Spotlight
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Can family and non-family members team up to drive real innovation?

New research shows how internal social capital unlocks innovation in family firms

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Published on April 13, 2019 *https://doi.org/10.68623/spotlight.2025.2x8*

Most family business leaders would agree that innovation matters. Fewer have a clear picture of where it actually comes from inside the organization. The usual suspects—R&D budgets, technology adoption, external partnerships—get plenty of attention in boardroom discussions and strategy retreats. What tends to be overlooked is something far less tangible but arguably more powerful: the quality of relationships among the people who work together every day.

This study zeroes in on a specific dimension of those relationships: **social capital**, the trust, shared norms, and reciprocity embedded in human networks. In family firms, two distinct pools of social capital coexist. One flows among family members—siblings, parents, cousins—who share history, identity, and a deep emotional stake in the enterprise. The other circulates among non-family employees, who bring professional expertise, external knowledge, and perspectives shaped by careers outside the family circle. The central question is whether these two pools, when combined, produce something greater than either could alone—and what happens when governance structures amplify or suppress that potential.

WHAT WE STUDIED

The researchers surveyed **172 family firms in Spain**, collecting data from both a family manager and a non-family manager within each company. That dual-respondent design is worth noting. Studies of family firms typically rely on a single informant—usually a family member—which introduces systematic bias. By hearing from both sides, this research captures a more complete picture of the relational dynamics inside these organizations.

Using structural equation modeling, the team tested three core propositions. First, that the interaction between family social capital and non-family social capital has a positive effect on innovation beyond what either contributes individually. Second, that higher levels of family control—meaning greater family ownership and involvement in management—strengthen this combined effect. Third, that the involvement of multiple generations weakens it.

Spain was chosen deliberately. The country's economic fabric is dominated by family firms, and its cultural emphasis on family ties makes it a context where social capital dynamics are especially pronounced. The sample included firms across industries—manufacturing, services, construction—and ranged from small enterprises to mid-sized companies, all with at least two family members involved in management or ownership. Innovation was measured through a composite indicator capturing both product and process innovation over the preceding three years, based on items validated in prior research on SME innovation. Control variables included firm size, age, industry sector, and the educational background of respondents—ensuring that the observed effects reflected genuine relational dynamics rather than compositional artifacts.

KEY INSIGHTS

The real innovation engine is the overlap between family and non-family networks

Neither family social capital nor non-family social capital alone was a strong predictor of innovation. The

breakthrough happened at the intersection. When family members' trust and shared identity combined with non-family employees' diverse expertise and external knowledge, the result was a measurable boost in innovation output. The mechanism works through complementarity: family networks provide the psychological safety and long-term commitment that make people willing to take creative risks, while non-family networks supply the absorptive capacity—the ability to recognize, assimilate, and apply new information—that turns those risks into results.

The theoretical grounding here draws on the resource-based view and the knowledge-based perspective. Family social capital is a sticky, path-dependent resource. It develops over years of shared meals, conflicts, celebrations, and sacrifices. Non-family social capital, by contrast, is more fluid and market-oriented. It enters the firm through hiring decisions and professional networks. When these two resource types interact, they compensate for each other's blind spots—family trust reduces the defensiveness that often blocks knowledge sharing, while non-family expertise pushes the firm beyond the cognitive boundaries of the family circle.

This finding challenges the common assumption that family firms need to look outside—hiring consultants, forming alliances, recruiting external talent—to innovate. The resources may already be inside the building. The task is connecting them.

Family control amplifies the combined effect

Firms where the family held a larger ownership stake and occupied more management positions saw a stronger innovation payoff from the interaction of family and non-family social capital. This runs counter to the popular narrative that concentrated family control is a drag on performance. In this study, it was the opposite: family control provided the cohesion and long-term orientation needed to turn relational resources into action.

The mechanism is straightforward. When family members steer both ownership and operations, decision-making is faster. Strategic alignment is easier. There is less political maneuvering and more room for the kind of informal, trust-based collaboration that feeds innovation. Family-controlled firms can afford to take longer views, tolerating the uncertainty inherent in innovation because they are not chasing quarterly targets. The shared language and mutual understanding within the family nucleus also reduces coordination costs—family members can broker connections between disparate groups more efficiently than a formal hierarchy could.

Family owners who worry that their involvement stifles innovation should reconsider. The issue may not be too much family control—it may be too little deliberate connection between family and non-family networks.

Multiple generations complicate the picture

Here is where the story gets uncomfortable. When several generations are simultaneously active in the firm—parents and children, or even grandparents, parents, and grandchildren—the positive interaction between family and non-family social capital weakens. The study attributes this to generational conflict: differing strategic visions, competing authority claims, and the emotional baggage that accumulates across generations.

These tensions do not stay contained within the family circle. They spill over, fragmenting the broader organizational culture and making it harder for non-family employees to navigate the political landscape. In firms with high generational involvement, non-family managers reported lower levels of trust and weaker collaborative ties. The spillover effect is damaging precisely because non-family employees often lack the context to understand generational disputes—they see the symptoms (inconsistent decisions, shifting priorities, unexplained tensions) without knowing the causes. Over time, this erodes the relational foundation on which combined social capital depends.

This is arguably the most underappreciated finding in the paper. Multigenerational involvement is often celebrated as a strength of family firms—a source of wisdom and continuity. The data suggest it can also be a liability when the relational dynamics across generations are not actively managed. Advisors who encourage "bringing the next generation in" without addressing the interpersonal groundwork are setting the stage for exactly this kind of erosion.

TAKEAWAYS

Build bridges between family and non-family employees

Cross-group collaboration rarely happens by accident. Family firms should create structured opportunities—joint project teams, mentoring pairs, shared social events—that bring family and non-family employees together. The goal is not to eliminate the distinctiveness of each group but to create channels through which their different resources can flow. Some of the most effective approaches are low-cost and informal: a weekly lunch that mixes departments, a joint training program, a shared problem-solving workshop where seniority takes a back seat to ideas.

Use family control as an enabler, not a barrier

Strong family involvement in ownership and management can accelerate innovation when it is exercised with openness. The key is using the trust and alignment that family control provides to integrate non-family perspectives rather than exclude them. Governance structures should reflect this: advisory boards that include independent voices, regular strategy sessions with senior non-family managers at the table, and transparent communication about the firm's innovation priorities and constraints.

Take generational conflict seriously

Firms with multiple generations in leadership need explicit mechanisms for managing disagreement. This means more than a succession plan. It means ongoing dialogue about strategic direction, clear role definitions, and—where necessary—professional mediation. Ignoring generational tensions does not make them disappear. It makes them corrosive. And the damage extends beyond the family: it undermines the entire organizational culture that non-family employees depend on to do their best work.

Measure social capital, not just financial capital

Social network analysis tools exist and are increasingly accessible. They can reveal patterns invisible to daily observation: who talks to whom, where information bottlenecks form, which groups are isolated from each other. Treating relational dynamics as a measurable, manageable resource—rather than an intangible "soft" factor—should be part of any family firm's innovation strategy. A simple starting point: ask ten people in different roles who they go to for advice on important decisions. The answers will tell you more about your firm's innovation capacity than any financial statement.

IMPACT

This study reframes how we think about innovation in family firms. The conventional wisdom emphasizes what family firms lack relative to their non-family counterparts—professional management structures, appetite for risk, access to external networks. These findings redirect the conversation toward what family firms uniquely possess: dense, trust-rich internal networks that, when properly connected, become a powerful innovation engine. The configurational perspective is the key contribution. Social capital alone does not predict innovation. Neither does family control. It is the specific combination of high internal social capital, strong family control, and managed generational dynamics that produces the strongest results.

For scholars, this paper advances the growing recognition that family firm phenomena are best understood through configurational lenses—where the effect of any single variable depends on the presence or absence of others. The dual-respondent methodology also sets a standard that future research would do well to follow, particularly in contexts where family and non-family perspectives diverge. For advisors and consultants, the practical message is pointed: before recommending that a family firm hire external talent or form strategic alliances, look first at whether the firm is fully leveraging the relational assets it already has. The cheapest and most durable source of innovation may be sitting in the next office.

RECOMMENDATIONS

1. **Audit your internal networks.** Map the connections between family and non-family groups. Identify where trust is strong and where silos exist. Even a simple exercise—asking managers to list who they consult on important decisions—can surface surprising gaps.
2. **Create cross-group innovation teams.** Pair family members who understand the firm's values and long-term vision with non-family professionals who bring fresh technical or market expertise. Give these teams a real mandate and resources, not just a label.
3. **Invest in generational alignment.** If multiple generations are active, establish regular forums for open discussion about strategy and priorities. Bring in a neutral facilitator if tensions are high. The cost of facilitation is trivial compared to the cost of unresolved conflict.
4. **Formalize the role of non-family managers in governance.** Include senior non-family employees in strategic conversations. Their engagement signals respect and strengthens the collaborative ties that drive innovation.

Spotlight by CeFEO, Can family and non-family members team up to drive real innovation? New research shows how internal social capital unlocks innovation in family firms. Downloaded on 15 November 2026 from https://doi.org/10.68623/spotlight.2025.2x8

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PUBLISHED IN

Sanchez-Famoso, V., Pittino, D., Chirico, F., Maseda, A., & Iturralde, T. (2019). Social capital and innovation in family firms: The moderating roles of family control and generational involvement. Scandinavian Journal of Management, 35(2), 101043.

https://doi.org/10.1016/j.scaman.2019.02.002

Spotlight is an online magazine that translates research from the Centre for Family Entrepreneurship and Ownership (CeFEO) at Jönköping International Business School, Jönköping University, into accessible insights for family business owners, practitioners, and policymakers.

Spotlight is supported by the WIFU Foundation. This partnership advances dialogue and education in responsible family entrepreneurship and ownership.