Chapter 6
Competitive Advantage Development in Family Firms by Transforming Entrepreneurial Orientation Into CSR:
Evidence From Spain

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ABSTRACT

INTRODUCTION: MOTIVATION, GOALS, AND CONTRIBUTIONS

The disposition toward entrepreneurship appears crucial for firm survival and success (Covin & Wales, 2012) since it is considered as an antecedent of entrepreneurial behavior (Zellweger & Sieger, 2012) and competitive advantage development (Cruz & Nordqvist, 2012). For capturing this firm-level entrepreneurial attitude, Miller (1983), as well as Covin and Slevin (1991), developed the entrepreneurial orientation (EO) construct, which has generally been conceived as an organizational experience associated to the company´s methods, processes, and decision-making activities (e.g. Hughes & Morgan, 2007). For more than two decades, EO has been studied in the entrepreneurship literature, and it has been linked to family firms (FF) in the last few years (Alayo, Maseda, Iturralde, & Arzubiaga, 2019; Bauweraerts & Colot, 2017; Hernández-Linares & López-Fernández, 2018; Hernández-Perlines, Moreno-García, &

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Yáñez-Araque, 2017), although they are the most extended type of firms all around the world (Hiebl, Quinn, Craig, & Moores, 2018).

The importance of family firms has gained full recognition in recent years in both highly industrialized (De Massis, Frattini, Pizzurno, & Cassia, 2015) and developing countries (Mazzi, 2011) due to their capacity to create employment, considerable contribution to the gross domestic product (GDP), and their particular ability to create wealth (Randerson et al., 2015). Data for the United States of America (USA) and Europe demonstrate this point. In the USA, 80 to 90% of all firms are family-run, accounting for 57% of private sector employment and 63% of the total USA GDP. In Europe, family firms are 85% of all firms, accounting for six out of ten private sector positions and contributing 65% of private sector GDP (Björnberg, Elstrodt, & Pandit, 2015). Although this is significant, the importance of FF may be even more significant from a qualitative point of view (Basco, 2013). In fact, in addition to the "cross-generational" nature of FF, which provides greater economic stability, this type of entity is usually fundamental in local development and social cohesion, transmitting skills, and local structures, amongst other things (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012). Therefore, research into FF has increased considerably over the last 20 to 30 years (Dawson & Mussolino, 2014; López-Fernández, Serrano-Bedia, Pérez-Pérez, Hernández-Linares, & Palma-Ruiz, 2017).

Although there have been different approaches to define FF, researchers have generally agreed on the particular characteristics of these firms (Chirico, Sirmon, Sciascia, & Mazzola, 2011). The interaction of two particular systems, the family and the company, can influence this type of entity, creating several particular FF characteristics (Chirico & Salvato, 2008). Thus, as well as having long-term strategies, FF usually have a strong group identity and family values, making the firm its particular social environment (Schepers, Voordeckers, Steijvers, & Laveren, 2014). Also, members of the FF usually have a particular emotional connection with the company, which reinforces their commitment to its survival. This commitment is often reflected in a tendency to avoid risky strategies and represents a vital characteristic of these firms (Berrone, Cruz, & Gomez-Mejia, 2012). All in all, these particular characteristics based on the interaction between the family and the company denotes the difference between family and nonfamily firms, which may affect the style of management (Le Breton-Miller & Miller, 2006), entrepreneurship (Goel & Jones III, 2016), and strategic decision making (Sciascia, Mazzola, & Chirico, 2013).

One of the main goals of FF is the transgenerational survival (Zellweger, Nason, & Nordqvist, 2012), so as these firms are especially interested in projecting a family business image (Sageder, Mitter, & Feldbauer-Durstmüller, 2018) that suggests a responsible behavior to their communities in the long term (Kashmiri & Mahajan, 2014). Thus, FF attempt to develop an entrepreneurial behavior to develop a Corporate Social Responsibility (CSR) strategy, which may represent a competitive advantage in the long-run. As a result, CSR is playing a pivotal role both at international level –enhancing national competitiveness (Boulouta & Pitelis, 2014)–, and at a national level, representing governments´ important CSR drivers (Cantó-Milà & Lozano, 2009). In this sense, the cultural differences among countries should be considered (Celma, Martínez-Garcia, & Coenders, 2014; Jamali & Mirshak, 2007). Focusing on the Spanish context, it was only (1) after democracy arrived in Spain in 1978 and (2) Spain joined the European Economic Community in 1986 when some CSR-related regulations first arouse. Thus, in Spain, the CSR movement took place later than in other countries (Fernández-Feijoo, 2011), and governments' compulsory initiatives first supported it. Precisely, leaving aside the international CSR-related guidelines –promoted by the United Nations Global Compact, among others–, both the Spanish general government and each of the seventeen Spanish Autonomous Communities promote compulsory initiatives (Reverte, 2009) in line with the European guidelines.