Institutional settings and local embeddedness of European Entrepreneurial Families: an inter-regional comparison

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The interaction between institutional settings and Entrepreneurial Families (EFs) is two-fold. Extant literature has attempted to understand how institutional settings can affect Family Businesses’ embeddedness. Both perspectives are complementary and necessary to recognise that EFs are not only locally embedded in their territories, but they are also entrenched in institutions. Despite this, how different institutional settings impact on EFs’ local embeddedness remains unexplored. To fill this gap, we combine institutional theory and family business research to perform a qualitative investigation. Drawing on the Varieties of Capitalism institutional categorisation, an exploratory study is carried out by including four European regions from countries that are positioned as a Coordinated Market Economy (CME) (Germany), a Liberal Market Economy (LME) (United Kingdom) and two cases of Mediterranean capitalist system (France and Spain). 43 semi-structured interviews were conducted across the regions and analysed through an open-coding process. Findings unveil that EFs’ local embeddedness is conditioned by different institutional settings in different ways, namely through codified mechanisms (CME and Spain) and through non-formalised mechanisms (LME and France). These are unfolded in 20 mechanisms, which contribute to territorial policies adjustments depending on the category of institutional setting where EFs are locally embedded.

Keywords: Entrepreneurial Family; local embeddedness; institutional mechanism; institutional setting; Varieties of Capitalism; Europe
1. Introduction

Family business literature has addressed the impact of Family Businesses (FBs) on the locations where they are embedded, highlighting both their positive influence (Bjuggren et al., 2011; Kurland & McCaffrey, 2020; Lumpkin et al., 2011), as well as their dark side (Basco, 2015, p. 259; Gomez-Mejia et al., 2020; Stough et al., 2015). New concepts (e.g., community socioemotional wealth, cf. Kurland & McCaffrey, 2020), constructs (e.g., family embeddedness, cf. Azmat & Fujimoto, 2016) and perspectives (e.g., regional-familiness perspective, cf. Gomez-Mejia et al., 2020) have flourished in the field to understand the FBs’ impact on their territory, focusing on their interaction with the setting in which they are embedded.

These perspectives, however, disregard two relevant aspects. First, the relationship between location and economic activity is affected by local embeddedness. Therefore, just as there are dark and bright sides to the impact of FBs, territories can also create hostile (or favourable) settings (e.g., Carretero Gómez et al., 2018) that may incentivise (or inhibit) Entrepreneurial Families’ (EFs) local embeddedness. Second, institutions are not neutral actors (Crevoisier, 2014). They are affected by FBs and, more importantly, they affect the families that stand behind the businesses. In other words, because EFs are not only locally embedded in their territories, but they are also entrenched in ‘the rules of the game’ (North, 1990) (i.e., institutions), the local embeddedness of EFs is conditioned by the institutional setting (Baù et al., 2019; Hess, 2004).

Despite this, extant research has often neglected the institutional context impact on FBs (Carreri, 2019; Giménez Jimenez & Calabrò, 2019), because it remains unclear how institutions actually differ across regions (Lenz & Glückler, 2020). In cases where the impact of the institutional setting has been considered (Soleimanof et al., 2018), this
has been investigated at FB level. Yet, FBs’ local embeddedness is mainly linked to the non-economic goals of EFs (Chrisman et al., 2012), such as that of creating long-term ties with local stakeholders and contributing to the social and economic development of the territory (Berrone et al., 2012). Although the role of embeddedness as a binding mechanism for the local economy and institutions has been recognised in the literature (Granovetter, 1992; Taylor, 2001), more thorough research into understanding the influence of institutional settings on EFs’ local embeddedness remains scarce. Thus, it is essential to complement these perspectives given that policymakers can only tailor their policies to locally anchor their EFs if there is broad recognition that different institutional settings can impact differently on EFs’ local embeddedness.

To fill this gap, the following research question is posed: how do different institutional settings impact on EFs’ local embeddedness? To do so, we conducted an exploratory study, which involved 4 European regions placed in countries classified as: Coordinated Market Economy (CME), Liberal Market Economy (LME), and two cases of Mediterranean capitalist systems (France and Spain). Over a period of two and a half years, we interviewed 29 owner-managers of EFs and 14 local experts. We embraced an interpretivist paradigm to identify the specific formal and informal institutional mechanisms affecting EFs’ local embeddedness in the studied regions.

We bring four main contributions to extant literature. First, this investigation offers a bridge between institutional theory and family science, extending previous lines of research initiated by Basco (2015) and Lenz and Glückler (2020). Second, this is one of the few qualitative studies to perform a cross-region comparison in the family business field. While there have been attempts to conduct cross-cultural comparisons in developed regions (Gomez-Mejia et al., 2020), more efforts are needed to understand how the peculiarities of different institutional settings impact on EFs’ local
embeddedness. Third, a theoretical exercise was performed to revisit, from a family business perspective, the Varieties of Capitalism categorisation (Hall and Soskice, 2011). Finally, this study answers the call for an increased integration of family science to advance our understanding of FBs (Payne, 2020) by specifically approaching the local embeddedness of FBs at a family level.

Section 2 elaborates on institutional theory and the embeddedness literature to discuss the concept of EFs’ local embeddedness and its relation with formal and informal institutional mechanisms present in CMEs, LMEs and Mediterranean institutional settings. Section 3 presents the investigation’s methodology, including the selection criteria for the studied institutional settings, the data collection and the open-coding analysis. Section 4 reports the findings. The last section of the article closes with some discussion and concluding remarks.

2. EFs’ local embeddedness and institutional theory

Investigating the interactions between organisations and institutional environments, institutional theory defines institutions as “stable patterns of behaviour, enforced by rules and social control” (Colli, 2019, p. 26). As such, institutions play an active role in a territory’s activity, drawing a macro-institutional context that interferes in the functioning of organisations (Crevoisier, 2014), including FBs. The interaction between FBs and institutions takes place at informal and formal levels. According to this view, “the macro- (the framework) and the micro-institutional/organisational levels co-evolve” together (Colli, 2019, p. 28). In other words, organisations (FBs) influence their institutional environment, and are able to change it. For instance, the larger the size of a FB, the more likely it is to exercise power over its territory for its own benefit (e.g., by creating norms and regulation). However, since this is a circular relationship (Colli, 2019), FBs are also influenced by their institutional setting in a number of ways. One
example is the role that a country’s legal framework plays in undermining (or favouring) FBs’ acquisition propensity (Requejo et al., 2018). As Lenz and Glückler (2020) stated, the institutional context affects the FB and the family owners’ current and future decisions. Thus, preserving the local embeddedness mechanism that ties together EFs, FBs and their territory is of major importance, and the institutional setting can play a key role in this aim. However, extant literature, offers limited insights regarding how this preservation may be supported from an institutional perspective.

2.1. Local embeddedness and EFs

The roots of the embeddedness concept trace back to The Great Transformation of Polanyi (1944). Since then, the embeddedness literature has been enriched by scholars dealing with binding rapport established among actors (e.g., Granovetter, 1985). In regional development, these actors have been frequently studied as businesses. In particular, concepts such as territorial embeddedness (Pallares-Barbera et al., 2004) and local embeddedness (Hess, 2004) are crucial to understand regional development and businesses relationship. More recently, family business scholars have delved into the local embeddedness concept from a FB level (Backman & Palmberg, 2015). In this investigation, we use the definition of local embeddedness given in Baù et al. (2019): “the involvement of economic actors in a geographically delimited network and/or institutional setting” (p. 362), and James et al. (2018) definition of EF as “a phenomenon where several members of a family create and develop one or more business enterprises over time” to study how different institutional settings impact on EFs’ local embeddedness.
2.2. Institutional settings and EFs’ local embeddedness

A territory is not a homogenous entity. Different spatial settings will imply different ways of leveraging local embeddedness by FBs (Amato et al., 2020). To explain differences and similarities in institutional settings, Hall and Soskice’s (2001) developed a framework. Authors broadly categorised countries as Coordinated Market Economies (CMEs), Liberal Market Economies (LMEs) and some ambiguous cases of capitalist systems (e.g., Mediterranean countries), under the umbrella of the so-called Varieties of Capitalism. The spatially unique configuration of these institutional settings varies as locations are configured in distinctive ways, thus differently affecting organisations, such as FBs. Therefore, to understand how institutional settings affect EFs’ local embeddedness, it is important to consider their characteristics and their specific formal and informal mechanisms.

First, to coordinate relationships between firms, CMEs rely on rules that favour networks (Hall & Soskice, 2001). This kind of institutional setting is characterised by the fact that the financial system, the internal structure of the firm and the sharing of information all rely on strategic interaction. In addition, the financial system is bank-oriented and favours industry association, which leads to support for technology transfer (Hall & Soskice, 2001). EFs’ access to credit is closely linked to the relationship of entrepreneurs with their regional banks, which actively engage in the management of EFs’ financial affairs (Lenz & Glückler, 2020). Second, the reliance on market relations is a key distinctive feature of LMEs. In this institutional setting, “firms coordinate their activities primarily via hierarchies and competitive market arrangements” (Hall & Soskice, 2001, p. 8). In LMEs, EFs tend to be oriented towards profitability given that the valuation of businesses mostly takes place in equity markets (Hall & Soskice, 2001). For this reason, unlike a CME, operating in a market that favours profitability may
foster EFs’ local embeddedness through mechanisms that relate to EFs’ financial objectives.

Third, unlike CMEs and LMEs, Mediterranean countries are often described as holders of a different kind of capitalism, where state interventionism is frequent and characterised by “non-market coordination in the sphere of corporate finance but more liberal arrangements in the sphere of labor relations” (Hall & Soskice, 2001, p. 21). Because of their regional peculiarities and the similarities of their business systems, Mediterranean countries “exhibit a unique pattern of economic regionalism” (Glassmann, 2016, p. 36). In these ambiguous cases of capitalist settings, regional governments tend to forge alliances with social stakeholders to support businesses in difficult times and facilitate their access to key resources. Governed by interventionist states, a higher degree of protection is usually experienced by EFs in these settings.

In all these institutional settings, however, there is a salient form of patient capital that is embedded in their home communities: we refer to family capitalism (Lehrer & Celo, 2016). From a territorial perspective, the local embeddedness of EFs is conditioned by four modes: political, cultural, structural and cognitive (Martínez-Sanchis et al., 2020). The political mode of territorial embeddedness enables regional governments either to support EFs by fostering their activities and initiatives within an institutional setting that benefits them or to act as a hindrance. Second, the cultural mode of territorial embeddedness conditions the local embeddedness of EFs according to accepted behaviour in society, which influences the economic decisions made by EFs. The structural mode of territorial embeddedness can favour EFs’ pursuit of establishing close, long-standing relationship networks with their stakeholders. Finally, the cognitive mode of territorial embeddedness comprises “the representations,
interpretations, and meanings of the territorial actors that impact on the rationality of EFs” (Martínez-Sanchis et al., 2020).

In this paper, to answer how different institutional settings impact on EFs’ local embeddedness, we analyse different institutional settings according to the Varieties of Capitalism classification. Differences on institutional settings are identified by formal/informal institutional mechanisms and by modes of embeddedness where these mechanisms act.

2.2.1. Formal institutional mechanisms and EFs’ local embeddedness

Formal institutions comprise “the regulatory pillar involving formalized rules, laws and associated sanctions promoting certain behaviours and restricting others” (Hack-Polay et al., 2020, p. 4). Some examples of these formal constraints (North, 1990) have been highlighted in family business literature. Frequent references are made to labour regulations, governance standards, inheritance taxes and succession law, to name just a few (e.g., Kalss, 2015; Lien et al., 2016). However, other formal mechanisms such as the banking system, the educational system (Colli, 2019) and the divorce regulation (Haag & Sund, 2016) have been less cited and only recently acknowledged, despite their influence on EFs. The above-mentioned formal institutions are tied to a legal bundle of rules and norms which, in specific institutional settings, can turn into disruptive events affecting EFs’ local embeddedness inasmuch as they threaten the continuity of the FB.

In a CME setting, the power of territorial actors is mirrored in the political mode of territorial embeddedness that leads to a formal education and training system upon which firms depend. This is rooted in a rigid legislation regime that enables a long-term human capital orientation. This context provides room for an “education and training
system which permits sunk human capital investments” (Hall & Soskice, 2001, p. 28). This example of formal institution contrasts with LMEs’ organisation of education system and, more specifically, vocational schools, which are supported by other formal institutions in the setting rather than by FBs. This feature of LMEs can bring consequences for EFs’ local embeddedness if such an individualistic culture translates into less “social responsibility and financial philanthropy” (Lenz & Glückler, 2020, p. 14), which is frequent in CMEs. In Mediterranean settings, the political mode of territorial embeddedness is particularly visible in the active safeguarding of training and the family business welfare system (Glassmann, 2016). This feeds EFs’ local embeddedness as it creates specific institutions to deal with business needs, such as the Basque Institute of Qualifications and Vocational Training in Gipuzkoa (Spain).

2.2.2. Informal institutional mechanisms and EFs’ local embeddedness

The local embeddedness of EFs is also conditioned by non-formalised institutional mechanisms. Religion is an example of an influential informal institution (Barbera et al., 2019; Colli, 2019). Extant research indicates that EFs’ engagement with the community reflects a family’s religious values which, in turn, are rooted in the territory’s religious values. Given the EFs’ long-term orientation, EFs are likely to nurture benevolent values to support relationships with community stakeholders. At the same time, this behaviour strengthens loyalty between actors, which eventually feeds EFs’ local embeddedness. Informal networks, as well, have demonstrated “the importance of interaction between the family, business and social networks” (Seaman et al., 2017, p. 462). This example shows that embeddedness, when understood as the way social and economic activities are mixed up with networks of social relations (Granovetter, 1985), offers an array of family and friendship networks which reinforce EFs’ social and emotional ties with their territories and, thus, their embeddedness.
In CMEs, informal institutions, can also take different forms. In the structural mode of territorial embeddedness, informal networks where trust and confidence are spread and information is shared among counterparts (Hall & Soskice, 2001) are characteristic. This is especially true for EFs because they develop close, long-standing relationship networks with their stakeholders. This brings consequences for the cognitive mode of territorial embeddedness in CMEs. As EFs are long-term oriented, they are especially inclined to take care of their employees through stable contracts that foster the creation of a committed workforce. In LMEs, the structural mode of territorial embeddedness is conditioned by the ongoing involvement of EFs in networks of the territory. As these networks are harder to reach in comparison with other institutional settings, EFs become more cautious in the sharing of sensitive information. Tied to this, informal mechanisms associated with the cognitive mode of territorial embeddedness such as commitment to the family project can put at risk EFs’ local embeddedness in a LME. An institutional setting following a LME logic provides room for a “substantial freedom to hire and fire” (Hall & Soskice, 2001, p. 29) making it harder to maintain a long-term committed workforce in this setting.

One of the informal institutions especially relevant in a Mediterranean setting is related to the cultural mode of territorial embeddedness. The accepted verbal and non-verbal communication gives EFs members’ experiences similar meanings, drawing on shared language, history, and symbols (Hammond et al., 2016). For instance, in this respect, “the French language is the core of French identity and culture” (Kontinen, 2011, p. 17). Hence, in this setting, cultural configurations are essential to have EFs that remain locally embedded and, more importantly, are crucial to build a territorial identity that enables “convergence between collective and private interests, and feeding a sense of belonging and loyalty to a community” (Capello, 2019, p. 152).
All this considered, it can be stated that EFs’ local embeddedness is conditioned in different ways depending on the institutional setting in which these families are located. For this reason, the institutional support that EFs receive in each of the abovementioned institutional settings will either rebound to the benefit of (or will hinder) the local embeddedness of EFs when several aspects of critical importance in anchoring the family to the institutional setting are affected by formal and informal mechanisms.

3. Methodology

This investigation follows a qualitative approach to data. Qualitative studies are recommended when the research question aims to understand the process rather than the outcomes of a phenomenon (Kammerlander & De Massis, 2020). Accordingly, this investigation adopted a process research approach (Langley, 2008, p. 173). We considered how different institutional settings impact on EFs’ local embeddedness. Given that we did not intend to show causality or correlation between the institutional setting and the local embeddedness of EFs, but instead aimed to obtain rich, in-depth data, we considered individuals with their own perception of reality and, thus, adopted the interpretivist paradigm. Additionally, a qualitative methodology served best our research objective of identifying the formal and informal mechanisms that impact on EFs’ local embeddedness in different institutional settings given that literature advises the performance of qualitative investigations when the studied phenomenon is under-investigated and under-theorised. This is the case of the local embeddedness of EFs, in which literature is largely of an exploratory nature and additional inductive research is still required. Finally, to explore institutional theory in the family business field, Carreri (2019) recommends the use of qualitative methods to understand taken-for-granted assumptions in “the institutional environment in which they are embedded” (p. 63).
3.1. Selection of studied regions

First, the search for institutional settings aimed to select countries that according to the Varieties of Capitalism framework (Hall and Soskice, 2001) are examples of Mediterranean institutional settings, a CME and a LME (Table 1).

[INSERT TABLE 1 HERE]

Second, following the logics of an exploratory research that does not intend to universalise findings, the sample was limited to regions within these countries. Aligned with this reasoning, the inclusion of regions when considering Varieties of Capitalism framework is encouraged in the literature (Schröder & Voelzkow, 2016), and, in the context of a FB research, the consideration of regions allows to deepen into the continuity of a regional engine across Europe, EFs. We selected Pays-de-la-Loire and Basque Country (in France and Spain, respectively, considered as Mediterranean cases of capitalism), the region of Baden-Württemberg (in Germany, considered CME), and Scotland (in UK, considered LME). Third, to contribute to the purpose of the study, these regions should meet certain characteristics. EFs had to make up a significant percentage of their business fabric (Aragón-Amonarriz et al., 2005; Seaman et al., 2010; Witten Institute for Family Business, 2020). As well, literature should have identified these regions for their dynamic economic activity and outstanding business performance (e.g., Kraus et al., 2020 for Baden-Württemberg). Finally, the choice of these regions relied on a research project financed by the Basque Government Department of Education, Language policy and Culture and the Basque Association of Family Businesses. This project engaged four European universities: Deusto Business School (Spain), Audencia Business School (France), Heidelberg University (Germany), and Queen Margaret University (UK), within a period that lasted from September 2017
until March 2021. The convenience selection of these regions ensured a close contact with EFs of the region and the involvement of researchers that are embedded in the region for more than 30 years.

3.2. Interviews and data collection

Research design comprised two phases. In the first phase (June 2017 - February 2019), semi-structured interviews with 20 EFs and 5 experts were conducted in Gipuzkoa (Basque Country, Spain). The second phase lasted from June 2019 to December 2019. In this second phase, data was gathered from 4, 1 and 4 EFs in France, Germany, and Scotland, respectively, and from 2, 5, and 2 experts as well in France, Germany, and Scotland. The higher number of participants in the first phase stems from the study’s root in a previous research project (Martínez-Sanchis et al., 2020), which aimed at gaining a preliminary in-depth understanding of the EFs embeddedness in one institutional setting, to afterwards corroborate the findings (a framework of 16 territorial factors; see Appendix A) in other institutional settings. As a result, we conducted 43 interviews over a period of two years and a half. In the present study, to extend this framework, these 16 factors act as a springboard to contrast them in the selected regions.

To select the EFs, a convenience sampling technique was followed. The research team located in each institutional setting provided access to key respondents that were keen to participate in the study. To triangulate the information gathered from the EFs, we interviewed local experts. These were selected because of their expertise and familiarity with EFs issues within their setting. Specifically, the selected experts in each institutional setting had close contacts with EFs thanks to their professional roles in regional associations, chambers of commerce and FBs networks. In total, 29 EFs (Table 2) and 14 local experts (Table 3) took part in the investigation.
Additional triangulation of data procedures was followed. First, interviewing local experts allowed us to gain access to more information than by solely interviewing EFs due to their broader view of EFs challenges. These experts fed the investigation according to their roles as key informants embedded “in the local business community and their personal network of entrepreneurs and colleagues” (Lenz et al., 2020, p. 2). Second, secondary data was compiled, which gave access to sensitive information on FBs from the regions (e.g., frequent personal reasons faced by EFs during the succession process, information on typical financial issues that EFs share with their banks, EFs’ perceptions on regional policies taken by policy-makers…etc.). In particular, this data was obtained directly from chambers of commerce’ representatives, associations of Chambers of Industry and Commerce and from representatives of regional FBs associations.

Concerns about the sample size of qualitative research have been raised by scholars on several occasions (Pratt, 2009). In this regard, this research took a particularly high number of participants, given that a sample size of 12 is considered enough for data saturation when investigating complex phenomena (Boddy, 2016). Researchers in the family business field have suggested that for studying complex phenomena, reduced rather than big samples are recommended (De Massis & Kotlar, 2014) (i.e., the local embeddedness of EFs).

The total number of interviews yielded to 3,160 min (52.6 hrs) of recordings and 244 transcribed pages. Data was collected through semi-structured interviews with open-ended questions. This research instrument is especially useful in the family
business context to gather rich data about a complex phenomenon (Kammerlander & De Massis, 2020), which is the case of this investigation. To proceed with the storage and transcription of data, researchers made use of a professional recording device, used transcription software and took notes. To ensure readability and accurate transcription, the results obtained from this software were manually checked. Also, probing techniques were used during the data collection to improve the validity of answers and we also performed member validation techniques (Boeije, 2010). The triangulation of information was performed before and after the interviews took place by examining FBs websites, official reports and official regional sources of information. This secured the reliability of the study as well as the corroboration of the participants’ answers (Boeije, 2010). Following Yin’s (2009) recommendations, a database was created for storing relevant information about participants. A unit of analysis was established (the local embeddedness of EFs) and a structured interview guide was drawn up to address all relevant questions before the interviews took place. Anonymity and ethical compliance were assured during the entire process through a consent form signed by each participant.

Two methodological challenges that are specific to this investigation should be highlighted. On the one hand, at some point in all the interviews we dealt with subjects that can be perceived as being taboo. These included terrorism in the Basque Country, Scottish independence from the United Kingdom, and extreme right-wing policies in Germany. These issues were discussed in the interviews to check whether disruptive events conditioned EFs’ local embeddedness. In these cases, we followed literature advice on how to deal with taboo and socially stigmatised topics (Chamberlain & Hodgetts, 2018). On the other hand, the interviews were conducted in the respective languages of the four settings: Spanish, French, German and English. The language
barrier was solved as the researcher who collected the data (Spanish native) was also fluent in English and French. Therefore, in line with literature on cross-language research (Resch & Enzenhofer, 2018), we assured the unbiased collection of data by resorting to native French and German speakers, who accompanied the researcher in the interviews that were performed in these languages, thus enriching the accuracy of the collected data.

3.3. Data analysis

We followed an open-coding process to analyse the collected data, using ATLAS.ti qualitative data analysis and research software. The collected information was transformed into manageable excerpts to properly code it. After several filtering rounds, of the 777 quotations, we ended up with 34 initial codes (see Appendix B). At this point, some codes were eliminated due to lack of association with the research question and lack of rootedness, whilst others were merged to avoid redundancy. This provided a final total of 20 institutional mechanisms, that represented those facts, influences or circumstances that alter the institutional setting.

This was followed by a two-fold process. First, we divided the identified institutional mechanisms into two broad categories: formal and informal. Formal institutional mechanisms refer to “regulative, political and economic aspects” (Romero-Martínez et al., 2019, p. 46), while informal institutional mechanisms refer to “informal aspects based on tacit knowledge such as norms, values, and beliefs” (Romero-Martínez et al., 2019, p. 48). Second, to understand the nature of these institutional mechanisms, we relied on the Zukin and DiMaggio’s (1990) classification of modes of embeddedness. The authors’ categorisation has already been adapted to the family business field by Le Breton-Miller and Miller (2009), and more recently by Martínez-Sanchis et al. (2020) at territorial level.
To illustrate the sample structure differences in each setting, we weighted the absolute frequency of coded quotations (n) according to the number of interviewees in each institutional setting. While this calculus does not hold statistical representativity, it sheds light on the relative weight of each setting, though it was not employed for analytical purposes.

4. Findings

The data filtering and analysis process resulted in the identification of institutional mechanisms that can impact on EFs’ local embeddedness. In total, 20 institutional mechanisms are unfolded in 6 and 14, formal and informal institutional mechanisms, respectively. To answer our research question, we looked for similarities and differences on the prevalence of each institutional mechanism among the studied regions. As a result, we found out that institutional settings of CME and Spain impact on EFs’ local embeddedness mostly through normative codes and regulated institutional mechanisms, while LME and France institutional settings impact on EFs’ local embeddedness mainly through non-formalized institutional mechanisms (Table 4). Moreover, findings indicate that all three institutional settings impact on EFs’ local embeddedness predominantly through informal institutional mechanisms; the impact to local embeddedness of EFs through formal institutions mechanisms, while relevant in some settings, was placed afterwards, suggesting that non-formalised institutional mechanisms have greater impact on EFs’ local embeddedness. This reveals, first, a potential disparity between Mediterranean settings as a result of heterogeneity in the institutional mechanisms of each of the studied countries and, second, a greater importance of formal institutions in CME, in comparison to the role that informal institutions have in a LME. A fine-grained analysis of these findings reveals further insights on how different institutional settings impact on EFs’ local embeddedness.
through formal institutional mechanisms (in the CME and the Spanish settings) and, respectively, through informal institutional mechanisms (in the LME and the French settings). As follows, we explain how the CME and Spain impact on EFs’ local embeddedness through formal institutional mechanisms as well as the LME and France impact on EFs’ local embeddedness through informal institutional mechanisms. In this paper, for the sake of clarity and due to space constraints only some institutional mechanisms are explicitly explained.

[INSERT TABLE 4 HERE]

4.1. Formal institutional mechanisms and EFs’ local embeddedness

Our findings suggest that the CME and Mediterranean (Spain) institutional settings impact on EFs’ local embeddedness mainly through formal institutional mechanisms. We found 6 formal mechanisms in these two settings: EFs’ related public policy mix, labour and unions power, territorial conditions to attracting and retaining talent, EFs' related private sector policy, dual education system and institutional networks providing strategic resources (Table 5).

[INSERT TABLE 5 HERE]

In the CME setting, two formal institutional mechanisms stood out compared to the Spanish setting: EFs’ private sector related policy and dual education system. In the first case, our findings supported the fact that the banking system played a critical role in the local embeddedness of EFs insofar as they support the development of sustainable relationships between EFs. As one expert in Germany put it, the banking system helps EFs to set up their succession plan so they can gain access to credit:

“Banks oblige them to organise their future” (Interviewee 9 _LE)
In the second case, we found that the territorial educational system, and specifically dual education system, also played a critical role in EFs’ local embeddedness in a coordinated setting. With regard to the long-term rootedness of EFs in the territory, the experts in this region coincided in that having a system that offers theory and practical experience as a simultaneous way of learning provides businesses with talent that meets their Human Resources needs. The fact that the education system is critical for businesses in this setting is not new in the literature (Herrigel, 1993). However, our findings stress the importance of having this dual system in terms of keeping appropriate territorial conditions in order to attract and retain qualified employees.

Moreover, in what regards to the structural mode of territorial embeddedness, our results contrast with extant literature. We expected the CME and Spain to impact on EFs’ local embeddedness by attaching a critical importance to institutional networks between regional actors, given that they are abundant in these kind of markets and it has been showed in the literature that they provide EFs with key resources for their continuity, specifically for the Baden-Württemberg region (Heidenreich, 1996). This finding could be explained in the light of current debates regarding the fuzziness of structural and political modes of embeddedness definition by Zukin & DiMaggio (1990). In Hess (2004, p. 172) words: “structural and political embeddedness by and large describe the same phenomenon”. Thus, it might be not that structural mode has less weight than expected according to empirical evidence, but that both, political and structural modes of embeddedness are capturing the same phenomenon but from different angles.

Remarkably, concerning how Basque Country region (Spain) impacts on EFs’ local embeddedness, one formal institutional mechanism ranked higher than in the CME
and, as such, was indicated as a relevant institutional mechanism in the local embeddedness of the families: the EFs’ public policy mix. EFs agreed that further emphasis to develop adjusted policies for their needs should be put from the government side if they aimed to strengthen their local embeddedness.

4.2. Informal institutional mechanisms and EFs’ local embeddedness

In LME and Mediterranean (France) institutional settings, it was found out that the impact on EFs’ local embeddedness is due to a great extent thanks to non-regulated institutional mechanisms that are taken for granted. We evidenced that informal institutional mechanisms can take a wide array of shapes, when compared to formal institutional mechanisms. This is because the four modes of territorial embeddedness were all cited within the pinpointed informal institutional mechanisms, yet two of them, the cultural and cognitive modes were especially relevant (Table 5).

The Mediterranean (France) setting impacted the EFs local embeddedness mainly through the cultural mode of territorial embeddedness. While the interviews pointed out to the professionalisation of FBs’ management and the fostering of an open and transparent culture as being of major importance, the participants emphasised the importance of encouraging a culture of entrepreneurship together with a strong EF identity rooted in the history of the territory. The importance of entrepreneurship in relation to local embeddedness was salient in the French region. The interviewed EFs acknowledged the importance of business objectives and territorial impact over individual interests in the EF, even if that meant the family had to transfer part of its ownership to third parties:
“For me, the territory and the business come before everything else. Personal and individual interests are not important; what is always important is what is beneficial for the business” (Interviewee_23_EF)

Moreover, in this institutional setting, EFs are well-known for linking their strong identity to the identity of their community. Here, the connection between organisational identity and the identity of the territory builds upon a shared history - sometimes made up of past traumatic circumstances experienced with the community in the same geographical area:

“The Vendée has a terrible history. It was victim of a genocide many, many, many years ago, where half of the population was murdered, and that belongs to our history; you can see all these values in our businesses” (Interviewee_23_EF)

In the LME, a setting dominated by firms’ market valuation, the impact of EFs’ local embeddedness can be conditioned by a careful planification of the transgenerational transfer in order to preserve the local embeddedness of the organisation. EFs and experts alike confirmed the importance of having a firm strategy to plan family succession both in relation to management and ownership transfer.

For instance, one of the interviewees emphasised how important is that EFs set up a Family Constitution for keeping the EF project alive and protecting the organisation from the risk of nepotism. This insight is coherent with the requirement in LMEs to demonstrate the profitability of a business project under competitive market conditions while securing the arm's-length principle with regional banks and EFs suppliers. In this context, it is not surprising that for Interviewee_29_EF, “the succession of the FB is probably the hardest question for a family”. Along this line of
reasoning, developing an open, transparent organisational culture in relation to non-family employees and setting up events with local community members were not mentioned as being particularly relevant to EFs’ local embeddedness. This is aligned with previous research on LMEs showing that corporate commitment is hard to reach in a market characterised by high levels of Human Resources fluctuation (Hall & Soskice, 2001). Extending this to the family business field, it seems feasible to suggest that to remain locally embedded, EFs may not rely heavily on this informal mechanism.

While our interviews confirmed the limited role of formal institutions in relation to EFs’ local embeddedness in this institutional setting, compared to what we observed in the CME, they also shed light on the importance of the EF contact network and social awareness, two informal mechanisms related to the cognitive mode of territorial embeddedness. Specifically, our findings suggest that EFs value their contractual relationships with their suppliers and they associate part of their long-term success to a profitable and trustful relationship with these stakeholders. Regarding the importance of social awareness, it is interesting to note the dearth of research in Scottish FBs. Indeed, “there is remarkably little evidence or data available that offer direct insight into the role and relative importance of family businesses within Scotland” (Seaman et al., 2010, p. 207). Unfortunately, in practice, this is translated into insufficient recognition of FBs’ contribution to the community, according to our interviews. This suggests that EFs in LMEs may be not be receiving as much territorial awareness as needed, which could eventually end up hindering their local embeddedness. Notably, despite this lack of recognition from their community, EFs showed deep affection for the families of their suppliers, which, in most of the cases, were also FBs. This finding is interesting because it contradicts prior findings about inter-firm relationships in LME settings:

“We are small families and we represent small families” (Interviewee 29_EF)
5. Discussion and conclusions

In this article, we have questioned how different institutional settings impact on EFs’ local embeddedness by studying four regions located in countries classified according to three institutional frameworks. We found out that CME and the Mediterranean (Spain) settings impact on EFs’ local embeddedness through codified institutional mechanisms, while LME and the Mediterranean (France) setting through non-formalised institutional mechanisms. To highlight differences and similarities on how each setting differently impacts on EFs’ local embeddedness, we identified formal and informal institutional mechanisms, which constitute a preliminary framework of 20 mechanisms to understand differences in these impacts according to the institutional setting where EFs are locally embedded. Overall, we discovered that at the core of how different institutional settings impact on EFs’ local embeddedness are informal institutional mechanisms. Findings suggests that through culture, history of the territory or relationship among EFs' stakeholders, EFs’ local embeddedness can be either reinforced or hindered, regardless of the institutional setting in which EFs are located.

However, we found that formal institutions also exert an important influence on institutional settings that are characterised by an interventionist-state approach towards inter-firm relations, namely in the CME and the Mediterranean (Spain) settings. While data in these two institutional settings proposed a meaningful influence of formal and informal institutional mechanisms on EFs’ local embeddedness, EFs located in the LME and the Mediterranean (France) settings uncovered a contrast on how these settings impact EFs’ local embeddedness through formal and informal institutional mechanisms. This highlights an unexpected discrepancy between regions belonging to Mediterranean cases of institutional setting, which suggests the existence of two approaches to local embeddedness despite belonging to the same institutional setting: the first relies on
informal institutional mechanisms, whereas the latter sets a balance between formal and informal institutional mechanisms to secure and strengthen local embeddedness.

5.1. Contributions and policy implications

Three theoretical and one methodological contribution have emerged from this investigation. First, this study contributes to bridge the research gap between institutions and Entrepreneurial Families. This study has extended previous lines of research (Basco, 2015; Lenz & Glückler, 2020) by including the family perspective, instead of solely considering the business system. Second, it contributes to the understanding of local embeddedness from a family perspective, rather than from a FB perspective. Previous research has emphasised the importance of having FBs embedded in their contexts whereas, with this study, we bring insights on how family members perceive local embeddedness. Third, to the best of author’s knowledge, this is one of the few qualitative studies undertaking a cross-region comparison to investigate EFs’ local embeddedness in Europe. This study answers recent calls in family business research (e.g., Botero et al., 2015; e.g., Gomez-Mejia et al., 2020) by focusing on four European regions. Finally, we revisited Hall and Soskice’s (2001) categorisation of capitalist systems from an EF institutional perspective. Uncovering differences on institutional mechanisms’ impact advances our understanding of EFs’ local embeddedness, which is condensed in the identification of 20 institutional mechanisms. From an institutional theory perspective, we contribute to the family business field by revealing the institutional underpinning of EFs’ local embeddedness.

From a practitioner perspective, this investigation contributes in three ways to the current efforts of governments and regional actors to support FBs. First, it sheds light on a critical player for the competitiveness of Europe’s business fabric: the families behind FBs. This approach reveals finer, more tailored, insights in the findings
than by solely considering FBs. Policy makers may benefit from this by recognising the necessity for territorial policies adjustments depending on the category of institutional setting where EFs are locally embedded. Second, a lack of up-to-date official data from the European Commission concerning FBs (the latest report is from 2008) has been identified, despite the creation of the Expert Group on Family Business and the recent warning given by the President-elect of the Commission (Ursula von der Leyen) to European Union governments (European Commission, 2019). The current study offers preliminary data on the state of EFs from three countries: Spain, France and Germany. Finally, by identifying current threats and opportunities for EFs’ local embeddedness, we listed a set of mechanisms that can be used as a preliminary guide for territorial governments to implement regional policies.

5.2. Limitations and future research avenues

The present study is not without limitations. First, Hall and Soskice’s (2001) categorisation was followed to include sample regions from institutional frameworks included under such classification. This implies a limitation on the extent to which findings can be generalised to the whole nations. Moreover, it should also be acknowledged that these findings are of exploratory nature and, accordingly, they cannot aim at formulating, given the sample structure, universal claims. However, these represent a preliminary step to the understanding of EFs local embeddedness in different regions of Europe and paves the way to future investigations, potentially involving larger samples. Second, during the interviews, the authors disclosed some of the mechanisms that had emerged from previous interviews. To reduce the risk of confirmation bias, probing and prompting qualitative techniques (Boeije, 2010) were employed. Third, not all the interviews took place in the interviewees’ mother tongue. 2 out of the 29 EFs (7% of the sample) interviewed were not born in the region where the
interviews were conducted (i.e., 2 EFs from Scotland). To ensure accuracy in mutual understanding, the sessions were conducted with local collaborators. However, all the participants had been living in the studied institutional settings for almost their entire life and they were rooted in the chosen locations, as their organisations were. Fourth, it was assumed that embeddedness was as beneficial for EFs as it was for their local community. However, literature on the paradox of embeddedness (Uzzi, 1997) also emphasises the potential negative consequences of this phenomenon. Here, we did not account for the negative consequences of embeddedness, as the family business literature considers the embeddedness of FBs generally as positive (e.g., Greenberg et al., 2018). Finally, our argument relies on the assumption that embeddedness is understood in the same way by EFs. To manage potential differences in understanding, we provided a definition of embeddedness during the interviews.

Finally, to continue delving into EFs’ local embeddedness, future research avenues could conduct empirical studies based on alternative definitions of institutions as there have been critiques on neatly distinctions between formal and informal institutions (e.g., Hodgson, 2006). A further area of investigation is the examination of taboo-subjects and disruptive events that emerged during the interviews. To do so, future studies could leverage on sociology and anthropology literatures (Kushins & Behounek, 2020; Stewart, 2014), by taking, for instance, a solidarity perspective (Gimenez-Jimenez et al., 2020) to uncover conflicts dynamics (Miller & Le Breton-Miller, 2020) within the EF that could impact on their embeddedness. Thirdly, because “the use of different methods does achieve a richer view on a complex phenomenon” (Boeije, 2010, p. 176), we encourage researchers to extend the findings from this qualitative study by using complementary quantitative and qualitative techniques which may allow generalisability. We also believe that future research could unveil gender
differences regarding the local embeddedness of EFs. In the regions where this investigation took place, the presence of women in governing and management bodies is higher than in other European contexts (e.g., Iturralde et al., 2019), yet embeddedness is rarely approached from a gender perspective in family business. Finally, a promising line of research in the study of EFs’ local embeddedness could lie in the acknowledgement of EFs heterogeneity (Combs et al., 2019; Kushins & Behounek, 2020). In accounting this, new insights into how different institutional settings impact on their local embeddedness could arise.

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