

# Can we make family social capital flourish? The moderating role of generational involvement

## Abstract

The special features displayed by family firms characterize and shape their family social capital and make them unique. The participation of both the family and the firm creates distinctive resources and capabilities in the family firm. As new generations arrive, opposing forces begin to shake the firm, and while some embrace change others expect the continuity of the family influence. Likewise, the influence of the family in the firm conditions its performance. In this study, we empirically address how family influence promotes the development of family social capital that, in turn, impacts on the organizational effectiveness of family firms. Furthermore, we observe the moderating role of generational involvement by considering generations an important source of heterogeneity in family firms. We test the hypotheses on a sample of Spanish family firms, analyzing the data using partial least squares (PLS). Results indicate that the family influence positively affects the development of family social capital and, therefore, the organizational effectiveness of the family firm. However, generational involvement can moderate both relationships in a negative way, by reducing the development and exploitation of the family social capital.

**Keywords.** Family social capital, generational involvement, organizational effectiveness, family influence

## Introduction

Social capital in family firms stems from the social capital concept by Nahapiet and Ghoshal (1998, p. 122), defined as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationship possessed by an individual or social unit”. In the family firm, both the family and the business are ‘inextricably intertwined’ (Aldrich & Cliff, 2003). Within the family firm, ‘family social capital’ could be defined as the relationships between individuals inside the family firm that facilitate action (Arregle et al., 2007). While in managerial literature social capital includes the relations between organizational members (internal social capital) and the relations with external stakeholders (external social capital) (Adler & Kwon, 2002), family firm literature refers to ‘family social capital’ as exclusively an internal social capital (Arregle et al., 2007). Therefore, we follow previous research and focus on the internal view of social capital, as it seems to be the most consistent with the familiness concept of interaction and involvement of the family (Pearson et al., 2008).

1 Family social capital developed within the family is unique (Herrero, 2018) and probably  
2 one of the most durable and powerful forms of social capital because the social capital created in  
3 family firms is based on distinctive characteristics (Arregle et al., 2007). Since social capital can  
4 be a source of competitive advantages for the family firms over time (Pearson et al., 2008),  
5 previous research has improved the conceptualization and understanding of family social capital  
6 during last years (e.g. Hererro, 2018; Sanchez-Ruiz et al., 2019; Sanchez-Famoso et al., 2019).  
7 However, the analysis in literature of the family social capital is still incomplete and there is yet  
8 a need to examine empirically their sources and outcomes (Carr et al., 2011; Herrero, 2018). This  
9 study tries to address this gap by providing empirical evidence on the relationship between family  
10 influence and family social capital, which in turn influences organizational effectiveness in the  
11 family firms. With this aim, organizational effectiveness is defined as a general measure of the  
12 good functioning of the firm over time (Cameron, 2015), referring to the extent to which firms  
13 develop permanent activities and organizational processes that create better results relative to its  
14 competitors (Patel & Fiet, 2011; Zheng et al., 2010). Thus, this research proposes that family  
15 social capital promotes that certain behaviors or processes in the firm are continuously adapted  
16 and can lead to economic and non-economic returns.  
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18 Furthermore, Sanchez-Ruiz et al. (2019) have found differences in the family social  
19 capital as result of the heterogeneity in the family firms. Previous scholars have also considered  
20 family firm heterogeneity as essential to understand family firm strategic decisions and outcomes  
21 (Chrisman & Patel, 2012; Gomez-Mejia et al., 2007). One of the most important sources of  
22 heterogeneity in family firms has to do with the generations of the family firms (e.g. Gomez-  
23 Mejia et al., 2011). Several researchers have argued that generational effects alter the dynamics  
24 among family members (Schulze et al., 2003). In particular, the arrival of next generation family  
25 members is considered to alter the structural ties within the network and has great potential to  
26 disrupt different aspects of family social capital as well (Sanchez-Ruiz et al., 2019). In spite of  
27 this, it is still possible to advance on the analysis of the positive or negative impact of these  
28 changes on the family social capital. Accordingly, this study addresses this gap by taking the idea  
29 of previous scholars who envision a potential dark side of adding generations to the family firms  
30 (e.g. Gersick et al., 1997; Chirico et al., 2011; Sanchez-Famoso et al., 2019). Thus, we explore  
31 the negative moderating role of generational involvement in both the development and  
32 exploitation of family social capital Among the different concepts related to the generations in  
33 family firms, we focus on generational involvement, which refers to the number of family  
34 generations simultaneously involved in the family firm (Sciascia et al., 2013).  
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36 Our study makes two main contributions to family firm literature. First, our research sheds  
37 light on how the family influences the development of family social capital and how this family  
38 social capital promotes the conditions for the constant development of activities and  
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1 organizational processes, contributing then to family firm effectiveness. In this sense, there is a  
2 lack of empirical studies aimed to measure the antecedents and consequences of family social  
3 capital (Carr et al., 2011; Herrero, 2018). Regarding the antecedents, there is a need for the  
4 empirical validation of the potential implications that family involvement could have on the  
5 internal social capital of family firms (Sanchez-Famoso et al., 2020). With regard to the  
6 consequences, this study responds to calls for further research aimed at fully understanding family  
7 social capital and its effects (Sanchez-Ruiz et al., 2019). Second, this research explains how the  
8 generational involvement, as a source of heterogeneity in family firms, negatively moderates the  
9 relationships between family influence and family social capital, and between family social  
10 capital and organizational effectiveness. Thus, we respond to the call for research that considers  
11 that a moderator of social capital creation may be the type or category of the family firm (Pearson  
12 et al., 2008). In line with it, Arregle et al. (2007) suggest that family social capital depends on the  
13 number of generations in the family firm, being important to understand its potential effects. From  
14 a broader perspective, our research model follows the theoretical model of Pearson et al. (2008)  
15 to further explore the mediating and moderating effects of organizational and environmental  
16 variables that may affect or may be affected by social capital and, thus, advance the understanding  
17 of this important family business characteristic.

## 28 **Theoretical background**

### 29 **Research in family social capital**

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31 The internal social capital view focuses on internal linkages among individuals and groups within  
32 a collective, including those that contribute to cohesiveness and foster collective action (Adler &  
33 Kwon, 2002). In family firms, the family unit, as a distinct faction within a firm, provides the  
34 possibility of using a unit of analysis that is a consistently dominant group possessing the ability  
35 to alter the vision and direction of the overall collective (Chua et al., 1999). Therefore, placed  
36 within the context of the family firm, the process associated with creating social capital is strongly  
37 linked to the structural components of the family members in the firm, which leads them to take  
38 advantage of their family ties and relationships for the benefit of family firms (Arregle et al.,  
39 2007). These characteristics are based on social interaction, family structure and the strength of  
40 the links that exist within the family, which are transmitted to the firm. In this respect, the  
41 involvement of the family can result in a social network of relationships rooted in family ties that  
42 create a form of social capital that is complex and relates to shared norms, values, vision, purpose,  
43 trust, and collective goal orientations within the family firm (Leana & Van Buren, 1999).  
44 However, the majority of the commented literature has theoretically proposed this influence of  
45 family involvement on family social capital. In this line, studies on social capital typically view  
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1 this construct as exogenous and do not provide empirical insight into its antecedents (Shi et al.,  
2 2015).

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4 According to the conceptualization developed by Nahapiet and Ghoshal (1998), social  
5 capital is composed of three dimensions; structural, cognitive, and relational. Structural social  
6 capital refers to the structure of ties between family members that can be utilized by the family  
7 firm (Arregle et al., 2007). In other words, the social structure of the family members can be  
8 transferred to the firm, allowing the appropriation of those ties by the firm (Coleman, 1988;  
9 Pearson et al., 2008). Regarding relational social capital, interactions between family members  
10 improve their relationships, establishing trust over time (Arregle et al., 2007). Additionally, the  
11 family-specific norms and identity enhance relatives to create unique ties among them (Sánchez-  
12 Ruiz et al., 2019), which also allow the development of mutual reliance between these relatives  
13 (Carr et al., 2011). Finally, cognitive social capital is also present in family firms. Since family  
14 members have a shared history along time, family members converge more easily toward similar  
15 values (Sánchez-Ruiz et al., 2019). Furthermore, it is more likely that family members understand  
16 family values and firm, which allow a common understanding necessary for achieving the family  
17 goals in the firm (Pearson et al., 2008). In sum, the structural, relational and cognitive dimensions  
18 of social capital can be developed in terms of family social capital.

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30 Regarding the consequences of family social capital, previous research has found that  
31 family social capital can provide benefits to family firms (Chrisman et al., 2009) because this type  
32 of capital can be used for business purposes (Carr et al., 2011; Sorenson & Bierman, 2009). In  
33 this sense, previous research has found that family firms can have three different configurations  
34 of social capital, which have different consequences on the economic and non-economics  
35 outcomes of these firms (Sanchez-Ruiz et al., 2019). Among the non-economic outcomes, family  
36 social capital facilitates knowledge sharing and knowledge integration (Chirico & Salvato, 2008).  
37 Additionally, family social capital positively influences the innovative capabilities of family firms  
38 (Sanchez-Famoso et al., 2014; 2019). Each dimension of family social capital can contribute to  
39 develop different organizational capabilities that ultimately lead to firm success (Carr et al.,  
40 2011). Regarding economic outcomes, previous research has found that family social capital  
41 improves the performance of family firms (Anderson & Reeb, 2003; Herrero, 2018), although  
42 this influence may have limits, especially in the case of structural social capital (Herrero &  
43 Hughes, 2019). Furthermore, this positive relationship between family social capital and family  
44 performance can be mediated (Tasavori et al., 2018) or moderated (Herrero & Hughes, 2019) by  
45 different variables such as participative governance capability or organizational social capital  
46 respectively. To recap, family firms can develop a social capital which is usually difficult to  
47 replicate by other firms, such that it can provide a source of competitive advantage (Pearson et  
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al., 2008), generating family firm wealth and value creation (Habbershon et al., 2003) in both economic and non-economics terms.

## **Research in generational involvement**

Family firms are developed through different generations. The participation of the generations in the ownership and/or in management positions in the boards of the firm allows for accumulated experience to be gained (Klein et al., 2005). Indeed, previous scholars agree that each succession adds considerable and valuable business experience to the family and the firm (Astrachan et al., 2002). Previous research has considered that the strategic decisions can be crucially influenced by the degrees of generational involvement in family firms (Carnes & Ireland, 2013; Chirico et al., 2011). Generational involvement refers to the number of family generations simultaneously involved in the family firm (Sciascia et al., 2013). These generations can be involved either on the ownership, by being active in the management board or by being active in the board of directors.

The effects of generational involvement have been addressed in the literature from a positive (e.g. Craig et al., 2008; Kellermans et al., 2008), negative (e.g. Gersick et al., 1997; Chirico et al., 2011; Sanchez-Famoso et al., 2019), and even a mixed perspective (e.g. Sciascia et al., 2013; Arzubiaga et al., 2019). Regarding the positive perspective, the diversity in terms of knowledge, expertise, and viewpoints added by more generations may facilitate the identification of the needs and interests of potential customers and markets (Craig et al., 2008). Additionally, involvement by multiple generations signals an inclusive working environment where multiple perspectives are appreciated and considered (Kellermans & Eddleston, 2004). The number of generations involved is positively related to the entrepreneurial behavior of the family firm (Kellermans et al., 2008). Finally, generational involvement also positively moderates the relationship between knowledge sharing practices and the development of technological capabilities in family firms (Zahra et al., 2007).

Related to the negative perspective, as generational involvement increases, the probability that separate camps or factions will be established with each generation of ownership also increases, particularly since family members in subsequent generations are likely to believe that they have the same to say in the direction of the firm than previous generations (Gersick et al., 1997). Furthermore, research has considered that increased generational involvement significantly heightens conflict within family firms (Chirico et al., 2011). Indeed, Kellermans and Eddleston (2007) found that cognitive conflict is detrimental to family firm performance when ownership is spread through multiple generations. Additionally, the entry of new family generations can influence family firm behavior by canceling out existing capacities, delaying the

development of new capabilities and by making cooperation dysfunctional (Gómez-Mejía et al., 2001; Schulze et al., 2001; Schulze et al., 2003).

Finally, regarding the mixed perspective, Sciascia et al. (2013) found an inverted U-shaped relationship between generational involvement and entrepreneurial orientation, where moderate levels of generational involvement are associated with the highest level of entrepreneurial orientation. Furthermore, Samara et al. (2018) have found that both low and high family involvement can catalyze the environmental social performance of the family firms. Additionally, generational involvement positively moderates the relationship between explorative innovation and firm performance and, at the same time, negatively moderates the relationship between exploitative innovation and firm performance (Arzubiaga et al., 2019).

Considering the findings of generational involvement literature, both the antecedents and consequences of family social capital could also be conditioned by the participation of family generations in the ownership and management as well as direction of the firm (Sharma & Carney, 2012). Thus, research has proven that the involvement of multiple generations in family firms reduce the effectiveness of the strategic decision-making process necessary to coordinate resources embedded in family and non-family social capital towards innovation outputs (Sanchez-Famoso et al., 2019). We decide to follow this line in our study.

## **Hypotheses Development**

We define family influence as to “tap the primary means by which a family can exert influence over a business” (Cliff & Jennings 2005, p. 342). Family influence has been captured through the two approaches, the involvement approach and the essence approach, that dominate the debate concerning the behavior of the family firm (Chrisman et al., 2005; Siebels & zu Knyphausen-Aufseß, 2012). The involvement approach (Chua et al., 1999; Miller et al., 2007) is based on the degree of presence of family members in the firm’s ownership and management. Therefore, researchers consider that the influence of the family is explained by the domination exerted through financing the firm and through the management and/or control of the firm (Klein et al., 2005). The essence approach (Chua et al., 1999; Gómez-Mejía et al., 2007; Habbershon et al., 2003; Holt et al., 2010; Klein et al., 2005) focuses on the family essence that reflects to what extent the objectives and family values align or overlap with those of the firm; in other words it highlights the quality of this participation and its effect on family firm behavior, considering the intangible characteristics which transmit family values and culture to the firm (Astrachan et al., 2002; Holt et al., 2010; Klein et al., 2005). We integrate both approaches in our study.

The influence of the family in the firm through ownership, government and management usually conditions the transfer and accumulation of family resources in the firm (Chrisman et al.,

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2005; Chua et al., 1999), being the configuration of family social capital one of those family  
resources (Zellweger et al., 2010). When the family is involved in the business, the family and  
the firm do not coexist as separate entities, but rather, exist as interlocking domains that create a  
network of intertwined relationships (Pearson et al., 2008). In this way, family members within  
family firms are able to take advantage of their own family ties and build upon their existing  
patterns of relationships to benefit the family firm (Arregle et al., 2007). This ability to leverage  
the family structure in order to help the organization happens because the relationships in one  
social structure can easily be transferred to another (Coleman, 1988). Through the interaction in  
this structure, the family builds trust, which may provide the development of the principles of  
reciprocity and exchange (Bubolz, 2001). As family members are embedded in their family's  
networks, their privileged positions in the family firm allows them to transmit its main  
characteristics (norms and values) to the family social capital (Arregle et al., 2007).

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In addition, family member ownership and involvement in the management board endows  
them with great power in family firms. As a powerful group, they could shape and pursue the  
vision of the business for long periods, which might benefit those within the family firm  
enormously, and in turn, affect the ability to develop social capital (Arregle et al., 2007; Gersick  
et al., 1997). Moreover, research has shown that family members within family firms often have  
a deeply embedded and collective understanding of their firm's culture, i.e. the essence of family  
firms. This essence may encourage the family firm to forge a strong degree of social  
understanding, and thus develop greater family social capital (Carr, et al., 2011). In sum, the  
particular characteristics of family firms suggest that social capital is especially related to the  
family's influence in the firm, providing the specific behavioral and social resources derived from  
the family influence (Pearson et al., 2008). These arguments allow us to state:

*H1: Family influence is positively related to family social capital.*

Organizational effectiveness refers to the extent to which firms develop permanent  
activities and organizational processes that help gain and maintain a sustainable competitive  
advantage (Patel & Fiet, 2011; Zheng et al., 2010), allowing the firm to pursue its goals (Daft,  
1995). According to Gold et al. (2001), these processes give firms the skills to cope with market  
changes and maintain the capacity to anticipate unexpected changes. More specifically, the way  
to achieve this organizational effectiveness is finding solutions for clients, adapting the business  
plan, defining decision-making protocols, selecting business limits for administering  
complementary and control platforms, and building loyalty and commitment in the firm (Tece,  
2007). This organizational effectiveness has positive consequences on how the firm is successful  
in capturing bigger market shares, performing better, and achieving superior growth and  
innovation compared to its competitors (Zheng et al., 2010).

1 Since a family is the social group of reference in family firms, family social capital plays  
2 a predominant role in shaping decision-making processes and a firm's managerial practices  
3 (Arregle et al., 2007). In particular, the presence of structural, cognitive and relational dimensions  
4 of social capital in family firms can lead to organizational processes or capabilities and, finally,  
5 to family firm value creation (Pearson et al., 2008). More specifically, the structural networks  
6 between family members can lead to the efficient exchange and combination of information  
7 (Pearson et al., 2008). This structural dimension among family members can also encourage the  
8 access to other resources (Nahapiet, 2008) such as relevant knowledge because family members  
9 can inform the family group about this knowledge (Smith et al., 2005). Regarding the cognitive  
10 dimension, family members with similar understanding, culture, and goal setting objectives  
11 network enable resource exchange (Chirico & Salvato, 2008). Therefore, family members with  
12 high shared values are more likely to obtain valuable resources, such as knowledge from their ties  
13 (Chrisman et al., 2009; Sirmon & Hitt, 2003). Additionally, Patel and Fiet (2011) maintain that  
14 family members with a strong identity and cognitive cohesion use a common language that makes  
15 them better at sharing and combining their knowledge. Finally, regarding the relational  
16 dimension, family social capital fosters the exchange of information in a context of trust, thus  
17 promoting the recombination of the individual and organizational expertise (Leana & Pil, 2006).  
18 Furthermore, if the family members are trustful, they can easily encourage other family members  
19 to focus upon firm goals through cooperative action (Pearson et al., 2008). When family firms  
20 have to adapt to environmental conditions, the communication, the closeness of relationships, and  
21 the family member trust are vital to the firm's effectiveness when conducting these activities  
22 (Anderson & Reeb, 2003).

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37 To summarize the previous reasoning, we can state that different family firm capabilities  
38 could be the result of the idiosyncratic combination of the structural, cognitive, and relational  
39 dimensions of social capital (Pearson et al., 2008). In this sense, family social capital can  
40 encourage the family firm to take advantage of the opportunities in the environment and make  
41 them available to the family firm, allowing the firm to respond to changes in the environment by  
42 adapting its capabilities (Chirico & Salvato, 2008; Kogut & Zander, 1992; Zahra et al., 2007;  
43 Zollo & Winter, 2002). This is close to the concept of organizational effectiveness. Furthermore,  
44 family social capital allows family members to understand the potential value of integrating and  
45 combining their resources (Chirico & Salvato, 2008; 2016) that lead family firms to develop a  
46 dynamic strategic adaptation (Salvato & Melin, 2008). Additionally, the importance of social  
47 capital as a determinant of organizational innovation has received important attention over the  
48 last few years (Arregle et al., 2007; Salvato & Melin, 2008). On this respect, results provide  
49 evidence that family firms can manage internal relationships to stimulate knowledge acquisition  
50 and exchange, also reinforcing innovation activities and outcomes (Sanchez-Famoso et al., 2014;  
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1 Chirico & Salvato, 2016). Innovation is also very related to organizational effectiveness. Finally,  
2 previous research has recognized that family social capital is one of the main instruments that can  
3 impact organizational performance (Herrero, 2018; Sorenson & Bierman, 2009). All these  
4 arguments allow us to posit the following:  
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7 *H2: Family social capital is positively related to organizational effectiveness in the family firm.*  
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10 As pointed out, the development of family social capital is conditioned by the  
11 participation of family generations in the ownership and management as well as direction of the  
12 firm (Sharma & Carney, 2012). When multiple generations are involved in the family firm, the  
13 presence of siblings, parents, cousins, and other family create a recurring opportunity for both  
14 interdependence and interaction in social ties (Pearson et al., 2008). Therefore, the generational  
15 involvement, i.e. the number of family generations simultaneously involved in the family firm  
16 (Sciascia et al., 2013) may be related to the development of family social capital through family  
17 influence. As Gersick et al. (1997) contend, when familial distance increases, the values, beliefs  
18 and consensus of the family become more diluted. In this sense, social ties among family members  
19 may become weaker with each succession (Gomez-Mejia et al., 2007) because each generation  
20 usually creates their own family unit, thus reducing contact and communication among the  
21 different family branches (Blanzo-Mazagatos et al., 2016).  
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31 Previous research also considers that the benefits of social relationships are best  
32 experienced in closely held groups. This is related with the fact that some family members, such  
33 as siblings, stepsiblings, cousins, etc. may not share a long history of prior interaction, thereby  
34 reducing the chance for shared communication, values, beliefs, and trust (Ensley & Pearson,  
35 2005). Moreover, family bonds tend to be weaker both between family members of the same  
36 generation and between those of different generations (Gersick et al., 1997; Schulze et al., 2001;  
37 Schulze et al., 2002) since the differences among them may get stronger, thus harming the  
38 development of a shared vision (Jaffe & Lane, 2004; Miller et al., 2013).  
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45 To recap, the co-presence of many generations together increases the kinship distance  
46 among family managers, thus worsening the relational and cognitive contexts of social  
47 relationships (Grant, 1996). As Ensley and Pearson (2005, p. 269) explain “the greater kinship  
48 distance and dispersion of the family members in the familial teams will serve to dilute the strong  
49 central beliefs and ties of a more closely knit social group”, which can hinder the development of  
50 social capital through family influence. For these arguments, we state:  
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55 *H3: The number of generations in the ownership and management of the family firm negatively*  
56 *moderates the relationship between family influence and family social capital.*  
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1 Previous research considers that the entry of new family generations can influence family  
2 firm behavior by canceling out existing capacities, delaying the development of new capabilities  
3 and by making cooperation dysfunctional (Gómez-Mejía et al., 2001; Schulze et al., 2001;  
4 Schulze et al., 2003). This is mainly due to the divergence of objectives between the new family  
5 generations and the previous ones regarding the future and management of the firm (Eddleston et  
6 al., 2008). Since family firms must manage their family social capital to enhance its benefits  
7 (Herrero, 2018), it is possible that the generational involvement, i.e. the number of family  
8 generations simultaneously involved in the family firm (Sciascia et al., 2013) can be related to  
9 how the family firm exploit family social capital in order to gain (or not) organizational  
10 effectiveness  
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17 Following Gersick et al. (1997), the complexity of family firms increases as the family,  
18 the firm and the ownership subsystems gradually develop. This leads to a greater number of  
19 family members and generations in control, and the more each person feels that this control gives  
20 them authority to decide, the more complex becomes the decision-making process (Kellermanns  
21 & Eddleston, 2004). Since family members from different generations often have different points  
22 of view, divergences which can sometimes spark conflicts (Gersick et al., 1997). Conflicts are  
23 common in family firms as a result of the transfer of family relationships, as well as issues such  
24 as sibling rivalry, marital problems, and children's desire for independence from their parents.  
25 (Eddleston & Kellermanns, 2007; Samara et al., 2018). Conflicts are particularly detrimental to  
26 family business processes as it 'typically includes tension, animosity, and annoyance' (Jehn 1995,  
27 p. 258), and persists in most aspects of family members' life, including both family and business  
28 environments (Kellermanns & Eddleston, 2004).  
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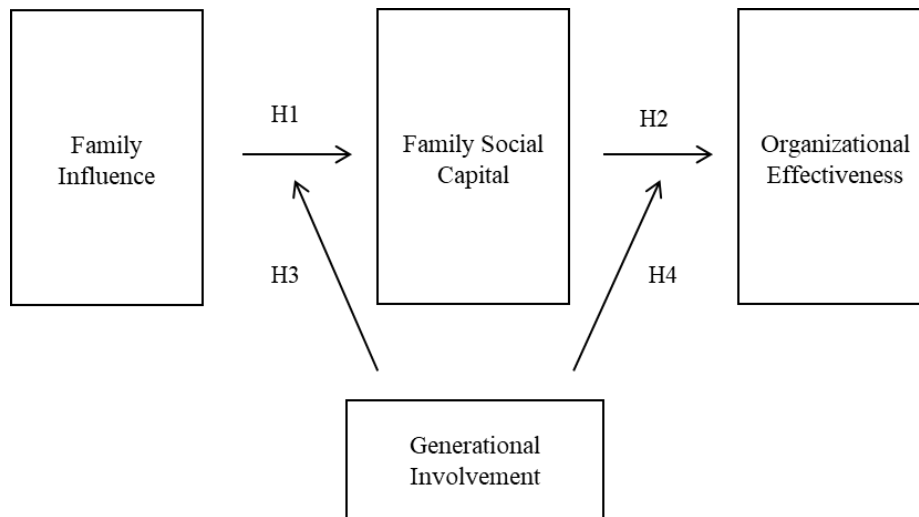
38 These conflicts are heightened by the incorporation of successive generations of family  
39 members (Davis & Harveston, 1999), as it is evidenced by previous research (e.g. Chirico et al.,  
40 2011). When multiple generations are involved in the family firm, family relationships may  
41 become more complex and create conflicting family members' business objectives, so as to inhibit  
42 the potential advantages of knowledge diversity between family members belonging to different  
43 generations. The disadvantage of generational involvement has a relational nature rooted in  
44 increased relationship conflicts among family members of different generations, which hamper  
45 constructive debate and innovation (Sciascia et al., 2013). Furthermore, conflict is often portrayed  
46 as a recurring characteristic that diminishes the performance of family firms (Levinson, 1971).  
47 Overall, these arguments suggest that the involvement of multiple generations in family firms  
48 lessens the effectiveness of the strategic decision-making process required to coordinate resources  
49 embedded in family social capital towards innovative outputs (Sanchez-Famoso et al., 2019) and  
50 other outputs also related with organizational effectiveness. Therefore, we state that:  
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*H4: The number of generations in the ownership and management of the family firm negatively moderates the relationship between family social capital and the family firm's organizational effectiveness.*

Figure 1 shows the model used in our study.

**Figure 1. Research model**



## Methodology

### Data collection and sample

In order to test our research model, a questionnaire for family firms was structured and designed. Specifically, the Spanish context has been used to test the research model. The reason is that family firm in Spain are the predominant business structure with strong family participation and leadership in the ownership and in the administration and management boards (Cabrera-Suárez & Martín-Santana, 2015). Indeed, the participation of family firms in the Spanish business reaches 90% of all companies (Instituto de Empresa Familiar, 2015). Therefore, the Spanish business context has a strong component of mature family businesses where relationships, both at the management level and in their relationships with stakeholders, give it a special character with an important participation at the level of policy generation.

The concept of family business has been configured according to standard criteria such as 'family participation in the business', which have been used in previous studies (Basco & Pérez Rodríguez, 2011; Claver et al., 2009; Chua et al., 1999). Two restrictions are established to determine the family firms that are included in the research. First, listed family firms are omitted because their ownership, structure, and management have a defined organization that separate the family from the firm and thus limits the opportunity for relational bonds to impact the firm. In

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addition, listed family firms do not generally maintain the familiarity that characterizes the organization in their early history due to the dilution of township caused by segmentation (Basco & Pérez Rodríguez, 2009). Second, because Spain does not have official statistics on family firms and no common definition of family firm exists in the literature (Cruz & Nordqvist, 2012), this study imposes particular parameters to identify family firms (Astrachan et al., 2002; Chua et al., 1999). Firms must meet two characteristics to be defined as a family firm: family members must be committed in the ownership of the firm and in the boards of governance and management and the family must have intentions of transgenerational control. These elements are recognized ex post in agreement with the collection of the study's data (Claver et al., 2009). Specifically, 99% of the respondents state that their companies are family-owned with 87% family involvement in the capital of the firm, with the presence of members family members on their boards of directors (95%) and on their management boards (98%), and 93% of them expect the future CEO of their firm to be a family member. The indicated aspects conform to the restrictions established in the operational definition adopted for this study, that is, participation of family members in the ownership, in the direction and management boards, and the intention of transgenerational family control (Basco & Pérez Rodríguez, 2011; Chua et al., 1999; Claver et al., 2009).

The database selected was the ranking of the 5,000 largest firms in Spain, published in 2012 by the journal "Actualidad Económica" (ranking defined according to sales volume). However, in order to purge the selected database, companies or subsidiaries of transnationals, public capital, financial and insurance companies were identified and removed from the base. Moreover, to ensure a homogeneous sample from the point of view of size, a proportional stratified sample was used. The final sample included 1,656 companies. The survey was prepared according to the research model and was based on the use of measurement scales used in the previous literature. Since most of the literature is in English, the variables and their measurement scales were translated into Spanish. This activity was developed and verified by a bilingual native English professional. To verify the adequacy of the translated measurement items and to maximize their understanding by respondents, preliminary tests were carried out with family firm owners and managers of companies belonging to the Family Firm Association of Castilla y León. The survey was sent by mail to the CEO or manager of the firm. Surveys were sent out and received between May and September 2013. A total of 135 surveys were received, representing a response rate of 8.15%, similar to that obtained in other studies in the context of family firms (Lindow et al., 2010). There were 125 valid surveys, of which 17 were identified as non-family firms and six as family firms listed on the stock exchange, resulting in 102 useful surveys. Table 1 shows the main characteristics of the sample.

**Table 1. Main characteristics of the sample**

Age	N	% of total	Employees Size	N	% of total
<10	5	4.9	<50	12	11.8
10-25	24	23.5	50-100	10	9.8
26-50	34	33.4	101-250	26	25.5
51-75	24	23.5	251-500	25	24.5
>75	15	14.7	>500	30	29.4
TOTAL	102	100.0	TOTAL	102	100.00
Industry			Number of Generations (Ownership)		
Manufacturing	59	57.8	One	68	66.7
Service	43	42.2	Two	31	30.4
TOTAL	102	100.0	Three	3	2.9
			TOTAL	102	100.0
Number of Generations (Management Board)			Number of Generations (Board of Directors)		
One	75	73.5	One	59	57.8
Two	26	25.5	Two	41	40.2
Three	1	1.0	Three	2	2.0
TOTAL	102	100.0	TOTAL	102	100.0

In order to check non-response bias, we divided the sample into three groups and compared the first with the last respondents. The underlying assumption is that the group who responded later is similar to those who did not respond (Amstrong & Overton, 1977). The ANOVA shows statistically insignificant differences between the first and last responses at the 99% significance level. We can thus state there are no problems with regard to non-response bias.

In addition, another possible limitation of our data concerns the subjective evaluation of a principal informant, which may lead to common method bias (Doty & Glick, 1998). To solve this, we apply the common method factor procedure (Liang et al., 2007), which consists of adding a first-order factor to the theoretical model with all of the measures as indicators. Using partial least squares (PLS), we convert each indicator into a single-indicator construct, making all major constructs of interest second-order constructs. We add a common method factor by creating a second-order construct whose indicators include all the principal constructs' indicators and are linked to all the first-order constructs. We calculate each indicator's variances substantively explained by the principal construct and by the method (Williams et al., 2003). The results demonstrate that the average substantively explained variance of the indicators is 0.607, while the average method-based variance is 0.034. The ratio of substantive variance to method variance is about 18, and most method factor loadings are not significant. The appendix provides the results. The theoretical model must also be tested with and without the common method factor procedure to examine the significance of the structural parameters (Podsakoff et al., 2003). Our results show that (i) the factor loading in both models is significant and of similar magnitude and (ii) the

1 direction and the p-value level of path coefficients is the same in the two models. As a result, we  
2 conclude that the common method bias is unlikely to be a serious threat in our research.

### 3 **Measures**

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6 **Family influence.** We measure family influence with the F-PEC scale (Astrachan et al., 2002;  
7 Klein et al., 2005), which has been applied in previous research(e.g. Holt et al., 2010; Chrisman  
8 et al. 2012). This scale proposes measuring the involvement and essence of the family in the firm  
9 through two dimensions: power, and essence. Power has been assessed through the percentage of  
10 family members who participate directly and / or indirectly in the board of directors and in the  
11 management boards. Regarding essence, we have considered the intention of transgenerational  
12 family control and family commitment to put into practice the essence variables of the family  
13 (Chrisman et al., 2012). In this sense, the culture sub-scale of F-PEC was adapted to measure the  
14 essence of the family in the firm with four items, in accordance with Holt et al. (2010), and  
15 Chrisman et al. (2012).  
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23 **Family social capital.** We follow previous research in family firms, which recognize the  
24 multidimensional nature of family social capital but treat it solely as a unidimensional construct  
25 (Carr et al., 2011; Sanchez-Famoso et al., 2014; Tasavori et al., 2018). Therefore, social capital  
26 has been measured in line with an adaptation of the scale proposed by Carr et al. (2011),  
27 employing nine items based on the three dimensions of social capital: structural, relational, and  
28 cognitive.  
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34 **Organizational effectiveness.** This variable is measured in accordance with the micro-  
35 foundations proposed by Teece (2007). The six items included are intended to identify the degree  
36 of permanent development of activities and organizational processes in the family firm in order  
37 to adapt to the environment.  
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41 **Generational involvement.** The generational participation of family members in the firm was  
42 measured with three items addressing: (a) the number of generations of the family in the firm's  
43 ownership, (b) the number of generations of the family in the board of directors, and (c) the  
44 number of active generations in the management board (Holt et al., 2010).  
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48 **Control variables.** We included three control variables commonly used in previous research  
49 related to family firm behavior; age, size and the industrial sector to which the firm belongs  
50 (Chrisman et al., 2004). Age was measured in terms of the number of years the firm had been  
51 operating. Size was evaluated according to the number of employees. Industry was measured with  
52 a dummy regarding the family firms belongs to manufacturing or service industry (0=  
53 manufacturing; 1= service). Regarding age, 28% of the firms in the sample are less than 25 years  
54 old, and 55.9% are between 26 and 75 years old. As regards size, 34.3% of the firms have between  
55 51 and 250 employees, and 51.9% have over 250 employees. The 58% of the family firms are  
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manufacture and the 42% of these firms belongs to services sector. The constructs and their measurements are summarized in Table 2.

**Table 2. Operationalization of the constructs**

Construct	Sources
Operational question	
<b>Power</b>	
Pow_1. Percentage of family member participation in the management board.	
Pow_2. Percentage of family member participation in the board of directors.	
<b>Essence</b>	Adapted from Holt et al. (2010)
Family members who work in the firm:	
Ess_1. They feel loyalty towards the firm.	Chrisman et al. (2012)
Ess_2. They are in agreement with the objectives of the firm, its plans and policies.	
Ess_3. They have and share the same values in the firm.	
Ess_4. They are willing to make a great effort to help the firm succeed.	
<b>Family social capital</b>	
Family members who work in the firm:	
Intsoccap_1. They maintain open communication with one another.	
Intsoccap_2. They are willing to share information with one another.	Adapted from Carr et al. (2011)
Intsoccap_3. They show great integrity in their relationships.	
Intsoccap_4. They trust one another.	
Intsoccap_5. When making decisions, they take into account the feelings of others.	
Intsoccap_6. They are committed to the firm's objectives.	
Intsoccap_7. They share the firm's vision and mission.	
Intsoccap_8. They see themselves as partners when planning global business decision making.	
Intsoccap_9. They have a shared vision of what the future of the firm should be.	
<b>Organizational effectiveness</b>	
Your firm constantly engages in:	
Orgeff_1. Internal research and development activities.	Adapted from Teece (2007)
Orgeff_2. Activities to identify changes in customer needs.	
Orgeff_3. Processes to take advantage of technological developments.	
Orgeff_4. Business model adaptation processes.	
Orgeff_5. Task rotation activities, regular meetings at different levels, newsletters, blogs, configuration of multifunctional equipment.	
Orgeff_6. Processes of adapting resources to take advantage of new opportunities.	
<b>Generational Involvement</b>	Adapted from Holt et al. (2010)
Geninv_1. The number of the generation that own the firm.	Chrisman et al. (2012)
Geninv_2. The number of the generation that are active in the management board.	
Geninv_3. The number of the generation that are active in the board of directors.	
<b>Control variables</b>	
Convar_1. Firm's age	Chrisman et al. (2004)
Convar_2. Number of employees	
Convar_3. Industrial sector	

## **Analysis and Results**

### **Analysis techniques**

We used partial least squares (PLS), a model of structural equations (MEE) to validate our research model (Ringle et al., 2005). The characteristics of PLS-MEE have led to an increased use of this technique in family firm research (Chua et al., 1999; Ruiz et al., 2015; Vallejo, 2009). Recent studies emphasize the usefulness of this model as a research tool in the field of family firms (Sarstedt et al., 2014) because PLS is very valuable to assess the strength of complex relationships between constructs pertaining to the family and business domain (Hair et al., 2021). The following characteristics make PLS-MEE particularly suited to our study. First, PLS can handle both reflective and formative constructs (Chin, 1998), and allows first-order and second-order constructs to be modeled. Second, PLS-MEE establishes data normality assumptions (Chin, 1998) and can be used in small samples (Kyu Kim et al., 2011). Third, it can analyze structural models with multi-item constructs as well as direct and indirect relationships (Vallejo, 2009). Finally, PLS can deal with data issues that routinely occur in family business research related to over-surveyed respondents and decreasing response rates (Hair et al., 2021). The software used was Smart PLS 2.0.

Estimation with PLS is carried out through simple and multiple regressions and the required sample is the one that serves as the basis for the most complex multiple regression that can be found (Barclay et al., 1995). This can be determined by multiplying by ten the highest result obtained from the following options: (1) the number of indicators of the most complex training construct, or (2) the largest number of structural routes addressed to any of the model constructs (Chin, 1998). Since the largest formative construct in our model has three items and there are at least two structural routes that lead to any construct, the minimum size required for the sample in our study is 30. Therefore, the sample of 102 observations is adequate.

### **Measurement model**

The research model presents measures associated with the first-order constructs of a reflective nature. In PLS, reflective indicators are determined by the construct and covariate at this level (Hulland, 1999). Therefore, the constructs of power, essence, family social capital, organizational effectiveness, and family generations were modeled in a reflective manner.

Family influence was conceptualized as a type II second order construct (reflective first order - formative second order) (Diamantopoulos & Winklhofer, 2001; Jarvis et al., 2003; Ringle et al., 2012), constituted starting from the constructs of first order power and family essence. According to the criterion of Jarvis et al. (2003), in order to establish whether this new construct could be modeled in a reflective or a formative way, in family firm literature, power and family



essence are factors that affect family influence. These factors combine to produce the family influence construct, and if these factors change, this will affect the underlying meaning of the construct (Grant, 1996). In addition, the factors are not interchangeable; in other words, they do not have the same content, and each one describes in a significantly different way how it affects family influence. Moreover, they cannot substitute one another.

The measurement model was evaluated by examining the reliability of each item, the internal consistency and the convergent and discriminant validity (Roldán & Leal, 2003). The internal reliability of each item is determined by the item loadings and is expressed as the percentage of the variance of the item related to the construct. For good item reliability, all the loads must be greater than 0.7 (Carmines & Zeller, 1979). All item loads exceed the limit of 0.7 except for one of the family social capital construct, whose load is close to 0.7, which is considered acceptable when the scales are in the early stages of development (Chin, 1998). Internal construct consistency was evaluated by examining Cronbach's Alpha and composite reliability. Indicators exceed 0.7 for composite reliability and 0.7 for Cronbach's Alpha, suggesting that both measures are acceptable (Nunnally 2010). Convergent validity of the construct is evaluated by the degree that all the items of a construct are measured by the same concept and are evaluated by examining the average variance extracted (AVE). In our analysis, the AVE indicator exceeds the 0.5 recommended by Fornell and Larcker (1981) for first-order constructs. Table 3 summarizes the parameters obtained in the measurement model analysis.

**Table 3. First-order factor confirmatory analysis**

Construct / indicator	Mean (S.D.)	Factor loading / Weight	t-statistic	Composite reliability	AVE	Cronbach alpha
Power				0.923	0.857	0.836
Pow_1	4.969 (1.069)	0.906	7.945			
Pow_2	4.400 (1.410)	0.945	11.382			
Essence				0.856	0.598	0.776
Ess_1	4.843 (0.437)	0.746	8.927			
Ess_2	4.525 (0.669)	0.801	12.595			
Ess_3	4.539 (0.723)	0.765	13.188			
Ess_4	4.580 (0.724)	0.781	12.823			
Family social capital				0.924	0.575	0.907
Famsoccap_1	4.515 (0.684)	0.802	12.969			
Famsoccap_2	4.650 (0.638)	0.825	18.567			
Famsoccap_3	4.545 (0.668)	0.702	8.826			
Famsoccap_4	4.578 (0.585)	0.727	11.179			
Famsoccap_5	4.594 (0.566)	0.748	12.216			
Famsoccap_6	4.556 (0.607)	0.783	13.309			
Famsoccap_7	4.350 (0.792)	0.780	12.774			
Famsoccap_8	4.780 (0.460)	0.816	16.655			
Famsoccap_9	4.713 (0.551)	0.622	5.913			

1	Organizational effectiveness				0.914	0.640	0.888
2	Orgeff_1	3.657 (1.191)	0.724	12.371			
3	Orgeff_2	4.000 (0.872)	0.877	28.244			
4	Orgeff_3	4.082 (0.829)	0.783	10.152			
5	Orgeff_4	4.224 (0.739)	0.754	13.843			
6	Orgeff_5	3.788 (1.037)	0.773	13.097			
7	Orgeff_6	3.898 (0.827)	0.877	25.499			
8	Generational involvement				0.850	0.657	0.764
9	Geninv_1	1.366 (0.540)	0.671	3.386			
10	Geninv_2	1.440 (0.535)	0.829	5.907			
11	FaGeninv_3	1.255 (0.436)	0.914	7.347			
12	Control variables				---	---	---
13	Firm_age	3.198 (1.108)					
14	Firm_size	3.480 (1.323)					
15	Firm_ind	0.422 (0.493)					

Finally, discriminant validity was evaluated by examining (1) the degree to which the square root of AVE is greater than the inter-construct correlations, and (2) the degree to which each item is greater on its respective construct than on the others. Table 4 shows that all the items are greater than their respective construct. In sum, we can affirm that all the indicators obtained have good measurement properties<sup>1</sup>.

**Table 4. First order construct correlations and average variance extracted (AVE)**

	1	2	3	4	5
1. Essence	<b>0.773</b>				
2. Power	0.223	<b>0.926</b>			
3. Family social capital	0.474	0.140	<b>0.758</b>		
4. Organizational effectiveness	0.054	-0.281	0.283	<b>0.800</b>	
5. Generational Involvement	-0.007	0.223	-0.080	0.235	<b>0.811</b>

Note: The elements on the diagonal correspond to the square root of the AVE.

As previously noted, we use a second-order construct for family influence (Wetzels et al., 2009) (type II: reflective - formative). Different quality criteria are required to evaluate the measurement properties of a second-order construct. In this way, we test multicollinearity (Diamantopoulos & Winklhofer, 2001) using the variance inflation factor (VIF). Analysis of this indicator suggests that multicollinearity would not be a problem, since all the items are below the cut-off value of 5 (Hair et al., 2011). In addition, the weights of all the items are significant. Table 5 shows the results of the second order construct.

<sup>1</sup> Since we test our hypotheses with hierarchical regression analysis, the measurement model refers to the model 3 where all constructs are present. We have also evaluated the measurement properties of the Model 1 and Model 2, obtaining good measurement properties for these models.

**Table 5. Quality criteria of second order measurement**

Formative second order construct facets/components	Outer weights	VIF
Family influence		
Power	0.295***	1.323
Essence	0.892***	1.323

Note: \* p<0.1 \*\* p<0.05 \*\*\* p<0.01 (t statistic one tailed). VIF = variance inflation factor

### Structural model

Hierarchical regression analysis is used for hypothesis testing. Different blocks of variables were sequentially introduced in PLS to check their respective explanatory power, facilitating the interpretation of coefficients concerning the main and interaction effects. In line with Chin (1998), bootstrapping (1000 subsamples) was used to generate the standard errors and t statistics. Table 6 shows the path coefficients  $\beta$  for the three estimated models and the variance explained ( $R^2$ ) in the dependent constructs.

**Table 6. Standardized regression coefficients of the testing model**

	Model 1	Model 2	Model 3	F <sup>2</sup>
<i>Control variables</i>				
Age of the firm	0.134*	0.066	0.054	
Industry	-0.027	0.006	0.045	
Size of the firm	0.258***	0.219***	0.222***	
<i>Hypothesized relationships</i>				
Family influence → Family social capital (H1)		0.469***	0.450***	
Family social capital → Organizational effectiveness (H2)		0.297***	0.258***	
Family influence*Generational Involvement → Family social capital (H3)			-0.165*	
Family social capital *Generational Involvement → Organizational effectiveness (H4)			-0.127**	
R <sup>2</sup> Organizational effectiveness	0.083	0.140	0.201	0.071
R <sup>2</sup> family social capital	-	0.220	0.257	0.050

Note: \* p<0.1, \*\* p<0.05, \*\*\* p<0.01. f<sup>2</sup> = (R<sup>2</sup> model of moderation effects - R<sup>2</sup> model of main effects) / R<sup>2</sup> model of moderation effects).

Model 1 shows the results for the control variables. The effect of firm's size on organizational effectiveness is positive and significant ( $\beta = 0.258$ ;  $p < 0.01$ ). In addition, firm's age influence positively the organizational effectiveness, but in a marginal way ( $\beta = 0.120$ ;  $p < 0.1$ ). Finally, industry ( $\beta = -0.027$ ;  $p > 0.1$ ) is not significant for organizational effectiveness.

Model 2 allows us to test the hypotheses regarding the main effects. For H1, results indicate that family influence positively and significantly affects family social capital ( $\beta = 0.469$ ;  $p < 0.01$ ). Furthermore, results support H2, providing evidence with regard to the positive and significant relationship between family social capital and the organizational effectiveness of

1 family firms ( $\beta= 0.297$ ;  $p < 0.01$ ). This main effect introduced in Model 2 leads to a major  
2 improvement in the explanatory power of organizational effectiveness ( $\Delta R^2= 0.057$ ).

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4 Model 3 examines the moderating effects of generational involvement. First, generational  
5 involvement negatively moderates ( $\beta= -0.165$ ;  $p < 0.1$ ) the relationship between family influence  
6 and family social capital. Therefore, H3 is marginally supported. In addition, generational  
7 involvement negatively moderates ( $\beta= -0.127$ ;  $p < 0.05$ ) the relationship between family social  
8 capital and organizational effectiveness, thus supporting H4.  
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12 Finally, after analyzing the main effects model and the moderation effects model, we  
13 compare the  $R^2$  of both models to evaluate the effect of the moderating relationships (Chin et al.,  
14 2003). This difference is used to evaluate the importance of the global effect  $f^2$  with regard to  
15 including the moderating effects. Following Cohen (1988), the  $f^2$  for organizational effectiveness  
16 (0.050) and the  $f^2$  for family social capital (0.071) lie between a small and a medium effect. Even  
17 so, a small  $f^2$  does not necessarily imply a small effect (Chin et al., 2003).  
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## 24 Discussion

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26 During last years, the topic of family social capital is increasingly prominent in family firm  
27 literature, but scholars continue to struggle with accurately define how it forms and how it affects  
28 the family firms (Sanchez-Ruiz et al., 2019). In particular, family social capital is a promising  
29 way to elucidate family firm performance since it encompasses the value of family involvement  
30 (Arregle et al., 2007; Sorenson & Bierman, 2009). Our study extends the literature on family firms  
31 by examining how the family influences the development of family social capital and the  
32 subsequent promotion of conditions for the constant development of activities and organizational  
33 processes. In this sense, we respond to the call for research on the antecedents and consequences  
34 of family social capital ( Carr et al., 2011; Herrero, 2018). Furthermore, previous research has  
35 recognized the heterogeneity of family firms as decisive for the behavior and performance of  
36 family firms (Chrisman et al., 2005; Chua et al., 2012; Chrisman et al., 2012). Since generations  
37 are one of the most important sources of heterogeneity in family firms (e.g. Gomez-Mejia et al.,  
38 2011), our study explores the negative moderating role of generational involvement (i.e. number  
39 of family generations simultaneously involved in the family firm) in the development of family  
40 social capital; it also explores the negative effect of generational involvement on how family  
41 social capital is exploited by the family firm in order to contribute to family firm effectiveness.  
42 Thus, we follow previous research about the potential influence of different variables related to  
43 heterogeneity of family firms, such as family generations, in family social capital (Arregle et al.,  
44 2007). Our findings confirm that family social capital varies among family firms, thereby partially  
45 supporting the theoretical model of Pearson et al. (2008) about how family involvement is a  
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necessary, but not sufficient condition for family firms in order to create unique capabilities and achieve desired outcomes through family social capital.

Firstly, our results show that family influence helps to develop family social capital in family firms. Previous scholars have assumed that family firms possess a unique type of social capital, namely family social capital that is based on the distinctive characteristics of family firms (Arregle et al., 2007; Herrero, 2018). Our results follow this line of literature, empirically confirming that the family and the firm do not coexist as separate entities, but rather exist as interlocking domains that create a network of intertwined relationships (Pearson et al., 2008). Thus, we respond to previous research calling on the importance of empirically validating the antecedents of internal social capital in family firms (i.e. family social capital) (Carr et al., 2011; Sanchez-Famoso et al., 2020). In doing so, we integrate both the involvement and essence approaches that explain the development of family social capital through family influence. The power of the family positively affects the development of family social capital, providing specific social resources derived from such family influence (Arregle et al., 2007). Additionally, the essence emanating from family members promotes both high integration and understanding of the firm culture, which also helps to the creation of family social capital (Carr et al., 2011). From a broader perspective, our research confirms that family firms need both the ability (i.e. power) and willingness (i.e. essence) to develop a family-oriented special behavior (i.e. develop family social capital) (De Massis et al., 2014).

Furthermore, we find that family social capital is key for the continuous improvement of organizational processes and, thus, for the effectiveness of firms over time. These results are in line with previous research which considers that family social capital improves the development of activities and organizational processes of the family firm (Pearson et al., 2008), enabling these firms to attain a dynamic strategic adaptation (Salvato & Melin, 2008). More specifically, these results suggest that the combination of the structural, cognitive, and relational dimensions of family social capital promotes information exchange and combination, thereby improving the effectiveness of the different activities and organizational processes which family firms engage in (Chirico & Salvato, 2008). Thus, we answer the call for research of Sanchez-Famoso et al. (2014), who proposes that the study of the benefits of family social capital can result in important advances in the understanding of business processes and a firm's dynamics. This result also follows previous findings suggesting that family social capital provides social relations and strong affective bonds, which encourage the different types of innovations in the family firms (Arregle et al., 2007; Sanchez-Famoso et al., 2014; Sanchez-Famoso *et al.*, 2019). Finally, previous research has considered the influence of family social capital on firm performance (Anderson & Reeb, 2003; Herrero, 2018). Our results extend empirical evidence about the impact of family social capital on organizational effectiveness as a previous step that lead family firms to a better

1 performance (Zheng et al., 2010). This is also consistent with the proposition of Basco (2013)  
2 arguing that internal social capital should be aligned with organizational behavior to enhance  
3 performance of family firms.  
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5         Considering the moderation effect of generational involvement, we find that the  
6 moderating effect of generational involvement on the relationship between family influence and  
7 family social capital is negative in a marginal way. This aligns with previous scholars envisioning  
8 a potential dark side of adding generations to the family business. When multiple generations are  
9 involved in the family firm, the family relationships are more complex (Gersick et al., 1997), thus  
10 making difficult to develop a shared vision (Jaffe & Lane, 2004; Miller et al., 2013) and shared  
11 communications, values, beliefs and trust (Ensley & Pearson, 2005). Although previous research  
12 considers that the presence of more family members creates opportunities in terms of social ties  
13 (Pearson et al. 2008), our findings suggest that the simultaneous presence of many generations  
14 weakens the development of social ties and family bonds (i.e. structural dimension of family  
15 social capital) (Gómez-Mejía et al., 2007; Blanco-Mazagatos et al., 2016). It also weakens the  
16 development of the cognitive and relational dimensions of family social capital (Grant, 1996).  
17 Therefore, when multiple generations are involved in the firm, the resulting distance and  
18 dispersion between family members may reduce the development of internal social capital in the  
19 social group of family members (Ensley & Pearson, 2005).  
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31         We may also say that this dark side of generational involvement is equally present in the  
32 moderating effect of family generations on the relationship between family social capital and  
33 organizational effectiveness of family firms. More specifically, our results suggest the conflicts  
34 stemmed from an increased generational involvement can jeopardize the organizational  
35 effectiveness resulting from the social ties and bonds between family members. This result  
36 extends previous research of Sanchez-Famoso et al. (2019), who have found that increased  
37 generational involvement weakens the positive relationship between the joint effect of family and  
38 non-family social capital and family firm innovation. When increased generations are involved in  
39 the family firm, the decision-making process become more complex (Kellermanns & Eddleston,  
40 2004) and may even end up as conflicts from the different opinions between family members  
41 (Gersick et al., 1997). Indeed, previous scholars consider that these conflicts are intensified when  
42 generational involvement grows (Chirico et al., 2011). Additionally, previous research has found  
43 that these conflicts among family members in different generations can hamper constructive  
44 debate and innovation (Sciascia et al. 2013) even jeopardizing the effectiveness of family firms  
45 (Eddleston & Kellermanns, 2007). To summarize, our two moderating results advocate a dark  
46 side of generational involvement in line with previous family firm literature (e.g. Gersick et al.,  
47 1997; Chirico et al., 2011; Sanchez-Famoso et al., 2019). But we may also see these results from  
48 a positive point of view. As generational involvement decreases, the family firms can grow up  
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1 family social capital and subsequently also increase the organizational effectiveness. Therefore,  
2 it seems that we can discern an alternative for the family firms if we prune the tree, i.e, decrease  
3 the number of family shareholders to achieve stronger family relationships and a restoration of  
4 harmony in family conflicts (Lambrecht & Lievens, 2008). In this sense, the resulting simplicity  
5 in the family firms may be a worthwhile path to enhance the development and exploitation of  
6 family social capital.  
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## 10 **Limitations**

11 Our research is not without its limitations. First, our cross-sectional analysis does not allow us to  
12 make strong inferences regarding the causality of the proposed relations. Although our theoretical  
13 arguments suggest a causal direction, the nature of the causal relationships can constitute a source  
14 of endogeneity. Recent literature proposes how to deal with a potential problem of endogeneity  
15 in PLS-SEM (Hult et al., 2018). However, to our knowledge, no study has yet addressed  
16 endogeneity in a PLS-SEM based moderator analysis. Furthermore, previous related research in  
17 family social capital has not considered the endogeneity as a threat (e.g. Sanchez-Famoso et al.,  
18 2014; Herrero, 2018; Herrer & Hughes, 2019). In addition, our model contains several control  
19 variables, which is considered an appropriate approach to reduce endogeneity (Hult et al., 2018).  
20 In any case, causality and endogeneity can only be fully solved using a longitudinal research  
21 design. Second, although our data collection procedure was appropriate, our sample only  
22 comprises 102 family firms. This does not allow us to determine whether the results may be  
23 applied to broader samples. This is accentuated to the fact that this study is limited to one country,  
24 Spain, and only considering unlisted Spanish family companies. Since family relationships and  
25 arrangements are of quite influential in Spain (Steier, 2009), where family unity and harmony are  
26 much appreciated than in other countries (Poza, 2013), the implications need to be used with  
27 caution due to the specific peculiarities that family firms could have in the Spanish context.  
28 Therefore, it would be interesting to compare this context with other settings where the  
29 importance of the family and institutions may be different. Finally, our research is based on single  
30 informant approach. Although we have concluded that the common method bias is unlikely to be  
31 a serious threat in our research through its evaluation with the common method factor procedure  
32 (Liang et al., 2007), social capital is a complex construct (Gedajlovic et al., 2013) and as such, it  
33 would benefit from its study through multiple informants' approach.  
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## 51 **Implications**

52 This research has some theoretical implications. Following Pearson et al. (2008), family social  
53 capital has an important role in different organizational capabilities, being this role dependent on  
54 the influence (essence and power) of the family in the firm. Moreover, it is important to assume  
55 that the number of generations involved in the family firm can influence the antecedents and  
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1 consequences of family social capital (Arregle et al., 2007). Thus, generational involvement  
2 negatively moderates the family influence on developing family social capital as well as the  
3 family social capital enablement of the organizational effectiveness of family firms.  
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5 Beyond the theoretical implications, this study also has several implications for practice.  
6 Managers should be aware of and enhance the advantages of family influence in developing  
7 family social capital in family firms, paying particular attention to the essence and power of  
8 family firms. In this sense, managers should promote the family's involvement in the firm as it  
9 conditions the transfer and accumulation of family resources in the firm, including family social  
10 capital as a key resource. Additionally, managers could encourage social capital derived resources  
11 to improve organizational effectiveness. In order to do so, they could establish the required  
12 mechanisms to encourage family members deployment of social skills, promoting a context that  
13 favors the quality of relationships among family members, and among these family members and  
14 the firm as a whole, with positive consequences to the organizational capability for environmental  
15 adaptation of these firms. Furthermore, family firm managers should promote a context for multiple  
16 generations to strength their relationships and communication to avoid the undermining of social  
17 relationships and, especially, to avoid the emergence of potential conflicts between them. A  
18 business context based on emotional commitment and emotional attachment strengthens family  
19 social capital, and it is essential to unite family members towards a common goal and to limit the  
20 occurrence of the inevitable relationship conflicts in family firms as it would have negative  
21 consequences on the organizational effectiveness of these firms. In case of this not being possible,  
22 family firms should prune the tree in order to reduce the number of family shareholders. In such  
23 a way, family firms would eliminate the hindrances to social capital development through family  
24 influence, thus being effective in the adapting capability of the family firm to the environment  
25 through social relationships between family members.  
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#### 41 **Future research**

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43 Finally, our study also looks towards future lines of research. First, our study follows the  
44 theoretical model of Pearson et al. (2008) until the attainment of family firm capabilities.  
45 Therefore, future research may enrich our model by studying if these firm capabilities that  
46 emanates from family social capital help family firms to achieve competitive advantages and to  
47 increase their wealth and value creation. In addition, although we consider that social capital has  
48 several positive consequences, literature suggests that social capital may have its drawbacks  
49 (Nahapiet & Ghoshal, 1998), even in family firms (Herrero & Hughes, 2019) due to its potential  
50 restrictiveness and danger to the strategic behavior of the family business (Salvato & Melin,  
51 2008). Future studies may thus examine the possible negative effects of family social capital on  
52 family firm performance or other non-economic outcomes, providing empirical evidence of the  
53 consequences of the dark side of family social capital. Furthermore, since the literature suggests  
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that social capital and affective commitment are closely related in family firms (Chirico & Salvato, 2008), our research model could be extended by exploring other variables such as affective commitment. Family influence is also likely related to this affective commitment, and both affective commitment and family social capital might act together to improve organizational effectiveness or other family firm outcomes such as financial performance. Additionally, we introduce the effect of generational involvement on family social capital development and exploitation in terms of organizational effectiveness. However, future research may incorporate other moderating variables related to generations such as generational stage, that is, the generation that actually controls and manages the family firm (Cruz & Nordqvist, 2012; Eddleston et al., 2013; Kellermanns & Eddleston, 2006). Thus, scholars can explore if generational stage follows the dark side marked by the generational involvement, or, on the contrary, the effects of generational stage are positive when studying the antecedents and consequences of family social capital. Finally, although we have found a negative moderating influence of generational involvement on family social capital, it may have positive consequences in family firms by enacting other types of capital such as human capital (Blanco-Mazagatos et al., 2018) or financial capital (Blanco-Mazagatos et al., 2016).

#### Appendix. Constructs

Construct	Indicator	Substantive Factor Loading		Method Factor Loading ( $R^2$ )	
		( $R_1$ )	( $R_1^2$ )	( $R^2$ )	( $R^2$ )
Family Influence	Pow_1	0.595**	0.354	-0.311*	0.097
	Pow_2	0.676**	0.457	-0.256*	0.066
	Ess_1	0.786**	0.618	-0.131	0.017
	Ess_2	0.616**	0.379	0.232**	0.054
	Ess_3	0.526**	0.277	0.311**	0.097
Family Social Capital	Ess_4	0.794**	0.630	-0.042	0.002
	Intsocap_1	0.885**	0.783	-0.093	0.009
	Intsocap_2	0.888**	0.789	-0.065	0.004
	Intsocap_3	0.871**	0.759	-0.133	0.018
	Intsocap_4	0.601**	0.361	0.110	0.012
	Intsocap_5	0.911**	0.830	-0.194	0.038
	Intsocap_6	1.089**	1.414	-0.317	0.100
	Intsocap_7	0.707**	0.500	0.077	0.006
	Intsocap_8	0.428*	0.183	0.409**	0.167
Organizational Effectiveness	Intsocap_9	0.395	0.156	0.238	0.057
	Orgeff_1	0.759**	0.576	-0.048	0.002
	Orgeff_2	0.836**	0.699	0.066	0.004
	Orgeff_3	0.773**	0.598	0.045	0.002
	Orgeff_4	0.824**	0.679	-0.059	0.003
	Orgeff_5	0.848**	0.612	-0.187*	0.035
Generational Involvement	Orgeff_6	0.782**	0.719	0.145**	0.021
	Geninv_1	0.893**	0.797	0.039	0.002
	Geninv_2	0.882**	0.778	-0.068	0.005
	Geninv_3	0.791**	0.626	-0.103	0.011
<b>Average</b>			<b>0.607</b>		<b>0.034</b>

\*\* $p < 0.01$ . \* $p < 0.05$ .

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