

Unveiling structural and emotional drivers of dynamic capabilities in family firms: the contingent role of firm size

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Abstract

Purpose – This study investigates the influence of family involvement in firm ownership on the deployment of dynamic capabilities, differentiating between the more structural aspects of family ownership (i.e. ownership dispersion) and the more emotional aspects (i.e. wealth concentration).

Design/methodology/approach – We test our hypotheses on a large base of Spanish family-owned tourism firms. The idiosyncratic characteristics of this economic sector, mainly composed of family-owned firms, make it an excellent context for the purposes of this research.

Findings – Building on this contextual approach, our study finds that both sides of family ownership have ambivalent effects on the development of dynamic capabilities considering the size of family business.

Originality/value – Competitive pressures force companies to capitalize on dynamic capabilities, as they empower firms to increase their distinctiveness through new products, processes and business management models. However, research remains particularly ambiguous regarding the commitment to innovation and learning capabilities for family businesses, where different aspects of family ownership might alter innovation processes.

Keywords Dynamic capabilities, Family business, Wealth concentration, Family ownership dispersion, Tourism industry, Size

Paper type Research paper

1. Introduction

How firms are able to continuously adapt, extend or replace their assets in order to respond to competitive forces in the business environment or to intraorganisational pressures is of relevance to the research lines of academics and the inquiry of managers (Ferreira *et al.*, 2020; Helfat *et al.*, 2007, 2023). This behaviour is commonly referred to the concept of dynamic capabilities, which are related to innovation and organisational learning and comprise “the capacity of an organization to purposefully create, extend and modify its resource base”

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(Helfat *et al.*, 2007, p. 4). These dynamic capabilities are considered the main antecedents of the firm's competitive advantage as they are commonly related to innovation performance in the form of new products, new processes and business models, which allow firms to increase their distinctiveness and to respond to the challenges of the competitive environment (Pütz and Werner, 2023; Antonucci *et al.*, 2021; Ferreira *et al.*, 2020; Teece, 2007). This vivid debate of firms' strategic management has been transferred to the study of family business, being the dynamic capabilities construct and its analysis one of the topics that are gaining most academic attention at present (e.g. Pütz and Werner, 2023; Brito-Ochoa *et al.*, 2020). We define family businesses as businesses "governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua *et al.*, 1999, p. 25). These family businesses also account for around 80–95% of all businesses in many economies and economic sectors, including service sectors such as tourism and especially among small and medium-sized firms (Miroshnychenko *et al.*, 2022; Memili *et al.*, 2020).

Studies on family businesses and its underlying determinants of competitiveness recognised that the perpetuation of the family dynasty through its legacy to future generations drives a commitment to innovation and learning capabilities (Calabrò *et al.*, 2019; Barros *et al.*, 2016). However, there is a controversy about the effect that family involvement in ownership can exert on organisational innovation processes, considering the input (capabilities) and output (performance) sides of innovation (Calabrò *et al.*, 2019; Rondi *et al.*, 2019; Ingram *et al.*, 2020).

Compared to other determinants, the complex paradox of innovation and, more specifically, the effect that family involvement in firm ownership may exert on the creation of dynamic capabilities is a topic that is at an early stage of research (see Block *et al.*, 2023; Calabrò *et al.*, 2019; Rondi *et al.*, 2019). Thus, both theoretical research (e.g. Kotlar *et al.*, 2020) and, especially, empirical research (e.g. Camisón-Zornoza *et al.*, 2020) that assesses the impact of characteristics that are a source of heterogeneity of family firms on the creation and deployment of dynamic capabilities are scarce.

This study aims at advancing family business innovation research by adopting a contextual approach that contributes to uncovering how heterogeneity in certain defining characteristics of family business ownership influences the creation and development of dynamic capabilities (Daspit *et al.*, 2021; Camisón-Zornoza *et al.*, 2020; De Massis *et al.*, 2018). Specifically, this research explores the relationship between family ownership and dynamic capabilities by focusing on two complementary facets of family ownership.

The first of these two facets is the degree of dispersion of ownership among different members of the business family (Miller *et al.*, 2022; De Massis *et al.*, 2013). The second facet relates to the percentage of personal wealth that the family allocates in the family firm, which Becerra *et al.* (2020) approximate as wealth concentration. Although family ownership and family wealth concentration are related, the former does not capture the wealth that family members have invested outside the firm (Becerra *et al.*, 2020) neither the particular emotional attachment and affective connotations with family and personal wealth (Zellweger and Dehlen, 2012) and identity (Berrone *et al.*, 2012). Agency theory (Jensen and Meckling, 1976), the socioemotional wealth (SEW) concept of the family firm (Berrone *et al.*, 2012; Gómez-Mejía *et al.*, 2007), and the resource-based view (RBV) (Barney, 1991) provide support for our hypotheses.

For family businesses, decisions of strategic nature such as those related to innovation management, are not conditioned by and cannot be explained solely using rationally economic criteria (Berrone *et al.*, 2012; Gómez-Mejía *et al.*, 2007). As such, this study builds on previous contributions in the literature (e.g. Pütz and Werner, 2023; Camisón-Zornoza *et al.*, 2020; Kotlar *et al.*, 2014) that predict that family owners' investment decisions to build dynamic capabilities are often strongly conditioned by the potential financial but also affective losses for the family as a whole may face as a result of such investment. Another limitation detected in

previous studies on innovation management in family firms is the secondary role given to the variable of firm size, which has been relegated in most of the prevailing literature as a control variable (Guenther *et al.*, 2023; Fang *et al.*, 2016). Size is an excellent proxy variable for estimating a family firm's resource portfolio and organisational complexity, factors that influence innovation strategies, the creation of new capabilities in the family firm, and business process management (e.g. Antonucci *et al.*, 2021; Fang *et al.*, 2016; Sciascia *et al.*, 2015). Thus, size can help to explain why there are significant differences in dynamic capability building in family firms (e.g. Calabrò *et al.*, 2019; De Massis *et al.*, 2013). Therefore, this study aims to bring light to the following research questions:

RQ1. Is family ownership a source of heterogeneity in the development of dynamic capabilities? To respond to this question, we consider two facets of family ownership:

(a).The structural facet through the control of the dispersion of ownership of the firm among family members.

(b).The emotional facet through the control of family wealth invested in the firm.

RQ2. What is the joint effect of the above two facets of family ownership on the development of dynamic capabilities?

RQ3. How does the variable of organisational size influence the above relationships? How does firm size moderate the relationship between both facets of family ownership and the development of dynamic capabilities?

We test our hypotheses on a large base of Spanish family-owned tourism firms. The tourism sector has characteristics that makes it ideal for the purpose of this research: a large majority of the firms in the sector are family-owned, across countries (e.g. Memili *et al.*, 2020) being these family business been regarded as “economic engines” of tourist destinations (Camilleri and Valeri, 2022); great competitive challenges faced by these companies require them to adopt measures aimed at creating strong innovative capabilities (see, e.g. Duarte Alonso *et al.*, 2020; Reyes-Santiago *et al.*, 2019); and, finally, it is a sector in which small and medium-sized companies coexist with large companies integrated in international chains (Camisón-Zornoza *et al.*, 2020). Specifically, tourism has been a cornerstone of the Spanish economy, playing a crucial role in driving economic growth and development (Vayá *et al.*, 2024). According to the Satellite Accounts of Tourism from the National Institute of Statistics (INE, 2022), the tourism sector in Spain employs around 1.95 million people, making up 9.3% of the nation's total employment. In 2022, it also contributed 155.946 billion euros to the national economy, representing 11.6% of Spain's GDP. In some regions or autonomous communities that are heavily reliant on tourism, these figures can more than double. Given the challenges facing the tourism sector and its unique structure there is a pressing need for a deeper understanding of the factors influencing the dynamic capabilities development of tourism businesses (Camisón-Zornoza *et al.*, 2020).

Our results suggest that family ownership dispersion and family wealth concentration does not univocally result in decisions that either stimulate or diminish dynamic capabilities, but that such decisions depend on other contextual factors such as the organisational size.

Our study offers new insights into the study of family business heterogeneity concerning structural and emotional aspects with respect to innovation in the form of the development of dynamic capabilities (Pütz and Werner, 2023; Zapata-Cantu *et al.*, 2023; Camisón-Zornoza *et al.*, 2020; Neubaum *et al.*, 2019). Echoing calls from previous literature (e.g. Fang *et al.*,

2016), this study moreover breaks with the currently prevailing dynamic of considering organizational size primarily as a control variable. In doing so, our study helps to reconcile key disagreements in the research on family business innovation capabilities in both the realms of theory and empirical inquiry.

2. Theoretical framework and hypotheses

The concept of dynamic capabilities is centred on the ability of firms to renew, modify, and extend their resource base, which is crucial for maintaining a competitive advantage (Barros *et al.*, 2016; Teece, 2007). This framework extends the resource-based view (RBV) of the firm, which posits that a business can achieve rents by leveraging strategic resources that are valuable, rare, inimitable, and non-substitutable (Helfat *et al.*, 2023; Helfat and Winter, 2011; Barney, 1991; Valeri, 2021). Firms that effectively manage these resources can secure a competitive advantage. However, to sustain this advantage, firms must not only acquire strategic resources but also engage in continuous learning, orchestrate intangible assets, and upgrade and redeploy existing resources to adapt to evolving competitive environments (Camisón-Zornoza *et al.*, 2020; Helfat and Winter, 2011; Teece, 2007).

The application of the RBV to family businesses (FB) began with the works of Habbershon and Williams (1999), Chua *et al.* (2003), and Carnes and Ireland (2013). Meanwhile, the analysis of dynamic capabilities within family firms was initiated by Chirico and Salvato (2008) and Chirico and Nordqvist (2010). The study of dynamic capabilities is gaining ground in the family business stream with the most recent contributions of, among others, Barros *et al.* (2016), Camisón-Zornoza *et al.* (2020) and Duarte Alonso *et al.* (2020).

Family businesses present a unique context in which emotional and economic aspects are deeply intertwined, often leading to blurred boundaries between family and business interests (Gersick *et al.*, 1997). Therefore, analysing dynamic capabilities in family businesses requires integrating insights from other theoretical perspectives, particularly agency theory and socioemotional wealth (SEW) theory.

Agency theory provides a framework for understanding the dynamics of power, information and responsibilities that influence strategic decision-making within family firms (Fama and Jensen, 1983; Jensen and Meckling, 1976). To this end, the theory analyses aspects derived from family business ownership such as the degree of authority, cooperative structures between owners and management bodies, risk behaviours and preferences, information management and accountability norms (e.g. Kotlar *et al.*, 2020; Kallmuenzer, 2015; Carney, 2005).

SEW theory, based on the behavioural agency model and prospect theory, highlights the nonfinancial aspects of the firm that fulfil the family's affective needs (Gómez-Mejía *et al.*, 2007). These include maintaining family influence and control, emotional attachment, binding social ties, and the renewal of family bonds through dynastic succession (Naldi *et al.*, 2024). According to SEW theory, family owners are motivated to preserve or enhance SEW endowments when making strategic decisions (Berrone *et al.*, 2012).

Integrating these perspectives allows for a more comprehensive understanding of how family businesses develop and deploy dynamic capabilities, balancing both economic objectives and the socioemotional needs of the family.

2.1 The direct effect of family ownership dispersion on the development of dynamic capabilities

Family ownership structure, i.e. how a firm's capital stock is distributed among different members of a family, is a recognised source of heterogeneity in family firms (e.g. Du *et al.*, 2022; Miller *et al.*, 2022; Wei and Chen, 2022; Neubaum *et al.*, 2019). However, the implications of family ownership structures for family business strategy and management have been considered in only a few studies (e.g. Miller *et al.*, 2022; Holt *et al.*, 2017; De Massis

et al., 2013), and even scarcer is research that takes this variable into account as an antecedent of dynamic capabilities in the realm of family business (e.g. *Zapata-Cantu et al.*, 2023; *Camisón-Zornoza et al.*, 2020; *Kotlar et al.*, 2020). Notwithstanding, the existing literature (e.g. *Miller et al.*, 2022; *Camisón-Zornoza et al.*, 2020) reveals that the effect of ownership dispersion on certain variables of family business success, such as innovation, may have an ambiguous effect that requires further analysis.

Agency theory points out that ownership is an antecedent of firm behaviour as it conditions decision making in accordance with preferences for risk and taking advantage of the opportunities in the environment (*Du et al.*, 2022; *Nguyen et al.*, 2022; *Fama and Jensen*, 1983).

On the one hand, previous agency theory research (e.g. *Camisón-Zornoza et al.*, 2020; *Le Breton-Miller et al.*, 2015) points out that a greater dispersion of ownership among family members increases the ability of these owners to monitor managerial action, information exchange (*Du et al.*, 2022) and avoid opportunistic behaviour that could divert resources from the family firm that contribute to long-term value creation, such as the development of dynamic capabilities (*Camisón-Zornoza et al.*, 2020).

When ownership is dispersed, ownership is also less likely to impose a “consolidated and unanimous vision” and use its influence to limit managerial discretion, resulting in higher agency costs (agency problem I) (*Lodh et al.*, 2014) that may discourage knowledge sharing (*Zapata-Cantu et al.*, 2023), and negatively impacting the implementation of innovative projects and value proposition enhancement (*Zapata-Cantu et al.*, 2023; *Nguyen et al.*, 2022; *Lodh et al.*, 2014).

The behavioural approach also posits that ownership structure has important connotations on family owners’ risk aversion (e.g. *Du et al.*, 2022; *Le Breton-Miller et al.*, 2015; *Gómez-Mejía et al.*, 2007). Family owners have consistent risk preferences and behaviours aimed at maximising their utility in the face of uncertainty in order to preserve their SEW (*Du et al.*, 2022; *Sciascia et al.*, 2015; *Patel and Chrisman*, 2014). However, the risk aversion characteristic of family ownership can be reversed when the number of owners increases and risk is spread among them (*De Massis et al.*, 2013). Thus, when family ownership has a higher degree of dispersion, potential losses are reduced in case investments in projects with a high degree of uncertainty and risk are unsuccessful. In such cases, family ownership is more willing to accept investments in projects with higher levels of risk and uncertainty such as those linked to the development of dynamic capabilities (*Camisón-Zornoza et al.*, 2020).

In addition, from the RBV perspective, ownership dispersion is treated as a guarantee of a larger portfolio of resources, both economic and knowledge-based. Ownership dispersion can be a signal of capital robustness and control in family firms, as the increasing opportunities of avoiding external leverage and debt (*He et al.*, 2022; *Broekaert et al.*, 2016). The possibility of financing innovation projects with capital internal to family business is, thus, seen as the major guarantee to ensure the long-term viability of the family business and its legacy to future generations (*Xu et al.*, 2021; *Camisón-Zornoza et al.*, 2020).

Previous literature also recognises that the dispersion of ownership among a larger number of family owners can be a source of diversity of opinions, strategies, resources and business objectives (e.g. *Holt et al.*, 2017; *Miller and Le Breton-Miller*, 2014). The breadth of social capital of family owners enables the discovery of new trends and changes in the market, integrating a greater amount of knowledge into the family business (*Guenther et al.*, 2023; *Pütz and Werner*, 2023; *Del Vecchio et al.*, 2020; *Cabrera-Suárez et al.*, 2018). Thus, each family member will have different knowledge bases applicable to multiple facets of the business (*Kotlar et al.*, 2020; *Cabrera-Suárez et al.*, 2018). Consequently, family firms with dispersed ownership have a greater preference and resources for dynamic capabilities enhancement, both in terms of ability and willingness.

Research (e.g. *Nguyen et al.*, 2022; *Minetti et al.*, 2015) thus demonstrates that the degree of ownership dispersion among family members is a crucial factor that might impact the innovation process of small- and medium-sized family firms. Specifically, *Nguyen et al.* (2022) show that a negative association between ownership concentration and innovation only

exists for financially constrained firms (i.e. younger enterprises and SMEs with high financing obstacles) and those with a highly concentrated ownership structure.

This leads us to believe that large firms, which have a significant track record in the market and significant financial and managerial resources (Miller *et al.*, 2013) face another scenario in line with other previous empirical research (e.g. Xu *et al.*, 2021). Firm size is an important indicator of both resources and administrative complexity (Guenther *et al.*, 2023; Miller *et al.*, 2013) as the number of employees to be managed, the hierarchy levels and functional specialization, the geographic area that the business covers, the breadth of product lines, and the number of rules, procedures and routines required are all higher.

In complex larger firms, when ownership dispersion is high, conflicts among family members in relation to money, managerial roles, decision rights, investment preferences, plans for corporate development and control latitudes will return to the family firm (Wei and Chen, 2022; Zellweger and Kammerlander, 2015; Lodh *et al.*, 2014). In addition, the effect of psychological ownership on knowledge transfer and application could be weaker when ownership is dispersed in these complex large firms, as per intergenerational stages involved, due to more difficult closer and more informal relationships (Su and Daspit, 2021).

Under such circumstances, the benefits of stewardship behaviours give way to the return of agency problems (Zellweger and Kammerlander, 2015). Increases in agency issues and a reduction in stewardship behaviours impede family firm dynamic capabilities development. In addition, in large firms, family members' kinship ties tend to increase in the context of the intergenerational handover so that potential agency problems and family conflicts can be multiplied (Wei and Chen, 2022; Calabrò *et al.*, 2019; Duran *et al.*, 2016; Gersick *et al.*, 1997).

Larger firms with dispersed ownership could also involve a higher diversification of the business portfolio, where innovation and creativity are not the basis of competitiveness (e.g. Lodh *et al.*, 2014). When the ownership of each family member is relatively fragmented in larger firms' owners can be more inclined to pursue their personal utility, for instance, by extracting private benefits they can receive through dividend distributions to the detriment of the business as a whole (Miller *et al.*, 2022; De Massis *et al.*, 2014), as these firms could be considered part of a diversified portfolio of strategical investments. In these cases, again, family owners are expected to behave as free-riding agents, using the business to serve their personal goals rather than the firm's best interests (Miller *et al.*, 2013; Ward, 1997). Therefore, this firm could be considered part of a business diversified profile, to invest and diminish risk.

Literature points out that ownership concentration is associated with high shareholder involvement, cultural and strategic uniformity, and closer monitoring of firm management (Brandon and Krüger, 2018). This shareholder power and commitment would thus be essential when the firms increase in their size, as for its related diversity and complexity in their management and governance (Spriggs *et al.*, 2013; Gersick *et al.*, 1997). Ownership concentration in larger firms can align individual differences in goals and interests of family members, facilitating the coordination of ideas for innovation purposes.

In addition, company size is also considered a factor that is closely associated with the survival and investment needs of the family firm (Le Breton-Miller *et al.*, 2015; Nordqvist *et al.*, 2014). In this vein, the concentration of ownership in these large companies, with high economic and social capital resources, motivates the controlling owner to develop a strong connection between personal and family wealth and corporate prosperity (Miller *et al.*, 2022; Lodh *et al.*, 2014). At this juncture, ownership is more likely to accept more risky and long-term investments associated with dynamic capabilities in order to achieve "longevity" and fulfil their transgenerational aspirations (Wei and Chen, 2022; Xu *et al.*, 2021).

Consequently, even if there is a positive association between ownership dispersion and dynamic capabilities enhancement in the family business, this association is predicted to decline as firms get larger. Therefore:

- H1. The greater the family dispersion of ownership within small and medium-sized firms, the higher the development of dynamic capabilities.

H2. The greater the family dispersion of ownership within large firms, the lesser the development of dynamic capabilities.

2.2 The direct effect of family wealth concentration on the development of dynamic capabilities

Agency theory proposes that family control of the firm's capital stock shapes firm behaviour and influences decision-making (Le Breton-Miller *et al.*, 2015; Kallmuenzer, 2015; Fama and Jensen, 1983). The agency theory view predicts that the potentially catastrophic financial and socio-emotional consequences of high-uncertainty project failure induce increased risk aversion of family owners (Xu *et al.*, 2021; Becerra *et al.*, 2020; Sciascia *et al.*, 2015). These studies concordantly suggest that the effect of wealth concentration on innovative practices and projects will be stronger than ownership dispersion, since the former has important connotations on family wealth diversification strategy, risk tolerance, and emotional attachment to the firm.

Family wealth concentration is defined as "the proportion of the family's personal wealth that is locked up in the business" (Becerra *et al.*, 2020, p. 373). According to agency theory, family owners with high levels of wealth concentration tied to the family firm will foster conservative views, risk aversion, and will avoid projects that involve uncertainty or may jeopardise illiquid and undiversified family wealth (Du *et al.*, 2022; Xu *et al.*, 2021; Broekaert *et al.*, 2016). Therefore, this increased financial sensitivity will reduce the willingness of family owners to risk their wealth in the development of dynamic capabilities in the face of possible financial, and also socio-emotional loss in case the project fails, promoting careful resource conservation and allocation (Xu *et al.*, 2021; Becerra *et al.*, 2020; Duran *et al.*, 2016).

Dynamic capabilities are strongly linked to organisational learning (Pütz and Werner, 2023; Camisón-Zornoza *et al.*, 2020; Teece, 2007), and their effective development requires investments in R&D, incorporation of new technologies, deployment of new business process, and the development or hiring of specialised human capital. From an agency theory point of view, these investments may be discouraged by family owners due to financial conservatism derived from the concentration of wealth in the family firm that acts as a patrimonial repository (Forés *et al.*, 2022; Becerra *et al.*, 2020). In these situations, family owners may choose to adopt measures aimed at preserving the family's current wealth at the expense of sacrificing future wealth (Nguyen *et al.*, 2022; Becerra *et al.*, 2020; Duran *et al.*, 2016).

This perspective is also shared by the behavioural approach, which postulates that an excessive concentration of wealth in the family firm will have negative connotations on innovative behaviour and the development of learning capabilities (e.g. Camisón-Zornoza *et al.*, 2020; Kotlar *et al.*, 2020; Duran *et al.*, 2016), as it may alter the socioemotional endowments of the family owners (Becerra *et al.*, 2020; Patel and Chrisman, 2014; König *et al.*, 2013). High wealth concentration contributes to increased psychological ownership of the firm by its owners and, with it, emotional attachment that influences the firm's strategic decision-making and interpretation of the environment processes (Kotlar *et al.*, 2020; Memili *et al.*, 2020; Patel and Chrisman, 2014). This assumption is problematic as it can lead to an excessive emotional attachment of family owners to the traditional resources and modes of management of the family business, seriously limiting the possibilities for renewal and redeployment of resources and capabilities (Camisón-Zornoza *et al.*, 2020; Kotlar *et al.*, 2020).

The process of developing dynamic capabilities may also be impaired under conditions of high emotional attachment in case of having to rely on experts or workforce from outside of family firm. Thus, in addition to the uncertainty that can be caused by bringing in external knowledge (Kotlar *et al.*, 2013), family owners may fear that these external professionals, with different knowledge backgrounds and skills, will challenge the modes of operation, management and control of the family firm and its resources, threatening their SEW endowments (Kotlar *et al.*, 2013, 2020; Patel and Chrisman, 2014). This can be a strong

deterrent considering that a high degree of wealth concentration is likely to imply that this family owners will have a high identification with the family firm, especially when family and firm share the name (De Massis *et al.*, 2018).

Moreover, investing in R&D in firms with limited resources (such as often small firms) typically entails ceding shares to outside parties such as venture capitalists or institutional investors (Kotlar *et al.*, 2013, 2020; Kotlar and De Massis, 2013), thus implying a restriction of family control and a threat to the family's SEW (Nguyen *et al.*, 2022). In this scenario, high involvement in wealth can derive, thus, in an overemphasizing short-term and easy-to-achieve goals to maximize the pecuniary rewards, at the expense of reinvestment in investment projects that may compromise the economics needs of a close family nucleus.

In the light of the previous arguments and the results of the empirical studies such as that of Becerra *et al.* (2020) who confirm that family firms innovate less when family members have a higher degree of concentration of wealth invested in the business, we expect a negative relationship between family wealth invested in the firm and dynamic capabilities.

However, as in the case of ownership dispersion, this relationship could be reverted for large family firms. As Ward (1997) indicates, when family businesses become larger and more complex, the family's needs and expectations tend to grow as well. Larger family firms have more resources, lead to economies of scale, have higher social visibility, and brings more attention from non-family stakeholders (Hernández-Linares *et al.*, 2018) who may press for innovation (Kotlar *et al.*, 2020).

In this context, family owners who have invested more than half of their personal wealth in one company consolidated track record are expected to support R&D investments if this is conducive to creating a stronger and more competitive organization. Wealth concentration by ownership will engender a stronger involvement for the firm growth, and consolidation of an important reputation, status and identity. According to Kotlar *et al.* (2020) when a strong emotional to the firm exists, family owners are more motivated to apply knowledge to innovation because their name are at stake. This higher involvement, thus, can imply a major commitment for the creation of employment opportunities and community development (Forés *et al.*, 2022; Le Breton-Miller and Miller, 2016). Special pressure can come from internal stakeholders such as employees who require, in this large well-endowed firms, the adoption of best practices in human resource management that inject fresh energy and resources that will boost creativity and continuous knowledge creation (Parada *et al.*, 2010).

Under these circumstances, that is, when the owning family's loss aversion is low for the resource endowment, family wealth concentration is likely to promote innovation, bringing new knowledge, skills and business process management practices, even if this implies hiring new external personnel, which will be inevitable as the size of the company increases. The higher concentration of wealth in large firms also favours that any project of soliciting external capital is assumed within the normal liquidity needs of the firm; and that loss aversion is relativized by the endowment of capital and social resources that support the possible external debt and avoid any loss of control. Again, in this context (of high family wealth investment in large firms), the long-term orientation of family owners and new opportunities for economic growth (Zellweger, 2007) to short-term financial profits seems to prevail. Accordingly, we propose the following two hypotheses:

- H3. The greater the family wealth concentration within small and medium-sized firms, the lesser the development of dynamic capabilities.
- H4. The greater the family wealth concentration within large firms, the higher the development of dynamic capabilities.

2.3 Interaction between family ownership dispersion and wealth concentration

We hypothesized a distinct direct effect of each ownership facet on dynamic capabilities enhancement, and also different moderating effects of size on these relationships. However,

these characteristics may interact with each other; in this vein, we consider that the higher investment of family wealth in the business will decrease the (positive/negative) impact of family ownership dispersion on dynamic capabilities enhancement taking into account the business size.

On the one hand, in small and medium-sized firms, family wealth concentration can diminish the positive impact of ownership dispersion on dynamic capabilities, by increasing the agency costs of coordinating owners with high economic and emotional involvement and possible disperse objectives, different interest on the firm, and risk preferences. Family wealth concentration can also difficult the adoption of risky projects as the increasing tendency of these owners to be more short-term oriented that can bring family control and financial security (Becerra *et al.*, 2020).

On the other hand, in large firms with significant resource availability, the concentration of family wealth can counteract the lack of involvement of dispersed family ownership in long-term projects, such as those that involve the development of dynamic capabilities.

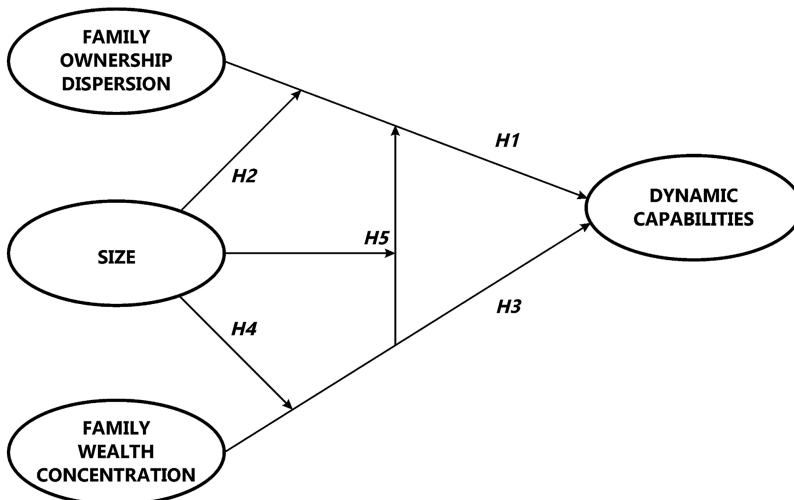
Family wealth in these large firms can drive the consolidation of a strong image and identity that perpetuates family values and SEW (Du *et al.*, 2022; Sciascia *et al.*, 2015). Increasing degrees of family wealth invested in large family business diminish the tendency of dispersed owners to divert resources away from innovation to accumulate immediate economic benefits for the family (Becerra *et al.*, 2020).

Formally stated, we hypothesize the following:

H5a. The positive association between the family ownership dispersion and dynamic capabilities will be lesser for firms with higher family wealth invested in small and medium-sized firms.

H5b. The negative association between the family ownership dispersion and dynamic capabilities will be higher for firms with higher family wealth invested in large firms.

Figure 1 illustrates the above hypothesised relationships.



Source(s): Own elaboration

Figure 1. Theoretical model illustrating the hypothesized effects

3. Methodology

3.1 Research design

The theoretical model of this study is investigated on a sample of firms from the Spanish tourism industry, for the tourism sector is dominated by family firms (e.g. [Memili et al., 2020](#)), strong competition that encourages innovation ([Duarte Alonso et al., 2020](#)) and a great diversity of small (0–49 employees) to large firms. The economic activities considered to fall within the scope of tourism in Spain are those established by the Institute of Tourism Studies (Instituto de Estudios Turísticos) in the Active Population Survey (Encuesta de Población Activa, EPA) on employment in tourism activities.

The sample selection was based on Spanish tourism companies listed by the Central Business Directory (Directorio Central de Empresas, DIRCE) and data was collected from December 2009 to March 2010 by a company specializing in market research, who worked in close collaboration with our research team.

An initial list of 8,148 companies was selected, based on the information provided by DIRCE, by a stratified random procedure with allocation proportional to the representativeness by activity (considering four groups), size (taking the number of employees as a measure of the size of the company) and location.

Data were obtained by a questionnaire that was filled-out via personal phone interviews with the CEOs, General Managers, or owner/s of the companies. When a company was divided into several business units, the respondent was the person in charge of each of these areas and was asked to answer the questionnaire with the business of which he/she was the manager in mind.

The questionnaire was pretested progressively to make it easier to understand and more effective in collecting the desired information, as well as shorter and quicker to apply. The debugging was carried out in meetings between the research team and professionals from the company in charge of carrying out the field work. The questionnaire was pretested by five academics specialising in the fields of tourism and strategy, as well as eight managers from businesses of different sizes and segments in the tourism sector. Their comments and improvement proposals were integrated in the final version of the questionnaire. As a means of learning, the fieldwork coordinator moreover made random phone calls to the interviewees once the survey was completed to check their degree of satisfaction and commitment.

In order to correct problems that tend to affect surveys as a method of obtaining data, and in order to improve the response rate and the quality of the information, a set of recommended procedures for questionnaire-based research was used, involving a modified version of the Dillman's Total Design Method ([1978](#)), which is widely accepted in the area of strategy research ([Conant et al., 1990](#)).

The time trend extrapolation test suggested by [Armstrong and Overton \(1977\)](#) was used to check for the possible existence of non-response bias. This test is based on the comparison of the first and last respondents. It assumes that the last respondents more closely resemble the non-respondents, as they would have been non-respondents if they had not completed the second questionnaire. The results show that there are no significant differences in any of the explanatory or dependent variables.

Personal interviews with all survey respondents were arranged in advance to check the reliability of the data that had been obtained externally (activity, size and location) and to ensure that the person fitted the desired informant profile. The scheduling of the appointments for the completion of the questionnaire was done sufficiently in advance so that the respondent had time to read the questionnaire, reflect on his/her answers, consult the documents he/she needed and ask the interviewer for any clarifications he/she required. To this end, the questionnaire was sent by e-mail to the person to be interviewed, accompanied by a cover letter explaining the objectives and characteristics of the study.

The fieldwork was financially supported and motivated by the Institute of Tourism Studies, integrated in the Spanish Ministry of Industry, Trade and Tourism (Ministerio de Industria, Comercio y Turismo). A total number of 1,019 completed questionnaires from the same

number of firms was eventually achieved after data cleaning processes (contacts not achieved, no activity). Based on this primary source, we classified the companies in the sample as either family (271) or non-family (748) firms. We classify a company as a family firm if the founder and/or their descendants hold majority ownership and control the strategic decisions ([Shanker and Astrachan, 1996](#)). This study henceforth focuses on the 748 family firms.

3.2 Variables

3.2.1 Dependent variable. 3.2.1.1 Dynamic capabilities (DYNCAP). The construct was formulated to include the three aspects identified by [Teece \(2007\)](#), which were similarly applied in later literature on this issue ([Fitz-Koch and Nordqvist, 2017](#)) ([Annex 1](#)). Dynamic capabilities were measured using 7-point multi-item scales, reflecting managers' perception of their firm's endowment of capabilities. In each question, respondents had to compare their firm's position and strength to that of competitors in their specific subsector (from 1 = "much worse", to 7 = "much better"). The measurement of these variables has been shown to be consistent and reliable, with Cronbach's Alpha well above the 0.7 threshold proposed by [Hair et al. \(1998\)](#).

3.2.2 Independent and moderating variables. 3.2.2.1 Family ownership stakes dispersion (FCD). To control for differences among firms in the degree to which the dispersion of family capital we considered an ordinal variable taking three values in accordance with the number of family shareholders: 1 (for 1 shareholder), 2 (between 2 and 5), 3 (more than 6 shareholders).

3.2.2.2 Family wealth concentration (FW). Family wealth invested in the business is measured through ordinal variable taking four values in accordance with the percentage of the family wealth tied to the business: 1 (for values less than 2%), 2 (for values between 20 and 40%), 3 (for values between 41 and 60%), 4 (for values between 61 and 80%), and 5 (for values above the 80%).

3.2.2.3 Size (SIZE). We measured size as the total number of employees, with small and medium-sized firms being defined as firms with under 250 employees, and large firms with 250 employees and more.

3.2.3 Control variables. We also included a number of control variables based on previous related studies by [Becerra et al. \(2020\)](#) and [Camisón-Zornoza et al. \(2020\)](#) which could have an effect on dynamic capabilities.

Managing director or CEO (CEO) being a family member is included as a dichotomous variable indicating whether or not the managing director or CEO is a member of the family.

Return on Assets (ROA) was also expected to deeply influence the investment in dynamic capabilities according to agency and behavioural theories. Although the sign of this effect is still controversial; on the one hand it is expected that firms with higher performance have more resources to invest in innovation ([Patel and Chrisman, 2014](#)); but, on the other hand, behavioural studies based on risk-taking perspective demonstrate the contrary effect, arguing that lower performance serves as a trigger for taking risks and innovative projects. Following [Becerra et al. \(2020\)](#), we measure ROA using a 7-point Likert-type scale that compares the firm's performance in contrast to its competitors.

Age (AGE) can influence dynamic capabilities by drawing on the accumulated experience ([Forés and Camisón, 2016](#)). We measured it as the number of years since the first establishment was opened.

Another important size-related variable to consider in the tourism sector is *chain affiliation* (CHAIN) ([Pereira-Moliner et al., 2015](#)). CHAIN is a dichotomous variable that takes a value of 1 if the firm is part of a chain and 0 otherwise.

We also introduced the *number of cooperation agreements* (COOP) established on technological issues, as for its important reported effect on dynamic capabilities (e.g. [Nieto et al., 2015](#)).

Finally, four dummy variables were included to capture the various *subsectors of tourism firms* in the sample, which presumably display different patterns of environmental performance. They are: accommodation firms (HOTEL), restaurants (RESTA), travel agencies and tour operators (TOUR), and transport organizations (TRANSP), with complementary firms as the reference subsector.

Table 1 shows the descriptive statistics and correlations among the study variables. There is a low level of correlation (below 0.6) between the variables (see Table 1) (Podsakoff *et al.*, 2003), which confirms the discriminant validity of the model.

3.3 Method of analysis and validity tests

To test the research hypotheses, we ran a hierarchical regression analysis using SPSS 25.0. Before incorporating the moderating effects, the main variables were mean centred to reduce multicollinearity (Cohen *et al.*, 2013; Aiken *et al.*, 1991). The variance inflation factors (VIF) confirmed that multicollinearity is not a problem: the highest VIF is 3.281, i.e. below the threshold of 10 (Cohen *et al.*, 2013).

We also performed Harman's single-factor test to explore common-method bias (Podsakoff *et al.*, 2003). The largest factor accounted for 32.9% of the variance, and the test was clearly rejected.

We also included control variables that have a bivariate correlation below 0.3 (Podsakoff *et al.*, 2003) between the other variables in the model. The statistical tests do not entirely rule out the possibility of common method variance; however, they suggest that our results are not predominantly driven by it. Moreover, our results are based on complex estimations that involve multiple independent variables and interaction terms. It has been argued that it is highly unlikely that the results of such models emerge solely as a result of common method biases (Siemsen *et al.*, 2010).

Residual analysis as well as other graphs and statistics provided by the SPSS program have been used to ensure that the basic assumptions for linear regression analysis (linearity, independence, homoscedasticity, normality and no collinearity) are met.

4. Results

Table 2 displays the results of the model for each of the relationships under analysis. As can be seen, the *F*-test of significance is acceptable for all the models estimated. For the complete model including both direct and moderating effects, the value of *R*² indicates that it explains 17.7% of the variance in environmental performance.

Model 1 illustrates the relationship between control variables and dynamic capabilities. The analysis of the control variables reveals that cooperation agreements on technology, economic profitability and integration in a chain all have positive effects on dynamic capabilities (0.219, $p < 0.01$; 0.147, $p < 0.01$; 0.106, $p < 0.01$, respectively). The existence of a family CEO also has a significant but negative impact on dynamic capabilities enhancement (-0.075 , $p < 0.05$). Regarding the subsector variables, only tour operators (0.149, $p < 0.01$) report positive and significant effects on dynamic capabilities, compared to the complementary offer subsector.

Model 2 incorporates the direct effects of the explanatory variables on dynamic capabilities. The empirical results show that the estimated coefficient of family ownership dispersion on dynamic capabilities is positive and statistically significant (0.079, $p < 0.05$), confirming Hypothesis 1. Hypothesis 2 gathering the positive effect of invested family wealth in business on dynamic capabilities is also confirmed (-0.077 , $p < 0.05$).

Regarding the interaction terms among variables, Model 3 shows that it exists a significant moderating effect of family invested wealth in the business on the relationship between family ownership dispersion and dynamic capabilities (0.092, $p < 0.01$), confirming Hypothesis 5. This Model 3 also confirms the moderating effects that firm's size exerts on the relationship

Table 1. Descriptive statistics and correlations of the study variables

Variables	μ	σ^2	1	2	3	4	5	6	7	8	9	10	11	12	13
1. DYNCAP	3.676	1.251	1.000												
2. CEO	0.936	0.242	−0.149***	1.000											
3. ROA	3.770	1.021	0.196***	−0.061**	1.000										
4. AGE	19.618	20.616	0.026	0.044	0.023	1.000									
5. CHAIN	0.087	0.279	0.199***	−0.240***	0.116***	−0.034	1.000								
6. COOP	0.070	0.239	0.265***	−0.113***	0.091***	0.017	0.102***	1.000							
7. HOTEL	0.306	0.461	0.128***	−0.213***	0.060*	−0.142***	0.225***	0.048*	1.000						
8. RESTA	0.406	0.491	−0.170***	0.137***	−0.064**	0.040	−0.206***	−0.067**	−0.550***	1.000					
9. TOUR	0.097	0.296	0.119***	0.030	0.039	0.079**	0.157***	0.082**	−0.218***	−0.272***	1.000				
10. TRANSP	0.044	0.205	0.012	0.003	0.038	−0.007	−0.044	−0.026	−0.143***	−0.178***	−0.071**	1.000			
11. FCD	1.721	0.504	0.143***	−0.092***	0.055*	−0.032	0.046	0.121***	0.123***	−0.108***	0.048*	0.008	1.000		
12. FW	3.922	1.353	−0.101***	0.096***	−0.036	−0.056*	−0.006	0.019	−0.051*	0.076**	−0.025	−0.035	−0.076**	1.000	
13. SIZE	28.567	127.824	0.101***	−0.193***	0.103***	−0.038	0.224***	0.215***	0.167***	−0.106***	−0.034	0.038	0.103***	0.002	1.000

Note(s): *** Correlation significant at the 0.01 level (bilateral)

** Correlation significant at the 0.05 level (bilateral)

* Correlation significant at the 0.1 level (bilateral)

Source(s): Authors' own elaboration

Table 2. Estimation results

	Model I		Model II		Model III		Collinearity	
	(1)	(2)	(1)	(2)	(1)	(2)	Tolerance	VIF
Constant	−0.528	−0.127	−0.124	−0.030	0.353	0.085		
<i>Control variables</i>								
CEO	−0.073**	−2.046	−0.063*	−1.748	−0.072***	−2.013	0.880	1.136
ROA	0.147***	4.270	0.143***	4.167	0.144***	4.221	0.963	1.038
AGE	0.031	0.894	0.027	0.794	0.024	0.708	0.966	1.035
CHAIN	0.106***	2.886	0.113***	3.054	0.099***	2.687	0.822	1.216
COOP	0.219***	6.337	0.217***	6.164	0.214***	6.083	0.908	1.101
HOTEL	0.063	1.225	0.052	1.003	0.047	0.914	0.429	2.333
RESTA	−0.055	−1.086	−0.053	−1.034	−0.052	−1.034	0.442	2.260
TOUR	0.079*	1.850	0.070	1.640	0.073*	1.741	0.632	1.583
TRANSP	0.022	0.575	0.018	0.468	0.014	0.380	0.794	1.260
<i>Explanatory variables</i>								
FCD			0.079**	2.287	0.073**	2.117	0.947	1.056
FW			−0.077**	−2.243	−0.078**	−2.288	0.964	1.037
SIZE			−0.017	−0.466	0.092	1.441	0.277	3.606
<i>Moderating effects</i>								
FCDxSIZE					−0.121**	−1.996	0.305	3.281
FWxSIZE					0.069**	2.014	0.958	1.044
FCDxFW					0.092***	2.707	0.977	1.024
F	14.092***		11.614***		10.500***			
R ²	0.147		0.159		0.177			
Adjusted R ²	0.136		0.146		0.16			
Changes in R ²	−		0.013		0.018			

Note(s): (1) Standardized regression coefficients (2) *t*-values

(3) Non-Standardized Beta

p* < 0.1 *p* < 0.05 ****p* < 0.01

Source(s): Authors' own elaboration

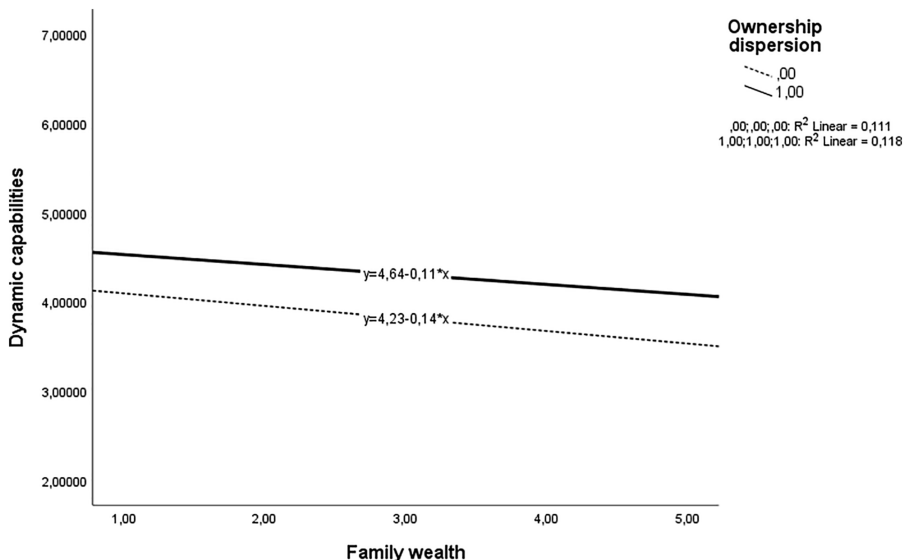
between ownership dispersion (−0.121, *p* < 0.05) and family-invested wealth in the business (0.069, *p* < 0.05), on the one hand, and dynamic capabilities, on the other, providing support for [Hypotheses 2](#) and [4](#), respectively.

However, it is not immediately apparent from the model how these moderating effects influence the relationship between family firm ownership characteristics and dynamic capabilities. As suggested by [Aiken et al. \(1991\)](#), one approach is to graph the main effects given the conditional effect under study. [Figures 2–4](#) graphically show the moderating effects included in previous [Hypotheses 5](#), [2](#), and [4](#), respectively.

[Figure 2](#) shows that family firms with higher family wealth achieve lower levels of efficiency in the management/orchestration of the ownership structure, with the independence of their degree of dispersion or concentration.

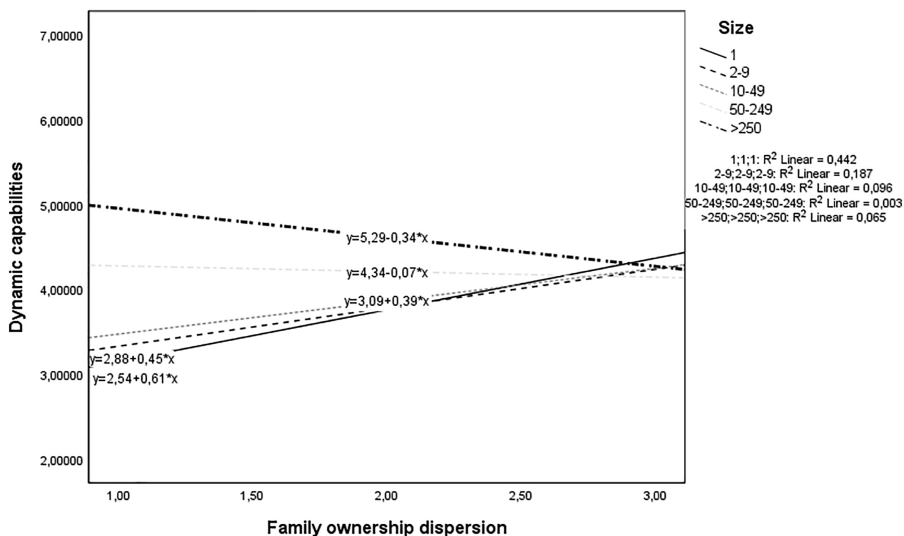
[Figure 3](#) shows that as firms increase in size, they achieve higher efficiency in exploiting advantages of higher ownership dispersion for dynamic capabilities development. For large firms, this relationship significantly turns out negative (see [Figure 3](#)), turning stewardship and behavioural advantages into agency traps/problems.

[Figure 4](#) shows the positive moderating effect that size exerts on family wealth concentration, shifting the negatively sloping line of fit-up for increasing the size of firms. However, for larger this relationship is reversed to positive, gaining weight the higher financial involvement and emotional attachment of ownership in innovation projects to risk aversion.



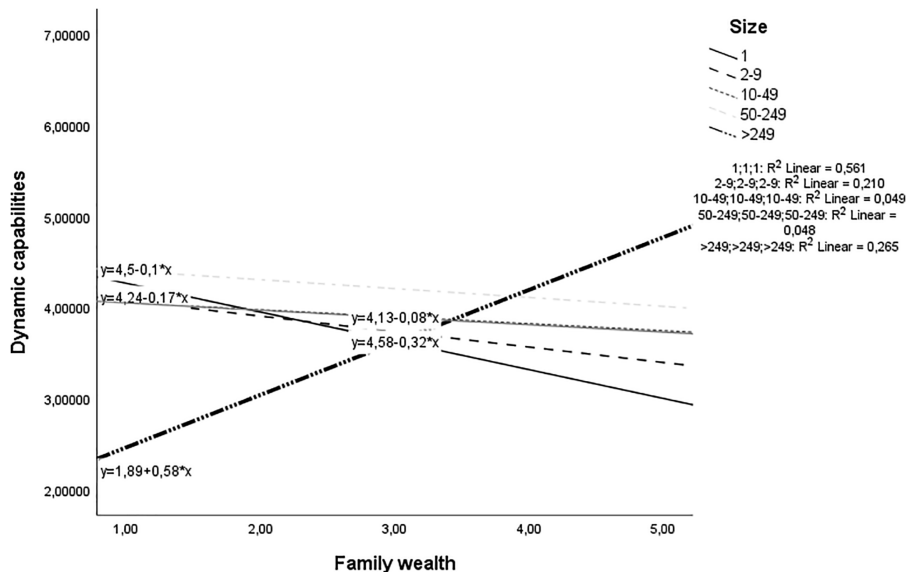
Source(s): Own elaboration

Figure 2. Moderating effect of family ownership dispersion on the relationship between family-invested wealth in the business and dynamic capabilities



Source(s): Own elaboration

Figure 3. Moderating effect of size on the relationship between family ownership dispersion in the business and dynamic capabilities



Source(s): Own elaboration

Figure 4. Moderating effect of size on the relationship between family-invested wealth in the business and dynamic capabilities

Given the complexity of the analysis of the different moderating effects on the relationship between family ownership dispersion, wealth and size on dynamic capabilities. Table 3 summarises the patterns in the strength of each of these effects for large and small and medium levels of family business size.

5. Discussion

The concept of dynamic capabilities in family business has generated a vivid debate in previous literature, claiming that it is a crucial aspect for the competitiveness and long-term survival of these family-owned firms (Zapata-Cantu *et al.*, 2023; Block *et al.*, 2023). However, the variety of previous empirical results (see Block *et al.*, 2023; Calabrò *et al.*, 2019; Del

Table 3. Strength of the moderating effects according to the firm's size

Explicative variables	Moderating effect of size (sing of the effect)		
Family ownership dispersion (+)	SMEs firms (H1) +	Large firms (H2) -	confirmed
Family wealth (-)	SMEs firms (H3) -	Large firms (H4) +	confirmed
Family ownership dispersion* Family wealth (+)	SMEs firms (H5a) n.s	Large firms (H5b) n.s	not confirmed

Source(s): Authors' own elaboration

Vecchio *et al.*, 2020) point out that there is still a paradox between the willingness of family firms to undertake innovation-related projects and their ability to do so, as well as a number of controversies that prevent the generalisation of empirical results (Camisón-Zornoza *et al.*, 2020; Calabrò *et al.*, 2019; Rondi *et al.*, 2019).

The second fundamental controversy lies in the very approach to the concept of family ownership from different perspectives, sometimes linking it to structural and governance characteristics, and sometimes from a more psychological and behavioural perspective (e.g. Memili *et al.*, 2020). Previous studies (Nguyen *et al.*, 2022; Camisón-Zornoza *et al.*, 2020; Barros *et al.*, 2016) have already advanced the importance of studying the relationship between ownership structure and the development of dynamic capabilities.

However, to date, we know little about how these two complementary facets of family ownership, on the one hand, the more structural aspects (i.e. dispersion of ownership); and, on the other hand, the more emotional aspects (i.e. concentration of wealth) interact on the development of dynamic capabilities (Pütz and Werner, 2023; Ferreira *et al.*, 2020; Calabrò *et al.*, 2019). Furthermore, echoing calls in previous literature (e.g. Guenther *et al.*, 2023; Fang *et al.*, 2016; Sciascia *et al.*, 2015) this study analyses the specific contingency that organisational size imposes on the previously discussed effects.

The empirical results confirm our [Hypothesis 1](#) that ownership dispersion in family firms has a positive and significant effect on their development of dynamic capabilities. In these firms, the dispersion of social capital among a larger number of family owners entails advantages such as a greater propensity for group risk-taking, better monitoring of managerial activity, and a greater contribution of resources, especially knowledge, new insights and business contacts. In line with previous studies (e.g. Camisón-Zornoza *et al.*, 2020), our results predict that a concentrated ownership structure has a deterrent effect on the development of dynamic capabilities.

However, our empirical findings suggest that we should discriminate between different types of family firms according to their size (e.g. Fang *et al.*, 2016), as this variable has an important contingent effect on the above relationship. Thus, the positive effect of ownership dispersion on the development of dynamic capabilities is only applied/valid for small and medium-sized family firms but reversed for large firms. This result also confirms our [Hypothesis 2](#).

In large firms, agency problems arising from the necessary separation between ownership and management may multiply (Kallmuenzer, 2015; Fama and Jensen, 1983) and, even, exacerbate the path dependence in the firm's activities and learning associated to large firms.

In addition, certain opportunistic and self-serving behaviours that can flourish when ownership is dispersed (mainly through different generations involved) that can detract resources to innovation-related projects. These larger firms may also have a diversified market positioning and business portfolio in which innovation is not a major source of competitive advantage.

Findings for the influence of the degree of wealth concentration on dynamic capabilities development confirm a negative relationship as expected in our [Hypothesis 3](#). Family firms act as a repository of the wealth of family owners (Forés *et al.*, 2022), increasing their loss aversion and preventing them from devoting more resources to projects with high uncertainty, such as those linked to the development of innovative capabilities. However, as with the degree of ownership concentration above, the size variable has a contingent effect on the relationship between wealth concentration and the development of dynamic capabilities.

Thus, the negative effect of wealth concentration on dynamic capabilities is also reversed in the case of large family businesses, as predicted in our [Hypothesis 4](#). Large family businesses have greater resource endowments that can trigger the adoption of more innovative actions that contribute to sustain or increase family reputation in the community in which it operates (Forés *et al.*, 2022; Le Breton-Miller and Miller, 2016). Also, having a larger size allows the company to leverage external financial resources to spur the development of dynamic capabilities without relinquishing control of the family business' capital.

The results of this study thus evidence that small and medium-sized firms with a high degree of wealth concentration, the preservation of financial and socio-emotional wealth becomes a priority. In this vein, having most of the family wealth concentrated in a single small and medium-sized enterprise is not only risky from an investment point of view, but also from the perspective of family business ownership, as it may hinder the prospects of continuity linked to innovation.

Finally, our empirical results also show that the concentration of family wealth in the firm negatively moderates the positive relationship between ownership dispersion and dynamic capabilities, as predicted by [Hypothesis 5](#). The loss aversion of family owners who have large proportions of wealth invested in the firm constrains the application of the greater volume of resources brought by higher ownership dispersion to the creation of dynamic capabilities.

6. Implications

6.1 Theoretical implications

Our research makes several contributions to the study of strategic management within the family business. In this sense, and following recommendations from previous publications (e.g. [Kotlar et al., 2020](#); [Le Breton-Miller et al., 2015](#)), our study extends agency theory, SEW theory and RBV in family firm analysis by clarifying the complex circumstances and context under which dynamic capabilities in family-owned firms can be fostered or relegated (e.g. [Pütz and Werner, 2023](#); [Brito-Ochoa et al., 2020](#); [Kotlar et al., 2020](#)). Specifically, the research responds to calls such as that of [Nguyen et al. \(2022\)](#) that point to the need for further research on the relationship between the ownership structure of firms and its relationship with innovation or dynamic capabilities.

To the best of our knowledge, this research is the first to analyse the impact of family ownership, distinguishing between structural and behavioural facets, on the development of dynamic capabilities, and also considering the contingent effect exerted by organisational size ([Fang et al., 2016](#)). Thus, this research is crucial in line with previous contributions by authors such as [Becerra et al. \(2020\)](#), [Kotlar et al. \(2020\)](#) or [Camisón-Zornoza et al. \(2020\)](#) who point out that innovation practices and capabilities in family firms cannot be fully understood without considering the characteristics of the dominant shareholder collation and their preferences when establishing innovation-related strategies. On the other hand, this study echoes previous calls (e.g. [Guenther et al., 2023](#); [Fang et al., 2016](#)) to incorporate the organisational size variable as a key determinant of performance, rather than merely a control variable.

6.2 Managerial implications

The arguments, ideas and results obtained from study also offer suggestions for owners, managers and consultants in the field of family business, as it allows all of them to understand the antecedents of family firms' dynamic capabilities deployment. Therefore, this research draws attention to the importance of the fit between the dispersion of family ownership and the nature of the firm to be managed, according to the degree of concentration of family wealth and firm size, and how this influences the development of dynamic capabilities.

According to our study results, it is advisable for large firms with a high dispersion of ownership, to invest in coordination and governance mechanisms enhancing the pooling of objectives and cognitive resources to be applied to the development of dynamic capabilities ([Arteaga and Escribá-Esteve, 2021](#)). As firm size increases the advantages of stewardship and agency dissipate, producing information silos between family members. In this context, the difficulty of aligning perspectives and supervising agency behaviours increases, and also of integrating knowledge and social resources. For all these reasons, it is important to institutionalise coordination and governance mechanisms for family businesses that are capable of promoting cohesion among shareholders, reducing information asymmetries and increasing social interaction.

For smaller family businesses (SMEs) with a high concentration of family wealth in the business, the use of external financial resources to support projects linked to dynamic capacity building is advisable. The lack of certain resources (e.g. economies of scale, limited access to specialised human capital, lower social capital) limit the scope of innovation projects in these small family businesses, and could promote a biased view to family owners, so that they only focus on preserving current wealth for the family, completely or partially sacrificing future wealth (e.g. [Becerra et al., 2020](#); [Sciascia et al., 2015](#)). In these cases, financial leverage may represent a way to obtain external resources for the development of innovation projects without ownership having to give up control or lose influence in the family business ([Hansen and Block, 2020](#); [Molly et al., 2019](#)). Despite the limitations of size, it is important for these small family businesses to implement business processes aimed at deploying and allocating resources in order to ensure the dynamic adjustment of the family business to changes in its competitive environment ([Helfat et al., 2023](#)).

7. Conclusion and limitations

Despite the contributions made, our study also presents some limitations that deserve to be identified and discussed in some depth. Firstly, our empirical study is limited to a cross-section database and a single sector of activity (tourism). This hinders the generalisability of the results obtained.

When developing our conceptual model for this study today, we carefully considered the relevance of this database and concluded that the relationship between the selected variables would not be time-contingent. On the contrary, we seek to address a research gap that has persisted over time. The fact that we are moreover able to justify and support our hypotheses and measurement scales by references published after the creation of the database confirms that the relationships analysed are of recent relevance and can help advance the current field of study. The recent references we cite support our arguments but do not fill the gap addressed by our research contribution. However, we consider that future lines of research should replicate this model by using recent databases with the data universe extended to other economic sectors and geographical regions. The use of panel data would also be ideal for establishing causal relationships between the study variables.

Secondly, we are aware of the threat of common method bias. In our database, we only have data from one questionnaire that was answered by the top managers of Spanish tourism companies, which is the person who, with high frequency, is the largest shareholder and family member ([Forés et al., 2022](#)).

Future research should possibly also consider adopting a CLC Estimator for latent constructs. In our study the only latent variable introduced is dynamic capabilities whose mean values show a Pearson correlation of more than 0.9 with the CLC Estimator, indicating that they both capture, to a significant extent, the same underlying construct.

Regarding the relationship between variables, it is worth noting that although we find a negative moderation of wealth concentration in the relationship between ownership dispersion and dynamic capabilities, this result could not be tested for large firms. Thus, the triple interaction between variables (ownership dispersion, wealth concentration and size) is not statistically significant. We hope that future studies can clarify this relationship.

Future studies should also explore the contingencies on family involvement in management exerted by certain variables linked to the diffusion of family ownership and the figure of the CEO and the development of dynamic capabilities. It would also be interesting to explicitly analyse the influence exerted on the creation of dynamic capabilities by the objectives of the top management team and the divergence between the possible members that compose it ([Becerra et al., 2020](#); [Calabrò et al., 2019](#)). In all of the above, it may also be of interest to analyse the connotations that the generation that controls the business may imply ([Cabrera-Suárez et al., 2018](#); [Fang et al., 2016](#)).

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(The Appendix follows overleaf)

Table A1. Measurement of the dynamic capabilities construct

Construct	Items
Dynamic capabilities	$\alpha = 0.931$
	<i>Sensing capability</i>
	The firm continually expands its portfolio of technological competencies
	The firm promotes internal knowledge development through R&D&I
	The firm works to identify and acquire external knowledge
	The firm continuously scans the environment to identify trends in its relevant technologies. The firm, is able to process and assimilate external knowledge and combine it with internal knowledge to usefully apply it to new applications
	<i>Seizing capability</i>
	The firm has the capacity to exploit and apply knowledge to the development of product innovations
	The firm has the capacity to exploit and apply knowledge to the development of process innovations
	The firm effectively integrates new technological knowledge with the existing knowledge base
	<i>Transforming capability</i>
	The firm continually renews its innovation management approaches and practices to improve its competitiveness
	The firm strives to improve its innovation management in order to increase its ability to adapt to changes in the environment
	The firm continuously analyses the redesign and reconfigurations of its technology management processes to optimize their alignment with changes in the environment. The firm continuously adjusts its management of R&D&I to meet the needs and opportunities arising from new technologies or new markets

Source(s): Authors' own elaboration

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