

Family firm performance: the effects of organizational culture and organizational social capital

Family firm
performance

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Abstract

Purpose – The goal of this paper is to examine the mediating role of organizational social capital between family firms' organizational culture, characterized by their group vs individual orientation and external vs internal orientation, and their performance.

Design/methodology/approach – A structural equation model is developed and tested in a sample of 176 US family firms recruited through Prolific Academic.

Findings – The authors show that group vs individual cultural orientation fosters bonding social capital, while external vs internal cultural orientation fosters bridging social capital. In turn, family firm performance is only enhanced by bridging social capital, not bonding social capital, which appears to have neutral to negative direct performance effects. Nevertheless, it is noteworthy that bonding social capital facilitates the establishment of bridging ties, leading to overall positive performance outcomes.

Originality/value – The understanding of how organizational culture influences family business heterogeneity and performance, along with the clarification of how bonding social capital fosters or hinders performance, provides novel insights for researchers and practitioners seeking to understand the complexities within the unique context of family businesses.

Keywords Family business, Organizational culture, Performance, Social capital

Paper type Research paper

1. Introduction

Family firms represent the prevalent organizational form of business worldwide (Daily and Dollinger, 1992). Those businesses display distinctive features that differentiate them from their nonfamily counterparts, such as risk aversion, long-term orientation (Zahra *et al.*, 2004) or their quest for preservation of socioemotional wealth (SEW) driven by the pursuit of family-centered non-economic goals (Gómez-Mejía *et al.*, 2007). The overwhelming majority family firms fall within the small and medium-sized enterprises (SMEs) category, making family SMEs a significant focus of current family business research (Valenza *et al.*, 2023). Due to their unique attributes such as the pursuit of SEW and long-term orientation, family firms display unique organizational cultures (Gudmundson *et al.*, 2003). While remarkably stable (Denison *et al.*, 2004; Hall *et al.*, 2001), these cultures are influenced by unique family values, history (Hall *et al.*, 2001), and the transfer of beliefs and values to subsequent generations, leading to variations across different types of family firms (Chrisman *et al.*, 2012; Sánchez Marín *et al.*, 2017). The distinctiveness and variability of family SMEs' organizational culture have captured the

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attention of researchers, making organizational culture a prominent area of study within family SME research (Valenza *et al.*, 2023). Management researchers have long sought to understand how organizational culture contributes to superior organizational performance (Tan, 2019). Organizational culture serves as an “organizational glue” and business philosophy, fostering social relationships (Asiaei and Jusoh, 2015), trust, and associability (Melé, 2003) within the organization. However, proponents of the resource-based view argue that cultural traits can be imitated over time, thereby lacking sustained competitive advantage (Tan, 2019). Consequently, a consensus on the link between organizational culture and performance remains unclear in management literature (Tan, 2019). Moreover, in family business studies, the connection between organizational culture and performance is even less explored, presenting conflicting results (Leal-Rodríguez *et al.*, 2016).

Management science considers organizational culture to be one of the potential precursors of organizational social capital (Afshari *et al.*, 2020; Asiaei and Jusoh, 2015; Melé, 2003; Ramezan, 2016). In the context of family businesses, the study of social capital (SC) is highly relevant due to the competitive advantage derived from family ties, often referred to as “familiness” (Habbershon and Williams, 1999). Familiness is grounded in social capital theory, which highlights the intangible and valuable resources embedded in social relationships among family members (Arregle *et al.*, 2007; Pearson *et al.*, 2008), contributing to its rarity and inimitability among nonfamily firms. Just like organizational culture, family firms’ SC displays unique attributes, such as the need for intergenerational transfer (Cisneros *et al.*, 2022) and the exceptional ability to leverage SC to navigate disruptive events (Mihotić *et al.*, 2023). When appropriately transferred and leveraged (Cisneros *et al.*, 2022), SC in family firms is believed to have predominantly positive effects, ultimately resulting in family firm performance (Herrero and Hughes, 2019). However, although there is substantial knowledge about the outcomes of SC in family firms (Stasa and Machek, 2022), our understanding of its determinants and of its mediating role in shaping firm performance is still limited, prompting recent authors to highlight the necessity of further investigating this role (e.g. Aragón-Amonarriz *et al.*, 2019). While Sorenson *et al.* (2009) have made a notable contribution by revealing that collaborative dialogue and ethical norms enhance firm performance through fostering family social capital, there are relatively few significant studies in this area.

The existing literature reveals several research gaps that require further investigation. There is insufficient exploration of the organizational culture-performance link within family firms. Sorenson and Bierman (2009) findings suggest that SC in family firms may directly contribute to performance, but also that it is bolstered by intrinsic elements deeply ingrained within the organization, such as shared beliefs and norms. Considering recent discussions on organizational culture’s potential role as an antecedent of organizational capital (Afshari *et al.*, 2020; Asiaei and Jusoh, 2015; Melé, 2003; Ramezan, 2016), it can be hypothesized that organizational culture indirectly influences family firm performance, with SC acting as a mediator in the organizational culture-performance relationship. An empirical examination of this hypothesis would address other two major gaps we identified. Firstly, it would shed light on the factors that influence the development of SC in family firms, whose knowledge has been limited in prior research (Stasa and Machek, 2022). Secondly, it would address the need to explore the heterogeneity among family firms (Miller and Le Breton-Miller, 2021) by examining how organizational culture can act as a differentiating factor between these firms, influencing their resources and actions, and ultimately, their performance.

This study’s findings indicate that distinct elements of organizational culture influence various aspects of SC. Specifically, group-oriented cultures promote bonding (internal) social capital, while externally oriented cultures foster bridging (external) social capital. Bridging SC directly and positively relates to family firm performance. Surprisingly, bonding SC was not directly linked to performance, but it did contribute to performance indirectly by

enhancing bridging SC. Overall, our findings indicate that organizational culture fosters the development of SC, which in turn positively relates to family firm performance. These observations present several contributions to the family business literature. First, we enhance our understanding of the organizational culture-performance relationship by showing that SC indeed acts as a mediator in this relationship. Second, we provide empirical evidence for the notion that organizational culture plays a significant role in fostering the development of SC. This contribution aligns with the “process” perspective on SC (Arregle *et al.*, 2007), which emphasizes the importance of understanding the drivers of SC that are still inadequately explored in family firms (Stasa and Machek, 2022). Additionally, our research sheds light on the role of organizational culture as a source of heterogeneity within family businesses that explains why certain family firms emphasize the importance of either internal or external social relationships, thereby explaining their outperformance compared to their peers. Furthermore, our study adds to the ongoing debate regarding the effects of SC in family firms. By distinguishing the different effects of bonding SC and bridging SC, we arrive to the conclusion that contrary to the prevailing assumption that SC is universally beneficial, bonding SC has a potential “dark side” in the context of family firms. On the one hand, this findings aligns with previous research (Stam *et al.*, 2014), but it also extends the perspectives, showing the continued importance of bonding SC for performance when examining indirect paths. The understanding of how organizational culture influences family business heterogeneity and performance, along with the clarification of how bonding and bridging SC foster or hinders performance, provides novel insights for researchers and practitioners seeking to understand the complexities within the unique context of family businesses.

2. Theoretical background and hypotheses development

2.1 Theoretical foundations

Organizational culture can broadly be defined as “the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered . . . the correct way to perceive, think, and feel in relation to those problems” (Schein, 1995, p. 222). In family firms, organizational culture can be considered to be a source of sustainable competitive advantage. Since it is deeply embedded in family history and traditions (Gersick *et al.*, 1997), it is hard to imitate, tends to be stable, and cannot be quickly developed or changed (Zahra *et al.*, 2004).

Social capital refers to the sum of actual or potential resources derived from social relationships and networks (Bourdieu, 1986). As such, it represents a source of competitive advantage for organizations (Adler and Kwon, 2002), but unlike organizational culture, it can sometimes be developed within a few months (e.g. Parker *et al.*, 2016) or even traded in the form of business “goodwill” (Adler and Kwon, 2002). Social capital yields numerous advantages within family firms, such as knowledge integration (Kansikas and Murphy, 2011), product development (Chirico and Salvato, 2016), family firm resilience (Mihotić *et al.*, 2023), and ultimately, family firm performance (Herrero and Hughes, 2019). Nevertheless, SC in family firms is accompanied by distinctive characteristics and challenges. Ensuring the family firm’s long-term survival and prosperity necessitates the successful transfer of SC to the next generation. Recent research accentuates the complexities of this transfer, particularly concerning various dimensions of this intangible asset, such as operational and strategic social capital, and the involvement of multiple individuals in the transfer process (Cisneros *et al.*, 2022). Generally, SC is viewed as a multidimensional construct, being composed of three dimensions (Nahapiet and Ghoshal, 1998): the structural dimension (patterns and configuration of social ties), the relational dimension (trust), and the cognitive dimensions (shared languages, norms, and interpretations). Depending on the nature of the

social relationships, SC can be further classified into bonding (internal) social capital and bridging (external) social capital (Putnam, 2000). In the family business literature, there is a tendency to overlook the distinction between the two types of SC, often leading to unclear or ambiguous definitions (Stasa and Machek, 2022). Consequently, it becomes crucial to consider both bonding and bridging SC in understanding their effects on performance, as they impact performance through distinct mechanisms (Stasa and Machek, 2022).

Within the family firm, bonding SC, referring to resources derived from internal relationships (Nahapiet and Ghoshal, 1998), has been predominantly conceptualized through shared vision (e.g. Campbell and Park, 2016; Mustakallio *et al.*, 2002) and trust (Shi *et al.*, 2015; Uhlauer *et al.*, 2015). These different conceptualizations of bonding SC in family firms point to the existence of its multiple dimensions (Stasa and Machek, 2022). Consequently, in our study, we adopt Carr *et al.*'s (2011) definition of bonding SC as a multidimensional, second-order reflective construct, encompassing its structural, relational, and cognitive dimensions, which aligns with the social capital literature (Leana and Van Buren, 1999) and facilitates the examination of family firms from the social capital perspective (Carr *et al.*, 2011). As opposed to bonding SC, bridging SC consists of resources derived from external relationships (Nahapiet and Ghoshal, 1998). In family business research, bridging SC has been conceptualized through networks of outside contacts (e.g. Dyer and Mortensen, 2005; Glover, 2013; Kontinen and Ojala, 2011; Mzid *et al.*, 2019; Schell *et al.*, 2018), as well as a firm's reputation and credibility (e.g. Herrero and Hughes, 2019; Stanley and McDowell, 2013; Wu, 2008; Zahra, 2010). These varied perspectives on bridging SC indicate the presence of its structural, relational, and cognitive dimensions, as acknowledged by several family business authors (Stasa and Machek, 2022). In this context, the structural dimension of bridging SC pertains to the strength of external ties, the relational dimension relates to mutual trust and reciprocity with external contacts, and the cognitive dimension involves a sense of shared commitment and responsibility with outside contacts (Ansari *et al.*, 2012). Consequently, like in the case of bonding SC, our study also considers the multidimensional, second-order reflective nature of bridging SC.

2.2 Organizational culture and organizational social capital

Organizational culture shapes individuals' perceptions, cognitive processes, and behavioral responses when addressing challenges. Consequently, certain behaviors influenced by organizational culture impact the formation and utilization of social networks and interpersonal relationships, i.e. organizational SC. As previously mentioned, Putnam (2000) introduced a classification of SC into bonding and bridging forms. While bonding SC represents "inward-looking" networks that "tend to reinforce exclusive identities and homogeneous groups", bridging SC refers to networks that are "outward-looking and encompass people across diverse social cleavages" (Putnam, 2000, p. 19). Understanding how organizational culture fosters the development of both bonding and bridging SC requires considering the multidimensionality of organizational culture (Detert *et al.*, 2000). Drawing upon the work of Zahra *et al.* (2004), this study identifies two crucial dimensions of organizational culture that are linked to the formation of SC. Specifically, we propose that group vs individual cultural orientation will act as an antecedent of bonding SC, and external vs internal cultural orientation will be an antecedent of bridging SC.

Group vs individual cultural orientation refers to the firm's preferences about how work is accomplished: by working alone or collaboratively (Detert *et al.*, 2000). People in individualistic cultures are proud of personal accomplishments and follow their own interests (Pinillos and Reyes, 2011). Employees in individualistic organizations display egocentric behaviors, follow divergent objectives, and engage in activities that foster personal accomplishment (Lee *et al.*, 2019). Likewise, in individualistic organizations,

managers often do not hesitate to challenge the prevailing group norms and adopt risk-seeking behaviors (Kreiser *et al.*, 2010). The prevailing belief in these organizations is that working together is less efficient and that it violates individual autonomy (Detert *et al.*, 2000); the need for affiliation is perceived as a weakness, which reduces the formation of strong social relationships (Hui and Villareal, 1989). In contrast, employees in organizations with strong group cultural orientation are proud of being part of the group and display high loyalty toward their affiliates (Lee *et al.*, 2019). Group cultural orientation fosters personalized and harmonious relationships that are endowed with trust, making it easier to arrive at a common consensus (Morris *et al.*, 1993). Collaboration is believed to lead to better decisions and overall outcomes than individual work (Brettel *et al.*, 2015; Detert *et al.*, 2000).

Family firms are enormously heterogeneous, and the strength of their group vs individual cultural orientation significantly varies across different types of family firms (Zahra *et al.*, 2004). In a participative family culture, family meetings take place more frequently (Poza *et al.*, 1997). At the same time, family institutions (informal and formal family meetings or family councils) increase the strength and frequency of social interactions (Mustakallio *et al.*, 2002) and reinforce the core values and norms of the family (Leal-Rodríguez *et al.*, 2016). It can hence be expected that group-oriented family firms will be more collaborative than individual-oriented family firms. The psychology literature suggests that when cooperating, people learn to understand previous interactions and experiences with their peers. Through repeated interactions, the trustor gathers more detailed information and understanding regarding the trustee's actions; successive interactions in which a party behaves as expected create trust (Delgado-Márquez *et al.*, 2015). Likewise, the theory of symbolic interactionism suggests that repetitive interactions between individuals lead to the development of shared meanings and interpretations (Del Casino and Thien, 2009). In family firms, too, repetitive interactions and rituals can help develop shared values among family members (Sorenson, 2014). The above arguments lead us to the expectation that group cultural orientation in family firms presents a basis for the development of structural SC (strength of social ties), relational SC (trust), and cognitive SC (shared languages, norms, and interpretations) within the boundaries of the family firm. In other words, we expect that:

- H1.* There is a positive relationship between group vs individual orientation and bonding social capital in family firms.

External vs internal orientation refers to the nature of a firm's relationships with its environment (Zahra *et al.*, 2004). External orientation is related to a firm's primary focus on the relationships with customers, competitors, and the external environment, while internal orientation leads to the focus on processes, information, and relationships inside the organization (Detert *et al.*, 2000). Based on organizational characteristics, it is further possible to distinguish four types of culture: clan, adhocracy, market, and hierarchy (Deshpandé *et al.*, 1993), out of which clan and hierarchy cultures are internally focused, while adhocracy and market cultures are externally focused. While in the clan culture, employees are held together by loyalty, tradition, and interpersonal cohesion, in the hierarchy culture they are bound by rules, policies, and procedures (Deshpandé *et al.*, 1993). Adler and Kwon (2002) note that hierarchy can serve as a source of SC but can equally be destructive; bureaucracy can become both too "enabling" and too "coercive". Clan culture, on the other hand, could serve as a source of internal SC as it is closely related to socialization and trust. However, as a whole, the effect of internal cultural orientation on the formation of SC is not clear-cut.

The adhocracy and market cultures are externally focused. Adhocracy emphasizes creativity and adaptability and bonds people together by entrepreneurship, flexibility, and risk. The market culture emphasizes competitiveness and goal achievement (Deshpandé *et al.*, 1993). Externally oriented companies constantly search for new ideas and leadership outside of their traditional boundaries (Detert *et al.*, 2000). Both entrepreneurship orientation and

market orientation require the formation of networks of external contacts (e.g. De Carolis and Saporito, 2006). The family business literature corroborates this assumption. External cultural orientation is positively associated with the entrepreneurial orientation of family firms (Zahra *et al.*, 2004), and, more importantly, both entrepreneurial orientation and market orientation are known antecedents of bridging SC in family firms (Debicki *et al.*, 2020). In general, family involvement seems to create durable ties with external stakeholders (Miller *et al.*, 2009) and a high level of interorganizational trust (Stanley and McDowell, 2013), which are due to open and externally oriented cultures, in which family firm members respect external stakeholders, cultivate long-term relationships with partners and suppliers, and care about their communities. The above arguments lead us to the following assumption:

H2. There is a positive relationship between external vs internal orientation and bridging social capital in family firms.

2.3 Bonding social capital and bridging social capital

Bonding and bridging SC are not isolated from each other. On the contrary, bonding SC seems to play the primary role, as network closure is critical to realize the value that resides in structural holes (Burt, 2019). Thus, for efficient mobilization of bridging SC, it is first necessary to possess strong bonding SC. In case the bonding SC is not nurtured, the value of bridging ties cannot be fully exploited (Newell *et al.*, 2004). Bonding SC thus appears to be an important antecedent of bridging SC (Cao *et al.*, 2013; Larsen *et al.*, 2004). The family business literature also provides arguments that are supportive of the positive link between bonding and bridging SC. The homogeneity in values and goals (i.e. cognitive bonding SC) positively affects a family firm's level of interorganizational trust (Cabrera-Suárez *et al.*, 2014). Likewise, relational bonding SC is positively related to setting corporate goals in favor of nonfamily stakeholders (Cabrera-Suárez *et al.*, 2014). Finally, several studies report a positive relationship exists between bonding SC and bridging SC (Stasa and Machek, 2023; Uhlaner *et al.*, 2015). Consequently, we also expect that:

H3. There is a positive relationship between bonding social capital and bridging social capital in family firms.

2.4 Organizational social capital and family firm performance

There appears to be a consensus in the family business literature that organizational SC positively affects family firm performance (e.g. Lee *et al.*, 2008; Schmid and Sender, 2019; Tata and Prasad, 2015; Tran and Santarelli, 2013). Surprisingly, however, most studies do not consider the distinct effects of bonding and bridging SC (Stasa and Machek, 2022). The family business literature suggests that bonding SC is positively related to knowledge integration (Kansikas and Murphy, 2011; Barros-Contreras *et al.*, 2022) and decision-making quality (Mustakallio *et al.*, 2002) in family firms. Only a few studies investigated the performance effects of bonding SC, finding either no significant (Danes *et al.*, 2009; Kansikas and Murphy, 2011) or positive (Campbell and Park, 2016) direct effects of bonding SC on family firm performance.

Bonding SC, conceptualized by trust (Leana and Van Buren, 1999; Shi *et al.*, 2015; Uhlaner *et al.*, 2015) and shared vision (e.g. Campbell and Park, 2016; Mustakallio *et al.*, 2002), creates an environment of respect, reciprocity, and long-lasting relationships, which further contribute to better cooperation, mutual understanding, and knowledge sharing. It can be assumed that shared vision enhances the understanding of organizational goals and guides employees to achieve those goals. Along with effective cooperation and knowledge sharing, it contributes to firm-level performance. With respect to the above arguments, it can be assumed that the following holds:

H4. There is a positive relationship between bonding social capital and family firm performance.

The size and diversity of external social networks facilitate the actions of individuals and groups and therefore represent a valuable asset for entrepreneurs (Adler and Kwon, 2002). Bridging SC facilitates access to information and resources available in external networks, increases the power and influence of entrepreneurs who possess more extensive networks of contacts (De Carolis and Saporito, 2006), and provides access to intergroup solidarity (Adler and Kwon, 2002). Unsurprisingly, the meta-analysis of Stam *et al.* (2014) found that weak ties, structural holes, and network diversity have positive and significant performance effects, and there seems to be a consensus in the management literature on the positive effects of bridging SC on firm performance.

In family firms, bridging SC has also been found to provide performance benefits (Barros-Contreras *et al.*, 2022; Miller *et al.*, 2009; Tran and Santarelli, 2013; Yezza *et al.*, 2021). Those benefits will be more pronounced in strong and high-quality networks of contacts rather than in shallow and formal networks (Tran and Santarelli, 2013). Thus, as compared to nonfamily firms, family firms are more likely to enjoy the benefits stemming from external relationships because their networks of contacts are stronger, more durable (Miller *et al.*, 2009) and endowed with a favorable reputation (Zellweger *et al.*, 2011). By creating and maintaining long-term relationships, family firms leverage interorganizational trust, which facilitates access to markets, information (Wu, 2008), competencies (Yeza *et al.*, 2021), resources (Khayesi *et al.*, 2014), innovation outcomes (Stasa and Machek, 2023), and financial capital (Chua *et al.*, 2011; Zahra, 2010). Those resources, in turn, are likely to materialize in family firm performance. Thus, it can be assumed that:

H5. There is a positive relationship between bridging social capital and family firm performance.

2.5 The mediating role of organizational social capital in the relationship between organizational culture and family firm performance

Hypothesis 1 posited that group vs individual orientation will foster bonding SC, i.e. the strength of social ties and their endowment with trust and shared meanings. In turn, according to H4, these factors are likely to create an environment supportive for enhancing family firm performance. In other words, it can be expected that bonding SC will mediate the relationship between group vs individual orientation and family firm performance.

H6. Group vs individual orientation has a positive indirect effect on family firm performance via bonding social capital.

Based on what is known about the relationship between bonding SC and bridging SC, H3 assumes that the aspects of bonding SC, namely shared vision and goals and trust, will enable the development of external networks. If group vs individual orientation fosters bonding SC, it can then be expected that bonding SC will subsequently foster bridging SC, that will present further advantages related to family firm performance. Put differently, group vs individual orientation can be assumed to indirectly foster performance by increasing bonding SC and bridging SC.

H7. Group vs individual orientation has a positive indirect effect on family firm performance via the sequential effect of bonding social capital and bridging social capital.

Finally, our expectations were that externally oriented family firms will enjoy a stronger and more extensive bridging SC (H2). As bridging SC is generally assumed to present benefits related to family firm performance (H5), it can be assumed that external vs internal orientation will have positive indirect effects on family firm performance through fostering bridging SC.

H8. External vs internal orientation has a positive indirect effect on family firm performance via bridging social capital.

The hypothesized model is displayed in Figure 1, in which the solid lines indicate the expected direct effects, while the dashed lines represent the anticipated indirect effects.

3. Methods

3.1 Data collection procedure

For participant recruitment, we employed online panel data (OPD), a method increasingly utilized in management research (Porter *et al.*, 2019) that yields comparable results to those obtained through conventional data collection approaches (Walter *et al.*, 2019). In line with prior studies on family business (e.g. Rousseau *et al.*, 2018), this research enlisted key informants—managers who possess comprehensive knowledge regarding the organizational culture, interpersonal relationships, and performance outcomes. The respondents were addressed through the platform Prolific Academic. The platform offers a more diverse participant pool than other traditional OPD platforms such as Amazon MTurk (Newman *et al.*, 2021). Further, Prolific Academic commits to high data protection and confidentiality, as it restricts researchers’ access to participants’ identifiable information and prohibits the collection of personal identifiers. This ensured the anonymity and privacy of our respondents. To uphold ethical principles of voluntary participation and informed consent, we provided detailed explanations to our informants about the purpose of the survey and the intended use of the data, thus also increasing procedural transparency as an important feature of OPD (Newman *et al.*, 2021). We emphasized that participation was entirely voluntary, and participants were free to withdraw from the survey at any time. We also refrained from asking any sensitive or personally identifiable questions, and avoided culturally sensitive questions while employing inclusive language in the survey questions. Finally, we abided to the principles of ethical incentivization, providing participants the level of compensation consistent with the compensation standards set by the data collection platform (Newman *et al.*, 2021).

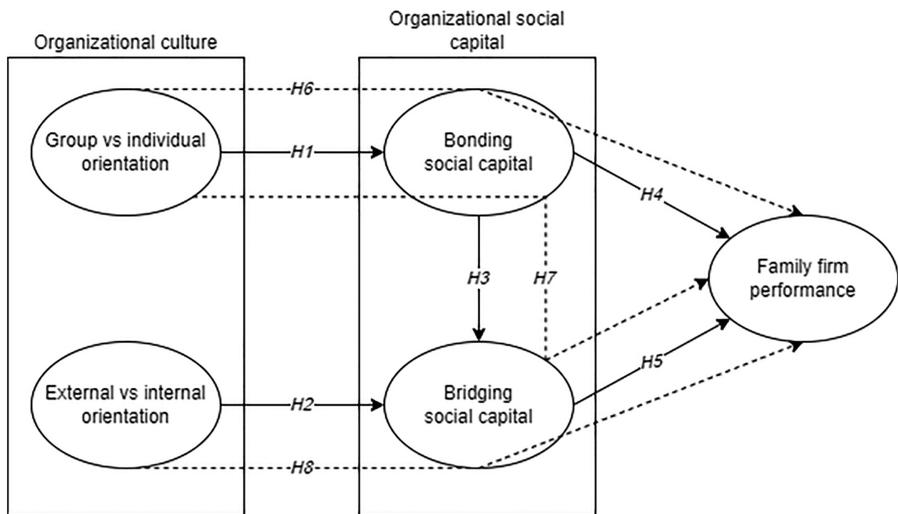


Figure 1.
Conceptual model

Source(s): Authors own creation

The data collection process involved multiple steps. Initially, we used internal filters within the platform to distribute the questionnaire to 700 full-time employees of U. S. small- and medium-sized firms, having fewer than 250 employees, who possessed managerial positions and supervisory duties. From this initial distribution, we obtained a total of 339 complete responses. Furthermore, to identify family firms, we asked the respondents to answer three questions that combine the family involvement and family essence definitional criteria (Chrisman *et al.*, 2012). Specifically, in this study, a firm is considered to be a family business if (1) more than 50% of the shares are in the hands of one family (e.g. Astrachan and Kolenko, 1994), (2) the family had enough rights to influence the strategy and future direction of the company (Tagiuri and Davis, 1996), and (3) the respondent would describe the firm as a family business (Uhlener *et al.*, 2015). A total of 203 businesses satisfied the above criteria, qualifying as family firms. As online panel data collection requires the mitigation of potentially unreliable observations and ensuring reliability and validity of the collected data (Newman *et al.*, 2021), several measures were taken. Those included attention checks, cross-item validation procedures, and monitoring of completion times. Subsequently, responses that did not pass the data screening checks were excluded, leading to a final sample size of 176 valid responses.

3.2 Independent variables and the dependent variable

Unless stated otherwise, the variables in this study were assessed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The measurement of both dimensions of organizational culture relevant to SC creation (group vs individual, external vs internal) was based on scales employed by Zahra *et al.* (2004). *Group vs individual cultural orientation* ($\alpha = 0.761$) was measured by the degree to which the company values (1) being a team player, (2) consensus in making key decisions, (3) tying pay to group performance, (4) rewarding performance based on individual achievement (reverse coded). Similarly, *external vs internal cultural orientation* ($\alpha = 0.814$) was measured by the degree to which the company (1) tracks changes in its markets on a regular basis, (2) values working with key customers and learning from them, (3) values working with key suppliers and learning from them, (4) values learning from the actions of its competitors, (5) resist ideas that were developed by other companies or groups (reverse coded).

Bonding social capital ($\alpha = 0.887$) was measured using the ISC-FB scale developed and validated by Carr *et al.* (2011), which consists of 12 items capturing the structural, relational, and cognitive dimensions of SC. To assess *bridging social capital* ($\alpha = 0.903$), a combination of three measures was used. Following Wang (2016), the structural dimension of bridging SC was measured by the degree to which the family firm (1) possesses abundant external network ties that are helpful for the firm, (2) heavily relies on social networks to interact with the external community, (3) has tight connections with professional organizations. The relational dimension of bridging SC was assessed using Morgan and Hunt's (1994) six-item scale, which measures interorganizational trust. The cognitive dimension was measured by a single item describing interfirm understanding of goals and interests (Wang, 2016).

Finally, *family firm performance* ($\alpha = 0.789$) was evaluated using three items that gauged satisfaction with current performance in terms of net profit growth, market share, and sales (Cooper and Artz, 1995).

3.3 Control variables

The study employs control variables to account for the influence of company size, age, and industry affiliation (e.g. De Clercq *et al.*, 2010; Casillas *et al.*, 2010). These variables have been found to significantly impact entrepreneurial outcomes, firm characteristics, and opportunities (Zahra and Nielsen, 2002). Company size was assessed by the number of

full-time employees employed by the firm. Industry affiliation was captured using four dummy variables representing the manufacturing, services, wholesale, and other industries. Consistent with the common practice, the control variables were included to the structural model and regressed on the dependent variable (e.g. [Jocic et al., 2023](#)).

4. Results

The hypotheses were tested using structural equation modeling (SEM) with latent variables in the IBM SPSS AMOS software. Structural equation modeling has gained popularity due to its effectiveness in mitigating the impact of measurement errors ([Aguinis et al., 2017](#)) and is widely used for testing mediation effects in management research ([Stone-Romero and Rosopa, 2011](#)). In this section, we initially present descriptive statistics and pairwise correlations. Following the standard practice of SEM analysis ([Heck, 1998](#)), we then assess the quality of the measurement model, in which latent variables are defined by their indicators (observed variables). Additionally, by employing Gaskin’s master validity tool for AMOS ([Gaskin and Lim, 2016](#)), we evaluate the validity and reliability of the measures. In the second step of SEM, we proceed to test the structural model, examining the relationships between the latent variables, including the individual direct and indirect effects.

4.1 Descriptive statistics and pairwise correlations

[Table 1](#) displays the means and standard deviations of the model variables along with their bivariate Pearson correlations. Since all correlations are significant at the 0.01 level, the analysis should consider possible multicollinearity issues. To examine variance inflation factors (VIFs), we regressed the latent variables against a dummy variable containing random values ([Kock and Lynn, 2012](#)). VIFs ranged from 1.382 to 2.209, all being below the threshold of 5 suggested by [Hair et al. \(2010\)](#). Thus, collinearity does not seem to pose a problem to our analysis. Additionally, we employ Harman’s single factor test to account for possible common method bias. The first unrotated factor only accounts for 36.29% of variance, suggesting that the data does not suffer from common method bias.

4.2 Measurement model

The quality of the measurement model was evaluated using confirmatory factor analysis. The measurement model displays an acceptable factor structure and overall model fit ($\chi^2/df = 1.561$, CFI = 0.921, TLI = 0.912, RMSEA = 0.057, PCLOSE = 0.086), suggesting that the chosen model adequately represents the underlying structure of the variables being measured. [Table 2](#) displays the results of reliability and validity assessment ([Gaskin and Lim, 2016](#)). All composite reliabilities (CR), which represent the extent to which the indicators of a construct consistently measure that construct, are greater than 0.6 ([Fornell and Larcker, 1981](#)), suggesting good reliability of constructs. Discriminant validity, i.e. the extent to which

Variable	M	SD	1	2	3	4
1. Group vs individual orientation	3.516	0.377	1.000			
2. External vs internal orientation	3.997	0.669	0.504	1.000		
3. Bonding SC	4.014	0.592	0.503	0.441	1.000	
4. Bridging SC	3.859	0.638	0.479	0.529	0.623	1.000
5. Family firm performance	3.907	0.717	0.260	0.399	0.225	0.481

Table 1.
Descriptive statistics

Note(s): All correlations are significant at the 0.01 level
Source(s): Authors’ own creation

a latent construct is distinct and different from other constructs in the same model, can also be considered acceptable as all maximum shared variances (MSV) and average shared variances (ASV) are lower than average variances extracted (AVE) (Hair *et al.*, 2010). Finally, we evaluate convergent validity, i.e. the extent to which the indicators accurately measure and converge upon a single latent construct. While AVE should be higher than 0.5, values about 0.4 are still acceptable when CR is greater than 0.6 (Fornell and Larcker, 1981), suggesting an acceptable convergent validity of the constructs employed in the study.

4.3 Structural model

To examine the proposed path relationships, a structural model was constructed. In terms of the overall model fit, the chi-square statistic is below twice the degrees of freedom ($\chi^2/df = 1.511$), indicating an acceptable fit of the model (Ullman, 1996). Other goodness-of-fit measures (CFI = 0.918, TLI = 0.910, RMSEA = 0.051, PCLOSE = 0.364) also indicate a reasonable model fit (Bentler and Bonnet, 1980; Golob, 2003). Results for the path relationship tests are displayed in Table 3. For the sake of conciseness and clarity, control variables (firm size, age, and industry affiliation) are not presented in the table. Complete details regarding the control variables can be obtained from the authors upon request.

The first hypothesis, which predicted that group vs individual orientation is positively related to bonding SC, is supported ($\beta = 0.701, p < 0.001$). The second hypothesis, which suggested that external vs internal orientation is positively related to bridging SC, is also supported ($\beta = 0.466, p = 0.003$). Furthermore, we found significant support for H3 which posited a positive relationship between bonding SC and bridging SC ($\beta = 0.472, p < 0.001$). Contrary to H4, bonding SC does not seem to positively affect family firm performance. There seems to be no evidence of a positive relationship ($\beta = -0.238, p = 0.245$). Finally, bridging SC is positively related to family firm performance ($\beta = 0.781, p = 0.001$), thus supporting H5.

Further, the analysis reveals that there are several statistically significant indirect effects (Table 4). As anticipated in H7, group vs individual orientation positively affects firm performance via the sequential effect of bonding SC and bridging SC ($\beta = 0.258, p = 0.042$).

Construct	CR	AVE	MSV	ASV
Group vs individual orientation	0.782	0.493	0.437	0.341
External vs internal orientation	0.801	0.446	0.444	0.353
Bonding SC	0.938	0.835	0.523	0.303
Bridging SC	0.853	0.661	0.523	0.432
Family firm performance	0.792	0.560	0.343	0.220

Note(s): CR = composite reliability, AVE = average variance extracted, MSV = maximum shared variance, ASV = average shared variance

Source(s): Authors' own creation

Table 2. Construct reliability and validity

Direct effect	β	SE	z	p
Group vs individual orientation → Bonding SC (H1)	0.701	0.347	3.301***	<0.001
External vs internal orientation → Bridging SC (H2)	0.466	0.126	2.995***	0.003
Bonding SC → Bridging SC (H3)	0.472	0.132	3.526***	<0.001
Bonding SC → Family firm performance (H4)	-0.238	0.215	-1.612	0.245
Bridging SC → Family firm performance (H5)	0.781	0.456	3.275***	0.001

Note(s): *** - $p < 0.01$, ** - $p < 0.05$, * - $p < 0.1$. Control variables are not displayed

Source(s): Authors' own creation

Table 3. Path coefficients of the structural model

Additionally, consistent with the expectations of H8, external vs internal orientation positively affects family firm performance via bridging SC ($\beta = 0.364, p = 0.003$). However, in contrast with H6, we did not find any significant indirect effect of group vs individual orientation on family firm performance via bonding SC ($\beta = -0.167, p = 0.274$).

5. Discussion

The purpose of this paper was to evaluate the mediating role of organizational SC in the relationship between family firms' organizational culture and performance. Specifically, we examined two dimensions of organizational culture: group vs individual orientation and external vs internal orientation. Our findings revealed that group vs individual orientation is positively associated with bonding SC (H1), while external vs internal orientation is positively related to bridging SC (H2). Regarding performance outcomes, we observed a positive relationship between bridging SC and family firm performance (H5). However, contrary to our expectations (H4), bonding SC did not directly contribute significantly to firm performance. Consequently, group vs individual orientation did not indirectly influence performance through bonding SC as we hypothesized (H6). Nevertheless, we found a positive relationship between bonding SC and bridging SC (H3), indicating that group vs individual orientation still indirectly fosters performance through the sequential effect of bonding SC and bridging SC (H7).

Ever since the emergence of social capital theory in management science (Adler and Kwon, 2002), scholars have drawn attention to the similarities between the concepts of SC and organizational culture (Staber, 2003). Some scholars have even suggested that organizational culture can be viewed as a specific form of SC (Smerek and Denison, 2007). Unlike SC, however, organizational culture cannot be easily developed or altered (Zahra et al., 2004). Our study contributes to the debate, demonstrating that the constructs of SC and organizational culture are distinct from each other and lead to diverse outcomes. The findings of our study, in line with previous literature (Afshari et al., 2020; Parker et al., 2016; Ramezan, 2016), provide evidence that organizational culture plays a decisive role in shaping SC in the specific context of family firms. This SC, in turn, affects performance, and therefore acts as a mediator in the relationship between organizational culture and firm performance. Notably, the two types of organizational culture observed in our study appear to foster different forms of SC and have different performance effects.

Firstly, we found that external vs internal orientation fosters bridging SC, which is closely related to entrepreneurship and exposes family firms to diverse knowledge and opportunities (Zahra et al., 2004), supporting innovation (Stasa and Machek, 2023). Properly transferred and managed bridging SC (Cisneros et al., 2022) contributes to firm performance, consistent with our expectations (Adler and Kwon, 2002; Barros-Contreras et al., 2022; De Carolis and Saporito, 2006; Leal-Rodríguez et al., 2016; Ogbonna and Harris, 2000; Stam et al., 2014; Yezza et al., 2021). As a result, bridging SC mediates the relationship between external vs internal orientation and family firm performance.

Indirect effect	β	SE	z	p
Group vs individual orientation → Bonding SC → Family firm performance (H6)	-0.167	0.261	-1.094	0.274
Group vs individual orientation → Bonding SC → Bridging SC → Family firm performance (H7)	0.258	0.218	2.030**	0.042
External vs internal orientation → Bridging SC → Family firm performance (H8)	0.364	0.177	3.022***	0.003

Note(s): *** - $p < 0.01$, ** - $p < 0.05$, * - $p < 0.1$

Source(s): Authors' own creation

Table 4.
Indirect effects

Secondly, we observed that group vs individual orientation fosters bonding SC, but contrary to our expectations, this type of SC does not have immediate effects on performance. Thus, bonding SC does not mediate the relationship between group vs individual orientation and family firm performance. However, bonding SC is positively related to bridging SC, highlighting the importance of fostering good interpersonal relationships in family firms to cultivate an open culture (Hall *et al.*, 2001; Melin and Alvesson, 1989). The role of bonding SC in achieving family firm performance is particularly intriguing. While its direct performance effects appear to be negative or neutral at best, the literature tends to emphasize the positive effects of SC, overlooking its negative aspects (Pillai *et al.*, 2017), especially in the family business context (Stasa and Machek, 2022). Excessive closure resulting from high levels of bonding SC can hinder information processing and learning, lead to groupthink, cognitive lock-in, irrational commitment, and blur a firm's boundaries (Pillai *et al.*, 2017). These issues are especially relevant in family firms. Our study supports the arguments of a few studies (Herrero and Hughes, 2019; Stanley and McDowell, 2013; Yezza *et al.*, 2021) that consider the possibility of the existence of the "dark side of social capital" (Putnam, 2000; Stam *et al.*, 2014) in family firms. Despite the absence of immediate performance effects, the analysis of indirect effects highlights the importance of bonding SC in fostering performance, as it contributes to the development of bridging SC, an important source of performance. This underscores the need for cultivating and developing bonding SC in family firms while simultaneously embracing openness to external networks.

The study's findings contribute to the theoretical understanding of organizational culture and SC in family firms. Firstly, it demonstrates that organizational culture plays an important role as a source of heterogeneity within family firms, potentially explaining performance variations across different firms, which addresses recent calls for investigating this heterogeneity (Miller and Le Breton-Miller, 2021). Notably, family firms with external orientation demonstrate distinct and superior performance outcomes compared to internally oriented ones, and those emphasizing group values tend to outperform those valuing individual values. These insights open avenues for new comparative studies, typologies, taxonomies, and performance studies in family business research, considering various facets of family firms' organizational culture. Secondly, the research addresses a gap in the family business literature by examining the antecedents of SC, an area that has been relatively overlooked (Stasa and Machek, 2022). This enriches our understanding of the "process" perspective on social capital (Arregle *et al.*, 2007) and sheds light on the importance of a suitable organizational culture in nurturing and developing SC. Moreover, the study emphasizes the mediating role of SC in the organizational culture-performance relationship, enhancing our comprehension of the determinants of family business performance, a longstanding question yet to be resolved. Interestingly, the findings challenge the assumption of universal performance benefits of SC, revealing a potential "dark side" associated with overreliance on bonding SC in the family business context. However, bonding SC appears to be a double-edged sword, as our research also indicates that a suitable interplay between internal and external social networks can lead to superior performance outcomes.

From the managerial viewpoint, our results suggest several implications. Social networks can indeed represent a source of family firms' competitive advantage (Arregle *et al.*, 2007; Pearson *et al.*, 2008). Nevertheless, to nurture and develop SC, it is equally important to pay attention to the organizational culture of the family firm. Supporting teamwork, collective achievement, and finding consensus when making important decisions can help develop group vs individual orientation. To enhance external vs internal orientation, the family firm should regularly track changes in markets and learn as much as possible from its customers, suppliers, but also competitors. At the same time, managers should be aware of the fact that excessive closure can hinder performance. Therefore, for the success of a family firm, it is essential to prevent isolation that obstructs the development of external connections and instead leverage the unique resource of internal SC to foster connections between the family firm and its stakeholders.

6. Conclusion

This study aimed to examine the mediating role of organizational SC between family firms' organizational culture and performance. Our findings reveal a significant and positive relationship between group vs individual orientation and bonding SC, as well as between external vs internal orientation and bridging SC. Additionally, we found a positive association between bonding and bridging SC. Regarding performance outcomes, bridging SC was found to have a positive impact on family firm performance. Contrary to our expectations, bonding SC did not directly contribute significantly to performance. Nonetheless, it did have an indirect effect by fostering bridging SC, which in turn improved performance. The study also discussed the theoretical implications of these findings.

For sure, this study is not without limitations. First, the sample size is somewhat smaller than the average sample size of recent family business studies, which is typically around 300 useable responses (Pielsticker and Hiebl, 2020). Nevertheless, the sample size is comparable to several recent noteworthy papers investigating mediating effects in family firms (e.g. De Massis *et al.*, 2021; Jovic *et al.*, 2023; Luu, 2023) and based on Kline's (2005) rules of thumb within the context of SEM, the number of observations in this study exceeds the minimum threshold and would be considered a medium sample size. Second, we relied upon key informants who may not have had familial connections with the firm. Although this represents a limitation, we believe that this does not pose a threat to the validity of the responses as nonfamily members generally provide unbiased answers about the firm, except for exceptions, such as questions about relationships in the family (Herrero, 2018), which were not investigated in this study. Third, our dataset was based on online panel data. Although online panel data are increasingly used in management science (Porter *et al.*, 2019) and online data collection yields comparative results to traditional data collection methods (Walter *et al.*, 2019), online respondents can have specific characteristics that affect the nature of responses that we are not able to rule out. Like most studies in management research (Aguinis *et al.*, 2017), our paper investigates mediation using a cross-sectional design. The cross-sectional nature of the data used in our study does introduce limitations when it comes to establishing causality. While organizational culture appears to be an antecedent to SC (Afshari *et al.*, 2020; Asiaei and Jusoh, 2015; Melé, 2003; Ramezan, 2016), it is important to consider that SC can also exert influence in the opposite direction, potentially fostering adaptive changes to the organizational culture. Thus, caution should be taken when interpreting the causal interpretations. However, it is important to note that our study was designed to focus on examining relationships between variables rather than making definitive claims about causality. Additionally, we have supported our findings by referencing previous authors who have explored causality in their studies. While the cross-sectional design does limit our ability to make causal claims, it does not undermine the significance of the relationships we have identified. Finally, we only considered two dimensions of organizational culture, thus neglecting its other possible dimensions (Detert *et al.*, 2000).

The above discussion also suggests that future research is needed in several areas. In our view, the most urgent is the question of national vs organizational culture. National culture and organizational culture are not identical (Gerhart, 2009), and a company with an individualist organizational culture can perform differently in an individualist country and a collectivist country. The mechanisms of the interplay between national and organizational cultures are not sufficiently clarified (Knein *et al.*, 2020) and deserve further attention. Second, SC could also be developed using other types of organizational culture, such as decentralization, long vs short-term orientation, or stability vs change (Detert *et al.*, 2000; Zahra *et al.*, 2004). However, future studies should make strong theoretical arguments as to why these individual facets of organizational culture should affect the stock and flow of SC in the family firm that still belongs to emerging areas in researching SC in family firms (Stasa and Machek, 2022). Notably, also,

organizational culture and SC can become highly dynamic in family firms, particularly during crucial events like succession or unexpected family circumstances such as the death of the founder. To further enhance our understanding of family firm performance, future research could delve deeper into exploring the dynamics of these key constructs employed in this study. Additionally, the unique attributes of family firms, such as the transfer of SC from incumbents to successors, can give rise to unique forms of SC (Cisneros *et al.*, 2022) and various strategies for leveraging it (Mihotić *et al.* (2023), warranting further investigation. Moreover, it should be noted that organizational culture is just one of numerous factors influencing family firm performance, particularly considering the dynamic nature of family relationships. While our study contributes incrementally to the research area focused on family firm performance, future research has yet to uncover its other sources.

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