

## **Family Firm Innovativeness and Psychological Capital on CSR Activities: Evidence from Hospitality and Tourism**

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**Motivations:** Despite their conceptual similarities however, extant research suggests a complex relationship between firm innovativeness and CSR. Though both are related to performance in general, CSR and innovation investments frequently face scrutiny by investing stakeholders, with market outcomes being difficult to predict in the short-term and failure rates being high. Confoundingly, some scholars find these activities competing for firm resources, while others emphasize their complementarity, suggesting a tension between CSR and innovativeness and illustrating the importance of research studying their association.

Family-ownership presents a unique and valuable context for exploring this tension. Family-owned firms are more likely to be driven by non-economic motivations such as family harmony and legacy, resulting in a characteristic long-term strategic orientation to facilitate transgenerational ownership. This long-term legacy orientation has been found to lead to both social performance and strategic renewal through innovation. Thus, it is not surprising that family firms have been found to simultaneously invest more in CSR initiatives, and aggressively leverage innovativeness for long-term performance, when compared to non-family counterparts. The intertwining values motivating both CSR and innovativeness in family firms suggests the potential for their coordination, and informs our exploration of their association in the present research.

**Research Question:** We argue that family firm psychological capital provides an important perspective in interpreting findings related to family firm innovativeness and CSR activities, as well as informing scholars as to the heterogeneous avenues through which family firms can coordinate these ostensibly disparate goals. As such, the present research seeks to address the following questions: 1. *How do economic and non-economic dynamics (i.e. innovativeness and family firm psychological capital) influence CSR activities in family firms?*, and 2. *Are there*

*differential impacts of the interplay between economic and non-economic factors (i.e. innovativeness and family firm psychological capital) on different types of CSR activities (i.e. social and environmental) in family firms?*

**Research Design and Findings:** We address these research questions through the lens of Goal Systems Theory in order to develop a model of antecedents to CSR activities and test it on a sample of 217 family firms in the Hospitality and Tourism industry. Goal Systems Theory provides a framework for understanding modes of interdependence between co-activated firm goals. Goal systems in family firms are distinctive in that they largely seek to coordinate the economic and non-economic motivations of both family and firm stakeholders in their strategic decision-making. By exploring the goal systems of family firms and the mechanisms underlying CSR and innovativeness, we provide insights into how multiple, ostensibly unrelated, goals can be pursued simultaneously. By considering the interdependence of both family and competitive objectives within a family firm's goal system, we argue that the decision to pursue sustainability-oriented CSR is a function of both competitive and socioemotional motivations within a constrained goal system.

Findings suggest that family firm psychological capital plays an important role in translating firm initiatives to CSR activities. Particularly, as the competitive efficacy of family-centered strategies are enhanced, firms strive to link innovativeness with long-term outcomes, an outcome greatly aligned with strong CSR investments. Interestingly, this general orientation results in distinct activities when we consider environmental/sustainability CSR from social CSR initiatives. By comparing the certifications and investment activity of firms in our sample, we our findings suggest that family firm psychological capital creates strong in-roads for promoting

sustainability-based CSR activities, but this relationship is not robust when considering social CSR behaviors.

**Implications:** Our findings suggest that the characteristic short-term innovation pursued by service-oriented HT firms may be, at least partially, a function of the strategic orientation of the firm and less an institutional or competitive necessity of firms. This is a somewhat distinctive finding in the HT field which research suggests traditionally prioritizes short-term effects oriented towards human resource management, work climate, and service culture; which translates to limited CSR investment and the potential industry lag for sustainability initiatives. Our findings present an alternative narrative by suggesting that, when restricting our focus to family firms, their characteristic long-term orientation is not only resilient in this sector, but when viewed as important components of their competitive position (i.e. family firm psychological capital) can translate to directing innovation strategies away from the short-term service-oriented innovation common in this sector to prioritize enhanced sustainability and CSR outcomes. These findings have implications for family business, CSR, and HT scholarship.