



Dynamic capabilities, preservation of socioemotional wealth, and family firm performance

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ABSTRACT

This study examines the performance of family businesses through the theoretical lenses of dynamic capabilities and socioemotional wealth. A conceptual model is proposed, in which socioemotional wealth moderates the relationship between dynamic capabilities and family firm performance. The research employs partial least squares structural equation modeling (PLS-SEM), a second-generation multivariate analysis technique, to analyze data and test hypotheses. The findings reveal that dynamic capabilities positively influence family firm performance, with innovation emerging as the most impactful dynamic capability. Additionally, socioemotional wealth not only directly enhances performance but also acts as a moderator, strengthening the relationship between dynamic capabilities and performance. This study makes two key contributions. First, it advances the understanding of how dynamic capabilities and socioemotional wealth shape family firm performance. Second, it underscores the pivotal role of socioemotional wealth in amplifying the effects of dynamic capabilities on performance. These insights have significant practical implications for family firms, emphasizing the importance of strategically managing both dynamic capabilities and socioemotional wealth to drive performance and ensure long-term sustainability.

Introduction

Family firms represent one of the most prevalent and significant forms of business organization in many countries (Araya-Castillo et al., 2022; Gómez-Mejía et al., 2007; Poza & Daugherty, 2013). Their importance stems from their ability to generate both wealth and employment (Chang et al., 2009; Fan et al., 2011; Matthews et al., 2012). Moreover, the growth and functioning of numerous economies are deeply influenced by the activities of family firms (Astrachan & Shanker, 2003; Hernández-Perlines et al., 2021a; Memili et al., 2015).

This widespread prevalence has spurred a growing interest in family firms within the field of business administration. Recent research has increasingly focused on understanding their unique behaviors and performance drivers (López-Fernández et al., 2016; Nordqvist & Melin, 2010; Sharma et al., 2012). A central goal of these studies is to enhance the understanding of what contributes to their success and sustainability (Chrisman et al., 2010; Hernández-Perlines et al., 2021a; Sharma et al., 2012).

Companies in general, and family firms in particular, operate in

environments characterized by rapid change and high levels of uncertainty (Hernández-Perlines et al., 2022). To thrive in such conditions, firms must develop organizational capacities that enable them to adapt and respond effectively to market shifts (Orlando, 2016). In this context, the dynamic capabilities framework provides a robust theoretical foundation for this research (Mikado, 2001; Prahalad & Hamel, 1990; Tierce et al., 1997).

The dynamic capabilities approach has gained significant importance in the field of strategic management (Albort-Morant et al., 2018). Due to their unique characteristics, family firms possess resources and capabilities that enable them to remain competitive and sustain this competitiveness over time (Sharma & Salvato, 2011). This paper focuses specifically on absorptive and innovative capacities, as family firms must leverage external knowledge to enhance their innovation capabilities and achieve superior performance (Hernández-Perlines et al., 2021b).

Absorptive capacity is defined as the organizational routines and processes that allow firms to acquire, assimilate, transform, and exploit knowledge (Zahra & George, 2002). Potential absorptive capacity can

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significantly benefit organizations by boosting their innovative capabilities, thereby improving their innovation performance (Brinkerink, 2018; Hurtado-Palomino et al., 2022). This is particularly relevant for family firms, as innovation has become a critical factor for their survival and long-term business development (Nordqvist et al., 2009).

In addition, a growing body of research has emerged that focuses on the emotional endowment of family firms (Hernández-Perlines et al., 2021a). This perspective has provided valuable insights into the behaviors and outcomes of family firms (Ng et al., 2019). The management of family firms is deeply intertwined with emotions and relationships (Morgan & Gómez-Mejía, 2014), leading them to pursue not only financial objectives but also non-economic goals that are integral to their identity and governance (Hernández-Perlines et al., 2021b; Tagiuri & Davis, 1992; Zellweger et al., 2013).

Among these non-economic goals is the preservation of socioemotional wealth (SEW; Araya-Castillo et al., 2021; Berrone et al., 2010; Glover & Reay, 2015). Socioemotional wealth encompasses the family's control and influence over the firm, the identification of family members with the business, binding social ties, emotional attachment of family members, and the renewal of family bonds through dynastic succession (Berrone et al., 2012). These elements are distinctive features of family firms (Gómez-Mejía et al., 2011; Holt et al., 2018) and have become central to their management (Berrone et al., 2010; Glover & Reay, 2015). Research has shown that the preservation of socioemotional wealth positively impacts family firm performance (Alonso-Dos-Santos & Llanos-Contreras, 2019).

Moreover, socioemotional wealth can be linked to dynamic capabilities, as its preservation may enhance the influence of entrepreneurial orientation on family firm performance. This is achieved through a deeper understanding of the factors driving such influence (Chirico et al., 2011; Llanos-Contreras et al., 2019). Given that innovation amplifies the effect of absorptive capacity on family firm performance (Hernández-Perlines et al., 2022), the preservation of socioemotional wealth may lead to actions and policies that enable family firms to achieve high performance, particularly when they exhibit strong entrepreneurial orientation (Hernández-Perlines et al., 2021a).

This study is motivated by the need to better understand the influence of dynamic capabilities on family firm performance, particularly in light of the potential moderating role of socioemotional wealth. To this end, the research first examines the direct relationship between dynamic capabilities, socioemotional wealth, and the performance of Chilean family firms. It then investigates the moderating effect of socioemotional wealth on the relationship between dynamic capabilities and performance in this context.

Based on this analysis, the following research questions are proposed:

1. Do dynamic capabilities have a positive influence on the performance of Chilean family firms?
2. Does socioemotional wealth positively affect the performance of Chilean family firms?
3. Does socioemotional wealth positively moderate the relationship between dynamic capabilities and the performance of Chilean family firms?

To address these research questions, a questionnaire featuring Likert-type scales (1 = strongly disagree; 7 = strongly agree) was distributed via email to CEOs of Chilean family firms between May and September 2019. A total of 135 valid responses were obtained. The data were analyzed using PLS-SEM with SmartPLS v.4.1.0.9 software to test the hypotheses (Ringle et al., 2024).

Despite their significance, there is a notable gap in the literature regarding how dynamic capabilities and socioemotional wealth interact to influence the performance of family firms, particularly in Latin America and specifically in Chile (Briano-Turrent & Poletti-Hughes, 2017; Espinosa-Méndez et al., 2018; Llanos-Contreras et al., 2019,

2021; Temprano-García et al., 2023). Chilean family firms provide a compelling context for examining the role of family influence (Temprano-García et al., 2023), as they represent the most prevalent form of business organization in Latin America, yet research on these firms remains limited (Parada et al., 2016). This study addresses this gap and contributes to the field by demonstrating the direct relationship between dynamic capabilities, socioemotional wealth, and the performance of Chilean family firms. Furthermore, it proposes a model that links dynamic capabilities, socioemotional wealth and business performance, offering practical insights to improve the management of family firms.

The primary contribution of this study lies in its applicability to Chilean family businesses. The findings provide valuable insights into how dynamic capabilities and socioemotional wealth shape the performance of these firms. This approach has significant implications for the survival and competitiveness of family businesses, equipping decision-makers with tools to design strategies that enhance both economic and non-economic objectives.

In summary, this research not only advances academic understanding of family firms but also delivers practical value to the sector by offering specific recommendations on how to manage dynamic capabilities and socioemotional wealth to achieve sustainable long-term performance.

Following this introduction, the paper is structured as follows. Section 2 provides a review of the most relevant literature on family firms, dynamic capabilities, and socioemotional wealth, and presents the hypotheses derived from this review. Section 3 outlines the research design, including details on the sample, measurement of variables, and the methodology used to test the hypotheses. Section 4 presents the analysis of the results. Finally, Section 5 discusses the key conclusions drawn from the study, along with its limitations and proposed future research directions.

Conceptual framework and hypothesis

Dynamic capabilities

The survival of family firms has garnered significant academic attention (Alonso-Dos-Santos & Llanos-Contreras, 2019; Issah et al., 2023), particularly because the survival rate of family firms beyond the third generation is notably low (Eddleston et al., 2013). Researchers have made considerable strides in understanding the factors that enable family firms to survive across generations (Daspit et al., 2019; Zellweger et al., 2012).

In this context, the dynamic capabilities approach has gained prominence in strategic management (Albort-Morant et al., 2018). Intense competition within business ecosystems necessitates that organizations develop diverse strategies based on their resources and capabilities to enhance innovation, sustainability, and business performance outcomes (Hurtado-Palomino et al., 2022; Leonidou et al., 2023; Para-Requena et al., 2020).

The dynamic nature of these capabilities refers to a firm's ability to renew its competencies to align with the evolving market environment (Leonidou et al., 2023). These capabilities are categorized into two primary research streams (Hurtado Palomino et al., 2022): dynamic capabilities and operational capabilities (Cepeda & Vera, 2007; Makkonen et al., 2014; Schilke et al., 2018). Operational capabilities pertain to repetitive and routine technical activities that firms perform in their day-to-day operations (Helfat & Winter, 2011). In contrast, dynamic capabilities involve the ability to create value through the development and implementation of new processes, services, and products, thereby enhancing a firm's competitive advantage (McKelvie & Davidsson, 2009; Zahra & George, 2002).

Dynamic capabilities provide a systematic framework for achieving competitive advantage in dynamic environments (Daspit et al., 2019). This paradigm explains how firms, particularly family firms, adapt to

changes in the market (Helfat et al., 2007; Tierce et al., 1997; Zollo & Winter, 2002). These capabilities enable continuous adaptation by facilitating the reconfiguration of resources (Helfat & Winter, 2011; Winter, 2003), guided by a firm's ability to understand and respond to external environmental shifts (Dasgupt et al., 2019). Consequently, dynamic capabilities emerge when a firm can create, expand, or modify its resource base (Helfat et al., 2007).

This approach emerged as an extension of the resource-based view (Albort-Morant et al., 2018; Guerras-Martin et al., 2014) and focuses on understanding the nature and implications of organizational capabilities (Schilke et al., 2018). Several types of dynamic capabilities have been identified: absorptive capacity (Wang & Ahmed, 2007), innovative capacity (Verona & Ravasi, 2003), learning capacity (Zollo & Winter, 2002), and capabilities related to building networks and relationships (Möller & Svahn, 2003). Among these, this paper focuses on the first two—absorptive capacity and innovative capacity—as these internal capabilities are critical for developing new business processes and products that meet market demands (Urgal et al., 2011). Absorptive capacity is particularly important, as it enables firms to capture and utilize external knowledge (Hurtado-Palomino et al., 2022). Similarly, innovation plays a vital role in ensuring market success (Saunila, 2020).

First, the process of acquiring knowledge from the environment and implementing internal changes within the firm is driven by absorptive capacity, a knowledge-specific dynamic capability (Dasgupt et al., 2019; Tierce, 2019; Zahra & George, 2002). Absorptive capacity is critical for gaining competitive advantage, particularly through increased investment in R&D (Aljanabi et al., 2014; Tsai, 2001). It is also a cornerstone of business strategy, as it enables firms to recognize, assimilate, and apply new knowledge, which is essential for survival in competitive markets (Jansen et al., 2005). In this regard, potential absorptive capacity can significantly benefit organizations by enhancing their innovative capabilities, thereby improving innovation performance (Hurtado-Palomino et al., 2022).

Cohen and Levinthal (1990) were the first to define absorptive capacity as a firm's ability to identify, assimilate, and exploit new knowledge. Zahra and George (2002) expanded on this concept, integrating earlier definitions and describing absorptive capacity as “a set of organizational routines and processes by which firms acquire, assimilate, transform, and exploit knowledge” (Zahra & George, 2002, p. 186). These authors further divided absorptive capacity into two dimensions: potential absorptive capacity and realized absorptive capacity (Hurtado-Palomino et al., 2022). Potential absorptive capacity refers to the ability to acquire and assimilate external knowledge, while realized absorptive capacity involves transforming and exploiting that knowledge to create new products and processes. This study focuses on potential absorptive capacity, as it is a critical driver of a firm's innovative capabilities (Clauss et al., 2021).

The second dynamic capability examined in this study is innovation. This capability was selected due to its strong correlation with absorptive capacity (Wang & Ahmed, 2007). The relationship between absorptive capacity and innovation is so intertwined that some researchers argue that a firm cannot fully benefit from innovation without the involvement of absorptive capacity (Kostopoulos et al., 2011). Indeed, innovative capacity has been a focal point of research because of its potential to transform knowledge into new products, processes, and systems (Saunila, 2020). It reflects a firm's ability to convert ideas and knowledge into unique offerings that meet customer demands, thereby generating business value (Ruiz-Ortega et al., 2021; Urgal et al., 2011). This competitive advantage hinges on the family firm's dynamic capability to adapt, integrate, and reconfigure acquired knowledge (Zellweger & Sieger, 2012).

In addition, process innovation involves changes in how products are produced and services are delivered. From this perspective, two types of innovation are recognized: product innovation and process innovation. Both types significantly impact a firm's competitiveness and are essential for driving economic growth (Camisón & Villar-López, 2010). This

two-dimensional concept of innovation represents a broader and more nuanced understanding compared to the traditional definition of R&D. The definition of innovation adopted in this study encompasses the generation of both new products and new processes (Prajogo & Sohal, 2006; Schumpeter, 1934). This two-dimensional approach is widely accepted as the most comprehensive framework for understanding innovation (Camisón & Villar-López, 2010; Prajogo & Sohal, 2006; Yamin et al., 1997). What makes innovation particularly relevant is that, when it is consistent and continuous (Hjalager, 2010), it enables firms to enter new markets and seize emerging opportunities (Wang et al., 2004).

Innovation has been extensively studied in the context of family firms (De Massis et al., 2013; Durán et al., 2016; Miller & Le Breton-Miller, 2005) as a key indicator of success and a critical factor influencing their long-term survival (Calabrò et al., 2019; Eddleston et al., 2008). However, research on absorptive capacity in family firms remains limited (Andersén, 2015; De Massis et al., 2013; Hurtado-Palomino et al., 2022). Despite this, some studies have found that absorptive capacity significantly determines the innovative performance of family firms (Charão Ferreira & Matos Ferreira, 2017).

Based on this discussion, the following hypothesis is proposed (see Fig. 1):

H1. Dynamic capabilities positively affect the performance of Chilean family firms.

Socioemotional wealth

Family firms pursue a combination of business and family goals (Mahto et al., 2010), which often overlap (Calabrò et al., 2023; Franco & Prata, 2019; Gómez-Mejía et al., 2011). In many cases, family goals significantly influence business objectives (Martínez-Romero & Rojo-Ramírez, 2017; Vandekerckhof et al., 2015). Among these non-financial goals, socioemotional wealth has emerged as a central concept in the management of family firms (Berrone et al., 2010; Glover & Reay, 2015; Gómez-Mejía et al., 2023) and a key factor in explaining their behavior (Berrone et al., 2012; Gómez-Mejía et al., 2007; Martínez-Romero & Rojo-Ramírez, 2016).

In this context, the non-financial objectives introduced by families into their firms are referred to as socioemotional wealth in the literature (Gómez-Mejía et al., 2007). This concept has been widely analyzed in family firm research (Gómez-Mejía et al., 2010; Hernández-Perlines et al., 2023; Schepers et al., 2014). Socioemotional wealth is defined as “the non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty” (Gómez-Mejía et al., 2007, p. 106).

This theoretical framework is rooted in the behavioral agency model (Chrisman & Patel, 2012) and is particularly suited to the study of family firms, as it integrates family, personal, and organizational goals (Llanos-Contreras & Santos, 2018). According to this paradigm, the behavior of family firms is shaped by non-economic family goals that generate socioemotional wealth (Chrisman & Patel, 2012; Gómez-Mejía et al., 2011; Hernández-Perlines et al., 2021a), as well as by the emotional value centered on the family (Zellweger et al., 2012).

However, family firms are not homogeneous in their preferences, perceptions, values, attitudes, and intentions (Westhead & Howorth, 2007). The unique characteristics of each family managing a firm make them heterogeneous in terms of socioemotional wealth (Barros et al., 2017; Chirico & Nordqvist, 2010; Chrisman et al., 2012). Through the aggregation of family emotions, the emotional or socioemotional value for the firm is derived (Astrachan & Jaskiewicz, 2008; Gómez-Mejía et al., 2007). These differences in power, experience, and culture form the basis of diversity in family firms, as highlighted by the participation and essence approaches (Chua et al., 1999).

Moreover, socioemotional wealth provides a conceptual framework that explains the differences between family and non-family firms, as well as the variations among family firms themselves (Hughes et al.,

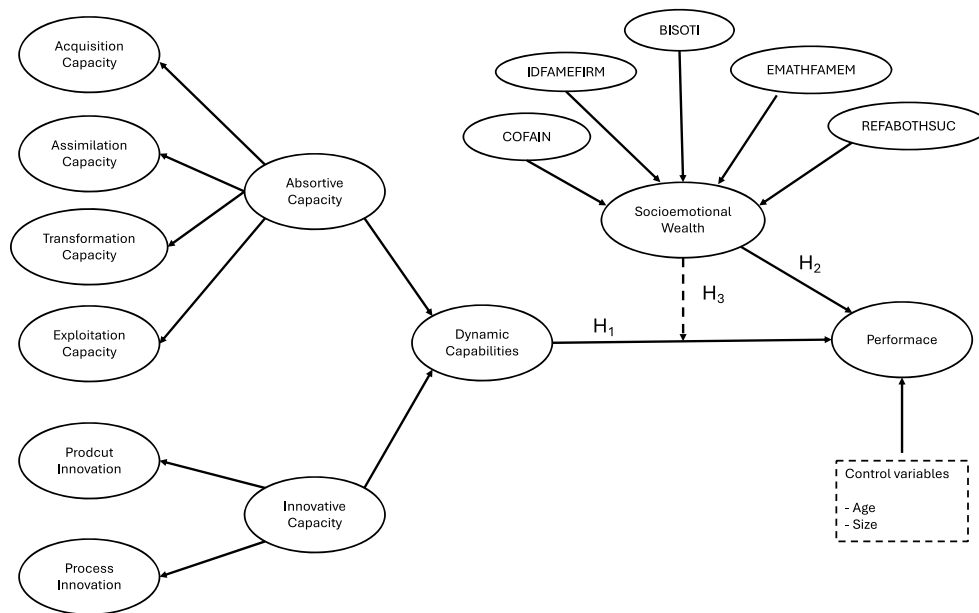


Fig. 1. Proposed research model

Note: COFAIN – Control and Family Influence, IDFAMEFIRM Identification of Family Members with the Firm, BISOTI - Binding Social Ties, EMATFAMEM - Emotional Attachment of Family Members, REFABOTHSUC - Renewal of Family Bonds Through Succession.

Source: Compiled by the author.

2018; Salvato & Aldrich, 2012; Temprano-García et al., 2023). Its uniqueness arises from the desire of family firm owners to pursue non-economic goals aimed at preserving family endowments, which reflect the distinct interests, vision, and attitudes of the controlling family (Chrisman et al., 2012). Additionally, family firms prioritize non-financial goals, which significantly influence their strategic decision-making (Berrone et al., 2012; Cennamo et al., 2012; Gómez-Mejía et al., 2011), and they strive to generate and preserve socioemotional wealth (Domenichelli & Bettin, 2021).

As a result, family firms accumulate socioemotional wealth, and this orientation shapes the benchmarks for profit or loss that guide their decision-making (Davila et al., 2023; Gómez-Mejía et al., 2007). This is because family members in these firms often have a strong emotional attachment to one another and identify deeply with the family firm, which is frequently viewed as an extension of the family itself (Kallmuenzer et al., 2018).

However, the prioritization of non-economic goals by family owners does not necessarily result in sub-optimal strategies that harm the performance of family firms (Alonso-Dos-Santos & Llanos-Contreras, 2019; Debicki et al., 2017; Temprano-García et al., 2023). In fact, the non-financial aspects of the firm that fulfill the family's specific needs can positively influence family firm performance (Debicki et al., 2017; Ng et al., 2019; Zellweger et al., 2012). Based on this discussion, the following hypothesis is proposed (see Fig. 1):

H2. Socioemotional wealth positively affects the performance of Chilean family firms.

Strong dynamic capabilities are critical for ensuring a firm's survival in competitive environments (Carnes & Ireland, 2013; De Massis et al., 2016; Weimann, Gerken & Hülsbeck, 2020). While the development of dynamic capabilities is relevant to all types of firms, family firms provide a unique context for studying their importance in business model innovation (Calabrò et al., 2018). This is due to their long-term strategic focus (Bammens et al., 2015), rich traditions (Gómez-Mejía et al., 2007, 2011; Miller & Le Breton-Miller, 2014), and continuous pursuit of strategic renewal (Weimann et al., 2020).

Strong dynamic capabilities enable greater flexibility and higher innovation output (De Massis et al., 2016), as they involve the effective

mobilization of resources and skills to convert inputs into outputs (Miller et al., 2015). For family firms, acquiring, assimilating, transforming, and exploiting external knowledge is essential for improving performance. This process allows them to achieve greater innovation output with lower innovation input (Duran et al., 2016), while leveraging their unique family traditions (De Massis et al., 2016).

Dynamic capabilities serve as a source of sustained performance for family firms (Ingram & Bratnicka-Myśliwiec, 2021). The success of innovation in these firms depends on the internalization of knowledge (Chirico & Salvato, 2014), the mobilization of internal and external resources (Lohe & Calabro, 2017), and the versatility of available resources, strategic orientation, social capital, and socioemotional wealth (Ingram & Bratnicka-Myśliwiec, 2021).

The pursuit of socioemotional wealth appears to directly influence how family firms seize strategic opportunities and innovate (Stasa & Machek, 2023). Socioemotional wealth shapes dynamic capabilities in family firms by enabling families to achieve non-economic goals, such as enhancing their reputation, securing employment for family members, and maintaining family control through generational renewal (Gómez-Mejía et al., 2011). This perspective provides valuable insights into the strategic management processes of family firms, which are characterized by the interplay between business and family objectives (Kallmuenzer et al., 2018).

Moreover, socioemotional wealth plays a critical role in developing management skills, expertise, and processes. It also enhances a firm's ability to evaluate, detach, integrate, and leverage resources to achieve competitive advantage (Graves & Thomas, 2006). Socioemotional wealth facilitates the incorporation of relationships between the company and the family, which are considered a defining feature of family firms (Barros et al., 2017; Gómez-Mejía et al., 2011). These relationships explain the unique priorities that guide their strategic decision-making (Habbershon et al., 2003; Zahra & Sharma, 2004).

In this context, ownership in family firms plays a key role in determining absorptive capacity (Volberda et al., 2010), while family participation enhances the positive effect of innovative capacity on growth (Casillas & Moreno, 2010) and fosters an entrepreneurial spirit (Zahra, 2005). The survival of the firm is often linked to the alignment of business growth and family values (Shepherd, 2015), which

significantly influences the success or failure of business decisions (Simon & Kim, 2017). The control and influence exerted by the family enable proactive strategic decisions, including those involving innovation and calculated risk-taking (Habbershon & Pistrui, 2002; Kellermanns et al., 2012). Based on this discussion, the following hypothesis is proposed (see Fig. 1):

H3. The influence of dynamic capabilities on the performance of Chilean family firms is positively moderated by socioemotional wealth.

Building on the above, this study proposes a moderation model in which socioemotional wealth moderates the relationship between dynamic capabilities (absorptive capacity and innovative capacity) and the performance of Chilean family firms. The primary contribution of this paper lies in the development and testing of this moderation model.

Methodology

This study adopts a causal conclusive research design with a cross-sectional approach (Malhotra, 2004). The field study was conducted between May and September 2019. A non-probabilistic convenience sampling method was used (Malhotra, 2004), although the sample was representative in terms of geographical area, gender, age group, industrial sector, generational level, firm age, and firm size. A structured survey was administered to 142 CEOs of Chilean family firms, of which 135 were valid for analysis.

The survey was conducted using the SurveyMonkey platform. A pre-test was carried out with a sample of 12 respondents to ensure the accuracy and reliability of the instrument. In the final sample, 66.7 % of respondents were male, with an average age of 44.8 years. Approximately 74.8 % of the respondents had higher education, and the average tenure in the CEO position was 9.8 years. None of the variables had >3 % missing values, and these were randomly distributed across the cases (Olinsky et al., 2003).

Data collection

The statistical power of the study sample was calculated using Cohen's retrospective test (1992) and determined to be 0.998, utilizing the G * Power 3.1.9.2 program (Faul et al., 2009). This value indicates that the sample size used in this study had sufficient statistical power, exceeding the threshold of 0.80 recommended by Cohen (1992).

Measurement of variables

All variables were measured using a 7-point Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree). The variables used in this study were as follows:

1 Dynamic capabilities. In this study, dynamic capabilities were measured through absorptive capacity and innovative capacity. Absorptive capacity is a second-order a-mode composite measured using the scale proposed by Cohen and Levinthal (1990) and Lane et al. (2006) and validated by Flatten et al. (2011). It assesses the extent to which firms acquire (three items), assimilate (four items), transform (four items), and exploit (three items) new knowledge. Innovative capacity is a second-order a-mode composite measured using the scale suggested by Prajogo and Sohal (2006), applied to two types of innovation: product innovation (five items) and process innovation (four items). As a result, dynamic capabilities were operationalized as a third-order b-mode composite.

2 Socioemotional wealth. Socioemotional wealth was operationalized as a second-order b-mode composite based on 27 items across the five dimensions defined by Berrone et al. (2012). These dimensions include control and family influence (six items), identification of family members with the firm (six items), binding social ties (five

items), emotional attachment of family members (six items), and renewal of family bonds through succession (four items).

3 Performance measurement. This study used an overall measure of firm performance, assessing the perception of firm performance relative to competitors (Olson et al., 2005). The use of perceptual or satisfaction measures to evaluate business performance is increasingly common in research (Manzano-García & Ayala-Calvo, 2020). Performance was operationalized as a first-order a-mode composite, measured using four items: sales growth, profit growth, market share growth, and return on equity growth. These items were drawn from a combination of scales suggested by Chirico et al. (2011), Kellermanns et al. (2012), Kraus et al. (2012), Naldi et al. (2007), and Wiklund and Shepherd (2003). The scale was validated by Hernández-Perlines et al. (2021a).

4 Control variables. The control variables used in this study were firm size (number of employees) and firm age (age of the firm), as proposed by Chrisman et al. (2005). Both variables were operationalized as first-order a-mode composites.

Results

The multivariate Partial Least Squares (PLS) technique was employed to analyze the results and test both the direct and moderating hypotheses proposed in this study. This quantitative structural equation modeling technique was selected for several reasons:

- 1) It is well-suited for research in the early stages of developing new theoretical constructs (Gefen et al., 2011; Ringle et al., 2010).
- 2) Its predictive nature allows one to address research questions (Hair et al., 2014; Sarstedt et al., 2014).
- 3) It enables the examination of causal relationships between the analyzed variables (Astrachan et al., 2014; Jöreskog & Wold, 1982).
- 4) It is appropriate for data analysis when the sample size is not large (Henseler et al., 2015; Reinartz et al., 2009).
- 5) It is capable of analyzing complex model relationships (Hair et al., 2019).

The data analysis was conducted using SmartPLS v.4.1.0.9 by SEM-PLS (Ringle et al., 2024).

Common method bias

In constructing the measurement instrument, it was essential to address common method variance, as it can pose a significant issue in behavioral science research. Common method bias arises when both independent and dependent variables are measured using the same response method, leading to variance attributed to the measurement method rather than the constructs themselves (Howard et al., 2024; Kock et al., 2021; Podsakoff et al., 2003). To mitigate this issue, a two-step methodology outlined by Podsakoff et al. (2012) was followed.

First, the procedural aspects were reviewed, including the wording of the items, the measurement scale, the response format, and the general instructions. Second, statistical methods were applied within the PLS-SEM framework, as recommended by Kock (2015). Specifically, the variance inflation factor (VIF) was used to assess common method bias, with a threshold value below 3.3 indicating acceptable levels. In this study, the VIF value was 1.0283, confirming that the data meet this criterion and that the measurement method does not exhibit common method bias problems.

Analysis of the measurement model

Data analysis followed the recommendations of Barclay et al. (1995) and Hair et al. (2017), beginning with the evaluation of the measurement model before proceeding to the structural model.

As described by Sarstedt et al. (2016), the evaluation process for both

Table 1

Correlation matrix, composite reliability, convergent and discriminant validity, Heterotrait-Monotrait Ratio (HTMT) and descriptive statistics.

Construct	AVE	Composite Reliability	1. DINCAP	2. SEW	3. PERF
1. DINCAP	0.6623	0.9071	0.8138*		
2. SEW	0.7356	0.9326	0.0845	0.8576*	
3. PERF	0.7795	0.9339	0.3783	0.3243	0.8828*
Heterotrait-Monotrait Rate (HTMT)					
1. DINCAP					
2. SEW			0.2263		
3. PERF			0.4219	0.3595	
Cronbach's Alpha			0.8714	0.9086	0.9052
Rho-A			0.8766	0.9124	0.9049
Mean			3.02	2.64	2.91
SD			1.30	1.06	1.60

Note: The mean and standard deviation values of each of the second-order composites have been calculated from the mean values of the first-order second-order, and third-order composites that compose them.

(*) The diagonal values were extracted from the square root of each AVE composite.

Source: Compiled by authors.

models requires the variables to be modeled appropriately for analysis in the SmartPLS program. The control variables were defined as follows:

1 *Dynamic capabilities*. This third-order b-mode composite consists of absorptive capacity and innovative capacity, both of which are second-order b-mode composites.

2 *Socioemotional wealth*. This second-order b-mode composite is operationalized through five dimensions: family control and influence, identification of family members with the firm, binding social ties, emotional attachment, and renewal of family bonds through succession.

3 *Performance*. This variable is operationalized as a first-order a-mode composite.

4 *Size and age of the firm*. These variables were operationalized as first-order a-mode composites.

To evaluate the measurement model, the variables were assessed for reliability, convergent validity, and discriminant validity, following the recommendations of Roldán and Sánchez-Franco (2012). The following indicators were used (Barclay et al., 1995; Hair et al., 2017; Roldán & Sánchez-Franco, 2012):

a) **Composite reliability**. According to Fornell and Larcker (1981), composite reliability values should range between 0.7 and 0.9 (Hair et al., 2018). In this study, all indicators demonstrated acceptable composite reliability values (Table 1). Additionally, no redundancy issues were observed, as no value exceeded 0.95 (Diamantopoulos et al., 2012; Drolet & Morrison, 2001).

b) **Cronbach's alpha**. Values for Cronbach's alpha should exceed 0.7 (Fornell & Larcker, 1981). In this study, all variables met this criterion, with Cronbach's alpha values above 0.7 (Table 1).

c) **Rho-A**. As recommended by Dijkstra and Henseler (2015), Rho-A values should exceed 0.7 and lie between the composite reliability and Cronbach's alpha values (Hair et al., 2018). This condition was satisfied for all variables in this study (Table 1).

d) **Average variance extracted (AVE)**. This ratio evaluates the convergent validity of a composite. Fornell and Larcker (1981) recommend that AVE values should exceed 0.5, a criterion met by the data in this study (Table 1).

e) **Heterotrait-monotrait (HTMT) ratio**. This ratio assesses discriminant validity. For discriminant validity to be confirmed, the correlation value between each pair of constructs should not exceed the square root of the AVE for each construct. Additionally, HTMT

Table 2

Absorptive capacity and innovative capacity as dimensions of dynamic capabilities.

	Weights	Value of t	Value of p
ACAP	0.8712	7.0855	0.000
CINN	0.3874	9.0249	0.000

Note: ACAP – Absorptive Capacity; CINN – Innovative Capacity.

values should be <0.85 (Henseler et al., 2015), a condition satisfied by the values in this study (Table 1).

Dynamic capabilities were operationalized as a third-order b-mode composite, comprising absorptive capacity (a second-order a-mode composite) and innovative capacity (a second-order a-mode composite). To assess how each of these two composites contributes to the overall dynamic capabilities construct, their weights were analyzed. Among the two capacities, absorptive capacity emerged as the most significant, with a path coefficient of 0.8712, compared to innovative capacity, which had a path coefficient of 0.3874 (see Table 2).

Socioemotional wealth was operationalized as a second-order b-mode composite based on the dimensions proposed by Berrone et al. (2012). Among these dimensions, the emotional attachment of family members (with a path coefficient of 0.2450) and the renewal of family bonds through succession (with a path coefficient of 0.2440) were identified as the most important (see Table 3).

Discriminant validity was assessed using the HTMT inference method with the bootstrapping option (5000 subsamples). Discriminant validity is confirmed when the resulting confidence interval contains values <1, a condition satisfied by the data in this study (see Table 4).

Once the convergent and discriminant validity of the measurement model were confirmed, the relationships between the variables were tested to analyze the structural model.

Analysis of the structural model

The structural model analysis reveals that dynamic capabilities have a positive and significant impact on performance. The path coefficient is 0.2621, exceeding the minimum threshold of 0.2 established by Chin (1998). The effect is statistically significant, with a t-value of 4.4032 (based on t: 4.999, one-tailed) and a p-value of 0.0000 ($p < 0.001$) (Table 5). Therefore, the first hypothesis (H1) is supported.

Similarly, socioemotional wealth positively and significantly influences performance, with a path coefficient of 0.3848, a t-value of 3.4593 (based on t: 4.999, one-tailed), and a p-value of 0.0000 ($p < 0.001$) (Table 5). This confirms the second hypothesis (H2).

Together, dynamic capabilities and socioemotional wealth explain 26.16 % of the variance in family firm performance, demonstrating their joint positive effect.

Next, the moderating effect of socioemotional wealth on the relationship between dynamic capabilities and performance was analyzed. The moderating effect is positive and significant, with a path coefficient of 0.1819, a t-value of 4.6512, and a p-value of 0.0000. This moderating effect enhances the influence of dynamic capabilities on performance, explaining 28.19 % of the variance (Table 5; Fig. 2). The strength of this moderating effect is moderate, as indicated by an f^2 -value of 0.26 (Chin, 2010). Thus, the third hypothesis (H3) is also confirmed.

None of the control variables had a significant influence on the model, as their path coefficients were below 0.2 and their p-values exceeded the threshold of $p < 0.001$ (Table 6).

The structural model analysis was completed by assessing the goodness of fit using the Standardized Root Mean Square Residual (SRMR), as proposed by Hu and Bentler (1998) and Henseler et al. (2015). The SRMR value for this model was 0.071, which is below the recommended threshold of 0.08 (Henseler et al., 2015), indicating a good fit.

Table 3
Dimensions of socioemotional wealth.

	Weights	Value of t	Value of p
COFAIN	0.2175	6.3302	0.000
IDFAMEFIRM	0.2039	9.0431	0.000
BISOTI	0.2159	8.2641	0.000
EMATFAMEM	0.2450	7.4992	0.000
REFABOTHSUC	0.2448	6.4172	0.000

Note: COFAIN – Control and Family Influence; IDFAMEFIRM – Identification of Family Members with the Firm; BISOTI - Binding Social Ties; EMATFAMEM - Emotional Attachment of Family Members; REFABOTHSUC - Renewal of Family Bonds Through Succession.

Discussion, conclusions, limitations and future lines of research

This study explores the relationship between dynamic capabilities, socioemotional wealth, and business performance in family firms using a complex second-generation structural equation model. The integrative model, which connects dynamic capabilities, socioemotional wealth, and performance, was applied to Chilean family firms, making this research one of the first to address this analysis in this context. The empirical findings highlight the strategic role of dynamic capabilities, emphasize the interplay between economic and emotional objectives, and provide practical recommendations for the strategic management of these concepts.

Family firms are the most prevalent form of business globally (Beliaeva et al., 2022; Dávila et al., 2023; Méndez & Vázquez, 2023). They represent more than half of all firms in both developed and emerging economies (Berrone et al., 2022), contribute between 70 % and 90 % of annual global GDP, and account for 80 % of worldwide employment (De Massis et al., 2018). Chile is no exception, as family firms play a critical role in its economy, contributing between 50 % and 70 % of GDP and employment (ESE, 2022). This study focuses on Chilean family firms, given the limited research on family businesses in this country (Temprano-García et al., 2023).

While the term “family firm” might suggest a homogeneous group of companies, the reality is quite the opposite. Family firms are highly heterogeneous (Chua et al., 2012; Corbetta & Salvato, 2004; Samara & Berbegal-Mirabent, 2018), reflecting the diversity of family businesses (Chrisman & Patel, 2012; Gedajlovic et al., 2012; Llanos-Contreras & Alonso-Dos-Santos, 2018). This heterogeneity has made it challenging to establish a universally accepted definition of “family firm” (Araya-Castillo et al., 2021; Chua et al., 2012; Corbetta & Salvato, 2004). However, a review of the literature reveals two common features in most definitions (Franco & Prata, 2019): family ownership and control of the firm, including the active involvement of family members in its management (Kallmuenzer et al., 2018).

The definition of a family firm in this study is based on the recommendations of Miller et al. (2008), which emphasize both family involvement and the essence of the business. This approach incorporates both quantitative and qualitative aspects. For a company to be classified as a family firm, a significant portion of its capital must be owned by the family, or a number of family members must be involved in its management (quantitative aspects). Additionally, the founder and successors must demonstrate a commitment to maintaining family ownership, governance, and management (qualitative aspects) (Hernández-Perlines et al., 2021a). These qualitative aspects are particularly important when analyzing socioemotional wealth, as they are integral to both its

Table 4
HTMT inference.

	Original Sample (O)	Sample Mean (M)	5.0 %	95.0 %	Sample Mean (M)	Bias	5.0 %	95.0 %
DINCAP>PERF	0.3534	0.3577	0.2227	0.4883	0.3577	0.0043	0.2103	0.4756
SEW>PERF	0.2944	0.2954	0.1512	0.4319	0.2954	0.0010	0.1488	0.4290

Source: Compiled by authors.

Table 5
Structural model.

Model	R ²	β	t-Value	Hypothesis
Direct Model:				
DINCAP > PERF	0.2616	0.2621	4.4032	H ₁ : Supported
SEW > PERF		0.3848	(0.0000)	H ₂ : Supported
			3.4593	(0.0003)
Moderation Model:	0.2819			
Moderation of SEW		0.1819	4.6512	H ₃ : Supported
DINCAP > PERF		0.3437	(0.0000)	
			5.2671	(0.0000)

Source: Compiled by authors.

definition and measurement.

Family firms are the most prevalent and significant form of business in many countries (Araya-Castillo et al., 2022; Gómez-Mejía et al., 2007; Poza & Daugherty, 2013). They are recognized for their ability to generate both wealth and employment (Chang et al., 2009; Fan et al., 2011; Matthews et al., 2012). Furthermore, the growth and functioning of many economies are heavily influenced by the activities of family firms (Astrachan & Shanker, 2003; Hernández-Perlines et al., 2021a; Memili et al., 2015).

In this context, family firms have garnered increasing attention in business management research, particularly in understanding their performance (Chrisman et al., 2010; Hernández-Perlines et al., 2021a; Sharma et al., 2012). Researchers have explored factors such as emotional endowment and socioemotional wealth, which significantly influence both the behavior and outcomes of family firms (Ng et al., 2019). Socioemotional wealth, encompassing elements such as family control, family identification with the firm, and dynastic succession, has been identified as a critical non-economic objective in their management (Berrone et al., 2012). This factor not only strengthens emotional attachment and family ties but also positively impacts business performance (Alonso-Dos-Santos & Llanos-Contreras, 2019).

The main contributions of this study are twofold. First, it provides a deeper understanding of the role of dynamic capabilities and socioemotional wealth in the performance of family firms. Second, it highlights how socioemotional wealth can enhance the impact of dynamic capabilities on performance. These findings have significant implications for family firms, emphasizing the need to strategically manage both dynamic capabilities and socioemotional wealth to improve performance and ensure long-term sustainability.

At the same time, family firms operate in environments characterized by rapid change and high uncertainty (Hernández-Perlines et al., 2022). To thrive in such conditions, they must develop dynamic organizational capabilities, such as absorptive and innovative capacities, to respond to market demands and maintain competitiveness (Orlando, 2016). These capabilities enable family firms to leverage external knowledge and strengthen their innovative potential, which are critical for their long-term survival and growth (Brinkerink, 2018; Nordqvist et al., 2009).

Despite their importance, there is a notable gap in the literature regarding how dynamic capabilities and socioemotional wealth interact to influence the performance of family firms, particularly in Latin American contexts such as Chile. This study addresses this gap and contributes to the field by demonstrating the direct and interactive

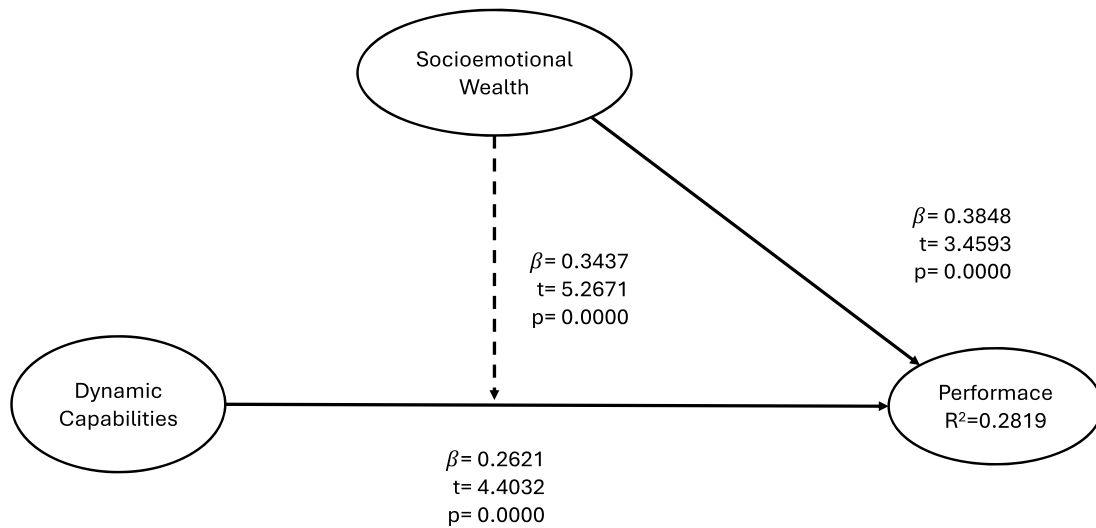


Fig. 2. Structural model
Source: Compiled by the author.

Table 6
Control variables.

Variable	β	t-Value
Age	0.0160	0.1835
Size	0.0075	0.5777

Source: Compiled.

effects of these variables on the performance of Chilean family firms. Furthermore, it proposes a model that links dynamic capabilities, socioemotional wealth, and business performance, offering practical insights to enhance the management of family firms.

The first research question addressed whether dynamic capabilities positively influence the performance of family firms, and the findings confirm that they do. Dynamic capabilities have emerged as a critical approach in business management (Albort-Morant et al., 2018), enabling firms to achieve competitive advantages in dynamic environments (Daspit et al., 2019) and adapt to changing conditions (Helfat et al., 2007). Among the various dynamic capabilities, this study focused on absorptive capacity and innovative capacity, as they encompass both the ability to capture and utilize external knowledge (Hurtado-Palomino et al., 2022) and the capacity to generate internal knowledge through innovation (Saunila, 2020).

The research confirms that dynamic capabilities are essential for improving performance in competitive and dynamic environments. This finding aligns with seminal studies by Tierce et al. (1997) and more recent work by Hurtado-Palomino et al. (2022). In this case, the specific importance of:

- **Absorptive capacity:** This capability proves critical for acquiring, assimilating, and exploiting external knowledge, enabling family firms to remain competitive in dynamic markets. This finding reinforces the work of Zahra and George (2002), who identified absorptive capacity as central to fostering innovation.
- **Innovative capacity:** The role of innovative capacity remains highly relevant, particularly in the generation of new products. As emphasized by studies such as Saunila (2020), innovation is essential for differentiation and adaptation to evolving market demands.

The study highlights that dynamic capabilities explain 26.16 % of the variance in business performance, underscoring the importance of strengthening these capabilities in family firms to ensure long-term

sustainability.

In contrast to studies that prioritize innovation as the primary driver of success (Calabrò et al., 2019; De Massis et al., 2013), this paper identifies absorptive capacity as the most influential component. This finding may reflect the specific characteristics of the Chilean business environment, where the ability to adapt to and leverage external knowledge carries greater weight.

Additionally, the study confirms that socioemotional wealth positively and significantly influences the performance of family firms, with a path coefficient of 0.3848. This result reinforces socioemotional wealth as one of the most relevant frameworks for understanding family business management (Barros et al., 2017; Gómez-Mejía et al., 2023). Among the dimensions of socioemotional wealth established by Berrone et al. (2012), emotional attachment of family members and the renewal of family bonds through succession emerge as the most critical dimensions. Together, dynamic capabilities and socioemotional wealth explain 26.16 % of the variance in family firm performance.

The moderating role of socioemotional wealth has been examined in previous research studies (Hernández-Perlines et al., 2021a; Schepers et al., 2014). In both studies, the moderating role of socioemotional wealth on the influence of entrepreneurial orientation (EO) on performance in family firms was analyzed. Schepers et al. (2014) showed that the positive effect of EO on financial performance decreases as the level of SEW preservation increases. Hernández-Perlines et al. (2021a) showed that the concern to preserve SEW positively moderates the influence of EO on family business performance. Their research study analyzes the performance of family businesses. The conclusion of this paper is that socioemotional wealth has a positive and significant moderating effect, which causes an increase in the influence of dynamic capabilities on the performance of family firms, explaining 28.19 % of the variance of family business performance. The results of this paper confirm the positive moderating role of socioemotional wealth, which is a key aspect in family firms (Barros et al., 2017; Gómez-Mejía et al., 2011), whereas family firms are rather concerned with their long-term survival and passing on the business legacy to future generations (Berrone et al., 2012). The main implication of these results for family business management is that, although dynamic capabilities positively affect family business performance, this effect is enhanced when socioemotional wealth is considered, as socioemotional wealth positively moderates and acts as a boost to family business performance.

Although SEW has been extensively researched as an independent factor (Gómez-Mejía et al., 2011), its moderating role in this research

reinforces the idea that non-economic objectives can amplify economic outcomes when aligned with dynamic capabilities.

This work has clear practical implications for family business management:

- **Strengthen absorptive capacity:** Companies should invest in processes that facilitate the acquisition and exploitation of external knowledge, such as strategic alliances or training programs.
- **Manage SEW strategically:** Far from being seen as a barrier, SEW can become a competitive advantage if used to foster innovation and family cohesion.
- **Balance economic and non-economic objectives:** Managers should prioritize strategies that integrate family values with market dynamics.

This study has certain limitations. First, the data were collected through a questionnaire distributed to a group of family firms selected using non-probabilistic convenience sampling. Although tests were conducted to ensure that the selected firms were representative of Chilean family firms, this sampling approach may limit the generalizability of the findings.

A second limitation arises from the fact that the questionnaire was sent to a single respondent, the CEO of each family firm. To mitigate this limitation, the study followed the recommendations of Rong and Wilkinson (2011), Woodside (2013), and Woodside et al. (2015) by carefully selecting questionnaire recipients. Specifically, the questionnaire was sent to the CEO or main manager of each firm (Dal Zotto & VanKranenburg, 2008), regardless of whether they were family or non-family members. The survey was distributed via the SurveyMonkey platform, accompanied by a personalized message explaining the research objectives, requesting their participation, and providing a contact email for any queries (Torchiano et al., 2013). A follow-up email reminder was sent after some time to encourage completion of the questionnaire.

Future research should explore different qualitative approaches to complement the findings of this study. For instance, methods such as case studies and fuzzy-set Qualitative Comparative Analysis (fsQCA), as proposed by De Massis et al. (2013), could provide deeper insights into the dynamics of family firms. Additionally, future studies could examine the impact of other dynamic capabilities, such as organizational learning, on family firm performance.

Another promising avenue for research would involve analyzing the individual effects of each dimension—absorptive capacity, innovative capacity, and socioemotional wealth—on the performance of family firms. Furthermore, future studies could investigate the role of CEO characteristics, such as gender, or explore corporate governance mechanisms like the Family Council, as well as other aspects that highlight the heterogeneity of family firms, as suggested by Chua et al. (2012).

Finally, it would be valuable for future research to address the tension between capacity and willingness in family firms, a topic highlighted by Chrisman et al. (2015) and De Massis et al. (2014).

CRedit authorship contribution statement

Felipe Hernández-Perlines: Writing – review & editing, Writing – original draft, Validation, Methodology, Investigation, Formal analysis, Conceptualization, Software. **Luis Araya-Castillo:** Writing – review & editing, Writing – original draft, Methodology, Investigation, Formal analysis, Conceptualization. **Mercedes Castro-Nuño:** Writing – review & editing, Writing – original draft, Methodology, Investigation, Formal analysis, Conceptualization.

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