

CONCEPTUALIZING FAMILY BUSINESS RESOURCEFULNESS (FBR) IN A RESOURCE-CONSTRAINED ENVIRONMENT

EXTENDED ABSTRACT

Recent research has yet to reach a consensus on the reason behind differences in the performance of family firms. Many theories have been used to explain the performance of family firms, such as agency theory (Miller & Le Breton-Miller, 2006), social capital theory (Nahapiet & Ghoshal, 1998), stewardship theory (Davis et al., 1997), resource-based theory (Penrose 1955, 1959; Barney, 1991) and transaction cost theory (Chrisman et al., 2010; Sharma et al., 2012). Using these conventional economic theories of the firm to analyse family businesses falls short because these theories do not encompass the unique characteristics of family firms, e.g. socioemotional wealth (Gómez-Mejía et al., 2007). Hence, there is a notable absence of a theory tailored to family business. We use the Socio-Materiality Theory (SMT) to develop the “Family Business Resourcefulness” concept, which aims to explain why family businesses succeed in constrained environments with institutional voids.

OBJECTIVE

Family businesses operate at the intersection of personal relationships, shared history, and economic endeavours (Suddaby et al., 2021). Some family enterprises can navigate challenges through resourcefulness in emerging economies, where resources are often scarce and institutional support is limited (Ge et al., 2019). Exploring FBR becomes imperative to comprehend how family businesses survive and thrive in such environments.

The purpose of this research is twofold. First, it will provide a comprehensive conceptual

exploration of FBR—why it matters and how it manifests- and second, we will identify the antecedents, constituents, and consequences of FBR. FBR will help us understand why some family firms become more successful *than equivalent Non-Family Firms in resource-constrained environments*. FBR contributes to family business research in the following ways. Firstly, it contributes to the evolving discourse on family resilience by providing a nuanced understanding of how family enterprises navigate resource constraints. Secondly, the research addresses the practical implications of FBR by examining its consequences, such as frugal innovation, improved governance, and enhanced performance.

SOCIO-EMOTIONAL WEALTH (SEW) IN FAMILY BUSINESSES LITERATURE

According to Socio-Emotional Wealth (SEW), family businesses prioritise family control over purely economic performance. SEW is the intangible fuel that drives decisions, ensuring the family's identity, influence, and legacy. SEW is the unique essence that separates family from non-family businesses. Gomez et al. (2007) observed that family firms sometimes sacrifice short-term financial gains to maintain control within the family, highlighting the significance of family-oriented objectives. Preserving these familial endowments becomes a strategic priority for family businesses, guiding decisions that align with the family legacy. Family businesses use SEW to justify and guide various practices, from board appointments to contract awards. Recent scholarly

works underscore SEW as a fundamental principle that defines and differentiates family-owned enterprises from their non-family counterparts.

Critique of SEW

Even though SEW is powerful, it is not without its challenges. SEW behaves differently depending on context (Blanco-Mazagatos et al., 2024). Recently, criticism of SEW has emerged. First, scholars allude to two sub-constructs- extended SEW and restrictive SEW. Literature has used restrictive SEW to explain why family firms are risk averse, while extended SEW has been used to explain why family firms like to assume risk. Second, there is a dearth of research examining the influence of SEW in resource-constrained environments. SEW outcomes in resource-constrained environments may differ significantly from those in resource-rich environments. Third, FBR has been used as a “resource” and a “goal”. Some scholars have used SEW as the goal of family firms- the reason family firms exist. Scholars emphasise family business decision-making as an “objective” of retaining socio-emotional wealth”. Other scholars have used it as wealth” or “resource”, which is used by family firms to attain better performance. When SEW is utilised as a resource, scholars consider it an input into the decision-making process that could impact the family firm's performance. The interchangeable use of "SEW as a resource" and "SEW as the objective function" confuses its usage and outcomes.

WHY IS FBR REQUIRED?

As a result, we propose that the SEW literature would benefit by delineating studies that treat "SEW as an input or resource" from the studies that treat "SEW as an objective function." Restricted SEW can be related to “SEW as the objective function”, and extended SEW will relate to “SEW as a resource” (Chrisman et al., 2024). Further, we propose that “SEW” should be treated

as “an objective” of family business, the original purpose of coining the term. Such positioning will help resolve the problem related to explaining the “risk avoidance” and “risk-taking” behaviour of family firms using the single concept.

FBR should be conceptualised more as a resource than an objective. If family businesses tap into SEW as a resource, it is like unlocking a superpower. FBR helps family firms “acquire” and “create” resources from non-market sources. FBR can help family firms become more resilient and capable of weathering storms. We propose that family businesses develop resourcefulness under those circumstances in which "SEW as a resource" enables family firms to enhance their resilience and performance relative to non-family firms. Because of FBR, family-owned businesses will be more resilient than non-family businesses. However, family firms will be more successful than non-family firms only when other non-family firms cannot substitute FBR.

DEFINITION OF FAMILY BUSINESS RESOURCEFULNESS (FBR)

Family Business resourcefulness is a set of generic behaviours related to providing adaptive responses to the demands of managing the **family business**. Family resourcefulness represents family business orientations in three categories: **affective, cognitive, natural, and intentioned action-oriented competencies**. Family resourcefulness can be critical in dealing with uncertain and resource-constrained environments.

FBR promotes the equivalent of extra-role behaviour among family members. Extra role behaviour in a family business context means that family members go beyond the role assigned in a family to help the business overcome demanding situations. For example, a son or a daughter helps a father in the business by compromising studies. Alternatively, the wife/husband helps the founder by sacrificing the assigned role. FBR involves heightened alertness to business requirements. Heightened alertness leads to family members exerting extra effort and gaining new knowledge, making picking three types of cues easy. These are- a. helping the family founder and other members involved in the business. Family members comprehend how to support one another effortlessly. b. Picking up environmental cues. These may pertain to information concerning technological advancements, competitors, customers and market trends, or innovative resource utilisation. Moreover, c. Picking cues related to the achievement of business objectives. Members are constantly monitoring the course of business. Family members have a collective commitment to achieving business objectives.

WHAT FBR IS NOT

FBR is not simply altruism among family members. FBR is similar and yet distinct from family functionality. Family Functionality can be defined as the promotion of physical and psychological growth and maturation of all family members reflected in adaptation, partnership, growth, affection and resolve. FBR differs from family functionality on two related dimensions: a. family members' willingness to shift effort to achieve goals of family business b. Heightened awareness about the needs of the family business.

A family can be functional, yet a family business may fail (Diaz-Moriana et al., 2024). FBR is also not family members attacking external parties for holding negative opinions about the family business or not allowing access to resources to the family business. FBR occurs when the negative

assessment of the family and misallocation of resources convert into higher efforts by family members to explore ways to achieve the family business objectives using alternate ways. In a way, FBR is about transmuting negativity from external sources into survival capabilities through extra efforts and continuous experimentation. It is not a “static” sense but dynamic, something that helps “create/acquire resource”. It helps overcome resource scarcity in a resource-constrained environment. FBR is a capability that helps family businesses acquire and repurpose existing resources.

CONSTITUENTS OF MANAGERIAL RESOURCEFULNESS

The generic competencies related to FBR are as follows: First is affective competencies, which refers to family members aroused by certain conditions or doing it themselves to get into states where the effect is directed towards issues related to family business. The second competence relates to family members managing thought processes, beliefs and expectations to contribute to the family business. The third set of competencies relates to intention and action-oriented behaviour as family members display specific actions and behaviours that may or may not be purely cognitive. Family business resourcefulness as competence is partly controllable and partly natural and non-cognitive. Some of such competencies are acquired because they are brought up in an environment of family, business, or local environment, and some of them are consciously learnt and hence more controllable.

Affective Responses:

Family members with FBR exhibit specific affective characteristics that inspire them to work diligently to construct, defend, and protect the family's interests. Family members identify and relate strongly with the family business, which leads them to exert extra effort (Pinelli et al., 2024). A sense of identity elicits positive emotions and urges associated with the family enterprise. These emotions assist family members in facilitating work associated with the family business instead of impeding it. The affective response, among others, is the capacity to delay immediate gratification. The development of control over instant gratification is achieved gradually through long socialisation that helps internalise family values. Members capable of delaying gratification are termed “good family members”. The ability to delay gratification helps in “not giving up”, “persistence of effort”, “hard work”, “ability to sense the future consequences”, and “giving up individual desires for the common good of the family”. Delayed gratification is instrumental in assisting family members to persevere with long-term decisions and coping with the uncertainty and dynamism in an environment full of institutional voids. Those who delay gratification gain self-esteem by being called "good" family members. Positive reinforcement catalyses family members to demonstrate proactive decisions, a readiness and capacity to confront obstacles, and a resolute commitment to attaining family business goals. Affective reactions additionally support family members in protecting the family enterprise from external threats, such as market volatility, industry competition, and business landscape developments.

Intentioned Sensing and Strategizing:

To be resourceful, family members of a family business must be informed of developments in the business (Gill et al., 2024). The sensing and feeling of emergent opportunities does not necessarily have to be highly analytical and intellectual; instead, it can be grounded in embodied knowledge,

continuously created because the body is entangled in the local social and material forces. Knowing is not solely confined to the outcome but is an ongoing process. Knowledge and knowing are inseparable in this context, just as doing and knowing are inseparable. When a business has FBR, family members exert efforts to comprehend the intricacies of business landscape evolution by immersing themselves in the situation and utilising this understanding to formulate strategic responses to make family businesses survive and succeed. When FBR is present, family business goals may not be explicitly stated. However, they can be implicitly understood, leading family members to have a robust and desperate desire to overcome the constraints of a harsh environment. The absence of such goals leads to wasted efforts and non-adaptive behaviours. Congruence in family and business goals enables family members to innovate and test new approaches using a trial-and-error. The hit-and-trial approach helps managers gain quick experience-based knowledge because they are interested in getting feedback on whether their actions lead to attaining family business goals. When FBR is present, the divergences from family business goals are immediately noticed with quick remedial action. Family members can thus reconcile disharmony and inconsistency in their actions and objectives.

The achievement of objectives and harmony in behaviour among family members enhance their sense of self-efficacy. They gain confidence in attempting and carrying out actions, as well as in accomplishing goals, based on sensing and feeling. Because it is sensing and feeling, family members deal more with holistic knowledge than reduced knowledge.

Skilled behaviours:

FBR encompasses task-related skills, interpersonal behaviour, and situational and spatial skills. However, at least some of these skills are learned while doing and surviving. Skills acquisition occurs naturally due to growing up in the local environment, as opposed to through formal education or textbook study. Socio-material entanglement and trial and error are involved in acquiring these abilities. Family members residing in resource-constrained environments face challenges that must be surmounted during their formative years. Individuals devise idiosyncratic strategies to overcome these obstacles through trial and error. Although these responses may initially appear to be defence mechanisms, they develop into silks capable of instilling self-esteem and self-efficacy in the members through repeated practice. Afterwards, these skills are embodied through habits and repetition. These skills develop because of the sheer repetition of responses to obstacles. In addition to functioning as tactics to overcome obstacles associated with tasks, these abilities encompass tacit knowledge of products, society, markets, and culture. Because these behaviours are automatic, decisions based on these skills are more expeditious and, consequently, more efficient.

ANTECEDENTS OF FAMILY RESOURCEFULNESS

Environments with limited resources are pervasive in emerging economies such as India, impacting firms' ability to function well. The absence of market institutions results in inadequate and suboptimal allocation and flow of resources to businesses. Under such conditions, small family businesses might encounter challenges when obtaining necessary resources. Nevertheless, family-owned enterprises with specific inherent capabilities exert additional efforts to acquire and develop resources that can substitute for those obtained from the institutional environment. Institutional voids can be blessings in disguise for such firms as resourcefulness enables more extraordinary

perseverance and, hence, more innovation and creativity. Businesses in resource-rich environments tend to follow established knowledge, tools and techniques. Meanwhile, businesses operating in the institutional voids motivate businesses to try harder and look for alternative knowledge and methods that help them find “out-of-the-box” thinking. Insufficient provision of resources fosters a mindset in which an individual becomes self-reliant, wherein the person does not like receiving external help. At times, the absence of external resource support from the institutional network may result in an individual succumbing to helplessness, eroding their sense of agency. However, in challenging circumstances, mutual support and assistance from family members can help overcome feelings of helplessness. In such situations, a resource-constrained environment is more likely to be perceived as a surmountable challenge than an insurmountable barrier by family businesses. Family members in such environments are likelier to experiment, explore novel solutions, devise innovative approaches, and attempt to repurpose available resources for alternative solutions. Hence, resource-constrained environments can paradoxically be beneficial for businesses.

In summary of the arguments above, resourcefulness is a characteristic of family businesses that enables them to withstand the opposing pull of two forces- the negative force of helplessness and the positive force of family support and skills. Helplessness results from the institutional environment's failure to provide adequate resource support. This adverse influence undermines the morale of the members of the family.

Opposing Force of Helplessness:

A harsh environment can be overwhelming because of constraints and lack of progress, which can wane psychological and social resources. A decline in cognitive ability hinders the ability to effectively process information and make sound decisions, resulting in a sense of helplessness that ultimately diminishes self-efficacy and personal autonomy. The following factors may contribute to this force.

Lack of mainstream resources:

When a family business operates within institutional voids, the founder, CEO, and other family members have limited access to the resources traded on the market. Insufficient resources can engender feelings of inferiority among members of the family, who may interpret the situation as an indication of “personal inadequacy”.

Lack of market Access:

Lack of market access makes accessing input resources or selling products difficult. This is because markets are commonly defined by merit and capabilities, which are challenging to acquire. Family members perceive an absence of market access as "a failure to meet market expectations or a lack of merit," leading to feeling overwhelmed.

Poor Social Evaluation:

Sometimes, inadequacy is reinforced by market participants. The perception of family firms as inferior by market players may contribute to a significant amount of felt inadequacy by family

firms. Consequently, these major players perceive stopping resource flow to family-owned small businesses as legitimate.

Positive Force of Forward Movement

This force facilitates the progress of the family or founder to alternative paths and resources. Due to the expansion of available psychological and social resources, the founder or family feels empowered. Family members and the Founder of CEOS experiment and explore such situations. His sense of agency is enhanced. The following elements may contribute to this force.

Local, tacit and unappreciated capabilities:

These abilities are idiosyncratic and are not commodities that can be exchanged in the market; they are acquired through community, family, or locality membership. Such abilities may be complex for non-family members to recognise and assess. However, family members can better assess and appreciate these abilities because of proximity and common language.

SEW:

Expanding upon the notion of extended SEW, the socio-emotional wealth of the family helps acquire material, technological, social, and psychological resources through the family route. SEW facilitates the conservation, restoration and creation of emotional reserves. It facilitates establishing a secure environment for the family founder and family members to make bold decisions.

A NEW PATH EMERGING FROM THE POSITIVES AND THE NEGATIVES

The discussions in the preceding section might suggest that positive and negative forces might cancel out each other. However, they play out differently. Both forces exist simultaneously and create the enabling conditions for the development of FBR. The opposing force blocks the mobility of the family business from accessing mainstream resources and markets. In other words, institutional voids block the “path to market” for family firms. However, the buoyant force can explore non-market resources and unconventional solutions. From the perspective of FBR, it is a blessing in disguise. It is a natural blue ocean strategy-like condition, with very little competition along the new path. Additionally, since FBR has tacit and non-cognitive parts, family business members are unlikely to fall into the trap of false pride and excessive self-confidence.

An example can be taken from social movement to illustrate how the interaction of positive and negative leads to creation instead of forces balancing each other out. In a social movement, positive force is seen with a desire for progress or justice through activism and advocacy. Usually, this positive push is an adverse reaction from macro-forces that oppose inequality, racism, entrenched power structures, or apathy of the public—the interaction of both dynamisms leads to social transformation. New ideas are born, and new norms come up, like in the case of the civil

rights movement in the United States during the 1950s and 1960s.

CONSEQUENCES OF FBR

Dynamic capability is “the capacity of the organisation to purposefully create, extend, or modify its resource base”. Because FBR is an adaptive response to business needs, it will likely help businesses find newer paths and emerge. In other words, FBR is an adaptive response which enables the formation of dynamic capabilities. FBR enables a deep and non-cognitive understanding of the business that helps build a nuanced understanding that is critical for reconfiguring resource bundles to meet the changing needs of the family business.

Frugal Innovation: Frugal innovation is the ability of firms to use fewer resources to produce the same output. Family firms have been known to invest less in research and development as they like to avoid risk (Chrisman et al., 2012). Variations in R&D investments of family and nonfamily firms: Behavioral agency and myopic loss aversion perspectives. *Academy of Management Journal*, 55(4), 976-997. Riskier R&D may result in the loss of control for family-owned businesses. Nonetheless, it has been observed that some family-owned businesses are good sources of innovation. The resourcefulness of family-owned businesses can explain this paradox of low innovation input and high innovation output. Resourcefulness inherently entails low and cheaper

resources that lead to frugality. Hence, FBR may help family businesses be frugal, as family members will exert additional effort in a resource-constrained environment.

Family Control: FBR helps in retaining family control. FBR can be defined as the capacity of a family business to maximise the use of its limited mainstream resources and abundant “available or junk” resources. Therefore, FBR incorporates a minimalist approach to business management, which helps reduce avoidable expenses and lower resource requirements. Reduced expenses make cash flows smoother. Because resourcefulness in family businesses is associated with minimalism, family businesses forfeit less ownership, thereby retaining greater control over the business.

Economic Changes: Economic changes and Industry structure changes occur due to FBR. FBR entails passion, higher efforts, and continuous innovation. Industry incumbents find it difficult to assess threats from such entrants because of unconventional and unexpected emergence. It is often too late for the established players to recognise the threat at hand; consequently, family firms ultimately surpass the established players, creating disruptions in the industry.

Better Firm Performance: FBR can provide insight into why certain family firms exhibit superior performance compared to their professional counterparts. The rationale for the superior performance of family-owned businesses via the SEW route is debatable. SEW can provide insight into the distinctions among family firms; however, FBR explains why family firms may attain superior capabilities by exerting more significant effort by repurposing resources and creating alternative paths. FBR reduces monitoring and bonding costs, making governance better. Family firms tend to be better at resource efficiency and productivity, leading to lower costs and, hence, better profitability.

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