Building a Family Firm Image: How Family Firms can Capitalize on their Family Ties

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Abstract

In this study, we apply organizational identity theory to examine factors that lead family firms to create a family firm image and investigate how a family firm image impacts firm performance. We find that family firm pride, community social ties, and long-term orientation are positively associated with the likelihood that a firm portrays itself as a family business to consumers and stakeholders. In turn, we find that a family firm image benefits firm performance. Thus, our study demonstrates that by building a family firm image the unique family influences on the firm can be leveraged to create a competitive advantage for family firms.

Introduction

In an effort to stand out in today's crowded marketplace, firm leaders attempt to build a distinct organizational image. Organizational image captures a firm's most central, enduring and distinctive features as intentionally projected to external stakeholders by firm leaders (Dyer & Whetten, 2006; Whetten & Mackey, 2002). Through advertising, communication, symbolism and behavior, a firm reveals its organizational image to the public (Muzellec, 2006). The underlying assumption in building and nurturing a distinct organizational image is that it will lead to increased sales and heighten performance (Karreman & Rylander, 2008). Recent research on family firms suggests that a family-based organizational image contributes to a family firm's ability to attract customers and increase sales (Craig, Dibbrell, & Davis, 2008).

Recent theory that considers the dynamics of the overlapping family and business systems proposes that organizational identity may be a key source of competitive advantage for family firms since their "family identity is unique and therefore impossible to completely copy" (Sundaramurthy & Kreiner, 2008: 416). Complementing organizational image, "organizational identity has been conceptualized as the shared answers to the question, 'Who are we as an organization?'" (Dyer & Whetten, 2006: 788). However, while organizational identity and image are closely linked, little empirical research has examined how organizational identity contributes to organizational image or its effect on performance (Dhalla, 2007; Dyer & Whetten, 2006; Scott & Lane, 2000). Specifically, "there is little information on how organizations strategically construct organizational identity and what factors lead to the construction of organizational identity" (Dhalla, 2007: 248). Indeed, Dyer and Whetten (2006) suggest that future research investigate the connection between organizational identity and family firm image in understanding firm performance. Given that it is intuitively appealing that a family firm image may differentiate family firms in a crowded marketplace, it is surprising that so little research investigates how promoting a business as a 'family firm' enhances firm performance.

The purpose of this paper is to address these calls for research by developing a model of family firm image rooted in organizational identity theory. We define family firm image as the intentional projection of a family business identity to external audiences. While research suggests that family members' concern for their firm's reputation (Anderson & Reeb, 2003) and brand identity (Craig et al., 2008) influence family firm success, the processes through which a firm emphasizes its family firm image and how that impacts firm performance are not clear. Drawing from research on organizational identity theory and family firm distinctiveness, we argue that family firm pride, long-term orientation, and community social ties foster the development and deployment of a family firm image. Briefly, family firm pride was chosen to reflect family members' self-esteem and organizational identification. Long-term orientation was selected to reflect the stable nature of organizational identity and because it is a core value among family firms that strive to sustain the firm for future generations. Lastly, since the role of external stakeholders is critical in forming organizational identity and image (Bartel, 2001; Gioia, Schultz, & Corley, 2000), and family firms are believed to possess rich social capital in their communities (Pearson, Carr, & Shaw, 2008; Sharma, 2008), we include community social ties in our model. We then argue that family firm image explains why family firm pride, long-term orientation and community social ties influence family firm performance, acting as a mediator of these relationships.

This paper makes at least three important contributions to the literature. First, it contributes to the family firm literature by delineating how the family and the business systems of a family firm interact to create a competitive advantage. Specifically, we examine the degree to which a family firm image contributes to firm performance. Such an investigation is important since family firms are often assumed to be concerned with their reputations (Dyer & Whetten, 2006; Steier, 2001) and to be favorably viewed by consumers (Cooper, Upton, & Seaman, 2005; Craig et al., 2008; Sundaramurthy & Kreiner, 2008; Orth & Green, 2009); yet no known study has examined the antecedents and consequences of a family firm image. Second, this paper contributes to research on organizational identity theory by proposing and testing a theory that translates how organizational image (i.e. the reflection of organizational identity to outsiders) impacts firm performance. By applying organizational identity to the family firm realm, we are able to examine a construct of organizational image that can be broadly utilized by any family firm, and yet allows for distinctiveness given each family's unique identity and heritage. Lastly, by drawing from organizational identity theory and the family firm literature that espouses the possible advantages accrued to family businesses due to family involvement, we extend earlier research on the creation of family firm specific resources (Habbershon & Williams, 1999; Habbershon, Williams, & MacMillan, 2003; Pearson et al., 2008). Indeed, we believe that organizational identity theory is uniquely positioned to capture how the family can garner trust, respect and a positive reputation in the marketplace – namely, through family firm image.

Organizational Identity Theory

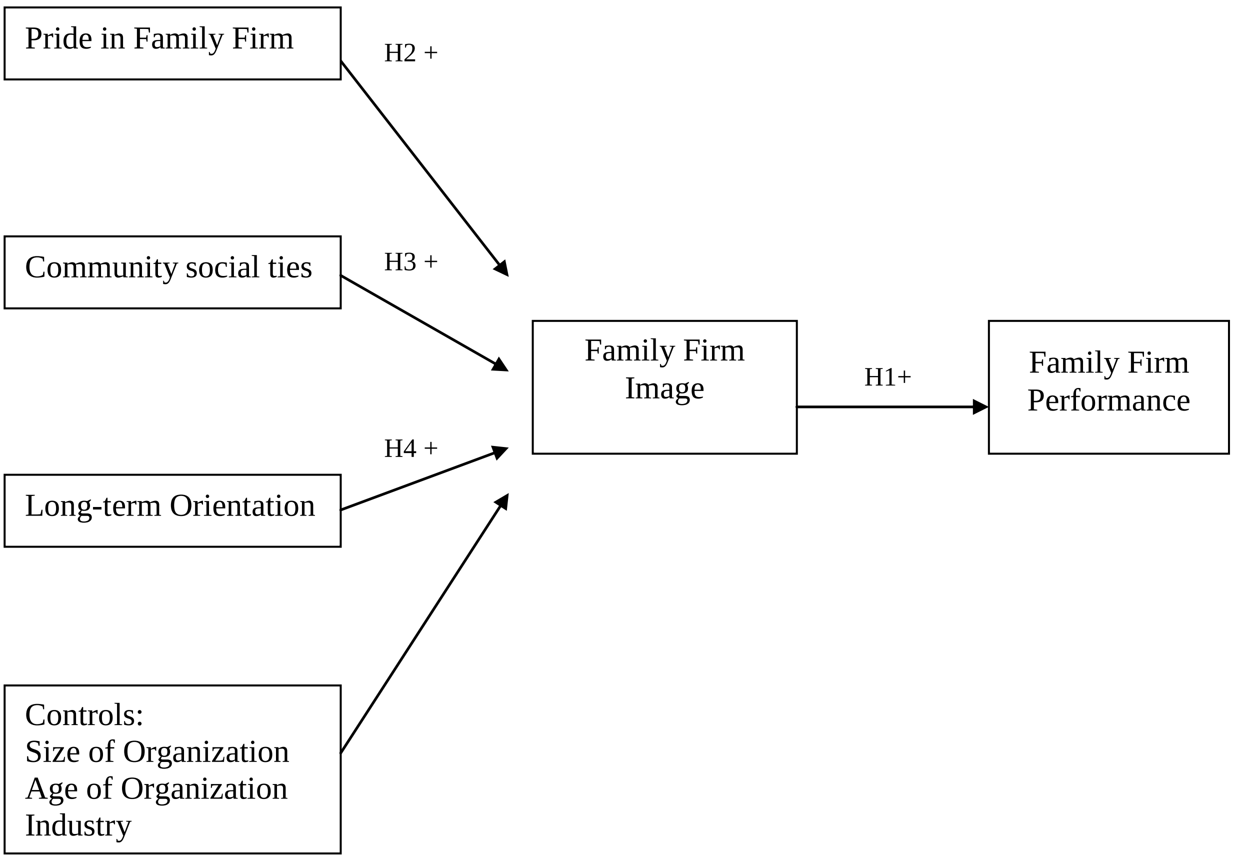
Organizational identity encompasses the core values and beliefs of an organization that its members deem to be the most central, distinctive and enduring (Albert & Whetten, 1985). Through communication, behavior and symbolism an organization reveals its identity to stakeholders (Leuthesser & Kohli, 1997; Van Riel & Balmer, 1997). Organizational identity reflects members' consensual view of "who we are as an organization" and "what we do as a collective" (Nag, Corley, & Gioia, 2007). In this way, it serves both sensemaking and sensegiving functions, providing meaning to members' organizational experiences while also providing a guide for how organizational members should behave and how other organizations should relate to them (King, Felin, & Whetten, 2009/forthcoming; Ravasi & Schultz, 2006). The continuity and coherence of organizational identity enables organizational members "to satisfy their inherent needs to be the same yesterday, today and tomorrow and to be unique actors or entities" (Whetten & Mackey, 2002: 396).

The construction of organizational identity lies in the hands of firm leaders (Karreman & Rylander, 2008). By pursuing a unique set of goals, practices and values, firm leaders are able to create an organizational identity that differentiates their firm from others in the eyes of internal and external stakeholders. It is important that firm leaders create an attractive organizational identity so as to foster organizational identification among organizational members. When organizational members see an overlap between themselves and their organization's image, and see themselves as similar to their organization, they will work to "reaffirm positive aspects of the organization in the interest of their own needs for self consistency and self-esteem" (Scott & Lane, 2000: 48). In addition, organizational identity influences external audiences' interpretation of the firm's image and branding practices (Karreman & Rylander, 2008) thereby affecting the public's perception of the firm's products, strategies and employees (Fombrun & Shanley, 1990). As such, organizational identity provides the context within which internal and external stakeholders interpret and assign meaning to firm behavior (Ravasi & Schultz, 2006).

Given that organizational identity differentiates one organization from others in the eyes of organizational members and external audiences (King et al., 2009/forthcoming; Scott & Lane, 2000), family businesses may be particularly proficient at creating unique identities since they are able to integrate elements from both the family and business domain (Sundaramurthy & Kreiner, 2008). Integrating the family component into the identity of a family firm may provide the firm with an important and non-imitable source of competitive advantage (Sundaramurthy & Kreiner, 2008). A shared family name, common history and kinship can promote a strong, shared identity in family firms encouraging organizational members to uphold firm values and pursue firm goals (Sundaramurthy & Kreiner, 2008). Further, being known as a "family firm" may be perceived as a positive and distinct attribute in the minds of consumers thus contributing to firm performance. Therefore, organizational identity theory appears to be an appropriate perspective for investigating how a family firm is able to capitalize on its unique family specific advantages.

Accordingly, we first argue that organizational image influences firm performance, focusing specifically on family firm image. Then, we draw from organizational identity theory to explain how a family firm builds a family firm image. Because organizational identity captures "Who we are as an organization," highlighting the central and distinctive elements of a business (Albert & Whetten, 1985; Whetten & Mackey, 2002), we first consider family firm pride. Our view of family firm pride is in line with research on organizational identity theory that emphasizes the importance of self-esteem in promoting organizational identification (Ashforth & Mael, 1989; Scott & Lane, 2000). Since organizational identity is seen as enduring (Albert & Whetten, 1985), reflecting core beliefs and values that extend over time (Gioia et al., 2000), we include long-term orientation in our examination. A long-term orientation is thought to be a common characteristic among successful family firms (i.e., Corbetta & Salvato, 2004; Dyer & Whetten, 2006; Miller, Le Breton-Miller, & Scholnick, 2008) and appears to be associated with a family's concern for its image in the public's eye (Dyer & Whetten, 2006). Lastly, because organizational identity is constructed via internal/external interaction (Gioia, 1998; Gioia et al., 2000) and recent research on organizational identity has stressed the importance of an organization's orientation toward independence or interdependence with external stakeholders in forming an organizational identity (Brickson, 2005; 2007), we investigate the influence of community social ties on family firm image and performance. Social ties, which are unique in family firms since they can originate from the family or firm domain, are believed to be a key resource for family firm success (Arregle, Hitt, Sirmon, & Very, 2007; Sirmon & Hitt, 2003). Thus, we chose variables that are in accordance with organizational identity theory, but also may be distinct sources of competitive advantage for family firms. Figure 1 summarizes our hypothesized relationships. We expect that the effects between family firm pride, long-term orientation, community social ties, and family firm performance are mediated by family firm image. Our hypotheses are presented below.

Figure 1: Antecedents of Family Firm Image and Performance



Family Firm Image

Organizational image is "what organizational agents want their external stakeholders to understand is most central, enduring and distinctive about their organization" (Whetten & Mackey, 2002: 401).[1] It provides firm leaders with the opportunity to build organizational identity by creating a sense of meaning and portraying symbols of the organization that can be recognized by stakeholders (Karreman & Rylander, 2008; Scott & Lane, 2000). An organization's image is intentionally projected to external audiences and is often tied to an organization's goals and strategies (Dyer & Whetten, 2006; Fombrun & Shanley, 1990; Gilpin, 2008; Hudson, 2008). In constructing their organization's image, firm leaders hope to differentiate their organization from others. According to the institutional approach to organizational identity, firm leaders share their views of what an organization is and represents within the organization by providing organizational members with consistent narratives that allow members to construct a collective sense of self and provide meaning to their organizational experience (Gilpin, 2008; Ravasi & Schultz, 2006). As such, an image creating activity is an integral part of organization identity construction "since it serves the dual purpose of making public what is special, unique or distinctive about organizations" to stakeholder "while simultaneously providing the mechanisms through which managers explore what an organization is about – that is, what its core values and its central beliefs are" (Scott & Lane, 2000: 45).

Family firms may be particularly motivated to create a favorable image in the minds of external stakeholders. Drawing from organizational identity theory, Dyer & Whetten (2006) argued that because family firm members are likely to view their businesses as extensions of themselves and their family, they will go to great lengths to maintain a positive organizational image. Family members know that they cannot switch families if their family firm's image is damaged; they have a strong desire to view themselves and their family positively understanding that their individual identity is inextricably intertwined with their organization's identity (Dyer & Whetten, 2006; Short, Payne, Brigham, Lumpkin, & Broberg, 2009). Capitalizing on a firm's family status may even be away to build a distinct corporate brand.

Corporate branding allows organizations to create a cognitive image of the organization (Einwiller & Will, 2002; Smidts, Pruyn, & Van Riel, 2001) fostering a connection between the organization's identity and the products and services it sells. Recently it has been demonstrated that developing a family–based brand identity positively contributes to firm growth and profitability through its influence on customer-centered values (Craig et al., 2008). Businesses that promote a family firm image may be able to capitalize on customers' positive perception of family firms since these firms are seen as trustworthy (Tagiuri & Davis, 1996; Ward & Aronoff, 1995; Orth & Green, 2009), customer-focused and quality driven (Cooper et al., 2005; Sundaramurthy & Kreiner, 2008). Research also suggests that family firms are less likely to participate in questionable or irresponsible social practices

[1] We need to stress that our paper focuses on organizational image and that this construct is distinct, albeit related to reputation. While organizational image focuses on the portrayal of a firm to external stakeholders (Hudson, 2008), organizational reputation is "a particular type of feedback, received by organizations from their stakeholders, concerning the credibility of the organization's identity claims" (Whetten & Mackey, 2002: 401). Economic models of reputation view marketing efforts as imaging cues designed to influence the perceptions of external audiences (Fombrun & Shanley, 1990). A positive organizational reputation can also be a source of competitive advantage that allows a firm to charge premium prices (e.g., Klein & Leffler, 1981), attract new clients (Fombrun, 1996), enhance access to capital markets (Beatty & Ritter, 1986) and sustain market share during industry downturns (Fombrun, 1996). In an effort to increase sales, firms compete for reputational status (Fombrun & Shanley, 1990) and work to create an organizational image that will build a reputation that is seen as favorable, strong and unique in the minds of customers (Karreman & Rylander, 2008; King & Whetten, 2008).

(Dyer & Whetten, 2006). Therefore, a strong family firm image may be a source of competitive advantage for family firms.

However, not all family firms choose to portray a family image or even see themselves as family firms (Westhead & Howorth, 2007). Recent research applying organizational identity theory has acknowledged that family firms have two relevant identities – the family and the business – that can be segmented or integrated to different degrees (Sundaramurthy & Kreiner, 2008). Businesses like SC Johnson that portray their firm as “A Family Company” can be seen as having a highly integrated identity, where the family and business identities are intermingled. In contrast, some family businesses choose to ignore or downplay their family firm status, resembling non-family firms. Perhaps the (mis)perception that family firms are resistant to change and stagnant (Eddleston, Kellermanns, & Sarathy, 2008; Miller et al., 2008) causes these firms to avoid building an image as a family firm. Yet, because an organizational identity can be an important and nonimitable source of competitive advantage, and a family’s identity is unique and thus impossible to completely copy (Sundaramurthy & Kreiner, 2008), we argue that a strong family firm image will be associated with greater firm performance. Therefore:

Hypothesis 1: Family firm image is positively related to family firm performance.

Family Pride

Family firm pride captures the esteem and respect family members possess toward their family firm. Although it can be seen as similar to the concepts of organizational commitment and psychological ownership, it is distinct in that organizational commitment seeks to answer the question: “Should I maintain membership in this organization and why?,” psychological ownership answers the question: “What do I feel is mine?,” (Pierce, Kostova, & Dirks, 2001) while pride addresses the question: “How do I feel about others knowing that I am member of this organization?” Pride is unique in that it reflects concern for outward appearances and acceptance, alerting others that one deserves greater status and approval (Tracy, 2004). Given pride’s apparent regard for others’ opinions, we believe that family firm pride may influence a family firm’s decision to create a strong family firm image. In simple terms, when family members believe their firm, its history or even their family are impressive, they may be more inclined to construct a family firm image. In contrast, when family members are embarrassed of their family firm’s past or family affiliation, they may be more likely to hide their family firm status. Drawing from organizational identity theory, below we explain how pride may affect family firm image and performance.

Identity theory purports that pride is an important consequence of heightened identification with an organization or group (Ashforth & Mael, 1989). Cable and Turban (2003) note that people derive pride from organizational membership and that employers are an important part of employees’ self-concept (Brown & Marshall, 2001; Dutton, Dukerich, & Harquail, 1994). Theory and research suggest that organizational members’ individual identity is closely linked to their organization’s identity (e.g., Ashforth & Mael, 1989; Dutton et al., 1994; Scott & Lane, 2000). In particular, people who perceive their organizations as attractive and are highly connected and visible members of their firms, are most likely to strongly identify with their organizations (Ashforth & Mael, 1989; Dutton et al., 1994). The need for self-consistency, self-esteem and pride leads firm leaders to construct an organizational image that they believe will enhance goal attainment and is in line with their sense of self (Scott & Lane, 2000). Indeed, Scott and Lane (2000) suggest that the most effective firm leaders are driven to build a positive organizational image because their personal pride overlaps with their organization's identity.

Pride is an important element to family firms and unique since the successes, accomplishments and triumphs of one family member can become a shared identity and history for the entire family (Ward & Aronoff, 1995). Further, family firm pride may be particularly enduring and strong given the family element. For example, Ashforth discusses how identities are most strongly formed and endured when they are enacted in a "local, tribal context" (1998: 279) and Fiske (1991) acknowledges the strength and enactment among close kin. It has been suggested that because their self-esteem is tied to their identification with their family and firm, it is only natural that family firm leaders would make a concerted effort to build a positive organizational image (Miller et al., 2008). Unlike non-family firms, family firms are conscious of the fact that a bad public image could "soil the good name of the family" (Dyer & Whetten, 2006: 791). Thus, family firm pride should be positively associated with a family firm image.

It is also argued that family firm pride will positively affect firm performance. Family ties create an emotional bond and sense of commitment that encourage family members to pursue a common set of goals (Sundaramurthy & Kreiner, 2008). "Fulfilling family obligations can be a source of pride, serve as an important nonmonetary incentive, and provide a common rallying ground for members of the family firm" (Sundaramurthy & Kreiner, 2008: 425). Research on organizational identity theory suggests that individuals who strongly identify with their organizations feel an increased sense of responsibility for the organization (Dipboye, 1977) and provide helpful and supportive behaviors to their firms (Dutton et al., 1994). Similarly, employee morale encourages organizational members to exert extra effort to achieve firm goals (Gunter & Furnham, 1996) and organizational pride has been found to be an important component of job satisfaction which thereby contributes to firm performance (Smithey-Fulmer, Gerhardt, & Scott, 2003). Further, Sundaramurthy and Kreiner (2008) suggest that strong family firm pride causes family members to police one another's behavior, contributing to firm performance. Since organizational pride has been suggested to be associated with organizational prestige (Smidts et al., 2001), families that are prominent and prestigious may have an advantage at raising money and attracting and retaining customers (Steier, 2001). Family firm pride may also encourage family members to invest in the family business, fostering growth and prosperity. As such, family firm pride is expected to have a positive influence on firm performance.

Taken together, our arguments suggest that the effect of family firm pride on performance occurs primarily through the benefits of a family firm image. That is, the esteem and respect family members possess toward their firm is expected to translate into high firm performance through the reflections of a family firm image to stakeholders. Hence, we expect family firm image to mediate the relationship between family firm pride and firm performance.

Hypothesis 2: The relationship between family firm pride and performance is mediated by family firm image.

Community Social Ties

Organizational identity is believed to be affected by external stakeholders (i.e., Gioia, 1998; Gioia et al., 2000; Smidts et al., 2001) whereby organizational members develop and refine their organizational identity based on information gathered from external parties (Hatch & Schultz, 2002). This view of organizational identity "builds on the idea that identity is a relational construct formed in interaction with others" (Hatch & Schultz, 2002: 992). Because individuals aim to accentuate their organization's distinctiveness, social comparisons with other firms are an important means through which organizational members build their organizational identity (Bartel, 2001). Social interactions with external stakeholders assist in making an individual's organizational identity more salient (Bartel, 2001). Through these social interactions with external parties, organizational members come to learn about the public's expectations and perceptions of the organization (Dutton et al., 1994). In turn, the perception of how external stakeholders view the organization is expected to influence an organization's image (Dhalla, 2007; Gioia & Thomas, 1996). Accordingly, social ties in one's community may act as a mirror for organizations – showing firm leaders how the public views the firm as well as how the firm is distinct from other firms in the community. As such, social ties may assist in the development of a distinct organizational identity and the creation of a unique organizational image.

Firms often align themselves in a community with like-minded organizations, and in the case of family firms – often other family firms (Lester & Cannella, 2006). Through linkages to other firms, family firms develop shared language, norms and core values, learning how family firms are expected to behave (Lester & Cannella, 2006). Frequent interactions allow parties to know one another, share important information and to create a common point of view (Tsai & Ghoshal, 1998; Walter, Lechner, & Kellermanns, 2007). As they interact with other firms in their community, they may then come to appreciate their unique family heritage and the importance of family within their organizational identity. Because social comparisons promote sensemaking and information gathering (Bartel, 2001), community social ties may help family firms to understand the socially desirable features the public often associates with family firms. Consequently, this knowledge of how the community views the firm is expected to strengthen family firm image.

Specifically, family firms often work to build strong social ties in their communities so that the next generation can benefit from the accrued trust, cooperation and social capital. A firm's support for a community tends to be reciprocated over time through the loyalty of customers, employees, suppliers, and stakeholders (Niehm, Swinney, & Miller, 2008). Such firms understand the importance of goodwill and social capital derived from their communities and therefore these firms make a concerted effort to build a positive family firm image (Miller et al., 2008). Furthermore, due to their personal involvement in the family firm, family leaders are able to develop more consistent, durable and credible relationships with community leaders, banks and other local organizations (Arregle et al., 2007; Carney, 2005; Lounsbury & Glynn, 2001; Sirmon & Hitt, 2003). Community ties are seen as an important mechanism through which family leaders protect and nurture their businesses (Lester & Cannella, 2006), helping them to build a positive organizational image. Social capital research suggests that community involvement is an investment in a firm's reputation and image (Spence, Schmidpeter, & Habisch, 2003). Indeed, membership in a community network has been argued to enhance a family firm's image (Lester & Cannella, 2006; Salvato & Melin, 2008; Sharma, 2008).

Building on research on the importance of social capital to family firms, we argue that community social ties will positively affect family firm performance through the creation of a family firm image (i.e., Pearson et al., 2008; Sharma, 2008; Sirmon & Hitt, 2003). Social capital refers to the "sum of the actual and potential resources embedded within, available through, and derived from" social ties within a network (Nahapiet & Ghoshal, 1998: 243). Within the family business literature, it has been proposed that family firms are often capable of deriving rich social capital since it is naturally embedded within the idiosyncratic family unit and the ties the family has with external stakeholders (Arregle et al., 2007; Pearson et al., 2008).

Through a diverse set of social ties, an organization may gain access to other organization's resources and knowledge (Powell, Koput, & Smith-Doerr, 1996; Tsai & Ghoshal, 1998) as well as customer and supplier referrals, business advice and capital, and access to opportunities that can lower risk and increase capabilities (Chang, Memili, Chrisman, Kellermanns, & Chua, 2009; Jack, Dodd, & Anderson, 2004; Peredo & Chrisman, 2006). Family firms with strong social ties in their communities are more easily able to communicate the value of their goods and services to potential customers and to garner strategic resources (Sirmon & Hitt, 2003). Given that relational exchanges and trust are built over time, the complex networks and enduring relationships that family firms build within their communities can be a primary source of competitive advantage (Miller et al., 2008; Sirmon & Hitt, 2003; Sorenson, Folker, & Brigham, 2008; Steier, 2001). Indeed, family firms that have strong social ties are expected to compete more effectively than those that lack social ties (James, 1999; Sharma, 2008; Sirmon & Hitt, 2003). Additionally, the personal responsibility that well-connected family business leaders often feel for their communities can push them to grow their businesses so as to benefit their local area and townspeople (Stavrou, 1998).

Therefore, we propose that family firm image helps to explain why community social ties contribute to family firm performance. In accordance with a meditational linkage (see Baron & Kenny, 1986), we expect the relationship between community social ties and performance to diminish in the presence of family firm image.

Hypothesis 3: The relationship between community social ties and performance is mediated by family firm image.

Long-term Orientation

A long-term orientation refers to an organizational culture that favors patient investments in long-term and sometimes risky activities (Hitt, Hoskisson, Johnson, & Moesel, 1996; Zahra, Hayton, & Salvato, 2004). A long-term orientation is thought to be prevalent in family firms and many family firms can be characterized as displaying longer-term planning horizons (e.g., Burkart, Pannunzi, & Shleifer, 2003; James, 1999; Miller & Le Breton-Miller, 2006; Miller et al., 2008; Sirmon & Hitt, 2003; Zellweger, 2007). In particular, maintaining the business for future generations is often an important goal for family firms (e.g., Gómez-Mejía, Hynes, Núñez-Nickel, & Moyano-Fuentes, 2007; Kets de Vries, 1993; Ward, 1997). Family firm leaders dream of passing on a legacy to their posterity as well as a sustainable income stream for future generations (Dyer & Whetten, 2006). A long-term orientation is complementary to the long time spans advocated by successful family businesses (Corbetta & Salvato, 2004) and has been depicted as a unique resource for family firms (Sirmon & Hitt, 2003). This depiction of long-term orientation as a distinct core value of many family firms is in line with recent research on organizational identity theory that demonstrates how organizational identity not only creates meaning for work practices, but also guides organizational behavior and decision-making (Nag et al., 2007). Accordingly, below we draw from organizational identity theory to argue that a long-term orientation will influence a family firm's image and performance.

Core features of organizational identity are presumed to be resistant to "faddish attempts to alteration because of their ties to the organization's history" (Gioia et al., 2000: 64). Although it is possible for an organizational identity to be reframed or re-interpreted, the core beliefs and values that comprise an organizational identity extend over time and context (Gioia et al., 2000). Organizational identity reflects an organization's unique features and how it reveals its values through communication and behaviors (Muzellec, 2006). As such, organizational identity builds upon a firm's heritage while also setting a course for the firm's future. It is about behavior as much as it is about appearance (Muzellec, 2006). With this in mind, a long-term orientation may reflect an enduring value of family firms that contributes to their success.

Specifically, in working to create a long lasting successful firm, family firm leaders often build companies that are resistant to faddish trends (Craig et al., 2008), instead choosing to promote the longstanding nature of the family firm with continuous family involvement and steadfast investment strategies. Because the firm can be seen as a vehicle to nurture the family's future through jobs, security and income for the next generation, the long-term orientation of family firms is believed to push them to invest in the business for continued prosperity and growth (Gómez-Mejía et al., 2007; Miller et al., 2008). Long-term orientation fosters enduring relationships with key stakeholders, particularly customers (Aronoff & Ward, 1995; Dick & Basu, 1994; Habbershon & Williams, 1999; Lyman, 1991). Accordingly, the concern for the long haul encourages family firm leaders to focus on building customer loyalty (Miller et al., 2008) and an image that stresses quality and customer-service (Sundaramurthy & Kreiner, 2008). Furthermore, a long-term orientation appears to cause family firms to protect their family name and image of their firm in the public's eye (Dyer & Whetten, 2006). Building a family firm image may help family firms to leverage their patient investments and long-term strategies by demonstrating to customers that they are here for the long haul and committed to serving their long-term needs. When family firms make advertising statements like "Our family serving yours for the last three generations," organizational identity theory would suggest that they are proclaiming their enduring family involvement and their longstanding commitment to serving customers – in the past, present and future. Therefore, we argue that a long-term orientation is positively related to a family firm image.

Furthermore, because fast-growth, high performing family firms have been found to develop long-term goals and strategies (Upton, Teal, & Felan, 2001) and advocate long-term financial performance (McCann, Leon-Guerrero, & Haley, 2001), a long-term orientation may contribute to family firm success. Zahra and colleagues (2004: 363) note that a long-term orientation allows family firms to "dedicate resources required for innovation and risk taking, thereby fostering entrepreneurship." Because these firms are not subjected to short-term performance pressures, they are able to create investment portfolios that have higher performance potential in the long run (Miller & Le Breton-Miller, 2005; Zellweger, 2007). In long-term oriented firms, family members may be more apt to put aside the pursuit of short-term personal gains for the well-being of the family firm. Indeed, long-term investments and long-term planning appear to promote the success of family firms across generations (Zahra et al., 2004). A long-term orientation may also lead family firms to focus on building enduring customer relationships that contribute to performance. For example, when firms establish long-term relationships with customers, customers tend to purchase more, spend less time in the purchasing process, be less price sensitive, and influence other potential customers to purchase (Reichheld, 1996).

In accordance with this set of arguments, we propose that the effect of a long-term orientation on performance occurs primarily through a family firm image. That is, a family firm image explains why a long-term orientation contributes to family firm performance. We therefore hypothesize that family firm image will mediate the relationship between long-term orientation and family firm performance.

Hypothesis 4: The relationship between long-term orientation and performance is mediated by family firm image.

Method

We used mail-surveys to collect our data, which is consistent with prior research on family firms (e.g., Eddleston et al., 2008; Schulze, Lubatkin, & Dino, 2003). We obtained a mailing list of 1250 privately held family businesses from a family business center at a major Swiss university. These businesses defined themselves as family firms through their affiliation with the family business center. Additionally, for all firms in the study ownership lied within the family and at least two family members were employed by the business. After one follow-up mailing, 219 questionnaires from 179 firms were returned, resulting in a 14.3% response rate, which is satisfactory for privately held firms (e.g., Chrisman, Chua, Chang, & Kellermanns, 2007; Eddleston & Kellermanns, 2007).

In order to ensure a high level of response quality, we relied on key informants (Kumar, Stern, & Anderson, 1993; Seidler, 1974). Rather than choosing respondents randomly, we focused on the family CEO with an ownership stake in the firm to gain in-depth knowledge about organizational image, performance, and associated antecedents. Note that we collected data from two respondents for a subset of the sample (39 pairs) to validate our key-informant approach. For all variables in the study, the r_{wgs} were acceptable ($r_{wg\text{ – Family Firm Pride}} = .91$, $r_{wg\text{ – Community social ties}} = .92$, $r_{wg\text{ – Long-term Orientation}} = .90$, $r_{wg\text{ – Family Firm Image}} = .89$, $r_{wg\text{ – Performance}} = .92$), indicating that focusing on a key respondent was justified.

Additionally, we performed a confirmatory factor analysis (CFA). Values that exceed .90 for the incremental fit index (IFI) and comparative fit index (CFI) are seen as indicating acceptable fit (Hu & Bentler, 1999; Hu & Bentler, 1995; Mulaik, James, Alstine, Bennett, Ling, & Stilwell, 1989). Our analysis resulted in an IFI=.904, CFI=.9029, $\chi^2 = 373.636$ and χ^2/DF ratio of 1.762. χ^2/DF ratios below 5 indicate very good fit (Bollen & Long, 1993). Further, the root mean square error of approximation (RMSEA) for the model was .059, which is below the .08 threshold for indicating good fit (Hu & Bentler, 1999; Hu & Bentler, 1995; Mulaik et al., 1989). These analyses suggest that the constructs exhibit discriminant validity.

Although we found only moderate levels of correlation between our variables, we centered the variables (Cronbach, 1987), calculated variance inflation factors (all < 2.164) and condition indices (all < 29.214) to check for multicollinearity. All indices were below the suggested warning level (Hair, Anderson, Tatham, & Black, 1998). We then tested for common method bias as suggested by Podsakoff and Organ (1986). We entered the items of the independent and mediator variables into a factor analysis and extracted five factors with Eigenvalues > 1.0, which accounted for 63.74% of the variance. The first factor accounted for 17.18% of the variance, while the remaining factors accounted for 46.53% of the variance. Therefore, common method bias does not appear to be a problem in our study.

As further described below in the results section, we entered all independent variables as a block and then tested for mediation. To further verify the robustness of our results, we also tested each mediation effect individually. The results and significance levels for the individually tested effects were identical to the results reported in this paper.

Lastly, we need to address the potential for endogeneity in our study. It is possible that our family firm image variable is not exogenous and that the estimation of performance could be biased. To attend to this issue we utilized two instrumental variables which assessed family firm harmony and locally-based customer loyalty. These variables were chosen because the image the firm wishes to project is likely influenced by the ability of the family to work together and the perception that local townspeople endorse and support the family firm (Arregle et al., 2007; Craig et al., 2008; Sirmon & Hitt, 2003). Using Stata 11.0 and the programs IVENDOG and IVREG (e.g., Baum, Schaffer, & Stillman, 2002), we ran a two-stage least-squares regression (Hamilton & Nickerson, 2003) and estimated the Wu-Hausman F-test and the Durbin-Wu-Hausman test. Non-significant *F*-tests and non-significant chi-square tests as part of the Durbin-Wu-Hausman analysis suggested that the independent variable in question is exogenous, and that the estimates are unbiased and can thus be reported (Davidson & Mackinnon, 1983). In sum, our findings suggest that endogeneity is not a significant concern in our study (F = .06467; p = .80; and χ^2 = .06965; p = .79).

Measures

All constructs were measured using Likert-type scales with a 7-point response format ranging from “strongly disagree” to “strongly agree.” Our items assessing the respondent’s *family firm pride* were adapted from Smithey-Fulmer et al. (2003). To measure *community social ties,* we followed Tsai and Ghoshal (1998) and measured social resources embedded not only in interfirm relationships but also in close relationships with community leaders and social organizations. Our measure of *long-term orientation* was adapted from Zellweger (2007) and based on the impact of an increased time horizon on strategic opportunities of firms. Our measure of *family firm image* was inspired by the work of Craig, Dibrell and Davis (2008) and Dyer and Whetten (2006). For the individual items and the alphas of the associated constructs, please refer to Appendix A.

For *performance*, we utilized six performance-related questions regarding the firm’s financial profit, growth, and return on equity capital. Multiple performance indicators were warranted due to the underlying multidimensionality of the performance construct (e.g., Cameron, 1978). We stress that subjective performance measures are often utilized due to the lack of objective data for companies that are not publicly traded (Love, Priem, & Lumpkin, 2002). Prior research has shown that such subjective measures of performance are correlated with objective performance data in family firms (Ling & Kellermans, 2010). Individual performance measures were added to calculate overall performance, with higher values indicating better performance (e.g., Dess & Robinson, 1984). The alpha was .80.

We utilized eight different *control variables* in our study. First, we controlled for *industry* level effects with five dummy codes because family firm image may be more important in certain industries than others (Capon, Farley, & Hoenig, 1990). Second, we controlled for *family firm age* to address any liability of newness concerns (Stichcombe, 1965) that may negatively affect the ability to build and leverage a firm’s image. Third, we controlled for *firm size*, as larger firms may have more resources to invest in image related activities.

Results

The means, standard deviations, and zero-order correlations are shown in Table 1. We tested the hypotheses via multiple regression analysis. The results are shown in Table 2.

We tested for mediation in five models. In Model 1, performance was regressed on the control variables. In the second model, performance was regressed on our independent variables. All independent variables showed a significant relationship to performance. Pride in the family firm ($\beta = 0.159$, $p < .05$), community social ties ($\beta = 0.143$, $p < .05$), and long-term orientation ($\beta = 0.260$, $p < .001$) positively affected family firm performance. In a third model, we regressed performance on family firm image ($\beta = 0.321$, $p < .001$). Since the mediator was significant as well, the initial preconditions for meditation were fulfilled. In the next step (model 4), we tested the independent variables' significance in relation to the mediator. Pride in the family firm ($\beta = 0.490$, $p < .001$), community social ties ($\beta = 0.166$, $p < .01$), and long-term orientation ($\beta = 0.154$, $p < .01$) were significant predictors of family firm image. In the final step (model 5), to test for full or partial mediation, we regressed performance on all variables. The mediator remained significant ($\beta = 0.184$, $p < .05$), suggesting that family firm image fully mediates the effects of family firm pride and community social ties on family firm performance and partially mediates the relationship between long-term orientation and family firm performance.

Discussion and Implications

Based on organizational identity theory, our study set out to investigate the impact of family firm image on firm performance. Recent research has proposed that family members' concern for the public's perception of the business may serve as motivation that thereby leads them to outperform their non-family firm counterparts (Anderson & Reeb, 2003; Craig et al., 2008). With little empirical research to draw upon, our study indeed shows that family firm image is positively related to firm performance. Hence, nurturing the public's perception of a business as a family firm allows the business to create a positive cognitive image of the organization (Einwiller & Will, 2002; Smidts et al., 2001), fostering a connection between the organization's identity and its products and services. As such, our study extends the research by Craig and colleagues (2008) by showing that the promotion of a business as a family firm generates excess returns, for example through the perception that they are trustworthy (Tagiuri & Davis, 1996; Orth & Green, 2009; Ward & Aronoff, 1995), customer-focused and quality driven (Cooper et al., 2005; Sundaramurthy & Kreiner, 2008). Accordingly, family firm image can be seen as a unique competitive advantage for family firms.

Additionally, by applying organizational identity to the family firm realm, we have been able to examine a construct of organizational image that can be broadly utilized by any family firm, and yet allows for distinctiveness given each family's unique identity and heritage. By discussing three main factors with a positive impact on family firm image, we are able to provide a nuanced picture regarding how to optimize the intricate synergy between family and business. More specifically, we find that family firm pride has a positive impact on family firm image and in turn performance. We therefore conclude that when family members believe in their firm and its history, they are more inclined to construct a strong family firm image that can be exploited through the promotion of the business as a family firm in the market place.

Table 1: Descriptive Statistics and Correlations

Variables	Mean	SD	1.	2.	3.	4	5.	6.	7.	8.	9.	10.	11.
1. Construction-Related Industries	.27	.44											
2. Wood Processing-Related Industries	.07	.26	-.17*										
3. Engineering-Related Industries	.10	.29	-.20**	-.09									
4. Service-Related Industries	.30	.45	-39***	-.18*	-.21**								
5. Manufacturing-Related Industries	.13	.32	-.23**	-.11	-.12	-.24***							
6. Family Firm Age	69.08	38.08	.18*	-.08	-.05	-.31**	.12						
7. Family Firm Size (Employees)	340.97	1907.52	-.06	-.03	-.05	-.07	.26***	.03					
8. Family Firm Pride	5.82	.90	.10	-.16*	-.06	-.05	.10	.19*	.09				
9. Community social ties	5.46	.97	.09	-.17*	.08	-.04	-.06	.13†	.05	.25***			
10. Long-term Orientation	4.30	1.10	-.15*	.00	.03	.05	.03	.02	.09	.12	.09		
11. Family Firm Image	4.99	1.19	.27***	-.05	-.03	-.21**	.03	.30***	.09	.58***	.32***	.20**	
12. Family Firm Performance	4.29	1.12	-.21**	-.15*	.03	.09	.19*	-.02	.13†	.23**	.20**	.32***	.23**

N =179, † p <.10: * p <.05; ** p <.01: *** p <.001

Table 2: OLS Regression

	Performance	Performance	Performance	Family Firm Image	Performance
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Control:					
Construction	-.198†	-.165†	-.273	.229**	-.207*
Wood Processing-	-.166†	-.114	-.171	.112†	-.134†
Engineering	-.003	-.003	-.012	.041	-.010
Service	.012	.020	.022	-.027	.025
Manufacturing	.107	.123	.096	.026	.118
Family Firm Age	-.012	-.063	-.088	.141*	-.089
Family Firm Size (Employees)	.085	.042	.057	.029	.037
Independent Variables					
Family Firm Pride		.159*		.490***	.069
Community social ties		.143*		.166**	.112
Long-term Orientation		.260***		.154**	.231***
Mediator					
Family Firm Image			.321***		.184*
R^2	.097	.231	.185	.475	.249
Adjusted R^2	.060	.185	.147	.444	.199
F	2.636*	5.051***	4.831***	15.224***	5.030***

N = 179, † p <.10: * p <.05; ** p <.01: *** p <.001

Second, our study shows that community social ties have a positive impact on performance through family firm image. In line with recent suggestions that identities are socially constructed (Nag et al., 2007) and that they emerge from interactions with internal and external stakeholders (Scott & Lane, 2000), strong community social ties were found to nurture a family firm image, which in turn strengthened performance. This result adds to the wider literature that explores the relationship between social ties and performance. While social ties can influence firm performance in a variety of ways (Arregle et al., 2007), our study suggests that one way family firms can benefit from strong social ties is through the development of a family firm image. Given our findings, more research is needed that explores how strong community social ties encourage family firms to build a family firm image, and how this, in turn, benefits their performance within the community.

Lastly, we show that family firm image partially mediates the relationship between long-term orientation and performance. Although research shows that an organizational identity can be partly mutable and reinterpreted over time (Gioia et al., 2000), because an organizational identity builds upon a firm's heritage and history, it is resistant to attempts of alteration. Family firms with a long-term orientation may be particularly proficient at creating a coherent and enduring image for their businesses-es. Family firms that are patient and prefer long-term investment strategies may decide to build a family firm image so as to communicate their stable family heritage and traditional values. Perhaps this is a reason why family firms are often seen as trust-worthy. Additionally, our results indicate that long-term orientation directly affects family firm performance, after taking into account family firm image. Given the pivotal role of a long-term orientation for family firms (Gómez-Mejía et al., 2007), future research is certainly needed.

Limitations and Implications

We need to mention a few limitations of our study. We developed several new measures. Therefore, future researchers should refine and further validate these measures. We also need to mention that our data collection is cross-sectional and that it therefore poses the threat of common method bias. However, results from the single factor test (Podsakoff & Organ, 1986) should diminish these concerns. Research suggests that while common method bias may be present, it does not significantly affect results or conclusions (e.g., Doty & Glick, 1998). Still, future research would benefit from a longitudinal design.

Our performance indicator was self-reported. While we encourage future research to utilize objective performance data, these objective measures were not available for the firms in our study since they are not publicly traded. However, prior research has shown that self-reported and actual performance measures in family firms are correlated (Ling & Kellermans, 2010). Lastly, although we focused on CEOs' perceptions in our study, concerns over single respondent bias should be mitigated since our measures were assessed similarly in a sub-group of our sample where multiple respondents were available.

Despite these limitations, our study provides several avenues for future research. While we focus on the benefits of a family firm image, it would be interesting to explore if a family firm image could harm a family firm in certain scenarios. Driven by the need to maintain a consistent identity, family firms might be particularly challenged when faced with a changing environment or identity threat (Elsbach & Kramer, 1996). Identity has often been depicted as a relatively enduring organizational feature that impedes strategic change, mainly because members are viewed as avoiding learning to preserve existing conceptions of themselves and their organizations (Brown & Starkey, 2000). Studies on organizational identity and strategic change have highlighted the problems organizations face in changing their identities when faced with new imperatives (Bartunek, 1984; Gioia & Thomas, 1996; Nag et al., 2007). Indeed, it has been argued that a family firm image may have a dark side when it comes to adaptation and overcoming identity threats (Sundaramurthy & Kreiner, 2008). For example, while a family firm is often seen as trustworthy, customer-focused and quality driven, what perception arises when these firms are viewed as "mom and pop shops"? Are there certain industries, particularly dynamic and innovative industries, where it could be harmful to utilize a family firm image?

Aside from the antecedents of family firm image we have investigated in our study, other antecedents of family firm image can be studied. For instance, harmony and conflicts between family members (Kellermanns & Eddleston, 2004) and forms of commitment in family firms (e.g., Sharma & Irving, 2005) may affect family firm image. In addition, other organizational outcomes of family firm image such as marketing strategy (e.g., Knight, 2000) or non-financial performance/goals could be investigated (e.g., Zellweger & Astrachan, 2008).

Our study has several implications for theory. First of all, we add to the growing literature that explores how family involvement in business activity affects performance. Other scholars have applied the resource based view (e.g., Habbershon & Williams, 1999; Sirmon & Hitt, 2003), stewardship theory (e.g., Eddleston & Kellermanns, 2007) or agency theory (e.g., Schulze et al., 2003). However, we provide one of the first empirical investigations of the performance of family firms using organizational identity theory. We also contribute to organizational identity theory by introducing three drivers of a specific organizational image. Beyond assertions that stakeholders have an impact on organizational identity (Scott & Lane, 2000), earlier organizational identity studies have not provided much insight into the drivers of a firm's image. Literature has conceptually stressed the impact of strategic issues and threats on image and identity (Dutton et al., 1994; Ravasi & Schultz, 2006), the relative stability of the identity and image concept (Gioia et al., 2000), how organizational identities impact resources (Nag et al., 2007), and how management of identity boundaries can contribute to governance in family firms (Sundaramurthy & Kreiner, 2008).

Conclusion

Based on organization identity theory, we present the first empirical study to directly test the impact of family firm image on family firm performance. We show that family pride, community social ties and long-term orientation are important antecedents to family firm image. As such, our study adds to organizational identity theory in general and to our understanding of family firms in particular. We hope that our study will trigger additional family firm research that will utilize this promising theoretical lens.

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Appendix A:
Scale Items and Reliabilities

Construct	Items	α
Independent Variables		
Long-term Orientation	Our family firm pursues multiple investment projects and then waits to see how they evolve over time.	.72
	Our family firm is able to invest in projects that take a longer time to see financial returns.	
	Our family firm is able to invest in projects that are less profitable than those pursued by its competitors.	
	Our family firm pursues investment projects that are riskier than the ones of its competitors.	
Pride in Family Firm	I want everyone to know that I work for a family firm.	.77
	I am proud to work for this family firm.	
	I really care about the fate of this organization.	
	The family members are proud to work for this firm.	
Community social ties	The family firm is well connected to community leaders.	.67
	The family firm has good banking relationships.	
	The family firm is active in business networks (e.g. trade associations) or social organizations (Lions, Rotary, Kiwanis).	
	The family firm is well connected to other firms.	
Mediator		
Family Firm Image	The family firm name is recognized in the community.	.76
	The family name is used as brand.	
	In our advertisement, we mention that we are a family business.	
	Most of our customers know that we are a family business.	
	The fact that we are a family business is a great marketing tool.	
Dependent Variable		
Family Firm Performance	I feel that our firm makes a good financial profit.	.80
	We have strong growth opportunities in our firm.	
	We have a good return on the invested equity capital.	
	The shareholders have good dividends from the firm.	
	The family members derive good perks from the firm.	
	The family has financial freedom thanks to the firm's financial outcomes.	