Empirical approach to the sequential relationships between generation, relational capital and performance in family wineries in Spain

Published Version:
Fernandez-Olmos, M. (2021). Empirical approach to the sequential relationships between generation, relational capital and performance in family wineries in Spain. INTERNATIONAL JOURNAL OF WINE BUSINESS RESEARCH, 33(1), 118-133 [10.1108/IJWBR-10-2019-0056].

Availability:
This version is available at: https://hdl.handle.net/11585/775691 since: 2020-10-23

Published:
DOI: http://doi.org/10.1108/IJWBR-10-2019-0056

Empirical approach to the sequential relationships between generation, relational capital and performance in family wineries in Spain

Marta Fernandez-Olmos
Department of Business and Organization, Faculty of Business and Economics, University of Zaragoza, Zaragoza, Spain
Isabel Diaz-Vial
University Complutense de Madrid, Madrid, Spain, and
Giulio Malorgio
Department of Agricultural and Food Sciences, Universita degli Studi di Bologna, Bologna, Italy

Abstract

Purpose – This study aims to focus on relational social capital in family wineries. Relational social capital is influenced by the family nature of the business and is at the same time a key antecedent of winery performance. The aim is to analyse these relationships in the qualified denomination of origin (DOC) Rioja wine industry (Spain).

Design/methodology/approach – Using a final sample of 110 family wineries, a Baron and Kenny approach was performed to investigate the causal and mediating relationships between the generation in control, relational social capital and family winery performance.

Findings – Using a final sample of 110 family wineries, the study demonstrates that later generations show a higher level of relational social capital, that the positive relationship between relational social capital and performance is maintained in a family firm sample and that the generation in control sequentially influence on performance through its influence on relational social capital.

Research limitations/implications – The main limitations are that empirical data were obtained only from DOC Rioja wine family businesses and a cross-sectional study was conducted.

Social implications – This study provides policymakers and family managers responsible for succession with a better understanding of the effects of transferring the business to the next generations in terms of relational social capital and performance.

Originality/value – To the best of the knowledge, this is the first study to examine the sequential relationships between generation, relational social capital and performance in DOC Rioja family wineries. The context of the DOC Rioja wine industry is particularly noteworthy for two reasons. First, in this industry, family-controlled firms predominate. Second, the DOC Rioja wine industry is focussed on the

This research was supported by project grant ECO2016-77-P (AEI/FEDER, UE), the COMPETE (S52_17R) research group (Government of Aragón-Spain- and FEDER 2014-2020 "Construyendo Europa desde Aragón") and by project VINCI SOE3/P2/F0917.

small-to-medium context, which has conventionally provided a very good area for the development of social capital theory.

Keywords Wines, Econometric model, Survey research, Human resources

Paper type Research paper

Introduction

The concept of social capital has received a lot of attention in the literature over the past 20 years. Adler and Kwon (2002) defined social capital as the relationships between individuals and organizations that facilitate action and create value. There is a growing recognition of the importance of these relationships as a source of competitive advantage and value creation. The extant social capital literature has investigated how social capital affects performance at multiple levels using different performance metrics. Some researchers have analysed relational ties, while others have examined the strength of those ties (Krause *et al.*, 2007).

From a relational perspective, previous research has argued that relational social capital of the firm, the interpersonal connections that are inherently affective in nature (i.e. characterized by trust, reciprocity and emotional intensity), facilitate organizations' success (Bolino *et al.*, 2002).

To address the background of the restructuring of the Rioja wine industry, competition and internationalization, numerous successful small and medium-sized family enterprise (SME) wineries have been able to count on and benefit from relational networks giving them the skills and capabilities to address these challenges. For example, friendship and continuous interaction inherent in relational networks can reduce dependence on formal contracts (Zaheer and Venkatraman, 1995), which are less effective in mitigating uncertainty.

Although studies have provided important insights into the relationship between relational social capital and strategic decision-making in SMEs (Gronum *et al.*, 2012; Zhou *et al.*, 2007), much remains to be done. Previous literature suggests that the members of a family firm are more likely to possess well-established factors of stability, interdependence, interaction and closure than the members of a non-family firm (Arregle *et al.*, 2007). Thus, family firms¨ uniqueness affects the development of their social capital and the analysis of its influence must be discussed separately. The factors affecting this relationship that are unique to family firms are examined in these studies only tangentially, if at all. This is surprising, as such firms are a driving force in the present-day global economy (Hiebl *et al.*, 2018). Taking into account that attitudes and behaviours are different in family and non-family firms when strategic decisions are made s(Arregle *et al.*, 2007), it is expected that the development of a firm'*s* relational social capital will also vary according to the degree of family involvement in the business. The expected relationships are analysed in this study.

Rather than using the concept of control, i.e. complete or majority family ownership (Nordqvist, 2005), it is the presence of family members in the firm's management that explains the difference between family businesses and non-family run businesses (Abdellatif *et al.*, 2010).

Yet, very few empirical studies have looked at family involvement in top management team (TMT) positions despite its relevance in the development of relational social capital in these businesses (Sanchez-Famoso *et al.*, 2017). Most studies on relational social capital fail to differentiate by TMT type, even though the theoretical implications of the upper echelons theory (Hambrick and Mason, 1984; Carpenter *et al.*, 2004; Hambrick, 2007) suggest that stronger family involvement in the TMT should lead to different contributions to relational social capital (e.g. different values, experience, background).

Upper-echelons theory scholars have emphasised that the characteristics of TMTs are important for organisational outcomes because top executives are empowered to make strategic decisions for organisations (Pegels *et al.*, 2000, p. 912). They have focussed on whether TMT heterogeneity is important for making effective strategic decisions, but the results have been inconsistent (Alayo *et al.*, 2019). This would be in line with the complexity of the TMTs in family firms, which, when compared to non-family firms, is characterised by greater complexity and a lack of objective information (Ling and Kellermanns, 2010; Sciascia *et al.*, 2013) about the uncertain and highly competitive environment of the wine industry. Thus, it is interesting to look at whether operational differences exist by analysing family firm-specific TMT diversities (Alayo *et al.*, 2019). The lack of attention to this topic is particularly evident in the literature dealing with the factors that have an influence on the development of relational social capital.

According to previous literature (Kellermanns *et al.*, 2008; Beck *et al.*, 2011), the generation in control is chosen as a main form of TMT diversity created by the familýs involvement. This paper considers that there could be a relation between TMT diversity and relational social capital and that a more fine-grained examination of family influence, using the generation that manages the firm, is needed to gain a clear and precise understanding of how they affect the SMÉs performance.

Thus, the main question addressed in this paper relates to how the generation in control relates to relational social capital and further how the relational social capital is finally linked to firm performance. Relying on a sample of qualified denomination of origin (DOC) Rioja family wineries, our findings show the significance of the TMT composition in family SMEs for shaping the relationship between relational social capital and firm performance. The purpose of our study is to contribute to the current literature on family SMEs in three distinctive ways. Firstly, this aims to extend the understanding of the consequences of the generation in control in family firms using the upper echelons theory. The paper discusses how changes in the generation that manages the firm may have implications for the effect of relational social capital on the firm's performance and may shed light on any gaps in previous research. While there is general agreement in family business studies that the idiosyncratic nature of family involvement in TMTs influences a firm's performance in different ways, the direction of these effects is still not well understood (González-Cruz and Cruz-Ros, 2016). To develop our hypothesis, this study has drawn upon the upper echelons theory and its previous applications in family firm research. This allows us to explain the advantages and disadvantages of TMT diversities (De Massis *et al.*, 2013; De Massis *et al.*, 2015) and provides clear information on the configurations of the generation in control that are more favourable or adverse for the relationship between relational social capital and firm performance. Secondly, this paper aims to contribute to the literature on relational social capital and firm performance (Karahanna and Preston, 2013) by adding to the small amount of available research that links relational social capital and firm performance in the family firm context (Zahra, 2010) and by studying the wine industry, a sector in which the concept of familiness is especially important (Gallucci and D'Amato, 2013; Köhr *et al.*, 2019).

To the best of our knowledge, this is the first study that examines the sequential relationships between the generation in control, relational social capital and performance in DOC Rioja family wineries. The context of the DOC Rioja wine industry is particularly noteworthy for two reasons. Firstly, in this industry, family-controlled firms predominate, making up around 88% of the Rioja's active businesses in 2019 according to AREF

(Asociación Riojana de Empresa Familiar, www.aref.es/). Secondly, because the DOC Rioja wine industry is focussed on the small-to-medium context, which has conventionally provided a very good area for the development of social capital theory, but raises issues of generalizability across different contexts.

2. Literature review

Although family firms are an interesting context in which to examine relational social capital and relational networks are also important in explaining their particularistic outcomes (Arregle *et al.*, 2007; Pearson *et al.*, 2008; Carr *et al.*, 2011), the relationship between networking and firm performance in the family-firm context remains inconclusive and the number of studies is very small (Sanchez-Famoso *et al.*, 2014).

The term social capital refers to the relationships between individuals, organizations or societies that facilitate action and create value. That is, the existence of close interpersonal relationships may be used to pursue economic ends (Bolino *et al.*, 2002; Arregle *et al.*, 2007).

The social exchange literature states that relational social capital creates value through the exchange of information relating to marketing channels, suppliers and customer relationships (Bontis, 1998).

Cabrera-Suárez *et al.* (2015) identified three social capital dimensions, namely, structural, relational and cognitive. The structural dimension is determined mainly by communication patterns and impersonal relations between parties in social life. The cognitive dimension is related to the common context and language in the structure (Tsai and Ghoshal, 1998). The relational dimension refers to specific aspects of relationships such as trust, friendship and commitment built sustainably by all parties in social capital. This continuous interaction can influence winery managers¨ behaviour, reducing the need for formal contracts in DOC Rioja [1](Zaheer and Venkatraman, 1995).

The particularities and differences between later-generation family firms and first-generation family firms have received considerable academic attention, especially in the past 20 years (Köhr *et al.*, 2018 studied age of management in the Italian wine industry). Some of them describe first-generation family firms as more risk-averse (Kellermanns and Eddleston, 2006), with a more centralized decision-making-structure (Dyer, 1988) and less oriented towards growth to ensure the firm¨*s* survival (Kellermanns *et al.*, 2008) than later-generation family firms. Moreover, first-generation family firms develop a more internal orientation to do things and tend to adopt a more paternalistic, informal and subjective management style and culture (Dyer, 1988). Using insights from the socio emotional wealth (SEW) preservation model, first generation family firms possess a greater tendency to protect their SEW, referring to the importance of nonfinancial goals of family owners. In this way, SEW may lead to hire family members irrespective of their abilities and providing high remunerations for family employees based on a kinship instead of their accomplishments (Berrone *et al.*, 2012; Gomez-Mejia *et al.*, 2018). Thus, there are some benefits associated with the family's latergeneration on firm management, but there are also some negative aspects. Furthermore, acknowledging that family firms are a heterogeneous group of firms in terms of the family's generation in TMT positions, and hence, in terms of decision-making (Alayo *et al.*, 2019), makes it important to understand how this may increase or reduce the effect of relational social capital on their firm's performance.

2.1 The generation in control, relational social capital and performance in family wineries

Taking into account that relational social capital in a general sense concerns the acquisition, dissemination and utilization of market information, we expect that the generation in control affects it through the differences in decision-making structure, risk-taking behaviour and management practise of family wineries.

Later-generation family wineries offer a number of advantages in terms of relational social capital. The first advantage is a less centralized decision-making structure (Dyer, 1988), which is expected to make wineries more adaptive to changes in the wine market. They are expected to positively affect relational social capital because smaller centralization facilitates the winerýs information dissemination and utilization (Matsuno *et al.*, 2002). Second, later-generation family wineries are less risk-averse than first-generation family wineries; thus, they are more willing to disseminate information or respond to changes in customers' needs, which seems to be beneficial to a winerýs relational social capital.

Nevertheless, a professional style of management is one of the critical factors in later-generation family wineries' success and longevity. This professional management style places more emphasis on departmentalization and leads to a less flexible structure. Theory suggests that departmentalization, which refers to the formal structure of the organization, creates barriers to communication, and thus, to the dissemination of information (Beck *et al.*, 2011). Consequently, there is a negative relationship between the degree of departmentalization and relational social capital.

Apart from the above influences caused by the generation in control that concerns relational social capital, there are also some additional explanations related to external orientation and growth orientation that allows one to expect that the generation in control influences relational social capital. Later-generation family wineries are expected to develop new ways of doing things, given the changing environmental conditions if they want to move beyond the legacy of the previous generation (Handler, 1992; Cruz and Nordqvist, 2012). Furthermore, later-generation family wineries tend to have a stronger orientation towards growth (Kellermanns and Eddleston, 2006). As Peiser and Wooten (1983, p. 61) stated, "Especially in dynamic environments, the second generation sees opportunities for growth that the first generation would prefer to pass over". We expect that these characteristics, which suggest that later-generation family wineries are associated with a higher level of dissemination of market information than first-generation family wineries, neutralize the negative influences of the more professional style of management. Based on the previous discussion, we offer the following hypothesis:

H1. Later-generation family wineries will have a positive direct effect on the level of relational social capital.

Social capital theory maintains that because it involves cross-organizational activities, supply chain management requires a winery to establish social relationships based on trust, commitment and identity with its supply chain partners through long-term interactions and information sharing. Given that relational social capital can promote supply chain collaboration by reducing opportunistic behaviour, increasing confidence between parties (Dyer and Singh, 1988) and promoting resource exchange, the accumulation of relational social capital over time could bring wineries competitive advantages (Herrero, 2018). There are no specific reasons to expect that the positive relationship between relational social capital and performance is not maintained for family wineries. Thus, consistent with the previous theory, we offer the following hypothesis:

H2. Relational social capital will have a positive direct effect on performance in family wineries.

The central premise of the upper echelons theory is that the characteristics of top managers are of crucial importance to management of the firm (Hambrick and Mason, 1984). This theory postulates that their past experiences, values, age, career experience and personalities influence their interpretations of the situations they face and, in turn, affect their choices (Hambrick, 2007). Based on this assumption, top managers are one of the major determinants of the success or failure of firms. In particular, Lansberg (1999) states that the generation in control influences the familý*s* management and structure; thus, it can be expected to have an influence on the family winerý*s* performance.

On the one hand, creativity and an innovation-oriented culture are some of the critical factors in later-generation family wineries (Zahra, 2005). Another positive aspect is that in later-generation family firms, family members have an equal and participative involvement in decision-making (Aronoff, 1998) and there is more professionalism, (Dyer, 1988). Thus, there are some benefits associated with the family's generation in firm management, but there are also some negative aspects such as the increase in formalization and departmentalization caused by the professional management style. Thus, the sign of the relationship between the generation in control and firm performance is not clear. However, as the generation that is in control of the family winerý*s* management largely defines the family firm¨*s* relational social capital, it can be expected that the effect that the generation in control has on performance is a product of its effect on relational social capital. Hence, we offer the following hypothesis:

H3. The generation in control will have a positive indirect causal effect on family winery performance.

3. Research methodology

3.1 Sample

Before explaining the causal model, we shall describe the data used in the analysis. The DOC Rioja context was used to test the influence of the family. The data for this research came from a unique study on DOC Rioja family SME wineries. According to the Rioja Family Business Institute, around 84.39% of Rioja businesses in 2016 were family firms and this percentage is even greater in the agro-food sector (Ayala, 2017). Family firms also have a major impact on the Rioja economy, representing around 76% of employment in the private sector.

The main data sources used to obtain the list of wineries in the target population were the directories drawn up by the Regulatory Council of the Rioja Designation of Origin (the number of wineries in this directory numbered 580). The data for this study were collected using a structural survey. The data collection period ended in September 2017. The population from which the sample is drawn consists of wineries that fulfil the following requirements:

- they belong to the Rioja Designation of Origin;
- they manage the full winemaking process from grape to bottle; and
- they are obliged to present accounting information to the authorities.

In total, 123 valid questionnaires were obtained. It is a response rate of 21.21%, which has been considered acceptable in earlier studies (Köhr *et al.*, 2017. For the purpose of this research, we focussed on family wineries. Although a consensus around what is exactly meant by family businesses is still missing in the literature, academics recognise that family involvement in ownership and management play a decisive role. To identify firms as family firms or non-family firms, we rely on the degree of family control (Liang *et al.*, 2014) and in their self-classification as a family business. A family firm is a firm that belongs to a family (total or partial ownership) and has one or more members of the owner family in management positions (Westhead and Cowling, 1998). This definition corresponds to the "family" variable in the Spanish Survey on Business Strategies. 89.43% of firms are considered family firms in our sample. This percentage is coherent with the results given by the Rioja Family Business Institute, around 84.39% of Rioja businesses in 2016 were family firms and this percentage is even greater in the agro-food sector (Ayala, 2017). In the Web of the Family Firm institute in La Rioja, it cannot be found the specific definition of the family firm. However, in a report of it, we can read that family firms are considered if when family members are involved in ownership and management on the firm ("La empresa familiar en La Rioja, 2016). Therefore, wineries in this study are considered family-firms if they meet three requirements:

(1) total or partial ownership is controlled by a single family;

Generational stage in the firm % of firms	
Generation	
First-generation	38.18
Second-generation	28.18
Third-generation	20.00
Fourth-generation	10.91
Fifth-generation	1.82
Sixth generation	0.91
% of family members inside the TMT	
% family members/total members % of firms	
≤25	13.01
>25–≤50	7.32
>50–≤75	7.31
>75–≤99	3.25
100	69.11
Size	
Number of employees % of firms	
Micro <10	79.67
Small >9–≤49	15.39
Medium >49–≤249	4.86
Large >249	0
R&D intensity	
Number of years	Percentage of firms (%)
=0	66.67
>0–≤2	18.7
>2–≤5	10.56
>5–≤30	3.25
>30	0.81
Family involvement in ownership	
% ownership in family members	Percentage of firms (%)
=0	8.13
>0–≤50	4.87
>50–≤80	4.06
>80–≤99	3.25
=100	79.67

Table 1. Characteristics of firms in sample ($N = 123$)

(2) the family actively participates in firm management; and
(3) they were self-classified as family businesses by answering the questions related to generational transfer.

In total, 110 firms that fulfiled all the conditions were identified in the sample. All of them were considered SMEs according to the European Union (EU) because they have fewer than 250 employees. Table 1 for a description of the sample.

This survey method has been criticised in the literature for possible non-response bias (Wickramasekera and Oczkowski, 2004). Although it is almost impossible to completely eliminate this bias, several methods have been proposed in the literature to reduce it as much as possible (Armstrong and Overton, 1977). The most obvious is to achieve a high response rate. To a certain extent, this was accomplished with the responses obtained. Another method is to compare known values for key variables from respondents and non-respondents. Questionnaire data were used to compare early and late survey respondents and to compare categories of non-respondents. Using the χ^2, we obtained no statistically significant differences. It seems that non-response bias is a serious concern in this survey study.

3.2 Measurement of variables

We examined previous literature to measure all variables. As Lee and Habte-Giorgis (2004) suggested, it is convenient to use a multiple aspect of traditional performance measures. Therefore, this study uses different items to measure *performance* related with the growth in sales, market share, employees, profitability and ability to finance profit growth. The construct performance with these 5 items has an acceptable α value of 0.93, which proves its reliability.

To measure the *generation in control*, respondents were asked to indicate, which family generation, at present, is in charge of ownership and management; the options were first, second, third, fourth or later generation. While this variable can assume values from first to fifth generation involved, a dichotomous variable provides a better overview of the sample. In the sample, 38.18% of companies were influenced by the first family generation and 61.82% by second or older family generations. Consequently, we created a dummy variable, which takes value 1 when the generation involved is not the first one (i.e. second, third, fourth or fifth) and zero otherwise.

The items to measure the *relational social capital* were focussed on the quality of the relationship and the level of friendship amongst key business players. That is, they deal with the level of closeness and mutual confiding and trust on the particular relationships, which affect their behaviour in the relationship (Ingram and Roberts, 2000; Chow and Chan, 2008). The measurement scale was 1 to 7. The construct relational social capital has a Cronbach alpha coefficient of 0.875.

To examine the sequential relationship between the generation in control, relational social capital and performance, we also analysed other control variables. Besides the generation in control, the identity of the TMT (i.e. the diversity between family and non-family managers) is another main form of TMT diversity created by family involvement. To compute the *family TMT ratio*, we calculated the percentage of family members to that of the total number of TMT members (Minichilli *et al.*, 2010). Furthermore, because size is a fundamental firm variable, there is a dummy variable (*small size*) that equals one if the firm is micro or small size and zero otherwise. Finally, we measured the impact of *R&D intensity* on firm performance by the proportion R&D spending/sales. We do not include firm age because generations tend to be higher as a firm¨*s* age increases. Finally, we omitted financial information in the survey (such as leverage) because it is one of the things firm managers are most sensitive.

Table 2 provides summary statistics for the whole data set and it reports Spearman's correlationsfor each of the variables used in the model. We can conclude that there was no major problem with multicollinearity.

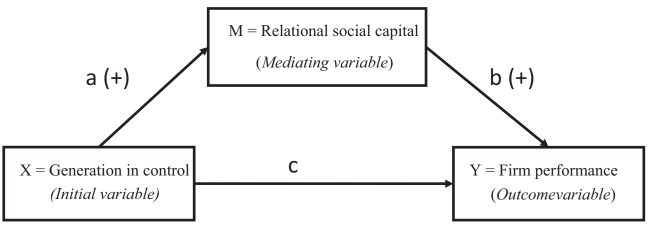
4. Research results

The mediation analysis(Kenny and Judd, 2014; Agler and De Boeck, 2017)was performed to investigate the relationships between the generation in control, relational social capital and family firm performance (Figure 1). As Step 1 and Step 2 from this approach are significant and neither Step 3 nor the Sobel'*s* test is significant (Sobel test = 0.034, *p*-value= 0.156) the mediation of relational social capital is partial. Likewise, the ratio of indirect effect/total effect is 0.034/0.039 = 0.871, meaning that about 87% of the effect of generation in control on firm performance is mediated by relational social capital.

Description of sample	Mean	Sth. dev.	Min.	Max.		
		Descriptive statistics				
Generation in control	0.618	0.488	0	1		
Relational social capital	7.281	2.550	1.663	11.644		
Performance	17.452	5.128	4.327	29.346		
Family TMT ratio	89.475	22.006	0	100		
Small size	0.945	0.228	0	1		
R&D intensity	1.828	6.557	0	60		
Spearman's correlations						
	1	2	3	4	5	6
Generation in control	1					
Relational social capital	0.20*	1				
Performance	0.04	0.19*	1			
Family TMT ratio	−0.04	−0.12	−0.17	1		
Small size	−0.19*	−0.07	−0.27*	0.37*	1	
R&D intensity	−0.12	0.14	0.30*	−0.29*	−0.12	1

Note: $*p < 0.05$

Table 2. Description of the sample



Notes: a: X-M correlation, b: M-Y relationship, controlling for X, c: Direct effect, ab: Indirect (Mediation) effect Total effect: c+ab Step 1 – Relational socia capital: generation in control (X→M) with B = 0.182 and p = 0.048.Step 2 – Firm performance: relational social capital (M→Y) with B = 0.185 and p = 0.042.Step 3 – Firm performance: generation in control (X→Y) with B = 0.005 and p = 0.958

Figure 1. A mediation analysis to testing mediation

Table 3.
Results of structural equation model

Results of structural equation model	Coef.	P > |z|
Relational social capital <-		
Generation in control	0.953	0.053
Family TMT ratio	−0.018	0.132
Small size	0.440	0.703
Firm performance <-		
Relational social capital	0.372	0.045
Generation in control	0.053	0.958
Family TMT ratio	−0.017	0.484
Small size	−0.475	0.035
R&D intensity	0.066	0.353
Constant	20.537	0.000

Note: LR test of model vs saturated: $\chi^2(1) = 0.20$ Prob> $\chi^2 = 0.6576$

As displayed in Table 3, the generation in control was positively and significantly (p-value = 0.053) correlated with relational social capital, supporting *H1*. The level of relational social capital is smaller in family wineries that are in the first generational stage than in those that are in the second or subsequent generational stage. An explanation for this result is that first-generation family wineries are more cautious and risk-averse, which reduces their willingness to exchange information (Kellermanns *et al.*, 2008).

Relational social capital was significantly and positively correlated (p-value = 0.045) with performance. Consistent with the *H2*, relational social capital had a significant direct and positive effect on family wineries¨ performance. This result strongly supports the previous findings that relational social capital is a significant determinant for performance (Adler and Kwon, 2002). Thus, the accumulation of relational social capital can be considered a strong strategic choice that can have a significant implication for family wineries¨ performance as analysed in the sequential path model. DOC wines are produced in compliance with detailed production specifications (Camanzi *et al.*, 2017). Hence, this long-term quantity/quality commitment can be analysed using a relational social capital lens. That is, DOC Rioja family wineries seem to create value developing relational social capital with their suppliers.

As previously examined, these results also suggest that the generation in control is a double-edged sword with advantages and disadvantages. On the one hand, later-generations may benefit from a more creative and innovation-oriented culture than first-generations. On the other hand, later generations tend to have less flexible structures of organization than previous generations, which do not allow them to adapt quickly in decision-making. This can explain why the effect on performance was not significant.

More importantly, the result partially confirms the indirect effect of the generation in control, supporting partially *H3*. In fact, later-generations in control provide the incentives for family wineries to accumulate relational social capital and, in turn, to achieve greater performance. As such, the relationship between the generation in control and performance is mediated by the relational social capital.

Surprisingly, R&D intensity is not found to be statistically significant in terms of performance. One possible explanation for this is that the wine industry has been classified as a low-technology sector by the OECD (2005), "The Organization for Economic Co-operation and Development". and, as a result, innovations are less relevant when it comes to improving the competitive position in markets (Fernández-Olmos and Díez-Vial, 2014).

Coherent with economic theory, small size was negatively and significantly correlated with performance. Size can be a source of competitive advantage because bigger family wineries are presumed to benefit from economies of scale to attain higher performance.

5. Conclusions, implications, limitations and future research

This paper aims to make several contributions to the under-researched and poorly understood phenomenon of relational social capital in wine family firms.

Firstly, these findings contribute to recent research on family firm heterogeneity, which has been insufficiently examined when studying the relational social capital of family firms. Ignoring this could lead to an inaccurate understanding of family wineries¨ performance.

Family firms are heterogeneous as they differ in terms of the extent and mode of family involvement in the TMT. Dimensions of social capital are discussed and this study focusses on causal effects of generation in control and relational social capital on performance.

Secondly, the results attempt to explore empirically the sequential relationships amongst the generation in control, relational social capital and firm performance in DOC Rioja family wineries. Specifically, we investigated:

- whether the generation in control affects relational social capital;
- how relational social capital and other control variables are linked to family wineries¨ performance; and
- whether the generation in control influences family wineries' performance (directly and/or indirectly).

The empirical results support our proposed hypotheses tested and collectively provide constructive evidence for generation in control ⤚ relational social capital ⤚ performance.

More importantly, the results shed additional light on the fact that family wineries need to maintain their relational social capital, throughout all generational stages. In particular, the results suggest that relational social capital increases after the family winery has surpassed the first and founding generation. This is so especially, as this study also demonstrates the positive influence of relational social capital on a family winerýs performance, which is strongly linked to winery survival. Thus, family wineries may be neglecting an important factor that could contribute to the succession of family wineries to later generations, an important objective of each family winerýs management.

This paper also contributes to the literature combining social capital and family firms by providing a potential explanation for why family firms are able to improve their performance. Scant research exists on family firms' social capital and the performance of family firms and in particular, on the effect of relational social capital. To the best of our knowledge, this is the first study to analyse how the effect of relational social capital may vary because of family influence.

Specific family firm characteristics (i.e. family involvement in TMT) can facilitate a set of strategic decisions related to internationalisation. Thus, this paper argues that the relationship between a family firm and the speed of internationalisation is a highly complex issue that needs further research.

Family firms are the most common type of business in the wine industry, but their process of accumulation of relational social capital has not been studied in depth although it has become significant. These results are based on a comprehensive new data set on the generation in control, relational social capital and performance, for a broad sample of 110 family wineries in DOC Rioja, a context where almost 90% of wineries are considered family firms according to AREF (www.aref.es/). It would be interesting for future studies to analyse other dimensions of social capital of family firms and their variations due to the influence of family-related factors in other settings.

However, these results must be viewed in the light of the study's limitations. Empirical data were obtained only from DOC Rioja wine family businesses. Therefore, the findings may not be generalizable to other environments. However, it is considered that this sample is valuable in explaining why some family firms exhibit divergent behaviour with regard to relational social capital and performance for two reasons. Firstly, the use of this homogenous, industry-specific sample permits us to concentrate on the more firm-specific variables and secondly, the research on family businesses in the wine sector is practically non-existent (Soler *et al.*, 2017). Moreover, a cross-sectional study is conducted due to a lack of longitudinal information, which presents the disadvantage of not capturing the dynamic nature of the hypotheses tested in this study. Therefore, future research should take a dynamic approach into account to gain more insight into the relationship between the generation in control and performance.

In spite of these limitations, this paper sheds light on the effect of later-generations with regard to performance in family wineries. By introducing the relationship between relational social capital and performance in family wineries, this paper not only gives evidence of the importance of relational social capital for family wineries but also enhances our knowledge of what increases performance in family wineries in DOC Rioja. In this way, this study provides policymakers and family managers responsible for the succession with a better understanding of the effects of transferring the business to next generations in terms of relational social capital and performance.

Note

1. Indeed, 20% of contracts were oral in DOC Rioja (Fernández-Olmos, 2008).

References

Abdellatif, M., Amann, B. and Jaussaud, J. (2010), "Family versus nonfamily business: a comparison of international strategies", *Journal of Family Business Strategy*, Vol. 1 No. 2, pp. 108-116.

Adler, P.S. and Kwon, S.W. (2002), "Social capital: prospects for a new concept", *Academy of Management Review*, Vol. 27 No. 1, pp. 17-40.

Agler, R. and De Boeck, P. (2017), "On the interpretation and use of mediation: multiple perspectives on mediation analysis", *Frontiers in Psychology*, Vol. 8, pp. 1-11.

Alayo, M., Maseda, A., Iturralde, T. and Arzubiaga, U. (2019), "Internationalization and entrepreneurial orientation of family SMEs: the influence of the family character", *International Business Review*, Vol. 28 No. 1, pp. 48-59.

Armstrong, S. and Overton, T. (1977), "Estimating nonresponse bias in mail surveys", *Journal of Marketing Research*, Vol. 14 No. 3, pp. 396-402.

Aronoff, C.E. (1998), "Megatrends in family business", *Family business review*, Vol. 11 No. 3, pp. 181-186.

Arregle, J.L., Hitt, M.A., Sirmon, D.G. and Very, P. (2007), "The development of organizational social capital: attributes of family firms", *Journal of Management Studies*, Vol. 44 No. 1, pp. 73-95.

Ayala, J.C. (2017), *La Empresa Familiar en La Rioja: 2016*, Asociación Riojana de la Empresa Familiar.

Beck, L., Janssens, W., Debruyne, M. and Lommelen, T. (2011), "A study of the relationships between generation, market orientation, and innovation in family firms", *Family Business Review*, Vol. 24 No. 3, pp. 252-272.

Berrone, P., Cruz, C. and Gomez-Mejia, L.R. (2012), "Socioemotional wealth in family firms: theoretical dimensions, assessment approaches, and agenda for future research", *Family Business Review*, Vol. 25 No. 3, pp. 258-279.

Bolino, M.C., Turnley, W.H. and Bloodgood, J.M. (2002), "Citizenship behavior and the creation of social capital in organizations", *Academy of Management Review*, Vol. 27 No. 4, pp. 505-522.

Bontis, N. (1998), "Intellectual capital: an exploratory study that develops measures and models", *Management Decision*, Vol. 36 No. 2, pp. 63-76.

Cabrera-Suárez, M.K., Déniz-Déniz, M.C. and Martín-Santana, J.D. (2015), "Family social capital, trust within the TMT, and the establishment of corporate goals related to nonfamily stakeholders", *Family Business Review*, Vol. 28 No. 2, pp. 145-162.

Camanzi, L., Grazia, C., Giraud-Héraud, E. and Malorgio, G. (2017), "Quality differentiation in the italian wine industry: terroir-based vs brand-based strategies", *International Journal of Globalisation and Small Business*, Vol. 9 No. 2/3, pp. 86-104.

Carpenter, M.A., Geletkanycz, M.A. and Sanders, W.G. (2004), "Upper echelons research revisited: antecedents, elements, and consequences of top management team composition", *Journal of Management*, Vol. 30 No. 6, pp. 749-778.

Carr, J.C., Cole, M.S., Ring, J.K. and Blettner, D.P. (2011), "A measure of variations in internal social capital among family firms", *Entrepreneurship Theory and Practice*, Vol. 35 No. 6, pp. 1207-1227.

Chow, W.S. and Chan, L.S. (2008), "Social network, social trust and shared goals in organizational knowledge sharing", *Information and Management*, Vol. 45 No. 7, pp. 458-465.

Cruz, C. and Nordqvist, M. (2012), "Entrepreneurial orientation in family firms: a generational perspective", *Small Business Economics*, Vol. 38 No. 1, pp. 33-49.

De Massis, A., Frattini, F. and Lichtenthaler, U. (2013), "Research on technological innovation in family firms: present debates and future directions", *Family Business Review*, Vol. 26 No. 1, pp. 10-31.

De Massis, A., Frattini, F., Pizzurno, E. and Cassia, L. (2015), "Product innovation in family versus nonfamily firms: an exploratory analysis", *Journal of Small Business Management*, Vol. 53 No. 1, pp. 1-36.

Dyer, W.G. Jr (1988), "Culture and continuity in family firms", *Family Business Review*, Vol. 1 No. 1, pp. 37-50.

Fernández-Olmos, M. (2008), "Why use contracts in viticulture?", *Journal of Wine Research*, Vol. 19 No. 2, pp. 81-93.

Fernández-Olmos, M. and Díez-Vial, I. (2014), "The direct or indirect exporting decision in Agri-food firms", *Agribusiness*, Vol. 30 No. 2, pp. 148-164.

Gallucci, C. and D'Amato, A. (2013), "Exploring nonlinear effects of family power on the performance of Italian wine businesses", *International Journal of Wine Business Research*, Vol. 25 No. 3, pp. 185-202.

Gomez-Mejia, L.R., Larraza-Kintana, M., Moyano-Fuentes, J. and Firfiray, S. (2018), "Managerial family ties and employee risk bearing in family firms: evidence from Spanish car dealers", *Human Resource Management*, Vol. 57 No. 5, pp. 993-1007, doi: 10.1002/hrm.21829.

González-Cruz, T.F. and Cruz-Ros, S. (2016), "When does family involvement produce superior performance in SME family business?", *Journal of Business Research*, Vol. 69 No. 4, pp. 1452-1457.

Gronum, S., Verreynne, M.L. and Kastelle, T. (2012), "The role of networks in small and medium-sized enterprise innovation and firm performance", *Journal of Small Business Management*, Vol. 50 No. 2, pp. 257-282.

Hambrick, D.C. (2007), "Upper echelons theory: an update", *Academy of Management Review*, Vol. 32 No. 2, pp. 334-343.

Hambrick, D.C. and Mason, P.A. (1984), "Upper echelons: the organization as a reflection of its top managers", *Academy of Management Review*, Vol. 9 No. 2, pp. 193-206.

Handler, W.C. (1992), "The succession experience of the next generation", *Family Business Review*, Vol. 5 No. 3, pp. 283-307.

Herrero, I. (2018), "How familial is family social capital? Analyzing bonding social capital in family and nonfamily firms", *Family Business Review*, Vol. 31 No. 4, pp. 441-459.

Hiebl, M.R.W., Quinn, M., Craig, J.B. and Moores, K. (2018), "Management control in family firms: a guest editorial", *Journal of Management Control*, Vol. 28 No. 4, pp. 377-381.

Ingram, P. and Roberts, P.W. (2000), "Friendships among competitors in the Sydney hotel industry", *American Journal of Sociology*, Vol. 106 No. 2, pp. 387-423.

Karahanna, E. and Preston, D.S. (2013), "The effect of social capital of the relationship between the CIO and top management team on firm performance", *Journal of Management Information Systems*, Vol. 30 No. 1, pp. 15-56.

Kellermanns, F.W. and Eddleston, K. (2006), "Corporate venturing in family firms: does the family matter", *Entrepreneurship Theory and Practice*, Vol. 30 No. 6, pp. 837-854.

Kellermanns, F.W., Eddleston, K.A., Barnett, T. and Pearson, A. (2008), "An exploratory study of family member characteristics and involvement: effects on entrepreneurial behavior in the family firm", *Family Business Review*, Vol. 21 No. 1, pp. 1-14.

Kenny, D.A. and Judd, C.M. (2014), "Power anomalies in testing mediation", *Psychological Science*, Vol. 25 No. 2, pp. 334-339.

Köhr, C.K., Camanzi, L. and Malorgio, G. (2018), "Exploring structural and strategic correlates of difficulties in the internationalisation process of Italian wine SMEs", *Wine Economics and Policy*, Vol. 7 No. 1, pp. 13-23.

Köhr, C.K., Malorgio, G. and Aragrande, M. (2017), "Exploring determinants of internationalisation: the case of late starters", *International Journal of Wine Business Research*, Vol. 29 No. 2, pp. 159-177.

Köhr, C.K., Corsi, A.M., Capitello, R. and Szolnoki, G. (2019), "Family culture and organisational systems as antecedents of market orientation and performance among family wineries", *International Journal of Wine Business Research*, Vol. 31 No. 2, pp. 180-202.

Krause, D.R., Handfield, R.B. and Tyler, B.B. (2007), "The relationships between supplier development, commitment, social capital accumulation and performance improvement", *Journal of Operations Management*, Vol. 25 No. 2, pp. 528-554.

Lansberg, I. (1999), *Succeeding Generations: Realizing the Dream of Families in Business*, Harvard Business School Press, Boston, MA.

Lee, J. and Habte-Giorgis, B. (2004), "Empirical approach to the sequential relationships between firm strategy, export activity, and performance in US manufacturing firms", *International Business Review*, Vol. 13 No. 1, pp. 101-129.

Liang, X., Wang, L. and Cui, Z. (2014), "Chinese private firms and internationalization: effects of family involvement in management and family ownership", *Family Business Review*, Vol. 27 No. 2, pp. 126-141.

Ling, Y. and Kellermanns, F.W. (2010), "The effects of family firm specific sources of TMT diversity: the moderating role of information exchange frequency", *Journal of Management Studies*, Vol. 47 No. 2, pp. 322-344.

Matsuno, K., Mentzer, J.T. and Ozsomer, A. (2002), "The effects of entrepreneurial proclivity and market orientation on business performance", *Journal of Marketing*, Vol. 66 No. 3, pp. 18-32.

Minichilli, A., Corbetta, G. and MacMillan, I.C. (2010), "Top management teams in family-controlled companies: 'familiness', 'faultlines', and their impact on financial performance", *Journal of Management Studies*, Vol. 47 No. 2, pp. 205-222.

Nordqvist, M. (2005), "Familiness in top management teams: commentary on Ensley and Pearson¨s "an exploratory comparison of the behavioral dynamics of top management. teams in family and nonfamily new ventures: cohesion, conflict, potency, and consensus", *Entrepreneurship Theory and Practice*, Vol. 29 No. 3, pp. 285-291.

Pearson, A.W., Carr, J.C. and Shaw, J.C. (2008), "Toward a theory of familiness: a social capital perspective", *Entrepreneurship Theory and Practice*, Vol. 32 No. 6, pp. 949-969.

Pegels, C.C., Song, Y.I. and Yang, B. (2000), "Management heterogeneity, competitive interaction groups, and firm performance", *Strategic Management Journal*, Vol. 21 No. 9, pp. 911-923.

Peiser, R.B. and Wooten, L.M. (1983), "Life-cycle changes in small family business", *Business Horizons*, Vol. 26 No. 3, pp. 56-65.

Sanchez-Famoso, V., Maseda, A. and Iturralde, T. (2014), "The role of internal social capital in organisational innovation. An empirical study of family firms", *European Management Journal*, Vol. 32 No. 6, pp. 950-962.

Sanchez-Famoso, V., Maseda, A. and Iturralde, T. (2017), "Family involvement in top management team: impact on relationships between internal social capital and innovation", *Journal of Management and Organization*, Vol. 23 No. 1, pp. 136-162.

Sciascia, S., Mazzola, P. and Chirico, F. (2013), "Generational involvement in the top management team of family firms: exploring nonlinear effects on entrepreneurial orientation", *Entrepreneurship Theory and Practice*, Vol. 37 No. 1, pp. 69-85.

Soler, I.P., Gemar, G. and Guerrero-Murillo, R. (2017), "Family and non-family business behaviour in the wine sector: a comparative study", *European Journal of Family Business*, Vol. 7 No. 1-2, pp. 65-73. No

Tsai, W. and Ghoshal, S. (1998), "Social capital and value creation: the role of intrafirm networks", *Academy of Management Journal*, Vol. 41 No. 4, pp. 464-476.

Westhead, P. and Cowling, M. (1998), "Family firm research: the need for a methodological rethink", *Entrepreneurship Theory and Practice*, Vol. 23 No. 1, pp. 31-56.

Wickramasekera, R. and Oczkowski, E. (2004), "Key determinants of the stage of internationalisation of Australian wineries", *Asia Pacific Journal of Management*, Vol. 21 No. 4, pp. 425-444.

Zahra, S.A. (2005), "Entrepreneurial risk taking in family firms", *Family Business Review*, Vol. 18 No. 1, pp. 23-40.

Zahra, S.A. (2010), "Harvesting family firms' organizational social capital: a relational perspective", *Journal of Management Studies*, Vol. 47 No. 2, pp. 345-366.

Zaheer, A. and Venkatraman, N. (1995), "Relational governance as an interorganizational strategy: an empirical test of the role of trust in economic exchange", *Strategic Management Journal*, Vol. 16, No. 5, pp. 373-392.

Zhou, L., Wu, W.P. and Luo, X. (2007), "Internationalization and the performance of born-global SMEs: the mediating role of social networks", *Journal of International Business Studies*, Vol. 38 No. 4, pp. 673-690.

Further readings

Dyer, J.H. and Singh, H. (1998), "The relational view: cooperative strategy and sources of interorganizational competitive advantage", *Academy of Management Review*, Vol. 23 No. 4, pp. 660-679.

Fernández, Z. and Nieto, M.J. (2005), "Internationalization strategy of small and medium-sized family businesses: some influential factors", *Family Business Review*, Vol. 18 No. 1, pp. 77-89.

About the authors

Marta Fernandez-Olmos obtained his PhD in 2008 (Extraordinary Award for doctoral thesis from University of Zaragoza, Spain) and is currently Assistant Professor of Business Organization at the University of Zaragoza. Research interests are innovation, family firms and internationalization of SMEs. The author belongs to the Compete Research Group of the University of Zaragoza. She has published in *Technovation, Journal of Technology Transfer, Applied Economic Perspectives and Policy*, *Food Policy* and *British Food Journal*, etc. Marta Fernandez-Olmos is the corresponding author and can be contacted at: maferno@unizar.es

Isabel Diaz-Vial is Associate Professor of Business Administration at Complutense University of Madrid. Her research topics are clusters, science parks and international networks. She has published *in Journal of Management Studies, Journal of Small Business Management, Knowledge Management Research and Practise, Growth and Change, Review of Industrial Organization, The Journal of Technology Transfer, Journal of Business Economics and Management, European Planning Studies* and *European Management Journal*, etc.

Giulio Malorgio (PhD) is Full Professor of agro-food economics at University of Bologna. He is managing editor of New Medit, *International Journal of Mediterranean Economics*, *Agriculture and Environment*. His research activity related to the economic regulation of quality standards, vertical coordination and performances in the food and wine supply chain, regional economic systems analysis in the Mediterranean countries. He participated in various national, international and EU projects (e.g.[3]SafeMed[2], ARIMNET-ERANET; [3]European Market Observatory for Fishery and Aquaculture Products[2] – DG MARE[3], food supply chain dynamics and quality certification[2] – DG JRC/JPTS. He collaborates on Mediterranean countries analysis and study with CIHEAM of Paris, Italian Agricultural Ministry.