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

Carmen Gallucci[a,*], Rosalia Santulli[a], Andrea Calabrò[b]

[a] Department of Business Administration (Management & Information Technology), University of Salerno, Via Giovanni Paolo II, 132, 84084 Fisciano (SA), Italy
[b] Witten Institute for Family Business, University of Witten/Herdecke, Alfred-Herrhausen-Strasse 50, 58448 Witten, Germany

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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,

* Corresponding author. Fax: +39 089 963505.
*E-mail addresses:* cgallucci@unisa.it (C. Gallucci), rsantulli@unisa.it (R. Santulli), andrea.calabro@uni-wh.de (A. Calabrò).

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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.

Among different behaviors and strategic choices, we focus our attention on marketing activities, a topic that has received scarce attention by prior studies in family business research (Reuber & Fischer, 2011). Marketing rests on three pillars: (a) thorough understanding of consumer needs and behaviors, (b) critical analysis of opportunities for competitive advantages (Sheth, Gardner, & Garret, 1988) and (c) creating and maintaining positive relationships with stakeholders that could impact or influence firm performance (Kitchen & Schultz, 2003). In the last perspective, communication has a central role because more and more consumers are becoming concerned about which is the identity and background of the firms they purchase the product from. Consumers are, therefore, increasingly interested in knowing the firm behind the products and the services they buy, thus, in the case of family firms, the potential benefits of having a family management (a resource) are linked to the degree of communication of the family history, values, and identity through proper branding strategies, by designing a family-based corporate brand identity (Craig, Dibrell, & Davis, 2008), or more tautly, a family-based brand. This construct was developed by Wanhill (1997), and occurs when the information about the family (e.g., name, history, values and identity) is introduced in the corporate brand of the firm. Parmentier (2011) defines "family brand" as "the set of associations identified with a particular family". It is a brand related to the values, the vision and culture of the family firm, which acts as differential factor with respect to competitors (Presas, Munoz, & Guia, 2011). It is a concept encompassing the sum of a family firm's marketing and communication measures conveying the fact that a firm is family-owned and possibly family-managed to both internal and external stakeholders (Binz & Schmid, 2012).

A family-based corporate brand identity is the result of a planned branding process, although actually only few firms apply a systematic approach in terms of promoting their nature as a family business (Binz Astrachan & Astrachan, 2015). This process should start from the analysis of family firm personality (Olins, 1978) and arriving to influence firm's image and reputation among stakeholders (Einwiller & Will, 2002). Generally, a corporate brand identity should express the way organization leaders would like outsiders to see the organization (Scott & Lane, 2000) and it is determined by a process of emphasizing different features of the firm (Blombäck & Ramirez-Pasillas, 2012). In the case of family firms, cause the family is a central and enduring component of the firm (Memili, Eddleston, Kellermanns, Zellweger, & Barnett, 2010), it becomes a typical feature of personality and should act as a starting point to design a family-based corporate brand identity (Gallucci & Santulli, 2013) and to build an authentic, compelling and therefore valuable family business brand (Binz Astrachan & Astrachan, 2015). The entwinement of family and business, indeed, provides fertile ground for brand heritage (Blombäck & Brunninge, 2013). Family firms, which choose to leverage on their family nature, can build their communication strategy on different messages. Binz Astrachan and Astrachan (2015), for example, reveal three different dominant messages: history and heritage; balance between tradition and innovation; and responsibility and promoting values. Besides, they suggest that firms usually adopt mixed strategies, combining elements of the family's heritage with their values, or tradition and responsibility. Moreover, in an integrated communication perspective, communications decisions cannot be just about corporate and organizational brand communication, but about product branding as well (Kitchen & Schultz, 2003). Trying to measure marketplace sales results of a branding and communication strategy just at corporate level is a wrong approach (Kitchen & Schultz, 2003). The brand can be a functional product wrapped in an appropriate packaging, or it can be the corporation itself as brand. Both areas of communication are interactive and synergistic, thus all communication activities at corporate and product levels must be integrated as well. In view of the fact that corporate image affects consumers' response to products (e.g. Berens, van Riel, & van Bruggen, 2005), defining coherently and consistently corporate brand identity and turning it at product level is an important responsibility for leaders in organizations (Vallaster & De Chernatony, 2006). Indeed, current consumers and industry trends suggest an increasingly important role for product packaging as a marketing communication vehicle for brand manager (Underwood & Klein, 2002). For many products, especially relatively homogeneous consumer nondurables, packaging is a critical strategic element for brand differentiation and identity (Swientek, 2001; Doyle, 2002; Bertrand, 2002). In particular, for decisions made at the point of purchase, packaging takes on heightened importance relative to other communication tools because of its easy availability. The brand on the packaging is an extrinsic cue that consumers may use as input to the product evaluation and, finally, it influences purchasing behaviors and then economic performance (Richardson, 1994).

Why should a family firm choose to communicate its history, values and identity at corporate and product levels? Over the last year, a small but growing body of research is beginning to substantiate the intuitively appealing assumption that family firms benefit from signalling their family nature through the adoption of a family brand (Binz Astrachan & Astrachan, 2015). These studies suggest that a family brand may add symbolic attributes to the firm's products, which are able to contribute to products' success more than the only physical characteristics and attributes of products, as suggested by marketing research (Aaker, 1991). Symbolic attributes, indeed, can have a direct impact on sales growth (Ataman & Ülengin, 2003). Furthermore, well-planned branding strategies are positively connected with sales growth (Kamber, 2002; Kärreman & Rylander, 2008; Bruce et al., 2012). Hence, a family brand, as a symbolic attribute, contributes to a

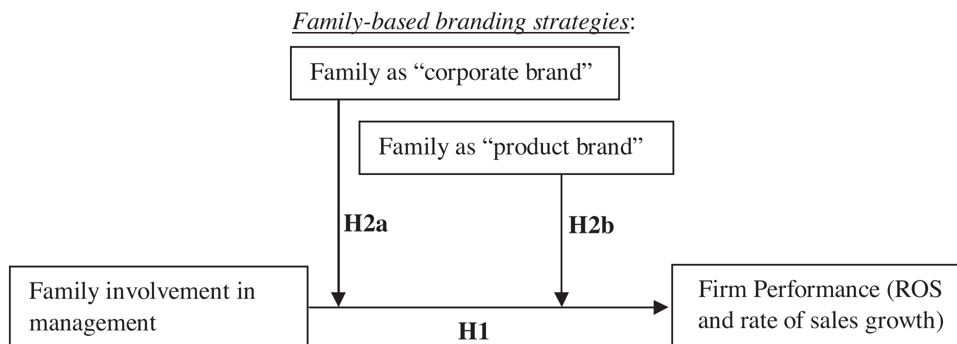


**Fig. 1.** The research model.

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family firm's ability to attract customers and thus increase sales (Craig et al., 2008). This is of strategic importance especially in crowded marketplaces, where a marketing strategy focusing on the family brand may differentiate the family firm and subsequently enhance firm performance. Leveraging on the family brand helps to foster the customers' positive perception of the family firm (Blombäck, 2006, 2009; Craig et al., 2008; Frost, 2008). They associate to the concept of "family" specific characteristics such as trustworthy (Tagiuri & Davis, 1996; Orth & Green, 2009), customer-oriented and quality driven (Cooper, Upton, & Seaman, 2005; Sundaramurthy & Kreiner, 2008), and perceive them as the most sustainable, social and fair form of organization. These acknowledgements from a large part of customers give dignity to the family nature, to the point that family firms can be described as a brand on their own (Krappe, Goutas, & von Schlippe, 2011), and positively influence customers' purchasing behaviors and, in turn, sales growth.

Kashmiri and Mahajan (2010) suggest that family firms carrying the family name as the company name outperform family firms that do not carry the name of the owning family. When family firms communicate their history, values and identity they are able to capitalize on their status as family firms and to reach sustained competitive advantage, through their ability to create and maintain superior customer relationships based on the strong identification of the family firm with the family background (Teal, Upton, & Seaman, 2003; Cooper et al., 2005). These assumptions are particularly true in traditional industries, such as the wine industry, where the family can be regarded as a key dimension of marketing strategy, as a symbolic quality (Smith Maguire, Strickland, & Frost, 2013).

Based on the previous arguments, we investigate whether the communication of the family history, values and identity through family-based branding strategies moderates the family involvement-firm performance relationship, by formulating the following hypothesis:

**Hypothesis 2.** Family-based branding strategies, at corporate (2a) and product level (2b), positively moderate the relationship between family involvement in management and firm performance (ROS and rate of sales growth).

Fig.1 provides a visual representation of the research model.

## 3. Methods

This section is presenting the main methods used to test our hypotheses. We test the main hypotheses through quantitative methods based on Italian survey data (designed as a longitudinal study (2005–2010)).

### *3.1. Data collection and sample*

We collect the main data for this study from family firms operating in the Italian wine industry. Italy is a leading country in the production of wine but, over the last 15 years, this industry has radically changed. More and more wine production is taking place in the "New World" (e.g., Australia, Chile, US). These countries have gained a strong comparative advantage, by focusing on market scale and branding expertise and have made it hard for the "Old World" regions (e.g. France, Germany, Austria, Italy, and Spain) to contend with them. The "Old World" producers have always leveraged on the quality of their products, but now it is not enough. Although the wine industry appears to be finding it somewhat difficult to bridge the gap from a production to a marketing-orientation, because of its agricultural roots and emphasis on the source of its products (Bruwer, Li, Bastian, & Alant, 2005), wineries are changing their approach to market, becoming more marketing oriented (Vrontis, Thrassou, & Rossi, 2011; Smith Maguire, 2010). Firms in the wine industry, particularly medium-sized wineries, which are the majority (AUB Observatory, 2012) do not understand the need to build brands (Westling, 2001). Moreover, they find it difficult to invest in communication and advertising. However, building the brand is very important in the wine market where the consumer can be overwhelmed by too many choices (Vrontis & Papasolomou, 2007). A high percentage of firms in the wine industry is family-owned (AUB Observatory, 2012), thus in branding strategies they could leverage on their familial nature as specific and not so expensive resource. The wine industry is a traditional industry, where communicating the familial nature could show an influence on purchasing behaviors of consumers, and subsequently on firm performance.

The units of the sample are only joint stock companies, limited companies and cooperatives. The decision to limit the analysis to these types of firms stems from the need for readily available and highly reliable accounting data.

Stemming from the main official databases (Business Registers and Trade Association), we identify a population of 264 firms operating in the wine industry. Out of those 227 are classified as active firms, of those 163 are family firms. In order to identify family firms, we observe the ownership structure of the firms and consider them as family-owned when a family holds at least the 50% of the capital (Feito-Ruiz & Menendez-Requejo, 2010; Perrini et al., 2008; López-Garcia and Sánchez-Andújar, 2007). We collect the information from historical Chamber of Commerce data. For each year of the analysis, the Chamber of Commerce provides the list of owners and members of the boards of all firms in our sample. For each person (owners and managers), there are information about the date and place of birth and address of residence (complete with city, street and house number). We use three criteria to establish whether the partners or directors of the business belonged to the same family. First, we refer to the information on family members present on the firm website. Furthermore, to identify any family links not recognizable with the first criteria, we look at the last name and consider belonging to the same family all the people with the same last name (Sacristán-Navarro, Gómez-Ansón, & Cabeza-García, 2011). Third, to identify possible family ties among people with different last names (husband and wife or mother and children, etc.) we choose the criterion of the residence address, considering belonging to the same family all the people living at the same address (Gallucci & D'Amato, 2013; Molly et al., 2010).

Out of the 163 family firms, 114 have a website (our baseline to analyze the branding strategies) and enter the final sample.

For all companies in our sample we also collect financial data from 2005 to 2010.

### *3.2. Dependent, independent and control variables*

#### *3.2.1. Dependent variables*

As dependent variables we use two accounting measures: the return on sales (ROS) (Audretsch, Hülsbeck, & Lehmann, 2010) and the rate of sales growth (Casillas & Moreno, 2010; Casillas, Moreno, & Barbero, 2010; McConaughy, Matthews, & Fialko, 2001) to catch firm performance. We consider them the most suitable because they reflect at best the impact of branding strategies adopted by family firms on customers, and the first one also expresses organizational efficiency. The ROS is calculated as EBITDA/Sales ratio. We use EBITDA (*Earnings Before Interest, Taxes, Depreciation and Amortization*) because it is less subject to manipulation than the EBIT (*Earnings Before Interest and Taxes*). The rate of sales growth is measured as $(\text{Sales}_{n+1}/\text{sales}_n) - 1$. Both measures of performance are log transformed, in order to reduce the skewness and make their distribution normal (Wooldridge, 2009).

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*3.2.2. Independent variables*

Two main independent variables are used: family involvement in management and family-based branding strategies. We measure family involvement in management as the percentage of family members who sit on the board of directors (Calabrò & Mussolino, 2013; Chu, 2011).

We consider the branding strategies at corporate (*family as corporate brand*) and product (*family as product brand*) levels. Specifically, we investigate corporate branding strategies (*family as corporate brand*) using the official company website (Botero, Thomas, Graves, & Fediuk, 2013; Blombäck & Ramirez-Pasillas, 2012; Parmentier, 2011; Micelotta & Raynard, 2011). It is considered a significant source for the collection of information in management research (Hashim & Murphy, 2006; Da Silva and Alwi, 2007; Quinn-Trank and Washington, 2009). The company website is a direct channel and thus more "controllable" because it allows the organization planning what and how it wishes to communicate to others (Balmer & Greyser, 2002). Moreover, in the last two decades, internet has become one of the fastest growing channel for communicating with external stakeholders and particularly with consumers (Goode & Harris, 2007; Verhagen, Boter, & Adelaar, 2010). Individuals are nuts on the ease with which they can find information and organizations are very likely to have the opportunity to communicate with their costumers, provide information and influence their purchasing behaviors (Verhagen & van Dolen, 2008; Ward & Lee, 2000). In the online environment, consumers are less passive (Blanco, Sarasa, & Sanclemente, 2010) and developing trust in the organizational brand is easier (Ha & Perks, 2005). Thus, the information that a firm presents about themselves can play a critical role for the perception of careful consumers (Laroche, Yang, McDougall, & Bergeron, 2005). Indeed, company websites also convey the organization's identity through the presentation of information about the purpose and values of the organization (Lamertz & Heugens, 2005).

We investigate the degree of communication of family history, values and identity on websites through content analysis (Neuendorf, 2002; Boyatzis, 1999; Weber, 1990). First, we identify our search question: to what extent do family firms exploit their familial nature in online communication? Identifying a research question is necessary to proceed more expeditiously reading the text with a purpose (Krippendorf, 2012). Second, we select the organizational narratives for collection. For each website, we collect the texts from: (a) homepages; (b) company profile pages; (c) history pages. The content of company profile and history pages is particularly salient as this is where the organization most directly answers to the question "Who are we as an organization?". The answer to this question identifies the aspects of the firm's organizational identity (Dyer & Whetten, 2006). The third step of the analysis involves the collection of textual content from websites and defines, through the SPAD (Portable System for the Analysis of Domains) software, the size of the corpus, i.e. the total number of occurrences (total number of words), in preparation for the definition of the dictionary and the subsequent lemmatization. In the fourth step, we build a dictionary by identifying a set of different words present in the textual content of websites. Then, we operate a control of the words to ensure that different grammatical forms (e.g. brothers, brother) are grouped together under the same heading (lemmatization). Furthermore, from the list of entries we identify all those that made explicit reference to the familial nature (vocabulary) (see Table 1) and calculate, for each firm, the frequency (number of times) with which the "family" entries were repeated (Bolasco, 1999).

Finally, we divide this frequency by the total number of occurrences in the text of the relevant website, in order to obtain a score for each firm that expresses, in a continuum (0–100), the degree of communication of familial nature in the branding strategies.

$$\text{Score} = \frac{\text{Total number of ``family'' entries}}{\text{Total number of cccurrences}}$$

At product level (*family as product brand*), we investigate family-based branding strategies by verifying whether family firms refer to their family name on the label of the products. Labels can influence purchasing behaviors at the same time of purchase, when the consumer is in front of the product (Thomas & Pickering, 2003). Therefore, labels can meet both inattentive (passive) and careful (active) consumers. We consider the reference to family on labels by building a dummy variable, with value 1, if there is a reference to the familial nature; 0, if there is not.

*3.2.3. Control variables*

As control variables, we select firm size as natural logarithm of the total assets (Olson et al., 2003), the level of financial leverage as the debt/equity ratio (Cheng, 2009), firm age as the natural logarithm of the years the firm exists from inception, and the governance structure as dummy variable equal to 0 in case of firms with a Sole Director and 1 in case of firms having a board of directors (Chrisman, Chua, & Litz, 2004).

As to interaction variables, we calculate the products of the two originating independent variables, obtaining two different moderating variables: (*family involvement in management*) × (*family as corporate brand*), and (*family involvement in management*) × (*family as product brand*).

*3.3. Moderated multiple linear regressions*

We elaborate the available data through a moderated multiple regression (Aguins & Gottfredson, 2010) on panel data. The characteristics of data lead us to use a pooled regression model with time fixed effects. We do not use a panel model with cross section fixed effect because the main independent variables and some control variables are time-invariant (Wooldridge, 2010), so

**Table 1**
Vocabulary.

| Family |
|---|
| Family families family member father mother parent parents wife husband marriage marry married daughter daughters son sons sibling siblings child children offspring great-grandfather great-grandmother great-grandparents grandfather grandmother grandson granddaughter grandparents uncle uncles aunt aunts cousin cousins nephew nephews stepbrother stepbrothers stepsister stepsisters in-law in-laws relatives related next of kin kindred kin separation separate separated widow family affair family affairs family name surname family identity dynasty dynastic family crest family roots family wealth of our family |
| Firm |
| Family business family firm family company family enterprise family-run family-held family-owned family-managed family ownership in family hands family-controlled family council family goals founder creator initiator invention revolutionary originator origins pioneer patron future of our business family heritage inherited hereditary heredity retire retired succession successor succeeded pass on to passed on to generational transfer from one generation descendant descendants descending predecessor predeceasing generation generations cross-generational continuity continuous continue continuing conservation conserve perpetuation perpetuate lifetime lifetimes lifelong our workers as family like a family our workforce as family like a family |

we consider more appropriate to use a pooled regression model with time fixed effects.

The specification of the estimated models is as follows:

ROS = $\beta_0 + \beta_1$(*family involvement in management*) + $\beta_2$(*family as corporate brand*) + $\beta_3$(*family as product brand*) + $\beta_4$(*family involvement in management* × *family as corporate brand*) + $\beta_5$(*family involvement in management* × *family as product brand*) + $\beta_6$(*control variables*) + $\beta_{2005-2010}$(*year dummy variables*) + ε

Rate of sales growth = $\beta_0 + \beta_1$(*family involvement in management*) + $\beta_2$(*family as corporate brand*) + $\beta_3$(*family as product brand*) + $\beta_4$(*family involvement in management* × *family as corporate brand*) + $\beta_5$(*family involvement in management* × *family as product brand*) + $\beta_6$(*control variables*) + $\beta_{200-2010}$(*year dummy variables*) + ε

We consider all independent variables as mean-centered, in order to test for moderation and to avoid collinearity issues ( Aguinis et al., 2011; Aiken & West, 1991). By following the classic approach by Baron and Kenny (1986), we test three different regression models for each dependent variable: first, the control variables are entered (Model 1); in the second step (Model 2) the explanatory variables (family involvement in management, family as corporate brand and family as product brand) are added as direct relations; finally, in the third Model (Model 3), the interaction terms (the influence of the moderator variables) are included. Therefore, we evaluate the existence of a moderating effect through a hierarchical regression model.

## 4. Main results

In this section, we present the results of the analyses, performed with STATA. Table 2 shows the descriptive statistics. In mean calculation, first we identify an average value of the variable at the level of the single firm, over the time span 2005–2010, and subsequently we calculate the average for the different firms. The analysis of the sample highlights that the units under investigation are prevalently small and micro firms (89%), with an average firm age equal to 21 and with a level of family involvement in management high enough.

Tables 3 and 4 are the correlation matrix for the two regression models and show bivariate correlation coefficients for the variable used. Both tables show low levels of correlation among the predictors used for the analysis and the dependent variables. We test possible collinearity among the variables by estimating variance inflation factors (VIF test), which have passed the recommended standards (Hair, 2010). VIF values range from 1 to 2, thus indicating that multicollinearity is not a problem for this study (Neter, Kutner, Wasserman, & Nachtsheim, 1996). For both regression models, we also estimate the condition index to ensure that collinearity is not a problem.

We carry out the control of heteroskedasticity and serial correlation by calculating the robust standard errors using the Huber White Sandwich estimator for clustered data (Rogers, 1993; Wooldridge, 2002).

All the estimated models are highly significant at .001. For the first dependent variable (ROS), in Model 1, firm size, firm age, financial leverage and governance structure are controlled. The adjusted $R^2$ is .28. In Model 2, we add the independent variables (adjusted $R^2$ = .30). Family involvement in management is positively and significantly associated to ROS ($p < .05$), indicating that growing levels of family involvement in management are associated with higher level of ROS, therefore Hypothesis 1 is supported. In Model 3, we add the interaction terms in addition to the control variables and the main predictors. The adjusted $R^2$ is .32, thus the changes in $R^2$ and the model are significant. The moderating variables "*family involvement in management* × *family as corporate brand*" and "*family involvement in management* × *family as product brand*" are not significantly associated to ROS.

For the second dependent variable (rate of sales growth), in Model 1, firm size, firm age, financial leverage and governance structure have been controlled. The adjusted $R^2$ is .44. In Model 2, we add the independent variables (adjusted $R^2$ = .44). Family involvement in management is not significantly associated to the rate of sales growth. In Model 3, we add the interaction terms in addition to the control variables and the main predictors. The adjusted $R^2$ is .46, the $R^2$ changes, thus the model is significant. The Hypothesis 2 is partially supported because only one moderating variable (*family involvement in management* × *family as corporate brand*) is significantly and positively associated to the rate of sales growth ($p < .01$), while the variable "*family involvement in management* × *family as product brand*" does not moderate the relationship. Table 5 shows the previous results.

## 5. Discussion and findings

This article has investigated whether family involvement in management as a "static resource" positively influences firm performance and whether the communication of the family history, values and identity through family-based branding strategies, at corporate and product levels, moderates the above-mentioned relationship. Our findings suggest that overall family involvement in management positively contributes to the levels of ROS and that family firms, which combine 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. These findings suggest that the presence of family members in the management of the firm improves internal firm performance due to a more efficient management of resources (Carney, 2005). The increase in ROS is actually linked to the growth of EBIT, arising by a reduction of costs and not by an expansion of sales. Indeed, simple family involvement in management is not able to impact directly on sales growth. Instead, when family members combine their presence in management with a proper communication of the family history, values and identity, they are also able to increase the rate of sales growth. Family firms, which actively promote their family

**Table 2**
Descriptive statistics (114 family firms).

| | Mean | Median | S.D. | Min. | Max. |
|---|---|---|---|---|---|
| ROS | 0.11 | 0.11 | 0.41 | −1.75 | 1.90 |
| Rate of sales growth | 0.70 | 0.03 | 3.40 | −0.33 | 24.71 |
| Total assets (size) | 5966647 | 2782842 | 9585548 | 79029 | 49204765 |
| Age | 19.06 | 17.5 | 14.42 | 1 | 61.5 |
| Leverage | 0.27 | 0.25 | 0.04 | 0 | 0.84 |
| Governance | – | – | – | 0 | 1 |
| Family invol. in management | 1.63 | 2 | 0.26 | 0.5 | 2 |
| Family as corporate brand | 0.11 | 0.08 | 0.01 | 0 | 0.54 |
| Family as product brand[a] | – | – | – | 0 | 1 |

[a] Dummy variables.

**Table 3**
Intercorrelations for the sample—ROS.

| | | 1. | 2. | 3. | 4. | 5. | 6. | 7. |
|---|---|---|---|---|---|---|---|---|
| 1. | Ln_ROS | – | | | | | | |
| 2. | Ln_total asset (size) | −.523[b] | – | | | | | |
| 3. | Ln_Age | −.363[b] | .636[b] | – | | | | |
| 4. | Leverage | .109[a] | −.110[a] | −.061 | – | | | |
| 5. | Governance | −.08 | .410[b] | .246[b] | −.034 | – | | |
| 6. | Family invol. in manag. | .137[b] | −.072 | −.110[a] | −.002 | −.440[b] | – | |
| 7. | Family as corporate brand | −.028 | .007 | −.047 | .074 | −.039 | .165[b] | – |
| 8. | Family as product brand | −.273[b] | .340[b] | .282[b] | .133[b] | .133[b] | .200[b] | .085 |

[a] Correlation is significant at the .05 level (2-tailed).
[b] Correlation is significant at the .01 level (2-tailed).

**Table 4**
Intercorrelations for the sample—Rate of sales growth.

| | | 1. | 2. | 3. | 4. | 5. | 6. | 7. |
|---|---|---|---|---|---|---|---|---|
| 1. | Ln_Rate of sales growth | – | | | | | | |
| 2. | Ln_total asset (size) | −.596[b] | – | | | | | |
| 3. | Ln_Age | −.576[b] | .648[b] | – | | | | |
| 4. | Leverage | .205[b] | −.184[b] | −.071 | – | | | |
| 5. | Governance | −.027 | .348[b] | .179[b] | −.156[a] | – | | |
| 6. | Family involvement in management | −.091 | −.053 | −.054 | .055 | −.474[b] | – | |
| 7. | Family as corporate brand | .018 | −.014 | −.063 | .036 | −.204[b] | .252[b] | – |
| 8. | Family as product brand | −.108 | .317[b] | .283[b] | .178[b] | .157[a] | .142[a] | .075 |

[a] Correlation is significant at the .05 level (2-tailed).
[b] Correlation is significant at the .01 level (2-tailed).

**Table 5**
Results of regression models (standard coefficients).

| | ROS | | | Rate of sales growth | | |
|---|---|---|---|---|---|---|
| | MODEL 1 | MODEL 2 | MODEL 3 | MODEL 1 | MODEL 2 | MODEL 3 |
| Firm size (ln total assets) | −.548*** | −.498*** | −.516*** | −.429*** | −.440*** | −.448*** |
| Firm age (ln years) | −.050 | −.056 | −.039 | −.328*** | −.343*** | −.314*** |
| Firm leverage | .053 | .067 | .065 | .135** | .110* | .123** |
| Governance | .155*** | .095* | .101* | .194*** | .146** | .177** |
| Family invol. in management | | .120** | −.078 | | −.090 | −.216** |
| Family as corporate brand | | −.002 | −.090 | | .031 | −.953*** |
| Family as product brand | | −.085 | .057 | | .094 | .198 |
| Family invol. in management × family as corporate brand | | | .087 | | | 1.052*** |
| Family invol. in management × family as product brand | | | −.165 | | | −.083 |
| N | 330 | 330 | 330 | 172 | 172 | 172 |
| Adjusted $R^2$ | .284 | .300 | .328 | .444 | .445 | .466 |
| F-change | 15.507*** | 12.761*** | 10.970*** | 18.068*** | 13.471*** | 12.458*** |

* $p < .10$.
** $p < .05$.
*** $p < .01$.

background, are more customer-oriented (Craig et al., 2008; Kashmiri & Mahajan, 2010), more sensitive towards their consumers' need and closer to their clients (Miller & Le Breton-Miller, 2005) and, for this reason, provide high quality products and excellent customer service. They consider this activity as critical, in a long-term perspective, to the future of their business (Cooper et al., 2005; Miller & Le Breton-Miller, 2005; Lyman, 1991) and key to firm's survival (Rubenstein, 1990). The strong focus on customers and quality is rooted in the family firms' strong desire to protect corporate reputation (Dyer & Whetten, 2006) and their family name (Ward, 1997). Family members, indeed, strongly identify with their family firm (Deephouse & Jaskiewicz, 2013) and, hence, possible reputational damages would not only fall back on the business, but also on the owning family (Lansberg, 1983). Moreover, efforts and investments to provide a high quality offer and to build and maintain positive image and reputation help them to develop enduring customer relationships (Poza, Alfred, & Maheshwari, 1997) and translate in positive perceptions in consumers' mind (Botero & Blombäck, 2010). Consumers, in fact, recognize to family firms a set of positive attributes, consider them more trustworthy, upright and authentic (Carrigan & Buckley, 2008; Orth & Green, 2009) and, in turn, prefer to purchase their products and services over those offered by non-family firms (Binz, Hair, Pieper, & Baldauf, 2013), in turn increasing the sales.

Through the lens of dynamic capabilities (Helfat & Peteraf, 2003; Teece et al., 1997), our findings allows us asserting that the communication of the family history, values and identity through branding strategies is a way to turn family involvement into a

source of competitive advantage able to affect firm performance. In this perspective, the article extends the understanding and the use of resource based view arguments applied to family firms (Tokarczyk et al., 2007) by going beyond the consideration of the involvement of the family in management as a static resource (Holcomb et al., 2009; Sirmon et al., 2007, 2011; Priem & Butler, 2001). We find that family-based branding strategies are a way to exploit familial nature making it a source of sustained competitive advantage through a conscious use of them. Moreover, we go beyond the measures of family involvement through demographic criteria and find in family-based branding strategies a good proxy to catch the "essence" of the familial nature. Indeed, with respect to previous studies (Cooper et al., 2005), we consider not just if the family name overlaps firm name, but also to what extent family firms choose to tell about them on website, by embracing a behavioral perspective (Cyerth & March, 1963). However, we did not investigate behaviors by asking questions to family members, through self-reported perspective, but chose to study corporate websites through content analysis, in order to catch the choices of the family from the point of view of consumers.

Finally, with respect to previous research (Botero et al., 2013; Blombäck & Ramirez-Pasillas, 2012; Parmentier, 2011; Micelotta & Raynard, 2011), principally focused on communication at corporate level, we also investigate the effect of communication at product level, according to an integrated communication approach (Kitchen & Schultz, 2003). In this sense, we 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 differentiation of branding strategies at corporate and product levels might be a viable way to understand strategic decisions of family firms. However, our findings highlight that a deep difference exists between the two investigated communication tools: websites and product labels. Telling who the family behind the firm is fosters a positive strategic choice at the corporate level, when the firm communicates its family nature through the website. Indeed, online communication is more complete and consumers who check a website are more interested in collecting information about the firm. In the online environment, consumers are less passive (Blanco et al., 2010), they better transpose information and more easily develop trust in the corporate brand. Therefore, they more easily recognize efforts in marketing and communication made by family firm and can appreciate their relational quality and customer orientation, in turn, developing trust and loyalty in purchase (Okoroafo & Koh, 2009). To the contrary, family brand has a non-significant effect at product level, which might be partially explained by the complexity of the purchasing decision-making process in the wine industry. We suggest that is mainly due to the huge variety of information available on labels to consumers who buy wine (Chaney, 1999). In the wine industry, labels and associated packaging are considered as crucial factors providing useful information which in turn, influence consumers' purchasing decision (Tucker, 1998). Charters, Lockshin, & Unwin (2007) find that consumers use the information contained on products' labels regularly when making purchasing decisions, and suggest that bottle design and labelling are a crucial element in influencing consumers' choices of the wines that they purchase. In particular, the comments referring to the winemaker or company that made the wine, influence consumers' perception of wine quality (Shaw, Keeghan, & Hall, 1999). However, also the prices at which wines can be sold (Combris, Lecocq, & Visser, 1997) have a huge impact on the purchasing decision. Indeed, customers make their purchase decisions mainly based on information, contained on products' labels, which refers to descriptions of the tastes or smells of the wines, and the overall price-quality ratio (Charters, Lockshin, & Unwin, 2007). Therefore, they do not primarily focus on the familial nature of the firm which is producing the wine. Moreover, it is important to consider that different segments of wine buyers probably use different purchasing strategies. More knowledgeable wine buyers use more cues and a wider range of resources (e.g., they collect information also through websites) when making a wine purchase than less knowledgeable consumers (Rasmussen & Lockshin 1999). Less knowledgeable wine buyers, generally, buy wine in the large-scale distribution, where a high percentage of wine is sold (Hall & Mitchell, 2007), being their purchasing behaviors mainly influenced by retail price promotions (Walters, 1991) than specific information or branding reported on the product label.

*5.0.1. Implications, limitations, and future research*

Whereas our main finding suggests 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 and improve firm performance, the study offers also an important implication for family firms' owners and managers.

Previous studies (Micelotta & Raynard, 2011; Presas et al., 2011) suggested that not all family firms plan to communicate their history, values and identity in branding strategies, but choose to emphasize other firm's attributes. This is because some family firms show a shy and reserved attitude and seem reluctant to disseminate information about the firm and especially about the family (Lansberg, 1999; Sharma, Chrisman, & Chua, 1997; Ward, 1997). Otherwise, we suggest that communicating the family nature is a main driver to gain sustained competitive advantage, especially in traditional industries. In our study, the role of family nature emerges as a strategic resource that can be exploited in the communication, also at low cost, especially for family SMEs. Italian SMEs have actually chronic financial shortfalls and the family involvement is an already alive and existing resource, suitable to differentiate a family firm from a non-family competitor (Orth & Green, 2009; Botero & Blombäck, 2010; Vrontis et al., 2011) when it is exploited through planned family-based brand strategies at corporate level (Blombäck & Ramirez-Pasillas, 2012). Instead, it would be preferable to limit efforts and investments in nurturing family brand on product's label and to concentrate on different features more related to organoleptic aspects of the wine. Indeed, our findings are non-significant with respect to "family as product brand", because other information contained on products' labels, such as tastes, flowers, and price influence more the purchasing behavior. Furthermore, it is important to consider that most of the family firms operating in the wine industry have also the option to sell their products overall through large-scale distribution, where the purchase is an impulse buy. However, we cannot further argue about this aspect as in our study we did not consider the different types of purchasing channels. This is the first limitation of our study, but it could also be a starting point for further research.

Besides, in this work we have not considered possible changes in branding strategy nor exposure and marketing/sales budget. The effect on sales growth, instead, could be motivated by changes in branding strategies or simply by more investments in marketing activities (Rust, Lemon, & Zeithaml, 2004), thus, it could be coincident and not causative. Greater investments in integrated marketing communication and the related changes in branding strategies suggest the higher attention the firm has towards its customers and may influence their memory and consequently their purchasing process (Jin, 2003). Therefore, we invite future studies to control for these two aspects.

Another limitation of the work is the small size of the firms because, although the size of the units is a main strength of our work because few studies examine how family involvement in

management influences SMEs' performance, it would be newsworthy investigating the role of family-based branding strategies in large firms.

Third, the family firms in our sample belong to a unique industry and to a specific geographical area, which limit the generalization of our results. The wine industry is a specific traditional sector, where the symbolic attributes of the product, such as the familial nature of the firm, have a relevant weight for customers, while in other industries functional attributes could have a greater importance. Moreover, in the wine industry, the concept of "family firm" is associated to quality, tradition, and reliability (Smith Maguire, Strickland, & Frost, 2013; Binz et al., 2013), but in other industries, such as high-tech ones, the same concept could be associated with other meanings (such us too traditional, conservative, and less innovative). Indeed, while branding the family firm may be highly relevant for certain products (such as food products, or products in the luxury industry), it may not add any value or even be detrimental in other contexts (Binz Astrachan & Astrachan, 2015). Nevertheless, our main findings are interesting for other "Old World" producers operating in the wine industry. In fact, in those countries family firms' wineries face the same problems of a form of competition coming from the "New World" producers and thus might feel the necessity to invest in marketing and communication activities. However, very often, the firms are small-sized and find it difficult to invest in proper branding strategies, even if branding strategies might be important to compete in a new internationalized and global market (Pukall & Calabrò, 2014). We deliver to practitioners the opportunity to leverage on familial nature in building a brand, demonstrating that this choice positively affects performance. Moreover, our finding could be interesting for other firms operating in traditional industries. However, it would be useful to investigate the different impact of family-based branding strategies on the outcomes generated by firms belonging to high-touch or high-tech sectors by understanding whether in different industries the perceptions of the familial nature can be diverse and can affect performance in different way.

Another future development for this research could be to examine customers' perceptions in relation to family-based brand and to understand whether and how much accurately customers' beliefs capture the true attributes of the business' culture and values, in a cross-cultural perspective. Finally, further research could analyze the role of family-based brand on the firm's capability to collect resources and, therefore, tempt to comprehend how a family-based brand can influence firm's relations with its stakeholder (multi-stakeholder approach), influencing its image and reputation.

## 6. Conclusions

In conclusion, this study draws from resource-based view of the firm to investigate the impact of family involvement in management (a resource) on firm performance. Moreover, by embracing a dynamic perspective, it considers family-based branding strategies, a quite neglected and unexplored aspect in family business research (Parmentier, 2011), as a way to reach competitive advantage, by valorizing the family nature. Our main findings highlight that when family members are involved in management of the firm, firm's resources are efficiently managed, while when family members combine their involvement in management with a proper and well-planned branding strategy aimed at communicating the family as a corporate brand, the firm in addition shows a higher rate of sales growth.

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