INTANGIBLE RESOURCES AND PERFORMANCE IN FAMILY FIRMS: THE MODERATING ROLE OF FAMILINESS (INTERACTIVE PAPER)

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Principal Topic

For family firms, the resource-based view (RBV) stresses the relevance of intangible resources emerging in the unique interaction between the family and the firm, and captured through the notion of familiness. In addition to the possession of intangible resources—e.g. knowledge-based and reputational resources—the value of resources is dependent upon their use. Managers’ involvement in strategy making is thus likely to moderate the relationship between the existence of intangible resources and performance. After hypothesizing about the positive relationship between knowledge-based resources and performance, and between reputational resources and performance in family firms, we differentiate between family involvement in continuous strategy making, and disruptive strategy making to capture the moderating role of familiness.

Method

We use a sample of 217 family firms with data collected through a survey mailed to the firms’ CEO as well as from secondary sources. Performance is measured by the net profit margin. To measure familiness we use two multiple item scales, one capturing the degree of family involvement in continuous strategy making (seen as setting goals, analyzing competitors, and identifying potential customers) and the other family involvement in disruptive strategy making (seen as major investment and divestment decisions). Knowledge-based and reputational resources are measured by two multiple item scales. The hypotheses are tested using multiple regression analysis.

Results and Implications

Confirming the direct and positive relationship between both intangible resources and firm performance in family firms, we also find that family involvement in continuous strategy making enhances the efficient use of knowledge-based resources. Where the family is highly involved in the continuous, day-to-day strategic work, there is a positive relationship between knowledge based resources and performance. Whether family involvement in disruptive strategy making moderates the relationship between intangible resources and performance differs depending on the type of resources. Firms where family members are highly involved in disruptive strategy activities are able to leverage their reputation to increase performance. Conversely, family firms lose the positive performance effects related to their knowledge-based resources when the family is highly involved in disruptive strategy making.

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