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Special issue. Strategic and Organizational Change. Research papers: Guest editor: Katiuska Cabrera Suárez, Santiago Lago-Peñas, Elena Rivo-López

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CONTENTS

Special Issue - Strategic and Organizational Change

Guest editors: Katiuska Cabrera Suárez - University of Las Palmas, Elena Rivo-López University of Vigo, Santiago Lago-Peñas - University of Vigo

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Nowadays, family businesses, the predominant form of business worldwide, face an increasingly changing environment boosted by megatrends such as globalization, digitalization, artificial intelligence, climate change and sustainability. Along with this, are factors that play at a firm level such as stricter rules concerning transparency and compliance or the increasing importance of Corporate Social Responsibility (CSR). Therefore, new strategies and organizational changes are necessary to allow for greater adaptation to the new context. This special issue provides insights on these questions from a variety of perspectives.

The work of Hernández-Linares and López-Fernández expands the current thinking on this process of adaptation by exploring the combined effects of three strategic orientations (entrepreneurial, learning, and market orientations) on the family firm´s performance. The authors provide interesting contributions in terms of highlighting the importance of strategic orientations for value creation in enterprise organizations. They also provide empirical evidence that the family character of the firm determines the relationship between strategic orientations and business performance, and offer some results on the effect of market orientation on firm performance in family firms versus non-family firms.

Those differences in strategies are further analysed within the setting of the business dimension in which financial and economic decisions are made. The contribution by Terrón-Ibáñez, Gómez-Miranda and Rodríguez-Ariza, discusses the influence of that dimension in their performance, comparing family and non-family firms. This interesting analysis of financial performance provides useful results. The study shows that, unlike non-family firms, there is an inverted U-shaped relationship between the size of family SMEs and the value of certain economic–financial indicators, such as the return on assets, operating margin and employee productivity. This means that although the increase in the dimension of the family organizations is positively related to its performance, there are limits from which the value of certain economic–financial indicators can be negatively affected.

The next paper contributes to the discussion of the family business's role in the private health sector. Reyes-Santías, Rivo-López and Villanueva-Villar, set out to identify the historical evolution of the family business in this sector, attempting to determine the variation and its contribution to the private health sector during the 1995-2010 period. The findings of this discussion provide family firms with an almost 60% survival level in this sector. Along with this, the authors provide some guidelines for future research concerning this higher degree of survival, why family firms are leading the concentration process taking place in the sector, as well as their strategies for super-specialization in the services offered especially by family businesses in healthcare.

The effect of family ownership and the characteristics of the board of directors on the implementation level of Enterprise Risk Management is an important topic. The article by Otero-González, Rodríguez-Gil, Durán-Santomil and Tamayo-Herrera certainly adds to the discussion. In particular, their research shows that family businesses are less interested in implementing ERM, except when shareholders have greater control of the company and when professional investors are present in the company. Besides, the importance of a board of directors' characteristics of in terms of risk taking is confirmed by observing that larger boards encourage risk managers to be hired.

The paper by Lorenzo-Gómez looks at the barriers to change that are specific to the characteristics of family business, considering both the barriers that affect the perception of the need to undertake changes and the availability of resources to face those changes, and the barriers to implementing these changes within already consolidated organizations, where new routines are created to replace the existing ones. The findings suggest that the factors affecting these barriers include the generation at the head of the family business; the influence of interest groups, particularly in terms of the duality between the company and the family; and the participation level of professionals from outside the family.

The final contribution by Aragon-Amonarriz and Iturrioz-Landart offers an interesting discussion on how family-responsible ownership practices enhance social responsibility in small and medium family firms. Their results reveal the positive relationships between the elements of family-responsible ownership in terms of succession management, financial resource allocation, professionalism and social responsibility, and ultimately with the socially responsible behaviour of family SMEs.

The challenges surrounding family business owners and the nuances around strategic and organizational decision making are together an area ripe for future research. The editors look forward to seeing future developments on these topics that pay special attention to the influence of family characteristics and dynamics on the strategic and organizational change of family firms, and that draw on both quantitative and qualitative research methodologies for the wider development of the field.

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Entrepreneurial orientation, learning orientation, market orientation, and organizational performance: Family firms versus non-family firms

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Abstract Firms develop and use multiple strategic orientations. However, few studies have considered more than one strategic orientation, and such studies have paid limited attention to the singular context of family firms, despite the growing evidence of these firms' special strategic behavior. To address these research gaps, we analyze the combined effects of three strategic orientations (entrepreneurial orientation, learning orientation, and market orientation) on family firms' performance by comparing family firms and non-family firms from Spain and Portugal. Our results show differences in the strategic behavior of family firms, but we do not find differences in performance, corroborating the idea of strategic equifinality.

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Orientación estratégica, orientación emprendedora, orientación al aprendizaje, orientación al mercado, performance, empresa familiar

Orientación emprendedora, orientación al aprendizaje, orientación al mercado y performance: empresas familiares versus empresas no familiares

Resumen Las empresas desarrollan y utilizan múltiples orientaciones estratégicas. Sin embargo, pocos estudios han considerado más de una orientación estratégica y los existentes han prestado escasas atención las empresas familiares, a pesar de la creciente evidencia del comportamiento estratégico diferencial de estas empresas. Para cubrir este gap en la investigación, analizamos los efectos combinados de tres orientaciones estratégicas (orientación emprendedora, orientación al aprendizaje y orientación al mercado) en la performace de las empresas familiares comparando empresas familiares y no familiares de España y Portugal. Nuestros resultados muestran diferencias en el comportamiento estratégico de las empresas familiares, pero no encontramos diferencias en el desempeño, lo que corrobora la idea de la equifinalidad estratégica.

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Introduction

The relationship between different strategic orientations and performance has been a subject of strong research interest. Most studies have investigated the direct linkage between firm performance and a specific strategic orientation, mainly market orientation (MO) (e.g., Kohli, Jaworski, & Kumar, 1993; Morgan, Vorhies, & Mason, 2009), entrepreneurial orientation (EO) (e.g., Keh, Nguyen, & Ng, 2007; Wiklund & Shepherd, 2003), and learning orientation (LO) (e.g., Calantone, Cavusgil, & Zhao, 2002; Lam, Lee, Ooi, & Lim, 2011). This perspective remains incomplete and problematic as organizations may employ multiple strategic orientations (Cadogan, 2012; Lonial & Carter, 2015; Wang, 2008). Consequently the potential of each orientation should not be viewed in isolation (e.g., Lonial & Carter, 2015). However the joint potential of different orientations has received only fragmented attention from scholars, representing a research gap that should be covered in the literature (Deutscher, Zapkau, Schwens, Baum, & Kabst, 2016; Hakala, 2011). In addition, this scant research has largely ignored the singular context of family firms, despite its worldwide predominance (Sharma, Chrisman, & Gersick, 2012) and its uniqueness in terms of strategic behavior (Carney, van Essen, Gedajlovic, & Heugens, 2015). Therefore, an important gap remains in our understanding of how family control affects strategic behavior and how the strategic behavior affects performance (Carney et al., 2015). The study of strategic orientations in the family firm literature is limited to an emerging body of literature focusing on EO (Hernández-Linares & López-Fernández, 2018), a handful of papers studying MO (e.g., Newman, Prajogo, & Atherton, 2016; Tokarczyk, Hansen, Green, & Down, 2007; Zachary, McKenny, Short, & Payne, 2011), and only one work researching LO (Hernández-Linares, Kellermanns, & López-Fernández, 2018a). However, none of the extant works have researched the combined influence of these three orientations on family firm performance.

To contribute to filling these research gaps, this study pursues a twofold objective: First, to analyze the combined effects of three strategic orientations (EO, LO, and MO) on family firm performance. Second, to compare the combined effects of these three orientations on the organizational performance of both family and non-family firms to determine whether the idea of strategic equifinality — proposed by Carney et al. (2015) and defined by them as the achievement of similar performance outcomes by following significantly different strategies — may be also applied when these three strategic orientations (EO, LO, and MO) are considered. To perform the empirical work, we use a unique database consisting of responses from top executives from a sample of 1,066 small- and medium-enterprises (SMEs) from Portugal and Spain.

We contribute to both the strategy and family business literature in at least three ways. First, this is the first work that comprehensively studies the relationships between these three strategic orientations and organizational performance by comparing family and non-family firms. This broadens our limited knowledge about the relationships between different strategic orientations (Deutscher et al., 2016; Hakala, 2011) by corroborating the influence of the family firm status that had been reported by Hernández-Linares et al. (2018a). Second, our results confirm both the different strategic behavior of family firms and the lack of consequences on performance outcomes, adding empirical evidence to the strategic equifinality idea (Carney et al., 2015). Third, we contribute to the scant literature on LO and MO in family firms by, for the first time, employing performance as the dependent variable in empirical research carried out with private firms. These results will allow family firms to focus their efforts on those strategic orientations that contribute more to their organizational success.

In the sections that follow, we first present the theoretical framework and the research hypotheses. Then, we describe the methodology. Finally, we discuss the results, we discuss the results and implications, and we propose future research lines.

Theoretical Framework

As a way to operationalize the strategy of the firm, the concept of strategic orientation has been identified as a key term within management literature and has attracted widespread attention from management, marketing, and entrepreneurship scholars (Hakala, 2011). Despite there being no definitive view of the conceptualization and nature of strategic orientations, EO, LO, and MO are the more consolidated constructs in the literature (Deutscher et al., 2016; Hakala, 2011). Hakala (2011) explored the different approaches followed by management literature to study the interactions between different strategic orientations, and he identified three approaches: sequential and alternative approaches, which only consider a strategic orientation at a time and a complementary approach, which considers that organizations may have several orientations simultaneously and views orientations as flexible constructs that are combined into universally beneficial or contingency-related patterns. In this paper, we follow this third approach by analyzing the parallel direct effects of these three strategic orientations on family firm performance.

The promise of the EO concept lies in its ability to further our understanding of the entrepreneurial activities pursued by organizations (Covin & Wales, 2012). The literature reflects a significant interest in examining how EO affects organizational performance (Rauch, Wiklund, Lumpkin, & Frese, 2009). Although some studies have found this impact to be negative (e.g., Matsuno, Mentzer, & Özsomer, 2002; Slevin & Covin, 1990), the larger body of evidence argues that firms adopting a more entrepreneurial strategic orientation have the ability to pursue new market opportunities to respond to the changing environment, to gain greater competitive advantage ahead of other competitors, and hence, to achieve superior performance, with EO being a key ingredient for the organizational success (e.g., Wiklund, 1999; Zahra & Covin, 1995).
However, the presence of the family as the dominant coalition of the firm is expected to affect goal-setting in family firms (Chrisman et al., 2012; Kotlar & De Massis, 2013) with family-oriented goals (both economic and non-economic) playing a relevant role. Despite the limited literature related to EO, family firm performance and family oriented goals (Hernández-Linares & López-Fernández, 2018), there is some evidence to suggest that EO is conducive to both economic and non-economic goals (Irava & Moores, 2010; Revilla, Pérez-Luño, & Nieto, 2015). Similarly, the long-term orientation of family firms is at the root of their ability to succeed and survive despite their lower level of EO (Lumpkin, Brigham, & Moss, 2010; Miller, Steier, & Le Breton-Miller, 2016).
The scant empirical investigations focusing on the EO-performance within family firms present contradictory findings. Some scholars find either that EO has no significant effect on family firm performance (Madison, Runyan, & Swinney, 2014), or that risk-taking (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007) and innovativeness (Hernández-Linares, Kellermanns, López-Fernández, & Sarkar, 2019), two dimensions of EO, are negatively related to performance. However, other scholars find a positive impact of EO on family firm performance (Chien, 2014; Lee & Chu, 2017; Schepers, Voordeckers, Steijvers, & Laveren, 2014). In line with this last group of researchers, and following the theoretical arguments that point toward a positive effect of EO in family firm performance, we hypothesize the following:

Hypothesis 1. Entrepreneurial orientation is positively associated with family performance.

Research on LO is extensive and seems to confirm that firms that learn from their successes and mistakes through experience tend to be more successful (Hult, Nichols, Giunipero, & Hurley, 2000; Kropp, Lindsay, & Shoham, 2006; Zahra, Ireland, & Hitt, 2000). Thus, though some studies do not find a significant relationship between LO and market performance (Lam et al., 2011) and others reveal that LO has no direct effect on firm performance (Lin, Peng, & Kao, 2008), the research generally reports that LO facilitates the generation of resources and skills essential for enhancing business performance through its influence on competitive advantage (e.g., Baker & Sinkula, 1999; Calantone et al., 2002; Farrell, Ockowski, & Kharabsheh, 2008; Kropp et al., 2006; Mavondo, Chimhanzi, & Stewart, 2005; Real, Roldán, & Leal, 2014).
"The only thing that gives an organisation a competitive edge - the only thing that is sustainable - is what it knows, how it uses what it knows, and how fast it can know something new" (Prusak, 1996, p. 6). Despite this, and despite the importance of knowledge as a source of competitive advantage in family business (Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001), the relationship between LO and family firm performance remains as a research gap. However, the literature informs us that learning allows organizations to generate new knowledge for building new skills and capabilities that could lead to competitive advantage (Chirico, 2008; Zahra, 2012; Zahra, Neubaum, & Larrañeta, 2007), and "allows tasks to be performed more effectively" (Teece, 2014, p. 333). Taking these arguments into consideration, and also considering that family firms communicate and exchange information more efficiently that do their non-family counterparts (Habbershon & Williams, 1999) and that the family business status impacts the translation of LO in EO (Hernández-Linares et al., 2018a), which has been mostly linked to performance (Rauch et al., 2009), we formally hypothesize:

Hypothesis 2. Learning orientation is positively associated with family firm performance.

Bearing in mind that the MO requires the commitment of resources, this orientation is useful only if the benefits it affords exceed the cost of those resources (Kohli & Jaworski, 1990). For this reason, the relationship between MO and business performance constitutes a critical question for the literature. Some researchers have reported either non-significant or negative effects for this association (e.g., Bhuian, 1997; Greenley, 1995; Grewal & Tansuhaj, 2001). However, in general, there is strong support for the existence of a positive relationship between these two variables (e.g., Baker & Sinkula, 2009; Desphandé, Farley, & Webster, 1993; Farrell et al., 2008; Jaworski & Kohli, 1993; Kumar, Jones, Venkatesan, & Leone, 2011; Narver & Slater, 1990), as was confirmed by the meta-analysis performed by Kirca and colleagues (2005). These studies seem to corroborate that MO is vital to an organization in that it helps to assess the constraints and opportunities created by the environment (Kumar et al., 2011) and support the widely held marketing notion that the attainment of business goals is achieved by satisfying the needs of customers more efficiently and effectively than can competitors (Rodríguez, Carrillat, & Jaramillo, 2004).

MO is influenced by an organization's characteristics (Kirca, Jayachandran, & Bearden, 2005; Matsuno et al., 2002). However, and despite strategic singularities of family businesses (Carney et al., 2015), the literature on MO and family firms is extremely limited. Among these scarce studies, and as a result of their case study with eight family firms, Tokarczyk and colleagues (2007) inform that familiness "by virtue of multiple inherent distinct qualities and resources is positively associated with creation of an environment that promotes a market-oriented culture" (p. 30) and that this culture does play a positive and significant role in the overall long-term financial success of businesses. In similar fashion, in the only quantitative study linking family firms' performance to MO, Zachary et al. (2011) point that there is a positive relationship between MO and family firm performance. Based on the above arguments, we propose the following hypothesis:

Hypothesis 3. Market orientation is positively associated with family firm performance.

As a second step in our paper, we compare the combined effects of EO, LO, and MO on the organizational performance of family and non-family firms to try to shed light on the influence of the family control on the strategic behavior and on how the strategic behavior of family firms affects their performance.

Research is consistent in showing that the strength of the relationships between strategic orientations and firm performance depends on various contingencies, such as the characteristics of organizations (e.g., Kirca et al., 2005; Matsuno et al., 2002). Family businesses are unique regarding their organizational characteristics, because they are governed by a particular set of norms, cultures, and processes not present in non-family enterprises that reflect how they manage and deploy their resources (Eddleston, Kellermanns, & Sarathy, 2008; Kellermanns, Eddleston, Sarathy, & Murphy, 2012).

Much of the research assessing the effect of the family character of firms on their performance relies on the premise that family firms differ from other types of firms and that these differences matter for their performance (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012). In the case of EO, evidence consistently suggests a lower level of EO among family firms (Hernández-Linares & López-Fernández, 2018). MO has also been found to be lower among family firms (Zachary et al., 2011), whereas the level of LO among family firms remains as a research gap. These results point toward a different configuration of strategic orientations among family firms. This situation is similar to either the lower level of R&D investment or the lower international diversification (Carney et al., 2015) found previously.

However, these differences do not necessarily mean that family businesses have worse results. In the case of EO, the only strategic orientation with adequate literature, the lower level of EO in family firms does not impede their success (Miller et al., 2016), and there is no consistent evidence of worse results among family firms (Hernández-Linares & López Fernández, 2018). Besides, two recent meta-analyses inform us that there is not empirical evidence of a significant effect of family control on firm performance for family firms (Carney et al., 2015; O'Boyle, Pollack, & Rutherford, 2012). Specifically, Carney and colleagues (2015) confirm that, despite the differences in the strategic behavior of private family firms, they did not find significant differences in the performance of family and non-family firms. The overall lack of significant differences in the performance of family and non-family firms points toward the existence of compensatory agency benefits or competitive advantages in family firms that allow them to overcome their performance deficiencies (Carney et al., 2015; Gedajlovic & Carney, 2010). This seems to mean that strategic equifinality is also a reality among family firms and there is no "one best way" of making decisions: equifinality being defined as the state of achieving a particular outcome through various paths or configurations (Carney et al., 2015; Gresov & Drazin, 1997; Payne, 2006). In line with these meta-analyses, we think that the associations between the three strategic orientations outlined above (EO, LO, and MO) and firm performance will lead to similar performance of both types of companies. This suggests the following hypothesis:

Hypothesis 4. The combined effect of EO, LO, and MO on firm performance will be similar for family firms and for non-family firms.

Method

Research design and data collection

The data for this study, which is part of a wider research project (e.g., Hernández-Linares et al., 2018a, 2019; Stanley et al., 2019), were collected using a survey instrument, which is consistent with previous studies (e.g., Barros, Hernangómez, & Martín-Cruz, 2017). We employed cross-sectional designs, which are common in this field (e.g., Casillas, Moreno, & Barbero, 2011) and we conducted the study during the first half of 2015, when the Iberian Peninsula was experiencing an important economic crisis.

Similar to prior research, we define SMEs as non-listed private companies with 10–249 employees (e.g., Naldi et al., 2007). Our target firms came from the *SABI* database (*Sistema de Análisis de Balances Ibéricos-System of Iberian Balance Sheets*), which includes information on 1,366,768 Spanish and 536,014 Portuguese societies (March, 2015) and has been used earlier in family firm investigations (e.g., Galego, Mira, & Vidigal da Silva, 2018). Overall, the population of this study consisted of 127,174 SMEs across all sectors.

Our questionnaire was first developed in English, then translated into Spanish and Portuguese, and then translated back into English to check for consistency. Both versions were pre-tested in the respective countries. Given that we focus on strategic issues, we relied on the CEOs or top managers as key informants, as they receive information from a wide range of departments and, therefore, are a very valuable source for evaluating the different variables of the company. Personalized invitations to complete an online, telephone, and paper survey were sent, including an offer to share summary reports as an incentive. In total, of the 27,176 companies randomly selected from the database, 1,484 surveys were completed, yielding an initial response rate of 5.46%. After excluding those surveys that were not completed by either the CEO or some top manager, 1,066 surveys were usable (509 from Spanish firms and 557 from Portuguese firms), resulting in a final response rate of 3.92%, which is comparable to similar studies involving top management teams in Europe (e.g., Mazzola, Sciascia, & Kellermanns, 2013). The sampling error was 2.99% using 95% confidence limits (z = 1.96; p = q = 0.5).

Among the large number of criteria for delimitating the family business concept that the literature offers (Hernández-Linares, Sarkar, & Cobo, 2018b; Hernández-Linares, Sarkar, & López-Fernández, 2017), we used an objective criterion (ownership) and another subjective criterion (self-definition), similar to Casillas, Moreno, and Barbero (2010). Thus, we classified as family businesses all those where the family had, at least, 50% of the ownership and that were perceived as family firms by their top managers. According to these criteria, we considered 609 SMEs (57.13%) to be family businesses, and 457 (42.87%) to be non-family businesses. The main characteristics of the sample are presented in Table 1.

Measures

All constructs were measured using Likert-type scales with a five-point response format, ranging from “strongly disagree” to “strongly agree,” unless otherwise noted. The internal consistency was estimated using Cronbach’s alpha. In our study, Cronbach’s alpha values for all measures were well above 0.80, surpassing the threshold point of 0.7 (Nunnally, 1978).

Dependent variable. We used perceptual performance judgments to assess family business performance because subjective measures of performance yield more holistic evaluations and capture more than does a single performance element (Rodríguez et al., 2004); and a strong correlation exists between objective and subjective performance measures (Dess & Robinson, 1984). Considering performance to be an inherently multidimensional construct (Cameron, 1978), we employed the five-item scale from Hernández-Linares et al. (2019). Five-point responses ranged from “much worse” to “much better,” and the Cronbach’s alpha of the scale was 0.834.

Independent variables. *EO* (Cronbach’s alpha =

Table 1. Characteristics of the sample: family firms versus non-family firms

		Family Firms	Non-family Firms
Percentage of firms by country	**Spain**	58.3%	41.7%
	Portugal	56%	44%
Sector distribution	**Primary sector**	2.6%	2.2%
	Manufacturing sector	28.9%	25.8%
	Construction sector	9.7%	7.7%
	Service sector	58.8%	64.3%
Mean (standard deviation) firm size (employees)		33.94 (35.07)	37.74 (38.39)
Mean (standard deviation) firm age		24.70 (14.38)	20.829 (14.03)
Mean (standard deviation) strategic planning		0.62 (0.49)	0.72 (0.45)
Mean environmental dynamism		3.6267 (0.91)	3.6878 (0.90)

0.876) was considered as a linear sum of dimensions, akin to Miller (1983) and Covin and Slevin (1989), but including both their three original dimensions (risk-taking, innovativeness, and proactiveness) and competitive aggressiveness and autonomy (Lumpkin & Dess, 1996). For this operationalization, EO was measured using the eighteen-item scale of Hughes and Morgan (2007), recently applied in the family business field (e.g., Stanley et al., 2019).

LO (Cronbach's alpha = 0.866) was measured by adapting the accepted eleven-item scale of Sinkula, Baker, and Noordewier (1997), which has been retested and validated by various scholars (e.g., Real et al., 2014).

MO (Cronbach's alpha = 0.839) was assessed by using the MORTN scale of Desphandé and Farley (1998), which includes ten items originally developed by three separate scales (Desphandé, Farley, & Webster, 1993; Kohli et al., 1993; Narver & Slater, 1990). Desphandé and Farley (1998) retested these three scales and synthesized them into a new and more parsimonious scale.

Control variables. We first controlled for the influence of national context on the strategic behavior of firms because, although a certain degree of homogeneity exists within the Iberian Peninsula, we cannot discount for either some cultural specificities or unobserved heterogeneity among countries that may influence the development of firms' strategic orientations (Hofstede, 2001). Spain was coded as 0 and Portugal as 1. As larger firms might have more slack resources and easier access to external resources (Zahra, Hayton, & Salvato, 2004), we then controlled for firm size by using number of employees, whose log (ln) was taken to minimize kurtosis (Kraiczy, Hack, & Kellermanns, 2014). We also controlled for industry type because businesses in different industries may exhibit different organizational and environmental characteristics, which, in turn, might influence their performance (Wiklund & Sepherd, 2005). Following NACE coding (statistical classification of economic activities in the European Community), we introduced three dummy variables (manufacturing, construction, and services), with the primary sector employed as the default. Sixth, we controlled for firm age by calculating the number of years that the firm had been operating (2015 - constitution year of business), similar to previous studies (e.g., Zahra, 2012). Seventh, we controlled for the existence of strategic planning (Eddleston et al., 2008) by asking if the firm had a strategic plan that included both business goals and the resources and capabilities required to achieve them, with a dichotomous response format. Finally, we controlled for environmental dynamism (Cronbach's alpha = 0.808), which refers to the frequency of changes, the difference involved in each change, and the irregularity in the overall pattern of change characterizing organizational environment (Child, 1972), using a three-item index taken from Jansen, Van den Bosch, and Volberda (2005).

Statistical analysis

The analysis of data retrieved through surveys has been performed in two steps. First, we performed a multiple regression analysis by distinguishing family and non-family firms. Second, we applied the Chow test, which aims to test the equality of sets of coefficients in two regressions (Chow, 1960; Toyoda, 1974) and has been used previously in the family business area (e.g., Zahra et al., 2004).

Results and Discussion

The means, standard deviations, and zero-order correlations are shown in Table 2. All correlation coefficients are smaller than 0.62 and, hence, smaller than the recommended threshold of 0.65 (Tabachnick & Fidell, 2012), except for the correlation between EO and LO; their variance inflation factors were 2.315 and 2.043, respectively, and, thus, under the suggested threshold (Hair, Anderson, Tatham, & Black, 1998). Therefore, multicollinearity does not appear to be a serious concern.

Hypotheses 1 to 3 were tested using multiple regression analysis. Results appear in Table 3, where Models A1 and A2 refer to the group of family firms. When performance was regressed on the control variables (Model A1), the results were significant, the model explained 8.5 percent of the variance ($p < 0.001$), and five of the eight control variables were significantly related to organizational performance. These were country ($b = -0.121$, $p < 0.05$), size ($b = 0.092$, $p < 0.05$), firm age ($b = -0.006$, $p < 0.01$), strategic planning ($b = 0.253$, $p < 0.001$), and environmental dynamism ($b = 0.085$, $p < 0.01$).

With regards to the impact of strategic orientations on organizational performance (Hypotheses 1 through 3), we entered the EO, LO, and MO constructs in Model A2. A significant change in R^2 was observed in Model A2 ($\Delta R^2 = 0.151$, $p < 0.001$). Hypothesis 1 proposed that higher EO would promote higher organizational performance for family firms. According to Model A2, EO showed a significant positive effect on family firm performance ($b = 0.449$, $p < 0.001$), supporting Hypothesis 1 and confirming the findings of previous studies (e.g., Chien, 2014; Schepers et al., 2014).

With respect to the influence of LO on organizational performance, Hypothesis 2 proposed that this influence would be positive for family firms.

Table 2. Descriptive statistics and correlations

		Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11
1	Performance	3.486	0.673											
2	Entrepreneurial orientation	3.822	0.539	0.442***										
3	Learning orientation	3.967	0.555	0.322***	0.675***									
4	Market orientation	3.999	0.609	0.328***	0.519***	0.619***								
5	Country	0.522	0.500	-0.032***	0.090**	0.030	-0.042							
6	Firm size[Y]	3.217	0.783	0.088**	0.005	-0.056*	0.079**	0.004						
7	Manufacturing sector	0.276	0.447	-0.017*	-0.048	-0.058*	-0.051*	0.111***	0.130***					
8	Construction sector	0.088	0.284	-0.071*	-0.050	-0.036	-0.022	-0.021	-0.029	-0.192***				
9	Services sector	0.612	0.488	0.060*	0.082**	0.082**	0.093**	-0.087**	-0.098**	-0.774***	-0.390***			
10	Firm age	23.060	14.402	-0.086**	-0.058*	-0.064*	-0.024	0.071*	0.233***	0.160***	-0.020	-0.111***		
11	Strategic planning	0.66	0.473	0.220***	0.222***	0.152***	0.176***	0.213***	0.163***	0.020	-0.078**	0.028	-0.022	
12	Environmental dynamism	3.653	0.909	0.169***	0.394***	0.358***	0.273***	0.041	0.007	-0.077**	-0.039	0.118***	-0.013	0.084**

n= 1066: [Y] logarithm of the number of employees * p < 0.05; ** p < 0.01; *** p < 0.001

This hypothesis was not supported (b = - 0.041, *n.s.*). The fact that the association between LO and (family and non-family) firm performance was not statistically significant is in line with prior research on service organizations (Lam et al., 2011) and stresses the need to analyze the relationships among strategic orientations (Deutscher et al., 2016), given the empirical evidences that LO may boost (for instance) EO (Hernández-Linares et al., 2018a)

Hypothesis 3, which proposed a positive direct association between MO and performance for family firms, was supported (b = 0.163, p < 0.01). MO contributes to family business performance, which seems to indicate that family firms are capable of transforming their MO into performance. This may be explained because family firms are good both at having strong relationships with their clients and establishing long-term relationships with their stakeholders (Arregle, Hitt, Sirmon, & Very, 2007; Cabrera-Suárez, Déniz-Déniz, & Martín-Santana, 2011). This allows them to identify and satisfy the market demands with less effort and more success than can their non-family counterparts.

Hypothesis 4 was tested using the Chow test (Chow, 1960) to determine the significance of the differences across the two subgroups (family and non-family firms) in the effect of the three independent variables on organizational performance. Before calculating the Chow test, we included Models B1 and B2 that performed the same regression analysis using the non-family firms' subsample. The model B1 was significant and explained 11.2 percent of the variance (p < 0.001), and two of the eight control variables were significantly related to organizational performance. These were strategic planning (b = 0.326, p < 0.001) and environmental dynamism (b = 0.138, p < 0.01). Regarding the effect of the strategic orientations on the non-family firms' performance, Model B2 was significant (ΔR^2 = 0.141, p < 0.001), but only EO contributed to non-family firms performance (b = 0.478, p < 0.001), whereas both LO (p = 0.022, *n.s.*) and MO (p = 0.085, *n.s.*) did not contribute to non-family firms' performance. These results points toward a different strategic behavior of family and non-family firms because only EO is significant for the performance for non-family firms, whereas MO is also relevant for family firms, despite EO being the more significant strategic orientation.

Despite the strategic differences identified, the results of the Chow test show that there are no significant statistical differences between family and non-family firms in the positive effect of strategic orientations on firm performance (F= 0.6625; p > 0.05), thereby supporting Hypothesis 4. These findings are in line with the idea of strategic equifinality (Carney et al., 2015); that is, our findings imply that, even if family and non-family firms employ different combinations of EO, LO, and MO, these combinations do not have different impacts on the organizational performance of both subgroups of the population (family and non-family firms).

Table 3. Results of linear regression analysis: four models*

Variables	Models			
	Model A (FBs)		Model B (NFBs)	
	A1	A2	B1	B2
Controls:				
Country	- 0.121*	- 0.90†	- 0.90	- 0.145*
Size[1]	0.092*	0.074*	0.039	0.050
Manufacturing sector	- 0.162	- 0.110	0.300	0.114
Construction sector	- 0.287	- 0.221	0.198	0.004
Services sector	- 0.167	- 0.133	0.319	0.108
Age	- 0.006**	- 0.004**	- 0.002	- 0.003
Strategic planning	0.253***	0.111*	0.326***	0.249***
Environmental dynamism	0.085**	- 0.033	0.138***	0.014
Independent variables:				
EO		0.449***		0.478***
LO		- 0.041		0.022
MO		0.163**		0.085
ΔR^2	0.085***	0.151***	0.112***	0.141***
R^2	0.085	0.236	0.120	0.254
Adjusted R^2	0.073	0.222	0.096	0.235
F	6.952***	16.756***	7.075***	13.749***
Chow test				F = 0.662535

* logarithm of the number of employees; † p < 0.05-, p < 0.05; ** p < 0.01; *** p < 0.001

Conclusions, Practical Implications, Limitations, and Future Research Lines

Based on a sample of 1,066 Portuguese and Spanish SMEs, this work analyzes the impact of EO, LO, and MO on the organizational performance of family firms. We assumed that a firm may follow different types of strategic orientations simultaneously and that each orientation should not be viewed in isolation (e.g., Lonial & Carter, 2015). Thus, our work provides empirical evidence that EO is the strategic orientation with higher positive influence on the organizational performance of family firms (also for non-family firms), followed by MO (which does not contribute to non-family firms' performance), whereas LO does not impact on their performance.

This article confirms the need to differentiate between family firms and non-family firms when strategic orientations are analyzed and makes three contributions to the literature. *First*, our work joins the small group of investigations that apply the alternative approach (Hakala, 2011) and to the studies analyzing the parallel direct effect of strategic orientations on performance (Deutscher et al., 2016) and also highlights the importance of strategic orientations for value creation in enterprise organizations.

Moreover, to date, the literature on the interplay of EO, LO, and MO has been amiss in relation to the influence of family status on firm performance. Therefore, the *second* contribution of this study lies in providing empirical evidence that the family character of the firm determines the relationship between strategic orientations (mainly, EO, LO, and MO) and business performance. Specifically, we have found that even if MO is only significant for the performance of family firms, overall this situation does not lead to a different performance between family and non-family firms. This result confirms that the different strategic behaviors of family and non-family firms may have a similar effect on performance, which is the rationale under the strategic equifinality idea (Carney et al., 2015; Gresov & Drazin, 1997; Payne, 2006). These results add empirical evidence to the emerging chorus of scholars demanding a more fine grained analysis of the differences between family and non-family firms (Carney et al., 2015; O'Boyle et al., 2012) and may be explained, in line with Carney et al. (2015), by the greater variability that family firms exhibit with respect to their strategic preferences versus those of non-family firms (Chrisman & Patel, 2012; Gedajlovic, Lubatkin, & Schulze, 2004), which will require additional research in the future. Despite the popularity of discussions of singularities of family firms with respect to the sharing and transfer of knowledge (Chirico, 2008; Zahra et al., 2007), no prior studies have examined the relationship between LO and family firm performance. This study offers an initial effort in this regard and, when considered together with the recent works that have found a boosting role of LO on EO within family firms (Hernández-Linares et al, 2018a), suggests that the effect of LO on performance is not direct but may be mediated by EO. That lays a foundation for a more thorough examination of this complex issue in future studies. *Third*, the study offers some preliminary results on the effect of MO on firm performance in family firms versus non-family firms in the SME context, thus filling a gap in the literature. We consider that family businesses are better at promoting a stronger MO and taking advantage of it in terms of organizational performance because the "good name of the company" is often linked to the "good name of the family." Reputation constitutes a key organizational asset (Fombrun, 1996), especially in the case of family firms as they tend to establish long-term relationships with their stakeholders (Arregle et al., 2007; Cabrera-Suárez et al., 2011). The image is often linked to corporate strategy (Dyer & Whetten, 2006) and MO is probably the strategic orientation more related to the good image between the clients. Our findings confirm Zachary and colleagues' (2011) suggestion that MO is a potentially useful concept to better understand the impact of family-based idiosyncrasies on business strategies and organizational outcomes, thereby highlighting the need for further examination of the influence of family business nature on MO.

In addition, our findings have important practical implications for organizations, especially for family firms. *First*, they shed light on where best to focus the business efforts to improve performance considering the organizational context. One of the study's key findings is that strategic orientations have a strong and significant impact on family firms' performance, this being the first study that empirically confirms that family firms also may employ multiple strategic orientations for improved organizational performance. Consequently, family firms' managers should identify, understand, and use strategic orientations that improve the organizational performance. *Second*, this is also the first study that empirically confirms that there is a best strategic orientation (EO) for family firms' performance. Therefore, both family and non-family firms' managers need to establish systems and structures that give employees the opportunity to contribute to entrepreneurship (Zahra et al., 2004), for example, by promoting an entrepreneurial culture based on fomenting curiosity and fostering and scanning the external environments to anticipate changes in marketplace trends, taking risks and showing initiative, or establishing organizational structures with decision systems that give more freedom and responsibility to members of the company. *Third*, this is one of the first studies empirically analyzing LO in the family business context. The fact that the influence of LO on family firms' performance has not been found significant may justify the need for deep analysis of this relationship. Such as by considering that LO is a multidimensional construct and that different LO's dimensions could have different impacts on firm performance, the negative effects of one may, in this way, be neutralized by the positive effects of others. And also by exploring the possibility that EO mediates the LO-performance link. *Fourth*, once the EO is developed in the organization, family firms' managers need to promote a market-oriented culture, as they have been found to be better than are their non-family counterparts at gaining advantage from MO. *Finally*, our findings seem to corroborate the idea of strategic equifinality (Carney et al., 2015; Gresov & Drazin, 1997; Payne, 2006) and that managers should adapt their strategic behavior depending on the type of firm that they manage.

Although this study provides valuable contributions to the literature in this field, it is not exempt from limitations. However, some of these limitations suggest promising avenues for future investigations. *First*, though cross-sectional designs are common in family business literature (e.g., Casillas et al., 2010; Stanley et al., 2019), the fact that the data for this investigation were gathered at one point in time does not allow us to infer causality from our findings; a limitation that could be overcome with longitudinal studies. *Second*, as this study used a single-informant approach, future research could use either archival data or other sources of information to examine the influence of these three strategic orientations on performance more accurately. *Third*, because our data consisted of Spanish and Portuguese SMEs, generalizing our findings should be done with some caution, because national culture and traditions may influence the strategic behaviors or orientations of SMEs (Kreiser, Marino, Kuratko, & Weaver, 2013). For instance, some national cultures encourage risk-taking, whereas others reduce managers' willingness to pursue entrepreneurial activities (Zahra et al., 2004). Moreover one should note that the data were collected in 2015, a year in which both Spain and Portugal were still deeply immersed in an economic crisis. Therefore, we suggest strongly that our model be applied in other countries and/or cultures. *Fourth*, we used self-assessment and perceived measures for the three strategic orientations and for organizational performance. Consequently, our data could be biased and reflect hopeful thinking rather than a factual state. *Fifth*, we employed self-perception as a family firm and the percentage of family ownership to distinguish between family and non-family firms; however, considering the diversity of family firm definitions (e.g., Hernández-Linares et al., 2017, 2018b), others definitional criteria could be used. In a similar sense, considering that family firms are heterogeneous (Chua, Chrisman, Steier, & Rau, 2012) and that there is a growing body of evidence that different types of family firms vary with respect to their strategic choices and relative performance (Miller, Le Breton-Miller, & Lester, 2011; Schulze, Lubatkin, & Dino, 2003; Stanley et al., 2019), our analysis could be refined by including different types of family firms. Moreover, we used organizational performance as a dependent variable; however, other endogenous variables, such as innovation, customer satisfaction, or firm internationalization, could also be explored. At present, a considerable gap remains in our understating of how either firm generation or generational involvement either mediates or moderates the relationship between strategic orientations and performance outcomes. Family firms evolve across generations, and their risk-taking preferences also evolve (Autio & Mustakallio, 2003). Therefore, a promising *sixth* research line lies in exploring both the role these generational differences play in influencing strategic orientations of family firms and their impact on organizational performance. *Finally*, considering the three approaches to the study of strategic orientations from Hakala (2011), the sequential and complementary approaches should also be explored.

Family business literature has grown rapidly in the last few decades, but the developing literature has many research gaps (Benavides-Velasco, Quintana-García, & Guzmán-Parra, 2013; Carney et al., 2015). One of these gaps is the simultaneous development of different strategic orientations. The broad picture of the strategic orientations in family firms that emerge from this study makes important contributions to the literature and has important practical implications; however, our overall aim is to create a starting point that promotes further investigation.

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Dimension as a business strategy

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Abstract This paper analyzes the possible differences in the economic-financial situation of family organizations based on the business dimension. Then, we focus our analysis on SMEs to analyse the influence of the dimension in their performance. For this, information belonging to a large sample composed of 21,149 family businesses and 5,737 non-family businesses in Spain corresponding to the period 2003–2015 is studied. The conclusions obtained show that, although the increase in the dimension of the family organizations is positively related to their performance, there are limits beyond which the value of certain economic-financial indicators can be negatively affected. This behavior is not observed in non-family businesses.

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La dimensión como estrategia empresarial

Resumen Este trabajo analiza las posibles diferencias existentes en la situación económico-financiera de las empresas familiares en función de la dimensión empresarial. Seguidamente, centrando nuestro análisis en las PYMES, analizamos la influencia que ejerce la dimensión en su desempeño. Para ello, se estudia información perteneciente a una amplia muestra formada por 21149 empresas familiares y 5737 no familiares españolas correspondiente al periodo 2003-2015. Las conclusiones obtenidas muestran que, a pesar de que el aumento de la dimensión de la empresa familiar está relacionado positivamente con su desempeño, existen unos límites a partir de los cuales el valor de determinados indicadores económico-financieros puede verse afectado negativamente, a diferencia de lo observado para las empresas no familiares.

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The business dimension constitutes a representative indicator of the heterogeneity present in family organizations (Chua et al., 2012; Wagner et al., 2015). When family businesses increase their size, they are likely to modify the nature of their resources, their objectives and governance (Fang et al., 2016). The resources of small organizations tend to be more intermingled with family resources, so that in order to assess the well-being of the company, sometimes the well-being of the family must be taken into account and vice versa (Haynes et al., 1999). In small family businesses, the business family not only establishes economic objectives but also seeks to achieve certain non-economic purposes such as maintaining control of the company in the family, financial independence, ensuring family employment or maintain harmony in the family; objectives that may even be more relevant than the merely economic ones (Felicio and Galindo-Villardón, 2015).

On the contrary, when their size increases, family and business systems become more complex (Miller et al., 2013; Memili et al., 2015; Lwango et al., 2017; Hu et al., 2018; Zhang and Yao, 2018). Ownership is also usually more dispersed in larger companies, so the involvement of family members with the organization is lower compared to smaller ones (González et al., 2012; De Massis et al., 2013). In addition, the growth of a company can change their culture, which leads to a greater distance between the identity of the organization and the identity of the founding family, so that the motivation to pursue non-economic objectives tends to decrease considerably (Gómez-Mejía et al., 2011).

Therefore, when analyzing the situation of these family organizations, the company dimension should be taken into account as a relevant factor in the governance and management, since their family and business objectives will vary according to it (Kotlar and De Massis, 2014). However, despite the differences in family organizations based on their business dimension, there are few studies that consider how the size of the company affects their behavior, beyond treating it as a control variable (Fang et al., 2016). That is why in this work we analyze the possible differences between small family businesses and those of greater size, and if the business dimension influences their economic-financial situation.

There are numerous studies that reveal how growth in family businesses is related to the success and survival of the company since it constitutes an indicator of long-term economic performance (Casillas et al., 2010; Stenholm et al., 2016). However, there seems to be no clear evidence on whether, from a given business dimension, greater growth in family organizations would be counterproductive. That is why we consider it necessary to study the influence of the business dimension and verify whether there is an inverted U-shaped relationship between this variable and the value of certain economic-financial indicators, that indicates whether reaching a certain size impairs the performance of this type of companies. We focus our analysis on small and medium-sized family enterprises (SMEs), in which there is a greater family involvement (De Massis et al., 2013; Miller et al., 2013), thus being able to study in a more focused way the influence of the family on the business. We also include the comparison with their non-family counterparts to see if the observed behavior is truly more characteristic of the effect that family character has on the performance of SMEs than that merely derived from the increase in its size.

To carry out this analysis, a large database consisting of 21,149 family businesses and 5,737 Spanish non-family businesses has been used, from which the accounting information has been analyzed from 2003 to 2015, and from which we extract a homogeneous and balanced sample of small and medium-sized businesses. That constitute a data panel composed of 66,043 observations of family businesses and 66,043 observations of non-family businesses. The results obtained indicate the heterogeneity present in family businesses. Specifically, the differences in economic and financial performance presented by these family organizations based on their business dimension show the superiority of those of greater size. If we focus on small and medium family businesses, we also find that, although the increase in the dimension of the company is positively related to its performance, there are limits from which the value of certain economic-financial indicators can be negatively affected. These results can be largely motivated by the influence that the family exerts on the organization, making a difference with respect to non-family SMEs.

This analysis is carried out according to the following structure. First, the hypotheses to be tested are established according to the review of the existing literature about the influence of the dimension in family organizations. Next, the methodology carried out for the selection of the sample and the treatment of the information under study is presented. Next, the economic-financial situation of the family organizations is examined. Furthermore, it is proved if there are statistically significant differences between the value of the economic-financial indicators considered and the business dimension. We check whether these differences are conditioned by the size of the company and if there is a non-linear relationship between the value of certain economic-financial indicators and the business dimension, limiting this analysis to small and medium family businesses. We also compare the behavior of these businesses with that of non-family businesses. Finally, the results obtained are discussed and the conclusions reached are presented.

Literature review and hypothesis approach

As an example of the heterogeneity present in family organizations, the existing literature shows that the dimension has a significant impact on their economic performance (Kallmuenzer and Peters, 2018). In this regard, there are numerous investigations that expose the superiority that large companies maintain in relation to their economic performance compared to those of smaller organizations (Chirico and Bau, 2014; Miller et al., 2014; De Massis et al., 2015). It is thus expressed in the existing literature this advantage that large family businesses have in terms of job creation, strategic flexibility and innovation, as well as lower levels of risk aversion, among other issues (Miller et al., 2013). On the contrary, following Kallmuenzer and Peters (2018), the small size of the company can block its organizational development due to the lack of economies of scale, access to more limited capital, lower bargaining power and lower attraction of qualified employees.

These circumstances may be motivated by the differences that family businesses present in their behavior and management mechanisms depending on the business dimension (Sciascia and Mazzola, 2008; De Massis et al., 2013). In smaller companies the concentration of property in the hands of the family is usually higher, so that the family involvement becomes more present and the family has a greater influence on the activity of the company (De Massis et al., 2013). In these family businesses, the management is developed by family members, who normally own the majority of the property of the organization (Lwango et al., 2017) and even fall to a single person, being the owner who normally performs the tasks of business management, occupying the position of CEO (Chrisman et al., 2014). This high family concentration in the organization can motivate the lack of specialization, the preservation of the business tradition that restricts the change or the rejection of external financing, which can hinder the economic growth of the company (Memili et al., 2015).

In large companies, where family and business systems are more complex (Cabrera-Suárez and Martín-Santana, 2013; Hu et al., 2018), ownership is usually more dispersed, so that the involvement of family members in the organization will be lower compared to smaller companies (Massis et al., 2013; Miller et al., 2013). As mentioned, the growth of a company can change the culture of the organization, which leads to a greater distance between the business identity and the identity of the founding family. With this, the economic objectives can become more important (Gómez-Mejía et al., 2011; Chrisman et al., 2014), favoring the incorporation of non-family members in the family business management teams (Hu et al., 2018). These new hires can provide the family business with benefits derived from its greater specialization, among others (Massis et al., 2013). By increasing the complexity of management tasks, as a result of a larger business dimension, managers' capacities gain importance. Thus, following Fang et al. (2016), the professionalization of the organization becomes an imperative, often being an essential requirement for the growth and expansion of the company, as well as for its internationalization (Alayo et al., 2019), since sometimes families are limited in size and capacities (Chrisman et al., 2014). The tendency of small businesses to employ family members can lead them to occupy key positions for which they are not really trained instead of employing external staff (Dyer, 2006). Faced with a greater dimension, and with it a higher professionalization of the company, the labor opportunities of the employees are also increased, and favoritism in performance evaluations and asymmetries of information decrease, which allows these family businesses to access more qualified labor, so the benefits of these contracts will also be higher than the costs involved (Fang et al., 2016).

However, in spite of how advantageous it can be for companies to increase their size, we consider whether in the family ones, exceeding a certain dimension can be a threat to their economic-financial situation, as a consequence of the changes that appear in the organization before a possible dispersion of family property in the business. Family businesses have a series of singularities derived from the presence of the family that can benefit the organization. The increase in business size will involve changes in the family's influence on the business. Among them, it is worth mentioning the lesser involvement on the part of the founder (González et al., 2012), whose presence can sometimes have a positive effect when establishing the guidelines for managing the company (Sonfield and Lussier, 2014); the deterioration of relations between family members (Sciascia et al., 2013), which causes the appearance of conflicts in the organization (Bertrand and Schoar, 2010); the decrease of the family identity of the company, (Carmon et al., 2010) and with it the image of family brand (Binz et al., 2013). An increase in size will also lead to the emergence of new agency problems (De Massis et al., 2013), since in companies where family ownership is more concentrated the interests of the owners are usually aligned with those of the business and the objectives of the family tend to mix with the organizational ones (Corbetta and Salvato, 2004). This is due to the fact that the family wealth itself is part of the company's own funds (Zhang et al., 2012). These circumstances may result in the loss of the competitive advantage that family participation can grant to these types of organizations, which has a negative impact on their economic-financial situation.

In line with the above, and based on the influence that the business dimension may have on the involvement of the family in the organization (González et al., 2012; De Massis et al., 2013; Miller et al., 2013; Lwango et al., 2017) and, therefore, in their economic-financial behavior, we propose the following hypotheses:

H1: There are statistically significant differences between the value of certain economic-financial indicators depending on the dimension of the family business.

H2: There is an inverted U-shaped relationship between the business dimension and the value of certain economic-financial indicators in family SMEs.

Research methodology

The sample of Spanish companies used to carry out this analysis is composed of 21,149 family enterprises and 5,737 non-family ones, from the database created in Spain by the Family Business Institute and the Family Business Chairs Network (IEF and Red de Cátedras de Empresa Familiar, 2016). The process of classification of companies according to their typology, family or non-family, as well as the collection of the accounting information under study have been conducted in accordance with the criteria described below. Public Limited Companies or Limited Liability Companies active during the period 2003-2015 were selected. These must have information available for the years analyzed in this work (from 2003 to 2015) and have been founded in 2001 or earlier, so that in the first year analyzed they have a minimum age of two years. In total, 70,611 companies met these requirements.

The classification in family and non-family businesses was carried out based on the study published by the Family Business Institute (IEF and Red de Cátedras de Empresa Familiar, 2016), whose process is structured in three phases.

In the first phase, the automated processes of the Iberian Balance Sheet Analysis System (SABI) database were applied, according to the ownership structure of the companies and the participation of the family in the governing bodies. Specifically, the following criteria are considered to classify family businesses:

1. Companies with concentrated ownership: they are family organizations if the family shareholder controls the property with a high percentage (50%), or there are shareholders-directors with a participation of more than 50%.
2. Dispersed property companies: they are family organizations if they have an individual shareholder with a 5% ownership or a family with 20%. In addition, if there are shareholders-directors with a participation in the property greater than 20% or administrators who are natural persons and shareholders.
3. Unknown-owned companies: they are family organizations if they have shareholders-directors with a participation in the property or administrators who are natural persons or shareholders.

In the second phase, the Family Business Chairs Network reviewed the initial classification, with the double objective of detecting possible errors and determining or not the family nature of the companies initially classified as doubtful. Finally, in order to estimate the total number of family and non-family businesses, in the third phase an imputation criterion of companies classified as doubtful was adopted. The criterion consisted of distributing these companies according to the percentage of each type obtained with the classified companies. To that purpose, it was assumed that the doubtful ones are distributed among family and non-family in a similar way to the classified companies. From this classification, and in line with the dominant presence of the family businesses in Spain and in the economies around the world, it was detected that of the 70,611 companies, 54,834 companies were family (77.7%) and 15,777 non-family (22.3%). However, we consider companies classified as family and non-family in phases 1 and 2 to carry out this study in order to select those organizations selected using a purely objective criterion. Thus, we have a sample of 60,571 companies, 47,064 (77.7%) family and 13,507 (22.3%) non-family.

Next, information was obtained regarding each of the companies in terms of company name, tax code, date of incorporation, Autonomous Community of domiciliation, business activity according to the National Classification of Economic Activities 2009 and economic-financial information for the years analyzed (from 2003 to 2015). Subsequently, an exhaustive cleaning of the database was carried out, in which family businesses that presented incomplete data, errors in information or extreme values in some of the variables considered were eliminated. 5% of the larger companies were also eliminated to avoid the possible distortions due to the excessive business dimension, as well as the totality of the micro-enterprises since this category would not be sufficiently represented due to the high percentage that does not usually deposit their annual accounts in the commercial register. In total, 33,685 companies were excluded from the study, leaving the database finally made up of 26,886 private companies, of which 21,149 (78.7%) are family companies and 5,737 (21.3%) are non-family ones.

We thus have information on 21,149 family businesses and 5,737 non-family businesses in Spain from 2003 to 2015, so we have a balanced data panel consisting of 274,937 and 74,581 observations, respectively. In order to study the influence of the business dimension in family organizations, the companies that make up the sample were classified according to their size. This classification was conducted according to the criteria established by the European Union (table 1).

Table 1. Classification criteria by business dimension

Enterprise category	Staff headcount (number of persons expressed in annual work units)	Turnover or	Balance sheet total
Microenterprise	< 10	≤ € 2 million	≤ € 2 million
Small	< 50	≤ € 10 million	≤ € 10 million
Medium-sized	< 250	≤ € 50 million	≤ € 43 million

Source: Commission Recommendation of May 6, 2003 (European Commission, 2003)

Once the discrimination by size has been accomplished, we observe that 83.1% of the observations correspond to small family businesses. So, given the high representativeness of smaller organizations, we divided this sample of family businesses according to two dimensions so that finally we have 228,420 (83.1%) observations of small companies and 46,517 (16.9%) observations corresponding to medium and large companies.

Finally, in order to limit the behavior of the family business, we select a homogeneous and balanced sample of family and non-family organizations so that the number of observations is the same for both types of enterprises. We also distinguish by business dimension when considering only small and medium ones. In this way, we obtain a balanced data panel consisting of 66,043 observations of family SMEs and 66,043 of non-family SMEs, which allows us to check whether the results obtained are independent or not of the family nature of the business.

Based on the accounting information of the companies that make up the sample, the economic-financial indicators under analysis are obtained. The analyzed indicators and their description are presented in table 2.

Table 2. Information subject to analysis. Economic-financial indicators

Indicator	**Calculation (By sabi database criteria)**
Investment	Total assets
Level of debt	(Total assets – Equity) / Equity
Turnover	Operating revenues
No. of employees	Number of employees
Employee productivity	Operating revenues / Number of employees
Return On Assets (ROA)	(Pre-tax income + Financial costs) / Total assets
Financial profitability before tax	Pre-tax income / Equity
Operating margin	(Pre-tax income + Financial costs) / Operating revenues
Cost of debt	Financial costs / (Total assets – Equity)

Source: The authors

Using the total sample of family businesses, the average values of the economic-financial indicators were obtained for each group under analysis according to the business dimension. Then, in order to test the hypothesis H1 raised, a mean difference test was performed by analyzing the variance of a factor (ANOVA) to check if there are statistically significant differences in the average value of the indicators between the two established business dimensions.

To analyze the influence of the dimension on the behavior of family businesses and thus test the H2 hypothesis, a series of regressions are carried out. As dependent variables are considered the economic-financial indicators in which statistically significant differences according to the business dimension are detected. The performance of this analysis is carried out through the use of the sample of family SMEs. We also do it again for non-family SMEs with the aim of verifying that this behavior is specific to family organizations. The independent or explanatory variable is “dimension”, which is represented as a factor calculated through the factor analysis of the indicators: investment, turnover and number of employees. Subsequently, we add the square of this explanatory variable "dimension[2]" in order to check if there is a turning point from which there is a sign change in the relationship between the business dimension and the dependent variables. This analysis is widely used in the field of business strategy (Haans and He, 2016). The variables related to the activity sector are considered as control ones. They are defined from dummy variables depending on the activity sector to which the company corresponds. The primary sector is taken as the reference sector. So that the variable «secondary sector» takes the value 1 if the company operates in the secondary sector and the value 0 otherwise, and the variable «tertiary sector» takes the value 1 if the company belongs to the tertiary sector and the value 0 if not.

To examine the effect that the dimension exerts on the value of the economic-financial indicators we perform a series of regressions to carry out the analysis of the panel data, in which a fixed effects model or a random effects model can be considered (Greene, 2012). Following Verbeek (2012), the random effects approach allows to make an inference regarding the characteristics of the population.

According to the above and the nature of the variables used (Greene, 2012; Verbeek, 2012), we adopt the random effects model to examine the effect of the business dimension on the economic-financial situation of small and medium family and no-family businesses in Spain.

Finally, we verify that the random effects method is appropriate compared to a pooling model. For this, we performed the Breusch-Pagan test, known as the Lagrange Multiplier Test (Breusch and Pagan, 1980), so that if the test were rejected, it would mean that it is preferable to use the random effects method over an Ordinary Least Squares method (OLS).

3. Empirical analysis and results

Table 3 shows the average value of the economic-financial indicators obtained for each business dimension under study (small or larger family businesses). Together with these values, the level of significance of the statistics obtained is also provided.

Family businesses show statistically significant differences in the value of the economic-financial indicators analyzed according to their business dimension (table 3). Small family businesses, with respect to larger companies, have lower values in the average investment and obtain less operating revenues. Likewise, small companies have staff formed by a smaller number of workers, and they are also less productive than the employees of the larger organizations.

Regarding the analysis of the financing structure, we observe that both small family businesses and medium and large companies are financed to a greater extent with enforceable resources than with their own funds. However, we do not obtain statistically significant differences in the value of the level of debt according to the business dimension. In relation to the cost of external financing, small family businesses bear a higher average cost of debt than those of greater size.

Table 3. Average values of the indicators and result of the analysis of the variance according to the business dimension

	Small firms	Larger firms	Sig.
Investment	3,940.52	31,844.03	0.000***
Level of debt	2.33	2.56	0.738
Turnover	4,023.91	25,376.66	0.000***
No. of employees	22.92	132.27	0.000***
Employee productivity	171.96	191.48	0.000***
Return On Assets (ROA)	5.9%	7.0%	0.000***
Financial profitability before tax	14.8%	13.6%	0.914
Operating margin	5.1%	6.7%	0.002***
Cost of debt	3.0%	2.9%	0.002***

* p <0.10 ** p <0.05 *** p <0.01

If we look at the profitability indicators, we can conclude that the larger family businesses have higher values both in return on assets and in the value of the operating margin, compared to small businesses. However, there are no statistically significant differences in the average value of financial profitability before tax between the two dimensions.

Therefore, according to the results obtained, the proposed H1 hypothesis is accepted.

Table 4 contains Spearman's correlations of the variables used in the regressions. To examine multicollinearity, the values of the variance inflation factor (VIF) were calculated for each independent variable. Myers (2000) argues that a VIF with value 10 or higher is a cause for concern. After checking the values of the inflation factor

Table 4. Matrix of correlations

	Family SMEs			Non-family SMEs		
	Secondary sector	Tertiary sector	Dimension	Secondary sector	Tertiary sector	Dimension
Tertiary sector	-0.941**	-0.004		-0.953**	-0.004	
Dimension	0.001	-0.004	-0.004	0.047**	-0.042**	-0.004
Employee productivity	-0.086**	0.082	0.359**	-0.030**	0.033**	0.697**
Operating margin	-0.009	-0.006	0.073**	0.000	-0.001	0.032**
Cost of debt	-0.001	-0.001	-0.004**	-0.003	-0.001	-0.005

* The correlation is significant at the 0.05 level (2 tails).
** The correlation is significant at the 0.01 level (2 tails).

Table 5. Results of the regression models with panel data.
Dependent variable: Employee productivity

	Family SMEs		Non-family SMEs	
	Model 1	Model 2	Model 3	Model 4
Dependent variable	Employee productivity	Employee productivity	Employee productivity	Employee productivity
	Coef. ß	Coef. ß	Coef. ß	Coef. ß
Dimension [2]		-13.44***		328.39***
		(0.86)		(8.64)
Dimension	208.93***	249.20***	5781.68***	4095.10***
	(3.79)	(4.57)	(41.42)	(59.76)
Secondary sector	-27.01***	-26.11***	-104.61**	-55.61**
	(7.88)	(7.83)	(50.05)	(48.38)
Tertiary sector	8.78	9.27	87.68*	98.41*
	(7.84)	(7.79)	(49.54)	(47.87)
Constant	189.29***	193.19***	1229.98***	925.92***
	(7.62)	(7.58)	(49.13)	(48.15)
R^2	0.1363	0.1466	0.4901	0.5240
Lagrange multiplier	31433***	31436***	10775***	10361***
Number of observations	66,043	66,043	66,043	66,043

The Lagrange multiplier is distributed as chi-square with a degree of freedom, exceeding the critical value and favoring the random effects of the GLS (Generalized Least Squares) model on the OLS (Ordinary Least Squares) (Greene, 2012).
Standard error value in parentheses.
* p <0.10 ** p <0.05 *** p <0.01

of the variance and the tolerance levels of the variables, we can assume that we have no multicollinearity problems.

From table 5 to 8, the results obtained with the realization of the different regressions are shown, taking the economic-financial indicators as dependent variables. As explanatory variables the business dimension and its square, in order to verify the existence of a non-linear relationship with this variable. Finally, as control variables, we incorporate those related to the activity sector. The results obtained for both family and non-family SMEs are presented together, which allows us to compare the behavior of both types of organization.

Table 5 shows that the value of employee productivity in secondary sector companies decreases with respect to primary sector organizations. In non-family businesses operating in the tertiary sector this productivity increses, while in family businesses the relationship is not significant (models 1 and 3). Regardless of the type of organization, the business dimension maintains a positive relationship with employee productivity. However, we can observe in models 2 and 4 that only for family businesses the relationship with the square of the dimension is negative and significant. We verify using the Sasabuchi Test (p = 1.78e-11) that there is a non-linear relationship with an inverted U-shape, so that the productivity of employees in family businesses decreases with the increase in the business dimension. The point at which the dimension reaches its maximum is at the value X = 9.27, within the limits of the confidence interval obtained by the Fieller method (95% confidence interval (8.3681; 10.4258)).

If we pay attention to return on assets (table 6), we observe that its value rises as the dimension of family and non-family businesses

Table 6. Results of the regression models with panel data.
Dependent variable: Return On Assets (ROA)

	Family SMEs		Non-family SMEs	
	Model 1	Model 2	Model 3	Model 4
Dependent variable	Return On Assets (ROA)	Return On Assets (ROA)	Return On Assets (ROA)	Return On Assets (ROA)
	Coef. ß	Coef. ß	Coef. ß	Coef. ß
Dimension ^{2}		-0.0016***		0.0004
		(0.0005)		(0.0015)
Dimension	0.0164***	0.0212***	0.1552**	0.0157**
	(0.0021)	(0.0025)	(0.0069)	(0.0102)
Secondary sector	0.0097**	0.0098**	0.0117	0.0117
	(0.0043)	(0.0043)	(0.0083)	(0.0083)
Tertiary sector	0.0153***	0.0154***	0.0155*	0.0155*
	(0.0043)	(0.0043)	(0.0082)	(0.0082)
Constant	0.0591***	0.0596***	0.5321***	0.0532***
	(0.0042)	(0.0042)	(0.0081)	(0.0052)
R^2	0.0414	0.0471	0.0087	0.0087
Lagrange multiplier	25417***	25418***	23734***	23739***
Number of observations	66,043	66,043	66,043	66,043

The Lagrange multiplier is distributed as chi-square with a degree of freedom, exceeding the critical value and favoring the random effects of the GLS (Generalized Least Squares) model on the OLS (Ordinary Least Squares) (Greene, 2012).
Standard error value in parentheses.
* p <0.10 ** p <0.05 *** p <0.01

does (models 1 and 3). However, again we observe that only in the case of family organizations, the value of this economic indicator decreases with the increase in the business dimension (models 2 and 4). With the completion of the Sasabuchi Test (p = 0.0172) we verify the existence of a non-linear relationship with an inverted U-shape between both variables, dimension and return on assets, which reaches its maximum value at point X = 6.55, located within the limits of confidence obtained with the Fieller method (95% confidence interval (4.4373; 13.6727)). As for the activity sector (models 1 and 3), family businesses belonging to the secondary sector achieve greater return on assets, in relation to those operating in the primary sector. For non-family businesses this relationship is not significant. In the case of tertiary sector organizations, in both cases the relationship is positive and significant.

In table 7, with respect to the operating margin, the relationships for both sectors of activity present a negative sign for family and non-family businesses, but they are not significant (models 1 and 3). The value of the operating margin in both types of organization increases with the business dimension, as derived from the positive relationship between both variables (models 1 and 3). However, while in non-family businesses this relationship is linear (model 4), in the case of family businesses we find in model 2 a non-linear relationship with an inverted U-shape (Sasabuchi test (p = 0.0002)). Therefore, the operating margin in these companies begins to decrease when their dimension reaches the value X = 4.80, within the limits of confidence we obtain with the Fieller method (95% confidence interval (3.7422; 6.7557)).

Finally, as shown in table 8, for family businesses we find a negative and significant relation-

Table 7. Results of the regression models with panel data.
Dependent variable: Operating margin

	Family SMEs		Non-family SMEs	
	Model 1	Model 2	Model 3	Model 4
Dependent variable	Operating margin	Operating margin	Operating margin	Operating margin
	Coef. ß	Coef. ß	Coef. ß	Coef. ß
Dimension ^{2}		-0.0171***		0.0399**
		(0.0017)		(0.0083)
Dimension	0.0791***	0.0278***	0.1785***	0.3837***
	(0.0076)	(0.0092)	(0.0385)	(0.0575)
Secondary sector	-0.0172	-0.0184	-0.0457	-0.0517
	(0.0157)	(0.0157)	(0.0466)	(0.0466)
Tertiary sector	-0.0111	-0.0117	-0.0433	-0.0446
	(0.0157)	(0.0156)	(0.0461)	(0.0460)
Constant	0.0819***	0.0769***	0.1358***	0.1728***
	(0.0152)	(0.0152)	(0.0457)	(0.0463)
R^2	0.0059	0.0115	0.0042	0.0082
Lagrange multiplier	83162***	83157***	30929***	29912***
Number of observations	66,043	66,043	66,043	66,043

The Lagrange multiplier is distributed as chi-square with a degree of freedom, exceeding the critical value and favoring the random effects of the GLS (Generalized Least Squares) model on the OLS (Ordinary Least Squares) (Greene, 2012).
Standard error value in parentheses.
* p <0.10 ** p <0.05 *** p <0.01

Table 8. Results of the regression models with panel data.
Dependent variable: Cost of debt

	Family SMEs		Non-family SMEs	
	Model 1	Model 2	Model 3	Model 4
Dependent variable	Cost of debt	Cost of debt	Cost of debt	Cost of debt
	Coef. ß	Coef. ß	Coef. ß	Coef. ß
Dimension ^{2}		-0.0042***		-0.0326
		(0.0073)		(0.0153)
Dimension	-0.0968***	-0.1094***	-0.2119	-0.3806
	(0.0323)	(0.0392)	(0.0709)	(0.1064)
Secondary sector	-0.1319	-0.1322	-0.0863	-0.0519
	(0.0680)	(0.0680)	(0.0496)	(0.0864)
Tertiary sector	-0.0232	-0.0230	-0.3744	-0.3757
	(0.0677)	(0.0677)	(0.0854)	(0.0855)
Constant	4.3031***	4.3019***	4.2277***	4.1974***
	(0.0658)	(0.0659)	(0.0847)	(0.0859)
R^2	0.0039	0.0039	0.0088	0.0091
Lagrange multiplier	27691***	27495***	32456***	32582***
Number of observations	66,043	66,043	66,043	66,043

The Lagrange multiplier is distributed as chi-square with a degree of freedom, exceeding the critical value and favoring the random effects of the GLS (Generalized Least Squares) model on the OLS (Ordinary Least Squares) (Greene, 2012).
Standard error value in parentheses.

ship between the value of the cost of debt and the business dimension (model 1). On this occasion, we verify that the relationship between both variables remains linear (model 2). For non-family organizations, we observe that the relationship between the business dimension and the cost of external financing is negative but not significant (models 3 and 4). Regarding the cost of debt depending on the sector of activity to which the company belongs (models 1 and 3), regardless of the type of organization, both for those operating in the secondary and tertiary sectors, the relationships are not significant.
The results obtained show that the H2 hypothesis in relation to the influence of size is accepted. In general, we find an inverted U-shaped relationship between the variation of the business dimension in family SMEs and the value of the economic-financial indicators considered.

As a robustness test to assess the validity of the model, the sample is divided according to the inflection points obtained and the random effect models are applied again in each case. We verify that indeed the regressions performed show slopes consistent with the expected shape of the curves.

4. Discussion and conclusions

The analysis conducted indicates the differences that Spanish family businesses maintain in their economic-financial situation depending on the business dimension and highlights the heterogeneity present in these types of organizations depending on their size. Specifically, based on the results obtained from the analysis carried out on 21,149 Spanish family businesses, from 2003 to 2015, we can conclude that the smaller companies maintain an economic situation that is generally worse than those of larger organizations.

In line with previous research, these results show the superiority of large companies in relation to the business performance of family organizations (De Massis et al., 2013; Miller, Minichilli and Corbetta, 2013).

When analyzing the profitability indicators we observed statistically significant differences in some of them. The value of the return on assets and the operating margin are higher for larger companies than for small ones. However, we do not find differences in value of financial profitability before tax. Numerous investigations indicate that the interaction of the family in the organization can be detrimental to their economic performance (De Massis et al., 2013). In addition, following Lwango et al. (2017), active family ownership in the company determines the decisions of both the business and the family itself, so the degree of family involvement in management operations produce different levels of performance.

In the case of small businesses, where the family has a greater participation in the property (Chrisman et al., 2014), their business behavior, together with the influence of family involvement in organizational processes, can hinder their performance and economic growth (Kotey, 2005). Nevertheless, the increase of the business dimension entails the decrease of family involvement (González et al., 2012), which means that economic objectives become more relevant in larger companies (Chrisman et al., 2014). This importance of non-economic issues in small businesses can be observed for example in times of economic crisis, because while these organizations have a greater predisposition to employ family members despite obtaining lower profitability (Cruz et al., 2012), large companies are more prone to cost reduction (Felicio and Galindo-Villardón, 2015).

Regarding employee productivity, we also found statistically significant differences between family businesses of different sizes. Again, it is the larger companies that have higher values with respect to small family businesses, so it is the latter that have staff formed by less productive workers. The productivity of small family businesses could be affected for various reasons as a result of greater family involvement, of which large companies seem to be exempt since they have a higher degree of professionalization. Lwango et al. (2017) argue that as the business increases in size, these organizations should open the company to external staff in order to eliminate the risks associated with employing family members; as it usually happens since the employment of non-family members predominates as the business dimension increases (Chrisman et al., 2014; Hu et al., 2018).

In smaller companies, the current nepotism promotes family members to introduce their children to the business, adapt their education to the activity of the organization, create succession plans that favor continuity in the hands of a family member, keep the founder or members of previous generations active in the organization or keep the property in the hands of the family, among other aspects (Arregle et al., 2007). As a result, small businesses make less use of professional human resources practices, provide less job training to their employees and does less performance evaluations of their staff (Cruz et al., 2011). These practices reduce candidates willing to occupy a management position in the family business and lead them to prefer working in non-family businesses (Fang et al., 2016; Hu et al., 2018). Despite the fact that family companies are believed to offer greater job security, they also offer lower salaries to their employees (Bassanini et al., 2013). It is a cost for family business because they will exclude competent candidates from their workforce. According to Fang et al. (2016), it is the non-family managers who can provide the company with skills that the family members do not have, so that large companies have a labor market with more extensive and qualified personnel than the limited number of family members for employment in the organization.

Family influence is also a determinant of the financing structure in the organization (Zhang et al., 2012). In this sense, and following Romano et al. (2001) and Wu et al. (2007), the financing of family businesses vary depending on the business dimension. In the existing literature we find some differences in family organizations depending on their size that indicate that large companies have more relationship with financial institutions and make use of a greater variety of their financial products (Gallo and Vilaseca, 1996). Conversely, smaller companies show greater predilection for financing based on internally generated resources in order to maintain control and ownership of the company in the hands of the family (López-Gracia and Sánchez-Andújar, 2007). However, when analyzing the level of debt of family businesses under study, we did not find significant differences between their average values according to the business dimension. Although we obtain that both small and larger companies are financed in greater proportion with external resources than with own resources. On the contrary, we do find statistically significant differences in the value of the cost of debt, so the largest companies maintain a lower cost of debt compared to small family businesses.

However, using a homogeneous and balanced sample consisting of 66,043 observations of family SMEs from 2003 to 2015, we confirm that the superiority of family-owned businesses manifests in their economic-financial behavior by increasing their business dimension. But the results obtained also allow us to verify that there are limits from which a larger dimension of the business damages their performance, specifically of small and medium family businesses where the involvement of the family is greater (De Massis et al., 2013; Miller et al., 2013).

In the analysis carried out, we found an inverted U-shaped relationship between the size of family SMEs and the value of certain economic-financial indicators, indicating that once the business size has been reached, the value of these indicators begins to decrease, at least in relative terms, despite the positive influence that initially exerts the growth of the business. Specifically, we find a relationship of inverted U with the value of return on assets, operating margin and employee productivity, not obtaining a non-linear relationship with the cost of debt. When considering the sample of non-family SMEs, we observe that the relations between the dimension and the economic-financial indicators mentioned are linear, which has allowed us to verify that the results achieved for family SMEs are motivated by the effect that the family character exerts in the business.

A possible explanation to curb the maximization of their performance may lie in the emotional influence that affects these companies. Like all forms of businesses, family organizations also intend to grow and achieve greater economic benefits (Berrone et al., 2012). However, they may not be able to respond optimally to the new challenges of increasing their business dimension and an uncertain environment that can be further complicated by the behavior of these organizations (Haans and He, 2016), due to the ambiguity of their preferences or objectives that face the emotional and the professional.

Changes in the involvement of the family in the organization that takes place with the increase in dimension and, consequently, due to the greater dispersion of business ownership in the hands of the business family, require the transformation of governance mechanisms and management of these organizations. Even the increase in the business dimension reinforces the effect of the new situation of the family in the company since, as Fernández et al. (2019) argue, there is clear evidence that the idiosyncratic attributes of the organization influence more on companies as their size increases. In addition, following Haans and He (2016: 9), the conditions that the company maintains can be considered as “a set of tightly linked and mutually reinforcing routines, which are difficult to reconfigure once they are developed and have become engrained in the organization of the firm”.

As previously mentioned, in family businesses reaching certain limits in terms of their business dimension can be detrimental to their economic-financial situation. This may be due to a greater dispersion of family property in the business, what it causes a series of changes in the company that can result in the loss of certain benefits present in this type of business because of their family nature.

Some studies show that the involvement of family members can have positive consequences for the company. In this sense, and without being exhaustive, we can highlight the work of Anderson and Reeb (2003) in which they found that family businesses run by the founder of the organization obtain a better economic result compared to those that do not. Similarly, the presence of a family CEO can contribute positively to the economic performance of the company (Villalonga and Amit, 2006). Minichilli et al. (2010), demonstrated not only that companies obtain a higher economic return when they have a family CEO, but that it increases with a greater presence of family members leading positions in the management team. In addition, as argued by Cabrera-Suárez et al. (2001), the competitive advantage in the company can be achieved from the knowledge of the business, as well as its ability to generate it. In companies with high levels of family involvement, family members have a deep tacit knowledge of it that often leads to the creation of skills that favor business success (Sirmon and Hitt, 2003; Tokarczyk et al., 2007).

On the other hand, in line with Schulze et al. (2003: 181), “the dispersion of ownership in family-held firms drives a wedge between the interests of those who lead a firm - and often own a controlling interest - and other family owners”. As a result, the dynamics of family members are altered, which can cause family members in charge of the organization to make decisions according to their own benefit and that of their own family nucleus, and with it the appearance of new agency problems and the consequent negative effect on its economic performance (Blanco-Mazagatos et al., 2016).

This circumstance can also increase conflicts between family members (Ensley and Pearson, 2005), by converging different branches of a family (Bammens, Voordeckers and Van Gils, 2008), negatively affecting their labor productivity (Morgan and Gómez- Mejía, 2014), since avoiding conflict can trigger a rapid increase in organizational tension (Claßen and Schulte, 2017). Following Ensley and Pearson (2005), higher levels of family involvement in the management of the company had higher results in terms of cohesion among members, conflict management, group effectiveness and shared strategic models.

Despite the fact that business growth entails the achievement of higher operating revenues from its employees, as previously stated, largely motivated by the increase in professionalization and the incorporation of external personnel into the company, the presence of the family can bring certain advantages to the company. According to Chirico et al. (2011), family members are normally dedicated to the company in an altruistic way and tend to put its objectives before their own, so they are less likely to act in an opportunistic way since their well-being depends on continuity of the company and its long-term success. With a more concentrated family ownership core, the interest in preserving the business reputation acquires special relevance since there is a greater identification of family members with the organization (Deephouse and Jaskiewicz, 2013). Family ownership is also a way to create the favorable reputation of these organizations (Li, 2010). Family businesses are normally associated with positive attributes such as trust, commitment, customer-centered attention or increased interest in improve the quality of products and consumer services (Micelotta and Raynard, 2011). Taking advantage of the family brand condition can help the costumer develop a positive image of the organization (Gallucci et al., 2015), which would ultimately benefit the company's economic performance (Barroso Martínez et al., 2019).

Therefore, a balance point must be found. Following Cho et al. (2018), although family participation can favor the development of the business, a high family involvement can threaten the survival of the organization.

The results obtained with the realization of this work regarding the economic-financial behavior of family SMEs depending on their size, highlight the importance of dimension as a business strategy. In this sense, we can conclude that the challenge of growth, which for years has been demanded for these organizations, remains fully in force, but with limits from which the performance of family businesses begins to decline, even in relative terms. It would be necessary to design an action plan that allows the establishment of growth policies that, from different perspectives, encourage the increase of the business dimension and, consequently, an improvement in the economic situation of this type of companies. Therefore, it is crucial not to lose sight of the advantages that family involvement can bring to the business. These can be diminished by the changes that take place in the company due to a greater dispersion of family property from the increase in business size and the organizational peculiarities that it entails.

The work done has allowed us to analyze the economic and financial behavior of family businesses, a dominant organization in the Spanish business fabric. We have also deepened on the effect of the business dimension as a resource for business strategy, specifically when family influence is more present, as is the case of family SMEs. We have also verified that non-family SMEs have a different behavior when their business size increases. However, the study carried out is not without limitations. Performing this work, a sample formed only by Spanish family businesses has been considered, so in future research it would be of great interest to expand the sample with organizations from other geographical areas. In future analysis it would also be convenient to establish in a more approximate way the limits from which the increase in the business dimension begins to impair the economic performance of the organization.

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Family business in the health care sector: Past and future

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KEYWORDS
Family business, socioemotional wealth, private health care, performance, survival

Abstract The relevance of family businesses in the world economy has led researchers to study them in various fields and from various perspectives. However, the role played by family businesses in the private health care sector has hardly been analyzed. The objective of this research was to focus on the historical evolution of the family business in the field of private health, attempting to determine the variation in its contribution to the sector during 1995-2018. For this purpose, we constructed a database with the existing private hospitals in Spain, classifying them according to family and non-family ownership for the years 1995 and 2018 and performing a cross-sectional analysis. We observed an almost 60% survival rate for family businesses. We propose implementing the methodology of the case study for future research.

CÓDIGOS JEL
G32, I10, M10

PALABRAS CLAVE
Empresa familiar, riqueza socioemocional, sanidad privada, rentabilidad, supervivencia

La empresa familiar en el sector sanitario: Evolución y perspectivas futuras

Resumen La relevancia de la empresa familiar en la economía mundial la ha llevado a ser objeto de estudio desde diversos ámbitos y perspectivas. Sin embargo, el papel que juega la empresa familiar en el sector sanitario privado apenas ha sido analizado. El objetivo de este trabajo de investigación se centra en el estudio de la evolución histórica de la empresa familiar en el ámbito de la sanidad privada, intentando conocer la variación de la contribución de la misma al sector durante el periodo 1995-2018. Con este propósito, se construye una base de datos con los hospitales privados existentes en España, clasificándolos en familiares y no familiares para los años 1995 y 2018, realizando un análisis de corte transversal. Se observa un nivel de supervivencia de las empresas familiares de casi un 60%. Se propone implementar la metodología del estudio de casos en investigación futuras.

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Introduction

In the '90s in Spain, the ownership of private clinics was distributed mainly between families (Dexeus, Barraquer, Domínguez, etc.) and groups of doctors, who were associated with the objective of having a place to work professionally and to generate income (case Povisa, Cosaga, La Rosaleda, etc.). Over time, the picture of the situation has changed a lot. At present, some family clinics have closed and others sold to multinationals, insurers, other family groups, and so on. The novelty of this article is that no investigation has been carried out so far, perhaps due in large part to the difficulty of access to information. The Ministry of Health, Consumption and Social Welfare of the Spanish government owns the data of the private entities existing in Spain, but these are not classified according to their ownership (family firm or not), a fundamental issue for our study.

Succession is a critical process in family businesses (Ibrahim et al., 2001; Umans et al., 2019). Depending on how this process is resolved, the company will either survive the next generation in the hands of the same family or be sold or closed for lack of a successor or for not being profitable, regardless of the economic activity developed. The family health sector is no stranger to inheritance problems that may arise due to its family nature. The lack of a successor can lead to the sale or even closing of a company. On the contrary, the long-term vision of family entrepreneurs can lead to expanding activities, differentiating by specialization, or acquiring other companies in the sector. From a theoretical point of view, the socioemotional wealth (SEW) perspective can help us understand this process.

SEW refers to the "non-financial aspects of the company that meet the affective needs of the family" (Gómez-Mejía et al., 2007, p. 106). During the last decade, the preservation of SEW has become a good explanation for the economic behavior and dynastic intentions of family-owned businesses (Cleary, Quinn, & Moreno, 2018; Gómez-Mejía et al., 2007; Morgan & Gomez-Mejia, 2014; Nason, Carney, Le Breton-Miller, & Miller, 2019). Maintaining family identity, strong ties between family members, long-term vision, and interest in preserving and transmitting the legacy to the next generation are dimensions of SEW that differentiate family businesses from those that are not. According to Le Breton-Miller and Miller (2009), strong family ties allow the right conditions for ethical behavior within the company. This circumstance also has a positive effect on the reputation of the company (Sorenson et al., 2009). The desire to maintain family identity and reputation for generations, as well as the transmission of knowledge, is a distinctive factor of family businesses, especially within the health sector.

The objective of this paper was to build a database that classifies private Spanish hospitals according to their family ownership or not, for the years 1995 and 2018 (1995 being the first year available in the ministry's database). We sought to answer questions such as the following: How many hospitals were family owned in 1995? How many were in 2018? How many existing family hospitals closed in 1995? How many changed ownership from 1995 to 2018? Are family-owned hospitals more profitable? What are the future perspectives of the family business in the market health care sector? These are all issues of a descriptive nature that will allow us to propose future lines of research.

To achieve this objective, in the next section, we will talk about the preservation of SEW, especially the transmission of the legacy of knowledge and reputation in family businesses from the SEW perspective. Subsequently, we will explain the methodology used and the way in which the database was built. We will present the results and main conclusions of the work, along with future lines of research in this area.

Literature review

For family businesses, wealth generation is not usually the only driving force behind their behavior. In addition to pursuing financial objectives, family businesses aim to meet their nonfinancial needs, including their social and emotional needs (Gómez-Mejía et al., 2011). In fact, previous researchers found that SEW is an important reference point for decision-making in family businesses and differentiates these companies from non-family businesses (Gómez-Mejía et al., 2007). SEW covers "the non-financial aspects of the company that meet the emotional needs of the family" (Gomez-Mejia et al., 2007, p. 106), such as family identity, the family's emotional bond, and the continuity of the family dynasty (Berrone, Cruz, & Gómez-Mejía, 2012; Hauck, Suess-Reyes, Beck, Prügl, & Frank, 2016). From a succession perspective, one of the predominant dimensions of SEW is the renewal of family ties through dynastic succession. This intention of transgenerational succession of the company is defined as the intention to transfer the business to future family generations (Berrone et al., 2012; Hauck et al., 2016). It has been argued that this dimension is fundamental to explain the attitude of a family business toward the selection of a successor and the design of the succession process (Gómez-Mejía et al., 2011; Minichilli et al., 2014). Succession is a critical process in family businesses (Ibrahim et al., 2001). To conclude it successfully, family businesses need to plan this process (Le Breton-Miller et al., 2004; Sharma et al., 2003). Although there are clear advantages in succession planning, family businesses often postpone it, which may harm the future of the family business (Astrachan and Kolenko, 1994). Recent research on family businesses suggests that the preservation of SEW can serve as an engine for succession planning in a family business.

The commitment and motivation to preserve and perpetuate SEW is a characteristic of many family businesses (Berrone et al., 2012; Gómez-Mejía et al., 2011; Zellweger et al., 2012). The main logic of SEW is that family businesses often have multiple objectives, not merely financial ones. That is, they give relevance to noneconomic aspects related to emotional issues, such as the perpetuation of the family legacy (Gómez-Mejía et al., 2007, 2011) or the reputational factor (Berrone et al., 2010; Deephouse and Jaskewicz, 2013; Dyer and Whetten, 2006; Zellweger et al., 2012). Therefore, family business managers who value SEW are more likely to make long-term strategic decisions that benefit future generations, rather than decisions that only serve their own short-term interests (Strike et al., 2015). Investigation of the succession process indicated that the characteristic of SEW that prevails is the intention of transgenerational succession (Chua et al., 2003; Zellweger et al., 2012) or, expressed differently, the renewal of family ties in the company through dynastic succession (Berrone et al., 2012; Hauck et al., 2016). The legacy of the reputational factor is also important in the process of transfer of values. Reputation is the consideration, opinion, or esteem toward a company perceived by the different interest groups. It indicates how much different stakeholders admire and trust a company in relation to their expectations and compared with other companies (Deephouse and Jaskiewicz, 2013). Recent studies suggest that a favorable reputation of the family business may be an important objective linked to the maintenance of SEW (Berrone et al., 2010).

In the health sector, we consider that preserving SEW is very relevant for the survival of the company. The transmission of knowledge and the maintenance of the business and family reputation throughout the generations can be key in this sector.

Methodology

For the preparation of the sample, we used as a starting point the database of the Ministry of Health, Consumption and Welfare of the Government of Spain from 1995 to 2018, identifying 254 privately owned hospitals in 1995. Subsequently, we proceeded to classification of family and non-family businesses, based on their property. This classification was the most complex and laborious part of this research. In the database of the Ministry, there was no information that allowed us to differentiate between family and non-family hospitals. We turned to the SABI (Iberian Balance Analysis System) database for more information. We carried out the classification of family and non-family businesses according to the criteria established in the study published by Corona and Del Sol (2016).

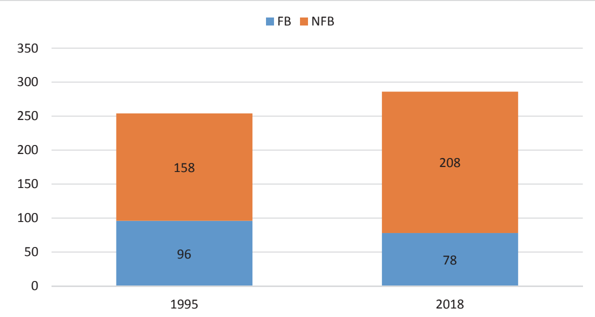
However, this methodology is not perfect either. In the aforementioned database, there is information about the current owners, when the company subsisted in 2018, but not when it disappeared in previous years. In addition, it does not provide information on the previous property, indicating only that there was a change of ownership. Consequently, we had to resort to secondary data sources, such as publications in local press about the closing of the name of the company in particular or web pages on which the history of the company is provided. Given this difficulty, for this work, we performed a cross-sectional analysis, classifying hospitals according to their family character or not, at two different times, in 1995 and 2018. We studied family hospitals existing in 1995 (a total of 96) and in 2018 (a total of 78). We used the number of existing beds as a measure of clinic size (Martín and Ortega-Díaz, 2016).

Evolution of the private health sector in Spain

Based on the data published in the report of the Institute for Health Development and Integration (2019), Spanish private health expenditure reached 28,562 million euros in 2015 (2.7% of GDP). In 2015, private hospitals carried out 29% (1.5 million) of surgical interventions, recorded 23% (1.2 million) of discharges, and treated 23% (6.6 million) of emergencies in the whole national territory.

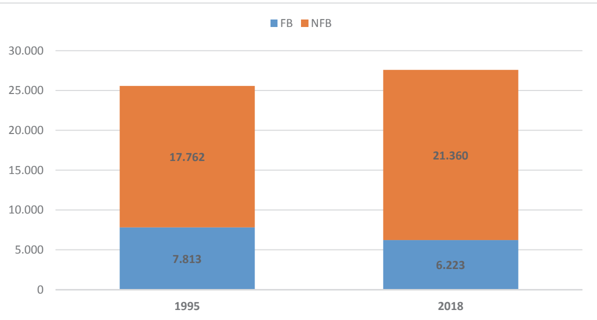
In 2018, the private hospital sector had a total of 467 hospitals in Spain, representing 51% of the total of the hospital centers in the country, with a provision of 51,557 beds, which accounted for 32% of the total beds existing. According to our study, in 1995, private family-owned hospitals in Spain totaled 96 (38% of all hospitals), with 7,813 (31%) beds. In 2018, there were 78 family businesses (27% of the total), providing 6,223 beds (23%; see Figures 1 and 2).

Figure 1. Number of private hospitals in Spain



Source: Own elaboration

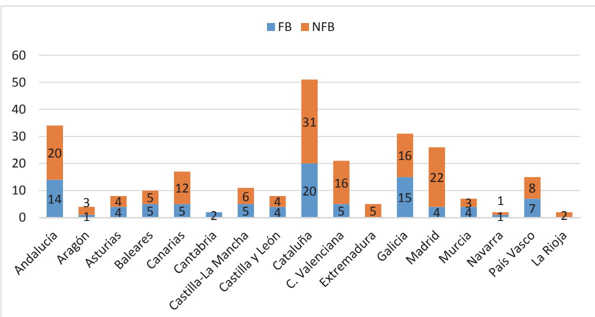
Figure 2. Number of private beds in Spain



Source: Own elaboration

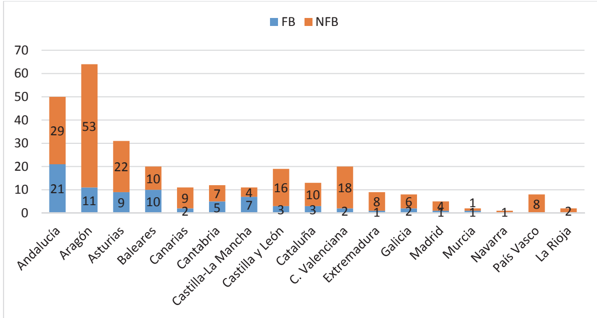
Analysis of the proportion of hospitals and private family beds over the total number of hospitals and beds indicated significant differences between autonomous communities. In 1995, Catalonia, Galicia, and Andalusia had the highest percentage of private family hospitals over the total number of hospitals, with 8%, 6%, and 6%, respectively (Figure 3). It must be taken into account that in Spain, health management is transferred to the autonomous communities, where the policies and the way of managing can be different. In 2018, the situation changed (Figure 4). The Andalusian community led in the ranking of private family hospitals (7%), followed by Catalonia (4%), Galicia (3%), and Madrid (3%).

Figure 3. Number of private hospitals by autonomous community (1995)



Source: Own elaboration

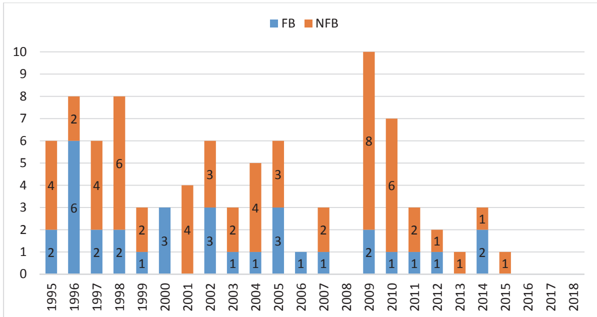
Figure 4. Number of private hospitals by autonomous community (2018)



Source: Own elaboration

To analyze the survival of family businesses in the health sector, we prepared Figure 5. This shows the evolution of private hospitals closed from 1995 to 2018. The number of family hospitals closed during the period analyzed is less than that of the non-family hospitals; in turn, their size is also smaller.

Figure 5. Number of private hospitals closed



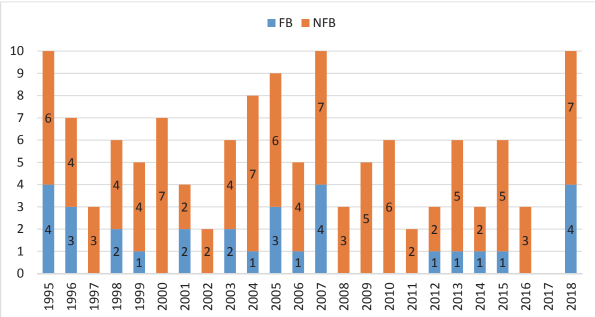
Source: Own elaboration

Figure 6 shows the number of private hospitals created in the same period, where we can also see that family hospitals were established but in smaller numbers than non-family ones. Consequently, it seems clear from the analyzed data that the survival of family businesses is greater than non-family businesses. The long-term vision, transmission of the legacy of knowledge and values, and maintenance of family and business reputation are dimensions of SEW that explain this situation.

In Figure 7, we can see that in 2018, of the 78 private family clinics, 46 (59%) already existed in 1995, and 6 (8%) changed from non-family to family ownership. A generational continuity of 60% in family hospitals is very high compared to the usual figures in the family business (33% survive the second generation, further reducing the percentages in later generations). In the family hospital sector, it seems that the transmission of the tangible and intangible legacy has a very important influence that increases its survival.

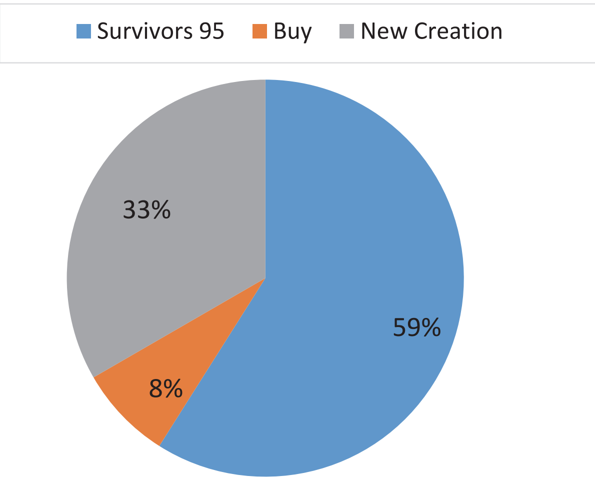
From the SEW perspective, the creation and maintenance of a good reputation may involve short-term costs. However, in the long term, these costs would benefit the reputation and contribute to the prosperity and longevity of the company. In general, good reputation attracts quality resources, with a positive effect on all stakeholders, and very positive consequences for the performance of the family business (Berrone et al., 2010; Deephouse and Jaskiewicz, 2013; Gómez-Mejía et al., 2007).

Figure 6. Number of private hospitals created



Source: Own elaboration

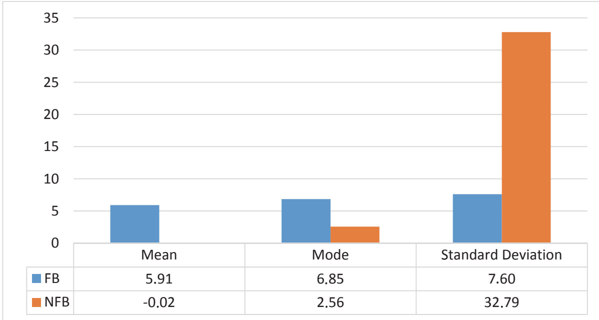
Figure 7. Number of family-owned private hospitals in 2018



Source: Own elaboration

In Figure 8, we can see that in the private health sector, as in other sectors, family businesses are much more profitable than non-family businesses (year 2018). Observing both the average and the trend, we see how family-type clinics obtain better profitability, with the average for non-family businesses being slightly negative. If we look at the standard deviation, we see how family businesses get more concentrated results.

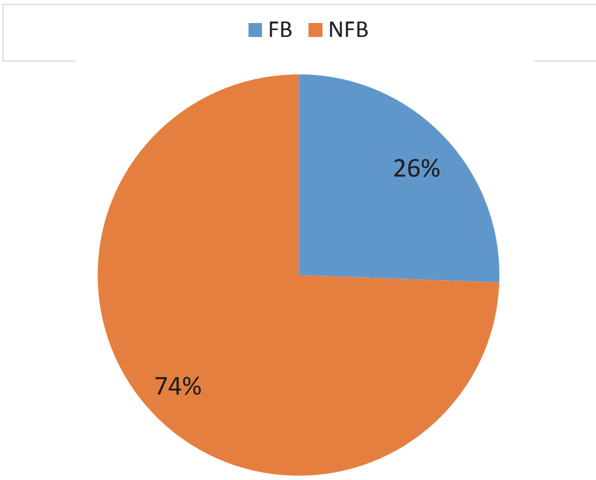
Figure 8. Economic profitability of private hospitals in 2018



Source: Own elaboration

Different authors consider that a favorable reputation implies a better financial performance (Barney, 1991; Deephouse, 2000; Rindova et al., 2005; Roberts and Dowling, 2002). As we have just said, although maintaining a good reputation is expensive in the short term, in the long term, it will imply greater support for the owner family by stakeholders (Newburry, 2010). Figure 9 shows the concentration process that has taken place in the Spanish health sector in recent years (Medina, 2017); 22 private family and 64 non-family private hospitals in 1995 were absorbed by one of the large hospital groups in the sector (Quirón salud, HLA, HM group, Vithas, etc.).

Figure 9. Number of private hospitals absorbed by a group

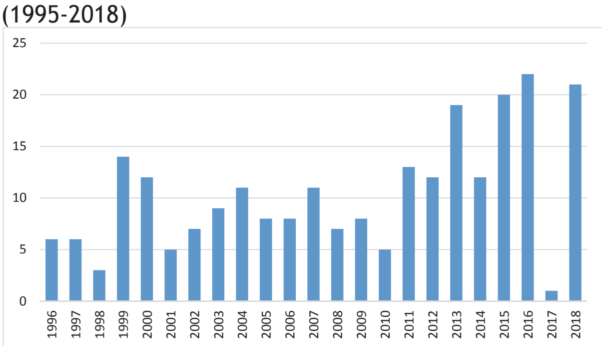


Source: Own elaboration

Regarding the market share, the 10 main agents in the private hospital sector account for 77% of private hospitals and 83% of private beds. Quirónsalud and VITHAS are the private hospital groups that have the largest number of hospitals and beds. Specifically, Quirónsalud represents 25% of private hospitals and 31% of beds, while

VITHAS represents 12% of hospitals and 12% of beds. The first family group would be the HM group, contributing 7% of clinics and private sector beds.
There was a strong dynamism in the private clinic sector in the 2011-2016 period, with many changes in ownership (see Figure 10). The main increase in turnover in the sector has been the increase in the number of patients attended by the clinics. This increase in patients is explained by the increase in the private insurance sector (Fundación MAPFRE, 2019).

Figure 10. Change of ownership in private hospitals (1995-2018)



Source: Own elaboration

5. Conclusions

Family businesses have survived through the generations, maintaining their family character when they have specialized, or converted to companies with advanced technology, offering exclusive services, which allow them to be very profitable.
The survival of 60% of family businesses in the private hospital sector in Spain is one of the most surprising results of this study. However, it is appropriate to soften the positive effect, taking into account that the weight of the family business in the sector fell by 10% between 1995 and 2018. From the SEW perspective, family character implies a long-term vision and the intention to preserve and transmit the family legacy to the next generation. Legacy is not only economic, but also emotional.
In the private hospital sector, it seems that the effect of transmission of intangible values has a greater influence on survival than in other sectors. From the SEW perspective, dimensions such as the identification of the family with the company and the reputational factor to be transmitted to the next generation would explain, the situation of the family business in the Spanish health sector. The identification of family members with an organization makes them perceive the company's prestige as theirs. Developing adequate business behavior would allow them to maintain the positive image of the company and themselves. Consequently, from the family business, strategic decisions are adopted that enable preservation of the reputational legacy, achieving a high survival in the sector (Cabrera-Suárez et al., 2014). Strengthening this idea, Deephouse and Jaskiewicz (2013) considered that high identification motivates family members to pursue a favorable reputation of the company that benefits them, increasing their SEW.
Family businesses that could not invest in technology to remain competitive closed or were acquired by larger groups, some of them family groups. The issues of size, specialization, or the offer of services with cutting-edge technology seem relevant to preserve the family character, observing a great concentration in the sector.
This study makes several contributions. As for the literature on family businesses, it incorporates a study on the health sector, an area where research on “health care organizations” and “family business” is very scarce. Second, it presents new work from the theoretical perspective of SEW. Third, it offers the first database that classifies the private hospital sector according to its family property or not.
This work suffers from certain limitations, especially based on the available information. As mentioned in the methodology, the difficulty in developing this research work was mainly because of the lack of a database that classifies clinics according to family and non-family ownership. Given the laboriousness of the work, we carried out a cross-sectional study exclusively analyzing the years 1995 and 2018. Subsequent investigations could propose a data panel for the 1995-2018 period that includes all the movements of companies in the interim period.
In this study, we were not able to investigate why certain family businesses in the Spanish private health sector in 1995 did not survive in 2018. Future research could raise questions such as the following: Was non-survival an issue related to their family character (lack of successor process planning, lack of successor)? Were issues of an economic nature (percentage of family income dedicated to private medicine spending)? Were issues related to the health sector (such as the development of the public system that has opened more public hospitals)? Questions of location: Is there a difference in the location of private hospitals due to the different levels of purchase of medical care in hospitals outside the Public Health Services among the different Regional Health Systems? Do the private family clinics that survived have differential characteristics? To answer these questions, we

propose implementing the case method in future investigations.

The hypothesis we manage is that the sector will continue in the process of concentration, favored by the entry of new investors compared to a traditional clinical model owned by a group of doctors. This process will favor the creation of larger hospital groups and greater professionalization of management. In this process, what role is reserved for the family business?

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Ownership, board, and enterprise risk management

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Abstract This paper analyses the effect of family ownership and the characteristics of the board of directors on the implementation level of enterprise risk management (ERM) in Spanish non-financial companies. The sample consists of 162 Spanish non-financial companies listed on Spanish stock exchanges and markets during 2012–2015. The results obtained show that the relationship between the level of family ownership concentration and the implementation level of an ERM system has a non-linear structure. Therefore, a reduction in implementation for moderate ownership levels is observed, although this increases with high ownership values. Regarding corporate governance, our study confirms the importance of certain characteristics of the board of directors, such as the size and the figure of the shareholder director in the implementation of formal ERM systems.

CÓDIGOS JEL
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PALABRAS CLAVE
Propiedad familiar, Gobierno corporativo, Gestión integral de riesgos (ERM)

Propiedad, consejo y gestión del riesgo empresarial

Resumen Este trabajo analiza el efecto de la propiedad familiar y de las características del consejo de administración sobre el nivel de implementación de la gestión integral de riesgos (ERM) en las empresas españolas no financieras. La muestra consta de 162 empresas españolas no financieras que cotizan en Bolsas y Mercados Españoles durante el período 2012-2015. Los resultados obtenidos muestran que la relación entre el nivel de concentración de la propiedad familiar y el grado de implementación del sistema de gestión integral de riesgos presenta una estructura no lineal, de modo que se observa una reducción de los niveles de implementación para niveles medios, pero que se incrementa en valores elevados de propiedad. Respecto al gobierno corporativo, nuestro trabajo confirma la importancia de ciertas características del consejo de administración como el tamaño y la figura del accionista-consejero en la implementación de sistemas formales de gestión del riesgo.

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Introduction

Ownership structure and the characteristics of the board can play an important role in the level of risk assumed by the company (Tufano, 1996, Boubakri et al., 2013). In the case of family businesses, previous literature has explained this relationship based on socio-emotional aspects (Gómez-Mejía et al., 2007 and Su and Lee, 2013) and in Agency Theory (Amihud & Lev, 1981; John et al., 2008). In general, they explained increased risk aversion and the incorporation of non-strictly economic incentives (not necessarily monetary), where capital preservation and business transfer determine risk taking.
However, there has been little research on the relationships between ownership, the board of directors and risk management. Increased risk aversion could result in greater involvement in risk management, both through the adoption of Enterprise Risk Management (ERM) and coverage.
Among the definitions of Enterprise Risk Management (ERM), COSO II[1] defines corporate risk management as "a process carried out by the board of directors of an entity, its management and remaining personnel, applicable to the definition of strategies throughout the company and designed to identify potential events that may affect the organization, to manage its risks within the accepted level and to provide reasonable assurance regarding the achievement of objectives". As is clear, all the people who are part of the entity must be involved, although we should highlight the role that the board of directors ought to play as the main driver of these strategies. Due to the link between the board of directors and ownership, the latter will also play a decisive role in the implementation level of this process.
However, concentration of capital in the hands of family businesses can have a negative effect on the adoption of an Enterprise Risk Management (ERM) system and on risk coverage. This approach is proposed by Beasley et al. (2005) and Brustbauer (2016), who believe that the implementation of a risk management system (ERM) requires full support from the owners and awareness of the value it provides. Therefore, they consider that when the person who controls the company is a manager-owner and not a professional manager, it is more likely that there will be less involvement in the implementation of ERM. On the other hand, the existence of other strong investors, in particular, institutional, ones, could make the interest in incorporating ERM systems vary.
Regarding the influence of the board of directors, authors such as Kleffner et al. (2003) consider that it is the most determinant factor of the company for implementing Enterprise Risk Management systems. However, this aspect has hardly been studied in the economic literature, particularly, factors that may be relevant such as types of directors, gender diversity and the size of the board.
The aim of this paper is to evaluate how ownership and company governance affect the adoption of Enterprise Risk Management (ERM) models~~,~~ as well as risk coverage programmes for Spanish non-financial listed companies. This paper makes several contributions to the literature that relate the level of assumed risk with ownership and corporate governance. Specifically, the aim is to evaluate the effect of family ownership concentration, as well as the influence of other shareholders with significant interests, on the implementation level of formal risk-management processes. The characteristics of *boards of directors* have also been included, meaning that it can also be a significant factor. Thus, it is one of the few papers that addresses this issue, while it also considers a large number of variables which are representative of risk management. The study is limited to the Spanish case, given that it is a market with a significant presence of family businesses and with heterogeneous characteristics that allow us to test the hypotheses considered.
The results obtained show that the relationship between the level of family ownership concentration and the implementation level of the risk management system (ERM) has a non-linear structure, so a reduction in the implementation levels for moderate ownership levels is observed, although there is an increase for high ownership values. The presence of institutional investors is very decisive, affecting all the variables related to risk management very positively. Regarding corporate governance, our work confirms the importance of certain characteristics of the board of directors in implementing formal risk management systems.
This paper is structured as follows: the theoretical reference framework is presented in the second section; next, the third section describes the sample and the variables and hypotheses used; the fourth section discusses the methodology and the results obtained; finally, the fifth section summarises the main conclusions.

Previous literature and hypotheses

Regarding the importance of the ERM system, different academic researchers have justified risk management based on the costs of non-

1. Committee of Sponsoring Organizations of the Treadway Commission (2004): *Enterprise Risk Management - Integrated Framework*.

systematic risks involved for the company. Stulz (1996) states that risk management adds value by reducing the probability that the value is destroyed during financial crises and by reducing or eliminating the so-called "*costly lower-tail outcomes*" (Beasley, Pagach, and Warr, 2008; Baxter, Bedard, Hoitash, and Yezegel, 2008). For Nocco and Stulz (2006), ERM can create competitive advantages by allowing access to capital markets and other resources, while also helping managers and employees at all company levels to manage risk. Therefore, ERM helps to reduce the probability of there being /the risk of financial problems. In addition, ERM can also lower other types of costs, in particular, risk coverage costs and the so-called "costs of contracts". For Hoyt and Liebenberg (2011), by including decision-making in all types of risks handled by the company, risk management expenses that may occur from their individualized treatment are cut and this allows for natural coverage of risks with different business activities. One of the first studies to investigate the implementation of Enterprise Risk Management, which was carried out by Colquitt, Hoyt and Lee (1999), showed via surveys that the role of risk managers was evolving in such a way that they faced an increasing number of risks.

In addition, Kleffner, Lee and McGannon (2003) concluded that 31% of the members surveyed of the *Canadian Risk and Insurance Management Society* had found the current organizational structure and resistance to change as the main obstacles to implementating a risk management system (ERM). These authors showed that Canadian companies that had adopted ERM had done so by being encouraged by the board of directors. This implies that the factors that can be decisive in overcoming these obstacles and thus, favour implementing Enterprise Risk Management systems are related to the ownership structure and the characteristics of boards of directors, which are aspects that have seldom been studied in the literature on risk management (ERM). For this reason, in this section we review the literature and propose hypotheses regarding the effect that the concentration of capital in family businesses, the presence of institutional investors and the characteristics of the Board can have on a greater involvement in risk management.

Family ownership

Concentration of capital in the hands of family businesses is considered to have a negative effect on the adoption of a risk management system (ERM). As Brustbauer (2016) points out, implementing ERM requires a great deal of support from the owners and for them to be aware of the value it brings (Beasley et al., 2005; Brustbauer and Peters, 2013). That is why they consider that when the individual who runs the company is an owner-manager and not a professional one, it is more likely for there to be less involvement in the implementation of a risk management system (ERM). Brustbauer (2016) found in his study that family businesses have fewer incentives to implement a risk management system. In turn, Paape and Speklé (2012) point out that when the owners also manage the company and there are no agency problems between owners and managers, the value of implementing ERM systems is lower and, therefore, less likely to be supported. At the empirical level, he also shows that it is less probable for companies managed by their owners to invest in ERM.

H1: Family businesses have less incentive to implement ERM systems.

Institutional investors.

The presence of institutional investors could lead to better risk management practices being applied in the company (Mafrolla, Matozza and D´Amico, 2016). One theory/hypothesis is that many of them have a small stake and who expect high quality information (Kane & Velury, 2004). On the other hand, Mafrolla, Matozza and D´Amico (2016) claim that when institutional investors have a higher stake, they perform professionally raising management standards and, consequently those of their risk system. In addition, Paape and Speklé (2012) state that as institutional investors are more powerful than individual ones, their presence will lead to a higher level of ERM implementation. At the empirical level, Brustbauer (2016) finds a positive relationship between institutional participation and the implementation of risk management systems (ERM), while Paape and Speklé (2012) find no evidence.

H2: The presence of institutional investors encourages ERM systems to be adopted.

Board of Directors and ERM

According to Kleffner et al. (2003), the boost given by the board of directors is the most important factor that influences the implementation of ERM in companies. The importance of the Board is also shared by other authors such as Beasley, Clune and Hermanson (2005), Desender (2007), Altuntas, Berry-Stölzle and Hoyt (2011) and Baxter, Bedard, Hoitash and Yezegel (2013), who maintain that *Management teams* and *boards of directors* have a significant influence on the implementation of ERM. Beasley, Branson, and Hancock (2009) defend this based on an increased demand for greater risk transparency with the aim of reducing the probability of possible fraudulent or opportunistic behaviour.

Desender (2007) measures the risk management system (ERM) by using public information and finds that the *independence of the board* of directors is not enough on its own to lead to higher levels of ERM, but only when the position of the general manager or chief executive officer (CEO) and the chairman of the company are held by two different individuals. Beasley (1996) shows a positive relationship between independent directors and ERM. Altuntas, Berry-Stölzle and Hoyt (2011) find via a survey that companies that report using ERM generally have better corporate governance and a more appropriate organizational structure for risk management. Baxter, Bedard, Hoitash and Yezegel (2013) state that companies with the highest quality of risk management (ERM) are those with better corporate governance, with the presence of risk committees and senior management boards.

The *size of the board* is also another factor that can play a significant role due to its ability to control managers' actions (Daud, Haron & Ibrahim, 2011). Finally, regarding *gender diversity* in Boards of Directors, it is considered that the presence of women provides differing varied points of view (Joecks, Pull and Vetter, 2013) so much so that females more often than not tend to be seen as being more averse to risk than their male counterparts when it comes to investing (Eckel and Grossman, 2002; Fehr-Duda, de Gennaro and Schubert, 2006; Eckel and Grossman 2008; and Borghans, Golsteyn, Heckman and Meijers, 2009). We believe that a greater presence of female directors can positively influence the implementation of a risk management system (ERM).

H3: The size of the board and the presence of women positively affect the implementation of ERM and risk coverage.

H4: The presence of shareholder-directors negatively affects the implementation of ERM.

Empirical analysis

The empirical analysis was carried out based on information obtained from the SABI Database and Morningstar Direct. The sample is formed of the 162 Spanish companies that are listed on the stock exchange, excluding financial and real estate companies. The data related to ownership and other economic-financial data were obtained from the SABI database. This information was complemented with the risk indicators available in the Morningstar Direct database. Several dummy variables obtained from the information in the listed companies' reports were used as ERM indicators. The independent variables are mainly made up of the percentage of ownership in the hands of family or individual investors, the presence of strong investors and other indicators related to the characteristics of the board of directors. Thus, the aim is to analyse the impact that ownership and the characteristics of Boards of Directors have on the implementation of risk management systems.

Variables used

Next, the variables used in the work will be discussed.

Dependent variables

The dependent variables determine the implementation of a risk management system in each company, as well as the quality of the implemented system, based on whether or not they have particular characteristics, which are indicators of good practices in risk management. Table 1 shows the variables used, keywords used in the search and their description. It is simply considered if the company has a risk committee (Risk_committee) and a chief risk officer (CRO) in its organizational structure. It is also borne in mind if the company measures its risks with a risk map and has established risk tolerance levels. We use the variables ISO 31,000 and COSO as an indicator of having ERM being used in the company, which entails that it has an enterprise risk system. Finally, we have included three indicator variables of coverage for the main financial risks, exchange and credit risk being most worthy of mention.

Table 1. Definition of Variables

Related With Presence Of Risk Management System		
Name	Key Word	Specification
Risk_committee	*Risk Committee*	Existing risk committee in the company
CRO	*Chief Risk Officer, CRO*	Presence of a manager in charge of the company's risk management
Risk_map	*Risk Map*	Existing risk map in the company
Risk_tolerance	*Risk Tolerance*	Existing risk tolerance level
ISO 31000	*ISO, 31000*	Monitoring of the ISO 31000 standard
COSO	*COSO*	Monitoring of the COSO framework
Cov_int_rate	*Derived Financial Instruments, Coverage*	Existing financial instruments dedicated to risk coverage of interest rate variation
Cov_exch_rate	*Derived Financial Instruments, Coverage*	Existing financial instruments dedicated to risk coverage of currency exchange rate variation
Cov_credit	*Derived Financial Instruments, Coverage*	Existing financial instruments dedicated to risk coverage of credit rate

Source: own elaboration.

As observed in Table 2, only 20% of companies report the presence of a risk committee, and to a lesser extent (in 9% of cases) of a risk manager. However, it is quite common for Spanish listed companies to measure their risks (57%) and use the risk map in decision making while about 35% adopt formal risk management policies implemented in accordance with the COSO or ISO standard instead. Finally, interest risk is the most common form of coverage, followed by exchange and then credit risk.

Table 2. Descriptive data of independent variables

Variable	Obs	Mean	Std. Dev.	Min	Max
risk_committee	577	.2062392	.4049553	0	1
cro_	577	.0918544	.2890709	0	1
risk_map	577	.5719237	.4952293	0	1
iso_31000_	577	.0433276	.2037701	0	1
coso_	577	.3015598	.4593334	0	1
risk tolerance	577	.5459272	.4983182	0	1
cov_interest_rate	577	.4592721	.4987709	0	1
cov_exch_rate	577	.3379549	.4734235	0	1
cov_credit	577	.1975737	.3985142	0	1

Source: own elaboration.

Table 3 includes the correlations between the dependent variables, where it can be observed that in general, the values are positive, in line with, expectations, since they are representative variables of risk management.

Ownership variables

Firstly, we considered a continuous variable that represents the percentage of capital concentrated in individual investors or families (*Famcont*). As shown in Table 4, stakes in Spanish family-run ~~businesses~~ capital are very common, with an average value of 40%. In 10% of cases, controlled capital exceeds 85%, while in another 10% there is no presence of families or other individual investors in the shareholding.

Table 4. Distribution of representative family ownership variables

Probability	Values	Obs
1%	0	716
5%	0	**Mean**
10%	0	0.4096369
25%	0.2	**DT**
50%	0.35	0.2865664
75%	0.65	**Skewness**
90%	0.85	0.4016694
95%	0.95	**Kurtosis**
99%	0.95	2.116003

Source: own elaboration.

The presence of other owners, in particular, investment funds (*FIcont*), has also been considered. Thus, the aim is to evaluate to what extent the presence of other relevant partners can influence the implementation of ERM. As previously stated, the existence of multiple relevant shareholders can positively influence risk taking and management (Mishra, 2011).

Table 3. Correlations between the dependent variables

	Risk_ committee	Cro_	Map_ risk~_	Iso_ 31000_	Coso_	Tolerance~_	Cov_ interest	Cov_ exch	cov_ credit
Risk_committee	1								
Cro_	0.2828	1							
Risk_map~_	0.3111	0.2145	1						
Iso_31000_	0.2492	0.2271	0.1325	1					
Coso_	0.4024	0.1833	0.3471	0.2311	1				
Tolerance~_	0.1896	0.2298	0.4210	0.1770	0.2731	1			
Cov_interest_rate	0.1663	0.2608	0.2140	0.1626	0.2431	0.2188	1		
Cov_exch_rate	0.2516	0.2929	0.2109	0.2259	0.2491	0.2984	0.3709	1	
Cov_credit	0.0913	0.0532	0.1390	0.0868	0.0913	0.1990	0.2152	0.2252	1

Source: own elaboration.

Independent variables

Taking the above into account regarding the determinant factors for adopting an Enterprise Risk Management model or ERM, we have considered the variables listed below to specify our explanatory model for the determinants for implementing an Enterprise Risk Management system in the company.

Variables related to the characteristics of company governance

Variables related to Corporate Governance of companies have also been considered specifically, information regarding the number of members that make up Boards of Directors (*Totalmembers*). In addition, the number of women that make up Boards of Directors (*Boardwom*), and of shareholders who are members of Boards of Directors (*Sharboard*) have been calculated. In general, companies opt for boards with an average of 14 members, although in some cases they may have 40 representatives. Women participate in virtually all boards, which are outnumbered by men so that out of the 14 members mentioned above, women only account for 1.5 on average. In more than 85% of cases, managers are shareholders, an element that can contribute to aligning interests. Finally, we should point out that a high percentage of the members of Boards of Directors (31.2%) are also company shareholders.

Table 5. Characteristics of Corporate Governance

Variable	Obs	Mean	Std. Dev.	Min	Max
totalmembers	716	14.41899	8.238941	3	40
boardwom	716	1.586592	1.701349	0	8
sharboard	716	4.530726	4.313959	0	23

Hoitash and Yezegel, 2013), although the work by Liebenberg and Hoyt (2003) is inconclusive. While Liebenberg and Hoyt (2003) found no significant differences in the use of ERM from one company to another of a similar size or industry, Beasley, Clune and Hermanson (2005) found that the companies with a higher implementation of a risk management policies had risk managers, were larger and operated in the financial, insurance or education sectors. As for Baxter, Bedard, Hoitash and Yezegel (2013), they found that larger and more diversified companies had better ERM programmes.

H5: Larger companies adopt ERM to a greater extent.

There are also differing theories which have the aim of explaining the relationship between liquidity and risk. In this regard, Bonfim and Kim (2012) show that the relationship can be either positive or negative. Based on the agency theory of free cash flow (Jensen, 1986), a positive relationship is established between both variables, with the argument that there is a greater risk of inappropriate investment when there is a very high level of liquidity; this is because managers prefer to retain excess funds and have greater discretion, which at times, can be materialized by way of the implementation of investment projects having a negative net current value. On the contrary, Logue and Merviue (1972) and Moyer and Chartfield (1983), postulate a negative relationship between liquidity and risk, maintaining that high liquidity indicates a low level of short-term liability and therefore a lower risk, bearing in mind that a higher liquidity reduces risk because there are more resources available to meet the company's obligations (Edge, 1998). In the initial investigation of the correlation between both variables, Beaver, Kettler, and Scholes (1970) found a negative relationship with risk. However, the empirical studies of Borde (1998), Rosenberg and McKibben (1973) and Pettit and Westerfield (1972) showed liquidity ratios to be positively associated with

Table 6. Summary of ownership and corporate governance variables

Name	Specification
Relating to company ownership	
Famcont	% of capital in the hands of family
FIcont	% Investment fund held by companies that are listed on the stock exchange
Relating to company governance	
Totalmembers	Total members that make up the board of directors of the companies listed on the stock exchange
Boardwom	Number of female members on the Board of Directors
Sharboard	Number of shareholders that make up the board of directors

Source: own elaboration.

Control variables

The level of ERM adoption is also related to the size of the company, since there are economies of scale and minimum sizes required to implement risk management programmes and these can incur very high costs. The *size* of the company is usually related to the diversification level. Therefore, larger companies can use their market power to obtain greater benefits (Ang et al., 1985) and have a greater capacity to face the effect of economic changes (Sullivan, 1978; Hardwick, 1997). On the other hand, smaller companies are affected by a number of financial disadvantages that result in economic restrictions, greater difficulties in acquiring medium and long-term financing (Hellmann and Stiglitz, 2000) and a higher financial cost (Melle, 2001). Thus, there are studies that identify *size* and *sector* as relevant factors (Colquitt, Hoyt and Lee, 1999; Beasley, Clune and Hermansom, 2005; Pagach and Warr, 2011; Baxter, Bedard,

risk. Nonetheless, the studies by Gu and Kim (1998) and Logue and Merville (1972) found no significant relationship between liquidity coefficients and risk.
Finally, profitability can also be decisive for the risk level, because following financial valuation models, a positive relationship between the profitability and risk of all investments has been confirmed both theoretically and empirically (Blume and Friend, 1973; Fame and MacBeth, 1973). If the company carries out aggressive strategies to increase profitability, which can increase risk (Edge, 1998), it seems logical that the riskiest investments are those that promise the highest rates of return. However, and as indicated by Bowman (1980)~~,~~ and Chen (2013), if the company is very profitable, there is a lower chance of incurring losses and bankruptcy. Bowman (1980) maintains that correlations between the accounting measures of profitability and risk are negative for most of the sectors analysed, that is, the most profitable companies have a lower risk. Consequently, the most at-risk companies obtain worse results on average. The same result is found by Fiegenbaum and Thomas (1988). This double relationship is justified due to the double attitude towards the risk that managers may take based on the prospect theory formulated by Kahneman and Tversky (1979). According to these authors, managers show a risk-averse attitude when the expected result is higher than desired, but they are prone to risk when the expected result is lower than desired.
The values of the control variables considered in the study are shown in Table 7 Summary of control variables. As can be seen, companies are heterogeneous in terms of size, liquidity, solvency and profitability.

Table 7. Summary of control variables

logta	572	12,37317	2,190238	6,598531	16,96684
ratliq_	572	1,246647	1,204686	0,006	6,739
rroa_	572	0,3376346	14,02567	-73,205	62,517

Source: own elaboration.

While, in general there is not a very high correlation between the variables considered.

Table 8. *Correlation coefficient between control variables*

	logta	ratliq_	rroa_
logta	1		
ratliq_	-0.1003	1	
rroa_	-0.0917	-0.0319	1

Source: own elaboration.

Table 9 shows all the variables considered, as well as the expected sign for each case.

Table 9. Variables and initial hypotheses

Variable	Expected relationship *ERM*
Relating to ownership	
Famcont	-
FIcont	+
Relating to Corporate Governance	
Totalmembers	+
Boardwom	+
Sharboard	+
Control variables	
Size	+
Liquidity	+
Profitability	+

Source: own elaboration.

Methodololgy

Most empirical studies carried out, which this paper belongs to, test the hypotheses established in the theoretical framework by means of conditional probability models. Therefore, we have chosen to apply a logit model to analyse the implementation of the variables related to ERM. This method establishes a linear relationship between the set of independent variables and the dependent variable. The dependent variable, which varies in the [0; 1] interval, is the logarithm of the ratio of opportunities or probabilities (odds ratio), probability of a certain event (default) and probability of its complement (no default).
We take P as the probability of the event occurring (value "1") and 1-P, the probability of the complementary event occurring (value "0"). It is a Bernoulli or dichotomous variable whose mathematical expectancy represents the random result of default or no default. Taking the variable as Y, the probability that the company has some of the issues evaluated in the differing dependent variables is $E = [Y/X_i] = P$, where X_i represents the explanatory or independent variables (Caballo, 2013). The logistic regression model approximates the probability of the event "1" with the value of the explanatory variable as follows:

$$P(Y=1) = P = \frac{1}{1+e^{-z}} = \frac{1}{1+e^{-(\beta_0+\beta_1 X_1 \ldots \beta_k X_k}} = \frac{e^z}{1+e^z} \quad [1]$$

thus,

$$P(Y=0) = 1-P = 1-\frac{1}{1+e^{-z}} = 1-\frac{1}{1+e^{-(\beta_0+\beta_1 X_1 \ldots \beta_k X_k}} = \frac{1}{1+e^z} \quad [2]$$

If we now express the number of times that an event occurs versus how many times it does not occur (odds-ratio or probability ratio), we can deduce the following:

$$\log(\frac{P}{1-P}) = \log(P) - \log(1-P) = Z = \beta_0 + \beta_1 X_1 \ldots\ldots \beta_k X_k = Logit \quad [3]$$

obtaining a linear relationship in both the

independent variables X_i and parameters $\beta_0 (i = 1, 2, ..., k)$ Caballo, 2013).
The proposed model is as follows:

$$P(ERM = 1) = F(\beta_0 + \beta_1 Famcont + \beta_2 Ficont + \beta_3 Totalmembers + \beta_4 Boardwom + \beta_5 Sharboard + \beta_6 Manshar + \sum \beta_j X_j) \quad [4]$$

The regression signs are interpreted in the following way: a positive sign shows an increase in the probability that $y_i = 1$ and a negative sign means the opposite. It is important to interpret the sign and not the magnitude since the latter must be done in terms of marginal effects that are calculated as:

$$\frac{\partial F(x'\beta)}{\partial x_j} = \Lambda(x'\beta)[1 - \Lambda(x'\beta)]\beta_j = \frac{exp(x'\beta)}{(1+exp(x'\beta))^2}\beta_j \quad [5]$$

Mean difference
Before analysing the results of the logit models, we performed an analysis of mean differences for some of the dependent variables. First, we chose the implementation of COSO as a proxy for ERM, where we observed that in general, companies that had implemented the standard have significant and positive differences in terms of ownership and ~~the~~ boards of directors. Thus, in general they have a higher percentage of institutional participation in capital, larger boards of directors, more women on boards of directors and more shareholders who are members of the boards.

Table 10. Mean difference considering the COSO variable as proxy of ERM

	COSO=1	COSO=0	Diff.	Std. Error	Obs.
famcont	0.3871	0.4158	0.0287	0.0255	577
ficont	0.2224	0.1690	-0.0534***	0.0080	577
total members	20,1609	14,0521	-6.1088***	0.7136	577
boardwom	2,2931	1,4392	-0.8539***	0.1547	577
sharboard	7,6207	4,1290	-3.4917***	0.3730	577

Source: own elaboration.

As we can see in Table 7 the differences are all significant, like before showing once again that in general, companies with a risk map have more institutional presence and larger, more diverse management boards, with more directors as shareholders. This does not happen with the family ownership concentration variable, which we have seen has a negative result, so a higher concentration implies a lower implementation level of the risk map.

Table 11. Difference of means considering the Risk Map variable

	Risk Map=1	Risk Map=0	Diff.	Std. Error	Obs.
Famcont	0.3809	0.4421	0.0612***	0.0235	577
Ficont	0.2048	0.1587	-0.0461***	0.0075	577
Total members	18.3818	12.5709	-5.8110***	0.6597	577
Boardwom	2.0303	1.251	-0.7793***	0.1436	577
Sharboard	6.6879	3.17	-3.5178***	0.3412	577

Source: own elaboration.

As shown in Table 12, the differences are significant in all cases, as with the previous variable, demonstrating again that, on the whole, the results are the same as those with a risk map.

Table 12. Difference of means considering the Risk Committee

	Risk Committee=1	**Risk Committee=0**	**Diff.**	**Std. Error**	**Obs.**
Famcont	0.3475	0.4226	0.0751***	0.0288	577
Ficont	0.2122	0.1781	-0.0341***	0.0093	577
Total members	20.3613	14.7336	-5.6277***	0.8268	577
Boardwom	2.2857	1.5437	-0.7420***	0.1773	577
Sharboard	7.3361	4.6223	-2.7139***	0.4398	577

Source: own elaboration.

The same applies to coverage (Table 13), which backs up how the differences are repeated in general with only the negative variable being the representative variable of family ownership once again.

Table 13. Difference of means considering coverage

	Coverage int rates=1	Coverage int rates =0	Diff.	Std. Error	Obs.
Famcont	0.3638	0.4439	0.0801***	0.0232	577
Ficont	0.2011	0.1715	-0.0297***	0.0075	577
Total members	19.1811	13.1026	-6.0786***	0.6501	577
Boardwom	2.1962	1.2724	-0.9238***	0.141	577
Sharboard	6.5245	4.0417	-2.4829***	0.3539	577

Source: own elaboration.

Results of the logistic regression
In Table 14 we can see that the Famcont variable is significant in six of the estimated models, showing a U-shaped relationship. This means that in general, a greater concentration of capital in the hands of family businesses leads to a lower likelihood of the company adopting risk management

and control structures and policies. However, at very high concentration levels, it is observed, as before, that companies have more incentive~~s~~ to implement ERM. In the same way, companies with moderate levels of capital are less likely to have a structure with a risk committee or ~~to~~ hire a CRO, or even have fundamental management tools such as a risk map either. In addition, control of the company at moderate levels by a family member reduces the probability that the company implements a risk coverage programme. However, this situation changes when the concentration levels exceed approximately 50% of the capital. The results obtained are partially in line with *hypothesis* 1 and with the approaches by Brustbauer (2016), who showed that family businesses have less of an incentive to implement an ERM system and Paape and Speklé (2012), when they confirm that the coincidence of owners and managers makes implementing ERM less worthwhile because there are fewer agency problems. Therefore, our results support a non-linear relationship between the family control level and the ERM implementation degree, so at moderate levels there is a lower incentive to invest in risk management systems, whereas the propensity to implement ERM systems increases when the capital concentration level is very high.

On the contrary, the presence of an institutional investor is very significant in seven of the eight models studied, the adoption of ERM, the provision of a professionalized risk management structure and measurement tools, as well as the coverage of risks all showing a positive relationship. Thus, our results support hypothesis 2, which establishes a positive relationship between the presence of institutional investors and enterprise risk management. These results are in line with Mafrolla, Matozza and D´Amico, (2016), who postulate that the presence of institutional investors can lead to better risk management practices being applied in the company and CROs and Risk Committees being incorporated (Pagach and Warr, 2011). On the other hand, as it is a continu-

Table 14. Estimated Logit models for the differing variables related to risk management.

	ERM	Risk Committee	CRO	Risk Map	Tolerance	Covinterest	Covexch	Covcredit
famcont	-3.3481**	0.2317	-11.4816***	-5.4070***	-4.7700***	-3.4866**	2.206	3.3740**
famcont2	3.0653*	-1.3662	9.7460***	4.6844***	4.7081***	2.4559	-3.4093**	-4.2347***
ficont	8.1359***	4.4982*	10.5305**	4.9928***	3.5492***	2.1781	3.5584*	5.0766***
totalmembers	-0.0092	-0.002	0.0602**	-0.0125	0.0285	0.0237	0.0008	-0.0767***
boardwom	0.0665	0.0686	-0.1326	-0.0595	-0.2379***	-0.0257	-0.0917	-0.0916
sharboard	0.1163***	0.0166	-0.0036	0.2173***	0.0929**	-0.0388	0.0261	0.0814**
logta	0.2575***	0.4070***	0.7391***	0.3607***	0.3499***	0.6875***	0.7270***	0.3742***
ratliq_	-0.0386	-0.1041*	-0.006	0.0077	0.0353	0.0001	-0.0177**	0.0000
rroa_	-0.0001	-0.0014	-0.0077***	0.0005***	-0.0002	-0.0016	0.0003***	-0.0016
yr2013c	-0.2376	-0.3716	-0.8135	-0.8059***	-3.2413***	0.7005**	0.2729	0.1451
yr2014c	-0.1991	-0.2132	-0.1464	-0.4549	-0.4476	0.5591*	0.2267	0.2807
yr2015c	-0.0439	-0.263	-0.1277	-0.2934	-0.45	0.159	-0.045	0.0439
cn_2	0.2975	0.7879**	-	-0.0417	-0.5301	-0.1673	1.2297***	1.0488**
cn_3	-1.4404***	-0.0646	1.2452*	0.7542**	0.7843**	-0.1731	1.4182***	1.4723***
cn_4	0.0588	0.7123	0.5774	-0.7236	-0.2193	1.0712***	-0.7409	-0.3377
cn_5	-1.1424***	-1.0418***	1.2165***	-0.2806	0.3599	0.3698	1.1297***	-0.4788
cn_6	-0.3619	-	1.2102*	1.2889*	1.3709**	1.9736*	-1.6440***	-0.5468
_cons	-5.3581***	-7.1147***	-13.7780***	-4.3505***	-3.7056***	-9.1712***	-11.4455***	-6.9540***
N	544	520	495	544	544	544	544	544
r2_p	0.2362	0.189	0.3387	0.2559	0.3047	0.304	0.2914	0.133
p	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: own elaboration.
Note: This Table shows the estimations of the logit model which were carried out by using different risk measures as dependent variables. Famcont is a representative variable of the percentage of capital in the hands of family or individual investors. Totalmembers is the number of members belonging to the board of directors, boardwom represents the percentage of women on the board and sharboard the percentage of shareholders who are also directors. Logta is the logarithm of the company's total assets, ratliq is the liquidity ratio and rroa_ is profitability. Temporary and sectorial dummies have also been included. *Significant at 10%.** Significant at 5%.*** Significant at 1%.

ous variable, it also implies that the higher the level of control of the institutional investor, the greater the relationship. which again supports the approach by Mafrolla, Matozza and D´Amico (2016), when they maintain that if institutional investors have a higher stake, they perform in a professional way, improving the quality of management and therefore, of their risk system too. Equivalent results have been found by Brustbauer (2016) for the relationship between institutional participation and implementation of ERM systems.

The figure of the shareholder, who is also a board director, is a variable that has been significant in so many of the estimated models. Contrary to what is stated in the initial hypothesis, in the case of a director being a shareholder and, therefore, not independent, ERM is more likely to be adopted, risk management techniques incorporated and credit risk covered, the adoption of ERM is more positively affected. This situation could be explained by the fact that when the shareholder does not have control of the company, but participates in the board of directors, he or she may be interested in having a sophisticated risk system that allows managers to be better controlled. In addition, we have also observed that when the capital concentration level is very high, there is greater involvement in risk management. In this case, it is quite common for the shareholder to also be a member of the board of directors, whereby both roles would converge in boosting ERM. Size of the Board can also play a significant role due to its ability to control managers' actions (Daud, Haron & Ibrahim, 2011). Our work only finds a significant relationship between size of the Board and the incorporation of a CRO, as it appears that a larger size makes it more difficult for a company to control its managers and leads to the incorporation of a CRO in order to monitor them. Finally, gender diversity does not seem to influence the characteristics of risk management which the company takes.

As for other more classic variables, the important role that size plays stand out, showing how important it is to be of a certain size in order for formal risk management processes to be undertaken.

Conclusions

We have evaluated the effect of ownership and corporate governance on the level of ERM implementation. This aspect has seldom been considered in previous literature, which in general has resorted to more conventional indicators. The results obtained show that the relationship between the level of family ownership concentration and risk presents a non-linear structure, in such a way that there is a reduction in the level of ERM implementation for moderate levels of ownership and an increase for higher levels. Thus, it seems that family businesses are less interested in implementing ERM, except when shareholders have greater control of the company, in which case they are more motivated to implement risk management systems. Similarly, when professional investors are present in the company, they boost management and control systems as well. In general, our results are in line with Mafrolla, Matozza and D´Amico (2016), who postulate that the presence of institutional investors could lead to better risk management practices being applied in the company and CROs and Risk Committees being incorporated. Furthermore, since it is a continuous variable, it also implies that this relationship is greater the higher the level of control the institutional investor has, so if institutional investors have ~~a~~ higher, stakes, they perform in a professional way, improving management standards and, therefore, its risk system too. Regarding the variables related to corporate governance, the importance of the characteristics of boards of directors in risk taking is confirmed. In this regard, we have observed that larger boards encourage risk managers to be hired and that the presence of shareholders on the board also acts as a catalyst for ERM to be adopted.

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Barriers to change in family businesses

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Abstract A series of characteristics affects the willingness of a family business to change and renew. Both change and renewal are necessary to maintain the continuity of the company in the long term in order for it to be handed down to the following generation. Approaches to the identification of barriers to change that are specific to the characteristics of family businesses are analyzed with the aim of identifying factors that potentially have the greatest impact on the decision-making and implementation of change processes. These factors include the generation at the head of the family business; the influence of interest groups, particularly the duality between the company and the family; and the greater or lesser participation of professionals from outside the family.

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PALABRAS CLAVE
Cambio estratégico; barreras al cambio; empresa familiar

Barreras al cambio en la empresa familiar

Resumen La empresa familiar presenta una serie de características que condicionan su disposición al cambio y la renovación, que son necesarios para mantener la continuidad de la empresa en el largo plazo, para que pueda ser legada a las siguientes generaciones. Se analizan algunas aproximaciones a la identificación de las barreras al cambio que son más específicas de las características propias de la empresa familiar, para identificar los factores que pueden tener mayor incidencia en la decisión e implantación de procesos de cambio en las empresas familiares. Entre estos factores se pueden citar la generación al frente de la empresa familiar, la influencia de los grupos de interés -particularmente la dualidad entre empresa y familia-, y la mayor o menor participación de profesionales externos a la familia.

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Introduction

When compared to a non-family business, it is a widely held belief that family businesses are more conservative with regard to taking risks, and that they rarely innovative (Bermejo, 2008; Tàpies, 2009). The literature developed within the academic field to understand the more or less change-oriented character of family businesses offers a different perspective. On the one hand, some studies indicate that, over time, family businesses become more conservative and do not want, or cannot, assume the risks associated with the need for change and renewal (Autio and Mustakallio, 2003; Zahra, Hayton, and Salvato, 2004). The intention of the founders to build a lasting legacy over time may lead to conservative decision-making. this could be due to the risk of failure of new projects and the risk of destruction of family wealth (Sharma, Chrisman, and Chua, 1997; Zahra, Hayton, and Salvato, 2004; Gómez-Mejía et al., 2007). On the contrary, other authors such as Aronoff (1998) have suggested that family businesses can be particulary innovative and aggressive in their markets. For their part, Craig and Moores (2006) consider that family businesses do not have to be more risk-averse or less willing to change than non-family businesses. It is even proposed that as they evolve, family businesses can become more innovative than at the outset (Lorenzo and Núñez-Cacho, 2012).

In principle, there are several specific features that could be considered favorable for change in a family business, such as long-term orientation (Tagiuri and Davis, 1996; Ward and Aronoff, 1994); the will to continue through to the following generations (Gallo, 1995); patient capital (Sirmon and Hitt, 2003); and the duration of terms in power of the core leaders (Tàpies, 2009).

In a non-family business, when the time comes to replace people in the most senior positions, a person who has reached retirement age is usually replaced by someone who has a similar professional profile, but younger. In the case of a family businesses, more than a change in management, a generational change occurs, replacing a person who has reached the end of his working life with a person from the next generation. This implies a majorshift in mind-set, as the new manager may be 30 years younger than the previous one, and therefore have almost all of his or her working and professional life ahead of them.

In addition, those who succeed the previous generation usually have a different profile, to their retiring relatives. Generally, present generations tend to have a higher level of training in comparison with previous generations. This is particularly so in the case of family businesses, where it is increasingly common for potential successors to have gone through a stringent selection process to obtain positions of greater responsibility (De Massis et al., 2008). The training of the successor usually includes a solid academic background with work experience outside the family field, which is added to the years of learning the fundamentals of the family business – all under the tutelage of the previous generation (Cabrera-Suárez, 2011). Likewise, the successors receive a substantial legacy in the form of the values of the family business, such as effort, perseverance, austerity, excellence, long-term orientation and entrepreneurial drive. This legacy provides the basic foundations with which they understand entrepreneurship (Bermejo, 2008).

With the training acquired and the values assumed, when the next generation enters into the management of the family concern, they can then develop their own ideas. They do not lose sight of the need to maintain the entrepreneurial drive of their predecessors to continue consolidating the family business. In other words, the new managers are in the best situation to reinvent the company, considering that they know the business from within, but with the fresh vision of a person with their working life ahead of them. Another factor that favors the renewal drive of the next generation is family support to carry out a long-term mandate. This will not be as conditioned by short-term results as in other types of companies, but by the patient capital (Sirmon and Hitt, 2003) of the family business.

These specific characteristics of family businesses create a space that is favorable to change and renewal. However, family businesses do not always manage to carry out their renovation adequately, and in many cases, they do not get past the succession processes that should open the way to new stages (Gallo, 1998). The questions to be asked are, if family businesses have characteristics that promote change and renewal, why do they often fail in their renewal, and why are they still considered conservative and risk-averse? This leads us to propose the existence of specific barriers to change in family businesses.

From a *path dependence* perspective (Liebowitz and Margolis, 1995; Sterman and Wittenberg, 1999; Sydow, Schreyögg, and Koch, 2009), company strategy is heavily influenced by past history (Jaskiewicz, Combs, and Rau, 2015; Kammerlander et al., 2015). The past history of the company can have both positive and negative implications (Miller and Le Breton-Miller, 2005). Among the former, a greater sense of loyalty can be found among interest groups such as employees, customers and owners.   There is also stability due to long-term relationships, both inside and outside the company, and a higher level of trust is perceived by customers and suppliers (Miller and

Le Breton-Miller, 2005). On the other hand, the negative implications may mean less flexibility and willingness to change (Zahra, 2005). Thus, from a *path dependence* perspective, previous decisions in the family business could have created a dominant pattern that may act as a barrier to change processes.

Traditionally, family businesses have been analyzed more from the perspective of the company rather than from the influence exerted by the family (Rutherford, Kuratko, and Holt, 2008), which provides an additional reason to analyze the specific barriers derived from family status. In order to review possible barriers to change contributions to the literature on change and family business are analyzed below. A comparison is made between the different ways of considering the obstacles to change, looking for common elements, which are analyzed in terms of their application to the specific case of the family business.

Barriers to change in organizations

Strategic change is defined by Van de Ven and Poole (1995) as being the difference in form, quality or status, over time of the fit, adaptation or adjustment of an organization with its environment. Changes in this adjustment include both internal and external factors (Rajagopalan and Spreitzer, 1997). Among the former, changes in the content of the company's strategy determined by its scope, deployment of resources, competitive advantages and synergy are considered. External factors refer to changes in the environment that prompt the organization to initiate and implement changes in the content of the strategy. A change is strategic when it affects issues and problems that are important for the survival of the institution, and go beyond functions and levels of the organization (Van de Ven, 1993: 314).

Change in organizations has been studied through different approaches. Some of these studies have focused on specific aspects of the change process, such as the factors that motivate it, or the actions to be taken by the management of the organizations. Van de Ven and Poole (1995) analyzed the reasons that trigger change processes, concluding that there are four drivers of change. Two of the drivers are internal and two are external. The internal drivers relate to a change of objectives and modifications to the correlation of power in the organization. The external drivers are derived from the life cycle and the evolution of different sectors. The actions to be taken by management in the process of change have been studied by Baden-Fuller and Volberda (1996), where the separation of change and stability, in a temporal or spatial sense is proposed. Temporal separation alternates stages of change with stages of stability, while spatial separation consists of starting the process in one organizational unit, and later extending it to the entire organization.

Barriers to change have also been studied by different authors, who have proposed different classifications and models to identify specific obstacles that can limit, restrict and even impede change in organizations. The literature reports different perspectives to identify the barriers to change. In a study of innovation, innovation is assumed to involve change (Collinson and Wilson, 2006; Sandberg and Aarikka-Stenroos, 2014; Wolfe, Wright, and Smart, 2006). In this sense, knowing the barriers to change allows for a better understanding of innovation activities within the organization, and facilitates the growth of innovative companies (Hölzl, and Janger, 2013). Oke (2004) points out that barriers impede innovative activities, while Rumelt (1995) defines the effort required to overcome obstacles to innovation.

A number of these studies are revised below, such as those carried out by Gilbert (2005), König, Kammerlander and Enders (2013), which focused on family business, and Rumelt (1995), whose generic model has been adapted for family business by Lorenzo and Núñez-Cacho (2012).

Gilbert (2005) quotes Miller and Friesen (1980) as well as Tushman and Romanelli (1985) to highlight that the definitions of inertia refer to the inability to make changes in the organization in the face of significant external changes that demand an adaptation of the organization. Rumelt (1995) defines inertia as the resolute persistence of current forms and functions. Klein and Sorra (1996) states that the implementation of changes ultimately consists of changing the behavior of people, which depends on an adjustment of values, as well as the implementation climate.

Inertias according to Gilbert (2005)

Gilbert (2005) proposes that a distinction be made between resource inertia (resource rigidity) and routine inertia (routine rigidity) to better understand the phenomenon of organizational inertia. Inertia in relation to resources refers to the fact that family businesses may be less willing to invest in resources because of the need to face changes for two reasons. On the one hand, dependence on external resources that are not controlled by the family, such as access to capital markets; and on the other hand, the fear of losing a consolidated position in the current circumstances, in terms of market power (Gilbert, 2005).

Routine rigidity refers to the persistence and in-flexibility of the current routines of the company. Routines are defined as patterns of regular and predictable behavior in companies (Nelson and Winter, 1982). Grant (1991) points out that these behavior patterns are carried out as a sequence of actions coordinated by people. Nelson and Winter (1982) consider routines to be hereditary and selective, because they facilitate a better adaptation to change in organizations that have suitable routines.

Routines are developed and maintained with experience (Grant, 1991). In some ways, organizations could be considered as developing routines that are a reflection of their capacity to act, using their resource endowments and capabilities (Wernerfelt, 1984; Barney, 1991), and following a particular strategy. In a process of change, some routines may be inadequate or cease being necessary, as they respond to previous premises. The organization has to develop new routines that respond to new premises, replacing previous routines. However, the entrenchment of routines in the organization makes their removal and substitution a challenge. Indeed, the unspoken nature of some routines makes them more difficult to deactivate (Gilbert, 2005).

Gilbert (2005) stresses that the effects of the perception of threat affects the two types of inertias differently. Threat perception can be associated with three characteristics: a negative focus; an emphasis on losses; and a feeling of loss of control (Gilbert, 2005).

In the absence of a clear threat, the response is often resource rigidity. For instance, the company investment policy is not changed unless there is clear motivation, which comes about through changes in the environment. However, the perception of threats that could reduce the rigidity of resources, can in fact lead to an increase in the rigidity of routines. This can happen due to a lack of correlation between the response that should be given to the threat situation, and the existing routine of the organization (Gilbert, 2005). In other words, inertia has two components. Firstly, there is a motivational component, which is related to the reasons for undertaking changes. Secondly, there is a procedural component, which relates to the courses of action for dealing with perceived threats, which can lead the company to perform different activities without routines (Johnson, 1988). It is one thing to acquire the required resources to confront the need for change, and quite another to develop new routines for the organization to function in a different manner. The reaction to the threat may be more or less rapid, in the form of resource acquisition, but the contribution of these new resources in the form of results, requires the development of new routines, which require time and maturity within the organization.

Gilbert (2005) suggests that overcoming resource inertia can increase routine inertia, and vice versa. Routine inertia is aggravated by the response to the perception of threats, which implies the contraction of authority, the reduction of experimentation and concentration on available resources which are derived from overcoming resource inertia.

Access to external resources, autonomy of business areas and a focus on the detection of opportunities all help overcome routine inertia and reinforce change processes. However, if an external opening does not exist, the rigidity of routines can become consolidated and perpetuated. In this sense, the incorporation of new knowledge, through the integration of new people into the organization, facilitates overcoming inertias. Thus, in the case of family business, the generational replacement which implies the incorporation of people from the next generation should favor the renewal of the company (Cabrera-Suárez et al., 2001, 2018).

Barriers according to König, Kammerlander and Enders (2013)

König, Kammerlander and Enders (2013) analyzed the effect of family influence on the adoption of technological changes by reviewing the literature on obstacles to change. König et al. (2013: 422) highlight the role of five barriers identified in the literature:

- *Formalization,* which refers to the degree to which an organization has standardized its processes for detection, interpretation and response to environmental changes. Excessive rigidity in the formalization of these processes can reduce the response capacity of the organization, as well an underestimation of the need for innovation. What is more, the long-term orientation of family business leads to assessing possible innovations in the future. This helps avoid short-term perspectives, which can lead to the detection of changes not being immediate.
- *Dependence on resources from external capital providers.* It is in the interest of family owners to reduce this dependency, prioritizing long-term orientation of the family business as opposed to the more short-term perspective of non-family businesses.
- *Political resistance.* The changes to be implemented can be seen as a threat by some people or groups in the organization, who feel that their position may be at risk, and do their best to delay and even obstruct changes.
- *Emotional ties to existing assets.* The emotional attachment of company decision

makers to some assets, whether tangible or intangible, as well as to people, can differ and impede renewal decision-making.
- *Rigid mind sets.* Mind sets influence whether new routines, which are necessary for the development of the changes to be implemented, are adopted earlier or later. Given that there is less participation of external opinions, strong family influence can increase the level of rigidity of mind sets in the family business.

According to the analysis made by König et al. (2013), family influence reduces the effect of the first three barriers by reducing the level of formalization in the company, the degree of dependence on external resources, and the political resistance of company members. Conversely, greater family influence would increase the decision makers' attachment to existing assets in the company, as well as the level of rigidity of mind sets in the family business. This would leave less room for the incorporation of ideas from sectors outside the family.

The Rumelt Model (1995)

The inertia identification model developed by Rumelt (1995) considers five inertial forces, which operate sequentially. That is, overcoming the first inertia leads to addressing the second, and if this obstacle is resolved, the third force appears, and so on. Rumelt (1995) identifies five frictions or sources of inertia:
- *Distorted perception*, which consists of not correctly interpreting the signals that indicate the imminence of change nor the opportunity of the change;
- *Lack of motivation for change*, when advantages are not found for undertaking a change process;
- *Lack of creative response*, in the sense that the direction that should be taken is not clearly perceived;
- *Political barriers*, with regard to internal organizational problems that prevent or delay the implementation of change. This is usually due to the resistance of individuals or groups that consider their position threatened by the change;
- *Collective action problems,* refers to the lack of unity in actions, a lack of leadership to move the process forward.

According to the interpretation of inertias by Rumelt (1995), the first condition for starting a process of change is the perception of a need for it. You do not start a process of change in an organization if the need for it is not clearly perceived. If the signs indicating the imminence of a change are correctly interpreted, the next problem would be to identify the advantages of the change. This requires an understanding that what is to be gained from the change outweghs its inconveniences. For instance, the cannibalization of the firm´s own products due to the change. Another example could be sunk costs from not recovering investments not yet amortized, which are abandoned because of the new direction taken by the organization. When distorted perception, makes it difficult to identify the need for change is addressed, and its advantages are appreciated, the third obstacle may be that the appropriate path to follow is not found (Lorenzo and Núñez-Cacho, 2012). Being clear about the course to follow leads to facing the next source of inertia, which is the existence of internal political and organizational barriers that shape the process. These could be, for example, differences and rivalries between departments and organizational units (Núñez-Cacho, Lorenzo, Maqueira, and Minguela, 2017). Finally, once internal resistance is overcome, any lack of cohesion in the actions to be undertaken can also be a factor in the failure of the change process.

Correlation between the various interpretations of barriers to change

Lorenzo (2001) proposes the classification of Rumelt's (1995) five inertial forces into two categories: perception inertias and action inertias. The former would capture what Rumelt refers to as distorted perception and lack of motivation for change in relation to the impossibility of initiating a process of change because its need nor its resulting advantages are not clearly perceived. Action inertias, on the other hand, refer to obstacles to carry the process of change forward, once its implementation has been decided. These would include a lack of creative response, internal organizational barriers and disjointed actions.

In a certain sense, parallels could be established between perception inertias and action inertias (Lorenzo, 2001) with Gilbert's (2005) proposal to distinguish between inertias related with a lack of resources and routines. In Gilbert's (2005) scheme, the lack of perception of the need for change is seen as a barrier because it begins with the absence of resources as the first inconvenience to be overcome. Additionally, it seems that it is taken for granted within the scheme, that the need to undertake a change is correctly interpreted.

Barriers related with a lack of resources to renew activities of the organization could correspond with the second and third forces of the Rumelt model (1995). This model refers to a lack of motivation for change and the absence of a creative response to guide a change process. Any lack of motivation for change could be related to the need to change the resource base in order to implement change. This would compel acceptance of sunk costs from previous investments that will not be fully recovered, and have consumed the available financial resources, thus preventing access to alternative sources of resources. The unwillingness to invest in the process of change would also be part of this group of inertias. Additionally, a lack of creative response, the difficulty in finding the right path to guide the organization could be linked to a lack of adequate resources to guide the process of change. Gilbert (2005) refers to this type of inertia as a lack of motivation to respond to changes.

The need to develop new routines in the organization to change the activities carried out could correspond to internal organizational barriers, especially regarding the disconnection of actions, which form the fourth and fifth forces of the Rumelt (1995) model. The inability to change ways of working and routines, as well as the logic that justifies investments, is considered by Gilbert (2005) as inertia related with the structure of the change response.

The five types of obstacles identified by König et al. (2013) are in line with other models of barriers to change. The existence of rigid mind sets can affect both the perception of the need for change and the development of routines for correct implementation of changes in the organization. Gilbert's (2005) resource inertias may correspond with attachment to existing assets, a high degree of formalization, as well as dependence on external resources. Clearly, internal resistance from some sectors of the organization would have parallels with inertia routines. Table 1 summarizes the similarities found between inertia models analyzed.

also be more significant due to the influence of the family that controls the business.

As previously indicated, König, Kammerlander and Enders (2013) note that family influence reduces inertias. They call these inertias formalization, emotional ties with assets, and dependence on external resources. Hence, these obstacles are seen as being less relevant in the case of family businesses. Conversely, political barriers and rigid mind sets could have a greater negative effect in case of there being strong family influence. Lorenzo and Núñez-Cacho (2012) apply the Rumelt (1995) model to the family business model in order to interpret, within the family and the business, the obstacles to change.

Assuming that inertias to change could be divided into two main sections: those that affect the perception of the need for change and the availability of resources, and those related with the implementation of changes once investment has been committed. The effect of these obstacles to change in the specific case of family businesses is analyzed below.

Inertiae regarding perception of change and resources

When a family business does not correctly interpret the signs that indicate the need to undertake a change, or in the case of understanding that need, it does not perceive its advantages, for various reasons.

At times, the need to undertake changes may not be perceived due to the confusion of family and business issues, derived from the duality of roles (Tagiuri and Davis, 1996) played out by family members in the family business. At times, there is a priority of family interests over business interests, with a greater orientation towards socio-emotional variables (Gómez-Mejía et al., 2007), which reduces incentives to propose and develop proposals for renewal and change (Meek et al., 2010). Likewise, the double function of business and family roles can lead to communication problems that hinder the exchange of knowledge within the family (Zahra, Neubaum and Larrañeta, 2007).

Other possible sources of inertia specific to fam-

Table 1. Correspondence between models of inertial forces

Lorenzo (2001)	**Rumelt (1995)**	**Gilbert (2005)**	**König et al. (2013)**
Perception inertias	Distorted perception	--	Rigid mental models
Action inertias	Lack of motivation	Resources inertias	Emotional ties to assets
	Lack of creative response		Formalization
			Dependence on external resources
	Organizational barriers	Routine inertias	Political resistance
	Distorted perception		Rigid mind sets

Source: Authors´ own

4. Specific barriers to change in the family business

The aim of this article is to analyze the barriers to change in family business. Although the family business model has certain characteristics that may favor change processes compared to non-family companies, some obstacles to change may ily business could be nepotism and paternalism. Nepotism carries the risk of promoting low-skilled people to positions of responsibility merely because they are family members (Kets de Vries, 1993). The perception of nepotism by external professionals significantly reduces the attractiveness of the family business as an organization to develop a professional career. This implies that there are less options for the integration of new ideas and opinions with the incorporation of people outside the family sphere, leading to difficulties to retain existing talent. Paternalism is more common in first-generation family businesses (Schein, 1983), and is materializes in excessive protection towards members of the family, to the extent that it interferes with decision-making and autonomy (Chirico and Nordqvist, 2010). Davis and Harveston (1988) use the term *generational shadow* to refer to the persistence of previous business models throughout the evolution of the company caused by excessive influence of the founder. This influence on family members can lead to a homogeneity of thought (Webb, Ketchen, and Ireland, 2010), resulting in a similar propensity in the face of environmental changes and an identical interpretation of the same signals (Miller and Le Breton -Miller, 2006).

The intention to maintain control of the family business could be at the origin of some problems of access to resources, especially financial. If the family only finances with family resources, the company cannot take advantage of all growth opportunities. However, this could be seen as more important than having external partners. As such, proposals that bring external sharing of decision making are dismissed, even thought, the company maintains the majority of votes. However, opening capital to external financing sources facilitates more innovation-oriented strategies regarding the ability to explore and acquire new knowledge and technologies (Pittino and Visintin, 2009; Tylecote and Visintin, 2007). Additionally, when the capital of the family business is distributed among numerous family members, it can favor the emergence of classic agency problems (values, objectives and vision). This can give rise to conflicts and the unalignment of interests for managers, family members and shareholders (Schulze et al., 2001).

Another specific factor of the family business, that can contribute towards inertia to change, relates to the complexity and uncertainty that succession processes imply (Cabrera-Suárez, 2011; Lorenzo and Núñez-Cacho, 2012). The willingness of management to carry out change processes can be affected, and, if there is a lack of a defined successor, or doubts about the continuity of the family business, the adoption of conservative attitudes towards innovation can occur. Proposals for change can be set aside until a more appropriate time, when uncertainties of the succession process have been clarified.

Inertia related with change implementation and routines

The difficulties of implementing a change processes in a family business can have various origins. Sometimes, despite recognizing the need to undertake changes, they are not initiated due to the difficulty of finding a suitable new course. This could stem from internal differences between departments or divisions of the company, or due to a lack of coordination and cohesion.

Some of these problems can originate from the characteristics of the generation leading the company. In this sense, a lack of adequate training and work experience beyond the family's own company can negatively affect the creative capacity to respond to the demands of the environment (Miller and Le Breton-Miller, 2006), destroying entrepreneurial vision in the family business (Koellinger, 2008; Chirico and Norqvist, 2010). At other times, it may be that some family members are not interested in continuing the business, or do not want to acquire new knowledge (Le Breton-Miller et al., 2004). Furthermore, family conflicts and rivalries can lead to the organization's older members decreasing their transmission of information to the next generation (Lansberg, 1999; Zahra et al., 2009). Bigliardi and Dormio (2009) indicate that the inexperience of the generation in power, or their lack of qualifications and knowledge, can lead to an inadequate strategic vision. Pittino and Visintin (2009) found that founders tend to be more innovation-oriented, adopting a more forward-looking and analytical strategy than second-generation and subsequent companies. Founders have greater formal and informal power to direct resources to the exploration of new projects (Zahra, 2005), while second and following generations may be more focused on preserving the family and business heritage (Eddleston, 2008; Ellington et al., 1996). Nonetheless, Craig and Moores (2006) argue that the family business can be more innovative in the generations following the first one.

Differences between different interest groups, represented by property, family and company (Tagiuri and Davis, 1996) can act as political barriers when making decisions. At times, when a new generation takes the lead in the family business and maintains the management team formed by the previous generation, there might be significant differences of opinion. Veteran managers may express firm resistance to changes due to misguided fidelity to the founder, as well as a lack of agreement with the new generation that assumes the decision making (Lorenzo and Núñez-Cacho, 2012).

In the transition between generations, the influence of the oldest generation can guide the company towards more conservative strategies (Ensley and Pearson, 2005). New leaders have to gain the trust of stakeholders, especially employees, which can cause a level of inactivity from the new leadership in this consolidation phase. This could last until they obtain the necessary support to appropriately implement change processes.

Conclusions

Theoretically, family businesses have a series of unique characteristics that should facilitate change and renewal processes over time. However, there is ample evidence that family businesses do not always overcome the processes of change, with the generational changeover being particularly delicate (Casillas, Díaz, Rus, and Vázquez, 2014). Consequently, it would be useful for family businesses to be able to identify the specific factors that could hinder change processes. Literature on strategic change provides previous studies on the barriers to change within and on family business, which have been reviewed in this article to identify shared elements. Gilbert (2005) and König, Kammerlander and Enders (2013) analyze the barriers to change in family business, while Rumelt (1995) presents a sequential model of inertial forces. The latter has been adapted to family business by Lorenzo and Núñez-Cacho (2012) in an attempt to identify the main obstacles to change arising from the specific characteristics of family businesses.

The barriers identified have been classified into two different groups. The first group contains barriers that affect the perception of the need to undertake changes and the availability of resources to face them. The second group includes barriers to implementation of changes within already consolidated organizations, where new routines are created to replace the existing ones. Detecting these inertias can make it easier for family businesses to overcome the obstacles that impede change and renewal of the family business, which is crucial for long-term continuity.

One of the features that influences the perception of inertias to change is the generation that is at the helm of the family business, which proposes different strategies to address the need for change (Pittino and Visintin, 2009). At times, the renewal drive of a new generation at the forefront conflicts with the influence of the previous generation. This is especially true in the case of the founder, where inertias persists in the form of entrenched routines that are more suitable to situations of the past than the present. The relationship between innovation, the generation at the helm and the life cycle of the family business has also been highlighted by Craig and Moores (2006).

The participation of interest groups with different approaches and aspirations, brought together in the model of the three circles of Tagiuri and Davis (1996), can favor the presence of political and organizational barriers that impede the development and implementation of renovation projects in the family business. Excessive family influence can diminish the consideration of ideas and proposals from outside the dominant family sphere, which can compensate, in some cases, deficiencies in work experience outside the family business, or in the qualification of family managers. The intention of the proprietary family to keep the property in the hands of the family, coupled with a reluctance to allow the entrance of foreign capital, could lead to a lack of motivation for change. Also, a reluctance to change may stem from fear of upsetting the family balance, which in turn is conditioned by the family's non-financial goals. In this sense, the weight of the past and the history of the family business are reflected in barriers to change.

As we have seen, the family status of the company can be a source of specific barriers to change. A possible extension of this work could be the analysis of the specific characteristics of the family business that facilitate change processes, with the aim of establishing a possible explanatory model. In this vein, some studies have analyzed tradition as the basis for innovation in family businesses (De Massis et al., 2016) as a specific characteristic of family businesses that can, in actual fact, be a source of advantage in the face of change processes.

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How do family responsible ownership practices enhance social responsibility in small and medium sized family firms?

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Social responsibility, family responsible ownership practices, stewardship theory, small and medium family firms.

Abstract This paper aims to measure the influence of the family responsible ownership practices and the socially responsible vision of families on the socially responsible behaviour of family small and medium firms. To reach this purpose, we define six hypotheses and we apply an empirical testing of an integrative model. Based on a sample of 84 family SMEs, structural equation modelling is applied to test the existence of potential relationships within and between both constructs. This study reveals the relevance of the family responsible ownership practices as a driver that influences socially responsible practices in family SMEs. The results confirmed that positive relationships exist between each of the following three antecedents: a) responsible management succession, b) responsible financial resource allocation and c) professionalism and social responsibility among family SMEs. Additionally, a positive relationship between family responsible ownership practices and family firm social responsibility was found.

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PALABRAS CLAVE
Responsabilidad social, practicas de propiedad familiar responsable, teoría de stewarship, pequeñas y medianas empresas familiares.

¿Cómo potencia la propiedad familiar responsable la responsabilidad social en las pequeñas y medianas empresas familiares?

Resumen Este documento tiene como objetivo medir la influencia de las prácticas de propiedad familiar responsable y la visión socialmente responsable de las familias sobre el comportamiento socialmente responsable de las pequeñas y medianas empresas familiares (PYMES). Para alcanzar este propósito, definimos seis hipótesis y aplicamos una prueba empírica de un modelo integrador. Sobre la base de una muestra de 84 PYMES familiares, utilizamos un modelo de ecuaciones estructurales para evaluar posibles relaciones dentro y entre los constructos. Este estudio revela la importancia de las prácticas de propiedad familiar responsable como motor que influye en las prácticas de responsabilidad social en las PYMES familiares. Los resultados confirman que existen relaciones positivas entre cada uno de los siguientes tres antecedentes: a) sucesión de gestión responsable, b) asignación responsable de recursos financieros y c) profesionalismo, que afectan a la responsabilidad social de las PYMES familiares. Además, se encontró una relación positiva entre las prácticas de propiedad familiar responsable y la responsabilidad social de la pyme familiar.

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Introduction

The influence of families on the decision making and operations strongly differentiates family firms (Chrisman *et al.*, 2003b). According to Niehm *et al.* (2008), family-centred businesses may hold a unique perspective regarding socially responsible business behaviour. The involvement of the owning families in their businesses and their close ties to the community where they are located enhance their socially responsible behaviour. Socially responsible management refers to the activities voluntarily developed by a company concerning social and environmental issues in interactions with stakeholders (Hammann *et al.*, 2009; Maclagan, 1999; Van Marrewijk, 2003). The socially responsible behaviour of firms is decisively driven by the individuals and top managers within an organisation and its perception of the relevance of ethics and social responsibility (SR) in the business arena (Quazi, 2003; Vitell and Ramos, 2006; Swanson, 2008). There are not socially responsible firms without socially responsible managers who are occasionally willing to sacrifice the objectives, interests and needs of their firms in favour of socially responsible actions (Hunt *et al.*, 1990; Wood *et al.*, 1986). However, this attitude of stewardship must be supported by the ethical behaviour of owners to be sustainable. Specifically, in the context of family SMEs, these relevant issues are highly determined by the owning families. In recent years, various authors have noted the lack of studies regarding SR in family firms and the need of expanding the theoretical framework in this field (Debicki *et al.*, 2009; Spence, 2016). However, there is a currently increasing interest in the study of ethical focus, and SR among family firms (Campopiano and De Massis, 2015; Liu et al 2017, Martínez-Ferrero et al., 2016). The primary focus of the literature lied on the comparison between family and non-family enterprises. The differences between both groups were identified and diverse conclusions were obtained (Castejón and López, 2016; Laguir *et al.*, 2016). Some researchers demonstrated that family firms act less ethically than non-family ones (Dyer and Whetten, 2006; Morck and Yeung, 2003). On the contrary, other studies show the higher family firms' ethical behaviour comparing to non-family enterprises (Castejón and López, 2016; Laguir *et al.*, 2016). Finally, we can find scholars that state that both groups of firms are equally ethical (Adams *et al.*, 1996). As a result, we can conclude that this issue has not reached a clear consensus. Family involvement can be either a driver of good practices in terms of economic, social and environmental issues or conversely, it can undermine the responsible behaviour of a firm if, for example, SR is considered an added cost rather than an opportunity for value creation (Deniz and Cabrera, 2005). More recently, researchers have more closely examined the conditions and mechanisms that influence the ethical focus and social performance of family firms. In this sense, different elements have been analysed as critical antecedents of SR in family firms by different authors using different approaches (such as Aragón-Amonarriz *et al.*, 2019; Bingham *et al.*, 2011; Hammann *et al.*, 2009; O'Boyle et al., 2010; and Sorenson *et al.*, 2009). The values of decision makers are critical drivers of the SR in firms; particularly in family firms, these values must be supported by the family owners themselves. A collaborative dialogue perspective on the systemic nature of a family network (Sorenson *et al.*, 2009) explains how ethical norms are developed in family firms. However, holistic studies of the key antecedents of SR among family firms remain scarce.

In this article, we suggest that understanding SR behaviour in family firms is not possible without analysing family responsible ownership practices (FROP) as the key antecedent of the stewardship attitudes of managers and thus of a firm's socially responsible behaviour. Furthermore, we propose that critical family ownership practices, such as firm ownership succession, management succession, financial resource allocation and professionalism, which are considered possible facilitators of family and firm relationships (Berent-Braun and Uhlaner, 2012), in addition to the family vision of SR (Quazi and O´Brien, 2000), affect family firm's socially responsible behaviour. This paper aims to measure the influence that the ownership practices and the SR vision exert on the family enterprises' SR social responsibility. In order to capture this influence, we apply and empirically test an integrative model. In this model, the SR behaviour of firms is the dependent construct that embraces environmental, economic and social firm behaviours.

Specifically, as detailed below, we first theorise about the role of firm management in the socially responsible behaviour of firms; second, we present a review of the recent literature on SR in family firms; and, third, we focus on the theoretical development of a set of FROP. These theoretical relationships are summarised in Figure 1. The data source for this exploratory study was an *ad-hoc* survey. This survey was answered by 84 family SMEs, that constitute a representative sample for testing our hypotheses. Finally, we present the main results and conclusions.

This study's main contribution is that it caters the family business literature with a framework that describes how family influences a firm's SR behaviour, from which we derive practical implications for the management of family firms. The results obtained reveal the relevance of the FROP in explaining how family firm owners influence SR, clarifying the components of FROP and the antecedents of SR for family SMEs and illustrate the relationships among responsible ownership succession, responsible management succession, responsible financial resource allocation, professionalism, family social commitment and the SR of family firms.

Family firms' social responsibility and the role of the owning families

Particularly in family firms understood 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), the owners, that is, the owning families exert a crucial role in SR behaviours.

Following Godos-Diez *et al.* (2011), corporate SR is defined as the level of firms' involvement and concern regarding the voluntarily development of social and environmental behaviour. This issue is now an essential topic to both researchers and practitioner, as it addresses social concerns into firm strategy and operations. In this sense, several authors highlight the role of key decision makers, such as CEOs, in establishing ethical norms in a company (Desai and Rittenburg, 1997; Agle *et al.*, 1999; Hemingway and Maclagan, 2004; Godós-Díez *et al.*, 2011). The personal commitment of senior management to ethics is an essential part of what drives organisations to be proactive, socially responsible behaviour (Jones, 1995; Swanson, 1995). The specificity of family enterprises roots in the integration of business and family (Habbershon and Williams, 1999; Sirmon and Hitt, 2003) and, stewardship is the fundamental ingredient of this integration; as Davis *et al.* (2010) stated, stewardship is considered the 'secret sauce' of family firms because it enables the pursuit of long-term, non-financial objectives (Westhead and Howorth, 2006; Zellweger and Nason, 2008). Stewardship theory is a perspective that deals with the role of top managers in firms given the separation between ownership and control (Davis *et al.*, 1997; Wasserman, 2006; Chrisman *et al.*, 2007) and that proposes the existence of ex-ante conditions that influence managerial thought and practice (Guidice and Mero, 2007). Specifically, the psycho-sociological view of corporate governance adopted by this theory depicts the steward role of managers (Davis *et al.*, 1997). Their behaviour is such that pro-organisational or collectivist conduct yields higher utility than individualistic or selfish conduct (Chrisman *et al.*, 2007); thus, acting cooperatively rather than opportunistically does not imply lack of rationality. Stewards preserve all stakeholders' over exclusively shareholders' welfare. In consequence, maximising the long-term value of firms is the main way of reaching stakeholders' satisfaction, in particular when their interests are competing (Hernández, 2008). This stewardship theoretical framework is particularly relevant in extending the duty of firms beyond shareholders to other stakeholders (Gibson, 2000; Hernández, 2008; Kouzes and Posner, 1993; Manville and Ober, 2003) and thus in understanding the general orientation to socially responsible behaviour. In fact, Godós-Díez *et al.* (2011) have found that companies whose top managers can be considered 'stewards' are prone to develop and implement more ethical and social practices.

Precisely because of the absence of formal governance structures in family SMEs and the relevance of role modelling (Adams *et al.*, 1996) as a means of promoting ethical behaviour in family firms, the SR of a family owner is transferred to the organisation through the family's responsible behaviours and practices, which are intended to facilitate the family´s relationship with the business (Aronoff and Ward, 2002; Berent-Braun and Uhlaner, 2012; Gersick *et al.*, 1997; Mustakallio et al., 2002; Neubauer and Lank, 1998). In this context, the main antecedents of SR in family firms have been already analysed applying different approaches. Following Deniz and Cabrera (2005), the family owners of firms have been associated with both positive and negative elements of relationships with stakeholders, which can be linked to different orientations towards SR. Their study concludes that a family firm is not a homogeneous group in terms of its orientation towards SR. This descriptive paper does not verify the antecedents of this heterogeneity or identify the reasons for their influence; however, due to the model of Quazi and O'Brien (2000) they employ in their analysis, it is suggested that one of the sources of these differences is the family vision of SR.

Other group of studies have analysed the mechanisms of developing ethics in family firms, such as fair processes (Van der Heyden *et al.*, 2005) and collaborative dialogue within families (Sorenson *et al.*, 2009). Regarding fair processes, Van der Heyden *et al.* (2005) state that when a family is an influential component of a business system, the application of justice in family firms is typically rendered more complex than in a non-family firm context. The authors defined some fundamental criteria that are essential to the effectiveness of fair processes in family firms and demonstrated how enhancing the use of fair process practices increases the satisfaction of agents who are associated with a firm and its performance. By contrast,

Sorenson *et al.* (2009) focus on specific aspects from a family perspective, such as family point of view, and argue that family point of view is positively related to the presence of ethical norms in family firm owners. However, to be effective fair processes and family point of view must be translated into the professionalization of family governance behaviour and practices.
Other group of studies analyse the relation between issues concerning responsibility or ethics and family involvement (Bingham *et al.*, 2011; O'Boyle et al., 2010). Bingham *et al.* (2011) highlight important differences in the socially responsible behaviour of family *versus* non-family firms and argue that a higher level of family or founder involvement in terms of stakeholder identity orientation leads to greater social performance regarding specific stakeholders. Again, this paper does not consider the different types of firms and their levels of family involvement, which may have implications for social performance, nor does it examine the context of privately held firms. O´Boyle *et al.* (2010) have found family involvement to be the antecedent of an ethical focus among family firms, and they conclude that family involvement affects ethical focus and that ethical focus predicts firm performance. These authors offer a stewardship perspective as a way in which family involvement relates to ethical focus. Thus, these authors acknowledge that the stewardship perspective in which good stewards are always believed to behave ethically should be critically examined in future studies. In addition, the authors strongly encourage future research to explore alternative means of assessing family involvement and family influence.
Therefore, understanding SR in family firms is not only a question of family involvement, family social commitment (Deniz and Cabrera, 2005; Quazi and O´Brien, 2000) and the particular behaviours - the fair processes and family point of view (van den Heyden, 2005; Sorenson et al, 2009)- of the family as owners are needed. In this sense, we consider FOP as the key antecedent of the stewardship attitudes of managers and thus of a family firm's socially responsible behaviour. For this reason, in this paper, a set of critical FROP are identified, which are understood as an extension of the concept of responsible ownership (Aragon-Amonarriz and Iturrioz-Landart, 2016; Berent-Braun and Uhlaner, 2012; Lambrecht and Uhlaner, 2005; Uhlaner *et al.*, 2007). The influence of FROP in socially responsible behaviours reveals the power of family owners in responsible decisions that are made by top managers and ultimately of the SR of family firms.
Hypothesis 1: FROP will predict the SR behaviour of family firms such that those firms with higher levels of FROP will exhibit greater SR.

The family responsible ownership practices and its influence on family firm social responsibility

Family responsible ownership practices focus on the specific situations in which a family may act re understood as specific firm behaviours on environmental, social and economic issues. Thus, and following other instruments that have been developed to measure SR (ESADE, 2007; Igalens and Gond, 2005) and the recommendations of Thompson and Smith (1991), this study builds the construct of family firm SR based on the commitment rather than perceptions the various stakeholders of firms, such as employees, value chain agents, the local community and society in general.
Additionally and regarding the FROP we identify four key areas: ownership succession and management succession, which represent the critical process of family firmss; financial resource allocation resulting from the main ownership position; professionalism or the prioritisation of a firm over one's family; and the owning family social commitment.

Responsible management and owner succession

Succession is undoubtedly one of the most critical processes in the life cycle of a family firm (Brockhaus, 2004; Handler, 1994; Sharma, 2004; and Ward, 2004). Evidence suggests that mortality increases after succession has occurred (Bagby, 2004; Sharma *et al.*, 2001), firms become vulnerable during succession periods, and personal goals or needs may be prioritised over the needs of a firm. In fact, succession decisions may be based on family needs rather than business requirements, and such decisions can create serious problems when these needs and requirements are incompatible (Bocatto *et al.*, 2010; Frishkoff, 1994; Goldberg and Woodridge, 1993). The choice of a successor may also be primarily based on a family's values rather than the capabilities of a chosen successor (Aronoff and Ward, 1992; Frishkoff, 1994). Finally, putting the succession process off is one of the most usual ethical violations (Gallo, 1998).
Although managerial and ownership succession are often considered in a same manner, we distinguish between them in terms of their influence in SR behaviour. First, responsible owner succession entails that owners are selected in consideration of their professional capabilities and values in terms of accomplishing the primary and direct goals of an owner family: to preserve the continuity of a firm under the family's control (that is, the continuity of the firm and the family in the firm). Even if the family nature of a firm is questioned, the firm's competitiveness is assured; consequently, succession demands the responsible behaviour of

families with regard to their businesses. This decision can be influenced primarily by family interests or by the desire to preserve the continuity of a firm, which enables and reinforces the steward role of management and the SR of family firms.

Finally, responsible manager succession entails that managers are selected by considering their professional capabilities and values, such as formal and cultural competencies (Hall and Nordqvist, 2008), their ability to preserve the continuity of a firm, and a shared view of a firm and its purpose. This selection is a basic condition of ensuring an attitude of stewardship and the SR of family firms (Akhmedova *et al.*, 2019; Cabeza-García *et al.*, 2017).

Hypothesis 2: Responsible ownership succession will predict the SR of family firms such that those firms with higher levels of responsible ownership succession will exhibit greater SR.

Hypothesis 3: Responsible management succession will predict the SR of family firms such that those firms with higher levels of responsible management succession will exhibit greater SR.

Responsible financial resource allocation

The investment of family wealth in a firm may be considered a constraint by family owners. Some owners may primarily focus on receiving dividends or eventually harvesting assets, whereas other family owners may consider their firms to be investments and aim to preserve and increase their assets through the creation of value in their firm.

Following Berent-Braun and Uhlaner (2012), we can distinguish between two profiles. The first type of owner will defend a premature and excessive withdrawal of assets for benefits that include dividend payments and bonuses, which may result from the individual needs of family shareholders or a short-term focus, and may deplete the resources that a firm needs to ensure long-term survival. The second type of owner aims to retain necessary financial capital in a business for a longer period (thus the name 'patient capital'; Sirmon and Hitt, 2003) and may make financial resources available to finance business development and expansion (Miller and Le Breton-Miller, 2005; Uhlaner and Berent, 2008).

This allocation of financial resources will substantially affect business competitiveness in the long term and will be a clear model of behaviour for managers, who will perceive such a firm as a source of personal goal satisfaction rather than as a source of stakeholder goal satisfaction. The responsible allocation of financial resources will enable strategic and sustainable investment to support firm competitiveness and to integrate social and environmental goals into the financial decisions of a firm in agreement with a larger vision of the purpose of the firm, thus supporting the stewardship attitude of the management and SR of such firms.

Hypothesis 4: Responsible financial resource allocation will predict the SR of family firms such that those firms with higher levels of responsible financial resource allocation will exhibit greater SR.

Professionalism

Following O´Boyle *et al.* (2010), we consider professionalism to reflect whether a firm is a 'business-first' firm or a 'family-first' firm (e.g., Ward, 1997). We propose that a socially responsible family will be professional in its behaviours and that this professionalism will be 'contagious' to the manager of such a firm and thus inspire a steward perspective that prioritises the interests of the firm over those of management.

Following Distelberg and Sorenson (2009), in an extreme example of a family-first system, resources move from a business to a family at the cost of the business. In this case, the goal is to use the business as a resource base while optimising the business in the current generation and minimising business growth. The development of the family is favoured over that of the firm, and there is little or no desire to build the business. The family's control over the firm and prioritisation of its own interests may lead its managers to act similarly in pursuit of their own interests.

Similar to the family-first orientation, resources in business-first firms move from a family to its business but at the cost of the family. If the business is highly successful, then it may provide significant financial resources for the family. Even if this perspective could, in an extreme case, deplete the family's resources and even destroy the firm (Distelberg and Sorenson, 2009), a socially responsible family aims to prioritise its firm over family interests by considering the family to be merely another stakeholder of the firm. This preference would influence the priorities of managers, who would accordingly prioritise the survival of the firm over their own interests.

Hypothesis 5: A family´s professionalism will predict the SR of its firm such that a family firm with a higher level of professionalism will exhibit greater SR.

Family social commitment

As for certain family owners, the main aim of their enterprises is catering goods and services that lead their enterprises to the profit maximization within the 'rules of the game' (regulation). This vision, based on the premise of the maximisation of the efficient use of resources, accords with the neoclassical approaches (Friedman, 1962, 1970). This type of ownership is associated with a narrow vision of social responsibility and eschews any restrictive traditions, ideologies or power relationships (Alvesson and Wilmott, 1992).

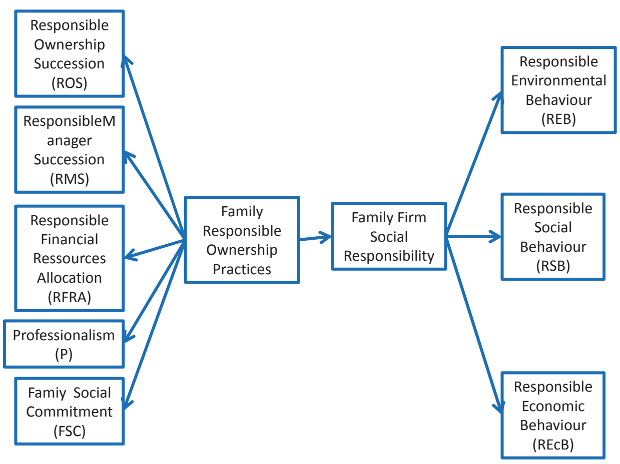
On the contrary, other owners try to integrate firm's and society's expectations concerning the environment preservation, the community development, and philanthropy. This broader responsibility insight builds sustainable social relationships (Quazi and O'Brien, 2000) and considers the demands of "[...] any group or individual that may affect or be affected by the achievement of business objectives" (Freeman, 1984, p. 25). As a result, a link to the society is built and enterprise's long-term interests are ensured (Quazi and O'Brien, 2000). Indeed, companies should contribute to the community's welfare, as its responsibilities extend beyond the short-term profit.

Companies may have different approaches to SR depending on their vision with regard to this issue (narrow or broad) and the results (costs or profits) that they associate with social commitments (Quazi and O'Brien, 2000). A similar conclusion is reached in the context of family firms (Deniz and Cabrera, 2005). In this context, we assume that the social commitment of family owners is shared by managers, who are also family members; thus, this context supports the stewardship attitude of the managers and SR of family firms.

Hypothesis 6: A family´s social commitment will predict the SR of the family firm such that a family firm with a higher level of social commitment will exhibit greater SR.

Figure 1illustrates the model that integrates the hypothesis previously discussed.

Figure 1. Model linking Family Responsible Ownership Practices and Family Firm Social Responsibility Behaviours



Research methods

Sample and data

In this exploratory study, data was collected through a specific survey, based on an ad-hoc questionnaire. It was partially based on Aragón-Amonarriz and Iturrioz-Landart (2016), but it was specifically designed for testing the hypothesis of this study. The estimated population in Basque Country (Spain) was 932 SMEs. A broad cross-section of family firms located in this region were included. Although more than 145 family-owned SMEs answered the questionnaire between October 2007 and January 2008, after a refining process, the final representative sample included 84 family SMEs. Indeed, we excluded extensive missing data cases. The main features of these family SMEs are their size (between 20 and 250 employees) and that their CEO is a family member. Firms with 10 to 19 employees are also considered SMEs but they have been considered too small to have some formal or explicit processes that are requested in the study. The family nature of the firm was determined by the CEO's answer to a specific question about this issue. Simple random sampling was the sampling method used.

Measures

Testing the hypotheses was possible thanks to structural equation modelling applied to data collected from the beforementioned survey. Along the process of refinement of the initial 50 items, few items were removed from the first stage of the model. Table 1 lists the final 32 items of the measurement model. Table 2 summarises the results of the measurement model and presents the standardised coefficients for each item, the composite reliability, and the variance extracted for each construct. Regarding the tests of the interrelationships, a complete explanation can be found in the Results section.

Responsible ownership succession (ROS). The three items that are included are related to the formalization of the ownership succession process (from the lack of consideration to being completely formalised in a family protocol). These items capture one of the most frequently perceived ethical violations: delaying the succession process (Gallo, 1998) (see Table 1).

Responsible management succession (RMS). The three items that are included are related to the criteria for selecting future managers and are intended to capture whether professional capabilities and values (formal and cultural competences, following Hall and Nordqvist, 2008) are sought and ensured.

Responsible financial resource allocation (RFRA). Two main concepts are included: the abusive use of the financial resources or assets of a family firm and the necessary investments in the strategic needs of such a firm. Three of the four items that are included are related to the abusive use of firm financial resources or assets for the benefit of family members. The fourth item captures whether a family is reluctant to make an investment to maintain or improve the competitiveness of its firm.

Professionalism (P). The two first items describe the decisions between the family-first and firm-first systems (Distelberg and Sorenson, 2009) with regard to issues of leadership, competitiveness and delegation. Finally, an item concerning the level of firm transparency of the firm, which is a criterion of good firm governance, is included.

Family social commitment (FSC). Following Quazi and O'Brien (2000), we associate the SR vision of a family with its social commitment. For this reason, we adapt the scale of commitment by Cook and Wall (1980) and develop four items (see Table 1) to capture the commitment of the family owners with regard to the role of the family firms in society.

In order to capture the SR of family firms ESADE, 2007; Igalens and Gond, 2005.), the main SMEs' stakeholders (such as workers or the local community, among others) have been considered and a 39-item scale of SR for SMEs has been obtained (Narvaiza *et al.*, 2009). Following Thompson and Smith (1991), the scale designed focuses on behaviour rather than on expectations or feelings. The final scale's psychometric properties were verified. As a result, we state that its reliability and validity are acceptable and can explain 64.2% of the total variance. This scale measures the three SR constructs included in Figure 1, namely, Responsible environmental behaviour (REB), Responsible social behaviour (RSB) and Responsible economic behaviour (REcB).

Table 1. Items and scales that were used to measure the constructs of the model

FAMILY RESPONSIBLE OWNERSHIP PRACTICES (FROP)	
RESPONSIBLE OWNERSHIP SUCCESSION (ROS)	
ROS1	The firm plans and communicates in a timely manner the ownership succession process when the owners are still active in the firm.
ROS2	The owner firm has developed a family shareholder agreement to formalise the ownership succession process.
ROS3	Family members are being prepared for future firm ownership and leadership.
RESPONSIBLE MANAGEMENT SUCCESSION (RMS)	
RMS1	Above all, the owners aim to guarantee that the firm management leadership remains within the family in the future regardless of their leadership ability or management issues.
RMS2	Above all, the owners aim to guarantee that people have received the necessary training and have adequate abilities in terms of the future management of the firm.
RMS3	The professional career of prepared managers has been limited to guaranteeing the presence of owners or family members in the key positions of the firm.
RESPONSIBLE FINANCIAL RESOURCE ALLOCATION (RFRA)	
RFRA1	There is resistance in the family ownership to allocating the necessary financial resources to the business.
RFRA2	The family ownership frequently asks for dividend shares above the level that is recommended for business sustainability.
RFRA3	The owners or family members typically charge personal expenses to the business.
RFRA4	The owners or family members do not use the firm's assets properly.
PROFESSIONALISM (P)	
P1	Useful channels of communication have been established within the firm to transmit relevant information about the firm periodically.
P2	In the daily operations of the firm, the preferential treatment of family owners or family members may occasionally contrast with the interests of the business itself.
P3	The firm shares have been distributed among the family heirs independently of their ability to lead the family business.
FAMILY SOCIAL COMMITMENT (FSC)	
FSC1	The firm considers itself an agent of the society in which it operates.
FSC2	The firm owners would like to feel that the firm has contributed to society in general or to some of its stakeholders, such as employees and consumers.
FSC3	The firm would not cease its contribution to society even in situations in which the benefits for the firm were unclear.
FSC4	The firm is committed to society.
RESPONSIBLE ENVIRONMENTAL BEHAVIOUR (REB)	
REB1	The firm is concerned about environmental issues despite the lack of risk of economic penalties.
REB2	The firm has an environmental certificate or is currently obtaining such a certificate.
REB3	The firm assigns resources to processes that aim to minimise waste and recycle beyond the legally established minimum.
REB4	The firm assigns resources to processes that aim to reduce atmospheric emissions and/or acoustic contamination beyond the legally established minimum.
REB5	The firm assigns resources above the legally established minimum to projects that aim to optimise the use of energy and water.

RESPONSIBLE SOCIAL BEHAVIOUR (RSB)	
RSB1	The firm aims to guarantee job stability to its employees, and the firm has achieved rotation rates that are lower than the industry average.
RSB2	The firm invests in improving employee satisfaction and has reduced absenteeism to a greater extent than the industry average.
RSB3	The firm evaluates the effects of its activity on the local community and participates in the identification of solutions to community problems.
RSB4	When hiring new personnel, the firm avoids discrimination based on factors that include gender, age, friendship or family relationships.
RSB5	The firm wage increases based on professional performance.
RESPONSIBLE ECONOMIC BEHAVIOUR (REcB)	
REcB1	The firm has a public ethical commitment that it communicates to its customers.
REcB2	The firm's decisions do not always account for market criteria.
REcB3	The firm prioritises working with suppliers that ensure the quality, security and environmental friendliness of their products.
REcB4	The firm obtains high customer satisfaction rates with regard to its quality, security and environmental friendliness.
REcB5	The firm is actively committed to networks and programmes for service and products, promoting collaboration, joint promotional actions, and communication

Results

A PLS model is analysed and interpreted in two steps. We assessed, firstly, the reliability and validity of the measurement model and, second, the structural model. Only when the quantification of the constructs has been proved as valid and reliable, will conclusions regarding the relationships among the constructs be drawn (Barclay *et al.*, 1995).

Measurement model evaluation

Depending on the nature of the construct (reflective or formative), the evaluation of a measurement model differs. For constructs with reflective indicators (as happens in this research), individual item and construct reliability, and convergent and discriminant validity must be determined.

In order to verify enough level of individual item reliability, item loadings should be not less than 0.707. In our field, 30 items were considered correct, and 2 out of 32 indicators showed a loading value between 0.707 and 0.65. Therefore, we retained all of the items, due to the closeness of their loading values to the limit of 0.707. Finally, we employed 17 items to measure FROP and 15 items to measure FFSR (Table 2).

Table 2. Measurement model evaluation

Constructs and measures	Loading	Composite reliability	Average variance extracted (AVE)
FROP			
ROS		0.838	0.633
ROS1	0.7791		
ROS2	0.7521		
ROS3	0.8527		
RMS		0.903	0.756
RMS1	0.8567		
RMS2	0.9135		
RMS3	0.8371		
RFRA		0.906	0.710
RFRA1	0.9251		
RFRA2	0.9482		
RFRA3	0.7815		
RFRA4	0.6893		
P		0.867	0.685
P1	0.8094		
P2	0.8689		
P3	0.8023		
FSC		0.974	0.903
FSC1	0.9708		
FSC2	0.9712		
FSC3	0.9409		
FSC4	0.9180		
FFSR			
REB		0.920	0.700
REB1	0.9200		
REB2	0.6611		
REB3	0.8717		
REB4	0.8258		
REB5	0.8795		
SRB		0.951	0.795
RSB1	0.8760		
RSB2	0.8204		
RSB3	0.8346		
RSB4	0.9591		
RSB5	0.9588		
REcB		0.983	0.843
REcB1	0.8413		
REcB2	0.7468		
REcB3	0.8965		
REcB4	0.9881		
REcB5	0.9151		

The composite reliability is strong. Professionalism presented the lowest value (0.867), and Economically responsible behaviour, showed the highest value (0.983). The strength of the AVE was high for all of the constructs analysed; with values ranged from 0.633 (Responsible ownership succession) to 0.903 (Family social commitment) (Table 2)

Eventually, the discriminant validity (Table 3) was confirmed as all of the constructs share more variance with their own indicators than they share with the other constructs in the model.

been tested by means of bootstrapping techniques), and the contribution of each independent variable to the amount of variance explained for each endogenous construct. This contribution was calculated by multiplying the path coefficient linking the independent variable to the dependent variable by the correlation between the two constructs.

Table 3. Measurement model evaluation: discriminant validity

	ROS	RMS	RFRA	P	FSC	REB	RSB	REcB
ROS	0.796							
RMS	0.786	0.869						
RFRA	0.598	0.788	0.843					
P	0.722	0.637	0.692	0.828				
FSC	0.5	0.429	0.412	0.435	0.950			
REB	0.417	0.570	0.536	0.317	0.197	0.837		
RSB	0.499	0.683	0.702	0.420	0.360	0.768	0.987	
REcB	0.567	0.782	0.829	0.517	0.406	0.685	0.873	0.918

Notes: The diagonal elements (values in parentheses) are the square root of the variance shared between the constructs and their measures relative to the amount that results from measurement error (AVE). The off-diagonal elements are the correlations among the constructs. For discriminant validity, the diagonal elements should be larger than the off-diagonal elements.

5.2. Structural model evaluation

After guaranteeing the quality of the measurement model, the strength of the research hypotheses and the predictive power of the model, namely, the quality of the structural model was assessed. Therefore, a bootstrap method of analysis is used. Bootstrapping provides a T-value for each relationship of the model, and the R^2 value of the endogenous construct provided by the PLS model is the measure of the predictive power of the model, that for an endogenous construct should be not less than 0.10. This value reflects the amount of variance in the construct that is explained by the model. Even if Falk and Miller (1992) argue that lower values of R^2 could be statistically significant, such values would provide little information; thus, the predictive power of the hypotheses formulated with respect to the latent variable under analysis is low.

Influence of FROP on FFSR

Table 4 shows the path coefficients that were obtained, their degree of significance (which has

The results indicate that the expected responsible management succession, responsible financial resource allocation and professionalism are the FROPs that exert a significant influence on FFSR. As predicted, increased levels of responsible management succession, responsible financial resource allocation and responsible family firm relations positively affect the SR of FFs. Therefore, H3, H4, H5 are accepted, whereas hypotheses H2 and H6 are rejected.

The total amount of variance that was explained for the three types of SR is high because these values are substantially above the 10% quality threshold that was advocated by Falk and Miller (1992). In fact, the amount of variance that was explained is nearly 36.49% for Environmentally responsible behaviour and is twice that for Economically responsible behaviour (70.93%). The amount of variance that was explained for Socially responsible behaviour is 56.04%.

Table 4. Structural model evaluation: the influence of FROP on FFSR

Endogenous construct	Parameter	FROP	Total amount of variance explained (R2)
FFSR	Path	0.865***	
	Correlation	0.865	
	Contribution to R2	0.748	0.748

***p<0.001 (based on t499, one-tailed test)

The results shown in Table 4 show that FROP plays a significant effect on FFSR; therefore, H1 is supported. Indeed, the total amount of variance explained by responsible family behaviour is high and represents almost 75% of the variance of the endogenous construct.

Table 5. Structural model evaluation: the influence of FROP on FFSR

		ROS	RMS	RFRA	P	FSC	Total amount of variance explained (R^2)
REB	Path	0.083	0.388*	0.347*	-0.201*	-0.067	
	Correlation	0.417	0.570	0.536	0.317	0.197	
	Contribution to R^2	3.46%	22.12%	18.60%	-6.37%	-1.32%	36.49%
RSB	Path	0.033	0.35*	0.533**	-0.227*	0.072	
	Correlation	0.499	0.683	0.702	0.420	0.360	
	Contribution to R^2	1.65%	23.91%	37.42%	-9.53%	2.59%	56.04%
REcB	Path	-0.08	0.373**	0.643**	-0.188*	0.067	
	Correlation	0.567	0.782	0.829	0.517	0.406	
	Contribution to R^2	-4.54%	29.17%	53.30%	-9.72%	2.72%	70.93%

***p<0.001, **P<0.05, and * p<0.1 (based on t499, one-tailed test)

6. Discussion

This study reveals the relevance of the FROP as a driver that influences SR practices in family SMEs; thus, we confirm the main hypothesis that FROP is positively related to the presence of SR practices in family SMEs. The common absence of ethical codes and even governance structures in family firms renders informal methods, such as the role modelling of expected behaviours, as a critical method of promoting ethical behaviour and SR in such a firm (Adams *et al.*, 1996). The direct relationship between owners and managers can be viewed as a source of socially responsible practices or, on the contrary, as justification for opportunistic behaviour. When family owners act as good owners by behaving professionally, avoiding family practices that are derived from their power status and defending their firm's competitiveness in various ways, this responsible behaviour is transferred to their businesses in terms of SR. This relationship implies that when FROP is limited, a manager is more likely to follow an agency perspective and thus behave opportunistically and discourage socially responsible practices in his/her family SME. In this study, FROP can be associated with a code of ethics but is primarily available to families as a model of ethical behaviour. In this sense and following Sorenson *et al.* (2009), the measurement of FROP includes three of the elements of innate morality that were suggested by Haidt and Joseph (2007): concern for others, fairness, and the establishment of order and control in a business.

Second, among the various antecedents of FROP, there are three primary drivers of SR in family SMEs: responsible management succession, responsible financial resource allocation and professionalism. In contrast, responsible ownership succession and family social commitment are not significantly relevant factors of SR in family SMEs. Following the literature on pro-social organisational behaviours, we can distinguish between in-role behaviours and extra-role behaviours (Berent-Braun and Uhlaner, 2012). In-role behaviours are expected behaviours that form part of one´s role obligation. Extra-role behaviours surpass normal expectations (Brief and Motowidlo, 1986). According to the definition of in-role and extra-role behaviours, in-role behaviours motivate SR behaviour in family SMEs. Questions related to ownership issues, such as ownership succession or family vision of SR, are considered extra-role behaviours and do not significantly influence the SR behaviour of family SMEs.

This can be understood from the practical view of SR in family SMEs. When ownership issues are consistent with corporate governance practices, and a family is not viewed as an abusing stakeholder—on the contrary, its decisions are pro-firm and pro-social—family SMEs are concerned about SR. This can be understood because the behaviour of CEOs will be more ethical and socially responsible if they consider organisational effectiveness to be vital (Singhapakdi *et al.*, 2001; Godos-Diez *et al.*, 2011). The desire to assist in ensuring the competitiveness of their firms creates a stewardship relation between family owners and family managers in which the primary risk becomes the abusive behaviour of the main stakeholders (i.e., the family owners).

We identify two main implications of the study. First, and based on the assumption that the influence of the ethical focus on firm performance has been challenged by O´Boyle *et al.* (2010), SR practices can be considered relevant for survival in family SMEs. Thus, families are concerned about acting as responsible owners to encourage the steward perspective in managers and to promote and support SR in such firms. This study suggests that developing FROP through responsible management succession, responsible financial resource allocation and professionalism may positively affect SR in family SMEs.

Second, public policy can play an important role in providing families with additional incentives to act as good owners. For example, policy initiatives can provide families with economic stability. Income and inheritance tax policies could recognise the contributions of family businesses to both society and the economy. Family firms both provide jobs to their communities and assist in promoting ethical behaviour, which aids in building our society.

Conclusion

This study offers several contributions to the family business literature. The results assist in clarifying the components of FROP and the antecedents of SR for family SMEs. This study reveals the relevance of the FROP in explaining how family firm owners influence SR. Moreover, this research proposes and obtains support for a model that illustrates the relationships among responsible ownership succession, responsible management succession, responsible financial resource allocation, professionalism, family social commitment and the SR of family firms.

These results suggest several potentially fruitful areas for research. First, the analysis of FROP concerning the heterogeneity of family firms (Deniz and Cabrera, 2005). These differences can be related to "familiness" (Habbershon and Williams, 1999; Habbershon *et al.*, 2003), which refers to the idiosyncratic resources and capabilities that are available in family firms that emerge from family involvement and interactions (Chrisman et al., 2003a; Habbershon and Williams, 1999). For this reason, future research could pursue a common perspective using the social capital model of familiness (Pearson *et al.*, 2008).

Second, family businesses may suffer from the same ethical hazards that other businesses encounter. Goodpaster (2007) indicates that unethical conduct frequently occurs when groups become fixated on certain goals without regard for consequences, rationalise their behaviour based on these goals and repeat the process 'until the protesting consciences of the participants become detached, anesthetized, and silenced' (p. 3). Business owners may be dominant by imposing their will on other members of the family, or they may exclude the family from business discussions. Thus, FROP cannot be assumed as given in family business. Collaborative dialogue (Sorenson *et al.*, 2009), fair processes (Van den Heyden *et al.* (2005), and social exchange theory in general can be assessed according to the recommendations of Long (2011).

Third, the stability of FROP depends on family system dynamics and stability. Salvato and Melin (2008) employ family social capital, which is understood as the processes through which family firms access and recombine resources to match the evolving needs of their business activities over time and may assist in understanding the creation of value across generations. This approach could be interesting to adapt to the dynamics of FROP (Aragón-Amonarriz *et al.*, 2019).

Finally, the results of this study lead us to additional questions such as, are the antecedents of FFSR the same in family firms with a non-family CEO? Or, in a firm with a non-family CEO, is responsible ownership succession an antecedent of FFSR? Is FROP homogeneous among family firms? If it is not homogeneous, is it always an antecedent of FFSR? Is it in a similar way? What is the dynamism of FROP? What conditions are necessary to sustain FROP over time?

Despite the presence of hypothesised relationships unveiled, limited research has addressed these relationships, and further empirical inquiry is needed. Given this context, we highlight several limitations of the current research. First, our study observes the family businesses located in a Spanish region, and it could imply relevant cultural bias in the influence identified between FROP and SR. Differences in certain critical topics in different geographical areas, such as families constitution and role, can alter these conclusions (O´Boyle *et al.*, 2010). Second, although confidentiality and anonymity were ensured in the survey, the perception and social expectation bias involved in the answers were unavoidable, and therefore, it should be recommended to triangulate the responses given by the CEO with other stakeholders in future research. In this sense, some constructs such as the FROP or FFSR could be complemented with different family members could be included in the study. Finally, future research could use longitudinal designs and ratings by multiple people to assess changes in FROP and FFSR levels over time.

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