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Does family involvement foster or hinder firm performance? The missing role of family-based branding strategies

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ABSTRACT

Considering family involvement exclusively through "demographic criteria" does not allow to properly catching the effects of this unique resource on family firms performance. The aim of this article is to address this gap by considering mechanisms through which family involvement in management might be turned into a dynamic capability for the family firm. The main focus is on family-based branding strategies (at corporate and product levels) as ways to reach sustained competitive advantage by valorizing the "family nature" of the firm. The main hypotheses are tested, through moderated multiple regressions, on a sample of 114 private family firms operating in the wine industry, during the period 2005–2010. Our main finding suggests that family firms combining family involvement in management to branding strategies communicating the *family* (e.g., family history, values, and identity) *as a corporate brand* show higher rates of sales growth. Implications for theory and practice are also discussed.

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1. Introduction

Family involvement in ownership and/or in management has been considered as a unique resource (Habbershon & Williams, 1999) which gives sustained competitive advantage to family firms (Barney, 1991; Barney, Wright, & Ketchen, 2001) and thus superior performance (Chu, 2009). Although, in the last decades, the issue has received considerable academic attention (among others, Mazzi, 2011; Zellweger, Eddleston, & Kellermanns, 2010; Dyer, 2006), the ways through which family involvement in the firm, as a unique resource, influences firm performance are not completely explained due to the high inconclusiveness of findings (Carney, Van Essen, Gedajlovic, & Heugens, 2013; O'Boyle Jr., Pollack, & Rutherford, 2012; Chrisman, Chua, & Sharma, 2005).

This is mainly because the pure consideration of family involvement according to the "components-of-involvement approach" (Chrisman et al., 2005) is not able to explain and catch the actual effects that this unique firm resource has on family firms performance. Therefore, it might be helpful considering also the dynamic capabilities (Teece & Pisano, 1994; Eisenhardt & Martin, 2000; Zahra et al., 2006; Barreto, 2010) that family members involved in management bring into the firm thus going beyond the consideration of family involvement as "static resource".

This article addresses this issue moving from the practical evidence of an increasing promotion by family firms of their family nature through marketing and communication activities (Binz Astrachan & Astrachan, 2015). It suggests that, especially in industries where the stakeholders (e.g., customers) have close connections to the firm and its products, like in the wine industry, the potential benefits of having family management (a resource) are linked to the exploitation of ways to properly communicate family history, values, and identity (at different levels) to its customers. Therefore, we investigate whether the communication of the family nature of the firm through family-based branding strategies moderates the family involvement–firm performance relationship.

Those arguments are tested on a sample of 114 Italian private family firms operating in the wine industry, during the period 2005–2010. We focus on two types of family-based branding strategies: (a) the use of the family name as a brand at corporate level (*family as corporate brand*) and (b) the use of the family name at product level (*family as product brand*) by verifying whether family firms refer to their family name on the products' labels. Our main finding suggests that family firms which combine family involvement in management to branding strategies communicating and promoting the *family as a corporate brand* show higher rates of sales growth.

This article makes several contributions to theory and practice. First, it further extends the understanding and the use, within family business research, of resource based-view and its extensions through the lens of dynamic capabilities (Eddleston,

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Kellermanns, & Sarathy, 2008; Tokarczyk, Hansen, Green, & Down, 2007; Sirmon & Hitt, 2003; Chirico & Salvato, 2008; Chirico & Nordqvist, 2010). In so doing, we go beyond the consideration of family involvement in management as a static resource and introduce a dynamic perspective (Sirmon, Hitt, Ireland, & Gilbert, 2011; Holcomb, Holmes, & Connelly, 2009; Sirmon, Hitt, & Ireland, 2007; Helfat & Peteraf, 2003) for the use of that family resource through its communication through proper branding strategies (Micelotta & Raynard, 2011). Our findings, indeed, suggest that having family members involved in management is not a sufficient condition to gain sustained competitive advantage, as it is also necessary to communicate the family history, values and identity in order to be able to influence consumers' behaviors. Second, through this suggestion, we also add to the developing debate about the need to go beyond the surface of measures based on demographic criteria (Lumpkin, Martin, & Vaughn, 2008) when investigating the impact of family involvement on firm performance (Chrisman et al., 2005). Third, we also advance the debate about the importance and "uniqueness" of studies which further investigate marketing issues in family firms (Reuber & Fischer, 2011) by suggesting that the focus and differentiation of branding strategies at corporate and product levels might be, in the case of family firms, a viable way to understand whether and to what extent the owning-family decides to transfer and communicate its history, values and identity over the firm and its products/services. Finally, this article has also implications for family firms' owners and managers as our main findings suggest that clear, proper and well-planned communication of the familial nature of the firm through family-based branding strategies, at a corporate level, might encourage consumers' purchasing behaviors. Indeed, they might be not just interested in purchasing the product itself but also in learning and experiencing during that transaction the details of the family (such as its history, values and identity) which turn the purchasing experience in a unique one.

The remainder of this article is structured as follows: in the next section, a literature review on the relationship between family involvement in management and firm performance is presented and our starting hypothesis is formulated. Family-based branding strategies as a moderating step in that relationship are then introduced. Methods and results are shown in Section 3. Findings are discussed in section four followed by concluding remarks in the last section.

2. Family involvement in management and firm performance: a resource-based view perspective

Studying family firms according to resource-based view (hereafter RBV) (Tokarczyk et al., 2007) allows catching which resources and capabilities make family firms unique (Eddleston at al., 2008; Nordqvist, 2005; Sirmon & Hitt, 2003 Nordqvist, 2005; Sirmon & Hitt, 2003). Over the years, family business research has shown that the actual and main feature that makes family firms unique is the involvement of the family in the firm (Habbershon & Williams, 1999). It is a resource representing a source of sustained competitive advantage because it is unique, inseparable, synergistic and hard to duplicate (Nordqvist, 2005). Family involvement is, thus, the product of family relationships which are the most valuable and difficult resources to imitate (Colbert, 2004; Hatch & Dyer, 2004), solely available to family-owned firms (Shinnar, Cho, & Ragoff, 2013). The involvement of family members in the firm, since their childhood, produces deeper levels of firm-specific tacit knowledge, difficult to codify and transferred only through direct exposure and experience (Danes, Stafford, Haynes, & Amarapurkar, 2009). Therefore, family involvement (as resource) is able to generate "familiness" (Habbershon & Williams, 1999), a bundle of idiosyncratic resources and abilities, which in turn may become a source of sustained competitive advantage if the family firm is able to exploit it. In particular, family involvement in management, which allows an active control of the firm, becomes central. Indeed, active family control (family involvement in management) strongly increases firm operating performance, whereas passive family control (family involvement in ownership) is associated with performance rates comparable with those of non-family firms (Maury, 2006).

When family members lead their organization, they can hold a beneficial position to monitor the business (Demsetz & Lehn, 1985) and display higher profitability (Lee, 2006; Bonilla et al., 2010). If the CEO is a family member, family firms report more employment and revenue growth, because family involvement in management causes family-specific capabilities, which in turn lead to increased performance (Pearson, Carr, & Shaw, 2008). Finally, family members involved in management work with a superior commitment because they perceive the firm performance as an extension of their own well-being (Ward, 1987). They are more productive and efficient than non-family employees (Rosenblatt, deMik, Anderson, & Johnson, 1985) and have a "family language" that allows them to communicate more efficiently and bring out the best from their workers (Moscetello, 1990). Family relationships thus generate unusual motivation, cement loyalties, and increase trust among employees (Tagiuri & Davis, 1996) translating that in better economic and financial results for the firm. Based on the previous arguments and by choosing the return on sales (hereafter ROS) and the rate of sales growth as measure to explain family firms' performance (Wagner, Block, Miller, Schwens, & Xi, 2015), we propose the following hypothesis:

Hypothesis 1. There is a positive relationship between the degree of family involvement in management and firm performance (ROS and rate of sales growth).

2.1. The moderating role of family-based branding strategies

Considering family involvement in management only through demographic criteria (static resource) has been criticized because it gives a parsimonious interpretation regarding family effects on the firms (Basco, 2013; Chrisman et al., 2005; Lumpkin et al., 2008). Indeed, it emerges as a natural way to analyze the family's influence on firm performance. In this sense, the observable aspects (e.g., family-owned, family-managed) used to distinguish family firms from non-family firms can also be used to analyze the family's impact on firm performance. Therefore, the component-of involvement approach (Chrisman et al., 2005) allows only depicting a family's potential to influence the family firm (Zellweger et al., 2010) and thus limiting the study only to the analysis of how different degrees of family involvement in management affect firm performance is not sufficient.

To get a better understanding about the actual effect of family involvement on firm performance it would be useful considering also the dynamic capabilities which family members involved in management bring to the family firm, as source of competitive advantage able to contribute significantly to firm performance. According to the dynamic capabilities view (Teece, Pisano, & Shuen, 1997), in fact, crucial to gaining and maintaining competitive advantage is the management of strategic resources. In this process a key role is played by firm's managers who have the assignment to adapt, integrate, and re-configure the organizational resources (Teece & Pisano, 1994) in order to create new value (Eisenhardt & Martin, 2000). In family firms (Chirico & Salvato, 2008; Salvato & Melin, 2008; Sirmon & Hitt, 2003; Chirico & Nordqvist, 2010), family members involved in management have, thus, the power to mark the achievement of competitive advantages through their strategic decisions and behaviors.

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