to define the concepts of family business and professionalisation: “Identity between ownership and control” (IOC), which takes a value of 1 if ownership and management coincide and of 0 otherwise; and “Belonging to a family group” (FAM.), which takes a value of 1 if the firm is owned by a family group and of 0 if otherwise. Using these two variables, family business and professionalised company are defined as follows.

- Family firm: categorical variable with a value of 1 if a family group is actively involved in the control of the firm and of 0 if otherwise.
- Professionalised firm: categorical variable with a value of 1 if ownership and management are in different hands and of 0 if otherwise.

The combination of these variables leads to four more categorical variables, all of which have a value of 1 if the required characteristic is met and of 0 if otherwise (Ortiz and Gargallo, 2024):

- Professionalised family firms.
- Non-professionalised family firms.
- Professionalised non-family firms.
- Non-professionalised non-family firms.

The economic cycle is reflected using two dummy variables: one for the recessionary phase (2009-2013) and another for the recovery phase (2014-2018), both of which have a value of 1 during their respective periods and of 0 in other periods. These dummies are also used to construct interaction terms with the family business variable (FAM).

Additional ownership variables include membership of a corporate group, defined as a categorical variable with a value of 1 if the firm is a parent or subsidiary within a group, and of 0 if otherwise.

Other variables include the logarithm of employees in the previous period ($\log \text{employees } t-1$) and control variables such as sales (logarithmic), percentage of direct labour, higher education employees and temporary workers, capital stock per worker (logarithmic), export status (dummy), firm age (logarithmic), and two sector-specific

dummies and 20 dummy variables for the 20 sectors (Ortiz, 2021; Ortiz et al., 2023). All data are sourced from the ESEE and are defined in the tables in which the results of each model are presented.

3.3. Model specifications

To test the hypotheses formulated in the previous section, the model investigates whether differences exist between family and non-family firms in terms of employment creation or destruction, depending on whether management has been delegated to external professionals or kept by the owners.

Establishing a precondition, in this case the professionalisation (non-professionalisation) of the firm, implies analysing the variable under study –variation in employment– in both groups. To address the potential selection bias inherent in comparing professionalised and non-professionalised firms, this study adopts Heckman's (1976, 1979) single-step selection model. This approach is preferred over the two-step method, as maximum likelihood estimators in the single-step model are more efficient than OLS estimators in the two-step model and are subject to fewer restrictions (Maddala, 1983). This methodology has been previously applied to Spanish family firms by Hernández-Trasobares and Galve-Górriz (2017), though not with the same goals. The selection equation for this study is as follows:

$$P_{it}(P) = \alpha_1 + \alpha_2 FO_{it} + \alpha_3 CV_{it} + \alpha_4 EC_{it} + \mu_{it} \quad (1)$$

Where i and t are, respectively, the subscripts of company and year; P_{it} is a dichotomous variable that adopts the value 1 if the company is professionalised and of 0 if otherwise and $P_{it}(P)$ is the probability of $P=1$; FO is a vector of variables related to the ownership of the company; CV is a vector of control variables, EC is a variable that reflects macroeconomic conditions; and μ is random disturbance.

The study equation is formalised as follows:

$$\Delta EV = \alpha_1 + \alpha_2 VN_{it} + \alpha_3 FO_{it} + \alpha_4 CV'_{it} + \alpha_5 EC_{it} + \varepsilon_{it} \quad (2)$$

Where i and t are, respectively, the subscripts of company and year; ΔEV_{it} is a continuous variable that includes the year-on-year variation in employment as per one; VN is a level variable that includes the logarithm of the number of workers in year $t-1$; FO , CV and EC represent the same variables used in Equation 1 and ε include a random disturbance term. This model is repeated by using the variable *being a non-professionalised firm* as a selection variable.

4. Results

First, this section presents a descriptive analysis of the evolution of employment and the main variables under study. Following this, an econometric analysis is conducted to test the hypotheses outlined in previous sections.

4.1. Descriptive analysis

This subsection briefly examines the evolution of the main variables across the period under analysis, focusing on their distribution among the four ownership and management categories defined above.

Before delving into the analysis, it is important to note that very few companies switched categories during the period under analysis. Specifically, less than 1% of family firms transitioned to non-family ownerships, and only one non-family company came to be family-owned. Management changes were somewhat more frequent, as 11.17% of firms changed their management approach, including 76 family firms and 46 non-family firms.

A key observation is the smaller size of professionalised family firms compared to their non-family counterparts, which are almost twice as large. This is significant, as smaller size may limit the exploitation of advantages offered by economies of scale (Gómez-Miranda & Rodríguez-Ariza, 2004). Conversely, among non-professionalised companies, family firms are on average 30% larger than non-family firms, likely reflecting their older average age—33 years compared to 15—which indicates that many non-family firms are still in the early stages of their development.

The study window captures the profound effects of the global financial crisis, which began in the final quarter of 2008, on employment in OECD countries. In Spain, the crisis—triggered by the collapse of *subprime* mortgage markets—resulted in historically significant contractions in bank credit. As Rocha (2012) notes, the construction sector was particularly hard-hit, shedding 1.4 million jobs between 2008 and 2012. This shock had a knock-on effect on other sectors tied to construction, further deepening the economic downturn. The collapse in employment in construction-related sectors caused household consumption to decline sharply—by over 8% in the last quarter of 2008 and a further 6% in 2009, according to data from the Bank of Spain. This decline led to successive waves of layoffs due to the reduction in orders received by companies. Job losses during the recession disproportionately affected workers with lower education levels and those on temporary contracts, as pointed out by Bentolila et al. (2012) and Sánchez-Sellero et al. (2017). However, the publication of Royal Decree-

[Law 3/2012 \(10 February\)](#), which enacted urgent labour market reforms, also had a significant impact on workers with permanent contracts. An additional consequence of the Royal Decree was that during the subsequent recovery phase, job creation was predominantly based on temporary contracts, which led to a deterioration in job quality.

[Sanromá Meléndez \(2012\)](#) identifies additional factors contributing to the destruction of jobs, the sluggish recovery, and the decline in job

quality. These include wage rigidity, with pay adjustments tied to the Consumer Price Index (CPI) rather than productivity, and external labour market flexibility, which relied heavily on temporary contracts and increased the sensitivity of employment to GDP fluctuations.

Summing up, unemployment in Spain rose from 8.57% in 2007 to 25.77% in 2012, while the number of workers employed by the industrial sector fell by 21.1% in the same period, according to data from the INE³.

Table 5. Variation in the number of employees (%)

Economic cycle phase	Expansionary	Recessionary	Recovery
Total number of employees	0.68	-2.33	2.26
Family and professionalised	-0.01	-3.51	2.77
Family and non-professionalised	-0.22	-1.82	2.26
Non-family and professionalised	1.71	-2.57	1.95
Non-family and non-professionalised	0.61	-2.20	2.39

Source: Own elaboration based on ESEE.

The total employment figures presented in Table 5 do not fully align with the national unemployment rates noted above. Two key factors can explain this discrepancy. On the one hand, much of the increase in unemployment during the recessionary phase of the cycle was tied to the fact that 23.3% of Spanish industrial companies ceased their activity between 2008 and 2013, according to the INE⁴. On the other, as noted by [Romero and Fuentes Castro \(2017\)](#), at the time the Bank of Spain set structural unemployment in Spain at 16% of the active population while the European Commission raised this to 17.4%. In other words, the employment destruction rates in the recessionary phase of the economic cycle reported in this paper pertain to larger-than-average firms.

A closer examination of the four ownership and management categories defined above reveals that family firms appear to have anticipated adjustments in employment earlier than non-family firms at the end of the expansionary phase, (with average variations in employment of -0.01% for professionalised firms and -0.22%

for non-professionalised firms), especially in 2008 (-1.97%), while non-family businesses continued to create jobs (1.71% for professionalised companies and 0.61% for non-professionalised businesses). These findings contradict the notion that family firms are less flexible than non-family firms ([Ingram & Lifschitz, 2006](#) or [Kotey & O'Donnell, 2002](#)). During the recessionary phase, all four categories experienced job losses, with professionalised family firms suffering the largest declines (-3.51%), while non-professionalised family firms experienced the smallest (-1.82%). This suggests that professionalised firms, irrespective of ownership, are more inclined to make workforce adjustments during economic downturns, potentially because their larger size makes it more likely that they have the necessary resources to absorb the associated costs. It should be noted that the most severe adjustments took place in 2009 and during 2012-2013. The latter coincided with the implementation of the Royal Decree, which facilitated extensive workforce reductions in most Spanish companies, particularly among employees under permanent contracts (Table 6).

3. Percentages obtained from the data on the number of workers indicated in the INE's website.

4. Percentages obtained from the data on the number of companies indicated in the INE's website.

Table 6. Variation in the number of employees with permanent contracts (%)

Economic cycle phase	Expansionary	Recessionary	Recovery
Number of employees	1.21	-2.14	1.26
Family and professionalised	0.36	-3.23	1.22
Family and non-professionalised	0.27	-1.64	1.84
Non-family and professionalised	2.33	-2.13	0.76
Non-family and non-professionalised	1.12	-2.11	1.28

Source: Own elaboration based on ESEE.

The recovery phase witnessed moderate job creation, around two percentage points in all four categories, and up to 2.77% in professionalised family businesses (Table 5). The analysis of this data in conjunction with the data in Tables 6

and 7 reveal that much of this job creation involved temporary workers, particularly within non-professionalised non-family firms, where temporary employment surged by 12.26%.

Table 7. Percentage of temporary employees (%)

Economic cycle phase	Expansionary	Recessionary	Recovery
Number of temporary employees	12.67	9.48	10.02
Family and professionalised	13.63	8.98	9.71
Family and non-professionalised	12.14	8.79	8.45
Non-family and professionalised	11.74	9.09	10.00
Non-family and non-professionalised	14.44	11.49	12.26

Source: Own elaboration based on ESEE.

4.2 Econometric analysis

Before proceeding with the analysis of the models to address selection bias, the results concerning family firms and professional firms, presented in the following table, are discussed:

The negative and significant coefficients of the variables “being a family business” and “being a professional business” reveal that, in relative terms, both being a family firm and being a

professional firm are negatively associated with job creation.

Subsequently, the results obtained in the selection equation of the Heckman model, “being a professionalised firm”, are presented. These results are briefly discussed, with further details available in [Ortiz \(2021\)](#), which extensively examines the determinants of professionalisation.

Table 8. Variation in the number of employees without selection bias

Observations	11,372		
Firms	1,092		
Log likelihood	3177.2016		
Wald chi2	373.18		
	Coefficient		Std. Err.
<i>Level variable</i>			
Log. of employees in t-1	-0.2628	***	0.0446
<i>Ownership</i>			
1 if family firm (FAM)	-0.0338	***	0.0101
1 if professionalised firm	-0.0112	**	0.0073
% family employees linked to ownership	-0.0077	*	0.0075
1 if part of a group	0.0027		0.0089
<i>Control variables</i>			
Log of sales	0.1681	***	0.0264
% direct labour	-0.0142		0.0183
% university-educated employees	-0.0144		0.0200
% temporary workers	0.2257	***	0.0291
Log. capital stock per employee	0.0218	***	0.0066
1 if exporting	-0.0015		0.0068
Log age	0.0000		0.0002
<i>Economic cycle</i>			
1 if recessionary phase (2009-2013)	-0.0138	*	0.0076
1 if recovery phase (2014-2018)	0.0049		0.0083
1 if recessionary phase (2009-2013) x FAM	-0.0168	*	0.0098
1 if recovery phase (2014-2018) x FAM	0.0237	**	0.0102
Categorical variables for 20 sectors	Included		
<i>Constant</i>	-1.9951	***	0.3168

Source: Own elaboration based on ESEE.

Table 9. Heckman selection model. Determinants of professionalisation

	Marginal effects selection equation		
	dy/dx		Std. Err.
<i>Ownership</i>			
1 if family firm	-0.1751	***	0.0163
% family employees linked to ownership	-0.1359	***	0.0212
1 if part of a group	0.2158	***	0.0205
1 if subsidiary	0.0764	***	0.0145
1 if publicly listed	0.0472		0.0398
<i>Control variables</i>			
Log of sales	0.0831	***	0.0101
Log. capital stock per employee	0.0216	***	0.0078
1 if exporting	-0.0238		0.0219
Log age	0.0081	*	0.0004
<i>Economic cycle</i>			
1 if recessionary phase (2009-2013)	0.0255	**	0.0104
1 if recovery phase (2014-2018)	0.0190		0.0133
Categorical variables for 20 sectors	Included		

Source: Own elaboration based on ESEE.

As noted by Ortiz (2021), being a family firm and having members with family ties to the company's ownership reduce the likelihood of professionalisation. This indicates the presence of socio-emotional factors that limit the influence of the remaining factors. Conversely, belonging to a group or being a subsidiary company increase the likelihood of professionalisation. This could stem from increased organisational complexity, which requires a greater stock of managerial resources, or from the exhaustion of resources among owners, particularly in subsidiary management. Similarly, larger firm size and greater capital stock per employee increase the likelihood of professionalisation, underscoring the role of organisational complexity.

Additionally, the firm age variable suggests that the probability of delegating management to non-owners increases when founders retire, during transitions involving direct descendants, and in subsequent generational changes. Finally, recessionary conditions also appear to increase the likelihood of seeking external managers with a greater stock of talent and experience to address the associated challenges.

Table 10 compares the results of the study equations of the models that analyse variations in the number of workers.⁵ The most significant finding is the negative and significant coefficient for the variable "being a professionalised family business". This indicates that professionalised family firms, all other things being equal, create fewer jobs than professionalised non-family firms, which contradicts hypothesis 1.

Although these findings are not directly comparable with prior studies –which do not account for heterogeneity in the degree of professionalisation of non-family firms– they seem to contradict arguments that link socio-emotional objectives with a stronger commitment to job creation among family firms (Berrone et al., 2012; Gómez-Mejía et al. 2007; Kotlar & De Massis, 2013 or Le Breton-Miller & Miller, 2009). In contrast, the results are in line with studies that argue that family firms grow more slowly (Belenzon et al., 2016; Saridakis et al., 2018) and face greater constraints to pursue growth strategies due to a preference for internal financing to retain family control (Hamelin, 2013).

However, among non-professionalised companies, the results are the opposite. In other words, being a family firm managed by their owners

leads to greater job creation, although the effect is not statistically significant. In this regard, Lee (2006) emphasises that the positive effect on job creation is greater when members of the founding family are involved in management.

Family managers identify more closely with the firm as a social entity and are more concerned with its reputation, which is often tied to the family's own reputation. This translates into a stronger preference for employment compared to their non-family counterparts. Indirectly, these arguments align with studies that argue that family firms are more likely to create jobs, particularly when implicitly defined as non-professionalised family firms, one of whose main features is the participation of family members in the company's management (Moreno-Menéndez & Casillas, 2021; Škare & Porada-Rochón, 2021).

Summing up, these findings suggest that much of the previous literature, by not accounting for professionalisation-related heterogeneity in business, has tended to link outcomes to other variables or to assume that the practices of non-professionalised family firms apply to all family firms and those of professionalised non-family firms to all non-family firms.

In addition, belonging to a business group is positively associated with greater variation in the number of employees among professionalised firms but negatively so among non-professional firms. Furthermore, among the control variables, firm size, the percentage of temporary employees, and capital stock per worker are positively associated with greater variation in the number of employees in both categories ($p < 0.01$ for professionalised and non-professionalised firms for the first two variables, and for capital stock per worker variable in professionalised firms; $p < 0.1$ for capital stock per worker variable in non-professionalised firms). Larger size and capital stock enable firms to cope with a larger proportion of demand, boosting market confidence in these firms and driving the need for more employees.

This need, more or less circumstantial, is primarily met with temporary workers in both professionalised and non-professionalised firms. Finally, a higher proportion of highly educated employees provides professional firms with additional resources to assume greater growth, whereas, in non-professional firms, a greater proportion of direct workers leads to higher sales, which, in turn, facilitates greater growth of the workforce.

5. To address the robustness of the models and given the high number of companies exits and entries in the period under study, the authors repeated the same models using only the 771 companies that feature in all eleven years under consideration, obtaining practically identical results, which are not included owing to lack of space.

Table 10. Variation in the number of employees with Heckman selection model.

Observations	11,372			11,372		
Selected	4,975			6,397		
Firms	1,092			1,092		
Log likelihood	-3,513.234			-2,232.277		
Wild chi2	252.09			393.45		
rho	-0.094***			0.2343*		
	Professionalised			Non-Professionalised		
	Coef.		Std. Err.	Coef.		Std. Err.
<i>Level variable</i>						
Log. of employees in t-1	-0.0868	***	0.0085	-0.0859	***	0.0080
<i>Ownership</i>						
1 if family firm (FAM)	-0.1181	***	0.0184	0.0520	***	0.0125
1 if part of a group	0.1123	***	0.0181	-0.0908	***	0.0172
<i>Control variables</i>						
Log of sales	0.0716	***	0.0079	0.0611	***	0.0062
% direct labour	0.0076		0.0177	0.0344	**	0.0138
% university-educated employees	0.0456	**	0.0200	-0.0217		0.0177
% temporary workers	0.1501	***	0.0313	0.1264	***	0.0206
Log. capital stock per employee	0.0162	***	0.0053	0.0069	*	0.0033
1 if you export	0.0113		0.0144	0.0035		0.0080
Log age	-0.0002		0.0002	-0.0002		0.0002
<i>Economic cycle</i>						
1 if recessionary phase (2009-2013)	-0.0201	**	0.0092	-0.0163	*	0.0107
1 if recovery phase (2014-2018)	0.0119		0.0101	0.0266	**	0.0114
1 if recessionary phase (2009-2013) x FAM	-0.0150	*	0.0141	0.0049		0.0118
1 if recovery phase (2014-2018) x FAM	0.0334	**	0.0148	0.0018		0.0124
Categorical variables for 20 sectors	Included			Included		
Constant	-1.2491	***	0.1194	-0.6848	***	0.0697

Source: Own elaboration based on ESEE.

To better understand the impact of demand fluctuations on employment a preliminary comment is in order. According to reports issued by the Spanish Economic and Social Council concerning socio-economic and labour conditions in Spain in 2006, 2007, and 2008 ([Consejo Económico y Social España, 2006, 2007, 2008](#)), the employment behaviour of the industrial sector anticipated the beginning of the oncoming crisis, despite high rates of employment growth in the Spanish economy overall and positive GDP variation

during 2006 and 2007. Employment among these firms stagnated relative to preceding years (0.3% in 2006 and -1% in 2007), before a sharp decline of -7.2% in the third quarter of 2008, triggered by the beginning of the crisis. As explained by [Arrondo-García et al., \(2016\)](#), the recessionary phase of the economic cycle negatively impacted employment in both professionalised and non-professionalised firms. Similarly, the results show that the recovery phase had a positive effect in terms of employment in non-professionalised

companies, and in professionalised firms, although in this instance this positive impact was not statistically significant. This analysis was expanded to account for differences in ownership model, using multiplicative variables. As shown in Table 10, in the professionalised firms subsample, the negative impact of the recessionary phase on employment is more pronounced in family firms than in non-family firms. In contrast, no significant differences are observed between both categories of non-professionalised firms. Conversely, among professionalised firms, the positive impact of the recovery phase is greater in family firms than in non-family firms, while no statistically significant differences are noted in non-professionalised firms. In consequence, the results do not support hypothesis 2, which suggested that family firms were less sensitive to different phases of the economic cycle.

These findings clash with the idea that family firms are more likely to preserve employment during crises (Block, 2010; Cano-Rubio et al., 2024; Casillas et al., 2013; Rivo-López et al., 2022) and, specifically, with studies that observe a lower propensity to cut jobs in family businesses, implicitly defined as non-professionalised by including family management as one of their characteristics (Amato et al., 2020; Sánchez-Bueno et al., 2020; Stavrou et al., 2007). Nonetheless, mixed evidence can also be found in the literature; for instance, Belling et al. (2022) argue that differences between family and non-family firms narrow as the severity of crises increases, and Block (2010), found that family ownership reduces the probability of job cuts, but family management does not. Similarly, Casillas et al. (2019) argue that family-managed firms adopt more drastic employment reduction strategies when the survival of the company is at stake.

In addition, the variable representing the number of workers in $t-1$ (log-transformed) is, as expected, negative and significant in both cases, highlighting convergence effects. In other words, the existence of marginal negative increments implies progressively smaller relative employment growth as the firm increases in size.

To conclude the econometric analysis, we note the presence of selection bias in both categories, professional and non-professional companies. The difference lies in its sign: it is negative for professional firms, where being professional is associated with lower employment growth, and positive for non-professional firms.

5. Conclusions

The aim of this study is to examine the effect of the type of ownership of firms –family-

versus non-family-owned– and the separation of ownership and management on the firms' capacity to generate employment. Additionally, it analyses this across three phases of the economic cycle (expansion, recession and recovery), beginning with the crisis that began in the fourth quarter of 2008. For this purpose, employment variation between family and non-family businesses is compared considering also companies that have delegated management to external professionals and those where ownership keeps managerial responsibilities. The study uses data from the Survey on Business Strategies for a representative sample of Spanish manufacturing companies over the period 2006-2016.

The first conclusion is the existence of endogenous factors linked to organisational complexity, as already argued by Ortiz (2021), including firm size or membership of a group, that increase the likelihood of management being delegated to external professionals. Similarly, during the recessionary phase of the economic cycle, companies appear to seek external expertise with the stock of resources and experience required to reverse negative trends. Furthermore, greater company longevity will increase the likelihood of replacing founders with external professionals, particularly after the founders retire.

Regarding the study's main objective, results show that among non-professionalised firms, family businesses create more employment than their non-family counterparts do, while among professionalised firms, family businesses generate relatively less employment than non-family firms. These results refute hypothesis 1, which posited that professionalised family firms behave similarly to professionalised non-family firms regarding job creation. Although not directly comparable with prior studies, these results may help to explain inconsistencies in the literature, which often overlooks heterogeneity in the degree of professionalisation of non-family firms.

Concerning professionalised firms, family businesses experience greater employment losses during recessionary phases of the cycle but display stronger employment growth during recovery phases than non-family businesses. These results suggest that professionalized family firms adjust their workforce more closely to demand during recessions than do professionalized non-family firms. This efficiency translates into greater adaptability during recovery phases, with employment growth aligning with increased sales. Notably, the relevant variable in this study is the year-on-year proportional change to the previous year in the number of employees. As such, the results are consistent with the fact that, in absolute terms, professionalised firms –because of being generally larger– generate greater

employment during both the expansionary and the recovery phases of the economic cycle.

Among non-professional firms, the opposite trend is observed: family firms create more employment than non-family firms but display no significant economic phase-related differences. In consequence, hypothesis 2, which stated that *"Family businesses, whether professionalised or non-professionalised, are less sensitive, in terms of employment, to the effects of the economic cycle"* must be rejected, as the results point in the opposite direction.

This study provides theoretical contributions with practical implications for the field of family business by exploring how family ownership and professionalisation of management influence employment behaviour during different economic cycles.

From a theoretical perspective, the study significantly contributes to the literature by challenging the widespread identification of *non-family firm* with *professionalised firm*, by arguing that non-family firms can also be managed by their owners. This vision expands the existing typologies of firms and provides a deeper understanding of their mutual differences. Unlike previous research, which has largely focused on comparing family and non-family businesses, this study incorporates heterogeneity in the professionalisation of both categories. This presents a more accurate characterisation of employment behaviour among both family and non-family firms, shedding light on how different types of firms respond to different phases of the economic cycle. The findings address calls from such authors as [Le Breton-Miller and Miller \(2016\)](#) to consider context more thoroughly in family business research. Additionally, the results underscore the difficulty of making generalised statements and the importance of accounting for heterogeneity ([Heino et al., 2024](#)).

From a practical standpoint, the findings reveal that professionalised family firms suffer more intensely during recessionary phases, but also indicate that they are better prepared to recover in terms of employment during periods of economic expansion. Therefore, managers and consultants should focus on increasing the resilience and capacity of these firms to mitigate the adverse effects of economic crisis and reduce their negative impact on growth.

Public policymakers may find this study relevant insofar as it provides useful information to adapt specific regulations to stimulate job creation and maintenance among different types of firms, helping them to be more robust against the effect of swings in the economic cycle.

For instance, special attention needs to be paid to professionalised family firms during periods

of recession because, while they demonstrate significant dynamism in recovering employment during phases of growth, they may require additional support during economic downturns.

Finally, this study has certain limitations. First, professionalisation has been defined here as the delegation of management to external professionals. However, the academic literature has pointed out the existence of other multidimensional approaches to understand professionalisation, which go beyond external management ([Dekker et al., 2015](#); [Piyasinchai et al., 2024](#) or [Polat, 2020](#)). Unfortunately, the database used does not include relevant information on these dimensions, which would undoubtedly have enriched the present study and remains pending for future works. However, the existing literature emphasises the importance of incorporating external professionals to initiate, execute, and disseminate the principles of professional management ([Hiebl & Li, 2020](#)), which is why this characteristic is so widely used to define professionalisation ([Chang & Shim, 2015](#); [Chittoor & Das, 2007](#)). Second, the sample is limited to manufacturing firms, excluding such an important economic sector as the services sector. Future studies could adopt a multidisciplinary perspective on professionalisation and widen the lens to include other sectors, contexts, countries, and firm sizes. These studies could also benefit from employing various theoretical approaches and methods to complement the ones used in this work. Nonetheless, we believe that this study offers a novel perspective on the heterogeneity of professionalisation in family and non-family firms, which we hope will be a starting point for researchers interested in delving deeper into this topic.

Author contribution statement

The authors contributed equally to the work.

Conflict of interest statement

The authors declare that there are no potential or explicit conflicts of interest.

Declaration on the use of generative AI in the writing process

The authors declare that generative AI was not used in the research and writing process.

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Data availability statement

The data used in this paper are confidential and are available from the SEPI Foundation on request for specific research and on payment of a fee.

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Tourism Family Firm and Generation: Are First-Generation Firms More Conservative?

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Abstract: By applying the matching technique to a sample of Spanish tourism family firms, we analyze the factors that describe the competitive strategy, asset and ownership structure, and managerial practices of first-generation family firms compared to subsequent generations. Moreover, we employ panel data methodology with the matching procedures to control the individual heterogeneity of family firms, in order to explore debt financing decisions and the particular effect of the controlling generation. The results of the study provide evidence that first-generation firms adopt more defensive strategic positioning based on efficiency and cost control, a smaller endowment of intangible assets, and less of an emphasis on professionalization and human resource management practices. The results also confirm that first-generation firms rely less on debt and adopt a more conservative capital structure.

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Empresa Familiar Turística y Generación: ¿Son más Conservadoras las Empresas de Primera Generación?

Resumen: Haciendo uso de la técnica de macheado sobre una muestra de empresas turísticas familiares españoles, analizamos qué factores describen la estrategia competitiva, estructura de activos y propiedad y prácticas directivas de la primera generación comparada con las posteriores. Además, aplicamos metodología de datos de panel de forma adicional a los procesos de macheado para controlar por la heterogeneidad individual de las empresas familiares, con el fin de explorar las decisiones de financiación en deuda en las empresas familiares y en particular el efecto de la generación familiar. Los resultados del estudio proveen evidencia de que la primera generación adopta posicionamientos estratégicos más defensivos basados en la eficiencia y el control de costes, una menor dotación de activos intangibles, mayor concentración de la propiedad, y menor profesionalización de las prácticas de dirección de recursos humanos. El estudio también confirma que la primera generación recurre menos a la deuda y adopta una estructura de capital más conservadora.

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1. Introduction

Family firms (FF hereafter) are an important part of global economies, making a major contribution to employment and gross domestic product (Astrachan & Shanker, 2003), particularly in the tourism industry (Memili et al., 2020). Great progress has been made in FF literature, helping to open up the black box that is the family effect on the sustainability/growth of the business. Among the most extensively analyzed developmental dimensions that explain the heterogeneity among FF, the generation in control and the management of FF particularly stands out (Gersick et al., 1997).

Some general FF studies have shown that first-generation firms, where the founder is emotionally attached and fully involved in the running of the business (Sciascia et al., 2014), face different challenges, have different objectives and behave differently than those businesses run by the second or subsequent generations (Anderson & Reeb, 2003; Blanco-Mazagatos et al., 2018; Gersick et al., 1997; Maseda et al., 2019). Moreover, they achieve different results in terms of performance (García-Ramos et al., 2017; Maseda et al., 2019) in market growth strategies such as acquisitions (López et al., 2024) and diversification (Muñoz-Bullón et al., 2018), human resources practices (Blanco-Mazagatos et al., 2018), entrepreneurial orientation (Cruz and Nordqvist, 2012), or dividend policy (Belda-Ruiz et al., 2022). As subsequent generations come to the fore, they introduce a wealth of unexplored possibilities, fueled by their entrepreneurial education and fundamental family values (Hauck & Prügl, 2015; Kallmuenzer et al., 2021; Miller et al., 2007).

One generational effect in FF that is attracting increasing attention is the firm's capital structure (Comino-Jurado et al. 2021; Hansen and Block, 2020; Michiels & Molly, 2017; Molly et al., 2019; Muñoz-Bullón et al., 2018; Schmid et al., 2015). However, as pointed out by authors of recent studies such as Comino-Jurado et al. (2021) and Muñoz-Bullón et al. (2018), much more empirical studies are needed as the literature is still inconclusive. Debt financing decisions are crucial in FF as debt is the most important source of external financing for these businesses (Burgstaller & Wagner, 2015; Molly et al., 2019), which are relatively more leveraged than non-family firms (Burgstaller & Wagner, 2015; Gottardo & Moisello, 2014; Vieira, 2014).

Leverage capacity has been identified as an indispensable for enabling FF to seize profitable growth opportunities (Mishra & McConaughy, 1999), particularly in sectors with high levels of capital intensity, such as the tourism sector (Guillet & Mattila, 2010; Singal, 2015). The

prevailing uncertainty in the literature about the relationship between FF generation and indebtedness is noteworthy, given that succession is a critical process linked to high business mortality (Le Breton Miller et al., 2004) and that financial capacity is crucial for ensuring the continuity of the FF, the stability of the entrepreneurial family and the successful search for profitable growth opportunities (Michiels & Molly, 2017).

However, regarding the effect of the generation of ownership on capital structure two opposing explanations have been proposed: the stagnation of the descendant-controlled FF (Miller et al., 2008) and the financial conservatism of the founder-controlled FF (Sciascia et al., 2014). There has not been entirely convincing empirical evidence for either, given that recent studies have shown both higher (e.g., Poletti-Hughes & Martínez García, 2022; Ramalho et al., 2018) and lower (Hansen & Block, 2021; Ntoug et al., 2019) propensity to indebtedness in FF. Comino-Jurado et al. (2021) and Michiels and Molly (2017) call for more research on the issue; it thus constitutes our second research gap.

This study seeks to further this debate and uncover the potential connection between the strategic, structural, and management characteristics of the controlling generation(s) and their FF's capital structure or debt financing, with the latter being the principal determinant of the company's potential investments and performance in terms of economic growth and sustainability. To that end, this study adopts an approach that combines theories of strategy, finance, and socioemotional wealth (SEW).

Numerous scholars, such as Michiels and Molly (2017), Rovelli et al. (2022), and Comino-Jurado et al. (2021), have emphasized the need for multidisciplinary research focusing on the behavior of the controlling generation when confronted with various management challenges. They also highlight the importance of examining the characteristics of this generation and their influence on organizational performance. Despite this, there are very few papers that combine financial and management theories to explain financial, corporate and competitive decision-making in this context, which has perpetuated a significant and persistent strategy-finance gap (Arbogast & Kumar, 2018; Martínez-Romero & Rojo-Ramírez, 2017).

By conducting an integrated analysis of decisions relating to strategy, assets, family, management and financing, this study seeks to contribute to a greater understanding of the influence of generational transition on the FF. The underlying assumption is that strategic decisions in FF are not exclusively driven by the wealth maximization

principle, but also by non-financial considerations linked to the aspirations and values of the family, as postulated by behavioral approaches such as the socioemotional wealth (SEW) perspective (Gómez-Mejía et al., 2007). Accordingly, the economic analysis in this paper is reinforced by a sociological approach to FF.

We tested our hypotheses using the matching technique (Ampenberger et al., 2013)—more specifically, propensity-score and nearest-neighbor matching procedures—and panel data methodology (López-Gracia & Sánchez-Andújar, 2007). To estimate our proposed empirical models, we use as a starting point a database of 1019 firms taken from an initial study of the Spanish tourism industry. Additionally, we use data from Sistema de Análisis de Balances Ibéricos (SABI), a database managed by Bureau Van Dijk and Informa D&B, S.A., to complete the financial information from 2008 to 2016, resulting in a final database of 543 companies.

In the tourism sector, there are many small firms run by members of the same family (Peters & Kallmuenzer, 2018). These businesses are often described as the “economic engines” of tourist destinations (Camilleri & Valeri, 2022). The importance of the tourism sector to the economy and its prospects for global growth (Lee & Brahmasrene, 2013) provide ample justification for an analysis of the keys to the financial structure of tourism businesses (Chen, 2010). Tourism has played a pivotal role in the Spanish economy over the past decades, serving as a crucial sector for economic growth and development (Vayá et al., 2024). According to the *Satellite Accounts of Tourism* from the National Institute of Statistics (INE, 2022), the tourism sector in Spain employs approximately 1.95 million individuals, representing 9.3% of the country's total employment. It also contributed 156 billion euros to the national economy in 2022, accounting for 11.6% of Spain's GDP. Furthermore, in certain regions or autonomous communities that specialize in tourism, these figures can more than double.

There is an acute need for better knowledge of the family generation factors determining the financing decisions of tourism FF because of the size of the challenges they face and the structure of the sector, with a supply side combining international chains (Mariz-Pérez & García-Álvarez, 2009) and a fragmented market dominated by small establishments (Hernández-Maestro et al., 2009). While these companies have a great deal of expertise in their field, their management falls short in terms of professionalization and best practices. However, the understanding of the risk appetite of different FF generations in the tourism sector

is still limited, with Glowka and Zehrer (2019) highlighting the need to explore differences in risk perception across different generations of tourism FF.

Moreover, despite some differences among sub-sectors, the tourism industry overall is more capital intensive than other industries, given the importance of geographical agglomeration and investment in building and equipment (Singal, 2015). The need for capital to invest in fixed assets, coupled with the availability of tangible assets that can be used as collateral for borrowing, leads tourism firms to assume high leverage ratios (Singal, 2015). Specifically, Andrew et al. (2007) show leverage ratios of between 44% and 54% for restaurants and 49% and 65% for hotels. The new competitive context imposed by the COVID-19 pandemic has heightened interest in analyzing the financing capacity of the tourism industry.

The findings of the study highlight that first-generation FF adopt more defensive strategic positioning based on efficiency and cost control, a smaller endowment of intangible assets, and less emphasis on professionalization and human resource management practices. These firms also rely less on debt and adopt a more conservative capital structure.

These insights are invaluable for guiding FF, particularly those transitioning from one generation to the next, as they navigate the financial challenges that emerge with the disruption of the strategies, structures and values of the founding generation (Carney, 2005). By understanding these dynamics, FF can better plan for succession, transforming it into an opportunity to inject 'new blood' and initiate significant strategic shifts that could enhance the firm's long-term viability and success.

Our principal theoretical contribution is to add to the FF literature by combining elements of capital structure theories with the SEW approach and examining how these elements interact to shape the set of strategic, family-related, and financial decisions of Spanish tourism FF, especially when it comes to addressing the financial aspect of the succession problem. We focus on the comparison between founder-controlled and descendant-controlled FF because the transition between the first and second generation is the most turbulent one (Davis & Haverston, 1999) and only one third of FF survive into the second generation (Ward, 1997). We also contribute to the literature by conducting a large-scale study that overcomes the limitation of cross-sectional data.

The remainder of this paper is organized as follows. In Section 2 we present the literature review and hypotheses. Our sample, variable selection and methodology are described in Section 3. Section 4 presents the results and

robustness analyses. Section 6 concludes the paper.

2. Theoretical framework and hypotheses

The adoption of a holistic perspective to assess the different variables that account for FF heterogeneity according to the controlling generation is reflected in the application of multiple analytical approaches. These go beyond the classical approaches of pecking order theory (Blanco-Mazagatos et al., 2007) and agency theory (Jensen & Meckling, 1976), which reduce the analysis of the FF to agency problems, information asymmetries, financial factors or the wealth maximization principle (Sciascia, 2014). Indeed, the adoption of new approaches such as stewardship theory (Davis et al., 1997) and SEW enables an examination of the heterogeneity of intergenerational FF driven by the change in non-financial considerations linked to the family values, objectives and orientation of the dominant family owner group (Gersick et al., 1997). According to this theoretical perspective, FF financial decisions are guided by the preferences of the owning family throughout the succession process (Miller & Le-Breton Miller, 2005). Research based on the SEW perspective also allows a consideration of the associated financial decisions themselves, because of the psychological characteristics and behavior of the managers and owners.

Therefore, we believe it necessary to adopt this focus to provide a better explanation for previous inconsistent findings in the literature, as it offers a valuable point of reference for analyzing family decisions and behavior (Sciascia et al., 2014; Gómez-Mejía et al., 2010). In the following sections, we define the profile of founder-controlled firms in comparison to descendant-controlled ones, in terms of strategy, asset and ownership structure, governance structure, and management practices, aspects that also have an important effect on capital structure or debt financing.

2.1. Controlling generation and competitive strategy

Miles and Snow (1978) identified four distinct patterns: prospector or explorer, defender, analyzer and reactor. Companies that are defenders (Miles & Snow, 1978) are notable for offering a relatively stable number of goods and services in limited markets, in which their managers are usually prominent experts. Their competitive positioning is usually based on maintaining their position in the market through price competition and providing excellent service

to their customers, whom they treat almost like family.

The defender (Miles & Snow, 1978) is the predominant archetype among first-generation companies, where it appears with significantly higher frequency than in descendant-controlled FF. Furthermore, these companies prioritize closer connections with existing customers and employees (Chen et al., 2016), thus seeking growth in activities they know well, with low levels of commercial and technological uncertainty.

This strategic archetype is often associated with first-generation FF. Family founders are thus expected to limit investment in innovation projects that are by their nature uncertain—for instance with regard to the timing and degree of market success (Durán et al., 2016)—and require diverse industry and technological characteristics (Durán et al., 2016; Muñoz-Bullón et al., 2018). Prospectors (Miles & Snow, 1978), on the other hand, are organizations focused on dynamic environments involving continuous risk-taking, exploring new commercial and technological opportunities and regularly experimenting with new responses to emerging trends, often seeking to diversify their growth. They thus display a strong commitment to radical or discontinuous product and market innovation, and the flexibility to respond quickly to changing conditions, which can make them less efficient. The analyzer archetype lies between these two extremes, while the reactor corresponds to the organization that makes inconsistent decisions and is therefore not comparable with well-defined prototypes.

Descendant-controlled FF need to push new ways of doing things (Hoy, 2006) and reinvent themselves if they want to move beyond the legacy of the founder's generation, expand the business they have inherited (Muñoz-Bullón et al., 2018), and enhance business growth (Cruz & Nordqvist, 2012; Kellermanns et al., 2008) and financial wealth (Sciascia et al., 2014). Descendant-controlled FF, which have less emotional attachment to socioemotional aspects (Sciascia et al., 2014) and are more externally orientated than first-generation firms (Cruz & Nordqvist, 2012; Kellermanns et al., 2008), may therefore intensify knowledge acquisition and risk-taking behavior, linked to prospective strategies, drawing on their different backgrounds (Chirico et al. 2011) and industry experience (Sciascia et al., 2014).

Specifically, first-generation FF owners in the tourism sector are often characterized by a higher level of risk aversion and the adoption of a more defensive strategy compared to non-family firms (Arcese et al., 2021). Considering the previous arguments, two hypotheses are presented:

Hypothesis 1: Founder-controlled and descendant-controlled family tourism firms have different competitive strategies.

H1a: Founder-controlled family tourism firms will be more strategically defensive than descendant-controlled family tourism firms.

H1b: Descendant-controlled family tourism firms will be more strategically prospective than founder-controlled family tourism firms.

2.2. Controlling generation and asset structure: investment in tangible assets

The adoption of a defensive strategy runs counter to the pursuit of accelerated growth strategies, which require large investments and substantial financing operations. Thus, the defensive strategies of first-generation FF are characterized by a higher concentration of investments in low-risk liquid assets with reliable net asset value, such as tangible assets (Caneghem & Campenhout, 2010; Sánchez-Vidal & Martín-Ugedo, 2006).

Tourism businesses often require significant investment in physical assets such as hotels, resorts, transport vehicles, and recreational facilities. These assets not only serve as collateral, enhancing their ability to secure loans, but also influence their financing strategy (Masset et al., 2019; Singal, 2015).

To date, the contract literature has simply pointed to the preference of credit providers for financing investment in tangible assets that can be used as collateral, which help mitigate agency problems (Stiglitz & Weiss, 1981) and typically provide a greater net asset value in the event of bankruptcy than intangible assets (Caneghem & Campenhout, 2010). The collateral strength of these assets is especially important in the founding generation, where the company does not have a long history of creditworthiness to make up for the shortage of readily liquid assets. Furthermore, as already noted, the business portfolios of first-generation FF are not very diversified; rather, they tend to concentrate on a core business, with the founder strongly resisting change to this core for emotional and pragmatic reasons. Given all of the above, we propose the following hypothesis:

Hypothesis 2: Founder-controlled family tourism firms will invest less in intangible assets than descendant-controlled family tourism firms.

2.3. Controlling generation and governance, professionalization and management practices

In founder-controlled firms, family employees tend to behave in ways that are not explained by economic rationality, as they are intrinsically motivated by family goals and experience (Blanco-Mazagatos et al., 2018; Sciascia et al., 2014). In this start-up stage, an informal or paternalistic

structure prevails, with the founder assuming the role of the central actor in all processes (Muñoz-Bullón et al., 2018).

When multiple family members from different branches of the same family dynasty are in control of a FF, management becomes more complex (Cruz & Nordqvist, 2012). Different behaviors, preferences and goals can emerge, motivated by family and economic concerns (Chua et al., 2009). To overcome the increased social, political and operational complexity, previous literature has pointed out the importance of adopting a professional and more objective management style and formal organizational mechanisms (Duréndez et al., 2019; Blanco-Mazagatos et al., 2018).

The literature also shows that over the passing generations, family employees will be less committed to and less closely identified with the FF. In these cases, professionalization should align family employees' interests with the family's needs and goals and prevent conflict, opportunism and nepotism (Blanco-Mazagatos et al., 2018).

Professional management may involve the individual professionalization of CEOs and the use of advanced management tools that foster communication between the family and all the company's spheres of influence (Dekker et al., 2013) and address possible differences in viewpoints and strategic preferences in a more rational (and less emotional) way (Sánchez-Famoso et al., 2019).

Human resources in tourism FF are often described as having experience, but a low level of professionalization (Forés et al., 2021). They are also weak when it comes to business planning and seldom introduce advanced management systems (Hauck and Prügl, 2015). These issues may be particularly pronounced in the first generation. Therefore, we test the following hypotheses:

Hypothesis 3: CEOs in founder-controlled family tourism firms will have a lesser degree of professionalization than CEOs in descendant-controlled family firms.

H3a: in terms of the CEO's academic qualifications.

H3b: in terms of the implementation of management tools such as a board of directors and family protocols.

2.4. Controlling generation and capital structure/leverage

Founder-controlled firms and descendant-controlled firms have distinct knowledge endowments, goals, strategies and approaches to management (Durán et al., 2016), which may be reflected in their debt capacity (Molly et al., 2010).

In this vein, there is growing academic interest in the effect of the dominant generation on financing structure (Michiels & Molly, 2017). However, despite its importance, there is no consistent evidence on the effect of firm succession on financial structure; the mixed results on the sign of this effect can be partly explained by the cross-sectional nature of existing studies (Molly et al., 2010).

Several studies posit that family succession is negatively related to debt financing, arguing that as FF develop over generations, they will be more reluctant to take risks (Kaye & Hamilton, 2004). At the same time, they show a preference for wealth preservation over further wealth creation (Molly et al., 2010), and for maintaining their private status (Carney et al., 2015).

The idea of stagnation after succession also arises in studies by Röd (2016) and Miller et al. (2007). These authors suggest that descendant-controlled firms tend to have more diversified ownership, which leads to goal misalignment, conflicts, and more personal loss aversion. Pindado et al. (2015) also note that first-generation FF have easier access to debt financing and adjust more quickly toward target leverage. Other studies suggest that FF have less capacity to attract debt financing after succession, considering that descendants may be less qualified (Anderson et al., 2003) and therefore there would be greater information asymmetries between bondholders and shareholders, higher dividend payout ratios, and less attention to reinvesting retained earnings (Schwass, 2005).

However, another substantial theoretical stream posits that it is the founding generations that are more reluctant to adopt a highly leveraged capital structure, due to their desire to pass on their idea of a “healthy company” to younger generations and safeguard the family’s name and the founder’s lifework (Chirico et al., 2012; Molly et al., 2010). Sciascia et al. (2014) argued that family management is positively related to profitability in later generational stages, as family managers, despite having multiple objectives, prioritize financial wealth to preserve SEW. In this vein, the emotional endowment is likely to be greater in younger FF, since the emotional dimensions of family identity, reputation and continuity attenuate as firms grow older and members of different family branches get involved in the firm (Belda-Ruiz et al., 2022; López et al., 2024; Sciascia et al., 2014).

Accordingly, the defensive strategy and resulting financial conservatism often linked with first-generation FF leads to lower debt and greater liquidity (Anderson & Reeb, 2003). Since leveraging increases external scrutiny and disclosure requirements, it could potentially

threaten the dominant position of the owning family and weaken the SEW endowment (Muñoz-Bullón et al., 2018). As the company passes on to subsequent generations, the natural conservatism of the founder is diluted, with the new generations taking on more debt to meet their greater financial needs; at the same time, socioemotional aspects become less important, while ownership becomes more fragmented but more experienced (Clemente-Almendros et al., 2021).

First-generation FF in the tourism sector are often characterized by a heightened level of risk aversion and a tendency to adopt more defensive strategies compared to non-family firms (Arcese et al., 2021). This defensive approach, as proposed in Hypothesis 1, manifests in a preference for lower leverage as a means of mitigating the risks associated with high levels of debt (Forés et al., 2021). Additionally, the lower levels of capital investment in employee qualifications and managerial development typically observed in first-generation FFs (Sciascia et al., 2014), as argued in Hypothesis 2, further reinforce their conservative and risk-averse financial behavior (Sciascia et al., 2014).

First-generation tourism FF might use their significant investment in physical assets (as argued in hypothesis 3) to their advantage by turning to asset-backed lending. This strategy could secure the necessary capital while keeping leverage relatively low overall to control risk.

The tourism industry is highly seasonal, and businesses can experience significant fluctuations in cash flow (Memili & Koç, 2023). This industry is also highly sensitive to economic downturns, regulatory changes, health crises and political instability, which can abruptly affect travel patterns and revenues (Memili & Koç, 2023). This volatility and vulnerability to external events may make first-generation FF owners even more cautious about taking on debt due to the uncertainty of being able to meet regular debt payment obligations during off-peak periods and unpredicted downturns. In this situation, owners may prefer to keep the leverage low to maintain financial flexibility and ensure business resilience. This seasonality, along with all the above mentioned FF characteristics linked to strategy, assets and degree of professionalization, could also explain why reputation and customer relationships are critical in tourism (Glowka & Zehrer, 2019; Memili et al., 2023; Randolph et al., 2022). Instead of pursuing innovativeness, first-generation FF often focus on building strong personal relationships with customers and business partners (Miller & Le-Breton Miller, 2005), which can lead to stable revenues and organic growth, reducing the need for external

financing, thus affecting their leverage positions and higher leverage.

Nevertheless, the picture might change in subsequent generations. When ownership is more dispersed across the family, attitudes against leverage may be relaxed as single family members are investing less wealth in the firm (Burgstaller & Wagner, 2015; Blanco-Mazagatos et al., 2007). Blanco-Mazagatos et al. (2009) also argue that, as control of the firm passes from one generation to the next, the family owners' ability to make sacrifices will decrease and the liquidity requirements for the profitability of their stake in the firm will increase and the firm's internal financing capacity will thus decline, leading to an increase in its indebtedness.

In this context, owners from the second or later generations are likely to bring novel proactive perspectives to the firm, advocating taking risks through the adoption of growth strategies to remain competitive (Castro et al., 2016).

In addition, descendant-controlled firms may have to work to offset the loss of value of specialized intangible assets, such as political clout, informal relationships and reputation, which often dissipate when the founder leaves the firm (Bennedsen et al., 2015). Therefore, as the firm grows in complexity over time, it requires more funds to pursue the development of activities related to innovation and reputational capital (Pan et al., 2018) than can be sourced from within the family and the firm. This means taking on a higher level of debt to obtain additional funds without losing control of the firm (De Massis et al., 2015; Zahra et al., 2007).

The transmission of entrepreneurial spirit across generations plays a crucial role in tourism destination development and local community entrepreneurship (Memili et al., 2023; Forés et al., 2021). The necessary embeddedness of tourism FF in tourist destinations can lead descendant-controlled firms to prefer debt financing so as not to constrain long-term decision-making on environmental and community sustainability.

The life cycle theory (e.g., Castro et al., 2016) also provides some support for this reasoning. As firms grow and develop, they are usually more profitable, use tax shields more effectively, and have more tangible assets that can act as collateral, thus reducing bankruptcy costs (Frielinghaus et al., 2005). For this reason, maturity engenders greater trust from shareholders and the market, improving these firms' access to financing and reducing the associated costs (Castro et al., 2016; Anderson et al., 2003).

Agency theory also identifies two additional factors that drive increased debt in descendant-controlled FF, related to the lack of management and financial resources. In this vein, according

to Molly et al. (2010) and Blanco-Mazagatos et al. (2007) when firms grow over the course of generations, problems of cohesion, trust and opportunism increase, along with irrational salaries and perks. Managing these contentious situations requires the adoption of more formal governance mechanisms and control systems (Sciascia et al., 2014), such as the use of debt financing (Blanco-Mazagatos et al., 2007; Comino-Jurado et al., 2021; Setia-Atmaja et al., 2009). Succession planning is a particularly critical issue in family-owned tourism businesses, as the transition from one generation to the next should not create a negative impact on family, employees, customers or the community (Kallmuenzer et al., 2021). In addition, the tax burden resulting from a transfer in ownership during the succession requires more financial resources (De Massis et al., 2008) to buy company shares, which results in a higher demand for debt financing. Although both positive and negative effects have been identified, the prevailing conclusion is that the founding generation is associated with more conservatism and less debt.

Based on the above reasoning, we hypothesize that:

Hypothesis 4: Founder-controlled family tourism firms are more financially conservative.

3. Material and Method

3.1. Data

Our study is based on a primary study of the Spanish tourism industry. The sample was chosen from the total population of the Spanish tourism companies in 2008, according to the Central Companies Directory (DIRCE) and the Spanish National Institute of Statistics (INE). The work plan consisted of the requesting an ad hoc processing of DIRCE to determine the total reference universe and its territorial distribution by activity, size, autonomous communities and provinces, which returned a total of 8,148 companies. The sample was obtained by a stratified random procedure with proportional allocation by activity and size. Following several filtering and cleansing processes applied to the reference universe of 8,148 companies, 3,979 were identified as potential contacts. Of those contacts, 1,019 firms were successfully recruited to participate in the research, while 1,810 could not be contacted. In addition, managers of 579 organizations contacted refused to participate in the study, either explicitly or by placing obstacles in the way of arranging an appointment; 74 did not meet the minimum requirements due to the incompleteness of the directories used to locate

the companies initially extracted from the DIRCE, with some of the data included such as size, geographical location and tourism activity being erroneous; and 497 had either closed or were not active. The resulting sample thus contained 1,019 companies, with a confidence level of 95% and a margin of error of $\pm 3.1\%$. This sample size provides a sufficiently large number of observations to be able to generalize the results to the Spanish tourism industry as a whole and to each of its segments by main activity and size. Moreover, this sample size is in line with those established in other national (e.g., Bayo Moriones et al., 2003) and international (e.g., Huselid, 1995, Osterman, 1994) studies with similar purposes. As such, the decision was made not to contact any more companies from the reference universe. This final sample represents a response rate of 25.6% and consisted of 748 FF and 271 non-family firms.

The fieldwork, carried out from December 2009 to March 2010, was based on personal interviews with the CEO of the company, as the most important decision-maker (Clemente-Almendros et al., 2024). To correct the potential problems with the survey as a method of data collection, and to increase the response rate and quality of information, a modified version of Dillman's (1978) total design method⁷ was employed. This method is well accepted in this research area (Conant et al., 1990).

We use this data to categorize businesses as family or non-family enterprises and identify the family governance variables. According to the literature, FF typically have stable ownership structure over time (Camisón et al., 2022; Miller et al., 2011). Next, to enable the longitudinal approach of our study and to complement our primary family data with financial data we extract financial information from SABI (Sistema de Análisis de Balances Ibéricos) for the period 2008 to 2016. Since SABI did not provide financial data for all the abovementioned 1,019 companies, our final sample consisted of 543 companies, 378 of which were FF. Five tourism subsectors were covered in the final sample: accommodation, catering, intermediaries, transport and complementary offer (see Appendix - Table A-1).

3.2. Variables

In this section, we provide an overview of the definitions of the variables used to test the characteristics and financial structure of FF in different generational stages. The variables related to FF generations and FF traits are based on the questionnaire and the financial variables were extracted from SABI. In order to mitigate the effect of outliers, all the variables are winsorized at 0.5% in each tail of the distribution.

Firstly, the variable *generation* (GEN) is defined as a dummy variable, taking a value of 1 if it is the first generation (Founder-controlled firm) and 0 otherwise (Descendant-controlled firm).

To test our hypothesis related to *strategic orientation*, we use Miles and Snow's (1978) typology. We define four dummy variables that take a value of 1 if the company adapts a specific strategy: DEFENDER, EXPLORER, ANALYZER and REACTOR. For the endowment of *intangible assets* (INTANGIBLE ASSETS), we count the number of brands the firm has (Vomberg et al., 2015). We measure the degree of *professionalization* of the CEO (CEO's PROFESSIONALIZATION) with a dummy variable that takes the value of 1 if they have a degree or master's in tourism. We capture the FF *professionalization* through the existence of formal organizational mechanisms such as the board of directors (BOARD) and family protocols (PROTOCOL). Thus, we use dummy variables that take the value of 1 if the FF has a board (for the BOARD variable) and 1 if it has a protocol (PROTOCOL), and 0 otherwise. Finally, for our fourth hypothesis, we establish a definition of a company that is *conservative* regarding the use of leverage, and we create a dummy variable, CON, which takes the value 1 if the company is considered conservative for a specific year. To be labeled as conservative in this way, the company must be within the lowest quartile of the companies in terms of indebtedness levels for that year and the previous one (Sánchez-Vidal & Martín-Ugedo, 2006).

For the matching procedures, we used specific covariates commonly employed in the literature when the variable of interest is related to FF governance structures or FF status (Forés et al., 2020; Pindado et al., 2011): RISK, Altman's Z-Score; SIZE as log of Total Assets; GROWTH, as sales growth; CONTROL, as control mechanisms of the FF; and CONCENTRATION, as percentage of equity held by the first shareholder.

In FF studies analyzing the heterogeneity of FF behavior and the level of debt, the leverage ratio (LEV) has commonly been used as a dependent variable (Camisón et al., 2022; Clemente-Almendros et al., 2021). To bring our study in line with this literature, and as an alternative way to examine the financial conservatism of the first generation, we use the leverage ratio (LEV) as the dependent variable, defined as the ratio of long-term plus short-term debt to total assets (Miller et al., 2007; Molly et al., 2010). We use the control variables commonly adopted in the financial literature (Caneghem & Campenhout, 2010; Molly et al., 2010): TANG, endowment of tangible assets (the ratio of tangible assets (net fixed assets) to total assets; PROF, profitability (earnings before interest and taxes (EBIT) divided

by total assets); GROWTH, growth of sales; firm size (natural logarithm of total assets); and AGE (number of years since the creation of the firm). We also include year dummies to control for the temporary effect that could arise from leverage decisions being affected by macroeconomic conditions, which equals 1 for the specific year, and 0 otherwise. The descriptive statistics for the variables in the model are shown in Table 1. Both covariates and control variables were chosen by referring to the literature, to avoid any potential omission bias issues¹.

Finally, we classify a company as family owned if the founder and/or subsequent generations hold the largest ownership share and have responsibility for making the strategic decisions

(Handler, 1989; Shanker & Astrachan, 1996). To clarify the conceptual ambiguity surrounding the term "family firm", Handler (1989) determined that the primary factor underlying most definitions is family participation in ownership. Shanker and Astrachan (1996) developed a typology of FF definitions based on the ownership structure. According to their definition, a "family firm" is one in which the founder or his or her heirs retain majority ownership and decision-making authority. This definition requires that: (a) the capital owned by the family is sufficient to have majority voting rights, and (b) most of the family capital is in the company. Following this approach, we refer to the concept of family capital, rather than just the founder, as it involves controlling the voting process.

Table 1. Descriptive statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
GEN	1,904	0.529	0.499	0	1
DEFENDER	2,888	0.335	0.472	0	1
EXPLORER	2,888	0.096	0.295	0	1
ANALYZER	2,888	0.412	0.492	0	1
REACTOR	2,888	0.155	0.362	0	1
INTANGIBLE ASSETS	3,024	1.423	0.855	1	5
CEO's PROFESSIONALIZATION	2,848	0.176	0.381	0	1
BOARD	1,800	0.408	0.491	0	1
PROTOCOL	3,024	0.380	0.485	0	1
RISK	2,193	1.206	2.412	-15.893	13.048
SIZE	2,193	14.080	2.006	8.7741	20.944
GROWTH	1,887	0.438	3.156	-0.982	27.001
CONTROL	3,024	0.208	0.406	0	1
CONCENTRATION	2,344	82.0716	26.862	0	100
LEV	1,361	0.541	0.612	0.001	7.229
TANG	2,131	0.468	0.322	0.000	0.989
AGE	2,240	27.639	23.263	7	174
PROF	2,187	-0.002	0.198	-1.993	0.557
CON	3,024	0.063	0.243	0	1

1. The definitions of all variables are provided in the Appendix - Table A2.

The distribution of the generations in our sample is quite well balanced, since the average value of GEN variable is 0.529. Regarding the different strategic profiles, the mean values show that our sample is diverse in terms of strategies, ranging from 0.096 for firms classified as EXPLORER to 0.412 for firms categorized as ANALYZER. The firms in our sample do not show a large mean value for brand, with an average of 1.423 brands. Most of the CEOs do not have a master's degree, since the mean value of this variable is 0.176. Regarding the existence of a board of directors and protocols, the sample is balanced, with mean values of 0.408, and 0.380, respectively. The companies in our sample show a moderate risk of bankruptcy, based on a mean value of 1.206 for the RISK variable. Moreover, they show substantial variation in size and growth. With regard control mechanisms, they mostly do not have these instruments, registering a mean value of 0.208. However, the percentage

of capital stock held by the first shareholder is quite large, with an average value of 82.071. These companies show a mean value for leverage of 0.541 and 0.468 for tangible assets, but the dispersion is large. Regarding their age, the mean value is 27.639, but the firms are notable diverse in this regard. Finally, their profitability is quite low, and they are mostly not conservative in terms of indebtedness.

3.3. Empirical models

We use the propensity-score-based matching pair method (Ampenberger et al., 2013) to check the extent to which the first generation differs in strategy, asset structure, ownership structure, governance, managerial practices, and debt conservativeness. As an alternative matching procedure, we apply nearest-neighbor matching (Dehejia & Wahba, 2002). For hypothesis 4, and only for the companies classified as FF in our sample, we apply the following alternative approach:

Equation [1]

$$LEV_{it} = \beta_0 + \beta_1 \cdot GEN_{it} + \beta_2 \cdot TANG_{it} + \beta_3 \cdot SIZE_{it} + \beta_4 \cdot PROF_{it} + \beta_5 \cdot GROWTH_{it} + \beta_6 \cdot AGE_{it} + \varepsilon_{it_i}$$

We use a random effects panel data regression model (Model I). These models are especially suitable considering the constant nature of the generation dummy variable (Miller et al., 2011). They also incorporate Huber-White clustered standard errors to control for unobserved firm fixed effects and adjust for firm-specific autocorrelation (Peterson, 2009). In line with the literature, in Model II we use Heckman two-step treatment effect regressions for the previous indicators to deal with the potential endogeneity between leverage and generation variables, as well as potential selection bias. (Camisón et al., 2022; Miller et al., 2011; Miller et al., 2007). In applying this technique, we first run a probit regression, where the dependent variable is a dummy FF variable equal to 1 if the company is considered an FF, and 0 otherwise. The family dummy variable and the explanatory variables are the same as those used for the panel approach, accompanied by other variables commonly used in the literature to deal with endogeneity in the FF framework; namely, control mechanism of the FF (CONTROL), and the Altman (1968) Z-Score for specific firms' risk (RISK). We then run standard random effects panel data regression.

4. Results

To test hypotheses 1 to 4, Table 2 presents the results obtained for the propensity-score-based

matched pair method and nearest-neighbor matching.

The results obtained for the strategic orientation adopted in the firm show that founder-controlled firms have a more defensive strategic orientation (DEFENDER) (0.083, t-stat 1.72), and a less exploratory (EXPLORER) one (-0.118, t-stat -3.27) than descendant-controlled firms, supporting H1. There is no significant difference for analyzer (ANALYZER) and reactive (REACTOR) strategies. We then repeat nearest-neighbor matching, confirming the results for both the defender strategy (0.129, p<0.000) and the explorer strategy (-0.147, p<0.000).

The results obtained for the INTANGIBLE ASSETS variable show that founder-controlled firms have fewer intangible assets (-0.353, t-stat -3.01), confirming H2. We again conduct nearest-neighbor matching, confirming the previous results (-0.430, p<0.000). The results for our PROFESSIONALIZATION variable both at individual level, captured by the CEOs's education (-0.081, t-stat -1.76), and organizational level, captured through BOARD (-0.092, t-stat -1.97) and PROTOCOL (-0.113, t-stat -2.39) variables, confirm H3a and H3b. The results of the nearest-neighbor matching procedure are in line with those of the propensity-score-based matched pair method for the CEOs's education (-0.080, p< 0.003) but not for the BOARD and PROTOCOL variables.

Finally, the variable CON is higher for the first

generation (0.049, t-stat 2.14), confirming our previous findings in support of H4. Nearest-neighbor matching shows that the difference

between conservative and non-conservative companies is positive and significant (0.048, $p < 0.048$).

Table 2. Propensity-score and nearest-neighbor matching for first generation characteristics related to the strategic orientation

Variables	Propensity Score Matching			Nearest-Neighbor Matching	
	Difference Mean	Std. Dev.	t-stat	Difference Mean	p-value
DEFENDER	0.083	0.048	1.72*	0.129	0.032
EXPLORER	-0.118	0.036	-3.27***	-0.147	0.000
ANALYZER	0.028	0.048	0.58	-0.020	0.750
REACTOR	0.006	0.029	0.22	0.038	0.334
INTANGIBLE ASSETS	-0.353	0.117	-3.01****	-0.430	0.000
CEO's PROFESSIONALIZATION	-0.081	0.045	-1.76*	-0.080	0.003
BOARD	-0.092	0.047	-1.97**	-0.038	0.208
PROTOCOL	-0.113	0.047	-2.39***	-0.000	0.999
CON	0.049	0.023	2.14**	0.046	0.048

Notes: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

Next, for an alternative test of hypothesis 4, we proceed as follows. The results for Equation [1] are shown in Table 3.

Table 3. Estimation results Equation [1]

Explanatory Variables	Model I	Model II
GEN	-0.290* (0.158)	-0.316* (0.175)
TANG	0.635* (0.325)	-0.082 (0.088)
SIZE	-0.321*** (0.081)	-0.077*** (0.019)
PROF	0.260 (0.203)	-0.135 (0.260)
GROWTH	-0.010 (0.012)	0.015* (0.008)
AGE	-0.003 (0.002)	-0.007*** (0.002)
Intercept	5.264*** (1.151)	2.696*** (0.481)
Dummy 2009	-0.214*** (0.048)	-0.110 (0.119)
Dummy 2010	-0.166*** (0.044)	-0.124 (0.117)
Dummy 2011	-0.174*** (0.040)	-0.184 (0.114)
Dummy 2012	-0.152*** (0.040)	-0.150 (0.112)
Dummy 2013	-0.074 (0.052)	-0.012 (0.111)
Dummy 2014	-0.070* (0.042)	0.053 (0.114)
Dummy 2015	-0.001 (0.035)	0.050 (0.113)
Dummy 2016	Omitted collinearity	Omitted collinearity
Observations	523	486
Wald chi (2)	59.60 (0.000)	182.61 (0.000)
Lambda		0.140 (0.108)

Notes: Model I is random effects panel data regression coefficients estimated from Equation [1] with robust standard errors in parentheses. Model II: Treatment effect regression coefficients estimated from Equation [1] with robust standard errors in parentheses. Superscript asterisks indicate statistical significance at 0.01(***), 0.05(**) and 0.10(*) levels.

The problem of multicollinearity in our variables was ruled out using variance inflation factor (VIF) analysis. All the values range between 1.01 and 2.13, which indicates the absence of multicollinearity (Myers, 2000). Since ours is not a maximum likelihood model, chi-square is the only appropriate goodness-of-fit measure (Miller et al., 2011). The model is statistically significant at the 0.000 level. The coefficient for the GEN variable in Model I (-0.290) has the predicted sign, lending support to the negative effect of founder-controlled FF on leverage and supporting H4. Moreover, the coefficient in Model II (-0.316) confirms our main findings when controlling for potential endogeneity of family variables as well as selection bias. The negative and significant coefficient of SIZE indicates that large companies are more likely to choose internal financing (Brealey et al., 2008).

5. Discussion and Conclusions

The transition between the first and the second generation in FF is one of the most turbulent and critical processes they will have to handle, as shown by the high rate of companies that do not survive into the second generation (Ward, 1997). In addition, transitions from the first generation to the second are the most complex as neither the predecessors nor the successors have any ex-ante knowledge or experience of (one-time) successions, involving novel management problems (Werner et al., 2021).

This study not only contributes to academic literature by conducting an integrated assessment of different strategic, structural and managerial factors that shape the profile of FF according to their generational stage, but also to business practice by revealing certain variables that may be key to managing this succession process satisfactorily, considering their associated impact or influence on financial decisions.

This study aims to advance FF literature, given the scarcity of empirical studies and lack of consistency in the findings on the impact of the controlling generation on debt. This controversy is particularly intense in the tourism sector, where, despite the fundamental role of FF and the high debt ratios, there are no specific studies addressing these issues either separately or through the integrated approach proposed in this contribution.

Moreover, the empirical evidence on the characteristics of tourism FF by controlling generation is not particularly revealing. On the one hand, in Spain, there are numerous examples of first-generation family-run tourist businesses that have found a prosperous and opportunity-filled market niche in rural hospitality, investing

their own funds. On the other hand, RIU Hotels & Resorts, founded in 1953 by the Riu family as a small tourism business in Mallorca, exemplifies how subsequent generations can transform a company into one of the largest hotel chains in Spain, with a presence in many countries. The third generation of the Riu family now runs the company, which has used debt to finance its expansion and the renovation of its properties. Leverage has helped RIU grow and remain competitive in the international resort and hotel market.

Meliá Hotels International can also serve as an example of leverage, although the hotel industry has been influenced by the shift to a franchise and management model from one based on property ownership. At the beginning of the century, Meliá's leverage was 80%. It reached a peak of 440% in 2012. In 2016, the founder's son took over as CEO, and in 2023, he succeeded his father as president. With the appointment of the new second-generation CEO, the company's deleveraging trend has reversed. Currently, the leverage ratio stands at 204%, despite the change in the business model.

To contribute to the literature, this study has adopted a multi-theoretical approach, combining traditional financial theories with stewardship theory and the SEW perspective. Our results confirm the growing complexity of the FF— in terms of strategies, asset structure, corporate governance structures, and management practices—as the ownership and the running of the business is passed down through generations. Founder-controlled firms are shown to adopt more defensive strategic positions based on cost efficiencies and invest less in intangible assets in comparison to descendant-controlled firms. Furthermore, founder-controlled FF are less professionalized, as reflected in the qualification of the CEO, and the existence of formal governance mechanisms (board of directors and family protocol). These results are also in line with studies by Mullins and Schoar (2016) and Cruz & Nordqvist (2012).

This study also analyzes the controlling generation of FF with regard to its critical impact on the financial structure (Blanco-Mazagatos et al., 2009; Blanco-Mazagatos et al., 2007; Molly et al., 2010), which is central to innovation, firms' internationalization processes, and even their survival (Michiels & Molly, 2017). Our results contribute to the literature on the effect of the founder-controlled generation—as compared to the descendant-controlled generation— on company financing decisions; a literature that to date has been largely restricted to the study of large public firms or based on cross-sectional data (Molly et al., 2010). This research overcomes

these limitations by analyzing firms of different sizes using panel data (see the distribution of our variable SIZE in Appendix - Figure A-1).

Our results show that the conservative position of founder-controlled FF is also reflected in the financial structure, consistent with the results of Clemente-Almendros et al. (2021). Specifically, founder-controlled FF have lower leverage capacity. This lower leverage capacity is also shown to be associated with a more conservative financial positioning, as the debt-to-cost ratio for such firms was remarkably low over two consecutive years, which could mean having to forego profitable investments, leading to a problem of underinvestment (Sánchez-Vidal & Martín-Ugedo, 2006). An attitude of regarding the firm as a personal fiefdom would tempt founders to act without involving their staff, which could jeopardize the growth and continuity of the firm or lead to strategic stagnation (Hatak et al., 2015), obstruct innovation output (Durán et al., 2016), and may even threaten positive family-influenced resources, that is, familiness (Chirico et al., 2012). Since higher capital intensity tends to be a feature of the tourist industry, indebtedness decisions are quite a sensitive issue for the competitiveness of these firms (Singal, 2015). Furthermore, the generations in control of FF differ in terms of strategic approaches (Clemente-Almendros et al., 2021).

As the firm passes down through subsequent generations, socioemotional issues become less relevant. Later generations make economic considerations increasingly central to their decision-making processes (Clemente-Almendros et al., 2021). Descendant-controlled firms can bring in complementary ideas and experiences (Chirico et al., 2011; Kellermanns et al., 2008), a broad network of partners (Zahra et al., 2007), greater knowledge of the business and its environment (Durán et al., 2016), and different management styles, strategies and objectives (Nieto et al., 2015), thus overcoming some of the less advantageous effects of the family ownership structure (Miller & LeBreton-Miller, 2006).

6. Practical Implications

Our findings underscore the importance of considering both family dynamics and SEW when making funding decisions for family businesses investments. For instance, if venture capital firms factor in these considerations when presenting themselves as an alternative funding source for FF, the founding family is more likely to lose voting control of the company (Chemmanur et al., 2021).

The conservative financial positioning of founder-controlled firms, characterized by lower leverage

capacity, poses a risk of underinvestment. These firms should consider more balanced financial strategies that enable them to capitalize on growth opportunities without jeopardizing their financial stability. One way would be to encourage investment in tangible assets, since they can improve both the firm's debt capacity and its competitive position (Camisón et al., 2022). However, since capital intensity is high in the tourism industry, this investment should be accompanied by flexible management practices that allow firms to adapt to changing market dynamics. This might involve revisiting asset management strategies to ensure they are agile enough to respond to market demands without compromising financial health. In this vein, investing in human capital is also essential for fostering a culture of innovation and adaptability, driving the firm's long-term success (Glowka & Zehrer, 2019).

Therefore, first-generation managers and founders should consider adopting new practices and opening their defensive attitudes to deploying resources. The introduction of external and mixed chains in their various forms (Singal, 2015) could also mitigate some of the exigencies and risks faced by tourism firms due to high capital intensity.

Overall, FF should see the business transfer over generations as an opportunity for growth strategies and innovation, not a liability or a negative event (Hauck & Prügl, 2015; Carney, 2005). Managers should take advantage of the opportunities for value creation and transformation that arise during the transition from one generation to the next (Claver et al., 2009). The practical implications derived from this study provide a roadmap for FF to navigate this complex but potentially rewarding landscape.

7. Limitations and Future Research

This study has several limitations, which point to future lines of research. First, this study offers valuable insights into the strategic positioning and structural characteristics of founder-controlled family firms (FFs) compared to descendant-controlled FFs. While these findings provide a strong foundation, future research could build upon them to explore in greater detail the best practices associated with each generation of ownership or the specific stages in a firm's lifecycle, further enriching our understanding of these dynamics. Second, as the sample was limited to the Spanish tourism sector, and despite the strategic role of this industry in Spain, future studies should consider other regions and industries to help ensure the robustness to the results obtained. Additionally, comparing various

sectors and regions may reveal unique challenges and opportunities that could further refine the understanding of the impacts observed.

Third, further analysis is required on how psychological characteristics, competences and behavior evolve over generations (Molly et al., 2010). In this line, future studies should analyze whether the endowment of these capacities, or the introduction of certain quality-related practices, have a moderating effect on the relationship between the dominant generation and its debt capacity.

Finally, further research could explore how the controlling generation of FFs interacts with ownership structures such as chains, franchising, leasing, contracting, and revenue management, as these strategies offer different approaches for FFs to address the challenges and risks associated with high capital intensity (Singal, 2015).

Author contribution statement

The authors contributed equally to the work.

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Data availability statement

The data that support the findings of this study are available from the corresponding author, S. Camisón-Haba, upon reasonable request.

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Appendix

Table A1. Tourism sub-sectors

	Companies	Family Firms
Accommodation	197	141
Catering	140	106
Intermediaries	95	60
Transport	29	25
Complementary offer	82	46
TOTAL	543	378

Table A2. Variables description

Variable	Question	Calculation	Sign
GEN	If we consider the founder as the first generation, which generation is currently the dominant or most powerful?	Dummy variable, taking a value of 1 if it is the first generation (Founder-controlled firm) and 0 otherwise (Descendant-controlled firm)	
DEFENDER	Which of the following descriptions most closely matches your organization compared to other firms in the industry? Please consider your company as a whole and note that none of the types below are inherently good or bad. This organization tries to do the best job possible. It pursues efficiency and low costs. The organization tends to offer a narrower range of services than its competitors.		+
EXPLORER	Which of the following descriptions most closely matches your organization compared to other firms in the industry? Please consider your company as a whole and note that none of the types below are inherently good or bad. The organization's values are to "be the first" in new products and markets even if it is not certain that these innovations will be profitable	We use Miles and Snow's (1978) typology. We define four dummy variables that take a value of 1 if the company adopts a specific strategy: DEFENDER, EXPLORER, ANALYZER, and REACTOR.	-
ANALYZER	Which of the following descriptions most closely matches your organization compared to other firms in the industry? Please consider your company as a whole and note that none of the types below are inherently good or bad. This type of organization attempts to maintain a stable and limited line of products or services, while at the same time betting on some innovative developments		
REACTOR	Which of the following descriptions most closely matches your organization compared to other firms in the industry? Please consider your company as a whole and note that none of the types below are inherently good or bad. This type of organization does not have a clearly defined competitive strategy.		

Variable	Question	Calculation	Sign
INTANGIBLE ASSETS	Indicate the names of the brands that your company has (THE 5 MOST IMPORTANT):	We count the number of brands the firm has (Vomberg et al., 2015).	-
SHAREHOLDERS_1	Can you tell me how many family shareholders the company currently has?	We employ three different dummy variables that take the value of 1 if the number of shareholders is 1, between 2 and 5, and more than 5	+
SHAREHOLDERS_2		(SHAREHOLDERS_1, SHAREHOLDERS_2, and SHAREHOLDERS_3, respectively).	-
SHAREHOLDERS_3			-
CEO's PROFESSIONALIZATION	Indicate the educational background of the most senior manager in your company	Dummy variable that takes the value of 1 if the top manager has a degree or master's in tourism, and 0 otherwise.	-
BOARD	Is there a board of directors?	Dummy variable that takes the value of 1 if the family firm has a board and 0 otherwise.	-
PROTOCOL	Indicate which of the following instruments are used for the management of the company	Dummy variable that takes the value of 1 if the family firm has a protocol and 0 otherwise.	-
HUMAN	Indicate the extent to which your company has used the following management practices in the last 3 years (scale 1 to 7).	Dummy variable (HUMAN) that takes the value of 1 if the company is above the sample median regarding these practices and 0 otherwise.	-
RISK		$Z\text{-Altman} - RISK = (3.3 * EBIT + SALES + 1.4 * (NET INCOME - DIVIDENDS) + 1.2 * (CURRENT ASSETS - CURRENT LIABILITIES)) / TOTAL ASSETS$	
SIZE		$\text{Log} (TOTAL ASSETS)$	
GROWTH		$(SALES - SALES2008) / SALES2008$	
CONTROL	Indicate which of the following instruments are used for the management of the company	Control mechanisms of the family firm	
CONCENTRATION	Can you estimate the % of capital stock held by the first shareholder?	Percentage of equity held by the first shareholder.	
LEV		Ratio of long-term plus short-term debt to total assets (Miller et al., 2007; Molly et al., 2010).	-
TANG		The ratio of tangible assets (net fixed assets) to total assets	
AGE		Number of years since the creation of the firm	
PROF		Earnings before interest and taxes (EBIT) divided by total assets	
CON		Dummy variable which takes the value 1 if the company is considered conservative for a specific year. To be labeled as conservative, the company must be within the lowest quartile of the companies in terms of indebtedness levels for that year and the previous one (Sánchez-Vidal & Martín-Ugedo, 2006).	+

Figure A1. Size variable distribution