International Entrepreneurship Review

2025, Vol. 11, No. 2

OPEN ACCESS

10.15678/IER.2025.1102.01

The impact of social capital on the economic performance of Polish family businesses

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ABSTRACT

Objective: This article aims to examine how various dimensions of family social capital (FSC) impact the economic performance of small and medium-sized family firms in Poland.

Research Design & Methods: This study employs a quantitative research design. I collected data from a sample of 196 family businesses. Structural modelling methods served to analyse the relationships between structural, cognitive, and relational dimensions of FSC and economic performance.

Findings: The main empirical results indicate that cognitive dimension of FSC which includes shared identity, shared vision, and shared goals have a significant positive impact on the economic performance of family firms.

Implications & Recommendations: It is crucial for family business managers to actively create opportunities for shared experiences among family business members and build a common cognitive foundation. It is also recommended to establish effective communication channels to ensure the development and maintenance of shared meanings and interpretations and development and acceptance of common goals. Advisory services and policymakers should highlight the benefits derived from strong social capital and recommend strategies to strengthen the cognitive dimension of FSC.

Contribution & Value Added: The novelty of this article lies in the applying multidimensional FSC framework in the context of Polish family businesses. Since the research about family business social capital is treated as one of its unique resources, there is a scarce of studies how this resource works in the context of transitional economies such as Poland, and they are mainly theoretical (Popczyk, 2017) or qualitative (*i.e.* Marjański *et al.*, 2019). This context is especially significant as many of these businesses are undergoing generational transfers for the first time now, leading to distinctive internal dynamics. Adopting the analytical method outlined by Carr (2011), this research implements a quantitative framework to analyse the FSC effects on the performance of family firm.

Article type:	research article
Keywords:	family businesses; social capital; performances; PLS-SEM; transitional economy
JEL codes:	G30; M14

Received: 17 June 2024 Revised: 14 October 2024 Accepted: 21 October 2024

Suggested citation:

Żukowska, B. (2025). The impact of social capital on the economic performance of Polish family businesses. *International Entrepreneurship Review,* 11(2), 7-26. https://doi.org/10.15678/IER.2025.1102.01

INTRODUCTION

Social capital is an interdisciplinary concept widely used in both academic discourse and public debate. Strengthening social capital can be a goal pursued on a macro scale (potential directions for shaping the social and economic policy of the state), meso scale (an element of the development strategy of economic entities) and even micro scale (realization of the ambitions of individuals). The four great theorists of the issue, *i.e.* Bourdieu, Putnam, Coleman and Fukuyama, described the mechanisms of social capital and its benefits. The last of them, paid special attention to the family as the original, very important source of social capital in the world. Therefore, we assume that in organizations where there are family relationships between owners or management staff, social capital will take a different shape than in other entities, and as a result, uniquely affect their economic performance. Moreover, the dimensions that build it can affect a variety of business outcomes, including non-economic ones (*e.g.*, successful succession), which, from the perspective of a family business, are among the key goals of its operation.

The research objective of the article is to analyse the impact of the various dimensions of social capital (structural, cognitive, and relational) on the economic performance of small and medium family businesses. This study contributes significantly to family business research by investigating family business capital within the context of a transitional economy, specifically Poland. The study employs an analytical approach developed by Carr *et al.* (2011), a framework widely used in examining FSC within family businesses in developed economies such as the United States (Rosecka & Machek, 2023), Spain (Herrero, 2018; Sanchez-Famoso *et al.*, 2015), and Chile (Llanos-Contreras *et al.*, 2022), as well as in developing countries like Tunisia (Mani & Lakhal, 2015) or Turkey (Tasavori *et al.*, 2018). However, this framework has yet to be applied in the context of a transitional economy with a relatively short history of a free market system, such as Poland's, which has only 35 years of market liberalization.

The topic of FSC in Polish firms has been part of the scientific discourse, but previous studies have been predominantly theoretical (Popczyk, 2017) or qualitative in nature (Marjański *et al.*, 2019). Notably, the uniqueness of the transitional economy context is particularly significant, as the majority of first-generation business successions began only around 2009 (Surdej & Wach, 2012). This offers a rare opportunity to observe how FSC influences performance in businesses where control remains largely in the hands of the first generation or has only recently shifted to subsequent generations.

Achieving the goal and verifying the stated hypotheses required a review of the domestic and foreign literature and empirical research. I collected primary data using the diagnostic survey method. Due to the multifaceted nature of the phenomena studied, I treated them as latent variables for the purposes of statistical analysis. Thus, I chose structural modelling as an appropriate method to explain the relationship between such variables.

In the first section, I will present a literature review and hypotheses development. The next section will discuss the research methodology, including data collection, variables description, and model specification. The results and discussion section will cover in detail the evaluation of the measurement and structural model. Finally, the conclusions section will present the main ideas and study limitations.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Social capital was introduced into economic discourse in the 1980s and quickly became one of the most popular concepts in the social sciences (Woolcock & Narayan, 2000). Its explicative value was appreciated not only in the macroeconomic field (as a predictor of material well-being or economic growth (Whiteley, 2000)) but also in the micro sphere (as a factor influencing competitiveness, innovation and, consequently, the financial performance of enterprises (Amara *et al.*, 2002; Wu, 2008)). However, before social capital found its way into models describing various economic relationships, researchers made attempts to theoretically organize this construct. It is widely accepted that the systematic foundation of the concept of 'social capital' was built by four authors, namely Bourdieu, Putnam, Coleman and Fukuyama.

The authors seem to agree that social capital is formed at least between two individuals who share a variety of relationships. Moreover, all four theorists recognize the value of social capital to achieve both individual and collective benefits.

The potential benefits, the development of which can support social capital, have become interesting not only from the perspective of theorists, but also business practitioners. Particularly interesting has become the microeconomic view of social capital (which boils down to the characteristics of a given organization that favour the emergence of benefits arising from internal cooperation and with the environment. Nowadays, there is a lot of research that precisely indicate how social capital resource can be supportive for innovativeness (Meyer, 2024; Eiteneyer *et al.*, 2019) and digital transformation (Daskalopoulos & Machek, 2024; Lang, 2023).

Making a distinction between internal cooperation and cooperation with the environment, it is necessary at this point to cite Putnam's proposed division of social capital into bonding and bridging capital. Bonding capital binds people together within a particular group, strengthens a sense of identity and solidarity, and promotes homogeneity. On the other hand, bridging capital creates ties between groups and networks that integrate different actors and promotes cooperation between diverse entities (Claridge, 2018; Czapinski, 2008). Transferring this typology to the organizational setting, it can be said that bonding capital creates opportunities to ensure long-term, sustainable relationships between internal stakeholders (*e.g.,* employees) while social bridging capital enables the development of stable relationships with external stakeholders (*e.g.*, customers, contractors).

Each type of social capital is associated with different types of support or opportunities that can benefit the business entity. Table 1 summarizes selected potential benefits for the enterprise.

Table 1. Selected potential benefits of a company having a certain type of social capital

Type of social capital	Potential benefits
Bonding	- fosters an environment of collaboration, - shapes the motivation and commitment of employees, - enhances the dedication of the workforce, - promotes the sharing of information among the organization's members, - facilitates mutual learning among employees, - allows access to resources at the disposal of various employees, - enables a common understanding of terms and their use, - shapes the development of new products.
Bridging	- leads to enhanced trustworthiness, - fosters a network of partnerships with contractors/customers, - facilitates the exchange of resources with other entities, - builds customer loyalty, - supports entry into new markets, - favorable contract terms improve the company's performance, - reduces transaction costs, - increases the stability of the company's operations.

Source: own study based on Cofré-Bravo *et al.*, 2019.

The above-presented catalogue of potential opportunities brought by the possession and creation of social capital is not closed. Noteworthy, some of the listed benefits may, in the long term, translate into other benefits, *e.g.* the presence of loyal employees may positively affect the stability of the enterprise, access to knowledge about available forms of support may translate into an increase in the scope of business, etc.

However, social capital is also associated with certain phenomena that are much less desirable in the economic space. In the area of bonding and bridging social capital, abuses such as nepotism, corruption and price collusion are possible (Claridge, 2018). On the other hand, bonding capital can create a climate that excludes members of other groups ('cliquishness'). Moreover, excessive 'closure' of a group can stifle proactive behaviour and openness to innovation and the flow of new knowledge.

Fukuyama believed that 'the family is the first and very important source of social capital around the world.' In making this conclusion, he also recognized the risks that such a situation entails. Sometimes, trust within and outside the family remains in an inverse relationship: when one element is strong, the other usually weakens (Fukuyama, 2003, p. 174). According to Fukuyama, strong family ties can contribute to the realization of a closed attitude toward other social groups. Fukuyama illustrates his considerations by citing businesses in Latin America as an example. Most of the businesses established in the area are family businesses, since the strongest and most secure ties of trust are between family members or relatively small circles of close friends. Social capital is located primarily in kinship networks, which are consequently an important social resource. At the same time, the author notes that family ties in such enterprises can be a burden, resulting from a lack of trust in strangers. A manifestation of such a limitation may be the problems experienced by family businesses in the process of transforming themselves into large, professionally managed corporations with dispersed public ownership (Fukuyama, 2002).

The dual nature of social capital within family businesses, illustrated by the above considerations, provided the foundation for the concept of FSC developed by the team of Arregle (2007). The researchers recognized that family ties provide a foundation for moral behaviour, upon which cooperation guidelines and principles of reciprocity and exchange are then developed. Increased reciprocity and exchange enhance the creation and use of social capital, derived from dynamic factors specific to the family: stability, interdependence, interaction, and hermeticity. The uniqueness of these factors results in building unique resources, which Habbershon and Williams (1999) define as 'familiness.' According to Pearson *et al.* (2008), the concept of familiness plays a crucial role in the social capital found within family-owned enterprises. Numerous scholars acknowledge its vital role in securing competitive advantages (Sanchez-Famoso *et al.*, 2013; Sorenson *et al.*, 2009). As articulated by Sirmon and Hitt (2003), FSC serves as a fundamental element that fosters the unique 'familiness' within a business context. They point out how effectively FSC could contribute to the enhancement of human capital as represented by the upcoming generation.

Moreover, the cultivation of FSC is also significant within the framework of socioemotional wealth theory (SEW). According to SEW, family involvement in business brings non-economic resources, such as emotional attachment, that are unique to family firms (Gómez-Mejía *et al.*, 2007). These resources are inimitable, and scholars have explored their influence on business performance (e.g., Davila *et al.*, 2023; Razzak & Jassem, 2019). The benefits derived from SEW align with the structuralist perspective of social capital, which emphasizes the advantages that arise from close-knit groups within closed networks (Cruz *et al.*, 2012). Moreover, the emotional values emphasized by SEW play a crucial role in fostering and developing FSC. Families often prioritize long-term goals such as maintaining their reputation, preserving the business, and sustaining family identity. These motivations contribute to a heightened focus on cultivating trust, transparency, and cohesion within the family, which ultimately strengthens the FSC. Moreover, valuing their reputation positions family businesses might serve as a model of ethical leadership, which in turn also enhances internal social capital (Sanchez-Famoso *et al.*, 2021).

To better understand the construct of social capital in a family business, it is worth drawing on the analytical tool proposed by Nahapiet and Goshal (1998), which proposes distinguishing three of its dimensions: structural, cognitive, and relational. The structural dimension reflects the arrangement and strength of ties within the members of a group. It includes the resources that facilitate interaction and information transfer, as well as the extent to which the structural features of the organization create a network that facilitates joint action. The cognitive dimension consists of elements that ensure the existence of shared systems of meanings, interpretations or perceptions. It reflects the common purpose and meaning created by enduring relationships within an organization or group. On the other hand, the relational dimension represents trust, responsibilities, and obligations arising from personal relationships created through the structural and cognitive dimensions (Carr *et al.*, 2011).

In a family business, the structural dimension is formed by relationships developed within the family, which are then transferred to the business being run. Relationships developed over many years are well-known to family members and provide a strong foundation for taking initiatives together. On the other hand, the uniqueness of the cognitive dimension is due to its deep roots not only in the history of the business, but also in the history of the family. The family has shared systems of meanings, interpretations or perceptions, which can in turn serve to build a common vision and goals for the enterprise. In the relational dimension, the peculiarities of a family business are manifested primarily through attitudes and behaviours such as cooperation, communication and above average commitment. These are made possible by so-called 'resilient' trust – based on shared values and beliefs and a strong sense of identity (Żukowska, 2021).

Moreover, in the transition countries, FSC might also have its peculiarities. In transitional contexts, such as those found in post-communist countries like Poland, the general levels of social capital are relatively low (Czapiński, 2008). The trust towards formal institution (extended trust) is also lower than in developed countries (Raiser *et al.*, 2002). As a result, family businesses, especially small and medium ones may rely more heavily on their internal social capital to navigate uncertainties, compensate for weak external institutions, or fill gaps in formal support systems.

However, we should not treat even small and medium family businesses as homogeneous entities. They can differ in terms of non-family involvement in governance, goals or resources (Chua *et al.*, 2012). This heterogeneity is also visible in the form of involving FSC in family businesses. Sanchez-Ruiz *et al.* (2019) identified three types of firms: with instrumental, identifiable, and indistinguishable FSC. Family firms with instrumental social capital are most 'saturated' with its components, *i.e.* structural, cognitive, and relational capital. Firms that possess identifiable FSC have a recognizable manifestation of FSC. However, these resources are slightly below average. Enterprises with indistinguishable FSC represent the lowest levels of FSC. The researchers indicated that various types of family enterprises are uniquely affected by the interplay of different aspects of social capital, which is evident in both their financial and non-financial results.

The main issue related to the uniqueness of FSC in a family business is its impact on competitive advantage and, as a result, economic performance. Table 2 presents a review of previous studies on FSC and performance.

Table 2. Previous studies on family social capital (FSC) and performance in family firms

Reference	Outcomes
Sorenson *et al.* (2009)	FSC has a positive effect on firm performance.
Sanchez-Famoso *et al.* (2015)	FSC has a positive effect on firm performance. Non-FSC (social capital based on non-family relationships) also has a positive effect. The effect of non-FSC is stronger than the FSC effect.
Herrero (2018)	Higher levels of FSC have a positive effect on return on equity (ROE). Bonding capital earned by non-family employees, was an insignificant predictor of performance.
Tasavori *et al.* (2018)	FSC improves international firm performance (sales volume, market share, profitability, market access, return on investment, customer satisfaction and development of image in international markets).
Herrero & Hughes (2019)	Greater importance than the level of FSC has its form. The relational dimension has a positive impact on the financial performance of a family business. A curvilinear (inverted U-shaped) relationship was identified between the structural dimension of FSC and financial performance.
Sanchez-Ruiz *et al.* (2019)	FSC has a positive company impact on optimism about the company's prospects, the willingness of the older generation to hand over control of the company to future generations, and the degree to which successors accumulate experience outside their own family business.
Rosecká & Machek (2023)	There is a positive relationship between FSC and family firm performance. Relational conflict deteriorates firm performance indirectly through the destructive impact on FSC.
Stasa Ouzký & Machek (2024)	Bonding social capita, has negative or no effect on performance.

Source: own study.

The research shows that the family can indeed be a stable, strong source of social capital for a family business (Carr *et al.*, 2011; Barros-Contreras *et al.*, 2023). Nevertheless, research indicates that while social capital is known to provide advantages in both economies and organizations, having a surplus of it within a family business does not necessarily lead to improved financial outcomes. For example, studies indicate that over-saturation of FSC, especially on a structural level, can negatively affect a company's profitability or sales growth. According to Herrero and Hughes (2019), there is a certain level of 'entanglement' of family members in family relationships that makes it difficult for other external relationships and ideas to enter the family pool of knowledge. Moreover, examining the structural aspect, which pertains to the robustness and configuration of familial connections, suggests that an overabundance of these ties may lead to issues associated with nepotism or paternalism (Firfiray *et al.*, 2018). Conversely, there is research showing that nepotistic behaviours can contribute positively to organizational success (Schmid & Sender, 2021), whereas other findings suggest they have little to no effect on financial or market outcomes (Urassa, 2016). In the realm of small family-run businesses in Poland, the practice of nepotism is regarded as a source of employee disillusionment (Sułkowski, 2012) and can result in a significant decline in ethical integrity (Dobrowolski *et al.*, 2022). The onset of such challenges may lead to a downturn in the company's financial performance. Hence, I hypothesised:

H1: The structural dimension of social capital has a negative impact on the economic performance of a family business.

According to Herrero and Hughes (2019) the relational dimension, which includes trust and commitment, positively impacts the financial performance of a family business and does not harm performance at relatively high levels. Numerous studies have confirmed the beneficial role of trust in reducing transaction costs (Puffer *et al.*, 2010) and fostering entrepreneurial outcomes (Shi *et al.*, 2015). Cruz *et al.* (2010) highlight that small to medium-sized family businesses are particularly well-positioned to capitalize on the advantages of trust. Moreover, family commitment, often characterized by a deep emotional attachment and long-term dedication to the firm, has been shown to correlate positively with business performance (Razzak *et al.*, 2021). This commitment enhances the unity of the organization, maintains strategic consistency, and strengthens the firm's capability to adeptly confront market challenges. These prior empirical results allowed us to assume the following research hypothesis:

H2: The relational dimension of social capital has a positive impact on the economic performance of a family business.

The cognitive dimension of FSC, which encompasses shared identity, vision, and goals, has been identified as particularly supportive in enhancing access to knowledge and capabilities (Parra-Requena *et al.*, 2010; Terry Kim *et al.*, 2013) and fostering product innovations (Zirena-Bejarano, 2024). Moreover, Sanchez-Ruiz *et al.* (2019) found that in family businesses where the cognitive dimension of FSC is most pronounced, the transgenerational intentions are enhanced, and the successors demonstrate greater preparedness and experience. This suggests that shared values and visions not only improve the internal coherence of family businesses but also strengthen their long-term viability. These positive influences can be supportive of the hypothesis:

H3: The cognitive dimension of social capital has a positive impact on the economic performance of a family business.

RESEARCH METHODOLOGY

Method of Data Collection and Description of the Sample

I applied quantitative research approach. I collected the data via a survey questionnaire between April 2021 and June 2021. The questionnaire was e-mailed to 7142 owners and managers of small and medium family businesses located in Poland. To classify the businesses according to their size, I applied the OECD definition (Madani, 2018). Since there is no official dataset of family businesses in Poland, I compiled the mailing by searching the media, family business foundations, and national registers. To qualify a company as a family business, I adopted the substantial family influence (SFI) criterion developed by Klein (2000). According to it, a family business should be considered such a business entity that is significantly influenced by one or more families (the family is the sole owner, or if not, the lack of influence on ownership is offset by involvement in the board of directors or management). A business should be considered family-owned when the SFI is greater than or equal to 1. To fulfil the requirements for SME classification, the number of employees should not exceed 250 people.

I collected a total of 326 responses. The final sample size was reduced to 196 observations due to missing information and the exclusion of companies that did not meet the SFI criterion or declare that their business employ more than 250 employees.

I addressed the concern of non-response bias by comparing the responses of early and late respondents (Kanuk & Berenson, 1975). I divided the sample into two subsets based on response time. The conducted t-tests did not reveal any statistically significant differences between the responses of these two groups.

To verify if the common method bias was an issue in the presented research, I conducted Harman's one-factor test. The total variance extracted by a single factor was 49.23%, which is below the commonly accepted threshold of 50% (Riley *et al.*, 2018).

The characteristics of the study sample (age, sectors, generations involved) are similar to those used in other studies conducted on family businesses in Poland (Pernsteiner & Węcławski, 2016; Żukowska *et al.*, 2021 – Table 3). Hence, we can conclude that the sample did not suffer from the sample bias. However, a significant problem in the context of the possibility of comparability of results is the lack of a universal definition of a family business used in Poland and around the world.

Table 3. Representativeness across samples

Variables	Current study	Pernsteiner & Węcławski, (2016)	Żukowska, Martyniuk & Zajkowski (2021)
Employment	48.93	114.00	43.74
Age	22.76	21.00	23.64
Sector			
Production (without building industry)	0.37	0.43	0.44
Retail	0.43	n/a	0.28
Other	0.67	n/a	0.58
Generation of owners			
Founder-owned	0.46	0.68	0.48
Second	0.51	0.31	0.47
Third or next	0.03	0.01	0.05
Generation of management			
Founder	0.50	n/a	0.40
Second	0.45	n/a	0.54
Third or next	0.05	n/a	0.06

Source: own study.

On average, the surveyed family business employed 36.4 people. Most businesses (79.6%) employed less than 50 employees (small enterprises). This finding aligns with Surdej and Wach's observations (2012), who noted that the predominance of small family businesses is an inherent characteristic of transition economies. On average, examined family businesses operated in the market for 22.76 years. Most of the companies operated in the service sector (67.3% of companies), less frequently in trade (42.9%) and production (including construction and agriculture) (36.7%), only 1.02% indicated 'other' sector. More than half of the companies had a representative of the second or next generation among their owners. Exactly 49.5% of the companies were managed only by the first generation. Thus, we can assume that at least partial succession (transfer of power or ownership to the next generation) had already taken place in about half of the family businesses surveyed.

Variables Used in the Model

I used a tool developed by Carr and his team (2011) to measure internal social capital. Questions from the questionnaire were independently translated into Polish and discussed with experts.

The structural, relational and cognitive dimensions of social capital presented in Table 4 were treated in further analyses as latent variables expressed by their corresponding indicators (SC_STR1, SC_STR2, SC_STR3, SC_STR4, SC_REL1, SC_REL2, SC_REL3,SC_REL4, SC_COG1, SC_COG2, SC_COG3, SC_COG4). These indicators have values between 1 and 7, with 1 indicating that the respondent certainly disagrees with a given statement, while 7 indicated that he or she certainly agrees with it.

To operationalize the assessment of a company's economic performance, I assumed that their overall perception is influenced by four areas: perceptions of their return on assets, market share, customer satisfaction, and increasing competitive position. The use of quasi-perceptual measures in economic and management sciences is a relatively common phenomenon, which often results from lacking access to objective sources and respondents' reluctance to provide real data. In the process of evaluating a phenomenon, quasi-perceptual measures are based on the perception of 'ready-made' objective indicators, *e.g.* profitability, market share or sales growth (Ketokivi & Schroeder, 2004). Studies have shown that measurements made using such measures are positively correlated with those made using objective measures and indicators (Santos & Brito, 2012). In the present analysis, I used such measures to assess a company's economic performance, which relates to both its financial, strategic and market situation. A similar approach was used, for example, by Randolph *et al.* (2019).

Table 4. Indicators for measuring the dimensions of internal social capital

ID	Content of the indicator
Structural dimension	
SC_STR1	Family members who work in the company communicate honestly with each other
SC_STR2	Family members who work for the company have no hidden agendas
SC_STR3	Family members who work for the company are eager to exchange information
SC_STR4	Family members working in the company use family relationships to share information
Relational dimension	
SC_REL1	Family members working in the company can count on each other
SC_REL2	Family members who work in the company are very honest with each other
SC_REL3	In general, family members working in the company trust each other
SC_REL4	Family members who work for the company tend to respect each other's feelings
Cognitive dimension	
SC_COG1	Family members working in the company are dedicated to the goals of the company
SC_COG2	Family members working in this company share a common goal
SC_COG3	Family members who work in the company see themselves as partners in setting the company's direction
SC_COG4	Family members who work in the company share the same vision for the future of the company

Source: own study based on Carr *et al.*, 2011.

I asked respondents to rate their own company against the industry (on average over the past 5 years) according to the indicators in Table 5. Respondents answered using a 5-point scale, where 1 meant well below average, and 5 meant well above average.

Table 5. Indicators for measuring the economic performance of a family business

ID	Content of the indicator
PER_ROA	Return on assets
PER_Market_share	Market share
PER_Customer_satisfaction	Customer satisfaction with services/products provided
PER_Growth_competitive_position	Increase in competitive position

Source: own study.

Next, I used the presented measures to describe the multivariate latent variable, which was the financial performance of the family business.

The first step in developing a model to explain the impact of different dimensions of social capital on the economic performance of family firms was the preliminary preparation and analysis of the acquired data. The final sample included 196 observations. Among the variables describing the perception of economic performance, there were missing data (2.6% of observations for the PER_ROA variable, 1.5% of observations for the PER_Market_share variable and 1.5% of observations for the PER_Growth_competitive_position variable). I decided to perform an imputation. I inserted the median values for the entire sample in place of the missing data.

Table 6 presents the analysis of the descriptive statistics of the studied variables.

The analysis of descriptive statistics indicated that the distributions of variables describing dimensions of social capital were strongly left-skewed and leptokurtic. This indicate of their strong deviation from a normal distribution.

Research Method

Analysis of the acquired data showed that the distributions of the observed variables deviated significantly from normal distributions, which can be a significant burden when using traditional structural modelling methods (CB-SEM). Moreover, according to some researchers, the sample size (200 observations) limits their use. Therefore, I decided to use an alternative method, namely PLS-SEM. I used R programming language and the R Studio environment to conduct the analyses. I conducted the modelling process using the SEMinR package (Ray *et al.*, 2022).

Model Specifications

Based on a literature search indicating potential relationships between social capital (its dimensions) and the economic performance of family businesses, I constructed a hypothetical model presented in Figure 2.

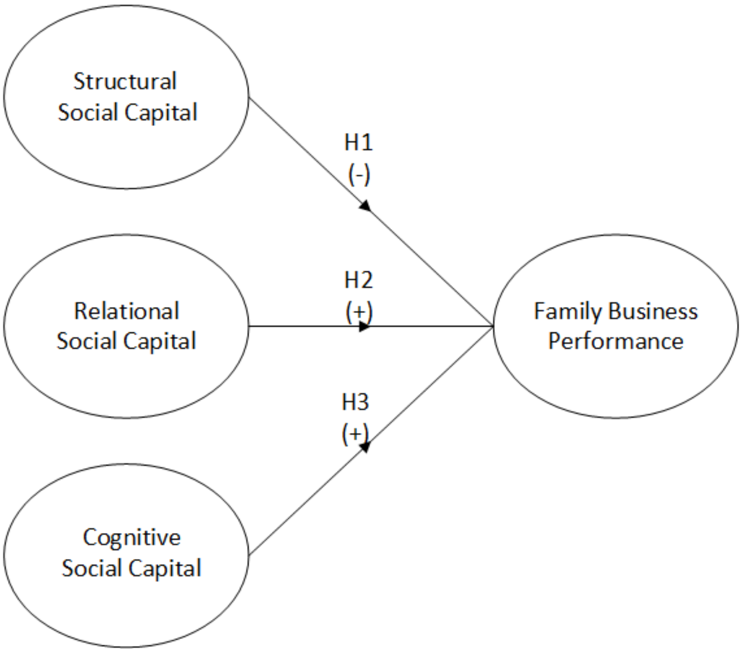

Figure 1. Hypothetical model of the impact of social capital dimensions on the economic performance of a family business
Source: own elaboration.

This structural model consists of latent variables described by the indicators presented in Tables 4 and 5. According to the literature, the FSC scale is conceptualized as a second-order reflective construct (Sanchez-Famoso *et al.*, 2015; Casanueva-Rocha *et al.*, 2010). Consequently, the dimensions that comprise it are also modelled reflectively. Previous studies also treated economic performance of family businesses as a reflective construct (Randolph *et al.*, 2019; Zellweger *et al.*, 2012). I evaluated PLS-SEM results according to the procedure for reflective constructs described by Sarstedt *et al.* (2014).

RESULTS AND DISCUSSION

Evaluation of the Measurement Model

Evaluation of the measurement model should begin with an assessment of the values of the external loadings of the indicators that make up the model. In the proposed measurement model, not all loadings reached a value above 0.70 (Table 7). However, the potential removal of indicators would not significantly increase the internal consistency reliability, Thus, I decided to leave them in the model. It is also acceptable to keep indicators with loadings above 0.5 (Cheung *et al.*, 2024).

The next step was to assess the internal consistency reliability of the measurement model. To perform it, I used Cronbach's alpha estimation (Table 8). The values exceeded or were close to exceeding

0.7, which, according to the rules of thumb, means the internal consistency of the tested constructs. Next, I assessed convergent validity, verifying the strength of correlation between the same characteristics measured by different indicators. Convergent validity was assessed using the average variance extracted (AVE – Table 8). A value higher than 0.5 was achieved for each latent variable, meaning that the constructs explain more than 50% of the variance in their indicators.

Table 7. Indicator loadings/weights

Measures	Structural dimension	Relational dimension	Cognitive dimension	Economic performance
SC_STR1	0.9022	–	–	–
SC_STR2	0.8466	–	–	–
SC_STR3	0.8920	–	–	–
SC_STR4	0.6288	–	–	–
SC_REL1	–	0.8478	–	–
SC_REL2	–	0.9349	–	–
SC_REL3	–	0.9472	–	–
SC_REL4	–	0.9085	–	–
SC_COG1	–	–	0.8526	–
SC_COG2	–	–	0.9099	–
SC_COG3	–	–	0.9096	–
SC_COG4	–	–	0.8788	–
PER_ROA	–	–	–	0.6223
PER_Market_share	–	–	–	0.6459
PER_Customer_satisfaction	–	–	–	0.8365
PER_Growth_competitive_position	–	–	–	0.7536

Source: own study.

Table 8. Assessment of internal compliance reliability

Measured construct	Cronbach's alpha	AVE
Structural dimension	0.837	0.6804
Relational dimension	0.931	0.8288
Cognitive dimension	0.910	0.7886
Economic performance	0.699	0.5180

Source: own study.

I examined discriminant validity, which determines the degree to which a construct differs empirically from other latent constructs used in the model, using the Fornell-Larcker criterion. The AVE square root values estimated for the structural dimension, relational dimension, cognitive dimension and economic performance were higher than their highest correlation with other constructs. Therefore, all analyzed constructs achieved discriminant validity (Table 9).

Table 9. Fornell-Larcker test of discriminant validity

	Structural	Relational	Cognitive	Economic performance
Structural dimension	0.8249	–	–	–
Relational dimension	0.7524	0.9104	–	–
Cognitive dimension	0.6923	0.7512	0.8880	–
Economic performance	0.1603	0.2573	0.3516	0.7197

Source: own study (AVE square roots are on the diagonal and construct correlations on the lower triangle).

Based on the above analyses, we can assume that the adopted measurement model was appropriate and met all the criteria related to the assessment of internal consistency reliability, convergent validity, and discriminant validity.

Evaluation of the Structural Model

The evaluation of the structural model should begin with the verification of potential collinearity between the predictors for the endogenous variable 'economic performance.' For this purpose, I estimated the VIF (variance inflation factor) measure for latent constructs describing each dimension of social capital (Table 10). Thus, I created three multiple regression models (for each variable 'structural dimension', 'relational dimension', 'cognitive dimension') using the remaining explanatory variables from the structural model as predictors. To calculate the VIF measure, it was necessary to estimate the R2 for each model. The VIF values below 3.3 indicated the absence of a collinearity problem in the indicators (Kock, 2015).

Table 10. Evaluation of collinearity in the structural model

Predictors	VIF
Structural dimension	2.520
Relational dimension	3.012
Cognitive dimension	2.510

Source: own study.

To begin the analysis of path parameters, allowing verification of the hypotheses, first, I had to perform a bootstrapping procedure. I assumed that the size of the bootstrap sample should be exactly the number of observations used for estimation in the model (196). In accordance with the recommendations, estimation was carried out on 5000 drawn samples (draw with return) (Hair *et al.*, 2013).

Figure 2 shows the standardized values of the path parameters. It turns out that the cognitive dimension of social capital had the strongest positive impact on the economic performance of family businesses. The relational dimension had a near-neutral impact (a small indicator value), while the structural dimension had a relatively small negative impact on economic performance.

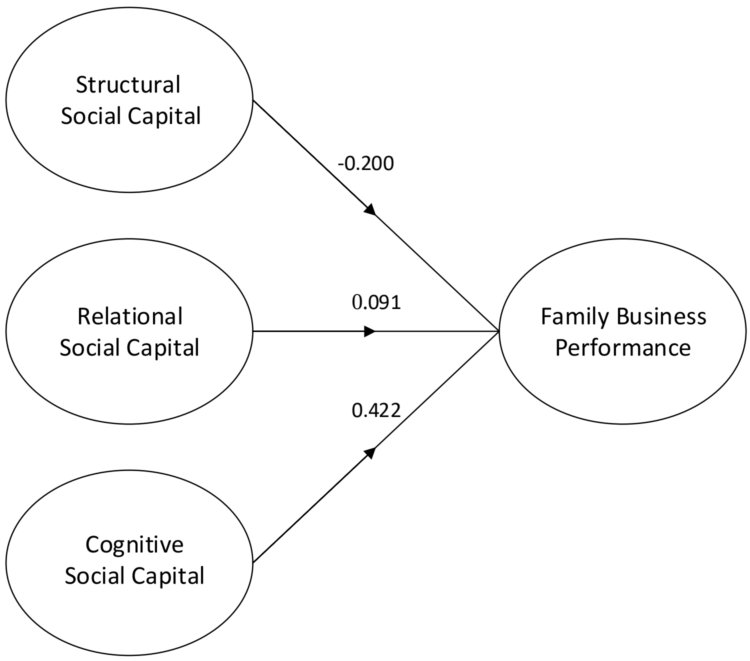

Figure 2. Impact of social capital dimensions on the economic performance of family businesses: Results of the path model
Source: own elaboration.

To verify the hypotheses, I assessed the statistical significance of the estimated parameters. I did it based on a 95% bootstrap confidence interval analysis. Only in the case of the path of the cognitive dimension economic performance, the interval contained a value of 0. This means that the parameter 'cognitive dimension' can be considered significant. The other dimensions did not have a statistically significant effect on the explanatory variable (Table 11). The Table also presents F2 effect sizes presenting how the exclusion of a specific predictor variable influences the R^2 value of an endogenous variable.

Table 11. Statistics of standardized path coefficients

Pathways	Value from output data	Average of 500 bootstrap trials	Standard error	95% bootstrap confidence interval		F2
				Lower limit	Upper limit	
Structural dimension → Economic performance	-0.200	-0.157	1.239	-0.361	0.090	0.017
Relational dimension →Economic performance	0.091	0.072	0.776	-0.147	0.315	0.003
Cognitive dimension →Economic performance	0.422	0.416	0.611	0.166	0.640	0.077

Source: own study.

The final step in evaluating a structural model is to check its explanatory power. The commonly used measure for this purpose is the coefficient of determination R2, which measures what proportion of the variance of an endogenous construct is explained by the model. The analyzed model was characterized by rather low coefficient of determination R2 = 14.05%. However, it should be kept in mind that low levels of these indicators are relatively common for models describing business phenomena, and, in this case, can be considered acceptable (Hair Jr. *et al.*, 2016, p. 199). The model's SRMR (calculated using SmartPLS software) is 0.074, which, according to Hu and Bentler (1998), indicates an acceptable model fit.

I employed Gaussian copula approach to check for potential endogeneity in the model. Since none of the copulas were statistically significant, it suggests that endogeneity was not a concern in this model.

CONCLUSIONS

Numerous studies have extensively examined the influence of social capital on SMEs, with a significant consensus among researchers that it positively affects businesses. This influence is evident in its ability to lower transaction costs, promote collaborative efforts, and foster learning opportunities (Dar & Mishra, 2020; Gamage *et al.*, 2020; Marjański *et al.*, 2019). In transitional economies, where the overall levels of social capital tend to be lower, leveraging this resource within SMEs becomes particularly critical. The challenges of weak institutional frameworks and limited access to external networks in such economies make the cultivation of internal social capital even more essential for business success. As Fukuyama (1995) emphasized, 'the family is the first and most important source of social capital worldwide,' making family businesses an ideal environment to harness and maximize this valuable resource.

The presented model was designed to explore the impact that FSC (its various dimensions) has on the economic performance of small and medium family businesses from transition countries. I based the concept of the measurement model on literature analysis. Estimation of the path model showed that there was a negative relationship between the structural dimension and economic effects. However, its significance was not confirmed statistically. The relational dimension of social capital turned out to be neutral in shaping the economic performance of family businesses. In contrast, the model showed that the cognitive dimension of social capital had a positive, statistically significant effect on economic performance. On this basis, we should assume that hypotheses 1 and 2 were verified negatively. However, the model confirmed hypothesis 3.

The model showed that the component of social capital that influences the economic performance of family businesses is its cognitive dimension. This dimension is formed by elements that build the existence of shared meanings, interpretations, goals and visions of the future. Noteworthy, the longer and deeper the relationship between individuals, the easier it is to find shared stories or experiences, which then translate into a similar 'perception' of situations that, in some sense, are similar to what they have managed to experience together in such a relationship. This, in turn, may also be reflected in similar beliefs about further decision-making (because of shared experiences, it is easier to make similar choices or show a greater understanding of dissenting views). A strong cognitive dimension means that the goals of individual internal stakeholders are shared, as are their ideas about the future of the organization. The common cognitive underpinning of the owners or managers can be a strong asset for a family business, which, as the research presented here confirmed, also translates into the material dimension (economic performance). This finding aligns with the results obtained by Herrero and Hughes (2019), who demonstrated that the cognitive dimension of family social capital (FSC) positively influences the financial performance of family firms, specifically in terms of return on equity (ROE). Additionally, there is evidence suggesting that a high level of saturation in the cognitive dimension is critical for expanding market share through internationalization efforts (Tasavori *et al.*, 2018). This is also consistent with my results, as market share was one of the key measures used to assess economic performance.

The results indicate that the structural dimension of social capital has a negative, though statistically insignificant, impact on family business performance. While the direction of this finding is not surprising, the lack of statistical evidence limits the strength of this conclusion. High saturation of the structural dimension may lead to challenges for family businesses, particularly in terms of excessive closure within the family circle. Herrero and Hughes (2019) aptly describe this phenomenon as 'too much of a good thing,' where over-reliance on internal family ties can create inefficiencies. This can manifest in problems such as nepotism, where decisions are made based on familial relationships rather than merit, thereby negatively affecting the company's strategic direction and performance. Furthermore, it is important to emphasize that internal relations (bonding social capital) tend to be less impactful for family businesses than external relations, which contribute to bridging social capital. Stasa and Machek (2024) contend that bridging social capital – connections that go beyond familial ties – plays a vital role in enhancing firm performance while bonding capital tends to have neutral or even detrimental impacts on performance. This is particularly significant for smaller enterprises, where access to external resources is of greater importance (Stam *et al.*, 2012).

The lack of a statistically significant effect of the relational dimension on family business performance contradicts much of the existing literature, which emphasizes the positive impact of trust and commitment on the outcomes and advantages of family firms (Razzak *et al.*, 2021; Habbershon & Williams, 1999). This discrepancy may be attributed to cultural differences. Unlike their counterparts in economies with a longer history of market dynamics, Polish family entrepreneurs may not fully utilize the formal mechanisms that support trust, which is well-documented in international literature: family protocols (Rodriguez-Garcia & Menéndez-Requejo, 2020), family assemblies, family councils (Gnan *et al.*, 2015), and other governance mechanisms in fostering trust and commitment. These frameworks establish explicit mechanisms concerning the participation of family members, remuneration, and advancement opportunities within the organization, thereby minimizing uncertainty in roles and effectively aligning the expectations of both family stakeholders and employees (Sundaramurthy, 2008). Such measures are essential in building 'system trust' within the organization. However, research indicates that these family business governance mechanisms are rarely systematically applied in Polish family firms (Żukowska, 2021; Koładkiewicz, 2015). The absence of formal structures to guide family relationships in business may result in missed opportunities to capitalize on the potential benefits of trust and commitment. However, this assumption requires further studies.

Social capital, although it can be developed in any type of organization, in a family business is a unique resource, extremely difficult or even impossible to forge. This is due to the family ties present in such entities, which form the basis of moral behaviour, cooperation and reciprocity. Family relationships are usually characterized by greater stability, interdependence, increased scope of interaction and a kind of hermeticity. The conditions under which social capital is 'created' in a family business are, therefore, special, which consequently translates into the results that such an entity can achieve.

From a practical perspective, the results of this study suggest that organizational leaders should prioritize developing the cognitive dimension of social capital by fostering an environment that encourages shared narratives, experiences, and active discussions about the business's direction. Creating opportunities for team members to share stories and knowledge – through activities such as joint non-business projects, regular family meetings, or retreats – can help build a shared understanding of the organization's goals and values. Moreover, facilitating discussions about the future of the company can address important topics like succession, which is critical for the long-term sustainability of family businesses.

These objectives can be further supported through formal mechanisms, such as family protocols, succession plans, and the establishment of governing bodies like family assemblies or family councils. These solutions are relatively low-cost and can be implemented even by small and medium-sized enterprises (SMEs).

Moreover, family business advisors should stress the importance of clear communication and transparency when setting business goals and emphasize the tangible benefits of these practices. Furthermore, policymakers could develop supportive frameworks that encourage social capital building, tailored specifically to the needs of family business SMEs. As some simple solutions are often not widely known or utilized by family business entrepreneurs, educational and awareness-raising initiatives could be beneficial in helping these firms adopt best practices.

The presented study has its limitations, the primary one being the small sample size, which precluded the use of traditional structural modelling methods. Secondly, due to the absence of an official register of family businesses in Poland, I could not verify whether the dataset of family businesses used in this study accurately reflects the entire population of Polish family businesses. This issue is common in family business research. To address this limitation and ensure the representativeness of the sample, I compared the characteristics of the final sample with findings from other studies on Polish family businesses. Thirdly, the study focused solely on the social capital based on family relations. It is worth exploring more on the non-FSC, which, according to previous studies, can be supportive of FSC development. Fourthly, gaining more detailed insights into the factors that impact performance could be highly valuable. Exploring the specific components that constitute each dimension of family social capital (FSC) can lead to more precise conclusions and recommendations for family business stakeholders.

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Appendix A: The survey questions

1. Please rate to what extent you agree with the following statements about social capital in relation to your company (1- strongly disagree, 7 – strongly agree).

Family members who work in the company communicate honestly with each other
Family members who work for the company have no hidden agendas
Family members who work for the company are eager to exchange information
Family members working in the company use family relationships to share information
Relational dimension
Family members working in the company can count on each other
Family members who work in the company are very honest with each other
In general, family members working in the company trust each other
Family members who work for the company tend to respect each other's feelings
Cognitive dimension
Family members working in the company are dedicated to the goals of the company
Family members working in this company share a common goal
Family members who work in the company see themselves as partners in setting the company's direction
Family members who work in the company share the same vision for the future of the company

2. How would you rate the company compared to the industry (on average over the last 5 years)? (1- significantly below average, 5-significantly above average) alternatively (5 – 20% best performance in the industry, 1 – 20% worst performance in the industry)

ROA
Market_share
Customer_satisfaction
Growth_competitive_position

3. Do you see your company as a family business? **Yes/No**
4. How much of the capital is owned directly or indirectly by the entrepreneur's family? (The total should be 100.)

Family members (in %)
Non-family members (%)

5. Which generation of the family owns shares in the company? (several answers can be ticked)

First generation (founder)
Second generation
Third generation
Fourth or further generation
The family does not own shares in the company

6. How many persons does the company's board of directors consist of? (if there is no board of directors, a management body)

Total number of persons
of which: number of persons who are family members
of which: number of persons not in the family
of which: number of women

7. Is the key decision maker in the company (CEO/principal decision maker) a family member?
Yes/No/Refuse to answer
8. Which generation of family members is on the company's board/management? (several answers can be ticked)

First generation (founder) ☐
Second generation ☐
Third generation ☐
Fourth or further generation ☐
There is no family representative on the board ☐

9. Does the company have an established (formal) supervisory body?

Not ☐
Yes, the supervisory board ☐
Yes, another body ☐

10. How many people does the supervisory body in the company consist of?

Total number of persons
of which: number of persons who are family members

11. Please indicate the year in which the company was founded.
12. Please indicate the postal code of the company's headquarters.
13. Please specify the sector in which the company operates (several can be specified).

Trade
Services
Production
Other

14. Please indicate the number of employees in the last year (2020).
15. How many family members have worked for the company in the last year (2020)?

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Acknowledgements and Financial Disclosure

The author would like to thank the anonymous referees for their useful comments, which allowed to increase the value of this article.

Use of Artificial Intelligence

The author acknowledges the use of AI-based tools (Ludwig and ChatGPT) for proofreading and language enhancement.

Conflict of Interest

The author declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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