Organizational Psychological Capital of Family Franchise Firms Through the Lens of the Leader–Member Exchange Theory

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Abstract:

We explore organizational psychological capital (PsyCap) of family franchise firms by drawing on PsyCap and leader–member exchange (LMX) theories and family business literature. We suggest that unique family firm LMXs characterized by trust, respect, and obligation can foster organizational PsyCap of family franchise firms, in turn affecting their innovativeness. We also suggest that transgenerational succession intentions moderate the impact of the LMXs on the development of organizational PsyCap of family franchise firms as well as the consequent effects on innovativeness. We supplement these theoretical conjectures with two exploratory analyses based on survey data—a stepwise regression and correlational analysis. We also discuss implications for future research and practice.

Keywords: organizational PsyCap of family franchise firms | LMX | transgenerational succession intentions | Management | Family Business

Article:

Family involvement characterizes a large number of firms around the world and is thought to significantly affect their strategic decisions (Barry, 1989; Becchetti & Trovato, 2002; Buckley, 1997; Donckels & Frohlich, 1991; Gudmundson, Hartman, & Tower, 1999; Sharma, Chrisman, & Chua, 1997; Welsh, Memili, Kaciak, & Ouchi, 2014). Equally, franchising is also a major powerhouse in the worldwide economy (Alon & Welsh, 2001, 2003; Combs, Penney, Crook, & Short, 2010; Welsh & Alon, 2001, 2002). According to the International Franchising Association, franchising accounts for greater than 40% of all retail sales and totals more than $1.5 trillion in revenue annually around the world (International Franchise Association, 2006). Many of these are family franchises and families have been a means to expand franchising globally for decades (Alon & Welsh, 2003; Welsh & Alon, 2002).

However, only a few studies have investigated family firm issues in a franchise context and all of them have been with U.S. family franchises (Chirico, Ireland, & Sirmon, 2011; Kaufmann, 1999; Udell, 1973). Many years ago, Udell (1973) accurately identified the huge impact of families on franchising and the lack of studies on this topic. Then in 2011 Welsh and Raven (2011) reported that 35 of the 81 franchises in their sample were family based. The same year, Chirico et al. (2011) published a theoretical article examining the differences in franchise behavior between family and nonfamily firm franchises and developed a theoretical framework based on “familiness” of the family firm, that is, the enduring interaction of the family and business over time. These authors encouraged future studies on family firm franchises. We focus our examination on family firms engaged in franchising because this information is valuable to both scholars and practitioners, as little is known about these organizations, despite the growing size of this population and its great economic impact.

Family Involvement

Family involvement occurs when a family exerts control over the firm through ownership and management (Chrisman, Chua, & Litz, 2004; Chrisman, Chua, & Steier, 2005). Litz (1995) distinguishes between family involvement based on structure and intentions. Structural involvement focuses on the family’s ownership and management (Becchetti & Trovato, 2002; Haksever, 1996). However, not all family-owned and -managed firms use their involvement to influence firm strategies and behavior in a way that distinguishes them from nonfamily firms (Chua, Chrisman, & Sharma, 1999). In contrast, when involvement is based on intentions, controlling families are more likely to exert a significant influence on firm behavior. Indeed, the “essence” of a family firm is thought to be a function of a family’s influence on the culture, functioning, and behavior of the firm owing to the pursuit of a family’s vision for the firm (Chrisman, Chua, & Litz, 2003; Chrisman, Chua, & Sharma, 2005; Chua et al., 1999). Despite these assertions, theoretical and practical ambiguity emerges in the literature because how a family uses its influence to affect a firm’s, particularly a family franchise firm, strategies (e.g., innovativeness) remains understudied (Astrachan, Klein, & Smyrnios, 2002; Gudmundson et al., 1999; Sharma et al., 1997).

In this article, we propose that intentions for transgenerational control through intrafamily succession are an important indication of a family’s willingness to use its influence to distinctively affect firm strategies, such as innovativeness. In particular, we argue that such intentions imply that a firm’s strategic behaviors will be oriented toward preserving and enhancing the economic and noneconomic value of the firm for the family in the long term (Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Le Breton-Miller & Miller, 2006).

In addition, recent research attention has been given to the unique human resource dynamics in family firms, which can lead to competitive advantages over nonfamily counterparts and affect firm performance (see, e.g., Carney, 2005; Memili, Welsh, & Luthans, 2013; Sirmon & Hitt, 2003). For example, in a forthcoming *Entrepreneurship Theory and Practice* special issue on family firms, Memili et al. (2013) introduce the concept of organizational psychological capital (PsyCap) of family firms, which can be particularly valuable for family firms facing limitations or disadvantages in raising other forms of capital such as financial capital or even survivability capital (i.e., the pool of personal resources that family members use for the benefit of the family business; Arregle, Hitt, Sirmon, & Very, 2007; Romano, Tanewski, & Smyrnios, 2001; Sirmon & Hitt, 2003). These authors suggest that family firms may exhibit higher levels of organizational PsyCap than nonfamily firms owing to family firm idiosyncrasies (Steier, Chrisman, & Chua, 2004) such as family bonding, collectivity, shared history, and long-term orientation, which may have implications for sustaining and improving these family run businesses over time.

Memili et al. (2013) also highlight the importance of family firm leaders with their potential critical role in the development of organizational PsyCap because of their influence in shaping the family firm's vision and culture (Kelly, Athanassiou, & Crittenden, 2000) and call for future research to investigate these areas of impact. We attempt to respond to this call by exploring how the theory of leader–member exchanges (LMXs) can potentially provide a unique lens into exploring (a) how organizational PsyCap of family franchise firms can develop and (b) how it can consequently affect innovativeness, which is important in long-term survival and success of family firms. By drawing on LMX and PsyCap theories and the relevant family business literature, we suggest that LMX in family franchise firms can shape the level of organizational PsyCap exhibited by family franchise firms, in turn affecting the level of innovativeness observed. We also suggest the moderation effects of intrafamily transgenerational succession intentions on these relationships shown in Figure 1.

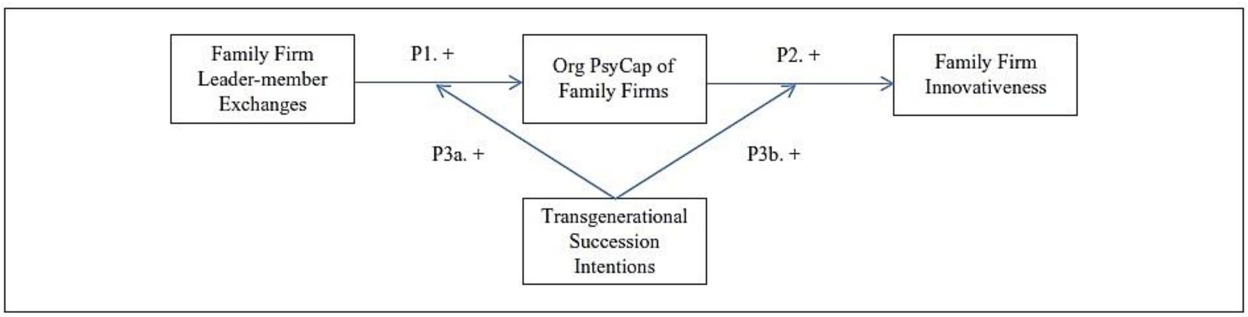

Figure 1. Proposed model of the mediating role of organizational PsyCap in family firms behaviors.

This article is intended to make at least two important contributions to the literature. First, we complement the prominent stream of individual level PsyCap research examining the development (e.g., Luthans, Youssef, & Avolio, 2007, chap. 8) and outcomes (see, e.g., the meta-analysis by Avey, Reichard, Luthans, & Mhatre, 2011) by exploring an antecedent and an outcome of organizational level PsyCap and the interactive effects of succession intentions in terms of its influence on the development of organizational PsyCap in family franchise firms and their level of innovativeness. Second, we explore organizational PsyCap within the context of family franchise firms. Indeed, organizational PsyCap may be even more important for family firms than in nonfamily organizations, particularly when family firms exhibit personalistic and particularistic tendencies (Carney, 2005). The personalization of authority in the family firm enables the family to impose its own vision onto the business and firm strategies and actions tend to depend on the personal and particularistic values of the family business leader(s) (Carney, 2005). We conclude with a discussion and implications for future research and practice.

Preliminary Data to Assist in Proposition Development

Due to the exploratory nature of this study, we adopted a methodological approach based on inductive theory building (Locke, 2007). Doing so first entails gathering and analyzing empirical data to make a preliminary investigation that may suggest links among various variables of interest such as those found in our proposed model shown in Figure 1. These relationships must be well grounded in the literature to then formulate propositions—the building blocks of the proposed theoretical model shown in Figure 1.

A total of 32 member firms of the International Franchise Association agreed to contribute survey data for us to examine. Specifically, they provided data on organizational PsyCap, LMX, family firm innovativeness, and transgenerational succession intensions (TSI). To measure PsyCap, the PCQ-12 (Luthans, Youssef, et al., 2007) was adapted for the organizational level. Respondents were asked to rate items such as "We all feel confident in representing our firm in meetings with external stakeholders" (confidence), "We all can think of many ways to reach our current firm goals" (hope), "We all usually take stressful things at firm in stride" (resilience), and "We always look on the bright side of things regarding our firm" (optimism). The Cronbach's alpha that we obtained for this scale was .85.

The LMX scale consisted of seven items based on Scandura and Graen's (1984) work (e.g., "How well do you feel that your immediate supervisor understands your problems and needs?"), and its Cronbach's alpha was .79. We measured the level of family firm innovativeness with two items ("In general, the top managers of my firm favor a strong emphasis on R&D, technological leadership, and innovations" and "Changes in product or service lines have been usually quite dramatic") and a question ("How many new lines of products and services has your company marketed in the past 5 years?"; Covin & Slevin, 1989), while the TSIs were measured with just one dichotomous question ("Do you wish/expect that the future successor as president of your firm will be a family member?"; see, e.g., Memili, Chrisman, Chang, & Kellermanns, 2011; Memili, Misra, Chang, & Chrisman, 2013). The firm innovativeness measure is consistent with individual-level innovative behavior measure used in organizational behavior studies (e.g., Scott & Bruce, 1994) in regard to innovation.

We calculated bivariate correlation coefficients between the scales using their mean scores. We chose the Pearson rather than the Spearman or Kendall correlation coefficient because the three summary measures followed a normal distribution, based on the Kolmogorov–Smirnov test with the Lilliefors significance correction ($p > .05$) as well as the acceptable ratios of skewness/kurtosis and their standard errors. The values of the correlation coefficients ranged between .16 and .37, and none of them were statistically significant ($p > .05$), which suggests a desired discriminant validity of the three scales.

Using the data collected from these measures as an inductive point of departure, we now provide the conceptual background to derive our propositions concerning the relationships shown in Figure 1.

Psychological Capital

Rooted in positive psychology (Seligman & Csikszentmihalyi, 2000), positive organizational behavior (i.e., “the study and application of positively oriented human resource strengths and psychological capacities that can be measured, developed, and effectively managed for performance improvement”; Luthans, 2002b, p. 59), research has primarily focused on the positive development and management of human resources in organizations. Within the framework of the positive organizational behavior approach, Luthans and colleagues identify PsyCap (Luthans, Avolio, Avey, & Norman, 2007; Luthans & Youssef, 2004; Luthans, Youssef, et al., 2007). A psychological resource must meet the criteria of being based on theory and research, having valid measurement, being open to development and thus “state like,” and having impact on desired outcomes, to be a component of PsyCap. The positive constructs of hope (goals and pathways), efficacy (confidence), resilience (bouncing back from adversity), and optimism (making positive attributions and having positive future expectations, or the “HERO within”) meet these criteria and constitute the core construct of PsyCap (Luthans, 2002a; Luthans, Youssef, et al., 2007).

A meta-analysis of this prominent stream of research over the past decade showed that employees’ PsyCap is positively associated with favorable attitudes, behaviors, and performance and negatively associated with unfavorable employee attitudes such as cynicism, turnover intentions, job stress, anxiety, and undesirable employee behaviors, such as deviance (Avey et al., 2011). Furthermore, experimental research by Luthans and colleagues has illustrated that PsyCap can be developed in short training programs, even online (Luthans, Avey, & Patera, 2008), resulting in performance improvement (Luthans, Avey, Avolio, & Peterson, 2010).

Walumbwa, Luthans, Avey, and Oke (2011) have shown that group-level or collective PsyCap, similar to Bandura’s (1997) group-level construct of collective efficacy, can be developed through interactive and coordinative dynamics and leadership in a firm, which can foster desired behaviors and performance outcomes. In addition to the group level PsyCap, a recent computer-aided text analysis by McKenny, Short, and Payne (2013) introduced a method of how to measure organizational level PsyCap by drawing directly from Luthans and colleagues’ individual-level construct definition of PsyCap involving hope, efficacy, resilience, and optimism. Based on the definitions provided by Luthans, Youssef, et al. (2007), organizational hope represents common goal-directed energy and the belief that there are pathways to accomplish an organization’s goals while organizational optimism leads members to attribute positive events to internal, permanent, and pervasive causes and negative events to external, temporary, and situation-specific causes. Applied to franchises, DiPietro, Welsh, Raven, and Severt (2007) found hope to be a major component affecting performance in these firms.

The third dimension, organizational efficacy or confidence, is the commonly held belief in the ability of the organization and its members to mobilize resources to reach outcomes. The final dimension, organizational resilience, is defined as the commonly held assumption that the organization will bounce back from negative events and progress. McKenny et al. (2013) suggest that organizational PsyCap, involving these four dimensions, develops through members’ interactions over time and reflects the shared level of positivity and agency among employees.

However, PsyCap has just recently been introduced to the family firm studies at the organizational level (i.e., Memili, Misra, et al., 2013) despite its seeming importance.

In a recent conceptual article, Memili, Misra, et al. (2013) suggested that the organizational PsyCap of family firms may be particularly important because there is a high level of reliance on both family and nonfamily firm members and their collective efforts toward success in the longterm (Barnett & Kellermanns, 2006; Pearson & Marler, 2010) through collective commitment to family-centered goals (Kotlar & De Massis, 2013). This is particularly important when family firms face challenges or disadvantages in developing other forms of capital (Sirmon & Hitt, 2003), such as when there are limits to human, social, and financial capital in some small family firms (Memili, Misra, et al., 2013; Sirmon & Hitt, 2003). These may further enhance the key role of organizational PsyCap as a strategic resource for family run firms (Memili, Misra, et al., 2013).

LMX Theory

Besides organizational PsyCap, another foundational aspect of our proposed model is found within the domain of social exchange theory. We suggest social exchange theory provides a theoretical framework for understanding the link between LMX and organizational PsyCap of family franchise firms. Within the framework of social exchange theory, relationships are characterized by exchanges between individuals and institutions, which are primarily driven by *expected reciprocity* and the *obligation to reciprocate* (Blau, 1964; Cropanzano & Mitchell, 2005). Expected reciprocity occurs when actions are taken to benefit an exchange partner with an expectation of reciprocity in the future (Blau, 1964). Reciprocation toward an exchange partner is based on socially internalized norms regulated by prior benefits received from others (Cropanzano & Mitchell, 2005). These types of relationships lead to more cooperative, collectivist, and cohesive interactions and are further enriched by kinship, friendship, or affection (Long & Mathews, 2011).

LMX theory, rooted in social exchange theory, has emerged from Graen and Cashman's (1975) distinguishing of leadership and supervision exchanges. According to these authors, leadership exchange involves the influence of the leader without resorting to authority based on the employment contract, whereas supervision exchange is based on contractual obligations. On one hand, high-quality LMXs occur when leaders provide support and resources to subordinates and subordinates reciprocate in return (Lawrence & Kacmar, 2012; Wayne, Shore, Bommer, & Tetrick, 2002). On the other hand, low-quality LMX relationships are based on a formal employment contract without extra benefits or advantages provided by leaders to employees, whereby employees feel obligated to perform the tasks required by contract only. Studies also show that high-quality LMX relationships can lead to productivity, satisfaction, commitment, and openness to leaders' influence (Nystrom, 1990; Scandura & Graen, 1984; Wilson, Sin, & Conlon, 2010). The outcomes of high-quality LMX relationships can benefit both the leaders and employees where positive experiences that arise from LMX create a reciprocal and continued series of positive exchanges between the firm and employees (e.g., Kacmar, Bachrach, Harris, & Zivnuska, 2011; Wilson et al., 2010).

Many years ago Gouldner (1960) suggested that the concept of reciprocity that is embedded within social exchanges is universal; theory and research have since suggested that the outcomes linked to exchange relationships vary depending on the context (Chan, Taylor, & Markham, 2008; Mitchell, Agle, Chrisman, & Spence, 2011). Drawing on insights into these exchange relationships within family firms, we posit that family firms are likely to develop unique LMX, which can shape the organizational PsyCap of family firms. In other words, family governance systems involving justice, harmony, and intrafamily transgenerational succession intentions in family franchise firms can create a unique social exchange environment that is favorable for the development of unique LMX, which can consequently affect the development of organizational PsyCap of family franchise firms.

Organizational behavior research shows that LMX has indirect effects on employees' innovativeness (e.g., Agarwal, Datta, Blake-Beard, & Bhargava, 2012), whereas transformational leadership has a direct impact (Lee, 2008). Employees generally perceive positive supportive approaches as gestures of goodwill on the part of the family firm or its leaders (e.g., owners; Memili, Patel, & Holt, 2013). The positive experiences create a reciprocal and continued series of positive exchanges between the family firm leaders and employees. This can consequently help family franchise firms develop organizational PsyCap fostered by LMXs. In turn, firmwide PsyCap obtained through gaining higher levels of hope, resilience, optimism, and efficacy can lead to higher levels of innovativeness in family firms. This may indeed explain why some family firms are more innovative in terms of offering new lines of products/services and implementing changes versus less innovative family run businesses.

LMX and Organizational PsyCap of Family Firms

Family firm leaders are expected to be influential in terms of the development of organizational PsyCap of family franchise firms through creating high-quality LMX relationships. Family firm leaders, particularly the founder/owners, disseminate the broadest cultural and firm information to both family and nonfamily employees. This can facilitate the leader(s) creating "high-quality relationships," such as "positive employee trust, commitment, and prosocial behavior" with employees (Pearson & Marler, 2010, p. 1120). Memili, Patel, et al. (2013) suggest that high-quality relationships can foster social integration (O'Reilly, Caldwell, & Barnett, 1989) as well as psychological and social links. These can generate attitudinal similarities (Terborg, Castore, & DeNinno, 1976) and the homogeneity of PsyCap among both family and nonfamily firm members creating organizational PsyCap of family firms. Hence, high-quality relationships initiated by family firm leaders are likely to nurture the development of organizational PsyCap of family firms at a higher level than in nonfamily firms (Memili, Patel, et al., 2013). Moreover, long-term orientation of the family firm enhances enduring relationships with key stakeholders, particularly for both family and nonfamily employees (Habbershon & Williams, 1999). Thereby, the long-term orientation encourages family firm leaders to develop psychological resources, such as PsyCap, among all family business employees. Hence, Memili, Patel, et al. (2013) expected that these high-quality relationships between family leaders and employees can enhance the development of organizational PsyCap of family firms more than in nonfamily firms and suggest this as a future research avenue. Prompted by this, we agree and suggest that LMX will positively influence organizational PsyCap of family franchise firms.

The personalistic, relational aspect of family governance (Carney, 2005) makes family franchise firms more prone to exhibit unique LMX based on positive social exchanges. Davis (1983, p. 53) suggests that family firms preserve "the humanity of the workplace," and tend to exhibit "high levels of concern and caring for the needs of employees as individuals" (p. 54), unlike the mainstream bureaucratic franchise organizations. Indeed, controlling "families so cherish the firm, they also treasure those who staff it and sustain it" (Miller & Le Breton-Miller, 2005, p. 521). Family firms' greater concern for employees' wellbeing (Habbershon & Williams, 1999) than nonfamily firms is also owing to their positive image and reputation concerns (Dyer & Whetten, 2006; Miller, Le Breton-Miller, & Scholnick, 2008). Since a bad reputation could "soil the good name of the family" (Dyer & Whetten, 2006, p. 791), family leaders tend to exhibit responsible business practices (Dyer & Whetten, 2006), particularly concerning employee care. As family firm leaders create personal, high-quality relationships, a reciprocal stewardship culture (Pearson & Marler, 2010) emerges, which can lead to stronger organizational PsyCap of family franchise firms through enhanced family firm hope, resilience, optimism, and efficacy.

In addition to the reciprocity principle, LMX and the development of organizational PsyCap may be particularly important for family franchise firms than nonfamily franchise firms because in family firms, the firm success substantially depends on human capital strengths owing to the primary reliance on family members and particularistic tendencies in employee and partner selections through close or special relations with a subset of trusted parties (Carney, 2005; Memili, Patel, et al., 2013). Thus, there are also practical incentives for family leaders to create positive exchanges that can help build and preserve the organizational PsyCap of family firms.

Moreover, family firms with capital limitations may face disadvantages in labor markets while hiring and retaining both family and nonfamily employees by not being able to offer competitive career advancement opportunities, compensation, and higher future earning opportunities to employees (Chrisman, Memili, & Misra, 2014). Hence, family firm leaders are likely to use LMX to foster organizational PsyCap to offset some of these disadvantages and provide a better work environment.

To examine more closely the above theoretically driven relationships between LMX and organizational PsyCap, we conducted an exploratory analysis with the data collection described earlier. First, we divided our sample into two subsamples: family-owned and non-family-owned firms. The dependent variable of interest is organizational PsyCap, operationalized for each respondent as the mean of his or her ratings of each of the adapted PCQ's 12 items. The independent variable is LMX, similarly operationalized as the mean of the scales' seven items. In a stepwise regression, we first control for the firm's age, using the log of firm age due to its skewed distribution. For the family-owned firms, the overall regression model is significant, $R2 = .58$, $F(2, 9) = 4.78$, $p <.05$. LMXs significantly predict organizational PsyCap of family firms, $\beta = 1.37$, $SE = 0.52$, $p < .05$. For the non-family-owned firms, LMX is not significant, $\beta = 0.28$, $SE = 0.27$, $p > .10$. Based on the literature above and this very preliminary exploratory analysis, the following proposition is advanced:

> *Proposition 1*: Positive LMXs will be positively associated with organizational PsyCap of family franchise firms.

Organizational PsyCap of Family Firms and Innovativeness

Research highlights the importance of innovativeness as an important component of entrepreneurial orientation, which is multidimensional, including autonomy, risk taking, proactiveness, and competitive aggressiveness (Covin & Slevin, 1989; Knight, 1997; Lumpkin & Dess, 1996; Memili, Lumpkin, & Dess, 2010). Innovativeness illustrates a firm's tendency to pursue "creative and novel solutions to challenges confronting the firm, including the development and enhancement of products and services, as well as new administrative techniques and technologies for performing organizational functions (e.g., production, marketing, sales, and distribution)" (Knight, 1997, p. 214). Firms utilize innovativeness to pursue and capture new opportunities in the markets, which can help them beat their competition and gain competitive advantages and in turn lead to higher financial performance (Wiklund, 1999; Wiklund & Shepherd, 2003, 2005). This is particularly important for family firms that have a long-term orientation with respect to considering what the firm will be for future generations running a successful family business.

Based on the literature above, we offer the following proposition:

Proposition 2: Organizational PsyCap will be positively associated with family franchise firm innovativeness.

Moderation Effects of Transgenerational Succession Intentions

Chua et al. (1999) define a family business as "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (p. 25). Consistent with this definition, the intention to maintain family control suggests that the firm is more likely to possess a vision for how the family will contribute to the development of unique resources and behaviors that can be leveraged by the firm (Chrisman et al., 2003).

The long-term orientation that occurs when the firm is viewed as a legacy to pass on to future generations also increases the value of developing strong relationships built on goodwill and trust with stakeholders, particularly employees. Furthermore, family firm leaders who make business decisions based on a long-term commitment to both the family and the firm seem to develop stronger reputations among stakeholders, including employees, based on the family name (Aronoff & Ward, 1995; Dick & Basu, 1994; Habbershon & Williams, 1999; Lyman, 1991).

LMXs geared toward building firm strengths, such as organizational PsyCap, are likely to lead to strong relationships with employees as key stakeholders. Family firm leaders, whose self-esteem and self-worth are tied to the family's continuing control of the business (Dutton, Dukerich, & Harquail, 1994; Smidts, Pruyn, & Van Riel, 2001), may be more motivated to ensure that the firm develops such organizational PsyCap through LMXs. Thus, as expressed below, we expect that intrafamily succession intentions will increase the likelihood that LMXs will lead to the development of strong organizational PsyCap of family franchise firms.

We supplemented this theoretical conjecture with the correlational analysis, based on our limited data. The bivariate correlation coefficient between LMX and organizational PsyCap was $r = .37$. To control for a possible moderating effect of the transgenerational succession intentions, we calculated the partial correlation coefficient between LMX and organizational PsyCap, while controlling for the TSI. We observed a quite pronounced increase of this coefficient from $r = .37$ to $r = .69$. In view of the above theoretical and these preliminary exploratory findings, we posit the following:

> *Proposition 3a*: Transgenerational succession intentions will positively moderate the relationship between LMXs and organizational PsyCap of family franchise firms, such that the positive link will be stronger.

The longer time horizon derived from an intention for continuing family control of the firm can help its leaders avoid managerial myopia, forgo short-term earnings (James, 1999; Miller & Le Breton-Miller, 2006; Upton, Teal, & Felan, 2001), and strengthen efforts directed toward transforming available firm resources into innovativeness for long-term sustainability and prosperity. This focus is likely to enhance the link between organizational PsyCap of family franchise firms and innovativeness. Indeed, the longterm perspective deriving from transgenerational succession intentions can ensure that firm strengths, such as organizational PsyCap, are turned into innovativeness. This leads to our final proposition:

> *Proposition 3b*: Transgenerational succession intentions will positively moderate the relationship between organizational PsyCap of family franchise firms and family franchise firm innovativeness, such that the positive link will be stronger.

Discussion and Conclusion

This article develops a conceptual model of the relationships among LMX, organizational PsyCap of family franchise firms, transgenerational succession intentions, and innovativeness. We propose that LMX will positively influence organizational PsyCap of family franchise firms, in turn affecting their innovativeness. We also suggest that transgenerational succession intentions moderate these relationships.

We believe we have made several contributions. First, this study is one of the few to consider the influence of intrafamily succession intentions on the links first between LMX and organizational PsyCap of family firms and then between organizational PsyCap and innovativeness in family franchise firms. Particularly, we suggest that the innovativeness of firms with the intentions for the transgenerational sustainability of control through intrafamily succession combined with organizational PsyCap is more likely to be higher than franchise firms without such intentions. Furthermore, having such transgenerational succession intentions strengthens the relationships between (a) LMX and organizational PsyCap and consequently (b) organizational PsyCap and innovativeness. In this regard, family franchise firms are more likely to exploit the benefits of organizational PsyCap to attain higher levels of innovativeness when there is an intention for intrafamily succession.

Second, our theoretical arguments, although not proposed, suggest that the structural components of family involvement (family ownership and family management) do not influence innovativeness. As we explained, this is because they only indicate the ability to influence rather than the intention to use the influence of family control to shape firm behaviors in a way that differs from nonfamily firms. As a result, family involvement based on intentionality rather than on structure may provide a distinctive effect of family firm governance (Chua et al., 1999; Litz, 1995). Future studies should test this contention. In this regard, we hope to have contributed to a better understanding of the elements that lead to the family effect in firm decision making and behaviors (e.g., Chrisman, Chua, et al., 2005; Dyer, 2006).

Future Research

In addition to future empirical testing of our conceptual model of family firm innovativeness, there are several other directions future research might take to better understand how the structural and intentional elements of family involvement influence franchise firm behavior. In addition, aside from LMX, other antecedents of organizational PsyCap of family franchise firms, such as family harmony and long-term orientation, can be explored. Moreover, future studies should explore how family involvement and organizational PsyCap may interact to influence other functional strategies that are important to long-term success of family franchise firms such as operations, R&D intensity, innovation outputs (e.g., patents), and finance (e.g., equity versus debt) as well as other strategic actions at the corporate and business levels that are important to firm success (Sharma et al., 1997). In addition, the interaction of the franchisor and franchisee in light of our propositions should be explored.

Finally, comparative analyses of nonfamily and family franchise firms should investigate how differences in organizational PsyCap affect franchise firm performance. In doing so, researchers need to go beyond simply measuring the components of ownership and management control to capture the intention and vision-based influences of family involvement (Chua et al., 1999; Litz, 1995). As we suggest, intentions for transgenerational succession coupled with organizational PsyCap can lead family franchise firms to follow different strategies or more (or less) intensively pursue the strategies selected to achieve long-term strategic and family objectives. The long-term relationship between transgenerational succession at the franchisee as well as the franchisor level could be examined as well as the interaction between multiple generations of franchisees and franchisors and the influence on innovativeness.

In conclusion, we provide insights about the important role of organizational PsyCap of family franchise firms and family succession intentions in shaping franchise firm behavior in the form of innovativeness. We hope to have provided a step toward further integrating theories from positive organizational behavior into the family business literature in the hope of gaining a better understanding of family franchise firm behavior, such as innovativeness. Since organizational PsyCap and transgenerational succession intentions can significantly influence the innovativeness of a family franchise firm, and since innovativeness can affect the long-term viability of a firm, we hope our insights will inspire researchers to build and improve on our propositions and draw evidence-based conclusions. Family franchise firms that can turn their organizational PsyCap and succession intentions into innovativeness may be able to enhance their long-term sustainability and achieve their objective of an enduring family legacy.

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