

The influence of family identity on the size of family businesses: an empirical study at different economic conditions

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Abstract

Purpose – We develop this study with a twofold objective. First, we investigate how the behaviour of family enterprises of different sizes varies according to the economic phase in which they are immersed, which helps us to determine whether family firms would really have the need to reach a larger business size. Second, we analyse how the defining factors of the identity of such companies influence their size; specifically, how the concentration of ownership in the hands of the family and the business name affects the operating income, the number of employees and the investment of family firms.

Design/methodology/approach – Using panel data, information from 21,149 Spanish family firms for 11 consecutive fiscal years, which include different economic situations was collected.

Findings – Family identity is an important factor, as it significantly affects the size of family businesses and consequently their ability to successfully cope with economic recessions.

Originality/value – The influence of family identity on company size is of interest, since this may hinder the success and survival of companies if family needs are prioritised over economic objectives.

Keywords Family business, Family identity, Company's business name, Family involvement, Business size

Paper type Research article

Introduction

Family businesses are the dominant form of business in the economies around the world, most of them being small in size (Cirillo *et al.*, 2020; De Massis *et al.*, 2018; Casillas *et al.*, 2024). Given that its importance transcends national borders, it is necessary to deepen the knowledge of the factors that can influence its success and continuity, among them, the size of the company (Maudus and Fernández de Guevara, 2014). In parallel, the concentration of ownership and business name are two variables that contribute to the family identity of these companies, because of the overlapping of family and business (Schenkel *et al.*, 2016; Parada and Dawson, 2017). Thus, the concentration of ownership in the hands of the family, in addition to being one of the variables defining the family business (Sharma *et al.*, 2012), is commonly considered representative of the family's involvement in the organisation (Chrisman *et al.*, 2012; Zhu *et al.*, 2018), and therefore, the influence that the family's participation exerts on the company (Anglin *et al.*, 2017). On the other hand, a company's name is a component of its business identity. In the case of family businesses, when the family name is a part of the company's name, the company possesses a strong family identity

JEL Classification — G4 Behavioural Finance, D22 Firm Behavior: Empirical Analysis, L25 Firm Performance: Size, Diversification and Scope

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(Muzellec, 2006; Wielsma and Brunninge, 2019), as this business name is the most distinctive, lasting and visible feature of the family (Rousseau *et al.*, 2018). We therefore believe that both factors can influence the size of the company.

Notwithstanding the above, few studies have studied the increase in business size of family firms (Arrondo-García *et al.*, 2016; Eddleston *et al.*, 2013; Miroshnychenko *et al.*, 2020). And this, despite the fact that there is a generalized view that family businesses should strive to grow (Casillas *et al.*, 2010; Zapalska and Brozik, 2015), due to the relevance in success and continuity of companies. Among the scarce previous research is the study by Miroshnychenko *et al.* (2020), which reports a positive effect of family influence on the size of family-listed companies. However, as these authors point out, this relationship varies depending on the characteristics of the company. The company's ownership structure and its characteristics influence the size of the family business (Calabrò *et al.*, 2017); although effect of family ownership on related indicators is ambiguous (Pittino *et al.*, 2020). There is also a lack of consensus on the main drivers of business size and little knowledge of the effect of specific characteristics of family firms (Pittino *et al.*, 2020), such as family identity (Calabrò *et al.*, 2017). Ultimately, the influence of family identity on firm size seems to be unclear (Cirillo *et al.*, 2020), and authors such as Campopiano *et al.* (2020) have called for more research on the influence of family, particularly family identity, on the size of family firms, due to the influence that family identity can exert on strategic decisions (Wielsma and Brunninge, 2019). Given the lack of consensus in previous empirical analyses in this field (Miroshnychenko *et al.*, 2020), this is a topic that requires further research.

To address these gaps, we develop this study with a twofold objective. First, we investigate how the behaviour of family enterprises of different sizes varies according to the economic phase in which they are immersed, which helps us to determine whether family firms would really have the need to reach a larger business size. Second, we analyse how the defining factors of the identity of such companies influence their size; specifically, how the concentration of ownership in the hands of the family and the business name affects the operating income, the number of employees and the investment of family firms. We use the term “family business identity” to refer to the close identification of family members with the company (Berrone *et al.*, 2012), which according to previous research (Schenkel *et al.*, 2016; Parada and Dawson, 2017; Wielsma and Brunninge, 2019), can be emphasised through the concentration of ownership in the hands of the family and the use of the family name as a business name. In order to carry out this study, we analysed a large data panel composed of a homogeneous sample of 21,149 private Spanish family firms. The selected period includes two consecutive but opposite economic conditions: economic expansion (2003–2007) and recession caused by the global financial crisis (2007–2013).

This study contributes to various aspects of the field of family enterprise research. First, through empirical analysis of the economic behaviour of Spanish family firms in different economic scenarios, we confirm that larger family firms are better equipped to deal with periods of recession, suggesting that small family firms should strive to increase their size. This circumstance is of special interest given that most of the companies in Spain are family-owned and small, thus having a latent impact on the country's economy. Second, the study of the influence of the ownership concentration and family business name on business size demonstrates that the family identity of these organisations has a negative impact on their business development. Again, it should be noted that it is the smaller family-owned companies that maintain a family identity largely. Third, this research allows further analysing the behaviour of family businesses and, consequently, contributing to research aiming to show that those do not form a homogeneous group, but are significantly different from each other. Therefore, the aim of gaining a deeper understanding of the behaviour of these companies is to help them implement better practices that will result in improved performance and survival.

Theoretical framework and hypothesis development

The size of a company can significantly affect its economic and financial circumstances (Terrón-Ibáñez *et al.*, 2020), as it affects the access to certain sources of financing and investment, entry into new international markets, the achievement of institutional advantages, strategic flexibility, innovation, as well as lower levels of risk aversion (Miller *et al.*, 2013; Molodchik *et al.*, 2016; Rodríguez *et al.*, 2014; Siekelova *et al.*, 2020). Moreover, the size of the business can influence how economic conditions affect it, with previous studies showing a positive relationship between a larger business size and survival (Von Krogh and Cusumano, 2001). Focusing on family businesses, given their representativeness in economies around the world, these firms have a significant influence on the employment rate and wealth of countries (Memili *et al.*, 2015), as well as the ability to provide economic stability (Marques *et al.*, 2020). According to Eddleston *et al.* (2013, p. 1181), “family firms have to grow in order to remain competitive in an increasingly global marketplace, while at the same time accommodating the needs of the extended family incurred via newer generations joining the firm”. And, indeed, for family owners, size is a key objective to ensure the survival of the company through the generations of successes (Choi *et al.*, 2015; Eddleston *et al.*, 2013). Larger business size is related to its success as an indicator of economic performance in the long-term (Casillas *et al.*, 2010). All this considering the fact that family businesses are characterised by their small size for the most part (Felicio and Galindo-Villardón, 2015; Casillas *et al.*, 2024).

The study of the impact of family business identity on the size of the organisation can be carried out through Resource-Based View (RBV), whereby companies generate a number of resources through which they gain the competitive advantage necessary for superior long-term economic performance (Teece *et al.*, 1997). The particular conditions of family firms governance and leadership structure lead to the development of certain basic distinctive resources and competencies (Le Breton-Miller *et al.*, 2011). Based on this approach (RBV), Habbershon and Williams (1999, p. 11) introduced the concept of *familiness*, 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.” The peculiarities of the family firms, as a result of this interaction, can hinder their business size increase and limit their competitive advantage because of their inability to access the necessary resources and capacities (Cirillo *et al.*, 2020; Croce and Martí, 2016).

In this sense, family firms maintain non-economic objectives based on the preservation of their socioemotional wealth, introduced by Gómez-Mejía *et al.* (2007, p. 106) as “non-financial aspects of the firm that meet the family’s affective needs, such as identity, the ability to exercise family influence and the perpetuation of the family dynasty”. Such objectives can become even more relevant than purely economic results (Gómez-Mejía *et al.*, 2011). So, the influence of the family in these companies may be detrimental to their economic performance (Terrón-Ibáñez *et al.*, 2019). These companies prioritise safeguarding the reputation of both the company and the family (Davis *et al.*, 2013), and are particularly interested in creating a favourable image of the organisation to benefit from the positive perception (Berrone *et al.*, 2012; Zellweger *et al.*, 2013). In this sense, a strong family identity of the company helps keep family members focused on maintaining family values and goals (Sundaramurthy and Kreiner, 2008).

Given the above, Figure 1 shows the object of our study:

The influence of the family ownership concentration on company size

The ownership of the company by the family represents the family’s involvement in the company (Chrisman *et al.*, 2012), that is the influence of the family’s participation in the company (Anglin *et al.*, 2017). Family involvement entails the power of the family to set the goals of the organisation and decide on the strategies to achieve them, as well as to oversee the overall functioning of the organisation (Deephhouse and Jaskiewicz, 2013). This involvement of the family is often characterised as harmful to these companies (González-Cruz and Cruz-Ros, 2015).

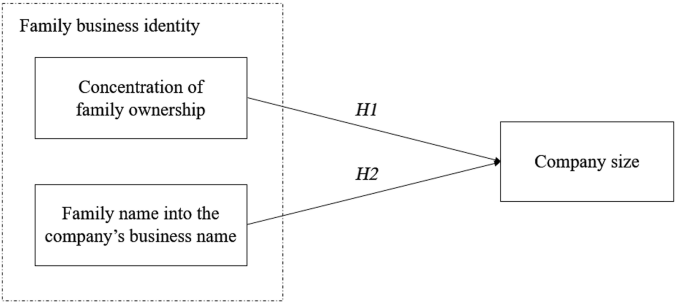


Figure 1. Research model. *Source:* The authors

Family control, largely dependent on family ownership, is also associated with some barriers to reach a certain business size, such as aversion to new challenges and opportunities, business rigidity, family conflicts, greater reliance on internally generated funds than in non-family-owned companies, reliance on savings and family wealth, as opposed to alternatives that could jeopardise the ownership of the company by the family (Backman and Palmberg, 2015; Croce and Martí, 2016). Some studies argue that family businesses maintain lower size as a result of greater risk aversion to new growth opportunities, since the company represents for its members its creation, identity and comfort (González *et al.*, 2012). Hamelin (2013) argues that family ownership is associated with conservative growth behaviour, so such companies may not be able to fulfil their potential. Increasing the size of the company may mean that, at a certain level of growth, the organisation becomes more dependent on external financing to continue its activity. This also reinforces the idea that family businesses may slow down their growth as owners seek to avoid dilution and maintain their control (Basu *et al.*, 2009). In order to preserve their socioemotional wealth, these companies may even pass by opportunities for lucrative cooperation, reduce R&D investment, curb their expansion and diversification (Zhang *et al.*, 2012) or take a restrictive attitude towards R&D activities (Sciascia *et al.*, 2015), slowing their growth rate (Del Monte and Papagni, 2003).

Taking into account the impact that the concentration of ownership in the hands of the family can have on the size of the company, we present the following hypothesis:

H1. Increased concentration of family ownership is negatively associated with the size of the company.

The influence of the family business name on company size

The name of the company represents the link between what the company is and how external stakeholders perceive it (Muzellec, 2006). Although Kohli and Labahn (1997) pointed out decades ago that the business names of these companies should be studied due to their influence on economic performance, little research has been done in this area (Oliveres-Delgado *et al.*, 2016).

Family firms are generally associated with positive attributes such as trust, commitment, customer-centred care, superior product quality or great customer service, so the family identity can be a source of competitive advantage (Micelotta and Raynard, 2011), contributing to positive customer perception (Gallucci *et al.*, 2015). Previous research has reported that a family business aspect, such as the relationship of the family name with the corporate business name, is likely to be positively related to components of economic performance such as business size (Backman and Palmberg, 2015). However, as mentioned earlier, family involvement is often harmful to companies (González-Cruz and Cruz-Ros, 2015). Since family control is associated with some barriers that prevent the increase in the size of

businesses, it is thought that greater identification of family members with the company makes this situation worse. Thus, bearing in mind that the inclusion of the family name in the company name contributes to the family identity of the company (Wielsma and Brunninge, 2019), the involvement of the family and its interest in preserving the socioemotional wealth could be even greater for companies named after families.

From our point of view, there are therefore arguments to believe that the inclusion of the family name in the company name can have a negative impact on the size of the firm. Certainly, a particular image may be critical for family businesses (Zellweger *et al.*, 2010), since the identity of family members is linked to that of the organisation (Davis *et al.*, 2013). In this sense, a family image can be an important asset (Parmentier, 2011), especially since a family business name is a transcendental resource that is difficult to imitate by competitors and irreplaceable (Zahra *et al.*, 2004). This makes creating and maintaining a positive family image even more important for these companies (Binz *et al.*, 2013), where preserving the reputation linked to the family name is crucial because of the long-term vision of passing on the company to future generations (Gómez-Mejía *et al.*, 2011). Thus, we propose the following hypothesis:

- H2. The incorporation of the family name into the company's business name is negatively associated with the size of the company.

Methodology

The sample of companies used in this study comes from the database created in Spain by the Institute of Family Enterprise and Network of Chairs of Family Enterprise (IEF and Red de Cátedras de Empresa Familiar, 2016). This database classifies companies based on their ownership and the participation of the family in their governing bodies. Specifically, in order to classify companies as family business, the following criteria are used:

- (1) Concentrated ownership: a firm is considered family owned if family shareholders have high control over it (50%); or be it the case, family shareholder-directors possess more than 50%.
- (2) Diversified ownership: a firm is considered family owned when an individual shareholder controls 5% or if a family possesses 20% besides counting on shareholder-directors who control over 20% or administrators who are natural persons and shareholders.
- (3) Indeterminate ownership: a firm is considered family owned when it has shareholder-directors who participate in the ownership of the company, or managers who are natural persons or shareholders.

Our study needed to cover a time period with diverse economic circumstances. For this reason, we selected the period of 2003–2013, which is the most recent period that comprises two complete, consecutive and opposing economic stages: expansion (2003–2007) and recession (2007–2013). Therefore, during this period, the economic stage change is clearly defined, and we can concretely observe the situation of the family businesses and compare their behaviour in each one of them. It is also about the last economic crisis that has taken place in Spain, a casuistry that contributes value within the perspective of a contemporary analysis. These periods are defined by changes in the value of the gross domestic product in Spain (Banco de España, 2017). Our study had to cover a period with diverse economic circumstances. We selected the period 2003–2013, which comprises two complete, consecutive and opposite economic stages defined by the changes in the value of the gross domestic product in Spain (Banco de España, 2017): expansion (2003–2007) and recession (2007–2013). During this period, the change of economic stage is clearly defined, which will allow us to observe the situation of family businesses and to compare their behavior in each of them.

We have chosen to analyse the period corresponding to the Great Recession, rather than the subsequent recession caused by COVID-19, due to the structural and prolonged nature of the former, as opposed to the temporary nature of the latter. The global financial crisis was characterized by systemic imbalances in the financial market, prolonged credit restrictions and persistent effects on employment, investment and domestic demand. In contrast, the recession resulting from the COVID-19 pandemic was marked by a sudden halt in productive activity due to health restrictions, followed by a relatively rapid recovery in many sectors thanks to unprecedented government interventions. In this context, more dependent on political decisions than on internal business dynamics, results could be distorted by external support measures.

We selected family firms from the database if they had accounting information for the fiscal years analysed (2003–2013) and were active from 2001 to 2015. Thus, by the first year under review (2003), companies would have been active for at least two years since their establishment, and in the last year analysed (2013), the companies were not collapsing and would have had a minimum of two years left to live. A total of 54,834 companies were eligible.

The following information was obtained for each family firm: date of incorporation, activity, business name and, in addition, number of employees, investment, operating income, equity and ordinary income before taxes and financial costs for the period considered. These data were obtained from the SABI database (Iberian Balance Analysis System), which contains the economic and financial information of all Spanish companies.

Finally, the dataset obtained was thoroughly filtered. Specifically, we removed companies with incomplete data, information errors or extreme values in one of the variables to be analysed; 5% of the largest companies, in order to avoid possible distortions that could be caused by overly large companies; and all micro-enterprises, as this category would not have been sufficiently represented in the sample (because a very high percentage of these organisations do not deposit their annual accounts in the commercial register). After filtering, the final sample was composed of 21,149 family firms.

The information processing was carried out in two stages, coinciding with the objectives of the study. In the first stage, by analysing the values of three economic indicators, we investigated whether the family firm really needs to increase its size. To this end, following the criteria proposed by the European Union ([European Commission, 2003](#)), the sample was divided based on business size, so that two groups were obtained: small and medium-large enterprises. Three economic indicators were considered, as described in [Table 1](#).

Average values of the economic indicators were calculated for both groups of companies. The information was grouped by economic period, yielding information concerning the expansion period (2003–2007) and the economic recession period (2007–2013).

Finally, through the analysis of one factor variance (ANOVA), we investigated whether small and larger companies experienced statistically significant differences in their economic indicators during both periods. We also checked whether there were statistically significant differences between the indicators according to business size for each year of inflection coinciding with the beginning of the expansion period (2003), the beginning of the recession period (2007) and the end of the recession period (2013).

Table 1. Information subject to analysis. Economic indicators

Economic indicator	Calculation according to SABI database concepts
Employee productivity	Operating income / Number of employees
Operating margin	(Ordinary pre-tax income + Financial costs) / Operating income
Economic profitability	(Ordinary pre-tax income + Financial costs) / Investment
Source(s): The authors	

In the second stage, we used a regression analysis with panel data to analyse how the concentration of ownership and the business name affect the business size. The size of family enterprises is measured through their operating income, number of employees and investment; these variables have already been used in numerous studies ([Arrondo-García et al., 2016](#); [Pittino et al., 2020](#)). Different regressions were performed with the Naperian logarithms of the three business size indicators as dependent variables. The independent variables were the corporate business name and the concentration of ownership in the hands of the family.

The variable “business name” is categorical, and corresponds to the inclusion of the family name in the name of the company. This variable remains constant for each year under analysis, taking a value of 1 if the family name is present in the company’s business name, and a value of 0 if not. Companies were classified as having a family name in their business name if the business name included patronymic names, the names or surnames of the owners or acronyms formed from the combination of the names or surnames of one or more owners or even their initials ([Olivares-Delgado et al., 2016](#); [Pinillos-Laffón, 2014](#)). For companies whose owners’ names were not listed in our database, this information was searched on the companies’ own websites and in specialised Internet portals. In this classification, no account was taken of references to topological or racial criteria, or those based on fantasy or variants such as nicknames or indirect references to the founder or the history of the family, because of the impossibility of determining their true origin. Therefore, the family name was not considered to be part of the business name in these cases.

The variable “ownership concentration” is a continuous variable that represents the degree of ownership of the company by family members. It was measured through the organisation’s equity.

As control variables, we considered the age and the business sector of the companies. Age was measured from the date of incorporation. Due to its high variability, we used the Naperian logarithm to minimise the asymmetry. The business sector was determined from dummy variables based on business activity, taking the primary sector as reference. Thus, the variable “secondary sector” takes the value of 1 if the enterprise belongs to the secondary sector and the value of 0 if not, while the variable “tertiary sector” takes the value of 1 if the enterprise operates in this sector and the value of 0 if not.

With information for 21,149 Spanish family firms for the period from 2003 to 2013, we obtained a balanced database with 232,639 observations, from which a longitudinal analysis was carried out, using both the time series and the cross-sectional information contained in our panel dataset. This analysis allows us to observe the variations between companies over time ([Greene, 2012](#)). Fixed effects models or random effects models could be used ([Greene, 2012](#)). According to [Verbeek \(2012\)](#), the random effect approach allows the characteristics of the population to be inferred. Therefore, considering the nature of the data in our sample, we chose a random effects model to develop our analysis.

Empirical analysis and results

For each year analysed, most of the family firms were small (84%); the medium-sized enterprises accounted for 14.5% and the large ones, for about 1.5% of the total. The distribution of the sample by size is consistent with the Spanish situation ([IEF and Red de Cátedras de Empresa Familiar, 2016, 2018](#)).

A total of 32.5% of companies incorporated the family name in their business name. When analysing the distribution of the sample by size according to business name, we found that small companies more frequently included the family name in the company name (about 85% of the small family firms). The presence of the family name in the business name decreases as the company size increases, and only about 1% of the larger companies included the family name in their company name. This was the case for all years analysed.

Regarding the concentration of ownership in the family, most companies (about 65%) were those where family members own more than 50% of the company’s ownership. Smaller-sized

companies had a higher concentration of ownership in the hands of the family, and the family's ownership decreased as business size increased. Specifically, while about 83% of small family businesses were those where the family owned 50% or more of the ownership, this was the case for only about 2% of large family enterprises.

Regardless of their size, family enterprises had statistically significant differences in their economic indicators for the period of economic expansion and for the period of recession. Specifically, in the period of economic expansion, both small and larger companies improved their indicators (Table 2), with higher values for the productivity of their employees, their operating margin and their economic profitability at the end of the expansion stage than at the beginning. On the other hand, during the recession period, the opposite trend was observed (Table 3), with a general deterioration in employee productivity, operating margin and economic profitability for companies of all sizes.

Table 4 shows the situation of family firms at the inflection points of the economic periods under study. There are no statistically significant differences between the small and larger companies at the beginning of the expansion period and at the end of the expansion period in terms of employee productivity, the operating margin or economic profitability. However, there are statistically significant differences between the indicators analysed after the recession period, with larger companies reaching higher values for all indicators.

Table 5 contains the mean value and standard deviation of the variables used in regressions, as well as the Spearman correlations between them. The three size variables are related in a positive way. In order to examine the multicollinearity, the values of the Variance Inflation Factor (VIF) were calculated for each independent variable. Myers (2000) argues that a VIF with a value of 10 or more is a cause for concern. After checking the values of the VIF and the tolerance levels of the variables, we can assume that there are no problems with multicollinearity.

Table 6 shows how the business name and the concentration of ownership influence the business size as measured through the operating income, the number of employees and the

Table 2. Results of the analysis of the variance of economic indicators by business size for the period of economic expansion (2003–2007)

	Small Mean value of indicators			Medium-large Mean value of indicators		
	2003	2007	Sig	2003	2007	Sig
Employee productivity	157.69	190.46	0.000***	151.16	191.54	0.000***
Operating margin	6.65%	7.15%	0.455	6.35%	9.27%	0.098*
Economic profitability	8.15%	8.73%	0.000***	8.32%	8.97%	0.004**

Note(s): * $p < 0.10$ ** $p < 0.05$ *** $p < 0.01$

Table 3. Results of the analysis of the variance of economic indicators by business size for the period of economic recession (2007–2013)

	Small Mean value of indicators			Medium-large Mean value of indicators		
	2007	2013	Sig	2007	2013	Sig
Employee productivity	190.46	167.77	0.000***	191.54	204.75	0.087*
Operating margin	7.15%	2.04%	0.000***	9.27%	4.21%	0.010**
Economic profitability	8.73%	2.33%	0.000***	8.97%	4.62%	0.000***

Note(s): * $p < 0.10$ ** $p < 0.05$ *** $p < 0.01$

Table 4. Results of the analysis of the variance of economic indicators per inflection year, according to business size

	Year 2003 Mean value of indicators			Year 2007 Mean value of indicators			Year 2013 Mean value of indicators		
	Small	Medium-large	Sig	Small	Medium-large	Sig	Small	Medium-large	Sig
Employee productivity	157.69	151.16	0.136	190.46	191.54	0.903	167.77	204.75	0.000***
Operating margin	6.65%	6.35%	0.840	7.15%	9.27%	0.224	2.04%	4.21%	0.026**
Economic profitability	8.15%	8.32%	0.342	8.73%	8.97%	0.176	2.33%	4.62%	0.000***

Note(s): * $p < 0.10$ ** $p < 0.05$ *** $p < 0.01$

Table 5. Correlation matrix

	Mean	SD	Business name	Ownership concentration	Age	Secondary sector	Tertiary sector
Operating income	8.064	1.093	−0.019**	−0.032**	0.267**	0.013**	0.015**
Number of employees	3.309	0.748	−0.065**	−0.015*	0.174**	0.043	0.027
Investment	7.778	1.230	−0.025**	−0.050**	0.314**	−0.065**	−0.081**
Business name	0.325	0.468	–	0.039**	0.052**	0.015*	−0.019**
Ownership concentration	1.657	4.618		–	0.251**	0.022**	−0.031**
Age	2.876	0.578			–	0.079**	−0.077**
Secondary sector	0.434	0.496				–	−0.945**
Tertiary sector	0.538	0.499					–

Note(s): * The correlation is significant at 0.05 (two-tailed), ** The correlation is significant at 0.01 (two-tailed)

investment of the company. Model 1 analyses the effect of control variables on the operating income of the company, incorporating models 2 and 3, the independent variables related to the concentration of ownership and business name, respectively. Models 4, 5 and 6 analyse the influence of the control variables, the ownership concentration and the business name, on the number of employees. Finally, models 7, 8 and 9 analyse the effect of the control variables, concentration of ownership and business name, on the investment of the company.

In terms of control variables, an increase in age for these companies corresponded to an increase in operating income, the number of employees and the investment of the company. This means that an increase in the age of a company has a positive impact on its size. The influence of the control variables related to the activity sector varies according to the dependent variable of size considered. Companies in the secondary and tertiary sectors earn higher operating income than companies in the primary sector. However, these secondary and tertiary sector firms have less investment than those in the primary sector. There are no significant relationships between the activity sector and the number of employees in these companies.

Ownership control has a negative and significant impact on operating income, the number of employees and investment (models 2, 5 and 8). This means that a higher concentration of family ownership in the company corresponds to a lower business size, so the hypothesis H1 is supported. Models 3, 6 and 9 analyse the influence of the business name, revealing that this variable has a significant negative effect on operating income, number of employees and investment. Therefore, the presence of the family name in the business name of the

Table 6. Results of the regression models

	Operating income			Number of employees			Investment		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
	Coef. β	Coef. β	Coef. β	Coef. β	Coef. β	Coef. β	Coef. β	Coef. β	Coef. β
Business name			−0.0634*** (0.0146)			−0.1048*** (0.0101)			−0.1019*** (0.0162)
Ownership concentration		−0.0155*** (0.0005)	−0.0154*** (0.0005)		−0.0076*** (0.0004)	−0.0076*** (0.0004)		−0.0200*** (0.0005)	−0.0200*** (0.005)
Age	0.2145*** (0.0055)	0.2338*** (0.0055)	0.2344*** (0.0055)	0.0676*** (0.0040)	0.0772*** (0.0041)	0.0783*** (0.0040)	0.6033*** (0.0048)	0.6061*** (0.0049)	0.6066*** (0.0048)
Secondary sector	0.1736*** (0.0423)	0.1600*** (0.0421)	0.1584*** (0.0421)	0.0414 (0.0292)	0.0347 (0.0292)	0.0321 (0.0291)	−0.2813*** (0.0471)	−0.2830*** (0.0469)	−0.2856*** (0.0469)
Tertiary sector	0.2238*** (0.0420)	0.2133*** (0.0418)	0.2107*** (0.0419)	0.0225 (0.0290)	0.0173 (0.0290)	0.0130 (0.0289)	−0.4056*** (0.0468)	−0.4070*** (0.0467)	−0.4111*** (0.0466)
Constant	7.2513*** (0.0439)	7.2330*** (0.0437)	7.2541*** (0.0440)	3.0844*** (0.0306)	3.0752*** (0.0305)	3.1095*** (0.0306)	6.3835*** (0.0477)	6.3804*** (0.0476)	6.4154*** (0.0478)
R ²	0.024	0.036	0.037	0.005	0.010	0.012	0.198	0.198	0.199
Lagrange's multiplier	42509***	42712***	42670***	40595***	40691***	40551***	50777***	50429***	50388***
Number of businesses	21149	21149	21149	21149	21149	21149	21149	21149	21149
Number of observations	232639	232639	232639	232639	232639	232639	232639	232639	232639

Note(s): The Lagrange's multiplier is distributed as a chi-square test with one degree of freedom exceeding the critical value and favouring the random effects of the GLS model on the OLS [Greene \(2012\)](#), Standard error values in brackets, * $p < 0.10$ ** $p < 0.05$ *** $p < 0.01$

organisation has a negative influence on its size. Thus, the hypothesis H2 is also supported. Finally, it should be noted that, regardless of the dependent variable considered, the impact of the business name is greater than that of the family concentration of ownership.

Finally, in order to evaluate the validity of the proposed model, we performed several robustness tests, using the random effects model to examine the effect of the business name and the ownership concentration on the three variables representing the business size according to the economic period. We can conclude that during both the boom and the economic downturn period, the business name and the ownership concentration both negatively and significantly affected the operating income, the number of employees and the investment. Furthermore, in order to verify that the negative influence was not due to the small size of the companies that dominate the sample, the same analysis was carried out by balancing the sample by size, so that there were equal numbers of small, medium and large enterprises. The results of this analysis again show that there was a negative influence of family ownership and business name on the three representative variables of business size.

Discussion

This work has generated new knowledge about the influence of family identity on the size of family firms by analysing the effect of the concentration of ownership and business name on the size of 21,149 Spanish private family firms during a period that includes different economic circumstances: economic expansion (2003–2007) and recession (2007–2013).

The results are consistent with the theoretical approaches underlying this research. The RBV and the concept of *familiness* allow us to understand how the resources derived from family involvement do not always result in competitive advantages. Furthermore, the socioemotional wealth theory helps explain why companies with a stronger family identity tend to limit their growth. Specifically, by prioritizing control, reputation and family continuity, these organizations may develop more conservative strategic behaviours that limit their expansion (or limit their size). Thus, the theoretical framework used supports the findings obtained and provides a solid basis for interpreting why certain attributes of the family business may slow down the increase in its size (or may limit its size).

As stated in the first hypothesis, “increased concentration of family ownership is negatively associated with the size of the company”. Our analysis reveals that increased concentration of family ownership is negatively associated with the size of the company, as observed through operating income, number of employees and investment. Thus, the hypothesis H1 is supported. Consistently with previous research (Bjuggren *et al.*, 2013; Hamelin, 2013), we found that the concentration of ownership in the hands of the family negatively influences the size of Spanish family firms. According to De Massis *et al.* (2013), too much ownership in the hands of the family unit can reduce the benefits that family ownership brings to these companies, where decision-making is not subject to any external scrutiny or observation, there is a vested interest in maintaining family control over the business, and the objectives of the company are often mixed with those of the family, because it is common for the family’s wealth to be part of the company’s funds (Basu *et al.*, 2009; Olson *et al.*, 2003; Zhang *et al.*, 2012). Moreover, as Croce and Martí (2016) argue, the companies whose family ownership is most concentrated are the ones with the greatest lack of resources needed for business size increase, since when ownership is more dispersed, the company ownership and the emotional attachment of managers and family shareholders to the company tend to decrease (Le Breton-Miller and Miller, 2013; Sciascia *et al.*, 2014). This may be because when companies are less interested in preserving socioemotional wealth, they become more interested in purely economic goals such as obtaining greater financial wealth or paying dividends, favouring larger size of the company (Arrondo-García *et al.*, 2016).

Our second hypothesis stated that “the incorporation of the family name into the company’s business name is negatively associated with the size of the company”. It is noted that H2 is also supported. This association is observed through the negative effect of family business name on

operating income, number of employees and investment. We found that the use of the family name in the business name had a negative influence on the size of family firms. When the family name is present in the business name, the identification of family members with the company is greater, as is the motivation to preserve a favourable reputation associated with the family name (Campopiano *et al.*, 2014; Sageder *et al.*, 2016), with the aim of ensuring the trust it conveys to stakeholders (Kashmiri and Mahajan, 2014). The business name, representing the identity of a company's brand, can contribute decisively to the company's success or failure (Pinillos-Laffón, 2014). After all, the company's sales and profits will be eroded if customers come to see the company or its products in a negative light (Kashmiri and Mahajan, 2014). On a related note, Brockman *et al.* (2017) found that family firms with a family business name had a lower market value, especially when the founder was the head of the company. Safeguarding the corporate reputation is especially important for family firms because damage to the company's reputation reflects on the family's own reputation (Bona Sánchez *et al.*, 2007; Kashmiri and Mahajan, 2010). In order to preserve their reputation, such companies might even be willing to jeopardize the company (Zhang *et al.*, 2012). Interest in preserving the favourable reputation of the business name associated with the family name may cause these companies to become less flexible (König *et al.*, 2013). These companies may become more conservative and avoid risking the socioemotional wealth of the company, even if this conservative attitude was detrimental to their economic performance (Anglin *et al.*, 2017; Gómez-Mejía *et al.*, 2007). As Rousseau *et al.* argue (2018), when the family name is a part of the name of the company, family owners are more willing to resist the negative aspects of conflicts that take place in the company, and may even give higher value to the business if ever willing to sell it. This behaviour may be motivated by the founder's deep emotional investment in the company in cases when the founder sees their life and personal values represented in the organisation that bears their name (Oliveres-Delgado *et al.*, 2016). Our results support the observation that when the family name is included in the business name, the owner's interest in preserving socioemotional wealth can be greater, which may lead to harm the size of the family enterprise.

At the same time, our results show the heterogeneity presented by family-owned companies (Capela Borralho *et al.*, 2020; Daspit *et al.*, 2018; Marques *et al.*, 2020; Stanley *et al.*, 2017), including in terms of their business identity (Zellweger *et al.*, 2013). Specifically, our findings show that family business identity, through the impact of ownership and family business name harms the size of family firms in Spain. Furthermore, consistent with previous studies (De Massis *et al.*, 2013; González *et al.*, 2012), we have observed the family involvement is greater in smaller family firms, and that family involvement decreases with larger business size. Specifically, we have confirmed that in smaller companies, the concentration of ownership in the hands of the family is higher and, as the size increases, the family ownership of the company is more diversified. In addition, we have found that small businesses have a greater tendency to use the owner's name as the business name, and the use of the family name becomes less common as the company size is larger.

The fact that family businesses improve their economic circumstances during a period of expansion, regardless of their size, is an expected result, as is the fact that they worsen during a recession. This behaviour is observed in the family businesses analysed, with lower values in employee productivity, operating margin and economic profitability. Especially relevant are the results obtained through the study of economic variables in the different years of inflection of the economic period under study. At the end of the expansion stage, there were no statistically significant differences in the value of the indicators for the smaller and larger companies; however, after the recession period, the economic circumstances of the larger companies was better than that of the smaller ones. Ultimately, and consistently with previous research (Maudus and Fernández de Guevara, 2014), our results show that the crisis affected different-sized businesses differently. Larger companies were better equipped to deal with a period of economic crisis, which supports the idea that increase in size is desirable for small family businesses (Casillas *et al.*, 2010; Zapalska and Brozik, 2015). It is commonly accepted

that large companies experience better economic-financial circumstances than smaller companies (De Massis *et al.*, 2013; Miller *et al.*, 2013; Sciascia and Mazzola, 2008), but our findings suggest that these differences become apparent after a period of economic recession. In small businesses, family members have a stronger emotional attachment to the company, wishing to ensure its survival and transfer the company the next generations, and therefore the owners show a greater interest in preserving their socioemotional wealth, which in times of crisis may have a negative impact on their economic circumstances (Arrondo-García *et al.*, 2016). Another explanation for the results can be found in the greater willingness of small company owners to employ family members, even when it may affect their economic performance, mainly in periods of recession (Cruz *et al.*, 2012). Meanwhile, large companies are more likely to focus on purely economic objectives such as reduction of staff and costs (Felicio and Galindo-Villardón, 2015).

Conclusions

The present study contributes to the literature on aspects of great value in this field of research. The sample of family firms considered in the study adds value given the need for more research on private family firms, isolated from financial markets (Miroshnychenko *et al.*, 2020), as they have more balanced time horizons and investment strategies different from those of listed family firms. Our results contribute to scholarship by helping to close this research gap. In addition to confirming the negative influence of the concentration of ownership on the size of private family firms, we found that the inclusion of the family name in the company name also has a negative influence, which is even greater than that exerted by the ownership concentration. In addition, these type of family organizations can be excessively altruistic towards their descendants, creating inefficiencies (Schulze *et al.*, 2002, 2003). Thus, our study reinforces this idea with the negative impact of family identity on performance, which is important because previous research has shown that the size of a family business is a reflection of business success and a resource for continuity and the creation of transgenerational wealth for the company (Stenholm *et al.*, 2016). This study sheds light on the influence of family identity on company size, a topic that has been scarcely studied so far and which presents inconclusive results, particularly with regard to business name.

The results obtained in this study also have practical implications. We have used the RBV and *familiness* resulting from the interaction of family and company to explain the influence of family business identity on the size of the company. Our findings support empirically the negative influence of family identity on the size of family firms, and, in particular, show that whether to include the family name in the company name is a relevant decision. It is hoped that helping to narrow down the behaviour of Spanish family firms in relation to factors of their family identity can help strategic decision-making. We also consider of great value the differences found with respect to the economic period, in order to shed light on their impact according to the size of the company, so that they can be taken into account by the owners and allow them to be proactive as far as possible for the benefit of their family business. In this sense, smaller companies can take advantage of their greater capacity to adapt more quickly to changes in the environment to overcome the situation and survive in the future (Manzanaque *et al.*, 2021). By carrying out this analysis, we have verified the convenience of family businesses to increase their size in order to promote wealth creation and to ensure their continuity over time. In addition, our results reveal the factors that influence company size, which means that they can help companies decide on strategies that promote enterprise size.

The study is not without limitations. Although the existing globalisation may favour a generalisation of the conclusions obtained, in future research it would be of great interest to extend the sample with data referring to companies located in other countries, which would allow a comparative study to be carried out between different geographical areas. On the other hand, in order to gain a deeper understanding of the influence that family participation exerts on the organisation, we consider it interesting to study the concentration of ownership by

checking whether the company is owned by more than one owner and, if so, to consider whether they are family or non-family members and what percentage of the organisation corresponds to each one. No distinction is made in this paper when incorporating the family name in the company's corporate name. Future research can carry out the analysis by distinguishing between different criteria to define this variable considering patronymic names and acronyms, and even the impact of a toponymic name on economic performance. Finally, although the period covered by the data used in the study has been justified, given that more than a decade has passed since the last year considered, it would be interesting to replicate the empirical analysis with current data for comparison.

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