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Notas de investigación

Does family involvement increase the value of managerial capabilities?: Empirical evidence from Spanish SME family-owned business

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Trabajos de investigación que abordan la problemática de la empresa familiar y de la familia empresaria y las relaciones entre ambas, desde una perspectiva interdisciplinar

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Does family involvement increase the value of Managerial Capabilities?: Empirical evidences from Spanish SME Family-Owned Business

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COMITÉ CIENTÍFICO DE LA COLECCIÓN

La **Cátedra de Empresa Familiar de la *Universitat de València* (CEF-UV)** fue creada en 2006 bajo el impulso de la Asociación Valenciana de Empresarios (AVE), la Escuela de Empresarios (EDEM), el Instituto de la Empresa Familiar (IEF) y el Instituto Valenciano para el Estudio de la Empresa Familiar (IVEFA) y contando desde entonces con el patrocinio de Broseta Abogados. La CEF-UV se define como un espacio de encuentro e intercambio de conocimiento entre miembros de la comunidad universitaria, empresarios y profesionales que trabajan en el ámbito de la empresa familiar valenciana.

Nuestra **misión** es generar y difundir conocimiento relevante y útil para: futuros titulados universitarios, miembros de familias empresarias, profesionales que desempeñan labores ejecutivas y de control en empresas familiares, y miembros de la comunidad académica interesados en el estudio de la empresa familiar.

En consonancia con la misión enunciada, la **visión** de la Cátedra de Empresa Familiar de la *Universitat de València* se concreta en las siguientes metas por las cuáles quiere ser reconocida:

- Ser un referente social en la **generación y difusión de información** relevante y fiable que permita describir y conocer la realidad de la empresa familiar de la Comunidad Valenciana.
- Su capacidad para **desarrollar modelos y herramientas de gestión** novedosas útiles y relevantes en el ámbito profesional y académico.
- La **calidad de la docencia** específica impartida en el ámbito de las titulaciones de grado y postgrado ofertadas por la *Universitat de València*.
- La calidad y capacidad de convocatoria de sus actividades de **difusión de conocimiento** dirigidas al ámbito empresarial y profesional.
- Haber desarrollado un **equipo consolidado y multidisciplinar de investigadores** centrados en el estudio de la realidad y los retos de futuro de la empresa familiar.
- Su disponibilidad y accesibilidad para atender las necesidades e inquietudes de los miembros de la comunidad: empresarial, académica y de la sociedad en general.
- Su capacidad para **participar en las actividades de la red de Cátedras de Empresa Familiar del IEF** de forma activa e influyente.

Objetivos de la colección Notas de Investigación de Cátedra de la Empresa Familiar de la U.V. (CEF-UV)

La colección de ***Notas de Investigación de CEF-UV*** es una iniciativa que recoge los resultados de los Programas de Generación de Conocimiento, Divulgación y Creación de Redes incluidos dentro del Plan de Actividades de la CEFUV. Son pues un cauce de difusión de trabajos de investigación que se realizan bajo el amparo de la CEFUV, en cualquiera de los centros o departamentos de la Universitat de València por personal propio o colaboradores externos.

Las ***Notas de Investigación de CEF-UV*** publican investigaciones que abordan la problemática de la empresa familiar y de la familia empresaria y las relaciones entre ambas, desde una perspectiva interdisciplinar. Tienen pues cabida publicaciones sobre aspectos económicos, empresariales, jurídicos, psicológicos y sociológicos de la empresa familiar. A diferencia del enfoque aplicado de la colección Cuadernos de Trabajo, aquí se publican trabajos que mantengan el rigor y la profundidad en el tratamiento de los temas característicos de la investigación académica, aunque siempre intentando ofrecer ideas y conocimientos que puedan interesar a un público más amplio ligado al mundo de la empresa familiar. Se trata de trabajos que resumen estudios más amplios que pueden ser publicados por los autores en otros lugares, versiones iniciales de estudios destinados a ser publicados más tarde en revistas académicas o aportaciones diseñadas y escritas exprofeso para esta colección. También pueden ver la luz en la colección aportaciones procedentes de investigadores en formación y que han sido elaborados como trabajos finales de masters o de doctorado.

Todos los trabajos publicados han superado un proceso de evaluación anónima que garantiza que reúnen los estándares de calidad científica para ser difundidos en esta colección. Los autores mantendrán la plena propiedad intelectual de sus trabajos, y se beneficiarán de una amplia difusión entre la red de cátedras de empresa familiar de España, el mundo empresarial y profesional vinculado a la empresa familiar y otras redes académicas y directivas en las que CEF-UV está implicada. En concreto, los Cuadernos publicados se editan y distribuyen por el sistema tradicional de folleto y en formato electrónico a través de la web de la CEF-UV y de otros canales digitales.

Índice

Abstract

The influence of the owner-family over Family-Owned Business performance issue has received recent research attention. Fewer are the amount of research devoted to analyse the owner-family effect over firm's managerial capabilities (MC). This paper contributes to this vein of research analysing a sample of Spanish SME-FOB. It contributes differentiating family involvement depending on the organizational role and making a whole consideration of MC. Also it considers family complexity. Results show that family involvement produces a negative impact over MC. However it turns positive when ownership-management roles are differentiated and proper family governance structures deployed. Two findings should be highlighted: family complexity appears as extremely harmful for MC, and family governance structures only increase MC when it fit with the level of family complexity, in other case, an over sized family governance structure damages MC.

Key words

SME-FOB, Managerial Capabilities, Family Involvement, Family Complexity.

Resumen

La influencia del dueño de la Empresa Familiar sobre el problema de rendimiento de la Empresa Familiar ha sido objeto de recientes investigaciones. Menos es la cantidad de investigaciones dedicadas a analizar el efecto del dueño de la empresa familiar en la capacidad de gestión de la misma. Este trabajo contribuye a esta línea de investigación analizando una muestra de pequeñas y medianas empresas españolas. Este estudio contribuye diferenciando la participación de la familia en función del papel organizativo y considerando totalmente las capacidades de gestión. También se considera la complejidad de la familia. Los resultados muestran que la participación familiar produce un impacto negativo sobre las capacidades de gestión de la empresa familiar. Sin embargo, produce un impacto positivo cuando las funciones de gestión de la propiedad se diferencian y se despliegan las estructuras adecuadas de gobernanza familiar. Cabe destacar las siguientes dos conclusiones: la complejidad de la familia se muestra como extremadamente perjudicial para la capacidad de la gestión, y las estructuras de gobierno de la familia sólo aumentan la capacidad de la gestión cuando encaja con el nivel de complejidad de la familia, en otro caso, una sobreestructura de gobernanza familiar daña la capacidad de gestión.

Palabras clave

Pymes, Capacidades de gestión, Participación de las familias, Complejidad de las familias.

1. INTRODUCTION

Managerial capabilities (MC) are the combination of know-how, values and attitudes that top management teams (TMT) accumulate in order to both, deploying their tasks and adopting decisions which imply the global organization. Because organization performance depends largely on MC, they are considered as a critical asset (Barney, 1986; Barney and Tyler, 1990; Collis, 1994; Hambrick & Brandon, 1988). MC represent one of the most important sources of competitive advantage because it presents powerful isolation mechanisms that hinder imitation (Castanias and Helfat, 1992; 1991; Hamel, 2009; 2007; 2006). Hence, understanding the determinants of MC development is a key issue. However, the knowledge accumulated about it is still limited especially in terms of empirical evidence (Battisti and Stoneman, 2010; Damanpour, 1991). This paper addresses the issue by focusing on the specific problems of the Family-Owned Business (FOB), analysing the relationships between factors like: levels of family involvement, family complexity, business and family institutional development on the endowment of FOB's MC.

Along the last decade, academics in Family-Owned Business (FOB) have studied the impact of the owner family over firm performance from different theoretical frameworks –mainly Agency Theory and Resource-Based View–, finding out a *'dark'* and a *'bright'* side (Minichilli et al., 2010). From RBV the key factor for analysing this relationship is the impact of family involvement on FOB's capabilities endowment, the basis for competitive advantage which generates a superior economic performance. In this way, Hoopes and Miller (2006) state that ownership concentration and family involvement influences monitoring costs, investment choices and capability development, affirming that firm governance has an effect in capability development, and hence, in competitiveness. More specifically, Dyers (2006) argues that family ownership influences on firm performance through governance mechanisms and the quality of its management. However, research results are not unanimous and, on the contrary, remain contradictory (Minichilli et al., 2010). Thereby, on one hand, Kellermanns et al. (2008) show that the involvement of latter family generations have positive effects over FOB's entrepreneurial behaviour, which leads to employment growth. On the other hand, Naldi et al (2007) find out that family involvement increases risk adverse behaviours that lead to less entrepreneurial orientation. In line, Brunninge et al. (2007) prove that family involvement made firms less prone to undertake strategic changes. Other conclusion in this vein of academic research is that there exists a direct relationship between the FOB's endowment of managerial resources –TMT size, experience, education, and number of non-familial directors / managers– and firm's Strategic Orientation (Escribá-Esteve et al., 2009).

Besides not providing conclusive results, prior literature leaves some open gaps. First, generally these works analyse the effect of family involvement over firm's performance, but they don't make a clear distinction between family involvement in firm's leadership –governance; management– and workforce. Second, the few works that open the *black box* between the family effect and the firm performance, measure MC considering only partial aspects like *'entrepreneurial orientation/ behaviour'* or *'strategic change orientation'*, but ignore other MC like strategic planning, decision-making processes or resource endowment-deployment, which form the administrative dimension of the construct (Venkatraman, 1989), and that should also be considered. Finally, some of these pieces of research defend, as a universal statement, that when owner family gets involved, more developed governance mechanisms and norms should always increase managerial competences, ignoring questions as family levels of complexity which can produce a contingent relationship.

In order to overcome these gaps we propose a research which main goal is analysing the impact of family involvement on FOB's MC value, considering different ways and levels of family involvement, different levels of FOB governance development and different levels of family complexity. Thus, firstly we propose a clear distinction between family involvement in governance, management and workforce. Second, we also make a difference between ownership-management separation and the institutional development of family government devices. Third, we are going to conceptualise and measure MC in a broaden way following previously validated scales (Camisón, 2005; Cruz, 2009) that consider capabilities like: 'risk-orientation', 'creativity and entrepreneurial orientation' and 'analytics and problem solving'. Fourth, we adopt a contingent focus regarding the relationship between the level of FOB's institutional development, the level of family complexity and its joint effect over firm's MC.

Departing from previous considerations we propose the following research questions:

- Which is the relationship between the involvement of family-members in non-management jobs and the value of MC?
- Which is the relationship between the involvement of family-members in governance and management and the value of MC?
- Which is the relationship between the separation of property-control and management roles and the value of MC?
- Which is the relationship between the degree of development and deployment of formal mechanism of family governance and the value of MC?
- Which is the relationship between the degree of 'family complexity' in the FOB and the value of MC?

In order to reach our research goals we have conducted a survey over a sample of 234 Spanish small and medium-sized family owned businesses (SME-FOB). We choose SME's because we consider it's a more proper field to measure the effect of family involvement over MC. First, SME's lack the amount of resources and organizational processes that give support decision-making processes in large corporations. Then SME's have to rely more on its managerial resources (Lubatkin, Ling and Veiga, 2006). Second, from the RBV is stated that managerial capabilities have more influence on firm's performance for the case of SME's (Johannisson and Huse, 2000).

In the following sections, we first briefly introduce two of the most salient theoretical perspectives from which effects of family involvement in FOB have been analyzed –that is: Agency Theory and Resource-Based View–, and the concept of MC we are going to undertake. Then we develop hypotheses about the relationship between family involvement and Managerial Capabilities considering property-management separation and FOB institutional development as a mediating factors. In the third part, we describe the methodology we have carried out, the measurement scales used and we present and discuss the main result of our survey. The paper ends with some conclusions and implications for researchers and practitioners.

2. THEORETICAL PERSPECTIVES

As Minichilli et al. (2010) show, two of the most usually invoked theories when analysing the Owner Family-FOB performance relationship are Agency Theory and Resource-Based View. From both theoretical frameworks it's possible to build a positive and a negative relationship. Research relaying on Agency Theory tends to present the 'dark' side, while academic work grounded in RBV usually shows the 'bright' side, that is, the family as a source of valuable and unique resources. Here we are to present a brief overview of the basic statements of both theories. Next we present the concept of Managerial Capabilities, its dimensions and strategic relevance. Finally we present an essential overview of the state of the art about the Family impact over FOB performance in general and over FOB's MC in particular.

2.1. Agency Theory

Agency Theory is one of the most frequently invoked theoretical frameworks in order to carry on comparative efficiency analysis between different organization forms taking into account competitive factors related with firm's ownership structure and internal organization issues (Fama & Jensen, 1985). Corporate government structure supports and determines major decisions about volume and composition of productive resources allocation, determining firm's ability to mobilize productive investment in the future. It should be noted that the aforementioned organizational issues also determine firm's ability to detect critical resources in order to improve its competitive position, mobilizing the necessary funding, and optimizing their coordination with other resources.

Agency Theory states that differentiation between ownership and management roles prevents from inconsistent decisions due to the lack of critical managerial knowledge and proper analytical and decision-making processes. Likewise, ownership-management separation enables firm's access to renewed managerial talent. Thus Agency Theory proposes a clear role differentiation, where management roles are performed by professional managers that don't belong to the shareholders group or at least, that doesn`t hold a significant percentage of property rights. This firm model seems specially recommended for these firms where property rights are dispersed and therefore diluted. However these organization arrangements present their specific drawbacks. Among them is the well-known agency problem. Ownership –Management separation fuel potential conflicts of interest if managers make strategic decisions in their own interests at the cost of shareholders (Shleifer & Vishy, 1997, Fama & Jensen, 1983a; 1983b; Jensen & Meckling, 1976). Accordingly, the principal-agent relationship is defined as an incomplete contract that is unpredictable, does not cover all future contingencies, and leaves many opportunities for managerial opportunism.

2.2. Resource-based View

Alternatively RBV uses firms' internal characteristics to explain firms' heterogeneity in strategy and performance. Firm is conceived as an organized unique set of factors known as resources and capabilities. RBV establishes that only those firms possessing resources and capabilities with special features will gain competitive advantage and therefore achieve superior performance. First, the distinctive character of a factor depends on its rarity, value, durability, non-substitutability, inimitability, and appropiability of generated rents (Wernerfelt, 1984; Barney, 1986; 1991; Grant, 1991; Peteraf, 1993; Amit and Schoemaker, 1993). Second, sustainable competitive advantage rests on a firm's dynamic capabilities, understood as the firm's ability to adapt and reconfigure its resources and capabilities, to explore opportunities and new asset sets, and to respond swiftly to environmental changes and eroded value that arises from competitor-induced Schumpeterian shocks (Grant, 1991; Teece et al., 1997; Eisenhardt and Martin, 2000, Teece, 2007).

In Aaker (1989) terms, resources are the *having*, "what the firm owns or controls", while capabilities are *doings*, "what you do as a collective entity". Capabilities are forms of tacit knowledge in its technical dimension (Nonaka & Konno, 1998). That is, know-how that is closely tied to the firm, that can´t work without organization's members, and which legal protection against imitation is almost impossible (Aaker, 1989; Hall, 1992: 136, 1993: 607). Thus, capabilities are firm's skills to effectively develop its activities (Aaker, 1989; Foss, 1996: 1; Hall, 1992, 1993; Hamel, 1994: 12). Capabilities result from the intended and coordinated deployment of resources toward an aim attainment (Black & Boal, 1994; Grant, 1991: 119, 122; Nelson & Winter, 1982: 103). Capabilities are underpinned by a set of complex, deliberated and idiosyncratic processes (Dosi, Nelson & Winter, eds., 2000: 12), based on firm`s human capital (Amit & Schoemaker, 1993: 35; Sánchez & Heene, 1997: 7; Sánchez, Heene & Thomas, 1996: 8; Winterscheid, 1994).

2.3. Managerial Capabilities

From RBV, MC are considered as a key element to understand present and future performance. MC is the cornerstone of those organizational processes focused towards the exploration of new combinations of resources and capabilities due to its dynamic nature (Collis, 1994; Lado et al. 1992). As Barney (1986) pinpoints, MC make possible the anticipated acquisition of valuable resources and new capabilities and therefore MC are a strong predictor of future firm performance.

MC has the potential to produce both: *quasi-rents*, due to their wealth of tacit knowledge specific to the firm (Hambrick 1988; Barney 1991), and *ricardian rents* that arises from their scarcity. Furthermore, MC helps to build isolation mechanisms which hinder replication by imitation (Castanias and Helfat 1991, 1992). Because MC are knowledge intensive capabilities, are characterised by its tacit nature, by its specificity to a unique historical and organizational context and by its social construction (social complexity) by means of complex interactions among key stakeholders (dependence on the system), and by its emphasis on learning through experience. All these features make it difficult to codify and prevent imitation or transference of valuable MC from one firm to another, therefore MC is a source of sustainable competitive advantage.

MC derives from the collective activities and routines that TMT deploy in order to perform its role. MC are mainly composed by two kinds of managerial resources (Mintzberg, 1973; Katz, 1974; Ansoff, 1979): (1) a technical component, reflecting know-how, including the tacit knowledge acquired through experience and (2) a cognitive component relating to manager's values, attitudes and preferences. However, these resources only become a capability when they are combined, organized and deployed through a set of organizational processes and routines that belong to the firm and not to an individual.

Like other capabilities, MC should be conceptualised as a multidimensional construct. Following Venkatraman (1989), Stevenson and Jarillo (1990) and Morgan and Strong (2003) we could differentiate two main dimensions called administrative and entrepreneurial. The *'administrative'* dimension refers to the capability of sustaining competitive advantage through planning and long term vision, includes organizational routines oriented to analysing, problem-solving and resource allocation (Hitt et al., 2001; Venkatraman and Sarasvathy, 2001). The *'entrepreneurial'* dimension refers to the capability for exploring and building new business opportunities that emerge from innovation, comprises creativity, initiative, risk orientation, and entrepreneurial orientation (Covin and Slevin, 1989). Between these two dimensions we can find other MC components like *continuous improvement orientation* that is able to sustain present competitive advantages and develop new ones.

Despite its strategic value, knowledge of factors that explain the development of MC remains incomplete. Research literature underlies the effect of individual socio-demographic features (i.e, Ford & Gioia, 1995; 2000) and learning processes that substance the skills acquisition, necessary for managerial task performance, it doesn´t mind if human capital investment is collective or individual (i.e., Ortín, 1998). However the effect of the firm's ownerships and control structure over MC remains underexplored.

2.4. Family-owned business and Managerial Capabilities

FOB constitutes a differentiated organization form that presents specific features in its ownership, governance and managerial structures. Family ownership and the frequent overlapping between owner, managerial and employee roles inside the familial group have potential implications in firm's performance (Dyers, 2006). FOB behaviour is partly explained by its corporate governance architecture, the quality of its managerial resources (i.e., Barontini & Caprio, 2006; Westhead, Cowling & Storey, 1997) and specific strategies (Westhead, 1997; Harris, Martínez & Ward, 1994). In this vein, Hoopes & Miller (2006) state that ownership concentration and family involvement exert influence over cost control, investment choices and capabilities development. In brief FOB corporate governance have significant effects on firm`s resource and capabilities endowment and hence on its competitiveness.

Some authors report positive general perceptions about the effect of family ownership over firm creation and development (Astrachan, Zahra and Sharma, 2003). However, casting an eye on specialised literature we found that evidences about the impact of family involvement on firm performance are uncertain and even contradictory.

Basing their arguments on the Agency Theory, some researchers find out a positive impact of family involvement over firm performance because of lower agency costs. For instance, Miller and Le-Breton Miller (2006) state that agency costs are decreased when there is an entire (or moderate) concentration of family ownership as they have the incentive, and normally the expertise, to monitor their managers (Jensen and Meckling, 1976). Focusing on financial performance, those family business owners have the power and the information to control their managers and as a consequence, enhance returns (Anderson and Reeb, 2003; Morck, Shleifer and Vishny, 1988). Likewise, family owners are driven not just by the economic self-interested (Miller and Le-Breton Miller, 2006), to the extent that they have an emotional investment in their companies, as well as their own family fortune destiny, their own professional satisfaction and their public reputation (Bubolz, 2001; Ward 2004), family owners wish to contribute to the company's mission definition, firm's longevity and stakeholders satisfaction (Davis et al, 1997, 2000). Therefore family involvement in governance and management may have a positive effect on firm performance, because family members commitment with FOB.

Arguments in the same vein are stated from RBV, a number of academic papers predict that family involvement enriches FOB endowment with some strategic resources, such as organizational culture, commitment to remain and long time horizons. Likewise, human capital resulting from the relationships between family members –'Family Unity' – or the fact that children are involved early in the company–enabling knowledge transfer–, drive FOB's into a potential position of competitive advantage (Cabrera-Suarez et al., 2001; Sirmon and Hitt, 2003; Donelley, 1964; Horton, 1986; Rosenblatt, deMilk, Anderson and Johnson, 1985; Habbershon and Williams, 1999; and Tagiuri and Davis, 1996).

Because from RBV managerial capabilities are a key element to understand firm´s performance in SME-FOB (Brunninge, Nordqvist and Wiklund, 2007), to understand the contradictory results of the relationship between FOB and performance it is need to explain better the effects family ownership has on managerial capabilities. In this sense, some gaps remain opened in the state-of-the-question. First, the analysis about the relationship between family involvement and managerial capabilities is mainly focused on entrepreneurial behaviour (Zahra et al., 2004; Zahra, 2005; Escribá-Esteve et al., 2009). But the FOB evolution through different phases requires a balance between administrative and entrepreneurial dimensions (Davis and Tagiuri, 1989; McGivern, 1989). In fact the challenge for FOB in order to assure its survival in the long run is to maintain the founder's capability to innovate while developing capabilities to manage size increasing and a more complex organization (King, 2003; Boeker and Wiltbank, 2005). Therefore, we study the effect of family ownership and control on MC by including these two dimensions. Second, the effect of family involvement is treated in a partial or in an undifferentiated way, considering at the same level property-control, managing and workforce roles. Third, proposed solutions to negative family effects have a universal nature: Basically, development of corporate governance practices and the deployment of written agreements regulating the family-firm interface –family protocols–. In this paper we attempt to reduce these gaps in literature introducing a clear distinction between family involvements in owner-control role, top management role and, workforce role. Finally, we are going to consider corporate governance (separation between owner-manager roles) and family governance practices as a solution that counteracts negative family effects, but considering the level of family complexity as a contingency factor that mediates the relationship between family governance practices –FOB's institutionalization– and the MC value.

3. HYPOTHESES DEVELOPMENT

3.1. Family Involvement and Managerial Capabilities

With regard to the effect of family involvement at the non top managerial level (middle management and workforce), we could expect a committed workforce who wants to make its contribution to firm's growth and continuity (Davis et al., 1997; 2000). Because its financial and emotional bond with FOB (Bubolz 2001) it is supposed that these familial workforce is going to enable managers' work, reducing time devoted to supervision and liberating time for other managerial roles. But, on the contrary, family involvement in workforce could be counterproductive. Parental altruism (Lubatkin et al., 2005; Schulze et al., 2001; 2002, 2003) and executive entrenchment by familial dynamics (Gomez-Mejia et al., 2001) can focus managers on familial instead of business issues and originate specific and intense costs of governance, making difficult to monitor family members (Dyers, 2006). There could be other negative effects, such as the employment of suboptimal workers from the family, so, in consequence, the competitiveness of the firm can be restrained (Sirmon and Hitt, 2003), being difficult for a FOB to attract and retain highly qualified external managers (Sirmon and Hitt, 2003; Covin, 1994a and 1994b; Burack and Calero, 1981; Donelly, 1964; Horton, 1986).

Therefore:

> *H1. The greater the involvement of owner-family members in middle management and workforce, the lower the value of firm's managerial capabilities.*

If we look at the effect of family involvement in governance and top managerial roles, we find a vein of research (e.g., Zahra et al., 2004; Zahra, 2005) reporting positive effects of family involvement on entrepreneurial orientation of member of both management teams and governance boards. Other MC that could be reinforced in FOB, due to family involvement, are the focus on the creation of value for shareholders thanks to both the congruency between firm and ownership interest in a long term view and continuity intention. Equally family involvement in ownership and top managerial positions increases FOB social capital endowment and enables resilient commitment between different firm stakeholders, creating a favourable context for MC development and enhancement (De Carolis and Saparito, 2006).

Family owners show a wide and long term vision due that to they don´t have exclusively an economic interest (Miller and Le-Breton-Miller, 2006), FOB is also an emotional investment which connects their personal destiny, reputation and their entire way of life (Ward, 2004; Bubolz, 2001).This family-business bond acts as an strong incentive that potentially minimizes the risk of inefficient decisions generated by lax board or managerial decisions. The family-controlled business model simplifies the search for shareholder values maximization because the minimization of interferences due to other minority shareholder or executives interests. Family managers are enabled to make strategic decisions for the long term.

On the contrary, other pieces of research report a negative relationship between owner family involvement and FOB's MC endowment. Zahra et al. (2000) and Schultz et al. (2001) state that family members tend to become strategically conservative, looking for comfortable strategies that support the *status quo*. If we analyse the relationship between family involvement in firm leadership and the value of managerial capabilities some researchers have argued that family-dominated businesses are prone to behaviours like extraordinary dividend payouts (DeAngelo and DeAngelo, 2000), conservatism –little investment in new technologies and lower rates of new products launching (Chandler, 1990; Ellington and Deane, 1996)– and diversion of wealth from the firm to the family to the detriment of other stakeholders like workers (Burkart et al., 2002). These practices may void the entrepreneurial impulse developed by the founding generation and the value creation potential inherent to the long-term vision alignment between ownership and top management. In the same vein, overlapping between family ownership, control and management roles can lead to problems of lack of professional management and waste of advantages inherent to professional management expertise. Simultaneity between ownership control and management positions strains the necessary specialization that enables organization's effectiveness maximization. MC endowment gets restricted when directors and managers selection comes always from inside the family as opposed to if it would be open to the job market (Sirmon and Hitt, 2003). Therefore:

> *H2. The greater the involvement of owner family members in top management and governance positions, the lower the value of firm's managerial capabilities.*

However the question of family involvement in firm leadership needs to make a difference between ownership roles and management roles. With regard to the control-ownership sphere, the composition of the board in FOB has been an aspect identified as relevant for firm´s behaviour (Corbetta and Salvato, 2004). For the case of closely held FOB and because we are analysing the family effect on managerial capabilities (MC), we think the board's main role is as a resource provider one. From this view, specialised literature pleads for introducing independent directors from outside the family and the firm (Anderson and Reeb, 2004). It is expected that such directors may contribute with expertise and objectivity, providing alternative perspectives, and bringing to bear critical information and networks that the family could not reach (Johannisson and Huse 2000). They can also serve as more objective monitors of family executives that help in locating and hiring new managers, improving resource allocation decisions and avoiding expropriation of firm wealth by family members (Dalton et al., 1998). Likewise, as Brunninge et al., (2007) show the presence of outsider in the board increases firm capabilities to get involved in strategic changes. Therefore:

H2a. The greater the involvement of owner family members in the board, the lower the value of firm's MC.

The effect of family involvement on TMT and its effect on MC is also a controversial issue. Family involvement in TMT would enhance cohesion and strengths a shared strategic intention and logic (Chrisman et al., 2005; Ensley and Pearson, 2005). Familial TMT, where members have collectively diverse and complementary competences and background, will exhibit valuable monitoring capabilities (Miller and Le Breton-Miller, 2006). Family managers have continuance and affective organizational commitment due to their emotional and financial attachments. As a result family members become committed managers and demand this commitment to others. Also they tend to analyse and take strategic decisions thinking in the long term, because it is supposed they are going to remain in the company (Bubolz, 2001).

However, it should be difficult for the CEO to get rid poor performance managers when they belong to the family (Miller and Le Breton-Miller, 2006). Likewise, familial TMT are at risk of being victims of homogeneous and narrow managerial mindsets. A family-dominated TMT could stop non-family managers from expounding its visions and ups and downs (Chrisman et al., 2005; Ensley and Pearson, 2005). This kind of TMT acts as a liability for engaging in the exploration of innovative ideas (Zahra, Hayton and Salvato, 2004) and drive off professional managers from engaging in the firm (Carney, 2005). Lately, Escribá-Esteve et al. (2009) report a negative and significant relationship between TMT's familial nature and TMT's strategic orientation. Therefore:

H2b. The greater the involvement of owner family members in TMT, the lower the value of firm's MC.

3.2. Separation between Property-Control and Management and Managerial Capabilities

Within TMT, it should be noted the importance of the CEO position due to its key role in strategy formulation, implementation, as well in resource allocation and coordination and control roles (Wu et al., 2005; Haleblian and Finkelstein, 1993). This raises the question of analysing the 'differential effect' according to whether or not this position is performed by a family member (McConaughy, 2000). Some authors advocate for unifying monitoring and management roles under the leadership of an authoritative individual, which usually would be the leader of the family (Corbetta and Salvato, 2004; Kets de Vries, 1993), in order to reach higher firm performance (Donaldson and Davis, 1991), which normally would be the leader of the family (Corbetta and Salvato, 2004; Kets de Vries, 1993). In the imagery of this vein of research underlies the vision of a first generation family business deeply influenced by the strong personality of its founders. On the contrary, Agency Theory fosters a clear separation between owner-control roles and management roles in order to align management preferences with shareholders interest (Fama and Jensen, 1983a; 1983b; Jensen and Meckling, 1976). Alike, authors like Pollack (1985), Schulze et al. (2001; 2003), Mustakallio et al. (2002) defend that separation between control and management roles will protect FOB from parental altruism costs and conflicts between emotional and economic goals and preferences. A non-family CEO would also better represent the legitimate interest of the extended family, not just the branches with a dominant position in the board or the TMT cabinet. Together, separation not only prevents parental altruism costs –enhancing TMT quality–, but also opens an opportunity window to balance the 'administrative' and 'entrepreneurial' dimensions of MC. In this way, Brunninge et al., (2007) show how the deployment of corporate government devices improves the firm capability to face and achieve strategic changes. Therefore:

H3. Separation between property-control roles and managerial roles will have a positive effect on the value of firm's MC.

3.3. Family Complexity and Managerial Capabilities

Some authors like Salvato (2004) and Kellermanns et al. (2008) found a positive relationship between generational involvement and firm performance –employment growth– and FOB entrepreneurial orientation. It is supposed that new generations would stand in the relay race of FOB survival. Through new family blood FOB becomes reinvented and oriented towards more entrepreneurial behaviour (Eddleston and Kellermanns 2007). However FOB faces the challenge of sustaining its entrepreneurial orientation across generational changes (Casillas et al., 2010; Kellerman et al., 2008; Cruz and Nordqvist, 2008, 2007) that increase owner family size and complexity.

'Family Complexity' is defined "by the number of family members and the kind of relationships established among them, the number of generations alive at a given point in time and so on" (Gimeno-Sanding et al., 2006: 147). Family complexity leads to complex ownership structures due to an increase in the number of family shareholders, more heterogeneity among their visions and preferences, and as a final consequence, little cohesion and difficult decision-making processes when ownership performs its role (Barnes and Hershon, 1976). Complex ownership structures also lead to political games where a dominant family coalition could damage other shareholder interest (Villalonga and Amit, 2006). Furthermore generational transitions pose the challenge of maintaining founder's entrepreneurial drive while developing the MC administrative dimension, essential to manage a bigger and complex organization (Boeker and Wiltbank, 2005). Therefore:

H4. 'Ceteris paribus'*, the increase of owner family complexity will affect negatively the value of firm's MC.*

3.4. Institutional Development of FOB and Managerial Capabilities

In general terms the development of different governance devices and norms are seen as key for FOB continuity and growth and provides a fair context for succession (Lievens, 2004). Heavily influenced by the Corporate Governance framework, FOB academics and practitioners have assumed the intrinsic value of certain practices focused on the organization of the owning family in a more or less extended sense. Then, the institutional development of Family Governance structures and norms like: family assembly; family council; specialised committees; family protocol and other specific norms regarding questions like succession, power distribution or incorporation of family members to the firm, would preserve family unity and enables the roles of the Board and TMT (Gallo and Kenyon-Rouvinez, 2005). Therefore:

H5a. The greater the level of Family Business Governance development, the greater the value of firm's MC.

In general, Corporate Governance has adopted a universal focus, in fact, it responds to a general problem: reducing agency cost. Firms, also FOB, implement mimicry Corporate Governance Codes recommendations, following a set of general best practices with a 'one size fits all' philosophy (Donaldson, 2008) as a result of institutional pressures. Nevertheless, some researchers are claiming for a contingency focus on Corporate Governance in general (Rogers, 2005) and for the specific case of FOB in particular (Corbetta and Salvato, 2004; Braun and Sharma, 2007). However, these pieces of research are focused on the firm governance and little is said about the family governance side. Gimeno-Sanding et al., (2006) propose a model which jointly considers both sides of the FOB governance problem, the firm and the family, and propose a model where firm and family complexity are the conditioners of proper FOB governance structures. In accordance with Gimeno-Sanding et al., (2006) model we propose that FOB government practices will have a positive influence on MC only when they fit with FOB's family complexity. In any other case it could be counterproductive, diminishing entrepreneurship and hindering managerial decision-making processes. In order to analyse the family side of the question we propose the following hypothesis:

H5b. The relationship between the level of Family Business Governance development and the value of firm's MC is mediated by the level of owner family complexity.

4. METHODOLOGY

4.1. Sample

The origin of this research is a survey whose main objective was to study of firm´s competitiveness and it included questions about their sources of competitive advantages, resources and capabilities and other classical questions in FOB research. To obtain data the population selected was that of Spanish industrial firms, with the exception of the energy sector. In order to choose SME's, European Union 78/660/CEE criteria was applied.

The initial sample was formed by 1008 firms, selected from the Industrial Census of Spain by a procedure of stratified sampling, proportional as to industry, size and geographical distribution. Within each segment, the selection was made randomly. The data were collected by postal survey, using a modified version of the "total design method" by Dillman (1978) to correct the well-known problems suffered by this method, to raise the response rate and the quality of the information. The field work was carried out between July and October 2012. The final sample making up the data base is of 550 firms, giving a margin of error of ± 3.3%, with a confidence interval of 95.5 %. From this initial sample 234 firms were identified as Family Owned Business and were considered for the present research.

We adopted a "multi-informant" approach, which some authors (James and Hatten, 1995) see as preferable for measuring strategy constructs as it allows the information requested to be gathered in the more reliable way. We then requested that different firm competences should be evaluated by the most qualified informant. For the case of managerial capabilities the general manager-CEO or the president of the board was chosen as the most competent informer.

Firms in our final sample come from a variety of industries like: wood and furniture (12.2%), stone and tile (11.5%), food processing (9.5%), leather and shoes (9.1%), plastics and rubber (8.6%), machine-tool producers (7.9%), metal manufacturers –non machinery– (8.2%), chemical (4.6%). By size 77.1% firms were between 11-50 workers and 22.9% were between 51-250 employees. With regard to age, 5.7% were between 1 to 5 years old, 46.3% were between 6 to 19 years old, 21.7% were between 20 to 29 years old and 26.3% were 30 and more years old.

4.2. Questionnaire and measurement of variables

The questionnaire was structured in three parts. First we asked for identification data like firm's name, telephone number, address, person asking the questionnaire (name and position), industry, size, age, and societal form.

Second, in order to measure managerial capabilities (MC) we adapted the scale proposed and validated by Camison (2005) and latter by Cruz (2009) for the case if the service industry. These scales were composed of forty seven items that originally became grouped in five dimensions called: 'managerial leadership', 'incentive for change and innovation'; 'managerial experience'; 'position and exercise of power'; 'problem-solving expertise and technical knowledge'. Because the original research was designed following Barney's theoretical framework (Barney, 1991), the scale proposed by Camison (2005) considers jointly managerial resources –competences possessed by an individual– and managerial competences –a set of organizational processes and routines that belong to the firm and not to any individual–. Then we made a clear and restrictive distinction between managerial resources and managerial capabilities, removing the former and leaving the eight items showed in table 1.

Table 1. Managerial Capabilities Scale*.

Item	Defined as
TMT focus	Scale: 1 team of specialist, 2 focussed on operations, 3 focussed on marketing, 4 focussed on R+D, 5 entrepreneurial
Foreground TMT routines	Scale: 1 administrative technique, 2 quantitative methods for solving operational problems, 3 commercial management methods, 4 management-of-change techniques, 5 creativity techniques.
Approach to resource allocation	Scale: 1 tradition, 2 rationality, 3 market opportunities, 4 creation of related opportunities, 5 creation of radical opportunities.
Problem-solving approach	Scale: 1 by seeking precedents, 2 by modelling, 3 analytically, 4 intuitively with analytical support, 5 creatively with analytical support.
Decision-making capability	Capability to analyse and select the best decisions.
TMT initiative and willingness to take risk	TMT Capability to take initiatives and risks
Entrepreneurship	TMT Capability to accept risk in new projects
TMT orientation to change	Capability to accept change and actively introduce it

***.** In those items where the scale is not defined, measurement is on a scale of 1-5: 1 very low, 2 low, 3 medium or normal, 4 high, 5 very high

Table 2. Variable's definition and measurement.

Variable	Measure
Family involvement in non-managerial post –middle management + workforce– (**NM_INVOL1**)	% Family members involved in FOB working in non managerial post –middle management + workforce–
Family involvement in non-managerial post –middle management + workforce– (**NM_INVOL2**)	% Family members working in non-managerial post in relation with total number of people working in non-managerial post
Family involvement in FOB leadership (**MNG_INVOL**)	% Family members in board of directors and TMT
Family involvement in FOB governance (**GOV_INVOL**)	% Family members in board of directors
Family involvement in TMT (**TMT_INVOL**)	% Family members in TMT
Ownership-Management separation (**SEPARATION**)	Scale: 3 the CEO is a non-family professional, 2 the CEO is a family member but is not the president of the board of directors; 1 other cases
FOB's institutional development (**DEVELOPMENT**)	Sum of norms and devices developed in order to govern the family-firm relationship; Family Governance
Family complexity (**FAMCOMPLEX**)	Number of generations in property or working in FOB Number of family shareholder to reach 51% of voting rights
TMT Qualification[1] (**QUALIFICATION**)	Average of managers assessment of TMT qualification with regard to national and international direct competitors

Third we ask for the degree of family involvement in the board of directors, TMT and workforce (including middle management). We take as an indicator of involvement the percentage of family members in each organizational level. Also we ask for the level of family complexity, taking as indicator the number of generations involved in the FOB (indistinctly, property or work) and the degree of shareholder concentration. In order to measure the level of separation between management and property roles we consider three levels: the CEO is a non-family professional, the CEO is a family member but is not the president of the board of directors; other cases –depending on the societal form of the FOB–. The level of institutional development of FOB family governance structure was measured by the presence of different norms, protocols and devices like family council, family protocol, norms regulating family incorporation to the firm, succession, power allocation between family branches, HHRR policies for family members,

[1] In the original survey this question was asked to different members of TMT who were assessing different firm capabilities.

etc. We take as an indicator of the FOB's level of institutionalization the number of norms, and devices applied composing family governance structure. Finally TMT qualification is the mean scores that different FOB managers gave to TMT with regard to direct competitor's TMT[2]. Table 2 summarizes the measurement of all variables in the model.

5. RESULTS AND DISCUSSION

In this section we are going to present the results obtained from data analysis. We have run several regression models making adjustments from one to other (table 3). The difference between *model 1* and *model 2* is the use of different variable to measure the implication of the family in non-managerial post. Obviously, the interactions between the implication of the family in non-managerial jobs and other variables are also altered, as far as we have also introduced the modification in them. In *model 3* we have split family involvement in leadership roles in two: first, the implication of family members in TMT, second, the involvement of family members in governance-control roles in the board. This division generates, as in the second model, modifications in the interactions where these new variables are used.

R^2 for the three models were 0.205, 0.220 and 0.194 respectively. As we will detail later, there are some variables that are not significant, but as we can observe, they follow the same trend in the three models.

In line with our expectations family involvement in FOB has significant influence over the value of firm's MC. Also this influence is different depending on the organizational level were family gets involved. Hence our findings confirm that family involvement has negative effects on MC value.

With regard to family involvement in non-managerial posts –middle management and workforce– results in model 1, model 2 and 3 show a negative relationship, in line with our hypothesis 1, the presence of family members in the workforce shows negatively and significant relationships with the value of MC in models 2 and 3 (β= -1.305336, $p<0.01$ in model 2, β= -1.223549, $p<0.01$ in model 3)

Hypothesis 2 focuses on the influence of the owner family on MC value when they get involved in firm's leadership –governance and management roles–. We expect that family involvement in the running of the firm would have a negative effect on MC. Our data show that the presence of family members have a negative and significant relationship with FOB's MC value (β = -3.380533, p<0.01 in model 1 and β = -3.616422, p<0.01 in model 2).

If we make a difference between family involvement in governance and family involvement in management (TMT), we should expect similar effects over Firm's MC value. We expect that

[2] That's possible because the original survey applied a multi-informant approach; as a result almost all TMT members were inquired.

family involvement in governance –presence of family members in the board– would have a negative effect on firm's managerial capabilities –Hypothesis 2a–. Our data show that boards with high presence of family members have negative and significant relationships with the value of the firm's MC (ß = -1.617050, *p*<0.1). Thus it seems that for the case of the relationships between family involvement in board and the value of MC.

Table 3. Results of the regression analysis.

	MODEL 1		MODEL 2		MODEL 3	
	COEF	SIGN	COEF	SIGN	COEF	SIGN
C	34,094160	0,0000	34,09366	0,0000	32,58028	0
FAMCOMPLEX	**-2,653664 *****	**0,0009**	**-1,948452 *****	**0,0039**	**-1,675554 ****	**0,019**
NM_INVOL1	-0,812652	0,7210				
NM_INVOL2			**-1,305336 *****	**0,0027**	**-1,223549 *****	**0,007**
MNG_INVOL	**-3,380533 *****	**0,0079**	**-3,616422 *****	**0,0039**		
TMT_INVOL					**-1,323738 ***	**0,099**
GOV_INVOL					**-1,617050 ***	**0,088**
SEPARATION	**7,849710 ****	**0,0162**	**6,455464 ****	**0,0188**	1,960425	0,635
DEVELOPMENT	**-5,295554 *****	**0,0095**	**-7,092976 *****	**0,0001**	**-6,532495 *****	**0,001**
NM_INVOL1*SEPARATION	-1,870836	0,3998				
NM_INVOL2*SEPARATION			**205,6944 ****	**0,0191**	1.395,413	0,369
MNG_INVOL*SEPARATION	-3,479204	0,3991	-4,813176	0,1956		
TMT_INVOL*SEPARATION					1,398092	0,702
GOV_INVOL*SEPARATION					8,620868	0,579
FAMCOMPLEX*SEPARATION	1,313725 *	0,0513	0,590012	0,2584	0,456721	0,404
FIRM SIZE	**-1,035879 ***	**0,0805**	-0,815123	0,1565	-0,676552	0,255
TMT QUALIFICATION	**0,872602 ****	**0,0281**	**0,878531 ****	**0,0238**	**0,961396 ****	**0,017**

	MODEL 1		MODEL 2		MODEL 3	
	COEF	SIGN	COEF	SIGN	COEF	SIGN
FIRM AGE	-0,216221	0,3743	-0,315325	0,1744	-0,292024	0,257
FAMCOMPLEX*DEVELOPMENT	**1,922444 *****	**0,0017**	**1,871511 *****	**0,0019**	**1,944160 *****	**0,005**
NM_INVOL1* DEVELOPMENT	**4,137822 *****	**0,0055**				
NM_INVOL2* DEVELOPMENT			**119,9210 ****	**0,0123**	**105,6042 ****	**0,042**
MNG_INVOL* DEVELOPMENT	0,186526	0,9282	2,802542	0,1308		
TMT_INVOL* DEVELOPMENT					0,621814	0,662
GOV_INVOL* DEVELOPMENT					2,063273	0,113
SEPARATION* DEVELOPMENT					-10,836970	0,474
	R^2: 0,205122		R^2: 0,220010		R^2: 0,193900	

** p<0,1; ** p<0,05; *** p<0,001*

With regard to family involvement in TMT we also predicted in hypothesis 2b a negative effect on MC value. Data in model 3 shows a significant negative relationship between the familial nature of TMT and the value of managerial capabilities. Then, our data seem to refute negative outcomes predicted by Zahra et al. (2004), Carney (2005), Chrisman et al. (2005), Ensley and Pearson (2005), Miller and Le Breton-Miller (2006), and Escribá-Esteve et al. (2009). Familial TMT seems to be less prone to innovation, analysis and strategic change.

With regard to the separation between control and management roles, according with Hypothesis 3 we have predicted that separation between property-control roles and managerial roles will have a positive effect on FOB's MC value. Our variable *'SEPARATION'* measures jointly the deployment of governance devices like the board and the differentiation of personal roles –CEO non-duality–. Although model 3 shows not significant relationships (p>0.1), models 1 and 2 provide us significant and positive relationships (p<0.05) in both cases. Therefore, results predict that the separation between management roles and control roles has a positive relationship with the value of MC (ß = 7.849710 in model 1 and ß = 6.455464 in model 2), confirming hypothesis 3. It seems that even for the case of SME-FOB, role differentiation leads to better MC endowments.

Analysing the joint effect of family involvement and the separation between ownership and managerial roles on MC value, data show a positive and significant relationship between family involvement in non-managerial roles and FOB's MC value (ß = 205.6944, p<0.05). The relationship between family involvement in managerial roles and firm's MC value also changes its sign from negative to positive in both cases although at not significant level, as model 3 shows (ß = 1.398092 in the case of family involvement in TMT, and ß = 8.620868 in the case of family involvement in the board of directors).Thus we can only state that, for the case of SME_FOB, a familial workforce together with separation of ownership and management roles exert a significant a and positive influence on MC value.

We had proposed that family complexity –understood as the number of familiar members with different and sometimes conflicting interest, expectations and visions– would have a negative effect on FOB's MC. All three models are showing a negative and significant relationship (ß = -2.653664, $p<0.01$ in model 1, ß = -1.948452, $p<0.01$ in model 2, and ß = -1.675554, $p<0.05$ in model 3) between the degree of family complexity and the value of MC. In other words, family complexity has a sound and very significant negative influence over MC's value, confirming hypothesis 4. From data we could reach the conclusion that, *'ceteris paribus'*, family complexity is the main factor undermining FOB's MC and therefore competitiveness.

However if FOB has deployed corporate governance best practices, the relationship between family complexity and MC value turns positive. As model 1 shows, separation between control and management roles will report a positive relationship between 'family complexity' and the level of MC (ß = 1.313725, $p<0.1$).

In order to counteract the negative relationship between family involvement and the value of managerial capabilities, the deployment of a family governance structure, protects the firm from 'family issues', and benefits the FOB of the family as a source of committed talent –Hypothesis 5a–. Then we predict that the development of a family governance structure will have a positive effect on MC. However results show that, contrary to our predictions, the development and deployment of formal mechanisms of governance that regulate family-firm relationships has a negative effect over FOB's MC value (ß = -5.295554, $p<0.01$ in model 1, ß = -7.092976, $p<0.01$ in model 2, ß = -6.532495, $p<0.01$ in model 3). One potential explanation to these results is that these formal mechanisms of family governance, for the case of SME-FOB, are lowering the flexible and entrepreneurial way of managing. Also these results could be a sign of the consequences of misfit between family governance structures and the individual unique features of each FOB.

Therefore, significant and negative relationships between the deployment of family governance devices and MC, gives us a clue for thinking about a contingent relationship mediated by the level of family complexity as we advance in hypothesis 5b's statement. We propose that family governance, when fitting with FOB's level of 'family complexity', would have a positive impact on MC. As we see in table 3, all three models provide a significant and positive relationship (ß = 1,922444, $p<0.01$ in model 1, ß = 1,871511, $p<0.01$ in model 2, ß = 1,944160, $p<0.01$ in model 3) in line with our proposed hypothesis. This confirms that family governance structure should fit with the level of family complexity in order to be useful. Only in this case there's a positive relationship with the value of MC. Then, an extended and well governed family becomes a resource that enhances firm's MC.

In line results show that family involvement in non-managerial roles become positive for FOB's MC value when the family-firm relationships are governed through a clear and formalised set of rules. Our data show a positive relationship between family involvement in workforce and the deployment of family firm devices (ß = 4.137822, $p<0.01$ in model 1). Equally, models 2 and 3, measuring family involvement in workforce in a different way, show a positive and significant relationship (ß = 119.9210, $p<0.05$ in model 2 and ß = 105.6042, $p<0.05$ in model 3) allowing us to reach the same conclusion as in model 1. Then, only when family governance practices drive the family-firm relationship, family becomes a valuable resource for firm competitiveness.

With regard to family involvement in FOB's leadership, although not in a significant level, results change its sign form negative to a positive relationship (ß = 2.802542 in model 2). Similar results are shown in model 3 for the case of family involvement in TMT (ß = 0.621814) and family involvement in the board (ß = 2.063273). Thus, unfortunately, our data don´t allow us to establish any relationship.

6. CONCLUSIONS

This paper presents an attempt to explore the effect of family involvement on the value of managerial capabilities (MC) for the case of Spanish SME-FOB. Although previous studies have focused on the relationship between family involvement and firm performance, the question remains opened with contrasting statements depending on the theoretical framework adopted –mainly Agency Theory *vs.* Resource-Based View–. Empirical studies report partial data about the relationship between family involvement in government and managerial roles and the FOB orientation to undertake strategic change.

Our research contributes to the literature analysing the 'family effect' in a wide sense, making a clear distinction between family involvement in the ownership, management and workforce level; measuring the managerial capabilities construct in a direct way including not only the 'entrepreneurial dimension', but also the 'administrative dimension'. We are going to study the effect of corporate and family governance structures on the value of managerial capabilities; and finally we are going to analyse 'family complexity' as a mediating factor between governance structures and the level of managerial capabilities.

Our data show that family involvement in SME-FOB has a negative effect over MC's value. Results indicate that not only family involvement in control and managerial roles is harmful for the value of FOB's MC. Also family involvement at the workforce level seems to be damaging firm's MC endowment. Thus it seems that parental altruism (Schulze et al., 2001; 2003) and family entrenchment (Gomez-Mejia et al., 2001) effects are higher than the positive effect of organizational commitment and OCB predicted by Davis et al. (1997; 2000) and Bubolz (2001).

With regard family involvement in the board of directors, our survey shows that familial boards harm the value of managerial capabilities, supporting the idea that this kind of boards don't benefit of outsider's contributions because the resources they provide and because the smooth board functioning they should lead to.

Also familial TMT have a negative relationship with the value of managerial capabilities. Our results are in accordance with recent research developed in Spanish SME (Escribá-Esteve et al., 2009). Once again, entrenchment and a narrow and accommodating view seems to prevail in TMT when, on the whole, managers are family members.

Separation between monitoring and management roles has a positive effect on the value of MC, even for the case of SME-FOB. Separation also corrects the negative relationship between family involvement and MC, turning it from significant and negative to significant and positive. Looking for an explanation, we think it could be twofold: On one hand, the development of firm governance devices prevent from agency costs. On the other hand, these government structures should give room to outsiders and non-family managers or to new family generations that, in both cases, contribute with new and renewed managerial resources.

‘Family Complexity’ is an emergent topic in FOB literature that could be useful for understanding the family effect on FOB performance. Our data shows that ‘family complexity’ *per se* could be extremely harmful for firm’s MC value. The coexistence of heterogeneous familial branches in the ownership and the work spheres has a sound and negative relationship with the value of FOB’s MC. Results seem to contradict Salvato (2004) and Eddleston and Kellermanns (2007) evidences. However, as we can see the ‘family complexity’ effect turns positive when corporate governance devices are present.

Alike corporate governance best practices, family governance seems a “must” for every FOB. Thus we expect a sound and absolute positive relationship between the presence of family governance practices and the value of MC. Surprisingly our data show a negative relationship between the degree of family governance development and the value of MC. This evidence lead us to think about a contingent relationship between the degree of firm and family complexity and the development of governance structures, as suggested by Rogers (2005) and Gimeno-Sanding et al., (2006). Our data show that the relationship between family governance structure and managerial capabilities becomes positive and significant when family governance devices fit with the level of ‘family complexity’ in a relationship of: *The higher the family complexity, the higher the family governance complexity*. Therefore we think that our data give support to the FOB contingent model presented by Gimeno-Sanding et al. (2006)

Despite these contributions, this paper presents some limitations that provide further research opportunities. First, this paper has analysed family involvement in a quantitative but not in a qualitative way. Including considerations from the Upper Echelon perspective could give us a more detailed view of the desirable qualities of family members when get involved in family firm. We propose that among the qualities under analysis we should observe not only socio-demographic variables but also emotional items like the amount and kind of organizational and family commitment. Second, even though some data seem significant, we don’t really know which positive nor negative effect offered from different theories and views really explain our results –Agency Theory and Resource-Based Theory, but also Resource Dependence Theory, Institutional Theory, etc.–. Third, we have conducted our survey over a sample of SME-FOB. We wonder in our results will be the same taking into account bigger family-controlled public firms as pointed in recent research (Minichilli et al., 2010; Miller et al., 2013). Likewise our research is based on a sample of Spanish firms and we don’t know if our conclusions could be generalized to other countries with different national cultures and institutional frameworks that affect both family and firm behaviour. Fourth, we have stated the outstanding relevance of managerial capabilities for firm performance; however we don’t have included any performance index like ROI, ROA or employment growth. Finally we have collected our data about managerial capabilities values form a single respondent. Although literature agrees that it is reasonable to use CEO or the president of the board as a reliable source of information for the case of SME, using multiple respondents form board and TMT in future studies would permit the construction of consensus-based data sets and reduce concerns about single respondent bias.

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