A Resource-Based Framework for Assessing the Strategic Advantages of Family Firms

Timothy G. Habbershon, Mary L. Williams

The Resource-Based View (RBV) of competitive advantage provides a theoretical framework from the field of strategic management for assessing the competitive advantages of family firms. The RBV isolates idiosyncratic resources that are complex, intangible, and dynamic within a particular firm. The bundle of resources that are distinctive to a firm as a result of family involvement are identified as the "familiness" of the firm. This approach provides a research and practice method for assessing the specific behavioral and social phenomena within a firm that provide an advantage. Using a familiness model for assessing competitive advantage overcomes many of the problems associated with the generic claim that family companies have an advantage over nonfamily companies. It also provides a unified systems perspective of family firm performance.

Introduction

The purpose of this paper is to begin developing a theoretical basis for the exposition of the relationships among individual family firm behaviors, the advantages of being family-controlled, and their distinctive performance capabilities. The paper is based on research underway at the Family-Controlled Corporation Program at the Wharton School of the University of Pennsylvania, conducted in collaboration with Wharton's Snider Entrepreneurial Research Center. Prior studies conducted at the Snider Entrepreneurial Research Center developed a research model that links indicators of future competitive advantage at the firm level to behaviors at individual and group levels (Levinthal & Myatt, 1994; McGrath, Tsai, Venkataraman, & MacMillan, 1996; McGrath, MacMillan, & Venkatraman, 1995). The Family-Controlled Corporation Program is now applying similar research models to the analysis of medium and large family businesses to better understand their unique potential for competitive advantage and how this relates to subsequent performance.

As the research program got underway it became clear that there was no theory on which to base the research. After considerable investigation we turned to the strategy arena and the Resource-Based View of the Firm (RBV) for explaining sources of advantage for family-controlled corporations. In this paper we explicate our approach, in the hope that it will establish a direction for others studying the performance capabilities of family firms. Progress in this direction would create a theoretical foundation for conducting firm-level performance research in the future. It would also provide a disciplinary framework for analyzing the competitive advantage claims currently found in the family business literature and would open a door into the strategy arena for researchers from the field of family business.

As Wortman (1994) pointed out, there is no unifying paradigm for research and practice in the field of family business studies. Scholars trained in psychology, sociology, law, accounting, economics, organizational behavior, strategic management, entrepreneurship, and numerous other disciplines have conducted some research on family firms. The varied approaches

used to analyze family businesses are the result of this diversity among disciplines, as well as the diversity that exists within the disciplines. While this multidisciplinary effort has added breadth to the field as a whole, the lack of a cohesive structure and unified methodology has hindered progress in more deeply understanding family firms.

This limited progress is particularly evident when examining the family business performance or advantage literature. The literature is replete with largely anecdotal descriptions of the unique characteristics and processes of family firms and claims of how this uniqueness can lead to a competitive advantage. But, with few exceptions (Astrachan & Kolenko, 1994), these claims do not directly link the descriptive attributes of family-controlled firms to specific firm performance variables. Conversely, those studies that have utilized performance variables and found that a defined category of family firms has an advantage (McConaughy, Walker, Henderson, & Mishra, 1995) have not linked those advantages to actionable antecedents (i.e., the descriptive attributes mentioned in other studies).

Wortman (1994) presented a research typology for the field of family business, outlining the potential relationships among the macro- and micro-environments, organizational contexts, and content issues. He delineated major topical areas appropriate for study within the field of family business, including our current research interest firm performance. Although Wortman's efforts have advanced the field of family business to the point of having a suggested research typology, they nevertheless fell short of suggesting an organizational framework on which to analyze the uniqueness of family firms and their performance in the economic arena. There is a rich vein of performance literature in which to search for an organizing approach (industrial organizational models, neoclassical economics, transac-

Table 1. Research Connecting Organizational Processes to Firm Performance

Author(s)	*Process/Asset*
Barney, 1986	A firm's organizational culture
Erez, Earley, and Hulin, 1985	Participative goal setting and individual goal acceptance
Koch and McGrath, 1996	Process by which human resources are managed
Levinthal and Myatt, 1994	Relational factors such as the duration and intensity of ongoing alliances
Luo, 1997	The process and criteria used for partner selection in international joint ventures
McGrath et al., 1996	Innovation processes used by new ventures
Miller and Shamsie, 1996	Ownership of knowledge-based resources and their environments
Knez and Camerer, 1994	Ability to take advantage of superior decision-making skills and their relationship to the shared beliefs structure of individuals within the firm

tion and agency theory, organizational theory, organizational behavior, strategic management), but the RBV uniquely synthesizes many of the other approaches and provides a framework intended to link firm-level antecedents to performance outcomes.

The RBV of competitive advantage applies the lens of analysis to the firm or business unit and isolates specific resources that are complex, intangible, and dynamic. Because family firms have been described as unusually complex, dynamic, and rich in intangible resources, the RBV gives researchers in the field of family business an appropriate means to analyze them. Likewise, family firm advantages are most often described as specific to a given family and business. In the RBV, the bundle of resources that holds the potential for performance advantage is identified as idiosyncratic to a particular firm in a particular environment. Additionally, many of the advantages family firms are said to possess are found in their family and organizational processes. Numerous research examples within the RBV literature find linkages between firm processes and firm performance. Table 1 provides a sampling of the literature with specific organizational processes or firm assets that have been linked to firm performance.

In short, the RBV provides an established theoretical model to analyze the relationships among firm-level processes, assets, strategy, performance, and sustainable competitive advantage for the family firm. It becomes a framework for evaluating the multidisciplinary performance and advantage literature already in the field and allows for the inclusion of all potentially idiosyncratic firm-level characteristics and capabilities in the analysis. Because the RBV is found within the demonstrated discipline of strategic management, the framework provides the field of family business with a disciplinary approach to family firm performance and advantage. It also creates an opportunity for strategy researchers to further investigate the unique essence of the family structure of business organization as a distinct form of enterprise and for family business researchers to publish in the field of strategy.

This article will, therefore, demonstrate how the RBV is a proper framework for understanding the competitive advantages of family firms. After a review of the literature on family firm performance capabilities, we outline problems with the current approach and then describe the RBV from the strategic management literature and compare its assumptions to other models. This section is intended to lay a foundational understanding of the RBV so that the framework can then be applied to the study of family firm advantage. We conclude with implications for family firm research and practice and interact with the work currently being conducted at Wharton's Family-Controlled Corporation Program using the RBV framework.

Performance Capabilities of Family Firms

Over the past 15 years, the field of family business studies has evolved significantly in understanding how family firms are different from other businesses in both their organizational composition and performance capabilities. Notable contributions have been made in identifying the systemic nature of family firm behavior (Davis & Stern, 1980; Lansberg, 1983; Whiteside & Brown, 1991), in describing the psychological and process aspects of systems interactions (Ackoff, 1994a, 1994b), in delineating the dual characteristics of family and business as a source of both benefit and disadvantage (Kets de Vries, 1993; Prokesch, 1986; Tagiuri & Davis, 1996), and in noting the distinctive operational and outcome capabilities of family companies (Moscetello, 1990).

Despite such well-known headlines as "Father-son struggle splinters Haft dynasty" (Swisher, 1993) and "Rum on the rocks: Bacardi's family secrets are spilling into a court fight" (Henriques, 1996) that continue to capture the public's attention, the family business literature is filled with more positive assertions that family firms have performance advantages over nonfamily firms. Broadly, they are more likely to succeed than any other kind of business, with an

unparalleled competitive advantage (Brokaw, 1992) that embodies the management practices and business values required for competitiveness (Prokesch, 1986; Aronoff, Astrachan, & Ward, 1996). Moreover, the family business is the ultimate long-term investor (Dreux, 1990) and a model for future business success (Aronoff & Ward, 1995).

One of the most significant outcomes of this newfound (or some would contend hard fought) positivistic view has been the incentive it provided families in business to seek the advantages of family involvement and to create multigenerational success. As family owners and managers strive to better understand how family firms capitalize on these advantages, academics and practitioners have begun to more clearly define and categorize them. To date, the advantages of family firms have been presented primarily in a descriptive fashion with broad theoretical and anecdotal support that cuts across traditional academic disciplines. A review of the literature substantiates this descriptive emphasis on the unique characteristics of family businesses and the potential they have for competitive advantage and superior firm performance.

Family firms have been described as having a unique working environment that fosters a family-oriented workplace and inspires greater employee care and loyalty (Ward, 1988). They have been said to pay higher wages to employees (Donckels & Frohlich, 1991) and to have the ability to bring out the best in their workers (Moscetello, 1990). They have more flexible work practices for their employees (Goffee & Scase, 1985), have lower recruitment costs, lower human resource costs, and are said to be more effective than other companies in labor intensive businesses (Levering & Moskowitz, 1993).

Family members have also been described as more productive than nonfamily employees (Rosenblatt, deMik, Anderson, & Johnson, 1985). They have a "family language" that allows them to communicate more efficiently and exchange more information with greater privacy. Family relationships generate unusual motivation, cement loyalties, and increase trust (Tagiuri & Davis, 1996).

Overall, family firms reportedly have lower transaction costs (Aronoff & Ward, 1995), a more trustworthy reputation (Tagiuri & Davis, 1996; Ward & Aronoff, 1991), efficient informal decision-making channels, less organizational structure, and lower monitoring and control costs (Daily & Dollinger, 1992). Decision making tends to be centralized among top family members, which decreases cost and increasing the flexibility of the firm (Goffee & Scase, 1985; Hall, 1988; Poza, Alfred, & Maheshwari, 1997; Tagiuri & Davis, 1996).

Likewise, family firms have been known to reduce agency costs, a result of the overlapping owner/principles and manager/agents relationships (Aronoff & Ward, 1995; McConaughy et al., 1995). It has been asserted that the concentration of shares in family management hands leads to a strong sense of mission, well-defined long-term goals, a capacity for self-analysis, and the ability to adapt to major changes without losing momentum (Moscetello, 1990). Personalized family-member involvement has led some to claim that family businesses are more creative (Pervin, 1997) and pay more attention to research and development (Ward, 1997).

Generally reflective of the founder's beliefs and practices, family firms have been said to make greater commitments to their missions, have more of a capacity for self-analysis, and less managerial politics (Moscetello, 1990). They are also less likely to have a formal code of ethics and more likely to use role modeling to communicate acceptable conduct (Adams, Taschian, & Shore, 1996). They tend to emphasize personal and family values over corporate values and are known for their integrity and commitment to relationships (Lyman, 1991).

Positive customer perceptions of family ownership and relationship-based business interactions within and between organizations create stakeholder efficiencies (Aronoff & Ward, 1995). The family's reputation and relationships with suppliers, customers, and other external stakeholders are reportedly stronger and more value laden (Lyman, 1991). There is an advantage in customers' speaking to the family in charge and

knowing the person whose name is on the door (Brokaw, 1992). Internationally, family companies that share common family values across cultures can bridge cultural barriers more effectively (Swinth & Vinton, 1993).

Family objectives and business strategies are said to be inseparable, creating a more unified long-run strategy and commitment to fulfill it (Aronoff & Ward, 1994). Family firms were found more responsive to changes in the business environment (Dreux, 1990) and, correspondingly, have less interdependence with the macroenvironment and therefore are less susceptible to negative downturns (Donckels & Frohlich, 1991). Family firms are also said to have a strategic advantage because their competitors do not have access to information about their operations or financial condition (Johnson, 1990).

Regarding financial performance, family companies have been described as having patient capital (de Visscher, Aronoff, & Ward, 1995) with the capacity to invest in long-run return opportunities rather than quarterly return requirements (Dreux, 1990). Additionally, they place an emphasis on company growth potential over short-term sales growth (Donckels & Frohlich, 1991). Because of their long-run view, family firms are said to be less reactive to economic cycles (Ward, 1997), have a lower cost of capital (Aronoff & Ward, 1995), and have outperformed the Standard & Poor's 500 (Moscetello, 1990). Also, publicly held family-managed firms have been described as having higher profit margins, faster growth rates, more stable earnings, and lower dividend rates (McConaughy et al., 1995). Additionally, family firms have exhibited lower debt/equity levels (Dreux, 1990; Gallo & Vilaseca, 1996) and provided a much better return on the original investment. This suggests a better-managed capital structure and more efficient allocation of resources (Monsen, 1969).

Few could argue with the enduring nature of family firms. Evidence of their dominant economic and social contributions worldwide is being substantiated in the business literature (Shanker & Astrachan, 1996), and descriptions of their competitive advantages are being discussed in business and academic circles.

Problems with a Generic Approach to Family Firm Advantage

Over the past 10 years, the field of family business studies has not been precise in its definition of a family firm. During that time, authors of 44 different research papers have offered definitions of "family business" (Habbershon, Williams, & Daniel, 1998). Each definition has had a slightly different nuance with the authors using definitions selected for different reasons. When educators, practitioners, and, at times, academics referred to family firm advantages they generally did not delineate what definition or research criteria they were using. Even when there has been some degree of definitional clarity, it remained unclear whether all firms outside the current definition were the "nonfamily firms," if all of the firms that fell under the "family" definition had the same advantages, or if the advantages of the family firms existed all of the time. This lack of clarity has created a serious credibility gap and has left the field of family business open to criticism from academics and business professionals. In addition, family businesses are frustrated, wondering why they have not experienced the same advantages that others presumably have.

A further problem with the current generic approach to family business advantage has been that broad categorizations are used as evidence for the advantage. Statements are used like: "family firms have 'blank' advantages over nonfamily firms," or "family firms have advantages over nonfamily firms because of 'blank' characteristics." These generalizations beg certain questions—for instance, What family firms have advantages and when? How long do these advantages endure? Are they the result of internal or external factors? Under what conditions do family firms have an advantage? Are the descriptive attributes of family firms always an advantage under all conditions? Are the advantages the result of the family or the business? How do you

identify the advantages, measure them, and link them to performance? More basely, what do we mean by family firm or by advantage and over whom does one have an advantage?

Competitive advantages of family firms cannot be discussed without reference to a firm's specific strategies, resources, and skills. These attributes cannot be assumed to be independent of the particular market and competitive context within which a firm's strategies are implemented. A firm can only be said to have a *competitive advantage* when implementing a value-creating strategy not simultaneously being implemented by current or potential competitors. This strategy becomes a *sustainable competitive advantage* when other firms are not able to duplicate the benefits of the strategy (Barney, 1991). When we analyze the family business literature in light of the above definition of competitive and or sustainable advantage, we must conclude that it is neither useful nor correct to speak of a competitive advantage that is held by an undifferentiated category of firms or characteristics that are applicable to that entire category.

Performance studies, for example, reported that a particular group of family firms had higher profit margins, faster growth rates, more stable earnings, and lower dividend rates (McConaughy et al., 1995); that they out performed the Standard & Poor's 500 (Moscetello, 1990); or that they provided a better return on the original investment (Monsen, 1969). The studies did not clarify why or how those particular firms had a sustainable competitive advantage. They certainly enticed us to look further into the reasons for the results, but look further we must if we are to provide family firms with actionable research.

There have been attempts to be more precise in defining family firm advantages. Tagiuri & Davis (1996) declared that certain family characteristics are the basis for an advantage in the absence of the supposedly opposite negative characteristic. But, again, no criteria have been offered for determining how, when, or why the stated positive attributes provided a competitive and or sustainable advantage to a particular firm. Identifying a positive attribute in contrast to a negative one does not itself qualify that attribute as an advantage. These contrastive comparisons do not provide actionable antecedents to family firm performance that owners and managers can translate into new and more effective competitive behaviors.

There is also the broader problem of connecting complex behavioral and social phenomena within family businesses to traditional performance criteria. The systemic relationship between the family and the business creates categories of organizational behavior that are not easily identified as components of value creating strategies. It appears easier to ignore or rid the firm of the complexity, rather than address the sources of complexity as a potential for advantage.

The multidisciplinary nature of the family business field of studies has further facilitated the generic approach to describing family firm advantages. Most of the literature on the subject has come from fields of organizational science not normally associated with explaining and predicting firm performance. Language is borrowed from traditional industrial economics to describe agency theory (family ownership and management) and transaction cost advantages (higher trust, better communication flow, lower monitoring and control costs, consolidated decision making). But the stated advantages for family firms have not been supported by research and analysis accepted by those same fields of study. Likewise, those persons making the advantage claims have failed to acknowledge the complexities of integrating the varied disciplinary models of firm behavior. The cases in which the dynamics and attributes of family involvement in the business have been described and related to performance have not placed them into a consistent theoretical framework that would enable evaluation of their strategic significance. This conclusion has led us to a restatement of the key problem: To date there is no clear and cohesive theoretical framework that can provide a structure for analysis and a lens through which to assess family firm performance capabilities. This is a problem for the field of family business research, edu-

cation, and practice that translates to a problem for family businesses.

The Resource-Based Framework for Assessing Firm Advantage

According to Ketchen, Thomas, and McDaniel (1996), understanding and controlling performance is an important way to distinguish the field of strategic management from other organizational sciences. Researchers in strategic management have drawn on ideas and theories taken from organizational economics, organizational theory, organizational behavior, and other related disciplines (Barney & Zajac, 1994; Mahoney & Pandian, 1992). Most of the recent work on strategic advantage, led by Michael Porter and his colleagues (1980; 1990) has focused primarily on the firm's position in relation to the external environment, rather than the firm's internal processes leading to strategic development.

Currently in the field of strategic management a counteremphasis, focusing on a firm's internal attributes as a source of advantage, has evolved. A firm's internal idiosyncrasies are identified as a critical component of its potential advantage. The umbrella term used to describe this approach is the Resource-Based View of the Firm (RBV). The RBV has been successfully used to explain long-run differences in firm performance that cannot be attributed to industry or economic conditions.

Some (Conner, 1991) have thought that RBV first appeared in the early writings of Barnard (1938). Others believed the Resource-Based View started with the contributions by Selznick (1957), Penrose (1959), Pfeffer and Salancik (1978), Rumelt (1984), or Wernerfelt (1984). The evolution of the Resource-Based View is intertwined throughout three major research programs: strategy research, organizational economics, and industrial organization (Mahoney & Pandian, 1992). In strategy research, studies that operationalized RBV (Cool & Schendel, 1988; Hansen & Wernerfelt, 1989; Henderson & Cockburn, 1994; Hitt & Ireland, 1985; Montgomery & Wernerfelt, 1988; Rumelt, 1991) varied in their ability to explain firm performance but were successful in bringing the focus to firm-level capabilities and competencies. As a fifth component to organizational economics (Mahoney & Pandian, 1992), or as a subset of the field of behavioral economics (Anderson, 1982), the RBV incorporates agency theory (Eisenhardt, 1989), the theory of property rights (Alchian, 1984; Coase, 1960), transaction cost theory (Williamson, 1975), and evolutionary economics (Nelson & Winter, 1982).

Agency theory and transaction cost economics, in particular, are linked to RBV. Agency theory surfaces potential idiosyncratic resources that may prove to be sources of competitive advantage to firms, such as relationships and enforcement and monitoring mechanisms (Jensen & Meckling, 1976). Also, the existence of reduced agency costs (due to more efficient organizational processes) has been used as an explanation of why family firms might hold a competitive advantage over nonfamily firms (Daily & Dollinger, 1992; McConaughy et al., 1995). Transaction cost economics emerged to provide a "better understanding of the origins and functions of various firms and market structures" (Williamson, 1975, p. 1). In family firms, "the economics of trust as well as other phenomena can be examined to advantage in transaction cost economizing terms" (Williamson, 1996, p.153). The RBV moves performance discussions beyond cost reduction to other considerations of organizational advantage, looking for antecedents to these economic outcomes.

Barney (1991) summarized the contrastive assumptions of Porter's environmental models with the RBV model, as outlined in Table 2.

The RBV asserts that firms are heterogeneous and that it is the idiosyncratic, immobile, inimitable, sometimes intangible bundle of resources residing in the firm that gives the firm an opportunity for competitive advantage and superior performance. It examines the links between a firm's internal characteristics and processes and its performance outcomes. Practically, this means that firms within an industry are not considered identical to one another in terms of

Table 2. Comparing Assumptions of Environmental Models with the Resource-Based View

Environmental Models	*Resource-Based View*
1. Environmental models of competitive advantage assume firms in an industry or strategic group are identical in terms of strategically relevant resources they control and strategies they pursue.	Firms within an industry or strategic group may be heterogeneous with respect to the strategic resources they control.
2. Should resource heterogeneity develop in an industry or group, it would be short-lived because resources are highly mobile.	Resources may not be perfectly mobile across firms, and resource heterogeneity can be long lasting.

strategically relevant resources and that these heterogeneous aspects of a firm may hold the potential for advantage. Further, a particular firm's resources are not perfectly mobile across firms. Firms are able to sustain their advantage for unspecified periods of time, which is due to the inimitable nature of their resources.

The RBV suggests that it may be more appropriate to think of companies as possessing different combinations or levels of assets and capabilities (Hart & Banbury, 1994) identified as "resources." Resources include both physical and intangible assets, individual and corporate skills, organizational processes, firm attributes, information, knowledge, and the like (Barney, 1991). These resources also include a broad range of organizational, social, and individual phenomena within firms that are often overlooked by concepts such as "core competence" or "capabilities." The collection of resources are idiosyncratic because no two firms have the same set of experiences, acquired the same assets and skills, built the same organizational cultures, or the same collection of resources in the same competitive arena at the same point in time (Collis & Montgomery, 1995). The RBV strives to better understand the role of these idiosyncratic, immobile firm resources in creating sustained competitive advantages.

Of course not all firm resources provide companies with a sustained competitive advantage. The RBV asserts that a resource must have specific attributes for an advantage to be gained from it. Barney (1991) has identified four such attributes with supporting descriptions:

(a) It must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment, (b) it must be rare among a firm's current and potential competition, (c) it must be imperfectly imitable, and (d) there cannot be strategically equivalent substitutes for this resource that are valuable but neither rare or imperfectly imitable . . . Firm resources can be imperfectly imitable for one or a combination of three reasons: (a) the ability of a firm to obtain a resource is dependent on *unique historical conditions*, (b) the link between the resources possessed by a firm and a firm's sustained competitive advantage is *causally ambiguous*, or (c) the resource generating a firm's advantage is socially complex (pp. 106 to 107, emphasis the author).

Delineating these attributes assists researchers and/or managers by bringing discipline to the often fuzzy and subjective process of assessing resources (Collins & Montgomery, 1995). They provide a framework that can be operationalized to analyze the potential of a broad range of firm resources and suggest specific empirical questions that need to be addressed before a relationship between a particular firm resource and sustained competitive advantage can be understood. The RBV thus creates a more intimate and systematic integration of organizational phenomena and economic performance indicators.

From the "So What" to the Strategic

Family companies undoubtedly have unique characteristics and that these characteristics play a prominent role in economies worldwide and, in some way, their uniqueness contributes to their prominence. The problem lies in assessing their uniqueness and in linking it to an advantage in the marketplace. Most often (in our experience) when family business educators and practitioners speak of the unique characteristics of family firms, the reply is in the "so what" category. There is generally not a legitimate opportunity to move the discussion to how these characteristics provide a competitive advantage and, if it does go that far, the existing research and practice evidence does not make a strong enough case to overcome the cynicism.

The RBV of competitive advantage, because it examines the links between a firm's internal characteristics and performance, provides the opportunity to more fully delineate the competitive capabilities of family companies—that is, to move from the "so what" to the strategic. In contrast to the generic approach, specific family firm resources are identified and matched to the firm's capabilities. Their potential for sustainable competitive advantage and the appropriability for returns are appraised. Strategies for exploiting the resources and capabilities of a given firm are

Figure 1. A Resource-Based Approach to Strategy Analysis: A Practical Framework

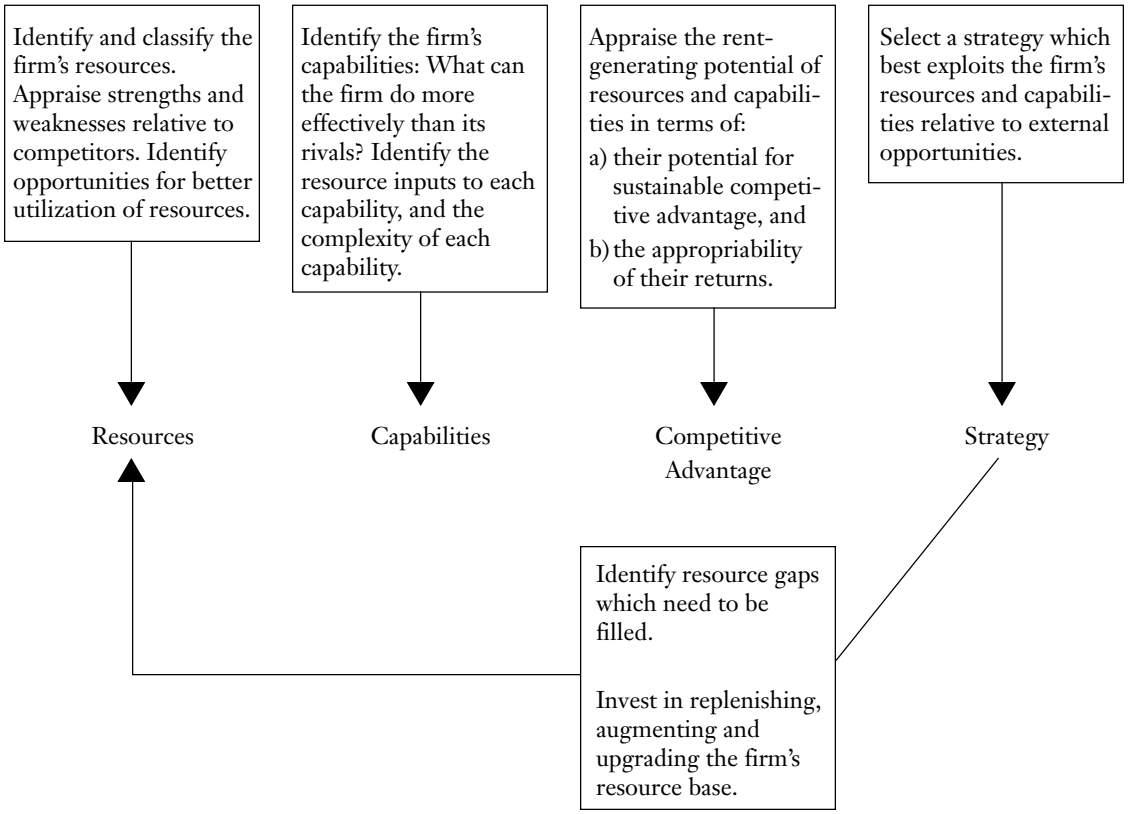
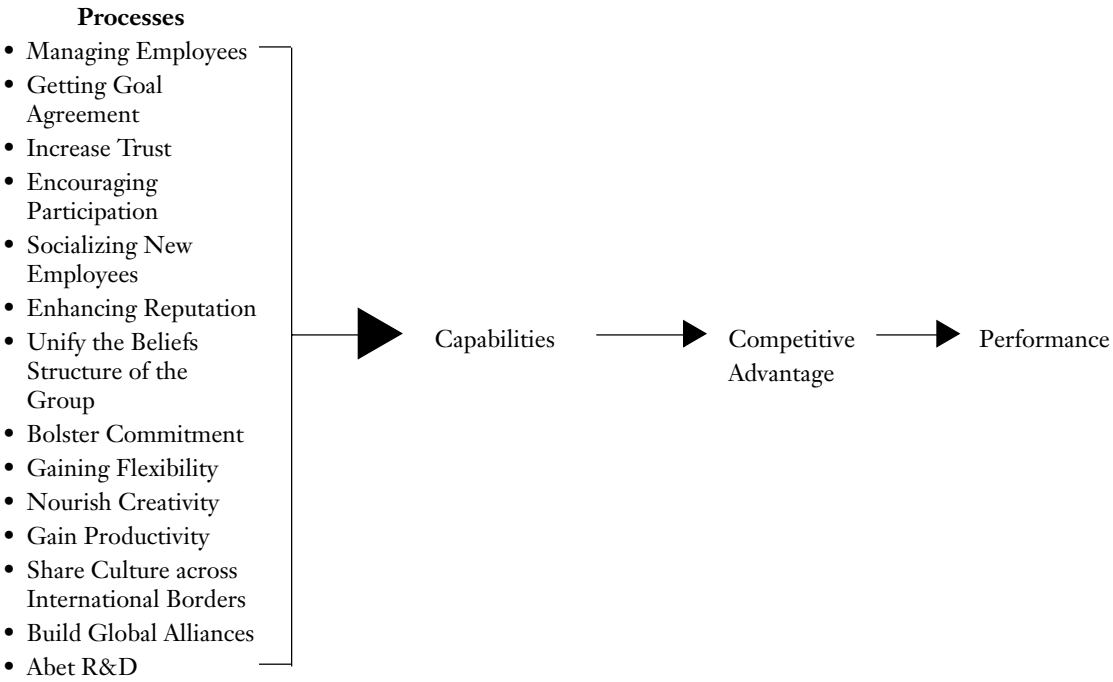


Figure 2. Family Business Processes Available as Family Firm Resources



identified and assessed for performance outcomes. Grant (1991) introduced into the literature a model, depicted in Figure 1, outlining the relationships between resources and competitive advantage potential.

Grant's model clearly shows the connection between the resources, capabilities, and competitive advantages at the firm or business-unit level and could easily be adapted to family firms. If, for example, we believe that family member mangers are a competitive advantage to family firms, then we must determine (a) what type of resource they are, (b) under what conditions they add value, (c) what capabilities the firm gains as a result of the resource, (d) what potential they hold for sustainable competitive advantage and return, (e) what strategies can be employed to exploit this human resource advantage, and (f) what objective measures must be established to assess the performance outcomes resulting from this resource. In this case, it could be classified as a rare and valuable human resource if that resource enables a firm to conceive of or implement strategies that improve its efficiency and effectiveness.

Once the conditions for assessing the advantage are established, a research model can be created. The results from the study allow the researcher to clearly demonstrate when family owner/managers are a competitive advantage to a given firm. Because the model accounts for the conditions under which the advantage is present, the results provide clear and actionable antecedents to determining the particular resource advantage. By design, the model removes the confusion concerning the definition of a family firm because only those firms that meet the research conditions have the advantage. It rids the field of broad generalizations about family firm advantage and establishes a benchmark for future studies. In addition, the model provides a theoretical

framework for discussing the conditions under which a firm finds an advantage, and it establishes clear performance measures for substantiating the advantage.

In similar fashion, other family business organizational phenomena and processes that apparently provide firms with an advantage can be identified as "resources" and systematically assessed to determine the conditions under which they meet the performance criteria to create a sustainable competitive advantage (see Figure 2).

We have concluded from the literature (Barney, 1991; Grant, 1991; Hunt, 1995) that it is most useful to divide firm resources into four categories: *physical capital resources* (plant, raw materials, location, cash, access to capital, intellectual property), *human capital resources* (skills, knowledge, training, relationships), *organizational capital resources* (competencies, controls, policies, culture, information, technology), and *process capital resources* (knowledge, skills, disposition, and commitment to communication, leadership, and the team). In each of these four categories, the family business literature contains corollary family business system characteristics that correspond to the RBV literature. These could, therefore, easily be categorized as firm level resources (Appendix 1). Once these family business resources are identified, they can be assessed to determine under what conditions they provide a competitive advantage.

At this point we describe family business resources as the "familiness" of a given firm. More specifically, familiness is defined as the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business (Figure 3).

This definition of familiness provides a unified systems perspective on family firm performance capabilities and competitive advantage. All research studies using the familiness resource model intrinsically have objective functions that relate to system performance rather than the performance of the individual parts of the system. It is proper to conclude, therefore, that performance research should focus on identifying a firm's familiness and assessing its impact on their strategic capabilities, rather than assessing how family businesses (whatever the definition might be) may or may not have a competitive advantage. This approach allows researchers to investigate the entire continuum of the family form of business organization, from those with consolidated family ownership and multiple generations of family management to those firms having controlling family ownership and strategic management input only at the board level (Figure 4). No definitional distinctions are needed

Figure 3. Family Business System and "Familiness"

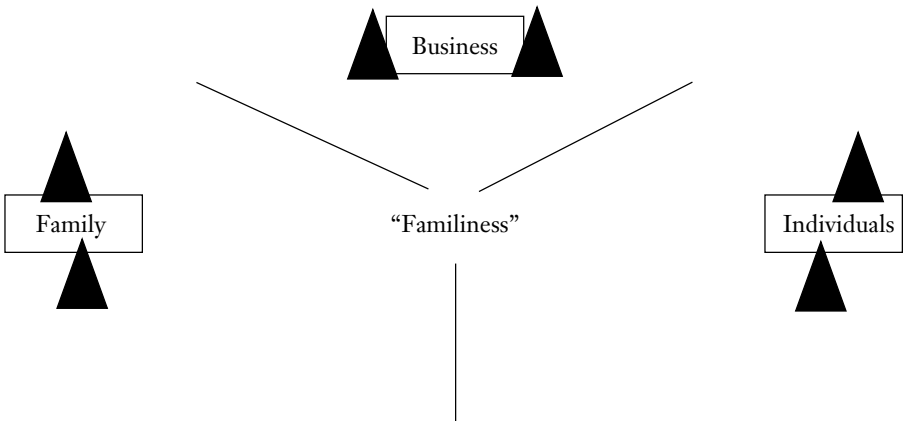
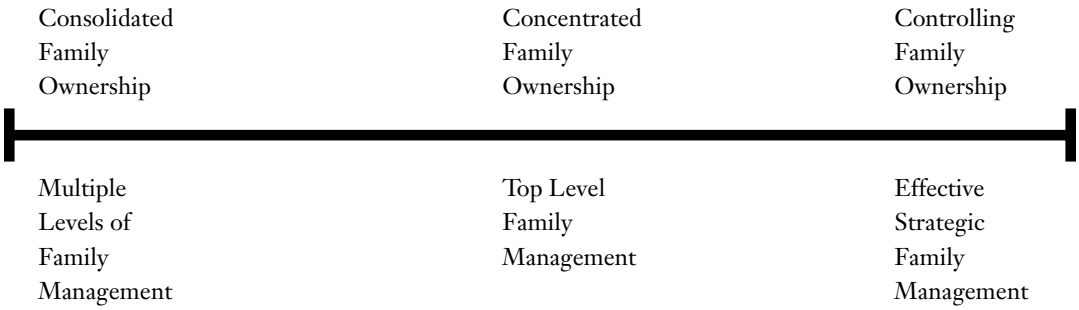


Figure 4. Family Firm Definitional Continuum



because the assessment of the firm's familiness creates the research criteria for relating performance outcomes to firm characteristics.

This RBV of competitive advantage provides the theoretical and research framework for exploring family business organizational behavior normally confined to the anecdotal category. Path-dependent phenomena associated with a firm's unique historical conditions create imperfectly imitable resources, such as the family's value-based organizational culture, a particular geographic location or historical asset, or a firm's reputation. Phenomena such as deeply embedded informal and formal decision-making processes in family management, the relational mentoring between parents and children, and the stakeholder relationships families have within their sourcing chain are examples of socially complex resources most often found in family firms. The most ironic category of resource advantage found in family firms is that associated with causal ambiguity. Causal ambiguity exists when the link between the resources controlled by a firm and a firm's sustained competitive advantage is not fully understood. Family companies may have numerous intuitive-based resources not accounted for in the everyday assessment of their competitive advantage (which may be the reason why family business success seems so unexplainable in the first place). These causally ambiguous resources only come to light during periods of change and even then may be identified only when there is systematic analysis of the change that took place.

Two prominent examples of idiosyncratic resource change during transition are worth mentioning. One, when firms undergo generational transitions, the slow but significant resource changes include information and experience, management style, stakeholder relationships, and so forth. The other, after the acquisition of a high-performing family firm, the changes tend to be more radical and include corporate culture, management style, controls, stakeholder relationships, among others. In both instances, the new managers/owners fail to account for how the prior resources were providing an advantage. In both cases, the familiness of the firm changed, resulting in a change in the performance capabilities of the company. Interesting research could be conducted on these change situations to assess, post hoc, what the familiness resources were prior to the change, and how these resources could have been linked to competitive advantage. The findings may reveal antecedents to advantage that can be acted on ex ante as part of future change processes.

It is also important to note that not all of a firms resources or familiness provide a competitive advantage in all cases. Valuable but common resources may ensure the survival through competitive parity but may not provide a sustainable competitive advantage. How rare a resource needs to be to generate a competitive advantage is also an interesting question. In general, how-

ever, as long as the number of firms that have a given resource is less than the demand for the resource, the resource retains the potential for providing a competitive advantage (Barney, 1991).

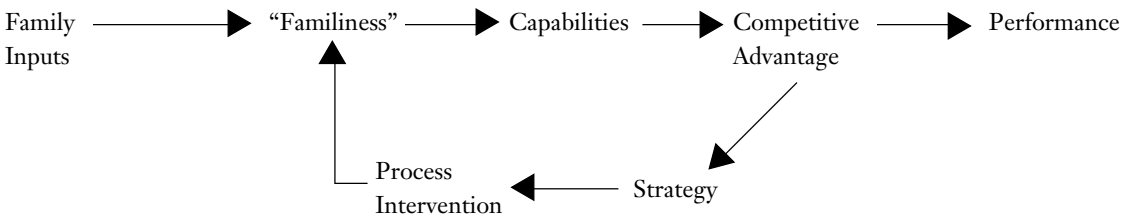
Equally important is that the familiness bundle of resources needs to be managed and maintained if it is to provide an advantage. Grant's (1991) RBV model (Figure 1) indicates that identifying resources and investing in replenishing, augmenting, and upgrading them is a critical part of a firm's long-run organizational processes. We refer to the component of a firm's familiness that provides them with a familial advantage—allows them to deliver offerings that others can't match and customers prefer—as their "distinctive familiness." It is the conditions and antecedents of distinctive familiness that researchers ultimately need to identify. When a firm's familiness is not assessed and managed, or a firm does not invest in replenishing, augmenting, and upgrading its familiness as a valuable resource, it can quickly become a familial encumbrance. We refer to this encumbrance as a family firm's "constrictive familiness." It is not proper to conclude that a firm's constrictive familiness is simply the opposite of its distinctiveness familiness. A firm's familiness resources must be systematically assessed to determine the individual impact of a given resource on firm performance.

The RBV, therefore, establishes a strategic framework for assessing the idiosyncratic assets, capabilities, organizational processes, firm attributes, information, knowledge, and so forth, of firms that have the systemic influence of family. By identifying these systemically produced resources as the familiness of the firm, researchers can assess the entire continuum of family firms, linking family-specific resources to performance outcomes. This path avoids generic results that often elicit cynical responses; it removes the conundrum of defining a "family" firm and allows for a unified systems perspective of performance; and finally it moves the discussion of family firm advantage into a well-defined research arena.

Implications for Research and Practice

Applying the RBV for competitive advantage to family firms suggests a new path for research and practice. It is not enough to generically compare family and nonfamily firms in terms of performance or any other measure. Rather, the strategically relevant behavioral and social phenomena inside a firm must be designated as resources, capabilities, and competencies so that their competitive consequences can be understood in light of the strategic and competitive context within which the firm operates. The field of family business studies has ample anecdotal evidence that suggests family firms are different and that they may have an advantage because of their family involvement. What is now needed is empirical support for these assertions and further research into the links between performance and the idiosyncratic resources that family firms possess.

Figure 5. A Strategic Assessment of "Familiness" and Competitive Advantage



Only then will the research be actionable and ultimately helpful to practitioners as they strive to assist family companies.

To connect a firm's behavioral and social phenomena to performance outcomes, we suggest that family business researchers and practitioners intentionally seek to define the familiness antecedents to specific firm performance outcomes. Figure 5, an adapted version of Grant's (1991) model, shows the steps that need to be taken.

First, the systemic family inputs should be defined. This means creating a template of system beliefs, practices, policies, philosophies, doctrines, and the like that are the inputs into the idiosyncratic bundle of resources. Second, these inputs should be assessed according to the four categories of resources—physical, human, organizational, and process—to determine the specific bundle of resources, or the familiness, of the firm. Third, the capabilities of the firm should be analyzed and matched with the familiness resources. This begins to show the firm how their familiness translates into capabilities that hold the potential for creating a competitive advantage.

Fourth, the capabilities should be assessed in light of the external competitive environment to substantiate how the firm can gain a sustainable competitive advantage. It is not enough to say that we have certain familiness resources and capabilities, it must be shown how they create a performance advantage over the competitors. Fifth, the firm's strategies must reflect the competitive analysis. A discussion of how management can enhance a potential advantage through specific strategies takes on new meaning when the management team more fully understands its resources, capabilities, and competitive position. Sixth, by using various forms of process intervention (family meetings, management team meetings, consultant facilitation), the familiness resources can continually be reevaluated and replenished. Following this approach provides new meaning and incentive to being a family company.

The strategic process outlined above can be both a research and practice model. As a practice model, each of the steps can be systematically followed as part of a comprehensive strategic planning activity. Various components of the model can also be used during family meetings, management team meetings, or other organizational process situations. We present one partial example of how practitioners can use the strategic familiness analysis to assist firms in taking specific action to clarify and/or preserve a potential competitive advantage. This scenario occurred as part of an interactive educational session.

We were meeting with the senior generation of a large multigenerational family company. Three generations currently overlap and they are feeling some tensions between "what used to be" and how things currently function. Specifically, some feel the business does not have the same family advantages now that family management is diluted by nonfamily management and family members are more removed from production employees. Rather than allow this discussion to gain circular momentum by hashing over sentiments of feeling disconnected and displaced, we began an interactive strategic analysis using a grid of potential familiness firm resources. By assessing the human and organizational familiness resources related to employees and corporate culture, we were able to identify specific capabilities that the firm was thought to possess as a result of its familiness. We discussed each of these capabilities to identify where there was synergy leading to "distinctive familiness" and where there were symptoms indicating "constrictive familiness." We then developed specific strategy steps intended to enhance the points of distinctive familiness and to manage the causes of constrictive familiness. We also determined what measures we would use to assess whether the intervention was having the intended effect and assigned the appropriate family member managers to oversee the project.

The practical outcomes, even before the family determined whether the strategic intervention had the desired effect, were (1) it brought linear focus to a circular emotional debate; (2) it taught the family to think of their

family involvement as a strategic issue; (3) it trained the family to look for concrete performance changes as a result of the intervention; (4) it designed a business solution with accountability for follow-up; and (5) it caused the family management team to experience the success of pragmatically discussing a difficult issue. There are also potential research implications associated with this type of strategic intervention. As researchers/practitioners involve themselves in these firm-level interventions, they can develop assessment methodologies that enable them to systematically gather data for further analysis. This approach is one strategy for conducting applied research that will assist the field of family business in determining the impact of a firm's familiness on organizational behavior and ultimately firm performance.

A more formal research agenda can also be pursued using the strategic process model presented above. Drawing from the areas of firm level advantage in both the RBV and family business literature (Appendix 1), we have identified a matrix of variables that are both performance variables in and of themselves and antecedents to other performance outcomes (Figure 6). The variables, which themselves are whole areas of research, listed in each of the outcome categories interact not only with variables in the other categories but also with each other. The categories move from left to right in terms of their performance relationships to each other. Researchers are driven from the left to the right by continually asking the question, "so what?"

Ultimately, understanding the long-term economic performance of the firm is the goal. Along the way, however, we must build a chain of antecedents within the categories and across the categories if we are to fully understand the complexities of firm performance. Within each area of study on the performance matrix—perceptions of agreement, capitalization, cost reductions, etc.—the strategic process model presented above (Figure 5) should be used to structure the research methodology. By systematically assessing the connection of familiness to the various areas of research and categories of outcomes, researchers will be able to determine how family-specific behavioral and social phenomena impact the firm.

Research efforts at the Family-Controlled Corporation Program within the Wharton School have been directed toward operationalizing the performance matrix and using the familiness process model. Our focus is on U.S. and Latin American high-growth firms with revenues greater than $50 million (U.S.) with a particular interest in firms in the $100 million to $500 million range.

We have early results from our research indicating that firm-level antecedents can be linked to one another both within and across the matrix categories. For example, within the category of cohesion outcomes, various measures of participatory culture have been positively associated with higher levels of trust and perceptions of agreement in family business stakeholder groups (Habbershon & Astrachan, 1997a). Through an "influence" scale we have made preliminary steps in identifying the familiness influence in these relationships. Moving across categories, trust levels in family stakeholder groups have also been identified as an antecedent to goal congruence, and trust levels among individual family members have been associated with different family characteristics (Habbershon & Astrachan, 1997b). Specifically, trust levels have been differentiated by age, generation, influence, and position, depending on the dimension of trust examined.

We have also discovered that goal congruence can be identified and measured in two distinct dimensions and that a firm's familiness affects how they respond to those dimensions. We measured the density of a family group's perceptions of agreement as the degree of convergence in its beliefs and the magnitude of its perceptions of agreement as the level of agreement in both individuals and the group as a whole (Habbershon, 1998). By connecting density with group processes and magnitude with the content of an issue, we have examined the "fuzzy" relationship between content and process in group decision making. We have found, for example, that the process dimension is an an-

Figure 6. A Model Linking Family Firm Resources to Firm Performance

Perceptions of Agreement Stakeholder Unity Trust in Family Stakeholder Group Process Capabilities/ Communication Family Relationships Influence Levels Participation Differentiation	Goal Congruence Training/ Development Scanning Environment Succession Planning Routines: Process Code of Conduct Family Involvement Guidelines Family Meetings Planning Strategies Board of Directors Professionalization Human Resources	Capitalization Team Deftness Top Management Team Decision-Making Generational Transition Professional Management Flexible Reactions to Environmental Changes Family Dynamism Globalization Competitive Reactions	Firm Growth Sales Growth Sales/Employee Growth Market Share Increase Repurchase Loyalty Cost Reductions Productivity increases COGS/Sales Improvement	Return on Investment Return on Assets Increase in Family/ Shareholder Wealth Increase in Profits Sustainable Competitive Advantage
Cohesion Outcomes →	Learning Outcomes →	Competency Outcomes →	Mid-Term Effeciency Outcomes →	Long-Term Wealth Outcomes

tecedent to the content dimension; a firm's familiness does affect goal congruence on both dimensions, and lower levels of trust are associated with lower levels of goal congruence. Most interesting, we have also found that the degree of convergence in agreement levels is related to the degree of convergence in trust levels, whereas the level of agreement is related to the level of trust in the group. This finding establishes clear links across the categories of interest.

Through an educational process intervention we have also found that it is possible to significantly increase trust and the degree of goal convergence within family groups (Habbershon & Astrachan, 1997b; Habbershon, 1998). Following Grant's (1991) model, we have shown that a familiness resource can be upgraded and enhanced. This is a critical finding as it relates to the role of family business education, family meetings, and other process interventions. We have also found that these results differ according to a firm's familiness, their participatory culture, by generation, and by influence level. The intervention also has an impact on individual family member's views of the unity in their family group, the long-term health of the family business, and how positively or negatively they have felt about association with the family.

We have looked at the distinction between process and content and found that process is more important than content in bringing about goal congruence. We have demonstrated that it is not the results of a particular diagnosis or specific strategies outlined during an educational seminar that changes the components of goal congruence, but the processes encouraged during a social interaction. Only through a process of intervention do the two components of goal congruence improve (Habbershon, 1998). Using the Resource-Based View we have been able to analyze the process dimension of family meetings in strategic language that performance-based disciplines understand.

Supporting the research of Gerbing, Hamilton, & Freemen (1994) with family firm data, we have linked the process dynamics of group decision-making with commitment to that decision and satisfaction with the decision. We have also found that the group decision-making dynamics affect individual family member's perceptions of group agreement. We have evidence that choice shift within family groups is affected by the education levels of individuals, adding to earlier work in this field (Frankwick et al., 1994; Butler & Crino, 1992), and that a person's belief that their views are considered is the key factor in their commitment to the outcome. This finding provides useful information for those interested in strategic management of family firms, because commitment to a decision affects the efficiency and effectiveness of the decision and, therefore, the performance of the family firm.

As evidenced from the research thus far, we are striving to describe firm-level behavior within each of the outcome categories while continuously moving to the right on the performance matrix. Our short-run goal is to conduct actionable research that contributes to a better understanding of the relationships among individual family firm behaviors. In the long run, however, our goal is to explain the strategic significance of the familiness in a firm by making the connections to long-term economic performance.

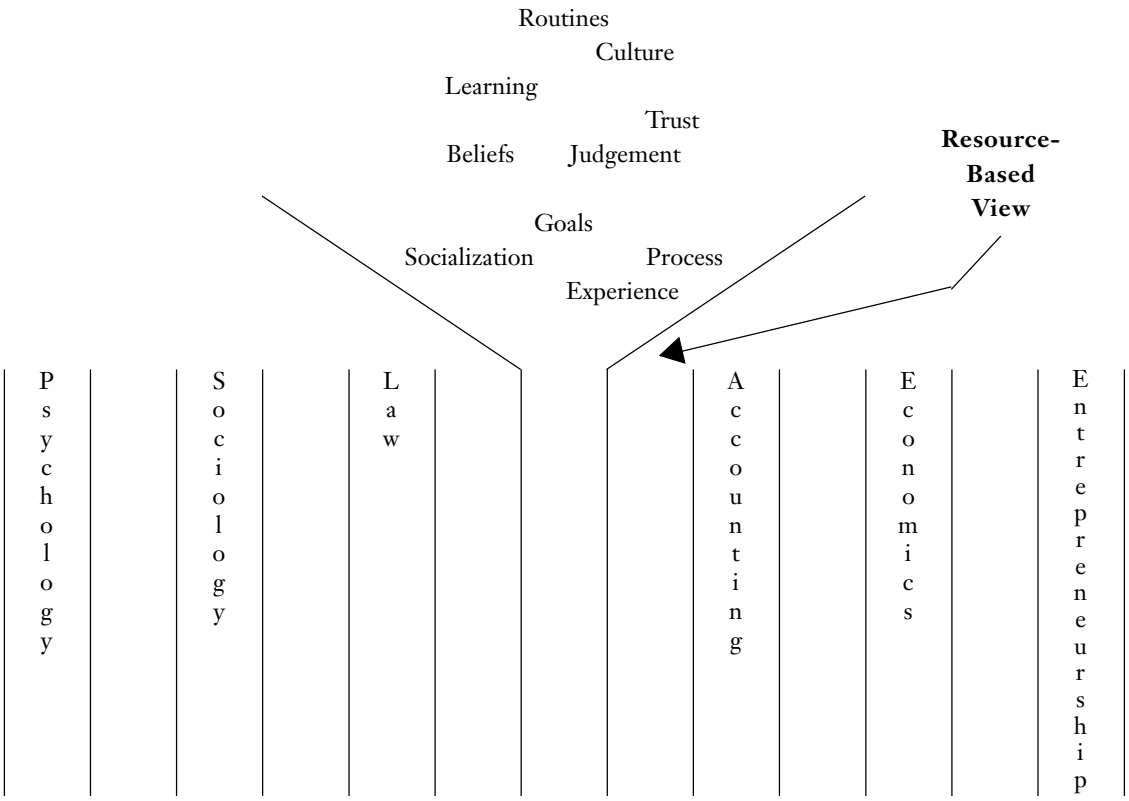
Conclusion

We have outlined the need to link process antecedents to performance and sustainable competitive advantage in the family business literature. We have also presented many of the unique characteristics of family firms that have the potential for competitive advantage. Problems with using a generic approach to analyzing family firm advantage have also been identified. We then offered a theoretical foundation on which to assess the behavioral social phenomena within family firms and demonstrated how these could be translated by the firms into competitive advantage.

Researchers can now demonstrate, using an accepted strategic familiness model, how this "family stuff" is really an idiosyncratic resource that can be managed into advantage. RBV offers a new theoretical direction for family business because it provides an explanation for organizational behavior of family firms that had previously been poorly explained. Specifically, some advantages of the RBV of competitive advantage are the following:

1. Although it is easier to look at the "average" behavior of firms from large data sets, it is clear that researchers need to look at firm uniqueness to understand aspects of competitive advantage, and the RBV allows for this.
2. The RBV incorporates variables to be studied in a performance model with a consistent language, a first step in establishing an accepted framework for the field of family business research.
3. Family business research can use models that have been previously accepted in other fields. For example, the model in Figure 1 introduced into the strategy literature by Grant (1991), which was adapted in this paper (Figure 5).
4. The RBV has important implications for empirical strategy and provides measurable, contemporaneous process variables that are antecedent to superior performance. It is multidisciplinary in its approach, much like the approach to the field of family business studies. The ap-

Figure 7. Applying the Resource-Based View to Family Firm Resources



proach is already a synthesis of various other bases of analysis. It allows one to synthesize all the previous research on family business uniqueness through the funnel of the Resource-Based View as outlined in Figure 7.

5. It explains why and how processes that we knew worked (like family meetings) have an impact on specific firm behavior. It helps bring to light the importance of linking process capabilities to performance.
6. In the international arena, it explains the potential for firm-specific advantage rather than industry advantage.
7. The RBV explains why intangible assets (like trust and unity), found at high levels in family firms, can induce superior performance. The research-performance matrix demonstrates how these connections can be made (Figure 6).
8. The RBV allows researchers and practitioners to bring two bodies of literature (strategic management and family business) together into one cohesive explanation of firm performance.

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Timothy G. Habbershon is director of the Family-Controlled Corporation Program at the Wharton School of the University of Pennsylvania and lecturer in the Family Business Studies Division. Mary L. Williams is professor of economics in the School of Business Administration at Widener University and Research Associate to the Family-Controlled Corporation Program at the Wharton School of the University of Pennsylvania.

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Appendix 1.

Resources

Human Capital	Family Firm Potential as Identified in the Literature
Training, experience, judgment, intelligence, managerial talent (Barney, 1991)	Leadership Development/Empowerment (Fiegener et al., 1994; Handler, 1989, 1992)
Socialization of new employees (Barney, 1986)	
Innovative individuals (Collis, 1994)	Family business more creative (Pervin, 1997)
Responsive to market trends (Collis, 1994)	More responsive to changes in business environment (Dreux, 1990)
In-house knowledge of technology (Wernerfelt, 1984)	
Knowledge about market environment (Nonaka, Takeuchi, & Umemoto, 1995)	
Trustworthiness (Barney & Hansen, 1994)	More trusting (Tagiuri & Davis, 1996)
Ability to recognize intrinsic value of others (reduces opportunity cost) (Collis, 1994)	
Productive	Family members more productive than nonfamily (Rosenblatt, et al,. 1985; Moskowitz & Levering, 1993)
Flexible	Flexible work practices (Goffee & Scase, 1985) Family business owners work & manage in a way that maximizes flexibility (Poza, Alfred, & Maheshwari, 1997). Make quick decisions (Ward, 1997)

Resources *(continued)*

Organizational Capital	**Family Firm Potential** *(continued)*
R&D (Dierickx & Coal, 1989; Nelson, 1991)	More attention to R&D by family businesses (Ward, 1997)
Reporting structures, planning, controlling & coordinating systems (Barney, 1991) Learning & Routines (Teese, Pisano, & Shuen, 1990; Pisano, 1994)	Less likely to have a formal code of ethical behavior—more likely to use role modeling (Adams, Taschian & Shore). More reliant on informal controls (Dailey & Dollinger, 1992)
Efficient Procedures (Wernerfelt, 1984)	Better Management of Capital Structure (Monsen, 1969)
Administrative heritage (Collis, 1994)	Share values across cultures & should bridge cultural barriers more effectively (Swinth & Vinton, 1993)
Superior decision-making processes including shared belief structure (Knez & Camerer, 1994)	Decision-making can be centralized, increasing efficiency & effectiveness (Tagiuri & Davis, 1996)
Strategy making process capabilities (Hart & Banbury, 1994)	Place emphasis on growth potential over short-term sales growth (Donckels & Frohlich, 1991)
	Unique opportunity to be long-term oriented, less reactive to economic cycles, more consistent (Ward, 1997)
	More long-term view (Porter, 1992)
	Can view long-run, not have to produce quarterly reports for stock analysts (Dreux, 1990)
Brand name (Wernerfelt, 1984)	Family firms pay more attention to brand-name development (Ward, 1997)
Organizational culture (Barney, 1986) Link between beliefs—behaviors (Fiol, 1991)	Organizational Culture (Dyer, 1986; Astrachan, 1988)
Reputation: Well managed, Socially responsible, Financially sound (Grant, 1991; Porter, 1980); with customers (Klein, Crawford, & Alchian, 1978; Klein & Lefler, 1981)	Lower debt/equity levels (Gallo & Vilaseca, 1996)
Unique beliefs & assumptions Customers Firm's capabilities (Srivastana, Shervani, & Fahey, 1998)	

Resources *(continued)*

Process Capital	**Family Firm Potential** *(continued)*
Relationship firm & environment (Barney, 1986)	More likely to get involved in environmentally friendly strategies (Post, 1993)
	Competitors have little information about operations or financial conditions (Johnson, 1990)
	Interdependence with macro-environment is less intense (Donckels & Frohlich, 1991)
Firm and stakeholders (Srivastana, Shervani, & Fahey, 1998)	
Relations among managers (Hambrick, 1987)	
Treatment of employees, customers, suppliers, distributors (Barney, 1986)	Pay higher wages (Donckels & Frohlich, 1991) Inspire more employee care & loyalty (Ward, 1988)
Build alliances	Build global alliances with other family firms (Ward, 1997)

Physical Capital	**Family Firm Potential** *(continued)*
Access to Financial Capital (Cooper, Gimeno-Gascon & Woo, 1994; Evans & Janovanovic, 1984)	Patient capital (de Visscher, Aronoff, & Ward, 1995: Dreux, 1990)
Cost of Capital (Brito & Mello, 1995)	Lower Cost of Capital (Aronoff & Ward, 1995)
Location (Stearns et al., 1995)	