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***ENTREPRENEURSHIP AND PERFORMANCE IN ITALIAN FAMILY SMES:  
FROM THEORETICAL MODELS TO A COMPETENCY APPROACH***

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## **INTRODUCTION AND SUMMARY**

Much work has been done in trying to understand whether a competent leader can also do a great job. This research aims to assess whether this relationship between competencies and task performance can be extended also to firm performance, when analyzing entrepreneurs.

In particular, in the first two chapters we investigate the ways in which entrepreneurial competencies become firm performance. The focus will be on family business, a very peculiar social context where relationships are major determinants of decisions and results.

The first chapter presents a quantitative approach, while the second one introduces a qualitative one. The last chapter is a peculiar literature review which presents an original analysis of the full body of work done in the field of family business study. I felt that such a work was needed, on one side to justify the approach used in the first two chapters which emphasizes not only the theoretical implications but also practical implications of this work, on the other side to lay the foundation for my future research.

### *Chapter 1*

In this chapter, we analyze the role of emotional intelligence competencies and their impact on business outcomes in a sample of entrepreneurs of small and medium sized Italian firms. We focus on the measurement of competencies by using a variety of tools and identify those ones that distinguish superior performers (i.e. distinctive competencies). Using factor and regression analysis we identify three factors of distinctive competencies and show that the relational dimension primarily affects organizational results. In particular, we have some initial evidence that competencies such as *Efficiency orientation*, *Organizational awareness* and *Teamwork* could be related to a higher firm financial performance.

### *Chapter 2*

This second chapter aims to answer the question: why and how do entrepreneurial competencies influence performance in family business? By means of a qualitative multiple case study analysis (2 cases among the 96 analyzed in the first chapter) we aim to find which individual, familiar or organizational variables influence this process. Evidence shows that entrepreneurs need to find their decisional autonomy and legitimacy to be able to enact their competencies in favor of the whole organization.

### *Chapter 3*

The last chapter study analyzes all published articles of the last 13 volumes (from 1998 to 2010) of Family Business Review by classifying them along two dimensions: relevance for practice (i.e. practical implications) and contribution to theory (i.e. theory building and theory testing). We also try to understand whether the levels of theoretical

contributions and practical implications within articles are significant predictors of citation rates. Both scales used and results can give useful contributions to future research.

### *Capitolo 1*

In questo capitolo, viene analizzato il ruolo delle *emotional intelligence competencies* e il loro impatto sui risultati aziendali in un campione di piccolo e medie imprese italiane. Viene presentata un'analisi sulla misurazione delle competenze attraverso diverse metodologie e vengono individuate alcune competenze distintive, ossia quelle che caratterizzano le aziende con le performance migliori. Utilizzando l'analisi fattoriale e la regressione si sono definiti tre fattori di competenze distintive e si è mostrato che la dimensione relazionale è quella che maggiormente impatta sui risultati delle imprese. In particolare, si è ottenuta un'evidenza iniziale che alcune competenze come l'*Orientamento all'efficienza*, la *Consapevolezza organizzativa* e il *Lavoro di gruppo* potrebbero essere legate a una performance d'impresa superiore.

### *Capitolo 2*

Questo secondo capitolo mira a rispondere alla domanda: perché e come le competenze imprenditoriali influenzano la performance nelle aziende familiari? Utilizzando un'analisi di casi multipli (2 casi tra i 96 analizzati nel primo capitolo) si ha l'obiettivo di individuare quali variabili individuali, familiari e organizzative influenzano questo processo. L'analisi evidenzia che gli imprenditori hanno la necessità di avere autonomia decisionale e legittimazione per essere in grado di attivare le loro competenze a favore dell'organizzazione.

### *Capitolo 3*

L'ultimo capitolo analizza tutti gli articoli pubblicati negli ultimi 13 volumi (dal 1998 al 2010) su *Family Business Review* classificandoli secondo due dimensioni: rilevanza pratica, ossia implicazioni pratiche, e contributi alla teoria, cioè *theory building* e *theory*

*testing*. Si cerca inoltre di capire se il livello di contributi teorici e implicazioni pratiche contenute negli articoli possano predire il numero di citazioni. Sia le scale di classificazione utilizzate che i risultati forniscono degli importanti contributi alla letteratura.





## 1. CHAPTER

# **WHAT MAKES ITALIAN SME ENTREPRENEURS SUCCESSFUL? THE LEVERAGE EFFECT OF RELATIONAL COMPETENCIES.**

### 1.1 INTRODUCTION

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The entrepreneur's demographic, psychological and behavioral characteristics, and his/her managerial skills and technical know-how are often cited as the most relevant determinants of small and medium sized enterprises' (SME) performance, which is usually considered the ultimate criterion to define successful or unsuccessful firms (Chandler & Hanks, 1994; Man, Lau, & Chan, 2002; Noor, Ramayah, Wilson, & Kummerow, 2010; Rasmussen, Mosey, & Wright, 2011).

Previous research has considered that the capabilities of the individual leader besides influencing job performance can determine present and future interactions as well as business strategies (Morris, Schindehutte, & Allen, 2005) and consequently crucially influence the profitability of the firm (e.g. Man et al., 2002). However it has never measured their impact on SMEs' performance.

In this paper, we chose to analyze SMEs where the individual leader clearly affects the decision making process and the organization as a whole with the aim of answering the question: what are the entrepreneurs' distinctive competencies that impact on firm performance in SMEs? To reach our goal, first we analyze the portfolio of entrepreneurs' competencies using a set of tools. Second, we identify the competencies that character-

ize superior performers (i.e. distinctive) using a comparative multi-dimensional performance criterion. Lastly, we focus our analysis on firm financial performance and its relation to entrepreneurs' distinctive competencies.

This paper is organized as follows. In the first part, we present a literature review to identify the main research gaps and our research questions. We then describe the research design and method applied, and finally we present the results and main implications that can be drawn from our analysis.

## 1.2 BACKGROUND LITERATURE AND RESEARCH QUESTIONS

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For a SME, the process of achieving competitiveness is strongly influenced by the key players, defined as the “entrepreneurship factors” in the framework of Horne, Lloyd, Pay and Roe (1992). Also, the Organization for Economic Cooperation and Development (OECD, 1993) study advances the idea that because of the concentration of decision-making power in the owner/manager in a SME environment, his/her role is one of the major determinants of the business competitiveness and of the firm's overall strategy. Building on Stoner's (1987) findings, recent studies (Noor et al., 2010; Rasmussen et al., 2011) also support this emphasis on the human factor. According to this research, the key abilities of small firms are the experience, knowledge and skills of the owners and workers.

Moreover, the literature that has focused on entrepreneurial competencies has considered them as a strategic resource of the business (Hayton & Kelly, 2006) and supports the idea that the individual and, in particular, his/her competency portfolio, has a strong influence on financial performance in SMEs (Chandler & Hanks, 1994; Mitchelmore & Rowley, 2010; Zahra, Nielsen, & Bogner, 1999). This research about entrepreneurial competencies and their role in determining performance and growth also underlines that

it is of paramount importance to explore the measurement and identification of those competencies and their link with business performance using new and original variables.

In this work, we embrace the North-American definition of competencies, by considering that a competency is defined as a personal characteristic which is causally related to superior or effective performance in a job (Boyatzis, 1982, 2008). Individual competencies are, in fact, as unique as the person that possesses them. They are also difficult for rivals to imitate because of the ambiguity about their origins and their embeddedness in the individual. In particular, we will focus on emotional intelligence competencies (Salovey & Mayer, 1990; Goleman, 1995) which are human talents that result in superior performance and that enable a person to demonstrate intelligent use of emotions in managing themselves and working with others to be effective at work (Boyatzis, Goleman, & Rhee, 2000). By defining competencies as higher-level characteristics encompassing personality traits, skills and knowledge, and consequently seeing them as the total ability of the entrepreneur to perform a job successfully, we have a way to analyze entrepreneurial characteristics that have closer links to organizational performance (Man et al., 2002).

Traditionally researchers have used these tools to explore managerial competencies as drivers of better job performance or to examine what competencies distinguish corporate managers from individuals who operate in their own business. In those works three classical themes are used to describe entrepreneurs: achievement motivation, risk-taking propensity and inclination to innovation (Carland, Hoy, Boulton, & Carland, 1984; Chen, Greene, & Crick, 1998; Stewart, Watson, Carland, & Carland 1999).

Here we take a step further by relating entrepreneurs' competencies to their business performance, which can be seen as a broader definition of their job outcome. In fact, although the importance of the entrepreneur on SME outcomes seems to be widely recognized, the role of entrepreneurial competencies on firm performance is still underexplored in the literature and a multi-method quantitative analysis of the entrepreneurial competencies portfolio related to firms' performance is still lacking. For this reason, this research tries to focus on this issue by answering the following questions: a) How can the competency portfolio of a sample of entrepreneurs be measured and what is its internal composition? b) How can entrepreneurs' distinctive competencies (i.e. those competencies more related to a higher *organizational* performance) be identified? c) Which are the entrepreneurs' competencies that impact on their firms' *financial* outcomes?

We try to answer these research questions by building on a preliminary research experience (Camuffo, Gerli and Gubitta, forthcoming) and developing this study on a larger sample, a more in-depth analysis of competency portfolios by also considering the dimension of competency *variety* in addition to competency *frequency*, the use of a number of statistical tools to cluster the different competencies and to explore their relationship with SMEs' performance and finally the consideration of SMEs' financial outcomes..

### 1.3 RESEARCH DESIGN AND METHODS

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In the next paragraphs we will explain sample and data collection means, and procedures and measures adopted in this research.

### 1.3.1 Sample And Data Collection

In order to answer our research questions, we collected a set of data on a sample of 98 entrepreneurs. After excluding those 4 who did not want to be surveyed and who did not consent to the collection of the necessary information regarding their firm, we obtained a final sample of 94 entrepreneurs, whose 91 firms are located in North-East Italy, which is one of the most industrialized parts of Italy with a long tradition of SMEs characterized by entrepreneurs' strong commitment and involvement in their firms' activities.

The sample of entrepreneurs we analyzed was made up of the participants to the first five editions of the *Master for Entrepreneurs of Small and Medium Enterprises* organized by Fondazione CUOA, a part-time MBA program lasting 20 months. The data were collected from the participants to the editions from 2006 to 2010: 27% of the participants attended the first edition, 19% the second, 14% the third, 20% the fourth and 20% the fifth. The sample contains 72 males and 22 females. The average age is 36 years old, the maximum is 53 and the minimum is 26, with 58 people graduated from high school and 36 from university.

Of the 91 firms, more than 90% are located in the Veneto Region in the North-East of Italy. Most of them (64%) operate in manufacturing sectors, while the rest are divided among those performing service activities (11%), technology and science based activities (11%) and plant engineering activities (11%). They have an average number of employees of 106, an average turnover of 35.24 million Euros and their average ROA is around 5% in 2009. Also, most of the firms are led by first generation entrepreneurs (37) and by second generation leaders (54), only 2 firms have reached the third generation and 1 business is at the fourth generation.

There were three criteria for admittance to the MBA program. First, all the entrepreneurs had to own small and medium-sized privately held limited companies, i.e. with fewer than 500 employees, following the broader OECD definition. Second, all their firms had to be located in the North of Italy, which is the most industrialized area in the country. This allowed us also to control for possible local cultural effects. Third, a more stringent definition of SMEs had to be respected. In particular, all entrepreneurs' firms had to comply with the "personal principle", i.e. the company entrepreneur performed a fundamental role in the business decision making process. He/she needed to have a life-long relationship to the company, a direct contact with the employees, customers and suppliers and an overview of fundamentally all technical, administrative and organizational procedures in the company (Loecher, 2000). Therefore, in all the firms of the MBA participants, the leading family was involved in the management of the business and the leaders were emotionally bound to their firm history and extremely willing to enhance their organizations' performance.

At the beginning of each edition of the MBA program, an analysis of the participants' individual competencies was carried out. This was part of a more comprehensive process aimed at supporting the trainees development, according to a self-directed learning approach (Kolb & Boyatzis, 1970; Kolb, Winter, & Berlew, 1968), by strictly integrating the educational process with some evaluation check-points during the Master Program.

The data gathered from the analysis carried out at the beginning of the MBA were used for the purposes of this study and were then integrated with a set of personal, organizational and performance variables in order to answer our research questions. It is worth considering that since the data on the entrepreneurs' competency portfolio were col-

lected at the very beginning of their MBA, they couldn't have been influenced by the MBA itself.

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### 1.3.2 Procedures And Measures

Our study is composed of three consecutive sections that will be described more in detail in the following paragraphs. In the first part we analyze the characteristics of the competency portfolio of the sample of 94 entrepreneurs. In the second we explore and discuss the relationship between the competency possessed by the entrepreneurs and their firms' performance. In the third section we explore the impact of the distinctive competencies on the financial outcomes, by considering also a set of individual and organizational control variables.

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### 1.3.3 Competency Portfolio

In the first section of our study, the entrepreneurs' competency portfolio has been analyzed by using three kind of tools. These three complementary tools, which composed the process of competency analysis carried out at the beginning of the MBA program, are described as follows:

#### *Self-Evaluation Of Technical Competencies.*

A set of functional competencies regarding the knowledge of methods and tools that are necessary to manage a firm was evaluated by the sample of 94 entrepreneurs through a questionnaire. In this questionnaire 80 skills were listed and clustered into 17 groups regarding the main areas of managerial knowledge (e.g. strategy, accountancy, finance, control, marketing and sales, business law, human resource management, organization, procurement, production and logistics, project management, information technology, internationalization, etc.). The skills contained in this questionnaire were adapted from the

“Functional Skills Profile” questionnaire (Camuffo, Gerli, & Chiara, 2006) by considering the peculiarities of entrepreneurial roles in SMEs, typical of the economic context of North East Italy. Each entrepreneur of the sample had to assign a value to each of the 80 skills according to a scale of perceived possession, from 1 (“I do not possess this skill”) to 7 (“I master this skill”).

#### *Self-Evaluation Of A Set Of Emotional Competencies.*

We used a questionnaire to assess a set of emotional competencies and to this end we adapted the “Emotional Competence Inventory (ECI) 1.0” questionnaire (Boyatzis et al., 2000; Byrne et al., 2007) by adding one cluster related to cognitive competencies, taken from the ECI “University version” (Boyatzis & Goleman, 2001). The resulting questionnaire was made up of 72 behaviors organized into 24 competencies and grouped into 5 clusters (*Self-awareness, Self-management, Social awareness, Relationship management, Cognitive competencies*). Each entrepreneur of the sample had to assign a value to each of the 72 behaviors in terms of the extent to which he/she expressed that behavior, on a scale from 1 (“Never”) to 5 (“Consistently”), with the possibility of also giving the evaluation “Don’t know / I have never had the opportunity to demonstrate this behavior”.

#### *Third-Party Assessment.*

With the purpose of getting more reliable data (Hansson, 2001), all the entrepreneurs of the sample were interviewed using behavioral event interviewing (BEI) techniques, in order to measure the composition of their competency portfolio. Each BEI was recorded and then analyzed and coded for frequency and variety of occurrence (Boyatzis, 1998; Camuffo & Gerli, 2004). Double coding technique was used to attain higher reliability (Boyatzis, 1998) and a percentage of agreement of more than 90% was always obtained.



The *frequency* parameter gives the recurrence with which one specific competency is expressed by an individual, while the *variety* parameter indicates the number of different behaviors performed when he/she expresses that specific competency<sup>1</sup>. In other words, frequency can measure how often someone activates a certain competency, while variety can measure if that specific competency is expressed by someone through many or few different behaviors (referable to different behavioral indicators) and for

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<sup>1</sup> The *frequency* of occurrence of a competency is the number of times a competency is detected out of the maximum possible number of times it can be detected; for example, a 10% frequency means that a competency appears in one behavioral event out of ten. The *variety* of occurrence of a competency is the number of detected behaviors out of the maximum number of behaviors referable to that competency; for example, a 10% variety means that a competency is expressed by the subject through one behavior out of ten different behaviors. More generally, we coded for frequency and variety of occurrence using the following measures:

$$F_i = \frac{\sum_n CC_{i,n}}{\sum_n PC_{i,n}}, \quad V_i = \frac{\sum_n db_{i,n}}{\sum_n pb_{i,n}}$$

with:

$F_i$  : Frequency of competency  $i$ ;

$CC_{i,n}$  : Coded Competencies: the number of behaviors associated with competency  $i$  detected in the interview with subject  $j$  (independently of the specific behavioral indicator);

$PC_{i,n}$  : Potential Competencies: the maximum number of behaviors associated with competency  $i$  detectable in the interview with subject  $j$  (independently of the specific behavioral indicator).

$V_i$  : Variety of competency  $i$ ;

$db_{i,n}$  : Different Behaviours: the number of different behavioural indicators (related to competency  $i$ ) that were observed in the interview with subject  $n$ ;

$pb_{i,n}$  : Possible Behaviours: the number of different behavioural indicators (related to competency  $i$ ) that were observable in the interview with subject  $n$ .

this reason it gives some information on the greater or lesser possession of each specific competency. We used Boyatzis' codebook as an initial main reference for the coding (Boyatzis, 1982; Boyatzis et al., 1995). This codebook categorizes 22 themes of competencies divided into three groups: goal and action management abilities, people management abilities and analytic reasoning abilities. Boyatzis' codebook was then enriched with 12 themes of competencies by using thematic analysis in order to take into account further behaviors that led to effective performance in the specific context. The competencies we added to Boyatzis' codebook are: *Information gathering, Result orientation, Organizational commitment, Customer orientation, Business bargaining, Organizational awareness, Directing others, Teamwork, Leadership, Visioning, Process-based vision and Benchmarking.*

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#### 1.3.4 Distinctive Competencies

The second section of our study aims at identifying which competencies, among those detected in the entrepreneurs' portfolio, are related to a better organizational performance. Starting from the assumption that in the SMEs under analysis each entrepreneur plays a significant and direct role in the main decisions of his/her firm, due to a process of centralization of the most important choices and activities, this part of our analysis tries to evaluate the impact of specific competencies on the results obtained by the firms. To this end we performed a competency modeling process (Spencer & Spencer, 1993) described as follows.

##### *Step 1: Definition Of A Firm Performance Criterion.*

First of all, we adopted a multidimensional approach in order to measure SME performance and to define a criterion to be used to differentiate firms into one of the three groups: best, average and poor. The data we used were: 1) the capability to define and

pursue an effective strategic path, in terms of the quality of strategic performance; 2) the quality of decision making processes, in relation to the organization of the governing bodies and the extent of institutional overlap; 3) the trend in profitability and growth over the last three years. Since this analysis has been conducted on firms operating in different industries, we had to take into consideration some issues which could have made it difficult to compare the various companies. First, the profitability and growth trends are significantly affected by the internal dynamics of the specific sector in which each firm operates. Second, there is reciprocal interdependence between the strategic paths and the quality of the decision making processes, which is influenced by the competency portfolio of the leader, the strength of familial ties and the ability of the owners to separate family from firm. To solve these problems, a panel of two experts was consulted. The experts were selected for their academic experience and for their in-depth knowledge of the firms analyzed and of their environmental, organizational and familial context. As a matter of fact, they knew all the entrepreneurs personally since they tutored them during the years of the MBA. One is the scientific director of the Master Program: the person who holds the MBA admission interviews, coordinates the "Strategy & Competition" module of the MBA, supports the students from a methodological point of view in the drafting of the strategic analysis of their firms, and therefore possess an in-depth knowledge of the strategic plans and decisional processes of the firms. The other is a consultant who coordinates the MBA module "Accounting, Finance & Risk" and supports students from a methodological point of view in the economic, financial and asset analysis of their firms, and therefore possesses in-depth knowledge on the evolution of performance. They were asked to separately express an evaluation

about the overall performance of the firms on the basis of their personal knowledge of the firms and their professional experience.

*Step 2: Ranking And Classification Of The Sample.*

According to the firms' performance criterion defined above, each expert classified the firms in our sample and – consequently – their entrepreneurs into three categories: best, average and poor performers. The inter-rater reliability coefficient (ICC 3,1) was .84, which shows high agreement between the judgments and confirms the uniformity of the evaluation criteria adopted by the two experts. Each sub-sample was then analyzed in terms of the characteristics of its members.

*Step 3: Identification Of The Distinctive And Threshold Competencies.*

After having classified our sample of entrepreneurs into three sub-samples according to their firms' performance, we compared these three sub-samples according to the different competencies possessed by each of them. This analysis has been built on the database stemming from the codification for frequency and variety of occurrence of the individual competencies gathered through BEIs. A standard nonparametric statistical analysis has been conducted, using the Mann-Whitney U test, to compare the sub-samples and identify those competencies which differentiate them. We used this test also because one of the assumption of the definition of these competencies is that they are independent (Goleman, 1995). This analysis allowed us to identify: a) which competencies lead to an average firm performance, and for this reason are necessary to pursue an entrepreneurial career (i.e. *threshold competencies*); and b) which competencies lead to a superior performance (i.e. *distinctive competencies*), since they differentiate the superior performers from the others.

#### *Step 4: Factor Analysis On The Distinctive Competencies.*

Finally, we performed a factor analysis on the distinctive competencies in order to identify the groups of competencies that the entrepreneurs tend to perform together while they obtain effective organizational results. This allows us to find some typical behavioral paths, or some “complex behavioral strategies” more related to the attainment of positive outcomes.

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#### 1.3.5 Distinctive Competencies And Financial Performance

In the third section of our study, we analyzed the impact of the distinctive competencies on firm financial performance. Since our sample is composed of SMEs all belonging to different sectors, we extracted from the database AIDA (covering all Italian firms with sales larger than 1.5 million Euros) data about the firm's EBIDTA. We chose to use this measure as dependent variable because it is influenced only by the return from the productive factors used in the firm. It is less affected by the financial maneuvers on interests or taxes that can be made in the balance sheet. For this reason, it is a good measure of the actual performance of SMEs. We calculated the average EBITDA growth rate of the firm. This variable will be used in the regression analysis to evaluate the impact of distinctive competencies on financial performance.

We also gathered some information on each entrepreneur and on his/her firm in order to check for a relationship between the competency endowment and some control variables. We chose these control variables after having included variables suggested in other studies (e.g. Zahra, 1991), some of them are related to the firm (firm size and sector of activity) and some of them are related to the individual (age, gender, leading generation and organizational role). Firm size was measured as the number of employees reported in AIDA. We used the ATECO code (first 2 digits) to codify the sector of ac-

tivity and classified four industries: manufacturing, construction, retailing, service. As a size variable, we used the number of employees, rather than turnover, which is less subject to economic change especially in the Italian context where the job market has few exit strategies. We also included some self-reported information. We considered dummy variables for gender and organizational role, which indicates whether the entrepreneur is mainly a member of the top management team with a more strategic role or a functional one. Finally, we considered the age of the entrepreneur at the moment of admission to the MBA, and the leading generation of the firm - since our sample is made up of family firms this is an important indicator which takes into account the influence of the family.

For the analysis of the financial performance we considered only those businesses for which we had archival data available in the database AIDA (extractions were made in June 2011) and we also excluded those 3 entrepreneurs whose firms failed before finishing the MBA. Therefore, in the regression analysis we focused on 79 entrepreneurs.

## 1.4 ANALYSIS AND RESULTS

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In the next section we will analyse the results of our different analysis, first the descriptive statistics and correlation, then we will focus on the competency modeling process and finally we will describe factor and regression analysis.

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### 1.4.1 Descriptive And Correlation Analysis: The Competency Portfolio Of Entrepreneurs

In this section we are going to describe the results of the first part of this research concerning the analysis of the competency portfolio possessed by the sample of entrepreneurs.

### *Technical Competencies*

Starting our analysis with the portfolio of technical competencies drawn from self-evaluation (Table 1), our sample of 94 entrepreneurs shows a low level of possession of these skills, which are useful for managing a firm and having extensive awareness of its processes. On a scale from 0 to 100, the average level is only 33.2. Without considering the cluster of skills on *Personal Computing*, which concerns the basic use of computer equipment for office duties and which obtains the highest evaluation (51.88), the most widely possessed managerial cluster is *Procurement* (48.09), which concerns the knowledge of procurement markets and the order-to-delivery process. Then, the clusters *Managerial communication* (41.58) and *Business English* (39.24) follow, indicating the importance of the role of interface between the firm and the outside world played by the entrepreneur of a small firm. If we continue the analysis of the list of skills, we find a broad group of competencies with scores ranging from 27 to 38 (*Project management, Production and logistics, Organization, Total quality management, Human resource management, Strategy, Information technology, Marketing and sales, Business law and Control*). This set is a wide group of technical skills which could be developed further in our sample. Finally, the lowest scoring clusters consist of some skills regarding *Accounting* (14.10) and *Finance* (15.76), which show the lowest level of possession in our sample.

The analysis of the standard deviations highlights how the variability is rather similar for most of the skill clusters, with a range of values from 15 to 22, with the exception of *Business English* which presents a significantly higher variability.

The correlation analysis<sup>2</sup> among different skill clusters shows a significant correlation between nearly all of them, which is indicative of substantial homogeneity in the composition of the entrepreneurs' portfolio of competencies. In other words, a higher level of some technical competencies in one entrepreneur tends to be accompanied by a higher level of other technical competencies in the same entrepreneur, and vice versa. On the whole, the result is a substantially narrow and significantly homogenous portfolio of technical competencies.

*Table 1 Self-Evaluation Of Technical Competencies (Scale 0-100)*

Cluster of skills	Average values	Standard deviation
Personal computing	51.88	22.77
Procurement	48.09	21.19
Managerial communication	41.58	20.43
Business English	39.24	32.00
Project management	38.71	21.98
Production and logistics	37.46	19.51
Organization	35.55	21.64
Total quality management	35.30	21.58
HR management	34.05	17.19
Strategy	33.72	17.15
Information technology	33.51	21.65
Marketing and sales	29.31	18.65
Business law	29.25	17.35
Control	27.84	16.35
International management	19.56	17.13
Finance	15.76	17.60
Accounting	14.10	15.29

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<sup>2</sup> All correlation matrices are available upon request.



### *Self-Evaluation Of Emotional Competencies*

The second dimension of the entrepreneurs' competency portfolio is made up of emotional competencies self-evaluated through the ECI questionnaire (Table 2). The competency portfolio produced from this perspective is rather broad and homogenous. The cluster of competencies which obtains the highest level of self-evaluation is the *Social awareness* cluster (72.92) followed by the *Self-awareness* cluster (71.53). Some competencies obtain a significantly high score within these clusters. In particular, *Service orientation* (78.56), *Cultural awareness* (75.00), *Emotional awareness* (75.78) and *Accurate self-assessment* (75.09) seem to be the strengths perceived by our sample, which appears to be highly oriented towards helping, understanding and satisfying others, respecting diversities and considering them as a source of improvement, understanding their own emotions, their causes and implications, and being able to detect their own strengths and weaknesses. Then, the *Self-management* cluster obtains a slightly lower score (69.00). The emotional competencies which obtain the highest level of evaluation in this cluster are *Optimism* (78.34) and *Conscientiousness* (73.00), revealing the capability to detect opportunities instead of threats, to be positive and trustful, and to carefully perform duties, paying attention to detail. Finally, the *Relationship management* (64.72) and *Cognitive* (62.65) clusters present slightly lower values. In the first of these clusters there are some competencies that can be noted because of their higher score, namely *Teamwork* (74.61), *Change catalyst* (73.70), *Inspirational leadership* (66.58). This means that the entrepreneurs of our sample perceive that they tend to create a collaborative and friendly environment inside the firm and promote a positive team spirit. They also think that they are apt to lead change initiatives personally by removing the

constraint to change and that they are inclined to motivate others by appealing to their emotions offering challenging opportunities.

However, there are some competencies that are perceived to be possessed to a lower degree, including *Influence* (57.03), *Conflict management* (58.64) and *Communication* (59.68). This result seems to show some weaknesses in terms of their capability of persuading others and building consensus, working to reduce conflicts, disagreements and misunderstandings, and presenting their thoughts effectively and in an engaging style.

From a comprehensive point of view, on the one hand, in our sample of entrepreneurs the competencies which imply the capability to understand themselves and others (*Self-awareness* and *Social awareness*) are perceived to be broadly possessed. On the other hand, the corresponding capabilities to manage themselves and others (*Self-management* and *Relationship management*) are not perceived to be possessed at the same level. Similarly, the cognitive dimension is felt as an area which could be further improved.

In this case too, the correlation analysis between emotional competencies shows a statistically significant correlation between nearly all the competencies analyzed with ECI, indicative of the substantial uniformity of the individual competency portfolio.

Table 2 Self-Evaluation Of Emotional Competencies (Scale 0-100)

Emotional Competencies	Average values	Standard deviation
1. SELF-AWARENESS	71.53	9.61
1.1 Emotional awareness	75.78	15.22
1.2 Accurate self-assessment	75.09	12.93
1.3 Self-confidence	63.72	13.82
2. SELF-MANAGEMENT	69.00	8.27
2.1 Emotional Self-control	64.41	18.10
2.2 Achievement	64.58	15.05
2.3 Initiative	61.28	14.08
2.4 Trustworthiness	70.14	14.30
2.5 Conscientiousness	73.00	14.82
2.6 Adaptability	71.22	14.51
2.7 Optimism	78.34	13.09
3. SOCIAL AWARENESS	72.92	9.15
3.1 Empathy	69.84	12.07
3.2 Service orientation	78.56	11.46
3.3 Organizational awareness	68.16	14.11
3.4 Cultural awareness	75.00	13.73
4. RELATIONSHIP MANAGEMENT	64.72	10.19
4.1 Inspirational leadership	66.58	18.43
4.2 Communication	59.68	16.60
4.3 Conflict management	58.64	13.86
4.4 Change catalyst	73.70	15.84
4.5 Influence	57.03	16.67
4.6 Developing others	66.32	11.03
4.7 Building bonds	61.28	17.96
4.8 Teamwork	74.61	12.34
Cognitive	62.65	12.39
5.1 Systems thinking	62.02	15.65
5.2 Pattern recognition	63.28	15.00

### Third-Party Assessment

The third dimension of the entrepreneurs' competency portfolio is made up of the competencies analyzed through the BEI (Table 3). The portfolio arising from this perspective is rather broad in terms of frequency, with some significant differences among spe-

cific competencies. A frequency of 50% for a competency means that the sample tends to use that competency in one event out of two; in other words, the higher the frequency, the more recurrent the use of a specific competency.

The most frequent competencies are those from the *Goal and action management* cluster (which represents 41.8% of the overall portfolio of competencies). In this cluster some competencies show a very high level of possession: *Result orientation* (59.80), *Efficiency orientation* (54.05), *Planning* (48.83), *Initiative* (42.75) and *Attention to detail* (40.07). Therefore, from the analysis of the behavioral events, the propensity towards action and the attainment of results, through an efficient use of the available resources and continuous attention to improvement are the most frequent reasons for job effectiveness.

The second cluster of competencies in terms of possession is the *People Management* one, which represents 38.7% of the overall portfolio of competencies. In this cluster we find some competencies that are present with a rather high frequency: *Persuasiveness* (35.37), *Empathy* (34.36), *Networking* (29.92) and *Teamwork* (28.51). This means that the relational dimension is relevant in the competency portfolio of the entrepreneurs under analysis.

The third cluster of competencies in terms of frequency is *Analytical reasoning*, which represents 19.5% of the overall portfolio of competencies. In this case, the most frequent competency is *Use of concepts* (50.07) followed by *Use of technology* (24.26) and *Pattern recognition* (23.60). This means that the entrepreneurs in our sample sometimes tend to make use of concepts, theories and frameworks when interpreting or explaining a certain situation.

Nevertheless, there are many competencies which have a very low level of frequency (values below 10%) such as: *Flexibility, Self-Control, Organizational Commitment, Negotiation, Organizational awareness, Systems thinking, Theory building, Quantitative analysis, Social objectivity, Visioning, Process-based vision* and *Benchmarking*. This means that they could be further improved.

In this case, the correlation analysis does not show any systematic and widespread correlation among the competencies found using BEI. However, there are some specific competencies significantly correlated with others. Those competencies are: *Planning, Attention to details, Persuasiveness* and *Oral communication*. This indicates how the attainment of effective results can be obtained through complex behavioral strategies which require the activation of a plurality of different competencies.

With regard to the competency *variety* dimension, it is possible to observe in Table 3 that a number of competencies show a high level of variety. A variety of 50% for a competency means that the sample tends to use one half of the behaviors through which that competency can be expressed: the higher the variety, the richer the possession of a specific competency. The competencies with a higher level of variety are: *Efficiency orientation, Planning, Initiative, Attention to detail, Information gathering, Result orientation, Networking*, and *Use of concepts*. Since most of these competencies also show a high level of frequency, we can argue that they represent a relevant component of the competencies portfolio of our sample.

The correlation analysis conducted between frequency and variety shows a high and statistically significant correlation between these two measures. This means that the competencies expressed more often are also expressed using a wider number of different

behaviors and, for this reason, they can be considered the “core” competencies of the entrepreneurs analyzed.

Finally, we can take into account some differences and similarities between the results obtained through BEI and through ECI. Although a direct comparison between these two tools is not possible due to the different aims of self versus third party evaluations, we can note that some results are consistent. In particular, some competencies show a higher (*Empathy*) or lower (*Self-confidence, Self-control, Leadership, Communication, System Thinking, Pattern recognition, Organizational awareness* and *Developing others*) value through both evaluations, while others have significantly different results (*Result orientation/Achievement, Adaptability/Flexibility* and *Initiative*). These differences are consistent with previous results in the analysis of competencies, which show that subjective evaluations are less reliable than others’ evaluations (Boyatzis et al., 2000), but at the same time they are useful to analyze how each entrepreneur sees him or herself. Therefore, in the next section of this study, dedicated to identifying a relationship between competencies and firms’ performance through a competency modeling process, we used the data from third-party evaluation to avoid any risk of subjective evaluations.

Table 3 Portfolio Of Competencies Found Through The Behavioral Event Interview

Cluster	Competencies	Frequency		Variety	
		%	Std. Dev.	%	Std. Dev.
Goal and action management skills	Efficiency orientation	54.05	21.20	51.65	19.88
	Planning	48.83	23.28	40.14	21.72
	Initiative	42.75	23.31	39.43	21.85
	Attention to detail	40.07	29.43	47.52	32.31
	Self-control	5.21	11.23	8.23	16.74
	Flexibility	9.15	15.15	16.21	26.24
	Information gathering	30.08	22.15	44.29	29.96
	Result orientation	59.80	17.94	55.74	19.95
	Organizational commitment	9.68	16.23	27.48	43.40
People management skills	Empathy	34.36	25.39	36.10	26.47
	Persuasiveness	35.37	23.65	26.70	18.38
	Networking	29.92	23.09	36.74	26.77
	Negotiation	3.37	9.45	5.21	14.74
	Self confidence	26.85	24.89	34.86	29.37
	Group management	12.62	17.50	11.91	15.52
	Developing others	16.06	18.72	19.33	23.04
	Oral communication	20.46	21.79	16.17	16.66
	Customer orientation	20.55	23.95	24.86	27.17
	Business bargaining	13.09	17.30	18.30	24.44
	Organizational awareness	5.78	10.79	9.75	17.93
	Directing others	17.24	20.98	24.47	27.52
	Teamwork	28.51	25.91	32.52	28.59
	Leadership	13.17	16.91	16.49	21.47
Analytical reasoning skills	Use of concepts	50.07	17.57	47.77	19.36
	Systems thinking	5.99	12.24	10.21	19.68
	Pattern recognition	23.60	22.65	22.29	19.23
	Theory building	0.43	2.89	1.28	10.44
	Use of technology	24.26	23.89	18.42	16.85
	Quantitative analysis	7.70	13.55	9.82	16.42
	Social objectivity	3.37	9.90	4.26	11.12
	Written communication	10.13	14.95	11.24	16.37
	Visioning	6.45	13.08	17.87	36.65
	Process-based vision	2.30	6.98	8.09	26.31
	Benchmarking	5.78	12.53	19.57	39.25

#### 1.4.2 Identification And Patterns Of Distinctive Competencies

In this section we aim to identify which competencies are related to better firm performance using a multi-firm competency-model.

From the correlation table, the assumption of independency among competencies seem respected, since the maximum significant value is  $r = .46$  ( $p < .001$ ). After having defined the three sub-samples of best ( $N=37$ ), average ( $N=35$ ) and poor ( $N=22$ ) performers, according to the performance criterion explained above, we run the Mann-Whitney U test to identify those competencies that differentiate the three sub-samples (Table 4). First, we compared the sub-sample of best performers with a subsample made up of average and poor performers together and found the distinctive competencies. Then, we compared a subsample made up of best and average performers together with the subsample of poor performers and defined the threshold competencies. When a competency differentiated both best performers from the others and at the same time best and average from poor performers, we considered it a distinctive competency since it is related to the attainment of higher results (Table 4).



Table 4 Results Of The Competency Modeling Process (part A)

Competencies	Average Frequency Best Performers	Average Frequency Average Performers	Average Frequency Poor Performers	MWU Test: Best vs (Average & Pooers) Z values <sup>a</sup>	MWU Test: (Best & Average) vs Pooers Z values <sup>a</sup>	Distinctive competencies	Threshold competencies
Efficiency orientation	58.38	47.14	55.80	1.768**	-0.178 <sup>+</sup>	□	
Planning	52.92	46.83	43.48	1.645**	1.043	□	
Initiative	44.17	36.53	48.84	0.619	-1.423 <sup>+</sup>		
Attention to detail	36.76	38.49	44.06	-0.397 <sup>+</sup>	-0.648 <sup>+</sup>		
Self-control	4.72	7.27	3.48	-0.072 <sup>+</sup>	1.608*		□
Flexibility	9.44	7.78	10.58	0.462	-0.881 <sup>+</sup>		
Information gathering	31.20	31.02	24.35	0.464	1.307*		□
Result orientation	60.93	59.13	58.12	0.513	0.366		
Organizational commitment	10.83	9.80	8.55	0.657	0.252		

Table 4 Results Of The Competency Modeling Process (part B)

Competencies	Average Frequency Best Performers	Average Frequency Average Performers	Average Frequency Poor Performers	MWU Test: Best vs (Av- erage & Poors) Z values <sup>a</sup>	MWU Test: (Best & Av- erage) vs Poors Z values <sup>a</sup>	Distinctive compe- tencies	Threshold compe- tencies
Empathy	36.67	27.98	37.68	0.930	-0.737 <sup>+</sup>		
Persuasiveness	41.20	31.57	33.04	1.890**	0.599	□	
Networking	33.56	21.95	35.65	1.132	-1.496 <sup>+</sup>		
Negotiation	3.06	2.83	3.19	0.412	-0.440 <sup>+</sup>		
Self confidence	32.87	26.57	19.28	1.475**	1.704**	□	
Group management	14.54	10.10	13.48	1.200	0.050		
Developing others	17.78	14.75	14.93	1.006	0.422		
Oral communication	22.08	19.34	19.57	0.469	0.218		
Customer orientation	13.38	25.15	23.48	-2.377** <sup>+</sup>	-0.960 <sup>+</sup>		
Business bargaining	14.91	11.21	14.06	0.691	-0.160 <sup>+</sup>		
Organizational awareness	10.37	2.83	2.46	3.128***	1.581*	□	
Directing others	22.78	12.05	15.80	1.978**	0.660	□	
Teamwork	32.87	28.48	19.86	1.481*	1.577*	□	
Leadership	16.16	10.91	10.29	1.606*	0.675	□	

Table 4 Results Of The Competency Modeling Process (part C)

Competencies	Average Frequency Best Performers	Average Frequency Average Performers	Average Frequency Poor Performers	MWU Test: Best vs (Average & Poores) Z values <sup>a</sup>	MWU Test: (Best & Average) vs Poores Z values <sup>a</sup>	Distinctive competencies	Threshold competencies
Use of concepts	50.46	54.15	45.36	0.421	1.615*		□
Systems thinking	4.17	7.68	6.96	-1.516 <sup>+</sup>	-0.163 <sup>+</sup>		
Pattern recognition	22.45	23.03	23.91	0.535	-0.613 <sup>+</sup>		
Theory building	0.56	0.00	0.87	0.317	-0.821 <sup>+</sup>		
Use of technology	18.38	28.13	26.52	-2.062 <sup>***+</sup>	-0.655 <sup>+</sup>		
Quantitative analysis	5.56	9.60	8.99	-1.157 <sup>+</sup>	-0.242 <sup>+</sup>		
Social objectivity	1.67	5.45	3.33	-1.108 <sup>+</sup>	0.039		
Written communication	10.60	12.05	7.54	0.046	0.249		
Visioning	6.57	7.98	3.77	0.766	1.151		
Process-based vision	2.13	1.82	3.48	-0.007 <sup>+</sup>	-0.459 <sup>+</sup>		
Benchmarking	7.50	2.83	6.09	1.449*	-0.306 <sup>+</sup>		□

<sup>a</sup> Z values for Mann-Whitney U Test, one tailed: \*p<.1; \*\*p<.05; p\*\*\*<.01; + means a two-tailed significance level in the opposite direction with respect to the predicted one.

From this analysis, we found nine distinctive competencies (*Efficiency orientation, Planning, Persuasiveness, Self-confidence, Organizational awareness, Directing others, Teamwork, Leadership* and *Benchmarking*) and three threshold competencies (*Self-control, Information gathering* and *Use of concepts*). It is interesting to note that six out of nine distinctive competencies belong to the *People management* cluster. This means that a considerable component of high performance in the entrepreneurial tasks is due to

the capability of effectively managing relationships with others, which is combined with regular attention to the efficient use of the resources and to the definition of plans to organize the future.

On the other hand, the characteristics of the entrepreneurs who obtain an average performance are the following: they collect information that is useful for their business but not easily available in an original way, and they are always searching for news and the opinions of others. Moreover, they are capable of maintaining self-control in stressful and emotionally intense situations and tend to interpret and explain situations by conceptualizing them in a more abstract manner, using frames of reference and also making use of their experience, which allows them to identify similarities between current and past situations and to act accordingly.

From the frequency distribution presented in Table 4, it is also interesting to note that there are two competencies that have a statistically significant inverse relationship with performance, since they are possessed more by those entrepreneurs with poor or average performances. These are *Customer orientation* and *Use of technology*. This result is probably due to the fact that these competencies are commonly possessed and used in entrepreneurial duties, and for this reason they do not differentiate those entrepreneurs who obtain higher outcomes. Without considering problems related to the specific sample composition, the reason why a linear relation between competency and performance is not always present in our results could also be due to the existence of some behaviors that represent some “competency traps” for the entrepreneurial role considered here. In other words, they could represent a signal with regard to aspects which are not consistent with or supportive of entrepreneurial effectiveness. For this reason, these competencies seem to have a complex relation with performance because they represent a set

of behaviors which may have a dysfunctional impact on overall firm performance, even though they have a positive impact on the single and specific event in which they have been demonstrated.

Finally, if we consider the dimension of variety in the competency modeling process, we obtain some consistent results. According to this dimension, distinctive competencies are: *Planning, Information gathering, Empathy, Organizational awareness, Directing others, Leadership* and *Benchmarking*, while threshold competencies are *Self-control* and *Persuasiveness*. This result confirms that a wider possession of some competencies, in this case through the use of a greater number of associated behaviors, allows the attainment of a higher performance in the role analyzed.

In order to complete our analysis, we performed a factor analysis on the frequency of the distinctive competencies, with the aim of recognizing some groups of behaviors typically performed by the entrepreneurs while they obtained effective results. We factor analyzed only distinctive competencies identified by means of the Mann-Whitney U test also after performing a principal component analysis of all the competencies which showed us that there are no clear theoretical dimensions (i.e. components) underling the different competencies even excluding some of them.

Table 5 *Factor Loadings After Varimax Rotation*

Variable	Factor 1	Factor 2	Factor 3	Uniqueness
Efficiency orientation	<b>0.64</b>	-0.09	0.07	0.57
Planning	0.47	0.23	<b>0.51</b>	0.46
Persuasiveness	0.02	<b>0.82</b>	0.02	0.32
Self-confidence	-0.19	<b>0.59</b>	0.43	0.43
Organizational awareness	<b>0.47</b>	0.35	0.11	0.64
Directing others	-0.14	0.23	<b>0.49</b>	0.67
Teamwork	<b>0.78</b>	-0.00	0.09	0.39
Leadership	0.20	-0.05	<b>0.81</b>	0.30
Benchmarking	0.23	<b>0.54</b>	-0.41	0.47

 Table 6 *Factor Scores*

Factor scores	Best performers (N=37)	Average performers (N=35)	Poor performers (N=22)
Entrepreneurial engaging exploitation	0.38	-0.27	-0.25
Entrepreneurial change commitment	0.20	0.09	-0.48
Entrepreneurial proactive supervision	0.22	-0.14	-0.15

From the exploratory analysis of the factor loadings we defined three factors. The first factor, that we named “*Entrepreneurial engaging exploitation*”, was made up of three competencies: *Efficiency orientation*, *Organizational awareness* and *Teamwork* (Cronbach’s alpha = .83). The second, that we defined “*Entrepreneurial change commitment*”, was also made up of three competencies, namely *Persuasiveness*, *Self-confidence* and *Benchmarking* (Cronbach’s alpha = .90). The last factor, that we called “*Entrepreneurial proactive supervision*”, was made up of *Planning*, *Directing others* and *Leadership* (Cronbach’s alpha=.98). All the Cronbach’s alpha values are acceptable since they are higher than the value of .7 suggested by Nunally (1978).

We also performed a confirmatory factor analysis of the three factors, considering also the correlation between *Teamwork* and *Directing others*. The model yielded a  $\chi^2$  of

26.91 (d.f. 23;  $p = .26$ ), CFI = .94, TLI .91, RMSEA .04 ( $p = .52$ ). These results are above the recommended thresholds and therefore confirm our exploratory model.

It is interesting to note that each of these factors represents a group of competencies that are typically performed together more than others when an entrepreneur obtains some superior results. Since these factors are composed of competencies which belong to different typologies (action, people management and reasoning abilities) in order to obtain higher results it seems to necessitate activating some behaviors of a different nature and that different competencies support each other in the attainment of a superior performance. This can have direct implications on the development processes also in terms of competency learning.

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#### 1.4.3 Impact Of Distinctive Competencies On Financial Performance

In the last section of our study, we tried to focus on the relationship between entrepreneurial competencies and financial performance by also considering some control variables. To this end we performed a regression analysis through which we regressed the three factors identified onto two measures of financial performance.

The results of the regression analysis can be seen in Table 7. We had to perform a robust regression, estimating the standard errors using the Huber-White sandwich estimators allowing for heteroskedasticity in the data<sup>3</sup>. Moreover, the variable that includes firms in the construction industry has been omitted because of multicollinearity.

These results give an initial evidence about the role of distinctive competencies of entrepreneurs, in particular the ones related to *Entrepreneurial engaging exploitation* (*Efficiency orientation, Organizational awareness* and *Teamwork*), which are weakly but

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<sup>3</sup> The distribution of residuals is not normal (Shapiro-Wilk  $W = .86$ ;  $p < .0001$ ) and also there is some evidence of homoskedasticity in the distribution of residuals ( $\chi^2(1) = 10.13$ ;  $p = .0015$ ).

significantly positively related to firms' financial performance ( $\beta=.11$ ,  $p<.05$ ). From model 2 and 3, we can also see that the age has some weak influence on performance.

Table 7 Regression Analysis

Firm	Model 1	Model 2	Model 3
Ave. growth rate EBITDA 2006-09	Robust estimation	Robust estimation	Robust estimation
Constant	-0.15 (0.19)	-0.82** (0.29)	-0.76** (0.30)
Manufacturing	-0.08 (0.11)	-0.08 (0.12)	-0.10 (0.13)
Services	0.84* (0.50)	0.78* (0.54)	0.75 (0.53)
Retailing	-0.06 (0.11)	0.03 (0.16)	0.03 (0.18)
Size	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Leading generation	0.08 (0.09)	0.10 (0.08)	0.08 (0.09)
Gender		0.01 (0.14)	0.09 (0.14)
Age		0.02 (0.01)	0.02* (0.01)
Organizational role		-0.07 (0.21)	-0.07 (0.20)
Entrepreneurial engaging exploitation			0.11** (0.05)
Entrepreneurial change commitment			-0.03 (0.04)
Entrepreneurial proactive supervision			-0.01 (0.07)
N	79	79	79
F	1.28	1.94*	1.93*
R2	0.13	0.16	0.18

\* $p<.1$ ; \*\*  $p<.05$ ; \*\*\* $p<.01$



## 1.5 DISCUSSION AND IMPLICATIONS

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In this work we focused first on the measurement of entrepreneurial competencies, using a variety of tools and methods, then we analyzed the relationship between these competencies and firm performance, considering a multi-dimensional performance criterion for the identification of distinctive competencies. Lastly, we evaluated their impact on financial outcomes. Also, the context provides a fascinating background for the interpretation of our results (Welter, 2011). In fact, we focused on Italian family businesses, which are characterized by the significant pervasiveness of the entrepreneur in business life.

It is interesting to underline that the entrepreneurs under analysis seem to have a well defined and homogeneous portfolio of competencies. On average, they perceive they possess a low level of technical competencies, except for the ability to use computer equipment, the knowledge of procurement markets and delivery process, and communication skills. Similarly, in the self-assessment of emotional intelligence competencies entrepreneurs show uniformity in their idea about the set of competencies that characterize themselves. The competencies which imply the capability to understand themselves and the others appear to be strongly possessed, while the corresponding capabilities to manage themselves and the others are possessed to a lesser degree. Also, the cognitive dimension represents an area which can be further improved according to their perception. Finally, in the results of the behavioral analysis conducted by a third-party the entrepreneurs show a strong willingness to reach challenging targets without being discouraged by obstacles, they tend to improve their firms' performances, also paying continuous attention to the relation between the resources required and results obtained. Moreover, they are able to define alternative action plans for the future and to act in an

innovative and unpredictable way to exploit opportunities. Nonetheless, they are very accurate in their work and pursue high quality in their results. All these results support previous research results and provide a more in-depth definition of what previous work has found when comparing managers' and entrepreneurs' characteristics (Carland et al., 1984; Chen et al., 1998; Stewart et al., 1999).

In determining distinctive competencies of entrepreneurs, what characterizes those with a superior organizational performance appears to be the capability to effectively manage the use of resources and the relationships with others combining different competencies through complex behaviors, as shown also by the factor analysis. In particular, the set of behaviors related to superior organizational outcomes includes the capability of evaluating the resources needed and the results obtained in order to maximize efficiency and to continuously improve results to "make something better than others". To this end, also defining plans and organizing the future is important, because by outlining the actions needed to obtain measurable targets and by evaluating the risks of certain options the entrepreneurs in our sample can achieve effective results in their activities. Furthermore, it is interesting to notice that the most effective entrepreneurs activate also a set of interpersonal behaviors. First of all, they are capable of convincing others of the value of their own point of view and they can often anticipate other people's reactions in order to consciously use techniques of persuasion. Second, they are also very self-confident and never hesitate. Third, they are good at working with others by sharing information, cooperating and providing a valuable contribution to the team. At the same time, they can also assume the role of leaders, by making decisions, defining shared goals and ensuring they are followed by the team, and also directing and controlling other people's behavior by making use of their formal power. Their capabilities include as well an in-depth

understanding of the characteristics, even of those that are less visible, of their organization and of its procedures, and the aptitude to compare their organization with others (mostly competitors), through a process of strategic benchmarking aimed at improving their firm performance.

Thanks to this result, we can argue that besides the capabilities of improving entrepreneurs' job which imply the attention to efficiency and continuous improvement, also the relational aspect has a considerable impact on organizational and strategic performance. This supports the idea of previous research, which has found that social competencies are one of the drivers of entrepreneurial success (Baron & Markman, 2003). This finding seems also to be in line with previous research on entrepreneurship (Chandler & Hanks, 1994; Man et al., 2002).

To summarize, our results support the idea that entrepreneurs' competencies play a central role not only in determining individual performance, but also that of the organization as a whole. This work shows that the entrepreneurs' portfolio of distinctive competencies is made up of three factors each including three competencies, which have to be combined in order to gain superior organizational performance. In particular, one factor appears to be fundamental in determining firm financial results, namely *Entrepreneurial engaging exploitation* which is made of three competencies (*Efficiency orientation*, *Organizational awareness* and *Teamwork*). This implies that a recurrent preoccupation in the use of human and material resources, accompanied by a deep knowledge of the organization and a systematic involvement of workers in the business activities could be the key of success of SMEs in the Italian context.

As practical indications, we believe that it is of the utmost importance that family SMEs develop some specific competencies of the entrepreneurial mindset that are related to

higher performance and that allow them to implement processes, practices, and decision-making activities that lead them to enter new or established markets with new or existing goods or services (Cuervo, 2005; Hayton & Kelly, 2006; Lumpkin & Dess, 1996) and to transform their capabilities into actual performance (Baron & Markman, 2000; 2003; Noor et al., 2010; Rasmussen et al., 2011). In other words, entrepreneurs should invest in their internal and external relationships besides spending their time in looking for cost reductions and higher sales. Educators and consultants, especially those that teach in Italy, need also to take into consideration these results when planning entrepreneurs' education, helping them not only to develop technical competencies but also more complex ones that can allow them to establish and create a valuable network of contacts inside their firm but also outside their business boundaries.

Even if our analysis present several limitations in particular due to scarce availability of data and sample composition, we think that this research could be a starting point for larger sample studies about entrepreneurial competencies and their role in the impact on the business.

In entrepreneurship and SMEs research it would be interesting to try to explore this issue further by using the same measurement of competencies in other contexts outside the Italian one. Moreover, it would be useful to compare our results with a sample of managers who work in the same geographic area. The differences and similarities could help us to better define what actually characterizes the two roles and improve the quality of the entrepreneurial way of doing business. Future works could also focus on identifying mediating or moderating variables of the relationship between distinctive competencies and firm performance.

## 2. CHAPTER

# **HOW DO COMPETENCIES BECOME PERFORMANCE? A SOCIAL EXCHANGE PROCESS PERSPECTIVE**

### 2.1 INTRODUCTION

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The standard assumption in economics and strategic management research is that owners want the company to maximize economic profits or shareholders' value. When analysing the performance of family firms we cannot ignore the fact that since the entrepreneur is directly involved in the management of the business, she will try to maximize her utility function. When family ties are also involved in this relation her utility function will depend not only on the total value of the firm, but also on kinships (Chrisman, Chua, & Sharma, 2005; Salvato & Melin, 2008; Sorenson, 2000).

Recently, it has been found that family businesses can possibly outperform non-family firms. More precisely, Miller, Le Breton-Miller, Lester, & Cannella Jr. (2007) distinguished between lone founder businesses in which no relatives of a founder are involved, and true family firms that do include multiple kinships as major owners or managers. The results indicate that Fortune 1000 firms with relatives as owners or managers never outperform in terms of market valuation, even during the first generation. Only those businesses with a lone founder outperform. This difference could denote that family ties can influence the performance of family firms and thus reduce performance, whereas an individual entrepreneur seems to add value to the business.

Also, some previous studies explained the effects of individual characteristics and familial social relationships in family businesses on organizational performance (Delgado-García & De La Fuente-Sabaté, 2010; Sanders & Nee, 1996).

What is missing in this research is how and why this could happen. By analyzing two cases of family firms we explore individual, organizational and family processes that can impact on the link between the entrepreneur's competencies and firm performance in the context of small and medium sized family business (family SMEs).

This manuscript is organized as follows. We first introduce the theoretical background on the link between individual entrepreneurial competencies, social exchange processes and performance. Then explain the research method and data. Next, we present qualitative findings and interpret the results. Finally, we discuss the conclusions and some of the study's broader contributions.

## 2.2 THEORETICAL BACKGROUND

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The theoretical concepts and categories of this study are grounded in the analysis of data and emerge from both the data and an ex-post consultation of relevant extant literature.

Researchers have examined the link between entrepreneurial competencies and performance in larger and well established companies and they have begun to show greater interest in their effects in smaller firms. Research on entrepreneurship in family firms is divided as to whether these organizations represent a context where entrepreneurship has positive or negative effects on performance (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007; Zahra, Hayton, & Salvato, 2004). While the literature on family firms' entrepreneurship is evolving worldwide, little empirical research has investigated these issues in the context of family SMEs.

Studies on SMEs' entrepreneurship take into consideration the importance of the value of this element, without emphasizing the family dimension, even though they admit that "top managers, (...) are most often identical with family ownership in (...) SMEs" (Avlonitis & Salavou, 2007: 573). Instead, the social context of family SMEs has some peculiar characteristics that should be taken into account.

The importance of personal abilities as key determinants of firm behaviour is higher in SMEs owing to the reduced reliance on formal controls and coordination. In fact, owners and managers are often one and the same, mitigating the problems deriving from the self-interested goals and actions of the principal and agent (Daily & Dollinger, 1993). This alleviates concerns about opportunistic behaviour by agents (Chrisman, Chua, & Litz, 2004; Corbetta & Salvato, 2004; Schulze, Lubatkin, & Dino, 2002) reducing the need for contractual controls and monitoring and increasing reliance on social controls such as trust (Steier, 2001).

Family firms are also characterized by a unique integration of the individual, the family and the business (Habbershon, Williams, & MacMillan, 2003).

What could complement this stream of literature on family businesses and small and medium firms are the ideas presented by the social exchange theory. This theory assumes the existence of self-interested actors who transact with other self-interested actors to accomplish individual goals that they cannot achieve alone. What is also missing in this theory is that such actors are normally viewed as unemotional beings who have information, cognitively process it, and make decisions concerning the pattern and nature of exchange with others (who can be individuals, but also entities such as organizations). Therefore, what we argue in this work is that competency dynamics have a

more central role in social exchange than has been typically assumed (Lawler & Thye, 1999). This constitutes the basic idea of our conceptual model.

## 2.3 METHODS AND PROCEDURES

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In order to formulate an inductive and longitudinal model of how and why the individual, organizational and family social exchange processes may affect the performance of a family firm, this study utilises case data to zoom in on these processes. Inductive methods based on multiple-case studies are well suited to the study of longitudinal processes over time (Eisenhardt & Graebner, 2007; Eisenhardt, 1989). Moreover, multiple cases enable a replication logic in which each case serves to either confirm or disconfirm the inferences drawn from the others (Yin, 1984; Yin, 2009). We chose a multiple-case study because it typically results in better-grounded and more general theory than a single case (Eisenhardt, 1989; Glaser & Strauss, 1967; Yin, 1984)

Our research setting is comprised of Italian SMEs where the leader family is directly involved in the management of the firm. Research on this topic is still quite sporadic in the context of SMEs (De Clerq & Rius, 2007) and has not yet explored family firms.

The longitudinal study was conducted between the end of 2006 and 2011. The study's time span of four and a half years allowed us to access more information thanks to the increasing cooperativeness of the firms being studied. Also, this methodology allowed us to better identify the direction of causality between phenomena.

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### 2.3.1 Case Selection

We chose these two cases according to different criteria. First, the two firms were small- and medium-sized privately held limited companies. We decided to focus on SMEs because it is likely that the influence of the leader and familial processes here is not par-



ticularly well known. We adopted a definition of SMEs which is consistent with the more widespread one of the European Commission of 1996 that imposed a ceiling of 250 employees to define a firm as a SME, but we also had to consider the importance of “intangibles” such as knowledge- and information-based capabilities to achieve competitive advantage (Man, Lau & Snape, 2008; O'Regan & Ghobadian, 2004). Therefore, we selected leaders that had a high portfolio of entrepreneurial competencies and a high firm performance. In particular, they were both located in the first quartile of a sample of 96 MBA participants (see first chapter of this thesis for details about sample compositions) for both measures: entrepreneurial competencies and financial performance in terms of EBITDA growth in the last three years. We selected participants who were involved in the management of the family business and intended to stay in their firm in order to maintain narrative continuity.

Another criterion was that the owning family had to be involved in the management of the business. All the firms were second generation, which also means that firms were all relatively young and the leaders - Chief Executive Officer and Chairpersons (CEO) - selected for this study were particularly emotionally bounded to their firm history and were extremely willing to enhance organizational performance.

Moreover, both firms were located in the same Region, namely the Region of Veneto. We selected this part of Italy because it is the most industrialized area in the country, and this would also control for possible local cultural effects. Most studies on family business have been conducted in the US, therefore, it is interesting to also uncover issues related to other countries such as Italy.

### 2.3.2 Data Collection

We collected data in different ways and using different means. First, data were gathered through semi-structured interviews with individual respondents. Interviews were conducted in person using an interview guideline. On average they lasted 60 minutes and were recorded whenever possible. Detailed notes were taken during the interviews and typically transcribed within 48 hours.

We also triangulated data in different ways (Eisenhardt, 1989; Yin, 2009). After the selection interview the entrepreneurs were surveyed at the beginning of the MBA. This initial questionnaire solicited structural information about the participants and their firms. Three months later, another questionnaire about competencies was administered and behavioural event interviews about their emotional intelligence competencies were conducted. This allowed us to juxtapose and compare stories and impressions between self-reported and externally assessed information. Also, many informal and personal conversations happened with participants during the MBA, but also with members of their family either in person or on the phone. The scientific director of the MBA who has deep personal knowledge of the entrepreneurs has also been interviewed as a key informant. Such a strategy and the presence of three different types of informants — at firm level and external to the company — mitigated potential subject biases (Miller, Cardinal, & Glick, 1997). Respondents occupied different functional and hierarchical positions, thus providing a rich range of perspectives and helping to develop an elaborated theory (Kumar, Stern, & Anderson, 1993). Later, interview data were double checked using archival data from the database AIDA, as a secondary source.

### 2.3.3 Case Description

As explained in the previous paragraph, we selected two cases which performed well in terms of EBITDA growth in the last three years and whose entrepreneur had a high entrepreneurial competency portfolio (both in terms of emotional intelligence competencies and self-assessed competencies). We identified: Zeta Srl and Union Spa. The names of the companies and entrepreneurs are pseudonyms.

#### *Zeta Srl*

Zeta Srl produces furnishings for mono-brand luxury shops located all over the world. The firm was founded in 1965 by Marco's father. Marco is now the leading entrepreneur and his competencies have become especially relevant for the business. Marco is very emotionally bounded to his father's memory and to the history of the firm. As a matter of fact, in the entrance of the building there is a showcase displaying the objects that were in use at the time the enterprise was founded. Also Marco's great grandfather worked in the wood sector but he never really founded a business.

His father had two brothers, who also owned a part of the business, and one sister, who just worked in the firm. Ownership was divided into three parts among the three brothers. The principal client was a big local manufacturing firm, Marzotto.

Marco started to work for the family business in 1996 when his father asked him to leave his previous job in Marzotto where he was in charge of cost accounting. There were a lot of tensions and conflicts among Marco's relatives, also because five cousins were involved in the business and Marco, his brother and his sister possessed just one ninth of the ownership.

Marco was very tired of this situation, therefore, in 1997, when he was 33 and his father 64, he provocatively offered to resign to the other family members because there was

too much turmoil in the organization and as a result of these contrasts delivery dates were no longer being observed. Marco was well aware that this could have led to a loss of customers.

At that time, some consultants offered an organizational check-up. Acceptance of this organizational evaluation was a first step towards the reorganization of roles and operations. By the end of 1999 the firm also obtained a quality certification, which makes Marco very proud of his work in helping to redefine the organizational structure.

Also, the main client of Zeta Srl was Marzotto which accounted for 80% of the firm's revenues. Marco understood that this heavy reliance on one client could be risky and started to look for different clients. In 2002, after the world financial crisis, Marco became CEO. During this period the firm was also having some difficulties, but by the end of the year he was able to win an order from a new client and thanks to this, the company had no losses. Also, in the search for new clients, the firm was starting to internationalize and Marco was the only family member who could go abroad to coordinate the activities because no one else in the family could speak other languages. It was also down to Marco that the firm had developed a very innovative approach,

*“since we had a problem with deliveries, we were the first ones to install GPS navigator systems in trucks so that deliveries could be more punctual and easier for our drivers..*

*this was a radical innovation for us, no one knew what GPS was at that time...”*

In 2005 Marco set up a recruitment process for a technical manager and he ended up hiring his brother, an engineer. His sister was already working in the company as an accountant, but she didn't have any responsibility for business strategy. The difficulty of managing the business was too high due to the complexity of familiar relationships. He agreed with his brother and sister to propose buying the total ownership of the firm from

their other relatives. This proposal was met with a great deal of negative reactions from the other family members. In 2008 Marco's father passed away and it meant that Marco also had to cope with this very intense personal crisis. He made a purchase proposal of the firm but he wasn't sure that his relatives would accept it and, also he had lost his point of reference in the family:

*"I was going through a very deep personal crisis... I was too specialized in this enterprise, I was afraid I wouldn't be able to find another job... but, in the end I was aware that everything I did was for the survival and success of the business..."*

In the end, Marco and his brother and sister were able to acquire the business. Now the firm employs 27 people (13 blue-collar and 14 white-collar workers, 7 of whom have corporate responsibilities) and it is a profitable business which is growing in its sector. Marco also believes that education is fundamental in order to set up a successful organization and he therefore invests a lot of the budget in his workers' training. It is interesting to note that he also took out insurance for himself and for some key managers of the company: if one of them dies, an amount of money goes to the business to help the company to survive, at least for some time.

### *Union Spa*

Maximilian is the leader of Union Spa. Like Marco, Maximilian was also born in 1964. Union was originally founded in the 1970s in Padua. It then failed and was founded again in 1986. The enterprise was acquired by Maximilian's father, Pietro, one uncle and another friend of theirs. After some time their friend resigned.

Pietro was 60 when his brother involved him in this new adventure of running a new firm. He had a lot of experience in the geographic area, but had always worked in the shoes production sector. His brother and the other friend lived in Ravenna, quite far

from Padua, and they owned a commercial enterprise which operated in the automotive sector and they decided to buy Union because it was one of their major clients. The fact that it failed was a major loss for them and they preferred to buy the firm rather than finding a work elsewhere.

The old Union produced horns for bicycles and then for cars. When Maximilian's father entered management they also started to produce mechanisms for car windscreen wipers. Today Union produces motors and gearmotors for servomechanisms in the car industry and for automations in the civil and industrial sector. Also, the firm moved to Rivale di Pianiga in the province of Venice in 1995, about 40 kilometres away from its previous location. It currently has 60 employees and manufactures approximately 200,000 items a month.

Maximilian entered the firm in the 1990s when he was studying at engineering at university. He was able to gain a lot of experience in all the company's departments.

In 2000 his father died and the week before the purchasing manager also passed away suddenly. Maximilian's mother and sister inherited part of the ownership, but they are not active in the company's management: they just attend the meetings of the Board of Directors. Maximilian found himself managing the enterprise on his own. Also, similarly to Zeta, this enterprise was linked to another big Italian car producer: Fiat. In 2001, when Fiat started to be late in its payments, Union had to look for other markets. In particular, Maximilian started to travel abroad to find new opportunities:

*“I was alone, by myself with all these problems. I went knocking on many potential clients' doors and I was able to find one client who only required small scale production involving very low volumes. But we needed it. Thanks to this production we were able to*

*gain a reputation in foreign markets and that's the way we started to internationalize our firm"*

His uncle and then his cousins have always been present in the ownership of the enterprise, but never really involved in the management. Maximilian has a lot of freedom in deciding what is best for the firm and although decisions are formally taken together his ideas have always been approved.

Their firm is quite well structured but Maximilian knows exactly where the organization should be enhanced. He also invests a lot in education

*"right now I am trying to increase the competencies of managers and I also try to recruit people who have at least a college degree"*

Today the firm has 45 employees and has a 100% control policy on all produced pieces which has allowed the firm to gain many important quality certifications.

## 2.4 ANALYSIS

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In this section we will first introduce a model that can help to explain how competencies dynamics can influence firm performance and then explain more in detail how the specific entrepreneurial competencies, that we identified in the first chapter of this thesis.

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### 2.4.1 How Competencies Are Enacted: The Model

Entrepreneurs have some more or less conscious objectives and these assume different levels of importance over time and space. The economic and financial goal is instrumental to the survival of the firm and therefore is a primary objective of the two entrepreneurs under analysis. Then there are some secondary goals which they try to attain by using their competencies. In fact, they use their competencies as means to reach their objectives, by enacting the surrounding which are relevant or potentially relevant to

goal setting and goal attainment (Thompson, 1967). We identified three spheres of action in particular: the organizational one, the family one and the one which concerns the social environment outside firm boundaries.

In each of these subsystems different competencies are enacted since they are resources that the entrepreneur uses to reach her goals. As already reported in previous literature (Klein & Pieper, 2007) these three subsystems interact with each other and therefore there are complex and dynamic combinations of objectives and competencies used.

During the interviews, in fact, the entrepreneurial competencies of the leader emerged as a salient and recurrent trait in these successful cases. For instance regarding the family sphere of his task environment, Marco reported,

*“my dad recognized that I was capable. That’s why he asked me to work for our family business”*

This shows that the family gave him some emotional and material support, which enabled the competencies of the entrepreneur to emerge.

Also, in the organizational sphere, Maximilian reported,

*“there was one of our managers who wanted to become the leader of the firm, but in the end everyone recognized me as the most competent”*

Similarly to the previous example, this one also shows how he had the chance to enact the organizational part of his task environment using his competencies.

Likewise, also in the external environment, both Marco and Maximilian hold some roles in politics or entrepreneurial associations where they offer their competencies voluntarily. In this case their objective is the need to be professionally recognized as capable and they are able to reach this goal by working and enacting their relational and professional competencies for these communities, which are external to the enterprise.



Then, it becomes a self-reinforcing cycle where, once the goals are reached (or not), the results influence the objectives of the entrepreneurs and so on (see Figure 1).

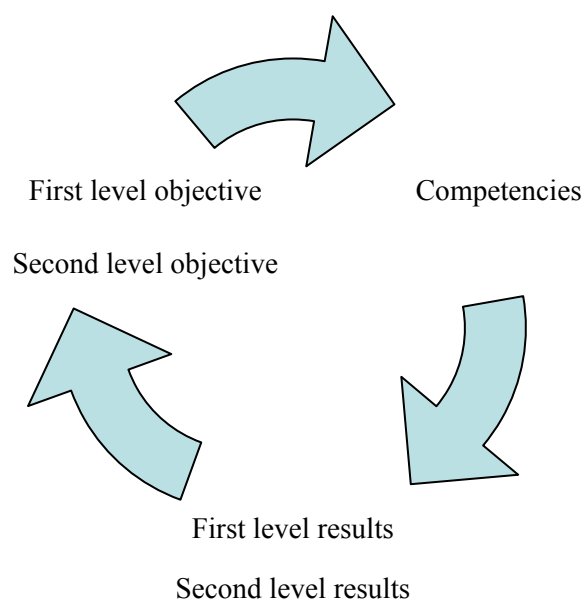
It is also interesting to consider that due to the variety of objectives the entrepreneurs have there is a wide multiplicity of performances that should be considered and if, on the one hand, objectives have a hierarchy, then correspondingly performances have a ranking. It is quite well known in the literature that family entrepreneurs have a variety of objectives and the primary goal is firm survival (Weasthead & Howorth, 2006) . We have also found this same approach in our cases, in fact when talking about the crises they both went through, both leaders said,

*“that was a very emotionally difficult period... I had to go out and knock on potential clients’ doors...”*

For instance, in this case, they had to use their benchmarking and commercial competencies to find what they were able to do better than their competitors and go to the market and convince potential clients.

In short, in our study, it appears that individuals with a high propensity towards entrepreneurship expect something back from their organization in terms of performance. These relationships are complex and there could be infinite arrows pointing in all directions, but this is the prevalent cycle that we could identify. We now focus on the relationship between competencies and firm financial performance, which is the *sine qua non* condition for the firm's survival.

Figure 1 The model: objectives




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#### 2.4.2 The Conditions For Effectiveness: A Social Exchange Perspective

What the literature about competencies maintains, as also reported in the previous chapter, is that being competent enhances performance. Now that we have explained the mechanisms that enact competencies we will focus on clarifying the conditions under which this is true. In other words, the main idea here is that even though entrepreneur's competencies have always been seen as something positive for the firm, this can be true only if some conditions are verified.

Recent research (De Clercq, Dimov, & Thongpapanl, 2010) has attempted to adopt a social exchange perspective to understand the internal contingencies of the relationship between entrepreneurship and performance. This research highlights the importance of how a firm can enact the internal levers of its entrepreneurship. Social exchange theory regards exchange relationships as predicated on norms of reciprocity and mutual attraction (Emerson, 1981). Economic action is embedded in social relations that balance the

search for self-interested gain with the development of sustainable relationships (Granovetter, 2005; Granovetter, 1985). Investing in mutual support can be seen as a motivation of human behaviour. In the context of family firms, where family members are part of a larger organization, the nature of these particular relationships represents a resource that may benefit exchange partners (Arregle, Hitt, Sirmon, & Very, 2007). For instance, the deeper mutual knowledge of family members and the need for family sustainability is instrumental for the organization's effectiveness. If family members help their relatives they will also extract value from the firm.

A social exchange perspective should help identify the factors that help leverage the firm's internal resources thanks to family, individual, organizational and social relationships in ways that affect the successful exploitation of entrepreneurial opportunities. Drawing on the notion that the combination of resources in exchange relationships can be optimized through factors such as procedural justice (Sapienza & Korsgaard, 1996), trust (Nahapiet & Ghoshal, 1998), and commitment (Kim, 1998), in this paper, we will focus on some elements which have become critical in transforming competencies into performance, in particular we will focus on *decisional autonomy* and *legitimacy*.

As a matter of fact, both the entrepreneurs we interviewed showed a high need for decisional autonomy and legitimacy in all their spheres of action. They need to feel free from all the complexities of family relationships (conflicts, contrasts of power,...); they want to have a clear organizational role and they aim to have a determinate role also in the external social community.

These two elements, *decisional autonomy* and *legitimacy*, are strictly related and can explain the emergence of some specific entrepreneurial competencies which constitute

the prevalent ones in Marco's and Maximilian's portfolio of competencies, as shown in the previous chapter of this thesis.

### *Organizational awareness*

Both entrepreneurs have experiences in all the departments of their organization, they know every process and every function. This competency has helped them to enhance the organizational structure. Marco indicated,

*“I know every single corner of my organization. I've worked in all of them. I knew that there was something wrong and thanks to the help of some organizational consultants we had a reorganization, which helped all of us to work more efficiently...”*

They were able to reach this level of knowledge and to leverage on the competency of organizational awareness when it was needed, thanks to the decisional autonomy and their legitimacy inside their firm. However, when these two conditions were not present, because there were some other family members in charge of the leadership of the firm, they were not able to achieve better financial performance, because of the delays in deliveries and inefficiencies in the order and production processes.

### *Efficiency orientation*

Thanks to their decisional autonomy Marco and Maximilian were able to use their efficiency orientation competency and gain legitimacy inside and outside the enterprise. For instance, Maximilian said,

*“The market was changing. I wanted to install a new product line because that would have lowered costs... I asked the other owners and they said they trusted me... even though I have to formally ask for their agreement, I am free to make the decisions that I think are the best for our business”*

When the leaders didn't have decisional autonomy and their actions could not be legitimated, they suffered, for instance Marco claimed when he was not in charge of the business, and his uncle and cousins still had decisional power,

*“I was feeling restrained... my uncle and my father were always fighting and no one was thinking about the business.”*

### *Teamwork*

Working in team and being able to engage others in the firm's projects are typical characteristics of transformational leaders (Bass, 1990). As explained by this leadership theory, when leaders widen and elevate the interests of their employees, when they generate awareness and acceptance of the purposes and mission of the group, and when they stir their employees to look beyond their own self-interest for the good of the group they can be defined as transformational leaders. Transformational leaders achieve these results in different ways: they may be charismatic to their followers and thus inspire them; they may meet the emotional needs of each employee; and/or they may intellectually stimulate employees. The emphasis is on generating a vision for the organization and the leader's ability to appeal to higher ideals and values of followers, and creating a feeling of justice, loyalty and trust. In the organizational sense, transformational leadership is about transforming the performance or fortunes of a business.

As a matter of fact, in Maximilian's office we saw he had an award given to him by his employees where it was stated *“thank you for bringing our firm into the international market”*. This was a very concrete sign that, since he had the opportunity to decide what was the best for his business he was also able to leverage on his teamwork ability to engage all the employees in the projects.

## 2.5 DISCUSSION AND CONCLUSIONS

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This two case-based study helps shed light on some factors that can help to explain how and why family firms are successful, or not. It complements and challenges current knowledge on family business with a depth typical of qualitative data, which can address questions about the context of internal processes and their impact on performance outcomes.

The results of this study advance theoretical knowledge about social exchange processes in small and medium family business. Social capital has been previously regarded as unique and valuable element of family business (Arregle, et al. 2007; Pearson et al., 2008; Runyan, Huddleston, & Swinney, 2006; Salvato & Melin, 2008), but previous research has never considered that there is a complex exchange relationship between the individual, the task environment, its subsystems, and the performance of the firm.

The first contribution of this study is to our understanding of how entrepreneurial competencies can impact on performance outcomes. Research has already considered the characteristics of individuals, for instance, it is known that founders' values have an impact on the strategy of the organization (Garcia-Alvarez & Lopez-Sintas, 2001). This study takes a step forward and shows that a leader who is brave in taking initiatives, collaborating with other organizational members and is flexible in maintaining the specific purpose of providing the best service for her firm's customers can actually be a valuable resource for the company.

The second contribution of this study is to our knowledge about social exchange processes inside family business. SMEs are a context where the human and social element is crucial for firms' long-term success and viability, and this study offers insights into social elements, adding to previous literature by explaining why and how decisional

autonomy and legitimacy support entrepreneurial actions and crucially influence performance. These elements could therefore help to clarify some reasons behind the differences in profitability found among family firms (Miller et al., 2007).

From a broader perspective, this study contributes to existing social exchange theory, by considering that entrepreneurial competencies are elements of reciprocal exchange within the organization. Entrepreneurial competencies are considered here as cognitive emotional elements that make people act because they expect something back from their organization (e.g. satisfaction, reward, profit).

From another perspective, this work extends existing theory about small businesses (D'Amboise & Muldowney, 1988) since it underlines the importance of internal processes which are pervasive in the organization due to the size of the firm.

Moreover, it adds to family business literature, which has started to consider the involvement and the characteristics of family members on entrepreneurial behaviour (Kellermanns, Eddleston, Barnett, & Pearson, 2008).

In general, this theoretical model extends and refines extant conceptual frameworks of family business, collectively providing an integrative explanation of how and why internal factors differ and how these differences affect performance outcomes and thus also contribute to disentangling some dynamics underlying the recent concept of *familiness* (Chrisman, Chua, & Steier, 2005; Pearson, Carr, & Shaw, 2008; Zellweger, Eddleston, & Kellermanns, 2010).

#### *Limitations and Future research*

This study may provide a starting-point for further theoretical development, it reports factors that previous studies don't identify, such as decisional autonomy and legitimacy, their complex relationships with entrepreneurial competencies and objectives. Although

this represents a concrete, tangible advancement to our understanding of this context, it may not be exhaustive. This may depend on one limitation of the data due to the selection of a sample containing two MBA participants. The observation of other cases would help determine more details of the internal process factors that affect firm outcomes.

Another key consideration, which is applicable to mainly qualitative research, is the generalizability of its findings. Although this study embraces and attempts to present a realistic and simple analysis of several cases of divestitures and several different divesting forms, it inevitably does not maximize generalizability (McGrath, 1982; Weick, 1979). It would be interesting to test its insights on a larger database, ideally a panel data set. Scholars could collect data by following a given set of companies over time, and providing multiple observations on each company. With such panel data, they could draw causal inferences between variables. This would provide more generalizable results about the outcome of better — or worse — managed internal processes.

Finally, since our focus of attention in this work is on internal processes in small and medium Italian family businesses, it would also be interesting to extend this research to other countries to see if these dynamics are subject to possible cultural effects.



### 3. CHAPTER

## **CONTRIBUTIONS VERSUS IMPLICATIONS IN FAMILY BUSINESS RESEARCH: A STUDY OF FAMILY BUSINESS REVIEW FROM 1998 TO 2010**

### 3.1 INTRODUCTION

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In their recent editorial Reay and Whetten (2011) underline the importance of developing theoretical contributions that are relevant in the family business field. Theory in fact has different aims, it can be useful for predictions (Kerlinger, & Lee, 2000) or it can be considered a tool for simplifying the complexities of the existing world (Bacharach, 1989). Theory in this paper is considered as a developing process (Kuhn, 1970; Cannella, & Paetzold, 1994; Di Maggio, 1995) that starts with a set of elements that are bounded by logical explanations of phenomena. Moreover, it is socially constructed in its development phases and in the ultimate diffusion and consolidation stages. Contributions in papers are a critical and vital source that feed this process (Corley, & Gioia, 2011), and they should be relevant concerns focused on issues related to family business (Reay, & Whetten, 2011).

In the family business field, the debate is still open among scholars whether family firms can be considered either an applicative context where to validate already existing theories, for instance, stewardship or agency theory (Schulze et al., 2001; Corbetta, & Salvato, 2004) and strategic management approaches (Chrisman, Chua, & Sharma,

2005) such as the resource based-view (Habbershon, Williams, & MacMillan, 2003); or a field that can provide a context to develop a theory that stands on its own (Moore, 2009). Even so there is one point of agreement among all scholars, namely that research in family business should also be relevant for practice, as summarized by Corbetta (2011) at the IFERA conference in Palermo. As a matter of fact, according to Family Business Review (FBR) both theory and practice are important and should be equally cultivated. This discussion opens a first fundamental question: to what extent has family business research community contributed to theory and practice?

Recent works have analyzed the state of development of the field (Casillas, & Acedo, 2007; Chrisman, Chua, & Sharma, 2005; Chrisman et al., 2010; Dyer, & Sánchez, 1998; Moore, 2009; Zahra, & Sharma, 2004), but none has ever focused on the contributions to theory and implications for practice of the research articles developed in the field. With the aim of filling this research gap, the purpose of this study is threefold. First, to assess the evolution of theoretical contributions of both empirical and conceptual articles. To reach this aim we classified empirical articles according to theory building and theory testing dimensions (Colquitt, & Zapata-Phelan, 2007) and we created a scale for contributions of conceptual works; we also consider in the analysis the added value of scientific collaborations among scholars. Second, to classify practical implications written in published papers and examine their trend. Finally, our study aims to assess whether contributing to theory and reporting the implications for practice could influence the impact on the literature of the paper, as judged using citation rates. The FBR is an ideal setting for examining these issues because it is the most important international scientific journal dedicated to the family business field (Chrisman et al., 2008) and the recent increase in its impact factor provides an index of its increasing weight. A twelve

year span of the journal, from 1998 since the first review by (Dyer, & Sánchez, 1998) to 2010, provides a quite extended time frame to detect some trends.

Our work is organized in five sections. In the first one we review the literature to identify a scale to classify theoretical contributions and to develop a scale for practical implications. In the second section we explain the methods used and in the fourth one we focus on results. The last section we discuss the results obtained.

## **3.2 WHAT ARE CONTRIBUTIONS AND IMPLICATIONS?**

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In the next paragraphs we will explain how previous literature has defined contributions and implications that can derive from a specific paper.

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### **3.2.1 Theoretical Contributions**

A contribution is an actual and novel theoretical improvement either by refining already existing frameworks or by introducing new ways of interpreting phenomena (Davis, 1971; Whetten, 1989). Reay and Whetten (2011) clarify what means making a theoretical contribution in the family business field, which is not different from any other discipline, by defining it as the individuation and the credible explanation of key factors, their logical connections and the conditions under which the theory holds. In this section we try to operationalize this definition basing our measures on some of the seminal references that they cite in their work.

As the two editors explain by referring to Corely and Gioia (2011), authors of scientific research articles can make different theoretical contributions. According to the typology of the paper they write they can either test theory or build theory (see Table 8).

*Table 8 Contributions to theory and implications for practice*

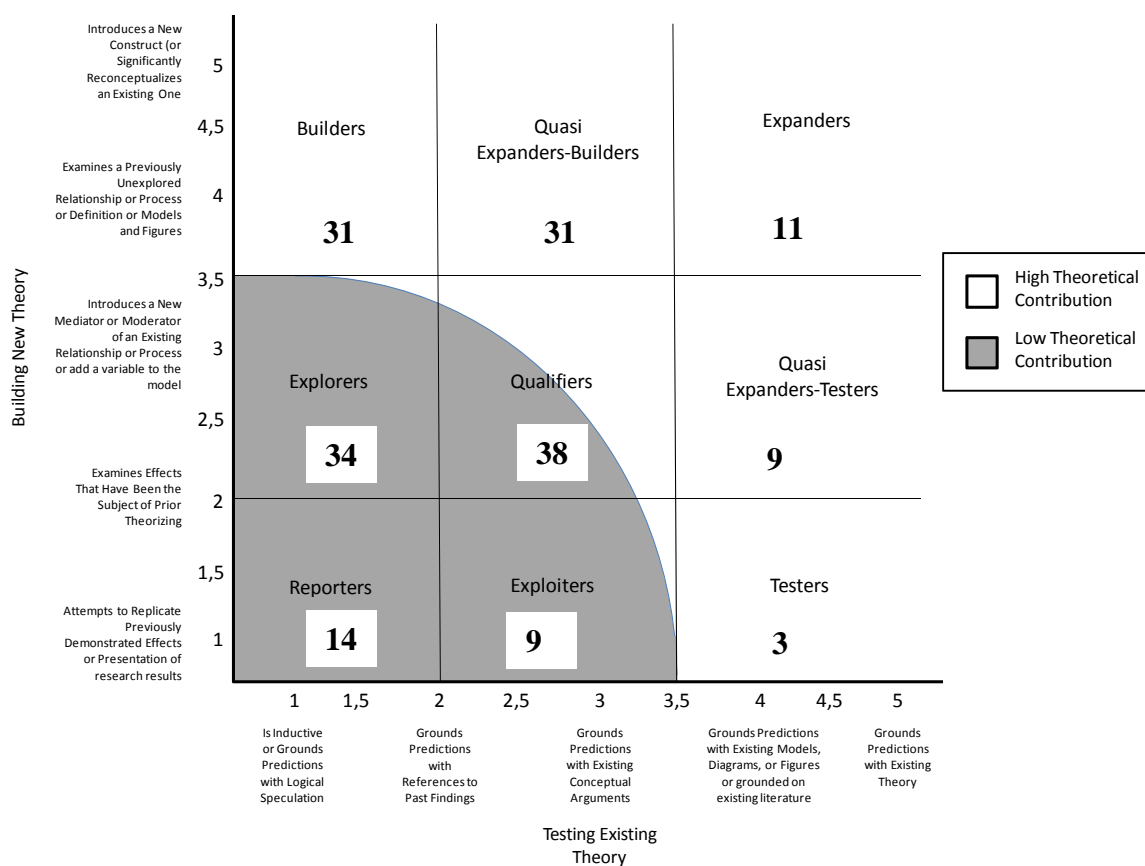
Type of article	Theoretical contributions	Implications for practice
Empirical	Theory building	Practical relevance <b>Scale (1-5):</b> see Table 9
	Theory testing <b>Scale (1-5):</b> Colquitt, & Zapata-Phelan, 2007	
Conceptual	Theory building <b>Scale (1-5):</b> see Table 9	
Literature review	Theory building <b>Scale (1-3):</b> see last paragraph of the section “Coding theoretical contributions”	

In empirical examinations, testing theory means that researchers follow the hypothetico-deductive model and use theory to formulate hypotheses before testing them with observations (Popper, 1965). Building theory, instead, includes both empirical and conceptual works. Empirical papers that build theory follow the inductive model, meaning that the observations are used to generate theory through inductive reasoning (Chalmers, 1999). These studies can be conducted in a number of forms. For instance, authors can use the case study methodology (Eisenhardt, 1989; Eisenhardt, & Graebner, 2007), grounded theory (Glaser, & Strauss, 1967; Suddaby, 2006), or ethnography (Atkinson et al., 2002). Regardless of the specific methods used, inductive empirical articles normally conclude with a set of propositions that summarize the resulting theory. Empirical articles concentrate on specific phenomena they typically lack the space needed to fully describe the elements of a theory (Barley, 2006); while conceptual works provide a specific settings for theory advancements. Nonetheless, the value of their theoretical contributions can be different according to the elements considered in the work, to its completeness, thoroughness, validity and internal consistency (Whetten, 1989).

It is important to underline that hypothetico-deductive empirical articles can also build theory, though typically in a different fashion. Early tests of a theory are typically concentrated on establishing the validity of the theory's core propositions. In subsequent tests, researchers begin exploring the mediators that explain those core relationships or the moderators that reflect the theory's boundary conditions. Eventually, in yet further tests they begin expanding the theory by incorporating antecedents or consequences that were not part of the original formulation. Over time, a stream of such studies can provide the inputs for more comprehensive theorizing.

To evaluate theoretical contributions of empirical papers we used the taxonomy developed by Colquitt and Zapata-Phelan (2007) represented in Figure 2, which combines the dual components of an empirical article's theoretical contribution: *theory building* and *theory testing*. As the curve in the figure illustrates, an empirical article can offer a strong theoretical contribution by being strong in theory building, strong in theory testing, or strong in both. For instance, articles that use an hypothetico-deductive model can also build theory by exploring new relationships or constructs after having established the validity of the theory's core propositions. The evaluation of these two components let us identify nine categories of articles. *Reporters* are those empirical articles that have low levels of both theory building and testing. *Explorers* and *Exploiters*, are those papers with a moderate level of one of the two dimensions and a low level of the other one, while *qualifiers* are moderate in both dimensions. *Testers* and *Builders* are high level in one dimension and moderate on the other one. *Quasi expanders-builders*, *quasi expanders-testers* and *expanders* are those articles that present high levels on both dimensions.

Figure 2 Contributions of empirical articles



Theoretical articles, similarly to empirical ones, can have different aims. To build a scale to classify the theoretical contributions of conceptual articles we analyzed some works that summarize what good theorizing means (see Table A in Appendix). As reported by Reay and Whetten (2001), in his prominent paper Whetten (1989) defines the elements of a good theory. In short, he argues that it should be complete, tough and should marshal compelling evidence. Similarly, Sutton and Staw (1995) consider that theory is about the connections among phenomena, a story about why acts, events, structure, and thoughts occur. Theory emphasizes the nature of causal relationships, identifying what comes first as well as the timing of such events. Strong theory has to

delve into underlying processes to understand the systematic reasons for a particular occurrence or non-occurrence.

Therefore, thanks to this analysis we developed a 1-5 scale for coding conceptual articles. Table 9 shows the classification we used.

Theoretical articles, similarly to empirical ones, can have different aims. To build a scale to classify the theoretical contributions of conceptual articles we analyzed some works that summarize what good theorizing means (see Table A in Appendix). As reported by Reay and Whetten (2001), in his prominent paper Whetten (1989) defines the elements of a good theory. In short, he argues that it should be complete, tough and should marshal compelling evidence. Similarly, Sutton and Staw (1995) consider that theory is about the connections among phenomena, a story about why acts, events, structure, and thoughts occur. Theory emphasizes the nature of causal relationships, identifying what comes first as well as the timing of such events. Strong theory has to delve into underlying processes to understand the systematic reasons for a particular occurrence or non-occurrence.

On the basis of this analysis we built a 1-5 scale for coding conceptual articles Table 9 shows the classification we used.

*Table 9 Scale for assessing the contribution of conceptual articles*

Scale	Contributions of conceptual articles	Implications for practice
1.	References and data (or previous research findings) are presented.	No mention
2.	References, data (or previous research findings) and list of variables/concepts are presented.	Limited mention in discussion-conclusion or introduction Tone: Informative
3.	References, data, list of variables and diagrams are presented as a first step in theory construction.	Implications are an additional result Tone: Revealing but does not specify the action nor the context  There is a specific section, implications are an additional aim
4.	References, data, list of variables, diagrams and propositions (or hypotheses) are presented as a first step in the theory construction process.	Low readability Tentative Language (e.g., the use of words such as “may,” “speculate,” and “potentially” “it is possible that”...). Complex or not clear about contingencies Tone: Enlightening but does not specify the action only gives some suggestions (ex. could do that...)
5.	Logical explanations and contribution. Domain (what and how), assumptions (why), and limit to generalizability (who, where and when) should be described. The contribution should be interesting (novel from current thinking) and contain a germ of paradox, different explanations should be considered, specification of the causal relationships should be underlined.	There is a specific section, implications for practice are the only/the main aim (it explains what results mean and how to use them) High readability Prescriptive Language: (i.e., explicit use of words such as “should,” “must,” or “need to”) Specific Contingencies: “on the other hand,” “weighed against,” “contingent upon” and “depends on.”(max 2) Tone: Explicit and prescriptive/instructive/educational: it specify the action and the context (ex. in this case, do this... in that case, do that.)



Two aspects can clarify this scale. First, there is a hierarchy of elements in theory construction (Sutton, & Staw, 1995; Weick, 1995): references, data and list of variables are the basic elements of a theory. More advanced features are diagrams and propositions. To be a consistent theory, logical explanations and causal relationships should also be considered and explained clearly, and should also be supported by describing the limits to generalizability. With the same logic of Davis (1971) a very high level contribution requires a new or provocative idea, since the resonance of a theory is a socially constructed process (Di Maggio, 1995; Sutton, & Staw, 1995). Second, a conceptual contribution cannot be considered theory when it presents just a list of elements, as references, data or list of variables are present (Di Maggio, 1995; Whetten, 1989; Sutton, & Staw, 1995; Weick, 1995). It can be considered theory only if it is clear that it is a first step in theory construction (Weick, 1995), because theory can be seen more as a process rather than a product.

A real contribution in the family business field means therefore, challenging or complementing already existing theories, by showing that already existing organizational theories surprisingly don't work (or work) in the family business field because of the uniqueness of the characteristics of the context considered (Reay, & Whetten, 2011). Furthermore, it can also mean challenging ideas already established among experts of the discipline that don't square with more general organizational theories. In the first case, the contribution is context specific meaning that the family is the distinctive element that distinguishes the business; in the second case, the contribution is context sensitive and therefore it involves a comparison between family and non-family business, which becomes the central element. While using already existing theories and just con-

firming them or arguing of doing something that has never been done before in the family business field cannot be considered a real contribution.

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### 3.2.2 Practical Implications

As shown in Table 8, besides theoretical contributions also practical implications are another element which is considered critical in an empirical article (Bartunek, Rynes, & Ireland, 2006). In particular, a paper besides clarifying which advancements it can give to theory, it should also generate usable knowledge in the “real world” by addressing a subject that is very relevant to the actual work.

In family business research, this means explaining what consequences research can have for family business members (e.g. owners, managers,...), or for their consultants, advisors and policy makers.

Table 8 also shows the scale we built to assess the *relevance for practice* for each article. We based our scale on the study of Bartunek and Rynes (2010), in particular the lowest value is attributed to those papers directed only to the academic community which don't mention any practical implications in the paper. Those works that state that the problem is important for practice even without further explanations can be considered a little more useful. Then, articles with the additional aim of revealing a specific issue to the community have a higher ranking. Finally, the highest points can be attributed to those that call on someone to consider acting in response to the findings, in particular those papers that specify how and when using precise and clear advices, suggestions or prescriptions are those preferred by practitioners. In other words, this scale captures the fact that practitioners tend to prefer clear prescriptions of what to do under specific contingencies rather than recommendations that academics typically are expected to make

(e.g., Bazerman, 2005; Kelemen, & Bansal, 2002) and also very readable and explicit texts as opposed to a very elaborated and vague writing style.

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### 3.2.3 Evolution Of The Dominant Paradigm

Having defined a tool for capturing the contributions made by both empirical and theoretical articles and the applied utility of empirical ones, we now focus on how those contributions/implications might change over time and how they might shape the scholarly and practical impact of an article by considering also the influence of authors' collaborations.

Turning to the first point, we can make some predictions on how the contributions have changed across time in the family business field. Casillas and Acedo (2007) by means of a co-citation analysis showed that the family business literature can be considered in a *normal science phase*, also Moores (2009) reaches similar results. According to these authors, in this area there is a dominant paradigm accepted by an *élite* of academics. New hypothesis have emerged and they require the development of empirical research oriented toward confirmation – using larger samples – as a consequence, the need for theory testing emerges.

While if we regard the second point, we can think of an opposite trend where practical implications are always less present in papers and there is an urgent need of rediscovering their importance (Corbetta, 2011). As explained by Casillas and Acedo (2007) the dominant paradigm has emerged through an inductive process as a consequence of consulting activities developed by their authors and therefore now the need to bring back our academic knowledge to the real world emerges. Therefore, another element that we considered relevant when analyzing the impact of an article in the community of scholars is authors' background (i.e. practitioner or academic). As a matter of fact, it is

known that practitioners tend to approach research in a different way from academic researchers, they don't have the same career incentives that academics do and they usually aim to investigate to solve the managerial problems that they face in their activities (Hodgkinson, & Rousseau, 2009).

Our two predictions about the development of theoretical contributions and practical implications might also be explained by the fact that citation rates are a parameter of how much research has propagated and influenced current thought and thus authors could prefer to include strong theoretical contributions rather than practical implications in their works.

Taking these two expected phenomena as a whole, we also have to consider that previous research showed that collaborations can have an impact on citation counts (Katz, & Martin, 1997; Acedo et al., 2006). Co-authorship can be considered the most formal manifestation of intellectual collaboration in advancing research, which should lead to a scientific output of a greater quality than could be achieved by an individual (Hudson, 1996). However, the acceptance and consequent impact of an article is not dependent solely on the quality of the work submitted, it also depends on the potential sharing of knowledge among authors and among authors and editors of the journal to which the papers are submitted (Laband, 1985; McDowell, & Amacher, 1986). The editorial teams have, in fact, an important role in supporting the overall process of field development (Pfeffer, 1993; Pfeffer, 2007). Authors need to publish their papers and editors are in a position of power, therefore editors can orient the ideas and points of view of researchers especially by means of their editorial letters.

### 3.3 METHODS

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In the next section we will focus on the methods used for this research.

### 3.3.1 Data and Sample

In the present study we have included all articles from FBR published between 1998 and 2010. The total population of articles (volume indexes, erratum, call for papers, memorials and letters excluded) was 375 files. We included also six forthcoming papers available on-line in August 2010, to be as current as possible.

FBR first issue was actually published in 1988, but we begin our review in 1998, since the review about the previous 10 years of articles by Dyer and Sánchez (1998) concluded that the journal reported papers with mainly very practical aims therefore it wouldn't have made sense to focus on theoretical contributions in that time frame. That review included a descriptive analysis of the typologies of works and the nationality and background of authors of papers published in FBR which made clear that the field was evolving toward a more academic target. Our coding of theory building and theory testing was based on a large enough set of empirical or theoretical articles. It covered all issues of every volume of the journal. We excluded from the entire population book reviews, case studies, acknowledgement of (and thanking to, or ad hoc) reviewers, interviews and conversations, research guidelines, an introduction to special section, a reading list, editors' notes and letters from the president of Family Firm Institute. We eliminated also the classics, because these are re-published papers. Even if all these sources can provide fruitful information, this goes beyond our focus on empirical or theoretical articles. It has to be noted also that in 2003 only 3 issues of the journal were published. The final sample included 304 articles (invited commentaries, research and theory notes were also included) published in FBR.

Since FBR traditionally has had a practical aim (Dyer, & Sánchez, 1998), we excluded from our sample 25 articles with less than 10 references. Without denying the impor-

tance of these contributions, they were not relevant for our analysis because their aim wasn't providing a theoretical contribution, but rather comments or observations. As shown in Table 8, of those total number of articles, we differentiated between those that were empirical articles (n=180) that could be coded on practical relevance and theory building and theory testing framework (Colquitt, & Zapata-Phelan, 2007) and conceptual ones (n=54) that could be coded according to our scale. We also considered in a separate analysis literature reviews (n= 13) and the editors' notes (n=32), which could provide interesting insights regarding our research objectives. We considered then the same 180 empirical articles for evaluating their practical implications on the bases of our scale.

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### 3.3.2 Procedures

#### *Coding Theoretical Contributions*

Three coders coded the empirical papers according to the two scales of theory building and testing (Colquitt, & Zapata-Phelan, 2007) and the conceptual papers according to the theoretical contribution scale, the anchor description was useful to reduce ambiguity. Reliability was critical in our analysis, therefore to make sure that we would have coded the papers in a consistent way, we coded all articles of all issues of volume 10 of 1997, which were not included in our final sample. First, the coders coded two articles together to make sure that we would code according to the same criteria. Secondly, we coded the other 8 papers and calculated the intraclass correlation ICC(1) to ensure inter-rater-reliability (James, 1982; Shrout, & Fleiss, 1979). The ICC(1) in theory testing was 0,95 and it was 0,59 in theory building. Similarly, for theoretical articles we coded two articles together. We then coded 9 articles from Entrepreneurship Theory and Practice (ETP) and the ICC(1) in this case was 0,72. We chose ETP since they were more simi-

lar to the contemporary FBR theoretical papers' writing style as compared to older FBR ones. The magnitude of the ICC(1) can be interpreted as the reliability related to a single assessment of an article contribution, with acceptable values being around .30 (Bliese, 2000). Before describing other details of the procedures, it is important to note also that the coders were not aware of the future applications of the coding process. Having established an adequate reliability, the three coders coded one third of each issue included in this review.

We used paper copies of the articles, to allow us to write notes on them. When coding empirical articles we noted some differences as compared to Colquitt and Zapata-Phelan's (2007) classification; only some specifications are necessary. When a paper had the aim of merely present research results or replicate previous findings it was rated low in theory building; only when a new variable or a new mediator or moderator was added into an existing model or if variations in space (i.e. cross-cultural studies) or time were considered it was rated as a moderate contribution in theory building. Also, the bases for constructing a theory can be either by exploring new areas of study and defining new theoretical framework or a new construct. These information were merely extracted by reading the first part of the paper up to the method section (when present), the conclusions and discussions. The objective of the paper and the citations helped us a lot in identifying the innovativeness of the contribution. When coding theory testing, we noted that when a research was conducted using inductive models or deductive models, but based on logical speculations and no previous theories, in these cases citations were insufficient. Also, when references were present, but no logic was explained they were rated as low. The citation of previous literature in the family business field has been considered as comparable to a citation of existing diagrams or figures, so it was rated as

a 4. Only when a particular theory was being applied to ground hypotheses or predictions, it was considered as high in theory testing.

Similarly to Colquitt and Zapata-Phelan (2007) we also allowed for half points (1,5; 2,5; 3,5; 4,5), because articles might present blends of different theory building and testing levels. To differentiate the categories (*Reporters, Explorers, Exploiters, Qualifiers, Testers, Builders, Quasi-expanders-testers, Quasi-expanders-builders* and *Expanders*) we considered the in-between points as owing to the higher category (for instance, if an article was coded as a 2 in theory testing and 3 in theory building it was considered a qualifier).

When coding theoretical articles, we considered that commentaries could only be classified low categories (1-2). If more elements of a theory were present (variables, diagrams, propositions) and the logic was explained, the theoretical contribution was considered as higher. When the authors shed light in the novelty of the theory, we assumed that the highest level of theory building was present.

We also analyzed all the literature reviews in a more qualitative manner. We summarized the principal findings and we classified them according to their aim. We evaluated them as 1 if they just summarized previous literature, with 2 if besides making a review of past findings they also indicated some future directions, and 3 if they also had the aim of building new theory by developing frameworks or new logic explanations of connections among variables.

It is important to note that our taxonomies capture what empirical articles are intended to do, not how well they actually reach their aims. Coding the quality of an article's theoretical contribution requires an in-depth expertise that cannot be present in a review of this type.



### *Coding Practical Relevance*

Traditionally, editors of FBR have supported the relevance of conductive useful research for practice as it is reported also on its website. As a step toward finding out what kinds of implications for practice are most helpful to practitioners, similarly to Bartunek and Rynes (2010), we asked an Master student to classify the 180 empirical papers on the bases of our relevance for practice scale. Also in this case we allowed for half points. We considered her a good candidate for this analysis because she followed a course in family business and also her father owns a family company, which makes her committed to do a very careful job on this project. Moreover, she was trained in content analysis and is therefore very sensitive to the use of language.

### *Control Variables And Editors' Invitations*

For every paper we then considered the nationality and the institution of the author(s). Persson, Glänzel and Danell (2004) showed that the number of authors correlates positively with the number of citations a paper receives over a given period of time. This applies to both, the level of co-operations between individuals and between institutions or even between countries. Moreover, the number of collaborating authors has on average a measurable positive effect on the reception of their paper(s), also this effect grows if authors of different countries are involved. The same authors also demonstrated that single-authored papers could be considered international, but in our case we developed a different scale. In particular, we created a scale for the level of interculturality involved in collaborations. Single-authored papers were therefore coded as zero, articles with two or more authors from the same institution were coded as 1, these authors are likely to share similar cognitive schemes when approaching a determinate problem. Those with authors from the same country but different institutions as 2, because insti-

tutions usually share different views and typical approaches; finally, papers with authors from multiple-countries were coded as 3, in this case the cultural gap between the authors is likely to be quite influential. This scale represents in some sense, the intensity and the effort that has to be invested when collaborating with international partners, because of the cultural and institutional differences of the environmental context.

Since background and previous experience of authors have a crucial impact on their attitude toward their research activities, we also coded a dummy variable that assumes value of 1 when at least one author of the paper is not a member of the academic community (for instance, he/she is a manager or a consultant).

Moreover, to take into account the influence of the editors we also printed all “From the Editors” sections and we considered cases in which they articulated the journal’s effort for theory building or testing in the family business field or those sentences that underlined the global importance of the topic and therefore the importance to foster intercultural collaborations (see Table B in Appendix).

### *Citations Impact*

Finally, we assessed the impact of empirical articles using citation counts from Google Scholar. Citation counts are a commonly used measure for assessing the impact, quality and scientific influence of journal publications (Podsakoff et al., 2005; Tahai, & Meyer, 1999). We first cleaned manually those citations. We eliminated from the counting double citations, citations in languages different from English, because these were not likely to have an impact in an international context, and also citations from magazines or WebPages that had nothing to do with academic publications. Google Scholar has the advantage of including also citations from books and conference papers (Jacso, 2005).

The Social Sciences Citation Index (SSCI) was not available for all articles before 2005 and therefore was not useful for our purpose.

### **3.4 RESULTS**

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In this paragraph we will analyse the results from our quantitative analysis.

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#### **3.4.1 Descriptive Statistics And Correlations**

As we can see from Figure 2, the majority of research articles published in FBR can be classified as qualifiers, followed by explorers and quasi-expanders-builders and builders. We can see that there is a small number of articles within the expanders box.

Likewise, Table 10 presents the descriptive statistics and zero order correlations for empirical articles among the coded years (ranging from 0 for 1998 to 12 for 2010), theory building, theory-testing and practical relevance, article citations, along with the variables indicating collaborations and the non academic affiliation of at least an author. The family business field is quite recent as compared to other management disciplines and this leaves space for new theorizing. As a matter of fact, the theory-building mean was 2,86 (s.d. 1,05), indicating that the typical article published in FBR during twelve year span either introduced a new mediator or moderator of an existing relationship or process or studied a previously unexplored area, as also suggested by Reay and Whetten (2011). The theory-testing mean was 2,10 (s.d. 1,02), indicating that in the typical article past research findings or logical speculations were utilized as a means of grounding hypotheses. Table 10 also reveals a positive correlation ( $r= 0,18$ ,  $p<0,05$ ) between coded year and theory testing. In other words, our results show that more recent articles include higher levels of theory testing, while at the same time they direct less attention toward practical implications ( $r= -0,48$ ,  $p<0,001$ ). Not surprisingly, similarly to Dyer

and Sàncez (1998), we can also note that there is a positive correlation between the fact that one of the authors is not a member of the academic community and the practical relevance of the work ( $r = 0,27$ ,  $p < 0,001$ ). The correlations between collaborations, coded year and practical importance, indicate that teamwork by authors from different countries in recent years has increased ( $r = 0,16$ ,  $p < 0,05$ ) even if there is a general tendency of paying less attention toward the consequential application of research works ( $r = 0,13$ ,  $p < 0,1$ ).

*Table 10* Descriptive statistics and correlations of empirical articles

Variable	Mean	s.d.	1	2	3	4	5	6	7
1 Year	5,78	3,78	1						
2 Theory Building	2,86	1,05	0,00	1					
3 Theory Testing	2,10	1,02	0,18**	0,06	1				
4 Practical Relevance	2,74	1,46	-0,48****	0,05	-0,10	1			
5 Collaborations	1,39	1,02	0,16**	-0,02	-0,02	-0,13*	1		
6 Non Academic Author	0,08	0,28	-0,15**	-0,01	-0,04	0,27****	0,04	1	
7 Nr. of Citations	20,89	21,76	-0,41****	0,04	0,04	0,10	-0,04	-0,09	1

\* $p < 0,1$  \*\* $p < 0,05$  \*\*\*  $p < 0,01$  \*\*\*\*  $p < 0,001$

N=180 empirical articles; Year ranges from 0 for 1998 to 12 for 2010.

Looking at the table of descriptive statistics and correlations for conceptual articles (Table 11), the results suggest that on average, articles are building some elements of a theory as a first step in theory development process. Most of the papers ( $n = 28$ ) were classified as low in theory building (lower than 2), while 13 articles were classified as average meaning that they aimed to introduce some theoretical concepts but without clarifying the connections among them (between 2,5 and 3,5) and 13 were classified as

quite complete and based on logical explanations (higher than 4). The mean is lower than the one of empirical articles (2,53, s.d. 1,19). Citation counts and our theory building variable are quite strongly related ( $r= 0,37$ ,  $p< 0,05$ ). This suggests that theoretical articles that aimed to construct a theory of family business were more probably cited. Moreover, the variable associated to collaborations appears to be uncorrelated to citations.

From a descriptive analysis of the 13 literature reviews, 5 were classified as low, 6 as average, and 2 as high in theory building, meaning that they aimed not only to review past references but also to take a step ahead in theory construction.

In the next section, we will examine more in detail the possible trends of some of these variables to have a more clear picture about the evolution of the discipline.

Table 11 Descriptive statistics and correlations of theoretical articles

Variable	Mean	s.d.	1	2	3	4
1 Year	6,67	3,82	1			
2 Theory Building for conceptual articles	2,52	1,19	0.1245	1		
3 Collaborations	1,31	1,19	-0,1011	-0,1865	1	
4 Citations	23,11	37,79	-0.4171 ***	0.3664**	0.0600	1

\* $p<0,1$  \*\* $p<0,05$  \*\*\*  $p< 0,01$  \*\*\*\*  $p< 0,001$

N=54 conceptual articles; years ranges from 0 for 1998 to 12 for 2010.

### 3.4.2 The Analysis Of Trends

From a deeper analysis of trends we can see from Figure 3, that there seems to be a slightly increasing trend in theory testing in empirical papers. No clear trend is present in theory building for empirical and theoretical paper (see Figure 4). A chi-squared test confirmed that no trend is actually present in any of the two dimensions when considering empirical papers. In the *theory building* dimension we found no statically significant

differences among the different years' distributions ( $\chi^2[df = 96, n = 180] = 114,33, p=0,098$ ) and also in *theory testing* ( $\chi^2[df = 84, n = 180] = 87,85, p=0,366$ ). This result differs from Colquitt and Zapata-Phelan's (2007) one, who found crescent trends. This difference could be due to the time span they have considered (five decade). This result is consistent with the one we obtained by analyzing correlations, except that theory testing has probably been subject to a recent increase which cannot be detected by a chi-square test of the distribution. Also, for conceptual papers the result is the same ( $\chi^2[df = 96, n = 54] = 97,79, p=0,43$ ). Meanwhile, looking at our *practical relevance* measure, we can see from the graph in Figure 5 that there is a clear decreasing trend ( $\chi^2[df = 96, n = 180] = 140,34, p=0,002$ ).

Figure 3 Trends of theory building and testing for empirical articles

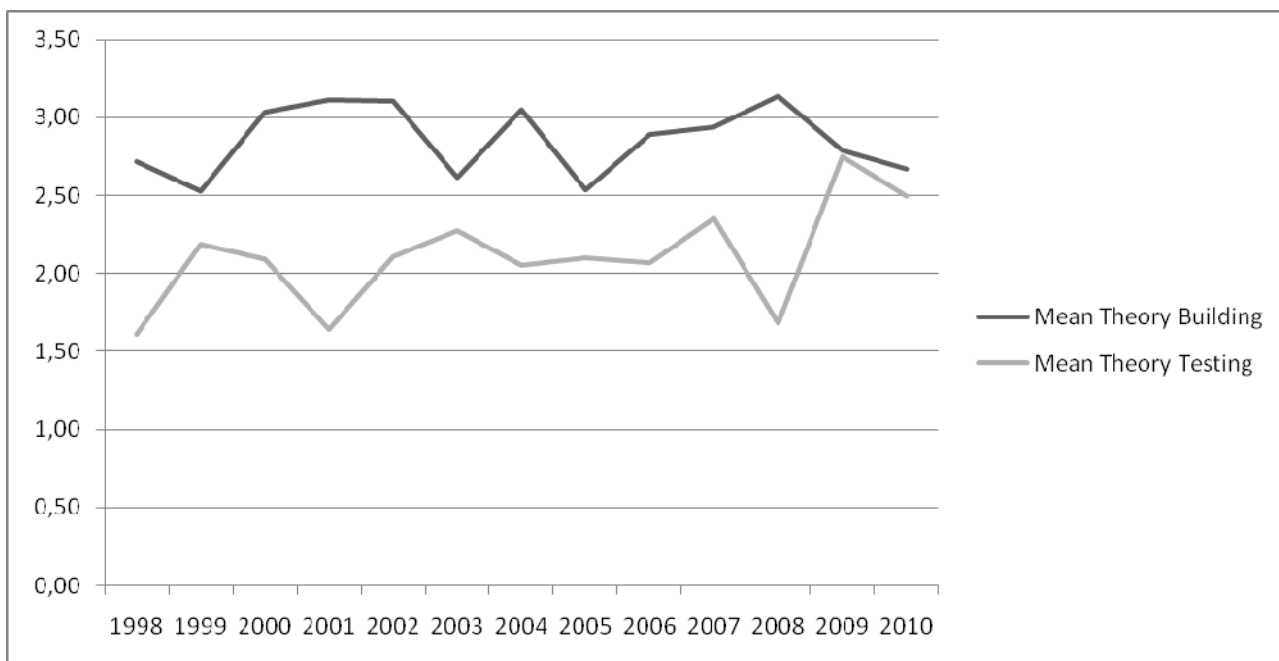


Figure 4 Trends of theory building for conceptual articles

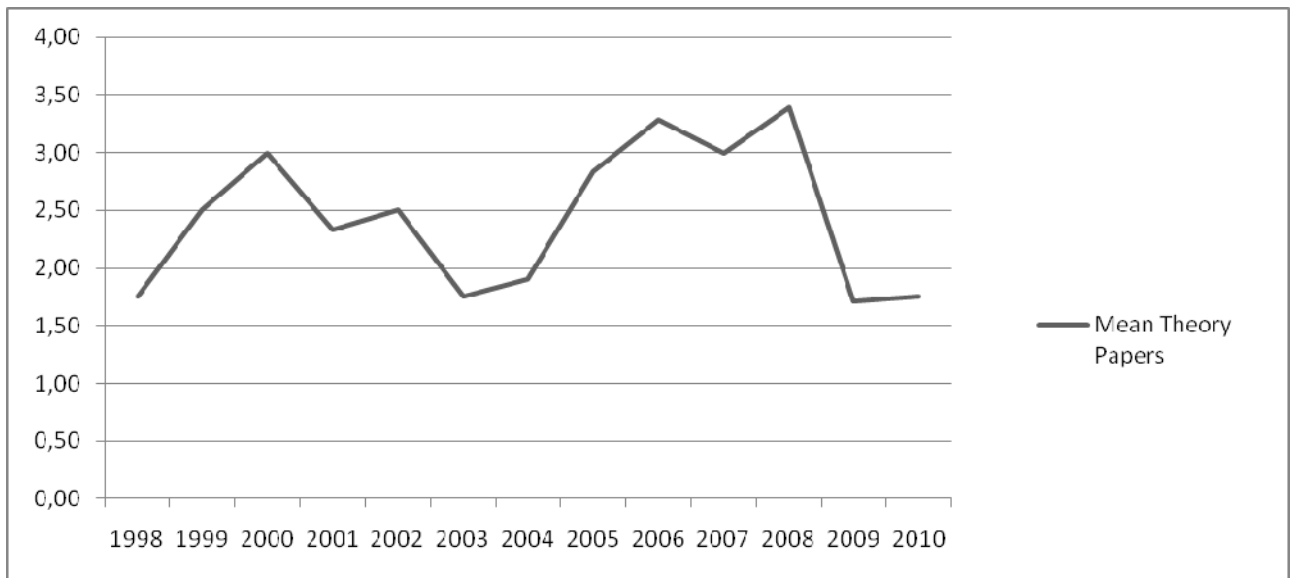
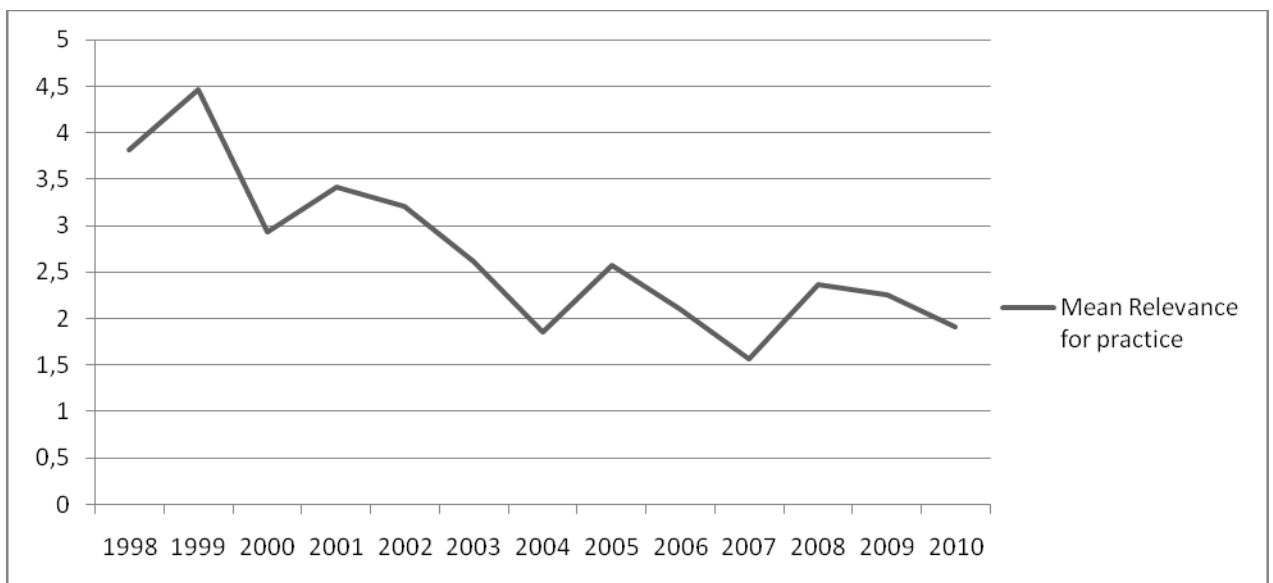


Figure 5 Trends of practical relevance for empirical articles



As we can see also from the Appendix (Table B) editors sustain theory development and intercultural collaborations. To have a general idea about the state of the field, looking at Figure 6, it is also interesting to notice that the proportion of authors that are not from the USA is increasing in time, which is in line with the trend that Dyer and Sánchez (1998) found. Authors with thirty-five different nationalities contributed to FBR. Moreover, we have to consider that only 15 papers out of the 180 empirical articles analyzed have been written by at least an author who was not an academic.

When considering research methodologies, Figure 7 illustrates that research strategies used show a trend toward more generalizable results (Scandura, & Williams, 2000). Less papers with primary data are published, while there is an increase in contributions that use secondary data. Thanks to this graph we can also understand that since we have a prevalence of theory building, rather than theory testing in empirical articles, many sample survey probably also advance new mediators or moderators of existing relationships or introduce new constructs.



Figure 6 Trend of the nationality of authors

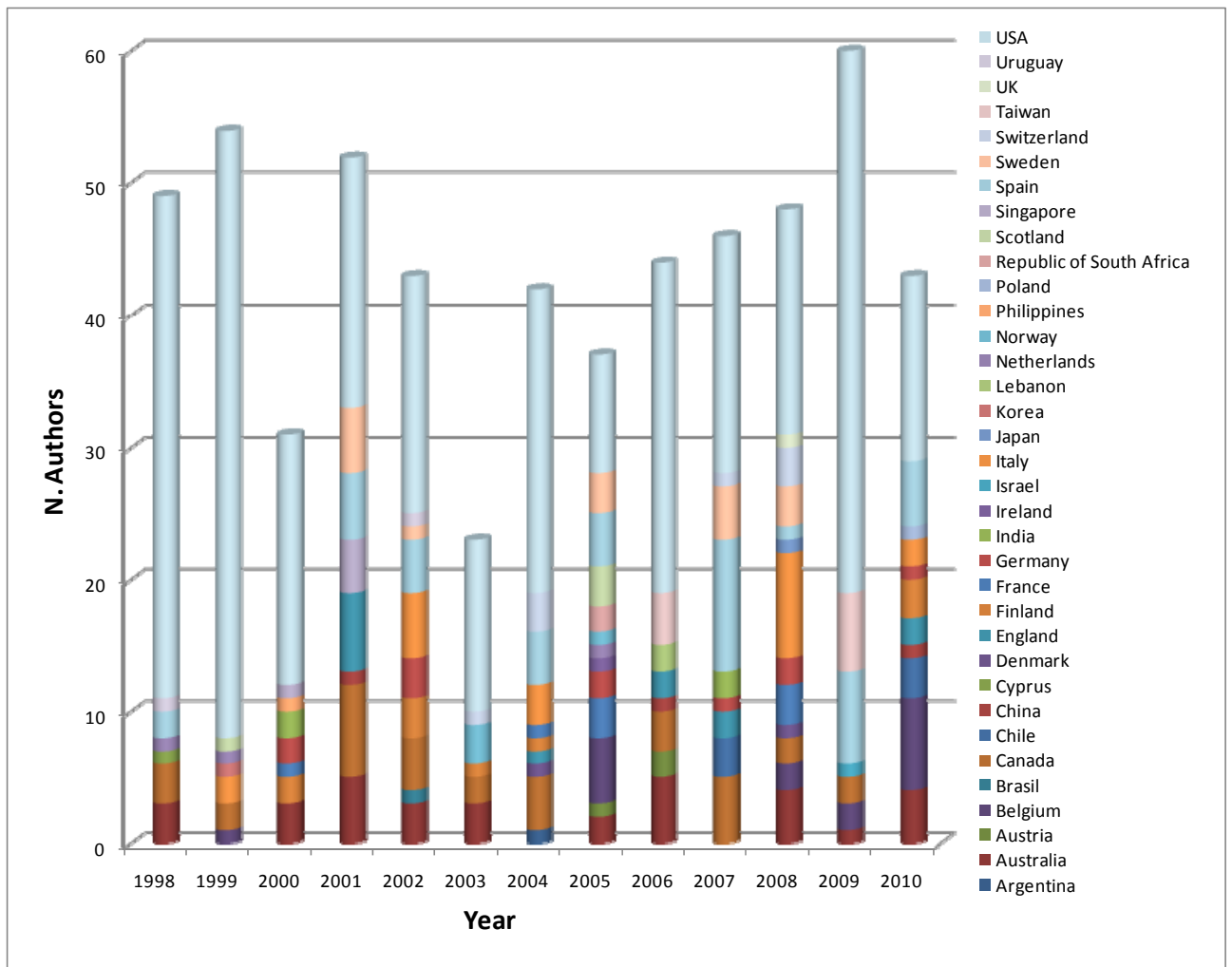
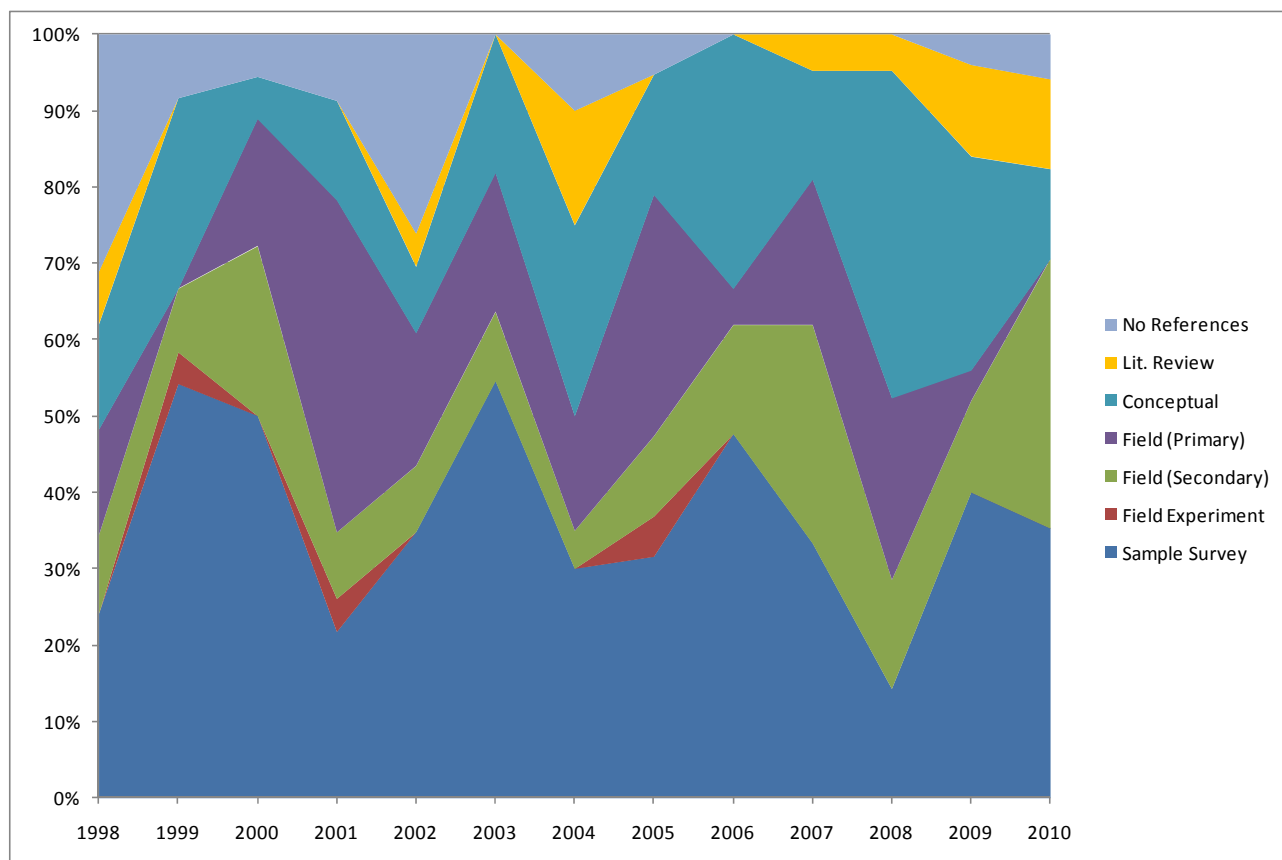


Figure 7 Trend of the type of articles published in FBR



### 3.4.3 Regression Analysis Of Academic Impact And Practical Relevance

From the regression analysis of empirical articles, we can see in Table 12 - Model 5 that theory testing and collaborations ( $B=2,71, p < 0,05$ ) have an impact on the number of citations received by papers ( $B = 2,68, p < 0,05$ ). This is in line with the editors' effort in supporting global relationships and the need for theory testing (see Table B in Appendix). It is also interesting to notice that practical relevance has no statistically significant impact on citations counts, while the practitioner role of at least one author has a negative influence on them ( $B=-12,29, p < 0,05$ ).

Table 12 Regression on citation impact for empirical articles

Dependent:	Model 1	Model 2	Model 3	Model 4	Model 5
Nr. Of Citations					
Constant	34,45****	28,74	27,34***	20,79***	23,31***
(Std. Err.)	(2,72)	(3,69)	(4,06)	(6,06)	(7,73)
Year	-2,35****	0,92****	0,83	0,77	0,51
(Std. Err.)	(0,39)	(1,50)	(1,47)	(1,47)	(1,55)
Year Squared		-0,28**	-0,29**	-0,28**	-0,28**
(Std. Err.)		(0,12)	(0,12)	(0,12)	(0,12)
Collaborations			2,65*	2,78*	2,71**
(Std. Err.)			(1,44)	(1,43)	(1,44)
Non academic au- thor			-13,10**	-12,99**	-12,29**
(Std. Err.)			(5,28)	(5,25)	(5,42)
Theory Building				0,46	0,52
(Std. Err.)				(1,37)	(1,38)
Theory Testing				2,70**	2,68**
(Std. Err.)				(1,44)	(1,44)
Practical Relevance					-0,63
(Std. Err.)					(1,86)
R squared	0,17	0,19	0,23	0,25	0,25
Adj. R squared	0,16	0,18	0,21	0,22	0,22
F	F(1, 178) = 35,49	F(2, 177) = 20,70	F(4, 175) = 13,00	F(6, 173) = 9,37	F(7, 172) = 8,04
Prob.>F	0,00	0,00	0,00	0,00	0,00
N	180	180	180	180	180

\* p<0,1 \*\*p<0,05 \*\*\* p< 0,01 \*\*\*\* p< 0,001

N=180 empirical articles; Year ranges from 0 for 1998 to 12 for 2010.

In Table 13 - Model 9, we can see that on one hand, the practical attitude of at least one author can influence the relevance of research implications (B= 1,10, p<0,01). On the other hand, theoretical development and collaborations which require more effort, due to the distance and the cultural differences seem not actually reflected in the sections dedicated to practice.

Table 13 *Regression on practical relevance for empirical articles*

Dependent:	Model 6	Model 7	Model 8	Model 9
Practical Relevance				
Constant	3,81****	4,21****	4,05****	3,99****
(Std. Err.)	(0,17)	(0,24)	(0,38)	(0,40)
Year	-0,18****	-0,41****	-0,42****	-0,41****
(Std. Err.)	(0,02)	(0,09)	(0,10)	(0,09)
Year Squared		0,19**	0,02**	0,02***
(Std. Err.)		(0,01)	(0,01)	(0,01)
Theory building			0,09	0,09
(Std. Err.)			(0,09)	(0,09)
Theory testing			-0,04	-0,04
(Std. Err.)			(0,09)	(0,10)
Collaborations				-0,11
(Std. Err.)				(0,09)
Non academic author				1,10***
(Std. Err.)				(0,40)
R squared	0,23	0,26	0,26	0,31
Adj. R squared	0,23	0,25	0,24	0,28
F	F(1, 178) = 53,62	F(2, 177) = 30,60	F(4, 175) = 15,48	F(6, 173) = 12,85
Prob.>F	0,00	0,00	0,00	0,00
N	180	180	180	180

\* p<0,1, \*\*p<0.05, \*\*\* p< 0.01, \*\*\*\* p< 0.001

N=180 empirical articles; Year ranges from 0 for 1998 to 12 for 2010

As reported in Table 14, theoretical articles, contrary to empirical ones, seems to be very influenced by the level of theory building. The more the articles actually try to build a theory, the more family business scholars are apt to cite them (B= 13,39, p< 0,01).

Table 14 Regression on citation impact for conceptual articles

Dependent:	Model 10	Model 11	Model 12
Nr. Of Citations			
Constant	50,65****	50,24****	19,26
(Std. Err.)	(9,56)	(10,07)	(12,25)
Year	-4,13***	-4,11****	-4,71****
(Std. Err.)	(1,25)	(1,27)	(1,15)
Collaborations		1,09	1,07
(Std. Err.)		(13,48)	(3,67)
Theory Building for conceptual articles			13,39***
(Std. Err.)			(3,65)
R squared	0,17	0,17	0,35
Adj. R squared	0,16	0,14	0,31
F	F(1, 52) = 10,95	F(2, 51) = 5,38	F(3, 50) = 9,09
Prob.>F	0,0017	0,0076	0,0001
N	54	54	54

\*p<0,1 \*\* p<0,05 \*\*\* p< 0,01 \*\*\*\* p< 0,001

N=54 conceptual articles; ears ranges from 0 for 1998 to 12 for 2010.

Table 15 shows that the most cited articles (over 100 citations). It is interesting to notice that four out of six papers are not empirical, three are theoretical works (Habbershon, Williams, & MacMillan, 2003; Stafford et al., 1999; Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001) and one is a literature review (Sharma, 2004) with a focus on future directions. Only the most cited paper has a high theoretical contribution, according to our scale. This suggests that citations are not only driven by the variables we considered, but also by a number of factors that are not strictly related to the aim of the authors. The most cited empirical article instead is one that introduces a new construct, which means that has a high level of theory building.

*Table 15 The most cited articles*

Title (Author, Year)	Number of citations	Paper type (evaluation)
A Resourced-Based Framework for Assessing the Strategic Advantages of Family Firms (Habbershon, Williams and MacMillan 2003)	238	Theoretical (4)
An Overview of the Field of Family Business Studies: Current Status and Directions for the Future (Sharma 2004)	216	Literature Review (2)
The F-PEC Scale of Family Influence: A Proposal for Solving the Family Business Definition Problem (Klein, Astrachan and Smyrnios 2005)	145	Empirical (Quasi Expanders-Builder)
Family Businesses' Contribution to the U.S. Economy: A Closer Look (Astrachan and Shanker 2003)	126	Empirical (Explorer)
A Research Model of Sustainable Family Businesses (Stafford et al 1999)	109	Theoretical (2,5)
The succession process from a resource and knowledge - based view of the family firm (Cabrera-Suárez, De Saá-Pérez and García-Almeida 2001)	105	Theoretical (2,5)

### 3.5 DISCUSSION

Theory building and theory testing is a topic of debate among scholars in management literature and family firms' management researchers (Chrisman, Chua, & Sharma, 2005). Family businesses have been traditionally seen mainly as an applicative context where already existing theories and constructs can be tested (Dyer, & Sanchez, 1998), but they could also provide a fruitful environment for theoretical developments (Reay, & Whetten, 2011).

In this work we developed scales that could be used to assess theoretical contributions of conceptual papers, literature reviews and practical implications also outside the family business field. According to our results theory building in empirical papers is prevalent over theory testing. We also found no clear trend in theory building neither in empirical nor in conceptual articles, while it is very clear that authors are devoting less at-

tention to practical implications. Also, a slight increase in theory testing and toward studies that can provide more generalizable results seem clear. Our regression analysis also shows that these trends could be explained by the fact that authors have incentives to publish only what will more probably have an impact in the field. As a matter of fact, theory testing in empirical articles and theory building in conceptual ones are positively related to citations. Thanks to a continuous support for international collaborations of the editors, the community is evolving as well and collaborations are becoming always more cross-cultural. Furthermore, being a practitioner seems not to be well accepted in the community, because it has a negative impact on citation counts, which could also explain the decreasing trend that we found when analyzing practical relevance. Our study confirms the two needs that seem to emerge as underlined by some experts in the field and as we also predicted. On the one side, the urgent requirement for authors is to contribute more to the theoretical progression. On the other side, scholars have to put more effort when discussing their results, to make them comprehensible and useful for practitioners.

The current study contemplates in fact the advancement of this field by analyzing both theoretical contributions and practical implications of family business research over the past twelve years. Having the FBR as the main setting for examining these issues, our focus was on tracking trends offered by empirical and theoretical articles from 1998-2010. The present study resulted in two main findings. First, we argued the importance of examining the contributions made by both theoretical and empirical articles. The results of our study suggest that the majority of research articles published in the FBR can be classified as theory builders and the most cited articles are those that try to build conceptual framework in the family business field. In other words, the authors commu-

nity has been mainly focusing on developing new theory. This can be explained by the fact that the field is quite new and therefore there is space for new theorization. Nevertheless, we did not find many papers that expand existing knowledge. Reay and Whetten (2011) explain very clearly what contributions mean in FBR, here we apply Colquitt and Zapata-Phelan (2007) framework to trace the changes in this journal and to have a measure of how urgent it is the need of taking steps forward in theoretical improvements. The theoretical evolutionary process in FBR appears to be very much influenced by editors who have been encouraging cross-cultural collaborations and theory testing methodologies as ways to advance research. As a matter of fact, there is an increasing trend toward using research methodologies that imply more generalizable results, like sample surveys, and toward collaborating with culturally different scholars. These two results can also be explained by the fact that the two variables actually have an impact on citation counts. In the appendix (Table C), we also show that this also in Top A journals theory testing is also higher than theory building.

Second, until 1998 (Dyer, & Sánchez, 1998) FBR has traditionally been a journal with a practical approach, but this attention toward the confirmation of the dominant paradigm using larger samples and the formation of a community of researchers in the family firms field (Casillas, & Acedo, 2007) has brought scholars to overlook the practical relevance of their works (Corbetta, 2011). Nowadays the academic community should rediscover the importance of writing useful research applicable in the real world where family business operate and support them in facing environmental and entrepreneurial challenges. The fact that practical implications don't make an increase in citations appears clear in this work and it is not very encouraging giving evidence that collaborat-



ing with a practitioner if on one side increases the applicability of knowledge on the other side decreases the probability of being cited.

It is also interesting to notice that these results are coherent with a more general tendency. Since also the articles about family business published in top A Journals pay a higher attention toward testing theories, and therefore have large samples quantitative studies, rather than building new constructs or to give practical suggestions (see Appendix for details). Another element that we have to consider is the relative low number of articles published in these journals, which should give us an indication that there is a potential risk that the community becomes self-referential in time. Also, the mean values of theoretical contributions appear to be lower in FBR with respect to publications in these journals, while relevance for practice, even if decreasing seems to be higher on average.

This trends are partly in line from what it is generally found in management disciplines (e.g. Serenko et al., 2009; Tsang, & Hsu, 2011) where co-authorship generally has a positive trend and practical relevance is also decreasing, what is surprising is that the high level of theory building does not have an impact on citation counts when it is included in empirical papers, while it is very relevant in conceptual ones.

We hope that this analysis will give scholars a good motivation toward paying attention to both theory development and practical relevance of their findings making them understandable and clear also to non academic members.

#### *Limitations and Future directions*

Several limitations of the present research study should help guide future research. One consideration for future research relates to the need to extend the frame of the papers analyzed and also consider other international journals (e.g., *Entrepreneurship: Theory*

and Practice, *Journal of Business Venturing*), which also contribute to the field of family business. Likewise, it remains an empirical question whether the present results hold including more volumes of the FBR (from 1988 to 1997). Also, the dimension of utility (scientific or practical) could be considered (Corley, & Gioia, 2011), since family business has been traditionally devoted to practical and useful research. Finally, the citation rates used in the present study present some limitations. For instance, an important limitation of the use of citation counts is that each citation is awarded equal weight. Thus, an article that simply lists the cited article in a list of references is given the same impact score as an article that develops a complete research study around the previous research (Kacmar, & Whitfield, 2000). In this sense, future research should profit from using additional methods of judging the influence of articles by including how articles were used in the referencing work. Although this exercise is likely to be more time consuming, the results should provide additional information about the influence that articles have on future research efforts.





## APPENDIX

Table A - Theoretical Contributions In Papers: Seminal Articles

	GOOD THEORIZING: ELEMENTS AND FEATURES	BAD THEORIZING: COMMON ERRORS AND FEAT- URES	GIVING A THEORETICAL CONTRI- BUTION IN A PAPER
Whetten, 1989	<p>A complete theory must contain:</p> <p>1. Domain</p> <ul style="list-style-type: none"> <li>- What: identify which factors (variables, constructs, concepts) should be logically considered; comprehensiveness and parsimony must be respected.</li> <li>- How: describe how the factors are related (patterns and causality).</li> </ul> <p>2. Assumptions</p> <ul style="list-style-type: none"> <li>- Why: describe the underlying psychological, economic or social dynamics that justify the selection of factors and the proposed causal relationships.</li> </ul> <p>3. Limit to generalizability</p> <ul style="list-style-type: none"> <li>- Who, Where, When</li> </ul>	<ul style="list-style-type: none"> <li>- Propositions should not be used to summarize a body of literature, instead they should be limited to specifying the logically deduced implications for research of a theoretical argument.</li> <li>- Few theorists explicitly focus on the contextual limits of their propositions, they tend to consider the social phenomenon, which is under analysis, only in a familiar surroundings and at one point in time. They should be sensitive to context.</li> <li>- Contrary results are frequently discounted by theorists on the basis of measurement error, while they can be ongoing challenges to outmoded thinking about motivation demonstrate that sufficient data can be persuasive.</li> </ul>	<p>Factors that are considered in judging a conceptual <i>paper</i>:</p> <ul style="list-style-type: none"> <li>- What's new? It has to make a significant, value-added contribution to current thinking.</li> <li>- So what? The theory will likely change the practice of organizational science in this area.</li> <li>- Why so? The underlying logic and supporting evidence are compelling, the author's assumptions are explicit and the author's views believable.</li> <li>- Well done? It reflects reasoned thinking, conveying completeness and thoroughness; the multiple theoretical elements (What, How, Why, When-Where-Who) covered.</li> <li>- Done well? It is well written and flows logically.</li> <li>- Why now? This topic is of contemporary interest.</li> <li>- Who cares? It will have academic readers interested in this topic.</li> </ul>

	GOOD THEORIZING: ELEMENTS AND FEATURES	BAD THEORIZING: COMMON ERRORS AND FEAT- URES	GIVING A THEORETICAL CONTRI- BUTION IN A PAPER
Sutton & Staw, 1995	<ul style="list-style-type: none"> <li>- Authors need to explicate which concepts and causal arguments are adopted from cited sources, how they are linked to the theory being developed or tested and why variables or constructs come about and are connected.</li> <li>- Logical explanations are needed for grounding predictions, there has to be a interconnectedness (causal logic) and simplicity. The assertions must be simple, but with widespread implications</li> <li>- Empirical evidence plays an important role in confirming, revising, or discrediting existing theory and in guiding the development of new theory.</li> <li>- Good theory is often representational and verbal.</li> </ul>	<ul style="list-style-type: none"> <li>- References are not theory.</li> <li>- Data are not theory. Authors cannot substitute causal reasoning with past empirical findings.</li> <li>- Lists of variables are not theory; a predicted relationship must be explained to provide theory.</li> <li>- Diagrams are not theory, logical explanations are required.</li> <li>- Hypotheses (or predictions) are not theory, they make explicit how the variables and relationships that follow from a logical argument will be operationalized.</li> </ul>	<ul style="list-style-type: none"> <li>- Journals devote different attention to theory development.</li> <li>- For qualitative papers, authors are often asked to drop much of the description of characters and events, so as to make room for greater theoretical development. Such paring can deplete a manuscript of much of its value.</li> <li>- There should be a rebalance in the selection process: if a theory is particularly interesting, the standards used to evaluate how well it is tested or grounded need to be relaxed, not strengthened.</li> </ul>

	GOOD THEORIZING: ELEMENTS AND FEATURES	BAD THEORIZING: COMMON ERRORS AND FEAT- URES	GIVING A THEORETICAL CONTRI- BUTION IN A PAPER
Weick, 1995	Theory is not a product, it is a process, therefore if the five elements mentioned by Sutton and Staw are present, it can be that the theory is under the first stages of development.	There is a raking of the elements of "no theory" (Sutton and Staw 1995): a list of unconnected references and data are farther from theory, because they have less generality; while, list of variables, diagrams and stand-alone hypotheses, even if are not themselves theory they are closer to theory.	The process of theorizing consists of activities like abstracting, generalizing, relating, selecting, explaining, synthesizing, and idealizing. These ongoing activities intermittently spin out reference lists, data, lists of variables, diagrams, and lists of hypotheses. Those emergent products summarize progress, give direction and serve as place markers.  If the five parts (Sutton and Staw, 1995) are an interim struggle in the process of theorizing, authors should make clear the process and the product.

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	GOOD THEORIZING: ELEMENTS AND FEATURES	BAD THEORIZING: COMMON ERRORS AND FEAT- URES	GIVING A THEORETICAL CONTRI- BUTION IN A PAPER
DiMaggio, 1995	The best theory often combines approaches to theorizing [see previous column], and the act of combination requires compromise between competing and mutually incompatible values [see last column]. Moreover, theory construction is a cooperative venture between author and readers.	Theory construction is social construction, often after the fact - The value of resonance. The reception of a theory is shaped by the extent to which a theory resonates with the cultural presuppositions of the time and of the scientific audience that consumes it. - Theories into slogans. People read quickly, they will further simply the ideas they retain until those ideas fit neatly into pre-existing schemas. - Post hoc theory construction. Theories are socially constructed after they are written. To some extent, the quality of a theory is a function of the quality of the people who employ it.	Good theory should balance: - Clarity vs. Defamiliarization. All good theory has a germ of a paradox and should help a native to see his/her world with new eyes. But, too many neologisms render a theory too strange for people to grasp. - Focus vs. multidimensionality. Some theorists view "multidimensionality" – the extent to which a theory includes reference to different theoretical traditions - as a decisive criterion of its adequacy. Others consider focus as important. I side with Sutton and Staw in their general orientation toward one might call "strategic reduction" (i.e. focus): abstracting away enough of the world's confusion to develop pointed explanations of organizational phenomena. - Comprehensiveness vs. memorability. Our collective preoccupation with theoretical novelty often leads organizational researchers to overlook crucial if banal patterns in their data.

*Table B - FBR Editors' Invitations*

AUTHOR	YEAR	VOLUME	ISSUE	STATEMENT ABOUT THE IMPORTANCE OF A GLOBAL FOCUS
Joseph H. Astrachan, Susan W. Bowen	2000	13	1	Our instincts and experience tell us that the world of commerce and family business is shrinking rapidly. Research indicates that family businesses that are not yet involved in the global marketplace are very interested in pursuing business opportunities abroad, but they often do not know where or how to begin. Often these companies would like to form joint ventures with family businesses from other cultures and countries based on a comfort level and commitment to family business and values. If provided with the right guidance and connections, many family firms are ripe for success in the global marketplace. We aim to model such behavior and view our relationship with the Family Business Network (FBN) as core to this goal.
Joseph H. Astrachan, Susan W. Bowen	2000	13	3	These are exciting times for global economic forecasters as the contours of the future global economy are slowly unfolding. International cooperation has expanded with the formation of regional trading blocs and relationships such as NAFTA, MERCUSOR, the Gulf Cooperative Council, and the European Union. Along with this growing worldwide economic integration, we are seeing increasing liberalization of international trade, greater mobility of capital, and evermore rapid technology transfer. The Gulf Region companies that this issue of Family Business Review focuses on benefit from the combination of these factors as they become more international in scope and less wedded to a petroleum-based economy. Likewise, family businesses in Germany gain when they can take advantage of changing international trade patterns that allow for more effective dissemination of new technology and ready access to new markets. In a world economy characterized by free trade, deregulation, and rapid information flow, the future of family businesses in these regions, and elsewhere around the world, has never been better
Paramodita Sharma	2000	13	4	Although this special issue is a matter of pride for our field and association, given the complexity and diversity of Indian family firms, this is merely a beginning. It is my hope that this issue will inspire more and better research.

AUTHOR	YEAR	VOLUME	ISSUE	STATEMENT ABOUT THE IMPORTANCE OF A GLOBAL FOCUS
Joseph H. Astrachan, Susan W. Bowen	2001	14	1	The international economic community should take heed: sweeping political and economic changes are brewing worldwide that should positively impact family businesses.  (...) We are hopeful that governments are finally recognizing the vital role that family businesses play in the local, national, and global economies.
Joseph H. Astrachan, Susan W. Bowen	2001	14	2	(...) the family business research phenomenon is occurring worldwide. Family business centers are set up all over the globe, including such outstanding research centers as Family Business Australia, the IESE in Spain, the Stoy Centre for Family Business in England, the University of Montevideo in Uruguay, and SDA Bocconi in Milan. In addition to family business centers, we have witnessed a proliferation of family business professional associations and membership organizations, such as the Family Firm Institute (FFI), the Canadian Association of Family Enterprises (CAFÉ), and the Family Business Network (FBN). One of their aims is to translate academic research findings into useful and accessible information for family business members and consultants. They also promote wide-ranging policy initiatives that benefit family businesses and serve as a healthy contributor to the GNPs of countries all over the world.
Joseph H. Astrachan, Susan W. Bowen	2001	14	4	(...) the international community must seek a unity of purpose and through this unity of purpose and desire to cooperate, the productive forces will ultimately outweigh the destructive forces. Likewise, we should exhibit a willingness to listen and remain open to collaborative solutions so that the unity necessary for constructive action will be more likely to occur.
Joseph H. Astrachan	2003	16	1	The world is at a difficult place: war, a rapid change in political structures and alliances, economic uncertainty—a world where the consequences of recent actions may well set the geo-political course for the next two or more decades.  At least one stabilizing force, the family-influenced firm, continues to provide a buffer against the exigencies of intellectual elitism, political brinkmanship, and the forces that split nations and peoples.  Yet, family businesses are not without internal and external threats.

AUTHOR	YEAR	VOLUME	ISSUE	STATEMENT ABOUT THE IMPORTANCE OF A GLOBAL FOCUS
Pramodita Sharma	2009	22	6	We aspire to be the journal of choice for family business scholars from diverse disciplinary backgrounds who are interested in conducting rigorous research and disseminating it not only to other interested scholars around the world but also into the practitioner communities.
Pramodita Sharma	2010	23	1	FBR continues to be attractive to scholars from around the world. This global reach is evident from the sources of submissions we get. In 2009, we received manuscripts from more than 30 countries. Although the United States remained the leading source of submissions (23% of all received articles), other countries, such as Australia, Belgium, Finland, Germany, Italy, Spain, Sweden, and Taiwan, were significant contributors as well.

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EDITOR(S) CRAFTING THE STATEMENT	YEAR	VOLUME	ISSUE	RELEVANT QUOTATIONS ABOUT INCREASING CONSIDERATION OF THEORY BUILDING AND TESTING IN THE FAMILY BUSINESS FIELD
Joseph H. Astrachan, Adrienne M. Kurtz	1998	11	1	<p>This first issue of 1998 marks a transition in the field of family business. As the field matures, research is being conducted more on a pace seen in traditional business disciplines. Nearly all of the articles in this issue are based on well-constructed samples of family businesses and their members. We look forward to the ever-increasing quality in both sample construction and research methodology that FBR has seen in the development of theory. We are now witnessing the maturation of the field, evidenced by scholars from outside the United States who seriously take an interest in the development of family business theory and research. A high percentage of this issue has international scope, a trend that is becoming increasingly common in FBR. Topics in this issue include practices of trust, important successor attributes, and the impact of family and nonfamily CFOs. Also included is a research note on methodological measures, a theory note focusing on constructive conflict in decision making, and an invited commentary comparing women entrepreneurs in three countries. (...)</p> <p>As rigor in research and theory development increases, we are gratified to have had a small role in helping a field evolve from radical and at times inconsistent theory to increasingly well-founded and more encompassing work. The time is near when we will see theory tested on a regular and rigorous basis, allowing us to more reliably explain family business behavior and more effectively aid those who truly care for family business.</p>
Joseph H. Astrachan, Adrienne M. Kurtz	1998	11	2	<p>In the spirit of advancing the field and spurring debate, though readers might not always agree with authors, we endeavor to provide content significant enough to catalyze new thinking.</p>
Joseph H. Astrachan, Susan W. Bowen	1999	12	2	<p>Many of the articles for the special issue will reveal the results of a large regional research project, which focused on theories and practices yielded by the interaction between business and family.</p>

EDITOR(S) CRAFTING THE STATEMENT	YEAR	VOLUME	ISSUE	RELEVANT QUOTATIONS ABOUT INCREASING CONSIDERATION OF THE- ORY BUILDING AND TESTING IN THE FAMILY BUSINESS FIELD
Daniela Montemerlo, Guido Cor- betta	2002	15	3	<p>...the family's role has been approached from many different directions, including a variety of manifestations in company values, ownership structures, governance systems, strategy, management practices, and so on. On one hand, this seems to demonstrate that family business offers a kaleidoscope of stimuli as a research object and attracts growing interest and efforts by scholars from different countries and disciplines.</p> <p>On the other hand, we perceive some general difficulty (including on our part as well) in "keeping to the point" and distilling what our surveys, case studies, and theoretical analyses allow us actually to conclude about the role of family. In summary, we feel that we are on the way, but we still have some way to go.</p>
Joseph H. Astrachan, Zakary A. Stoudenmire	2003	16	2	<p>Family businesses all over the world must on a daily basis provide the foundation on which the economic and cultural success of the modern nation state depends. All of them, whether fourth-generation cloth merchants in Connaught Place or barbecue families along the South Carolina coast, face some of the same challenges.</p> <p>They all are responsible for the well-being of their employees and families. They all must face in some way the handing of the business from one generation to the next. They, too, must face the complicated familial issues that accompany such businesses.</p> <p>Through our understanding of the dynamics of family businesses, we are working toward broadening our knowledge of one of the most basic ingredients of our society. By providing insight into family businesses and the procedures used to obtain information about them, the authors herein are working to understand and explain issues that affect us greatly as employees, consumers, and entrepreneurs. Thankfully, the base of knowledge is constantly expanded and revised.</p>

EDITOR(S) CRAFTING THE STATEMENT	YEAR	VOLUME	ISSUE	RELEVANT QUOTATIONS ABOUT INCREASING CONSIDERATION OF THEORY BUILDING AND TESTING IN THE FAMILY BUSINESS FIELD
Joseph H. Astrachan, Zakary Stoudenmire	2003	16	3	<p>As our understanding of family business allows us to become more and more specialized, the field of study grows to include scholars from fields as diverse as anthropology, psychology, and agriculture—all making significant contributions to the field and, thus, communities internationally.</p> <p>(...)</p> <p>As researchers probe more deeply into the problems facing family businesses, family business centers must continue to adapt present theory into a workable model for their clients.</p> <p>With the work of researchers like the ones herein, family business centers remain an extremely valuable link between the academic world of family business study and the family business itself.</p>
Joseph H. Astrachan	2004	17	1	<p>In 1988 the first issue of this journal was published. Prior to that time there was but a handful of articles, a couple of dissertations, and just a few books directly devoted to our topic. There were even fewer authors—but to the ones there were, we allow a debt of gratitude for their willingness to devote time and energy to pioneer theories of family business. Science was so scarce as to be nearly unthinkable. The field was nearly barren.</p> <p>Now, 16 years later, we have top scholars publishing with us. Family business as a field has gained greater acceptance in nearly every country around the world. The number of scholars, teachers, researchers, and authors has increased. Our theory has become testable, and true research has been published and is in process.</p>

EDITOR(S) CRAFTING THE STATEMENT	YEAR	VOLUME	ISSUE	RELEVANT QUOTATIONS ABOUT INCREASING CONSIDERATION OF THEORY BUILDING AND TESTING IN THE FAMILY BUSINESS FIELD
Sabine Klein, Franz W. Kellermanns	B. 2008	21	2	Although family firms dominate economic activities throughout the world (Anderson, Mansi, & Reeb, 2003; Becht & Mayer, 2001; La Porta, Lopez-de-Silanes, & Shleifer, 1999), the field of family firm research has not yet been embraced by mainstream management researchers (e.g., Chrisman, Chua, & Steier, 2003). Zahra and Sharma (2004) have criticized the field for borrowing from other fields, but failing to inform and give back to other areas of management. Two things follow from this criticism: first, research in family business needs to focus on and highlight the distinctness of family firms in order to slowly build a more comprehensive theory of the family firm. Second, by doing so, our field needs to offer avenues for research that have implications, albeit in modified form, for the management literature.
Ronald Chenail	J. 2009	22	2	<p>I think the strategic use of sharing what is already known on the phenomenon that is the focus of your study helps you to establish the importance of the subject of your study. Even more important, you can also employ the field's collective knowledge to highlight what is not known and thus open a gap to which your study of the local business can be offered as a logical next step to furthering our understanding of this important global family business concern. (...)</p> <p>A common error of deficiency can occur when authors define a particular category formed during the analysis and insert a supporting quote from a study participant and fail to explain how the excerpt exemplifies the distinction made by the category.</p> <p>(...)</p> <p>The best way to manage errors of deficiency and exuberance is to remember that data play the starring role in the reporting of qualitative research findings, so researchers should stay as close as they can to the data, refer to their data often, and use it to flesh out and support assertions being made in the report and to govern and reserve claims being made.</p>



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EDITOR(S) CRAFTING THE STATEMENT	YEAR	VOLUME	ISSUE	RELEVANT QUOTATIONS ABOUT INCREASING CONSIDERATION OF THEORY BUILDING AND TESTING IN THE FAMILY BUSINESS FIELD
A. Rebecca Reuber	2010	23	2	<p>A strong literature review is the outcome of a creative process and makes a contribution in itself. Rather than simply providing a description of relevant articles that have been published in the past, the authors should relate these articles to their research questions, sharing what is currently known and unknown about them. A literature review should provide new insights by integrating multiple strands of research and making sense of different approaches, concepts, and findings from prior work. Such an approach makes it easier for authors to creatively and clearly position their own research in the literature and also makes the paper more interesting to read.(...)</p> <p>In a multidisciplinary area like family business, there are opportunities to draw on ideas from several fields, which in turn enable family business researchers to give back to the disciplines from which they borrow (cf. Zahra e Sharma, 2004).</p>

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*Table C - Articles Published In Top A Journals About Family Business 1998-2010*

EMPIRICAL ARTICLES				
JOURNAL	NUMBER OF ARTICLES ABOUT FAMILY BUSINESS	MEAN THEORY BUILDING	MEAN THEORY TESTING	RELEVANCE FOR PRACTICE
AMJ	4	4	4,9	1,25
SMJ	2	4	4,25	1,5
RESEARCH NOTES AND COMMENTARIES				
ASQ	4	4	4,6	1,75
ORG SCI	6	3,9	4,75	1,92
THEORETICAL ARTICLES				
AMR	2 NOTES	3,5		

Top A journals are the Academy of Management Journal, Administrative Science Quarterly, Strategic Management Journal, Organization Science. Journals were selected on the bases of the quality ranking indicated by Chrisman et al. (2008). Articles were selected searching the following keywords in title or abstract: *family business, family firm, privately owned, private firm, private business, family*.

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