Chapter 1
A Theoretical Framework for the Analysis of the Relationship Between Family Firms and Competitiveness

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ABSTRACT
This chapter develops an additive model of the microeconomic sources of family firm (FF) competitiveness. Its main contribution is the proposal of a new explanatory framework with a perspective incorporating both ex post competitiveness and its determinants in a chain of multi-level causality. Based on fully-specified theory, the framework is designed to explain the complementarity of the effects of the firm’s country, industry, district, strategy, and distinctive competences, focusing where appropriate on the case of the FF. The theoretical model also sheds light on the forces that influence the accumulation of sustainable competitive advantages. To that end, this chapter incorporates a particular focus on how the ownership and control structure affects the accumulation of intangible assets that give rise to the so-called family effect.

INTRODUCTION
The ownership and control structure is one of the basic characteristics that influence the strategic and operational decision-making of any organization; as such, it has important implications for corporate governance and economic performance (Vives, ed., 2000; Shleifer & Vishny, 1997; Short, 1994; Jensen, 1986). The comparative efficiency of different ownership and control structures (organizational forms) is an issue that has captured the interest of researchers in the field of agency theory (Thomsen & Pedersen, 2000; Li & Simerly, 1998; Gedajlovic & Shapiro, 1998; Shleifer & Vishny, 1997; Short, 1994; Oswald & Jahera, 1991; Jensen, 1986; Fama & Jensen, 1985; Williamson, 1985; Jensen & Meckling, 1976) for the past 80 years, ever since the seminal work of Berle & Means (1932). On the basis of this theory, DOI: 10.4018/978-1-7998-1655-3.ch001
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the focus of interest has turned first to how the organizational form can protect or weaken the position and power base of senior management, as well as the analysis of the agency problem and the efficiency of the ownership concentration of various organizational forms (Fama & Jensen, 1985). Subsequently, the emphasis has turned to the role of the ownership structure—and particularly the type of owner—in organizational behaviour (Judge, 2012). This line of research recognizes the heterogeneity of the owner group and emphasizes that the identity of the owners is key to how they exercise their power and how this is reflected in the organization’s strategy, structure, processes and outcomes (Thomsen & Pedersen, 2000; Nickel, Nicolitsas & Dryden, 1997; Hansmann, 1996, 1988; Short, 1994; Gedajlovic, 1993; McConnell & Servaes, 1990; Cubbin & Leech, 1983; Levin & Levin, 1982). Managerial discretion, the structure and dynamics of management systems, and the planning of relationships between management and owners can change substantially depending on the type of owners, their shareholder complexity and their degree of involvement in the management of the company. The literature has focused on the implications of the ownership interest and/or corporate governance of institutional investors, large shareholders (blockholders), and minority shareholder advocacy organizations. Only in a second phase has the focus of agency theory turned to the _family identity of capital owners_ (Kellerman, Eddleston, Barnett & Pearson, 2008; Naldi et al., 2007).

Studies such as that by Hoopes & Miller (2006) argue that ownership concentration and family involvement influence control costs, investment choices and capacity development, concluding that the firm’s governance has relevant effects on its portfolio of resources and capabilities and hence on its competitiveness. Related research has further explored which model of ownership and corporate governance is most effective for coordinating, protecting and monetizing the firm’s intangible assets (Capasso, 2004; Holland, 2001; Salas, 1993a,b, 1992a,b). This line of thinking connects contract theory to the resources- and capabilities-based view (RCBV) (Teece, Pisano & Shuen, 1997; Leonard-Barton, 1992). It has been acknowledged that the strategic value of intangible assets should not obscure the fact that some of their intrinsic features may hinder or prevent their successful accumulation. Dynamic analysis of the flow of new resources and capabilities thus puts the focus on the actions the firm should take in order to neutralize the negative effects inherent in those characteristics of intangible assets. The intended design of the ownership and control structure and the internal organization play a central role.

The convergence between the dynamic aspects within the RCBV—with its offshoot centred on _familiness_—and institutional theory has lately given rise to the idea that the firm’s strategy, structure and business results can be affected by the family identity of the owners of the firm’s capital, as well as by the existence of managerial discretion (Kellerman, Eddleston, Barnett & Pearson, 2008; Naldi, Nordqvist, Sjöberg & Wiklund, 2007; Brunninge, Nordqvist & Wiklund, 2007; Hoopes & Miller, 2006; Holland, 2001; Morck & Yeung, 2004b; Capasso, 2004). The family firm (hereafter FF) has thus been studied as a distinct organizational form characterized by certain specific features (e.g., Salvato, Chirico, Melin & Seidl, 2019; Gallo, 1995; Donnelley, 1964; Calder, 1961), including a particular ownership and governance structure. Of course, the FF is a company and therefore subject to the same sources of competitive advantage and problems as any other such economic agent. Of particular interest, then, are the motivations that are exclusively the domain of FFs. Family-controlled capital and the fact that the positions of owner, owner-employee and owner-manager are often held by family members can affect the competitiveness of family organizations. Dyers (2006) indicates that there is a _family effect_ which influences performance through governance mechanisms and managerial quality (e.g., Barontini & Caprio, 2006; Westhead, Cowling & Storey, 1997) as well as through specific strategies (Westhead, 1997; Harris, Martínez & Ward, 1994).
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