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La relación entre el tamaño y el asesoramiento empresarial en las empresas familiares

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Abstract

Purpose – The purpose of this paper is to suggest two main objectives: to analyze if the size of the company is determined by the use of external legal and human resources (HR) advice; and to analyze if the size of the family business is determined by the use of these two same types of external advice.
Design/methodology/approach – The assessment is developed (2,013 firms, the Spanish industrial sector) by using descriptive statistics to compare the features of the different types of firms in the sample: family and non-family ones. This is completed with a test of equality of means and using econometric models.
Findings – Regarding legal advice, results show that as far as legal matters are concerned, when family businesses make greater use of this type of advice, they are smaller. This is a remarkable and interesting result because it differs from non-family firms, in which the use of this type of advice is positively related with size. Regarding the use of HR advice, while it remains significant in general cases with a positive result, this is not the same for family firms.
Originality/value – The use of advising in family firms is seldom dealt with in the literature, despite its helpfulness for family firm managers. There is gap in this field and a great deal of interesting research remains to be developed, because the authors consider that factors determining the use of advice in family and non-family firms are different.

Keywords Family firms, Business size, Human resources advice, Legal advice
Paper type Research paper

Resumen

Propósito – El presente documento propone dos objetivos principales: (1) analizar si el tamaño de la empresa está relacionado con el uso de asesoramiento externo tanto jurídico como de recursos

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humanos. (2) examinar si para el caso de la empresa familiar su tamaño está relacionado por el uso de estos dos mismos tipos de asesoramiento externo.

Diseño/metodología/enfoque – El análisis se desarrolló (2.013 empresas, el sector industrial español) utilizando técnicas de la estadística descriptiva para comparar las características de los diferentes tipos de empresas de la muestra: familiares y no familiares queridos. Esto se completa con una prueba de la igualdad de medios y el uso de modelos econométricos.

Hallazgos – En cuanto a asesoramiento jurídico, los resultados muestran que, en lo que se refiere a asuntos legales, las empresas familiares hacen un mayor uso de este tipo de consejos a medida que son más pequeñas. Este es un resultado notable e interesante, ya que se diferencia de las no familiares, en las que el uso de este tipo de asesoramiento se relaciona positivamente con el tamaño. Respecto al uso de asesoramiento de recursos humanos, mientras que sigue siendo significativa en los casos generales con un resultado positivo, este no es el mismo para las empresas familiares.

Originalidad/valor – El uso de asesoramiento en las empresas familiares rara vez se aborda en la literatura, a pesar de su utilidad para los directivos de este tipo de empresas. Hay un vacío en este campo y una gran cantidad de investigación interesante que queda por desarrollar, teniendo en cuenta sobre todo, que los factores que determinan el uso de asesoramiento en las empresas familiares y no familiares no son los mismos.

Palabras clave las empresas familiares, tamaño de empresa, asesoramiento de recursos humanos, asesoramiento legal

Tipo de documento Trabajo de investigación

1. Introduction

The literature also includes in-depth studies of the relationship between size and the rate of mortality or business failure, especially in SMEs (Fredland and Morris, 1976). Poor management abilities and lack of expertise or knowledge have been cited as important causes of failure (Longenecker *et al.*, 2006; Dyer and Ross, 2008). Thus, when managers cannot find a solution within the business, there is an opportunity for them to shift the problem to a professional advisor (Robson and Bennett, 2000; Gilley *et al.*, 2004). According to resource-based theory (Penrose, 1959; Wernerfelt, 1984), companies differ in terms of their resources and capabilities, determining a company's results. This means that when the company presents a lack of resources or capabilities, it is essential to obtain these from external sources (Kamyabi and Devi, 2011). In fact, in such cases, turning to a professional advisor is considered a major factor associated to firm survival (Berry and Sweating, 2006; Gooderham *et al.*, 2004).

In this sense, a number of different papers analyze the use of advisory services by companies, but there are not many that study the particular case of family firms. The European Family Businesses Group reached a consensus in 2008 regarding the definition of a family business, published as such by the European Commission, non-existent until then. The definition combines the two ideas around which the concept of a family business has traditionally revolved: sharing property, ownership and management among members of the same family, not including a third notion of considerable importance: the will that the company remain active over time and be passed on to future generations (Kraus *et al.*, 2012). It may, therefore, basically be defined as a business in which members of one or various families share, to a great extent, capital, management responsibilities, and the intention of passing the business on to future generations. Family firms are very important in many countries around the world, and they contribute to worldwide economic production, wealth creation, and employment (Astrachan *et al.*, 2003; Lissoni *et al.*, 2010). However, they present a very high rate of failure due to the problems that arise when the family both owns and manages the business. In fact, there is an extensive amount of analysis in the literature focussing on problems caused by generational changeovers, such as a lack of professionalism and very poorly defined organizational structures (Gallo and Sveen, 1991; Graves and Thomas, 2004; Lissoni *et al.*, 2010; Lara de Oliveira *et al.*, 2012).

As we pointed out earlier, the use of advisory services in family firms is seldom dealt with in the literature, despite its helpfulness for family firm managers. There is gap in this field and a great deal of interesting research remains to be developed considering, we believe, that factors determining the use of advice in family and non-family firms are different remains to be developed. Indeed, the motivations of both types of company when requesting these services are not the same, and family businesses face a series of circumstances due to family participation in the business, that non-family firms do not have to deal with. Furthermore, it is important to highlight that the role of external advisors is different when dealing with family businesses because they need to take into consideration the very powerful emotional and relational issues that will have an impact on the more traditional expert advice (Tucker, 2011). Thus, the main aim of this paper is to shed additional light on the use of external advice in this particular type of business.

Special attention is focussed on advice in legal matters and human resources (HR), which represent two major issues in family business. Certainly, family businesses often face complex processes of succession, inheritance, and other family conflicts, which require legal experts. Meanwhile, in terms of HR-related issues, family businesses involve peculiarities that non-family firms do not, such as nepotism, lack of professionalism, etc., and, in general terms, the need to develop a family protocol. Resolving all of these issues that jeopardize business continuity is crucial to the companies' survival over time.

To know and understand the major issues affecting family firms is of great interest, not only to owners and managers, but also to those who work in advising these companies. In view of this, we present the following research questions:

RQ1. Does the use of advisory services influence the size of the business?

RQ2. Specifically, what is the relationship between the use of external legal and HR advice and firm size?

Additionally, we are also interested in the particular case of family firms, hence the question:

RQ3. Does the use of external legal and HR advice influence the size of these companies?

In order to answer these questions, the present paper suggests two main objectives: to analyze whether the size of the company is determined by the use of external legal and HR advice; and to analyze whether the size of the family business is determined by the use of these two same types of external advice.

To reach the above objectives, we reviewed bibliographic references on the use of business advice by general and family owned businesses, and we performed an empirical study based on the data obtained in the business strategy questionnaire applied to 2,013 industrial organizations (775 family owned and 1,234 non-family owned), within the Spanish industrial sector. The paper concludes with some final reflections based on the results obtained in the empirical appraisal.

2. Literature review

As illustrated in the literature, managers' use of external advice has increased considerably in recent years (Jianzhong and Hong, 2009; Robson and Bennett, 2000).

Some authors only included private advisers in their analysis, whereas others included publicly funded advisers as well. However, Massey (2003) and Klyver (2008) argued that the distinction between public and private advisers becomes irrelevant in the discussion, and the results of the research point to the fact that both have the same positive impact on the performance of SMEs when they seek outside advice (Berry and Sweating, 2006). The main areas in which business managers may hire such advisors include tax services, HR, marketing, financial management, accounting, information technologies, strategic management, and legal issues. Nevertheless, some authors logically point out that there are major differences when selecting a type of advice depending on the different natures of firms, their size, sector, age, and business life cycle (Bennett and Robson, 1999a, 2003; Robson and Bennett, 2000; Klyver, 2008; Webber *et al.*, 2010).

The literature has found a positive relationship between the use of advisory services and firm size (Bennett and Robson, 1999a, 2005; Leighton and Schaper, 2003; Dyer and Ross, 2008), and it also seems to corroborate, in general terms, a positive relationship between external advice and firm size (Dyer, 1988; Aronoff, 1998; Sonfield and Lussier, 2008). Nevertheless, as stated earlier, different types of advice may exist (financial, legal, fiscal, HR, etc.), and there is evidence on the effect of each type of advice on the size of the company, finding that all of them could have different effects. Along this same line of research, our paper focusses on the specific analysis of the relationship between legal and HR advice and the size of family and non-family owned companies.

Concerning the relationship between legal advice and firm size, the importance of the role of professional legal advice has also been cited in the literature (Bagley, 2008; Hertz *et al.*, 2009), even though the relationship between company size and legal advice is a controversial issue that is not very frequently analyzed. For example, López and Rosell (2007) stated that the larger the company, the greater its efficiency, so there is less probability of outsourcing activities, including legal advice. On the other hand, Pineda *et al.* (2003) analyze the use of external information by small business, including legal advice, though a cost/benefits analysis, suggesting that a small business manager's perception of the importance of a decision and her effectiveness in handling such a decision, play an important role in the choice of using such information sources. Our paper intends to more clearly understand this relationship, considering *H1a* for further discussion:

H1a. Firm size is positively related with the use of external legal advice.

Focussing now on the relationship between HR advice and firm size, large companies show, in broad terms, professionalized procedures for HR management, while smaller ones use more informal and flexible systems (Carroll *et al.*, 1999). In this sense, recruitment methods, such as the use of employment agencies, are considered formal methods, while referrals are considered informal (Taylor, 1994). So, it seems logical that the companies that most use HR advice tend to be larger (Alewell *et al.*, 2011).

Thus, *H1b* is formulated to analyze whether there is a positive relationship between firm size and the use of HR advice:

H1b. Firm size is positively related with the use of external HR advice.

Turning now to issues related to family firms, we believe that the factors that determine the use of advice in these organizations are different in nature from those considered in non-family firms, given that the former often face a particular series of circumstances given by the family's involvement in the business. Therefore, legal advice in these types of company deals with the solution of legal problems associated with succession and other conflicts regarding family relationships (divorces, deaths, etc.). These are issues of major importance and concern, affecting their future (Chua *et al.*, 2003) and, indeed, one of the main causes of their mortality (Le Breton-Miller *et al.*, 2004). The expertise of an external professional is very often required in matters regarding succession, given that important conflicts may arise if this is not well-planned and dealt with correctly (Sharma *et al.*, 2000, 2003; Le Breton-Miller *et al.*, 2004).

Nevertheless, although many family businesses make the relevant succession plans (Sharma *et al.*, 2000), in most cases, this planning is very informal and with very little use of outside advisers (Astrachan *et al.*, 2003; Matser and Lievens, 2011). It is assumed beforehand that the successor is going to be a member of the founder's family (usually a son), who will continue to manage the business (Lansberg, 1999). The external advisor should also support the preparation of the protocol according to the particular interests of each family, its values, and its culture, adapting to and understanding the family's real needs (Tucker,2011).

The relationship between the use of external legal advice and firm size is not widely analyzed either, and the results show no general agreement. On one hand, Beckhard and Dyer (1983) found that conflict between family members' increases with the number of generations involved in the firm. Dyer (1988) and Aronoff (1998) found that as companies evolve and grow in size, a more professional management style develops, with external advice included alongside this evolution.

Other research, on the other hand, shows that the larger the company, the lower the probability of family members being involved, and thus less possibility of conflicts. For example, Sonfield and Lussier (2008) studied the relationship of firm size to a variety of management activities and characteristics. Based on the statistical analysis of data gathered from 159 American family businesses, they did not find that the use of external advice led to significant differences in size. These same authors, Lussier *et al.* (2009), studied to what degree family businesses employ non-family members as managers in family firms in Kosovo, stating that professional management may involve the use of outside advisors and professional services. However, this hypothesis was not confirmed by the empirical analysis. Therefore, since there is no agreement in the literature concerning the relationship between size and the use of legal advice in family firms, we suggest *H2a* to contrast the results with the proposed sample:

H2a. Family business firm size is positively related with the use of external legal advice.

The special relationship between family, ownership, and control, makes HRM practices different in family business than in their non-family counterparts (Gulbrandsen, 2005; De Kok *et al.*, 2006). According to resource-based theorists, HR is considered one of the main intangible resources in most companies. Specifically in family businesses, the human team can achieve a very high degree of commitment and dedication, greater than in any other company. Thus, the unique human capital provided by family can be considered a distinctive, valuable, non-imitative asset that may allow the business a source of competitive advantage unavailable to non-family firms (Ibrahim *et al.*, 2015).

Otherwise, the nature of family firms makes it sometimes difficult to integrate non-family employees into the company. Family members tend to be more flexible and highly motivated by the family ties and their unity and commitment to the project (Habbershon and Williams, 2000; Hiebl, 2012). In this sense, such firms enjoy greater human capital than other businesses, and outsiders may not engage to the same degree with the project. This means that external advisors have a great responsibility in recruiting new employees aligned with the ideas and values of the owner family in order to succeed. In fact, Cabrera-Suárez *et al.* (2001) found that if external employees in family businesses feel they are part of the team, they will display a more enthusiastic attitude than they would as employees in non-family businesses.

A major reason to explain why family businesses tend not to use advisory services in general, especially in recruiting and hiring processes, is due to the fact that most of the time, the different jobs are occupied by family members, in what is known as nepotism (Dyer, 2006; Astrachan, 2010). However, increasing HR control systems within the family firm are significantly positively related with business performance (Dekker *et al.*, 2015).

Focussing now on the relationship between HR advice and firm size, family firms are reluctant to use external advice in these matters because they tend to be smaller, less complex organizations with more limited resources (De Kok *et al.*, 2006). However, when they start to grow, it is not so clear whether they modify this behavior, as non-family businesses tend to do. As mentioned earlier, Lussier *et al.* (2009) could not demonstrate empirically that bigger companies with formal structures make greater use of advice services in general. For this reason, we intend to go into greater detail in this matter by accepting or rejecting *H2b*:

H2b. Firm size in family business is positively related with the use of external HR advice.

3. Data analysis and methodology

3.1 Sample and data collection

This study has gathered data from the survey on business strategies, a statistical survey that collects data from an annual business survey sent to a panel of Spanish manufacturing companies regarding various aspects related to their strategic behavior and decision making. Table I shows the technical data from the study.

3.2 Variables and measures

Dependent variables. The dependent variable analyzed in this paper is company size, which has been one of the most widely studied variables in the empirical literature to examine the business behavior of companies (Bonaccorsi, 1992; Calof, 1994). To give greater robustness to the results obtained in the econometric analysis, the study was performed using two different dependent variables, both representing the same concept: company size. The first model (Model 1) analyzes the variable logarithm of net

Population	
Unit	Spanish manufacturing sector
Questionnaire design	SEPI foundation
Population types	More than 100,000 elements
Reach	National
Time period	Data from 2007 to 2008
Sampling	
Type of sampling	Random stratified census according to activity sector and firm size
Sample size	2,013 Spanish manufacturing firms
Sampling error	0.02 ($p = q = 0.50$)
Level of confidence	95% ($K = 2$ sigma)
Data treatment	Statistical solutions for products and services (SPSS)

Source: Author-compiled data

Table I. Technical data from the study sales (SIZ) (Claver and Quer, 2007), and the second (Model 2), the logarithm of the number of employees (SIZ*) (Bennett and Robson 1999a, b).

Independent variables. The AD_LEG variable was used to study whether or not legal advice is used by the companies that are part of the sample; whereas, the AD_PER variable was used in the case of advice regarding selection and recruitment. Both variables are dichotomous, taking the value 0 if the company does not use such advice and a value of 1 if it does. To complete the study and establish a specific relationship between these types of assessments in the case of family businesses, the paper has included two newly created variables in the form of interactions. Linear-by-linear interaction terms were created, as suggested by Stone and Hollenbeck (1989) and both interactions are explained in detail in Table II.

Control variables. This study introduces five control variables: company age, family ownership, debt levels, degree of diversification, and exports. The age of a business is a factor that may positively affect its size (AGE) (Park *et al.*, 2010); therefore, a positive relationship between these variables and age is expected. The numbers of years from foundation is used to for this variable (Gomez-Mejia *et al.*, 2010; Nieto *et al.*, 2015).

Family ownership has been included in the first model as a control variable (FAM). Following Fernández and Nieto (2005) and Nieto *et al.* (2015), a family firm is one in which one or more family members occupy important managerial positions. This can be used as a measurement of the capacity of effective control, and can be defined as a dichotomous variable, which takes a value of 1 when the business is family owned and a value of 0 otherwise. The FAM variable has been used and measured dichotomously in numerous studies on different aspects of family firm management (Fernández and Nieto, 2005; Jorissen *et al.*, 2005; Nieto *et al.*, 2015). Family owned businesses are usually smaller than non-family ones (Meroño and Carrasco, 2013), so it is expected for this variable to present a negative sign.

The firm's debt level (DEB) is measured by the ratio of outside debt to the total liabilities, which explains how a company can finance its activity with its own resources and what degree of dependency lies with external agents. There is evidence that for family businesses, a positive relationship exists between size and debt level (Romano *et al.*, 2001):

$$\text{DEB} = \left(\text{Debt}/\text{liabilities}\right) \times 100 \qquad (1)$$

Diversification is another variable that has been included in the models presented (DIV). There is an assumption that larger firms diversify more (Hutchinson *et al.*, 2010), and this has been included as an ordinal variable that takes a value depending on the number of different products offered by the companies.

Export intensity has also been measured (EXP), to explain whether the firm exports, and whether it has an internationalization process in place. This has been undertaken by using a continuous variable representing the ratio of sales export to total sales, or the export intensity. Different studies indicate that larger companies export more than smaller ones (Lucio *et al.*, 2007):

$$\text{EXP} = \left(\text{Sales export}/\text{total sales}\right) \times 100 \qquad (2)$$

Table II describes the variables that make up the model. As shown, in order to analyze the effect of advice on company sales and size and avoid endogeneity problems, the data for the dependent variables is taken from one year after that of other variables.

Table II. Variables of proposed models

Variable type	Study variables	Variable to analyze	Definition	Name	Source	Values and year of data
Dependents	Size (model 1)	Sales income	Logarithm of income from sales of the company	SIZ	Data from the survey on business strategies	Continuous (2008)
	Size* (model 2)	Number of employees	Logarithm of number of employees in the company	SIZ*		Continuous (2008)
Independents	Advising	HR advice	Advising the company on issues of recruitment and selection of new employees	AD_EMP		0 = no advising 1 = advising (2007)
		Legal advice	Advising the company on legal issues	AD_LEG		0 = no advising 1 = advising (2007)
Control	Family ownership	Family management	Whether the business is family owned or not	FAM		0 = not family owned 1 = family owned (2007)
	Diversification	Diversification	Number of products and services offered by the company	DIV		Continuous (2007)
	Export intensity	Export intensity	Ratio of export sales to total sale	EXP		Continuous (%) (2007)
	Financial dependence	Debt ratio	Ratio of outside debt to total liabilities of the business	DEB		Continuous% (2007)
	Age of the business	Years	Years the business has been operating within the market as of its date of establishment	AGE		1 = before 1940 2 = from 1940 to 1959 3 = from 1960 to 1975 4 = from 1976 to 1985 5 = 1986 and later (2007)
Interactions	Interaction between variables FAM and AD_EMP			INT_FAM × ADEMP		0 = no advising or not family owned 1 = advising and family owned (2007)
	Interaction between variables FAM and AD_LEG			INT_FAM × ADLEG		0 = no advising or not family owned 1 = advising and family owned (2007)

Source: Author-compiled data

3.3 Methodology

The descriptive analysis is completed using a test of equality of means, which enables us to check whether the differences between the means of the different variables used to analyze the two types of firms in the sample, are really significant. Thus, ANOVA was used for continuous variables, while the "U" Mann-Whitney test was used for ordinal variables, and the χ^2 test was employed for nominal variables. Regarding family firms, Lee (2006) has used these same types of statistic techniques to compare the results between companies of this nature.

The study also presents two analyses and results using econometric techniques. The first analysis includes two models, Models 1 and 2, which differ in their dependent variable (SIZ, SIZ*). A linear regression technique is adequate in this case because the adjusted values of a linear regression are not restricted to values 0 and 1, since both dependent variables take continuous values. The second analysis was conducted to check for a possible reverse causality effect between the analyzed variables: external advice and size. This second analysis consists of two models (Models 3 and 4). Model 3 studies the relationship between external advice and size, measured as a logarithm of the number of employees, and Model 4 analyzes the relationship between external advice and size, measured as logarithm of sales.

For the second analysis, a statistical regression estimation based on the General Linear Model (GLM) was used because, in the cases in which the dependent variable is dichotomous, the literature agrees that the estimation of a model through an OLS regression analysis could produce bias problems, and even heteroscedasticity. The model has been widely applied in academic research given its well-known parameter estimation and contrast restrictions (Greene, 2000). It should be noted that although no published works have been found on external advice and family businesses which specifically use the GLM, Lansberg and Astrachan (1994) used this model to analyze issues regarding the management of the family business, in particular, family relationships and their influence on the succession process.

Given the structure of the managed data, it was not possible for us to find suitable instrumental variables in order to develop Hausman's Test and prove the existence of such causality. However, the adjustment of the model to the existing literature – in which the use of external advise is related with company size – could justify the causal relationship between the proposed variables in the analysis, given that it was decided to follow this research line (O'Farrell *et al.*, 1993; Bennett and Robson, 1999a, b; Sonfield and Lussier, 2008; Xiao and Fu, 2009). For this reason, it was also intended to show the inverse analysis in which the dependent variable is external advice and company size is included among the independent variables. Table III shows all models and features.

4. Results and discussion

Table IV shows the summary of the descriptive statistics of the variables. Figure 1 shows the scatter plots of the independent variables with the dependent variable. Table V shows a supplementary analysis dividing the sample between family and non-family firms. All three variables are remarkable.

The first variable refers to the firm's export intensity; in this case, the mean of non-family firms surpasses that of family firms by four points. In second place, as mentioned in the literature review, family firms, in general terms, are smaller in size than non-family ones, which may explain their lesser use of HR advice. Thus, it seems necessary to carry out more precise studies using econometric techniques in the future. Third, the debt level of non-family firms is slightly lower than that of family ones.

Models	Types of models	Dependent variable	Interaction
Model 1 (OLS)	Model 1a	Continuous: SIZ	–
	Model 1b		✓
Model 2 (OLS)	Model 2a	SIZ*	–
	Model 2b		✓
Model 3 (MLG)	Model 3a	AD_LEG	–
	Model 3b	AD_SEL	–
Model 4 (MLG)	Model 4a	AD_LEG	–
	Model 4b	AD_SEL	–

Source: Author-compiled data

Table III. Models under analysis

	Mean	SD	25th percentile	Median	75th percentile	n	Lost
SIZ*	1.82	0.635	20	50	221.5	2,013	0
SIZ	6.960	0.868	6.261	6.857	7.614	2,013	0
AD_EMP	00.903	0.295	1	1	1	2,003	10
AD_LEG	0.889	0.314	1	1	1	2,003	10
FAM	0.385	0.486	0	0	1	2,013	0
DIV	1.183	0.48132	1	1	1	2,006	7
EXP	18.58	26.523	0	3.7	29.80	2,011	2
DEB	57.33	22.807	40	59	75	1,947	66
AGE	3.993	1.198	3	4	5	2,003	10

Source: Author-compiled data

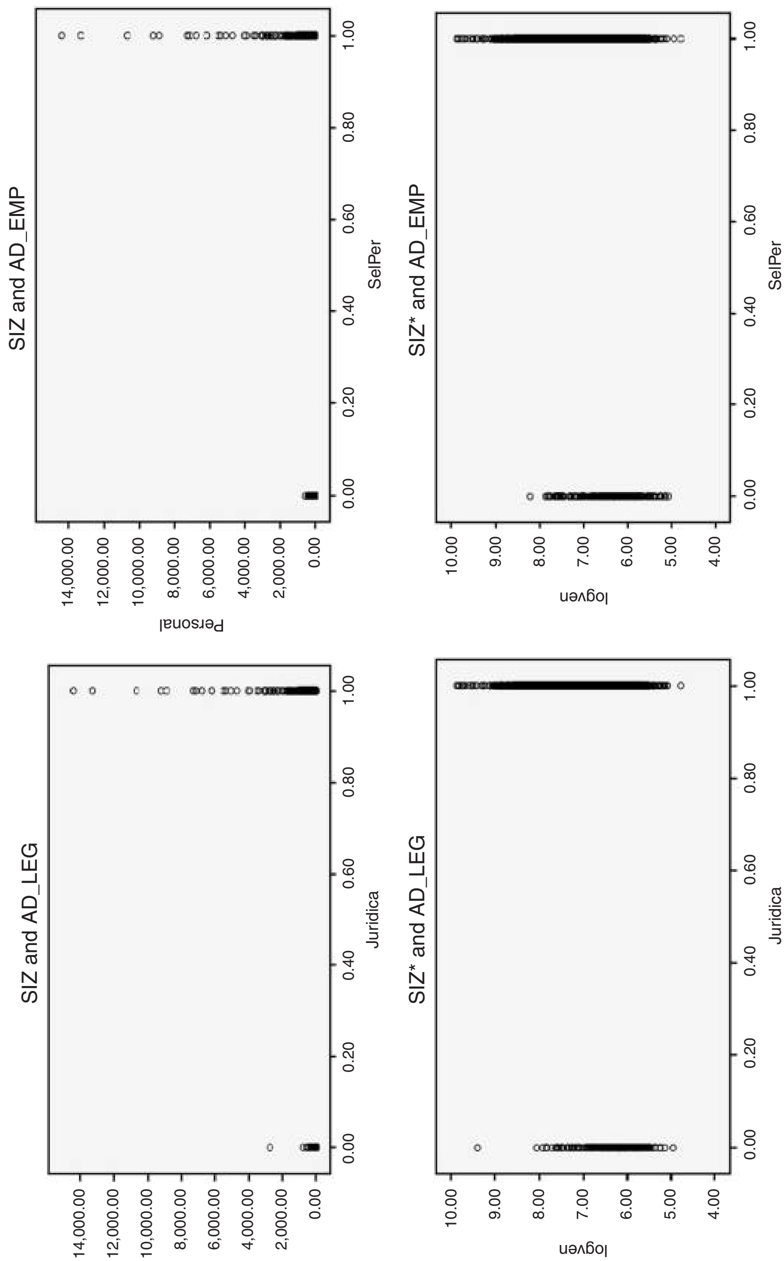
Table IV. Summary statistics

Nevertheless, the difference is so irrelevant that a deeper analysis using other techniques is required. This data provides a representative sample of family businesses that tend to be smaller, export less and borrow less than non-family firms (Aronoff and Astrachan, 1996; Poutziouris, 2001; Graves and Thomas, 2008).

Finally, we can see that the companies that make up the sample make good use of external expertise in both legal (AD_LEG) and staff management issues (AD_HR). In both cases, the percentage of companies that use these types of advice exceeds 87 percent: a percentage that does not vary substantially when differentiating between family and non-family firms. Thus, we can see that family businesses make greater use of advice on staff management (AD_HR) than non-family firms, but that the opposite occurs with legal advice (AD_LEG). However, the differences are minimal. This study has therefore been completed with a test of equality of means between the two types of company.

The test for equality of means between family and non-family businesses was run using dependent and independent variables (Table VI). For this, the t or "ANOVA" factors test for was used for the continuous variables, DEB, EXP, DIV, SIZ, SIZ*; the "Mann-Whitney" test was used for the ordinal variable, AGE; and finally, the χ^2 test was used for nominal variables, AD_LEG, ADE_EMP.

This analysis reveals that the difference between the average for family and non-family companies that use external HR advice is not significant. However, this difference is significant when it comes to the use of legal advice, albeit only slightly ($0.05 < p < 0.1$). We found no other studies that compared the use of advice in these issues among family and non-family firms, to enable a comparison with this data.



Source: Author-compiled data

Figure 1.
Scatter plots

Model variables	All companies ($n = 2{,}013$) Mean (max.-min.)	SD	Family companies ($n = 775$) Mean (max.-min.)	SD	Non-family companies ($n = 1{,}234$[a]) Mean (max.-min.)	SD
SIZ	6.96 (4.78-9.88)	0.86	*6.85* (5.11-9.83)	0.780	7.02 (4.78-9.88)	0.913
SIZ*	1.82 (0-4.16)	0.635	*1.74* (0.48-3.86)	0.571	1.88 (0.1-4.16)	0.667
AD_EMP	0.90 (0-1)	0.295	*0.91* (0-1)	0.285	0.89 (0-1)	0.302
AD_LEG	0.88 (0-1)	0.314	*0.87* (0-1)	0.328	0.89 (0-1)	0.304
DIV	1.18 (1-5)	0.481	1.16 (1-5)	0.478	1.19 (1-5)	0.483
EXP	18.57 (0-100)	26.52	*16.12* (1-100)	23.940	20.11 (0-100)	27.919
DEB	57.77 (2.1-99.9)	28.80	56.27 (2.10-99.50)	23.031	58.71 (4.40-99.90)	22.624
AGE	3.99 (1-5)	1.198	3.98 (1-5)	1.177	4.00 (1-5)	1.210

Note: [a]Lost cases: 4
Source: Author-compiled data

Table V. Comparative descriptive statistics

Difference between means	
SIZ	0.17***
SIZ*	0.14***
DEB	2.44**
EXP	3.99***
DIV	0.03
AD_EMP	0.02
AD_LEG	0.02*

Notes: *$p < 0.1$; **$p < 0.05$; ***$p < 0.01$
Source: Author-compiled data

Table VI. Test of equality of means between family and non-family firms

Table VII shows Spearman's and Pearson's correlation coefficients between independent variables.

The table highlights significant positive correlations between the two types of advice (AD_ AD_LEG and HR) and the variable exports (EXP) in line with the studies by O'Farrell *et al.* (1993), Bennett and Robson (1999a) and Xiao and Fu (2009). Finally, note the significant negative correlations between firm age (AGE) and the use of advisors (AD_ AD_LEG and HR). The sign is negative due to the formulation of the AGE variable (as shown in Table II, higher values of AGE indicate that the company is

	AGE	FAM	DEB	DIV	EXP	AD_LEG	AD_EMP
AGE	1.000						
FAM	−0.020	1.000					
DEB	0.177**	−0.048*	1.000				
DIV	−0.056*–	−0.031	−0.016	1.000			
EXP	−0.190**	−0.050*	−0.057*	0.036	1.000		
AD_LEG	−0.063**	−0.031	0.029	0.048*	0.160**	1.000	
AD_EMP	−0.052*	0.020	0.013	0.029	0.136**	0.255**	1.000

Notes: For each pair of continuous variables, Pearson's correlation coefficient is reported; in the opposite case, Spearman's rank correlation coefficient is reported. *$p < 0.1$; **$p < 0.05$
Source: Author-compiled data

Table VII. Correlation matrix

younger); therefore, coinciding with the results of Bennett and Robson (1999b), which affirm that the older the company, the greater the use of advisory services.

Finally, Tables VIII and IX show the regression results for the proposed models. Table VIII analyses the factors that may have an influence on company size, and we can see that four out of the five control variables suggested (age, indebtedness, diversification, and export propensity) are significant in both analyses (Models 1 and 2), which reflects an increase of robustness in the presented models.

Models 1a and 2a have been built without interactions and contrast the "classic" forecast of the variables that have been included in other published empirical and theoretical papers (Bennett and Robson, 1999a, b, 2004; Xiao and Fu, 2009; Park *et al.*, 2010). The control variables, debt (DEB), diversification (DIV), exports (EXP) and age (AGE) take on significant values and maintain the expected in both Models 1a and 2a

Independents variables	Model 1a SIZ	Model 1b SIZ	Model 2a SIZ*	Model 2b SIZ*
DEB	0.001 (0.001)*	0.001 (0.001)*	0.001 (0.001)**	0.001 (0.001)**
FAM	*−0.126* (*0.034*)***	0.144 (0.131)	*−0.104* (*0.025*)***	0.161 (0.097)*
EXP	0.010 (0.001)***	0.010 (0.001)***	0.007 (0.001)***	0.007 (0.001)***
DIV	0.067 (0.034)**	0.068 (0.034)**	0.074 (0.025)***	0.074 (0.025)***
AD_EMP	*0.442* (*0.058*)***	0.480 (0.071)***	*0.007* (*0.001*)***	0.377 (0.052)***
AD_LEG	*0.453* (*0.054*)***	0.532 (0.070)***	*0.293* (*0.040*)***	0.339 (0.052)***
AGE	−0.210 (0.014)***	−0.210 (0.014)***	−0.156 (0.010)***	−0.156 (0.010)***
INT_FAM × ADEMP	–	−0.117 (0.122)	–	−0.101 (0.090)
INT_FAM × ADLEG	–	*−0.184* (*0.109*)*	–	*−0.197* (*0.081*)**
Constant	6.709 (0.102)***	6.607 (0.113)***	1.669 (0.076)***	1.568 (0.83)***
Adjusted R^2	0.316	0.3187	0.305	0.308

Notes: *$p < 0.1$; **$p < 0.05$; ***$p < 0.01$
Source: Author-compiled data

Table VIII.
OLS analysis

Independent variables	Model 3a AD_LEG	Model 3b AD_SEL	Model 4a AD_LEG	Model 4b AD_SEL
Constant	0.253 (0.072)***	0.370 (0.067)***	0.685 (0.037)***	0.744 (0.034)***
(AGE = 1)	−0.005 (0.033)	−0.039 (0.031)	0.005 (0.034)	−0.033 (0.031)
(AGE = 2)	−0.028 (0.028)	−0.014 (0.027)	−0.019 (0.028)	−0.008 (0.027)
(AGE = 3)	−0.020 (0.019)	−0.013 (0.018)	−0.020 (0.02)	−0.014 (0.018)
(AGE = 4)	−0.043 (0.019)**	−0.018 (0.018)*	−0.043 (0.019)**	−0.018 (0.018)*
(AGE = 5)	0 (a)	0 (a)	0 (a)	0 (a)
(FAM = 0)	−0.002 (0.014)	−0.038 (0.013)***	−0.002 (0.014)	−0.038 (0.013)***
(FAM = 1)	0 (a)	0 (a)	0 (a)	0 (a)
(EXP = 0)	−0.030 (0.016)*	−0.022 (0.015)*	−0.042 (0.016)***	−0.031 (0.015)**
(EXP = 1)	0 (a)	0 (a)	0 (a)	0 (a)
DEB	0.000487 (0.000310)	0.000309 (0.000291)	0.000497 (0.000312)	0.00031 (0.000292)
SIZ	*0.089* (*0.010*)***	*0.079****	–	–
SIZ*	–	–	*0.105* (*0.013*)***	*0.098* (*0.012*)***
DIV	0.013	0.009 (0.013)	0.011 (0.014)	0.006 (0.013)
R^2	0.075	0.062	0.066	0.057

Notes: (a), parameter is assigned a value of 0 because it is redundant. *$p < 0.1$; **$p < 0.05$; ***$p < 0.01$
Source: Author-compiled data

Table IX.
MGL analysis

with signs according to the results of other studies cited ($\beta_{\mathrm{DEB}} = 0.001$*/0.001**, $\beta_{\mathrm{DIV}} = 0.067$**/0.074**, $\beta_{\mathrm{EXP}} = 0.010$***/0.007***, and $\beta_{\mathrm{AGE}} = -0.210$***/−0.256***).

Family ownership is a significant and negative factor in both Models 1a and 2a ($\beta_{\mathrm{FAM}} = -0.126$*** = −0.104***), corroborating the literature review, which affirms that family owned businesses tend to be smaller than non-family ones. These results could be forecast in the descriptive results, now proven.

In relation to external advice and size, which is the most important part of this research, in both models, advising is significant when explaining size ($\beta_{\mathrm{AD\_EMP}} = 0.442$***/0.007*** $\beta_{\mathrm{AD\_LEG}} = 0.453$***/0.293***). This is true for firms in general, without taking into account family nature. Advice in both legal matters and HR has influenced and is positively related to size: the greater the use of external legal and HR advice, the greater the size. Thus, *H1a* and *H1b* can be accepted.

Nevertheless, if we focus on the external advice in legal matters and HR exclusively in the case of family firms – Models 1b and 2b with interactions – we can see that the control variables do not change their sign and significance with respect to Models 1a and 2a. In these models, what is of interest is the interpretation of the interaction terms. According to the so-called "principle of marginality" (Nelder, 1977), when the interaction terms are significant, the values of individual variables (called "main effects") should not be tested or interpreted (Fox, 2008). The results show that only legal advice is significant ($\beta_{\mathrm{FAM \times AD\_LEG}} = -0.184$*/−0.197*), while HR advice is not ($\beta_{\mathrm{FAM \times AD\_EMP}} = -0.117/-0.101$). This may be explained by nepotism, a well-known situation affecting family firms. In this sense, Mustakallio *et al.* (2002) and Dyer (2006) highlighted that family ties may hinder a company from developing and recruiting the best management talent required, taking it to a competitive disadvantage in terms of human capital. This attitude leads to a serious situation when hiring high-level managers because it can threaten the future of the business (Faccio *et al.*, 2001; Perez-Gonzalez, 2006). Thus, we cannot accept *H2b*.

The significant relationship between size and the use of legal advice in family firms has a negative sign ($\beta_{\mathrm{FAM \times AD\_LEG}} = -0.184$*/−0.197), meaning that the family firms that use this type of advice more are smaller. In line with Beckhard and Dyer (1983), for family firms, as opposed to non-family firms, it seems that conflicts that motivate the use of external legal advice, company age, and the fact that more generations are engaged, explain this relationship more clearly. In the same vein and due to the results obtained, *H2a* as proposed in this paper should not be accepted.

Models 1b and 2b slightly improve the indicators of goodness of fit in the first analysis models, 1a and 2a R^2, nevertheless the objective of this interaction is not to increase the adjustment of the model, but rather to have more information about the size of the family business that uses advice.

Finally, Table IX includes the results of the second analysis. Although it is not the main objective of this paper, analyzing the variables affecting external advice has been included in order to study the possible endogeneity between the variables examined.

As expected, we can see that regardless of the way it is measured, the size variable significantly and positively influences the two types of external advice analyzed in the study (Models 3a, 3b, 4a and 4b). Thus, there seems to be a clear relationship of endogeneity between variables.

5. Conclusions

The results of our research, using a sample of 2,013 Spanish industrial companies (775 family firms), show that certain premises that seem to explain the relationship between the use of advisory services by non-family firms and their size, lose value when it comes to explaining the use of such advice by family firms.

Thus, the research may result in relevant theoretical and practical implications. From a theoretical point of view, in the case of firms in general terms, the literature concludes that size is positively related to the use of advice. However, for family firms, this is not always true. Regarding legal advice, results show that as far as legal matters are concerned, when family businesses make greater use of this type of advice, they are smaller. This is a remarkable and interesting result because it differs from non-family firms, in which the use of this type of advice is positively related with size. The results support the idea that family businesses, owing to conflicts arising between the different groups involved in the company (family, ownership and control), behave differently; in fact, family businesses face greater difficulties than non-family ones due to the need to consider the interests of these different groups participating in the business. Regarding the use of HR advice, while it remains significant in general cases with a positive result, this is not the same for family firms. Based on the literature review, this is because family firms are used to turning to family members or close friends when hiring HR (nepotism), and may explain why family firms tend to use this specific type of external advice less. These results present theoretical implications pointing to the fact that current research must move forward in terms of the use of advice in the family business, because the behavior in both types of company is very different, given the particular characteristics of family firms. In fact, the arguments that the literature confirms to be applied to non-family firms, generally do not apply to family ones. In this line, our paper is contributing to broaden this particular field of research.

From a perspective of practical application, this work has interesting implications for owners-managers and for external advisors. In relation to owners-managers, and in order to solve succession problems and other conflicts brought about by family relationships, using external professional advice is highly recommended. This, in order to anticipate possible difficulties or discrepancies that may arise, especially when there is an intergenerational transition, and to escape the high rates of failure family firms present. Meanwhile, recruiting personnel that does not belong to the family is both recommended and necessary for family firms. In fact, sometimes these businesses do not have qualified and specialized workers available for certain jobs, among their family members. In these cases, the family will probably not be able to supply enough talented employees to manage the company successfully, and will have to recruit non-family employees (Dyer, 2006; Klein and Bell, 2007; Hiebl, 2012). Therefore, the use of HR advice becomes necessary. For all these reasons, we believe that analyzing the effect of external advice in legal and HR matters for family business performance is of great interest, given that legal problems that arise from family conflicts determine the future of the business and, at the same time, that human capital is one of the most important assets, as well as a key factor in business development and success.

The practical implications for external advisors in solving family conflicts that affect the business and hire and recruit employees in a family firm are complex. It should be noted that the role of external advice is different when dealing with family businesses because they need to take into consideration the objectives and expectations of different groups of persons participating in the firm. In line with Tucker (2011), family business advice is usually more about families than it is about business, and issues are always much more complex than they seem. Yet, external legal and HR advice has to take into account how relationships affect decision making in a family business and the unique issues that they face, which tend to be more emotional than they are technical. This is a very important business reality in most economies around the world, which requires advice to suit each economy's peculiarities and help promote its further development.

The study has clear limitations and aspects for improvement, which at the same time present opportunities for further research. We found four main limitations: the use of a national sample; a temporary horizon limited to one year of study in line with other previously published studies, although, the relationship between the use of advice and firm size is not expected to change substantially over time (Bennett and Robson, 1999a; Sonfield and Lussier, 2008; Xiao and Fu, 2009); a study of a particular sector (the industrial sector); a reverse causality effect between the analyzed variables, size and external advice could exist. Finally, the difficulty encountered in finding previous publications analyzing the use of advisory services and firm size must also be noted.

With regard to future research, it would be interesting to carry out this study using a sample of medium-sized companies, comparing family and non-family firms, and analyzing how the variable AGE affects the company's use of external advice (highlighting generational problems and nepotism). Another aspect that should be studied, given the results obtained, is the influence of the family business' lack of professionalism and how this encourages the use of external advice.

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