

## Chapter 2

# Which Competitive Strategy Fits Better to Different Family–Business Profiles? A Configurational Approach

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### ABSTRACT

*This chapter belongs to the vein of research that analyses family firms from a configurational approach. This survey explores which combination of competitive strategy, environmental turbulence, family complexity, and family firm management and governance arrangements are present when firm performance is present. This research follows Le Breton-Miller and Miller's call to gain a better understanding of the interaction between competitive strategy, environmental conditions, and family firm features. Literature reports controversial results with regard to family-business strategic preferences and firm performance, and recent research shows that this relationship needs considering both industry and family context. This chapter analyses a sample of 129 Spanish SME-Family-Business that belong to the tourism industry. Using fuzzy-set qualitative comparative analysis, the authors find seven configurations to firm performance presence and one recipe for performance absence.*

### INTRODUCTION

Understanding family-firm preferences in terms of strategic choice remains an open and relevant question in the field of family-business research. There is a generalized assumption that family-firms with high degree of family involvement are prone to conservatism and strategic stagnation. However, Miller

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& Le-Breton Miller (2005), as well as Van Gils et al (2004), report that family-business do not show any specific preference toward any specific competitive strategy. If anything, the last paper reports a high percentage of family-firms 'stuck in the middle'. In a conceptual paper Le-Breton Miller & Miller (2008), argues that *'there are important differences in the priorities and risk preferences of individual or unrelated founder vs family owners and managers'* (p.43). That is, they state that family-business strategic preferences will depend on family-firm involvement, firm governance and CEO profile.

The evidence that family-business do not behave in an homogeneous way call for turning attention toward gaining understanding of family-business heterogeneity, analyzing firm behavior in a contextualized way and paying attention to the set of circumstances where decisions are made and enacted. This configurative approach requires specific research methodologies recently incorporated to the family-business research literature, as latent profile analysis or fuzzy-set qualitative comparative analysis. However, despite this call to a contextualized understanding of family-firm strategic behavior, to date the amount of research devoted to the topic remains limited:

Basco (2014), proposes a typology based on decision-making –'business first'; 'family-business first'; and 'family first'– and Porter (1985) competitive strategies. Through a cluster-analysis looks for fit between decision-making style and competitive strategy. Results show that high performance occurs in those family-firms that follow a differentiation strategy and balance family and firm priorities and to family-firms that chose a low cost strategy and follow a 'business first' decision-making logic.

The same year, Moss et al. (2014) run a longitudinal research over 94 high-tech family-business, and consider firm size, environmental dynamism and munificence. They analyze strategic consistency –refers to the intensity of both, exploration and exploitation activities together and along time– and its impact on performance. Results show that the relationship between strategic consistency and financial performance is stronger in family-business than in non-family business. Alike they report that environmental dynamism positively moderates the relationship between strategic consistency and financial performance. On the contrary, firm size moderates negatively this relationship.

Recently, Stanley et al (2019) analyze the presence of entrepreneurial orientation and firm performance in a sample of Spanish and Portuguese family-firms. They consider family-firm features related to family influence in ownership –percentage of stock in family hands– and management –family CEO–; and life cycle stage: generation in charge, firm governance –Board of Directors– and firm size. This paper proposes a family-firm typology using a 2X2 matrix based on the degree of family influence and the family-firm life-cycle stage. Using latent profile analysis, the survey finds out four profiles and report that family-firms profiles with a board of directors and a family CEO present superior traits of entrepreneurial orientation. Alike, small and closely held family firms that have a board of directors and a family CEO, present superior performance than small, first generation, closely held family-firms that do not have board of directors but have a family CEO.

In order to continue this emergent vein of research, this chapter analyses a sample of 129 family-firms. In order to reduce the source of heterogeneity, all of them are SME closely held family-business that belong to the Spanish tourism industry. Applying fuzzy set comparative analysis the survey takes performance as the outcome, and considers as conditions: competitive strategy, environmental turbulence, family complexity –generations and number of shareholders–, the presence of Board of Directors and a Family CEO.

The contributions are several: first, this survey considers environmental turbulence, a more comprehensive measure of environmental conditions, given that turbulence is a mix of hostility, dynamism, uncertainty and complexity. Second, even when the initial sample was much larger, the research strategy

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