Chapter 43
Family Capital in Family Businesses:
Complementarities of Human and Social Capital

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ABSTRACT

Family capital is all social, human, and financial capital a family has at their disposal in the family to advance the business. Family capital is the pool of resources unique to family business and it has the potential for family businesses to gain competitive advantage over nonfamily businesses in today's competitive landscape. To advance the knowledge about strategic management in family businesses, this chapter reviews quantitative empirical work on each dimension of family capital and concludes that the field is still in its infancy. Most studies concentrate on (a part of) social capital, a few on human capital, and very few on all three dimensions. The review of the literature describes avenues for further research on family capital.

INTRODUCTION

Resource-based theories are prominent in the strategic management literature and starting to find their way into family business research (Habbershon & Williams, 1999). The resource-based view proposes that organizations flourish when they have a set of indispensable features at their availability to create and realize competitive strategies and increase efficiency and effectiveness (Barney, 1991; Barney, Wright, & Ketchen, 2001; Grant, 1991). Intangible resources related to social and human capital such as reputation, trust-based relationships, knowledge, skills, and motivation have a far greater potential of

DOI: 10.4018/978-1-6684-3550-2.ch043

making a valuable contribution to competitive advantage than tangible resources such as technology and finance (Wright, McMahan, & McWilliams, 1994). This makes social and human capital the centerpiece of the resource-based view. Social capital can be achieved through a well-knotted social configuration that ties together information, influence, and solidarity within organizations and benefits organizational performance and innovation (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998; Westlund & Adam, 2010). Also, the sum of all human capital in an organization forms a significant asset to organizational performance (Becker, 1962; Chandler, 1962; Crook, Todd, Combs, Woehr, & Ketchen, 2011).

In family businesses, the overlapping systems of business, family, and ownership create the potential for unique configurations of social and human capital (Chrisman, Kellermanns, Chan, & Liano, 2010). Family relationships are different from business relationships: they are more intense, more enduring, and stretch across generations. The family social network can provide family members with unique tacit knowledge about the family business, it's legacy, and its wider business context, which can be put into use to advance the business (Arregle, Hitt, Sirmon, & Very, 2007; Coleman, 1988). However, whether these family relationships provide such positive assets to the business system may depend on the possession of certain family characteristics. The need to examine family characteristics as a potential source of competitive advantage has been put forward in several important review articles and special issues on family capital (Danes, Stafford, Haynes, & Amarapurkar, 2009; Dyer, Nenque, & Hill, 2014; Sorenson & Bierman, 2009). Family capital is the social, human, and financial capital that a family has at its disposal for advancing the business (Danes et al., 2009). Even though family capital theory builds on well-grounded research traditions in the domains of social and human capital theory and fits with the established perspective of the resource-based view, the amount of available empirical research on it has been limited to date.

This chapter aims to provide a review of the quantitative empirical studies on family capital and its social and human capital dimensions in order to evaluate the empirical evidence for family capital as a source of competitive advantage for family businesses. The contributions of this chapter are threefold. First, it answers the call for understanding this theory's assumptions, propositions, and boundaries, as well as addressing the need to contextualize its arguments, findings, and interpretations in the context of family businesses (Saiz-Álvarez, Leitão, & Palma-Ruiz, 2019; Saiz-Álvarez & Palma-Ruiz, 2019; Zahra, 2016). Besides, the assumption that family businesses are a homogeneous type of organization has recently been challenged (Chua, Chrisman, Steier, & Rau, 2012). By reviewing the empirical contributions on differences in "stocks and flows" of social and human capital in family businesses (Sharma, 2008), this chapter aims to contribute to this debate. Finally, the review aims to indicate where the potential and challenges lie in advancing social and human capital as a unique resource for strategic family business management. Before presenting the findings of the literature review, the next section presents the theoretical background of the family capital theory.

THEORETICAL BACKGROUND

In this chapter, a family business is defined as a business in which one particular family has majority ownership and actively participates on the board and/or in the management of the organization (Astrachan, Klein, & Smyrnios, 2002). The family can provide unique resources to enable the organization to obtain its strategic goals (Hoffman, Hoelscher, & Sorenson, 2006). This section starts by describing the concepts of social and human capital in the context of the resource-based view, followed by their