HOW AND WHEN CUSTOMER ENGAGEMENT UNDERLIES THE LINK BETWEEN FAMILY OWNERSHIP AND FIRM PERFORMANCE: A CONCEPTUAL FRAMEWORK

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Article Info

ABSTRACT

With the rapid proliferation of social media, two-way interactions between customers and firms are increased in the past decade. This interactive communication helps firms increase customer engagement. For this reason, social media-driven customer engagement and firm performance have received academic attention. However, the existing studies substantially focus on customers, and very little is known about firms' related factors (antecedents). Therefore, this study was designed to explain the missed relations from the firm focus. This study aims to develop a comprehensive conceptual framework of customer engagement that includes antecedents (firm's governance characteristics), consequences (firm performance), and moderators (family strategic emphasis and social media usage intensity). To explain the new relations, five theoretical propositions have been proposed. The study offers theoretical contributions that also help practitioners. The proposed new conceptual model expands the customer engagement literature. Furthermore, family firms can also get a competitive advantage over rivals by emphasizing their characteristics in their communication strategy.

AİLE MÜLKİYETİ VE FİRMA PERFORMANSI ARASINDAKİ İLİŞKİYE MÜŞTERİ KATILIMI NASIL VE NE ZAMAN TEMEL OLUŞTURUR: KAVRAMSAL BİR ÇERÇEVE

Makale Bilgisi

ÖZ


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INTRODUCTION
Customer engagement has received noticeable attention from both managers and academicians in recent years. Both groups are cognizant that keeping the customer engaged is essential for a firm’s competitive advantage (Pansari & Kumar, 2017; Bozkurt et al., 2021; Gligor et al., 2022). Therefore, firms have been seeking different approaches for promoting their engagement with customers (Pansari & Kumar, 2017; Bozkurt et al., 2021).

Moreover, a high level of customer engagement provides firms with several advantages such as customer satisfaction (Ahn et al., 2019), loyalty (Moriuchi, 2019), higher purchase intention (Prentice et al., 2019), word-of-mouth (Naumann et al., 2020), better firm performance in terms of higher profits, higher revenue, or bigger market share (Pansari & Kumar, 2017). In this regard, a plethora of studies have been exploring the drivers of CE (e.g., Pansari & Kumar, 2017; Sprott et al., 2009; Dessart, 2017; Gligor & Bozkurt, 2021).

With the emergence of social media platforms, such as Facebook, Twitter, LinkedIn, etc., managers and researchers have recognized the opportunities provided by these platforms in facilitating interactions between customers and firms. In 2020, the number of social media platform users worldwide reached 3.96 billion, and it is expected to exceed 4.41 billion active users by 2025 (Statista, 2022). Besides, more than 99% of well-known Fortune 500 companies use social media platforms to have more interactive continuous relations with customers (Cohen, H., 2018). Therefore, social media is an inevitable tool for firms’ marketing strategies in this era. However, various studies have explored CE drivers in social media contexts to create a roadmap for firms and understand the CE phenomena more explicitly (e.g., Hollebeek et al., 2014; Shahbaznezhad et al., 2021; Boujena et al., 2021; Gligor & Bozkurt, 2021).

Existing studies related to customer engagement have mostly identified the antecedents of the CE from the customer-related factors. They have tended to focus on initial relations between customers and firms. However, previous studies on identifying customer engagement’s antecedents are limited and neglect the firm-related factors such as firm characteristics and type of ownership. However, in addition to customer-related antecedents, we propose that there could be some antecedents that do not depend on customers’ direct involvement with the firm but, instead, result from characteristics of the firm. In other words, there may be certain characteristics of the firm that the customer does not directly control. Thus, we aim to extend the knowledge on customer engagement by delineating a new framework. The proposed new conceptual framework provides a roadmap to understanding how certain firm characteristics related to a firm’s corporate governance, such as founding family presence (or family firms), influence firm performance through customer engagement. Also, the study shed light on how the relationship between firm corporate governance and customer engagement is affected by family strategic emphasis and social media usage.

We argue that family firms’ characteristics, such as concern for their future generation, emotional relationships with their employees, long-term relationships with their customers, and other unique characteristics allow them to enjoy higher levels of CE and performance. However, we argue that the positive impact of family firms on CE is magnified when the firm’s strategic emphasis and social media usage intensity is lower.

The paper is structured as follows. First, we conceptualize the key concepts. Then we move on to the proposed conceptual framework and propositions development. Finally, the paper concludes with discussions, implications, limitations, and suggestions for future directions.

LITERATURE REVIEW
Customer Engagement Concept
Customer engagement (CE) is defined as “a customer’s behavioral manifestations that have a brand or firm focus, beyond purchase, resulting from motivational drivers” (Van Doorn et al., 2010, p. 254). Behavioral manifestations can be either positive (e.g., posting a positive message about the firm on social media) or negative (e.g., spreading a negative message about the firm on social media). Previous research shows that CE is an important strategy for establishing strategic advantage (Kumar & Pansari, 2016). Thus, researchers have been exploring CE drivers in both online and offline contexts. However, with the rapid growth of social media usage in the last decade, many researchers have focused on CE in a virtual context, specifically on social media (e.g., Hollebeek et al., 2014; Dessart, 2017; Wang & Kim, 2017; Gligor et al., 2019). There could be several reasons for such interest.

First, increases in social media usage and the number of social media users have been continuing since the emergence of social media platforms (Statista, 2022). Second, the interactive nature of these platforms has led firms to consider social media an opportunity to enhance CE (Sashi, 2012; Wongkitrungruen & Assarut, 2020;
Gigor & Bozkurt, 2021; Bozkurt et al., 2021). Third, social media has expanded the reach of word-of-mouth from a small circle of friends to the entire world (Duan et al., 2008). It affects consumer attitudes and behaviors (Park et al., 2021), hence social media presence is crucial for firms’ marketing strategies (Sokolova & Kefi, 2020). For these reasons, we will evaluate CE in the social media context in this study. Even though recent studies have investigated the antecedents of CE in social media contexts (Hollebeek et al., 2014; Dessart, 2017; Shahbazezhad et al., 2021; Algharabat et al., 2020), existing studies primarily focused on customer-based antecedents. Specifically, the majority of CE studies focused on customer-based antecedents, such as customer involvement, participation, trust, and satisfaction (e.g., Hollebeek et al., 2014; Dessart et al., 2015; Dessart, 2017; Molinillo et al., 2020). However, we argue that in addition to these antecedents, there may be company-related antecedents (e.g., firm-based) of CE. More specifically, certain characteristics related to a firm’s corporate governance, such as founding family presence, may play an important role in enhancing CE on social media. We argue that family firms’ long-term orientations, relationships with their customers, emotional relationships with their employees, and other unique characteristics play an important role in driving CE, which in turn increases their performance.

**Family firms**

To date, a number of different family firm/business definitions have been discussed in the literature. For example, Lansberg (1983) defines a family firm as “a business in which members of a family have legal control over ownership” (p. 2). It is also defined as “one in which two or more extended members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights” (Pratt & Davis, 1985, p. 2). Villalonga and Amit (2006) define a family firm as a “firm whose founder or a member of the family by either blood or marriage is an officer, a director, or the owner of at least 5% of the firm’s equity, individually or as a group” (p. 390). As this definition is well-accepted in the literature (e.g., Ali et al., 2007; Kashmiri & Mahajan, 2014), we adopted this definition in the rest of the paper.

Family firms play an important role in the world economy. For example, approximately 80% of all firms in the US are managed or remotely controlled by families (Gomez-Mejia et al., 2001), and family firms represent 35% of S&P 500 firms. In addition, prior research shows that family firms show better performance compared to non-family firms in terms of ROA (Kasmiri & Mahajan, 2010), Tobin’s q (Kasmiri & Mahajan, 2014), and firm longevity (Mackie, 2001). These results suggest that family firms have distinctive and different characteristics that help them differentiate from non-family firms and outperform their non-family competitors.

Family firms have unique and distinctive characteristics that distinguish themselves from their competitors, including, not limited to, long CEO tenure, concern for the future generation, non-financial long-term goals, emotional relationships with their workers, and long-term relationships with external stakeholders (Le Breton–Miller & Miller, 2006). First, family-member executives tend to stay at their existing job three or five times longer than non-family executives (Lansberg, 1999). The tenure of executives at family firms is typically more than 15 years (Miller and Le Breton-Miller, 2005). Because of such long tenure, family executives have an opportunity to gain deep insight into their business (Miller & Shamsie, 2001) and develop close relationships with top managers and other owners of the firm (Lansberg, 1999), reducing uncertainty cash flows and increasing the firm performance and investment in the long term (James, 1999). They show a tendency to invest in projects with longer-term payoffs as they understand, manage, and control their business better (Milliken, 1987).

Second, family executives are more concerned about their family legacy and view their firms as long-term assets that they will leave their future generation (James, 1999; Le Breton–Miller & Miller, 2006). Thus, family executives or managers tend to have a long-time horizon, longer than the tenure of any one leader (Le Breton–Miller & Miller, 2006). Another unique characteristic of family firms is that they are attached to a nonfinancial or substantial mission or craft (Harris & Martinez, 1994). Unlike non-family firms, they put more emphasis on non-financial goals, such as family reputation and family images (Arregle et al., 2007).

In addition, family (relative to non-family) firms aim to leave talented, motivated, and loyal employees to their future generations (Le Breton–Miller & Miller, 2006). Thus, they tend to create an emotional relationship with people who work for them (Davis et al., 1997). In this regard, they treat their employees better than other firms do. In fact, research shows that family firms pay their employees and managers better than non-family firms, provide generous long-term benefits and opportunities, such as retirement pay and health insurance to employees, and train them for the long term (Le Breton–Miller & Miller, 2006), resulting in lower turnover compared to their non-family competitors (Le Breton–Miller & Miller, 2006; Guzzo & Abbott, 1990). Moreover, this lower turnover keeps work teams intact, allowing them to embrace the firm culture and get to know their co-workers better, resulting in cost savings and high productivity (Le Breton–Miller & Miller, 2006).
Lastly, family firms tend to establish long-term associations with external stakeholders, such as suppliers, customers, and bankers (Le Breton–Miller & Miller, 2006). These long-term associations not only help firms in times of trouble (Le Breton–Miller & Miller, 2006), but they also allow them to access rare and valuable resources (Das & Teng, 2001). Furthermore, these long-term associations result in better customer loyalty (Le Breton–Miller & Miller, 2006).

**CONCEPTUAL FRAMEWORK AND PROPOSITIONS DEVELOPMENT**

As shown in Figure 1, the proposed firm-focused social media-driven customer engagement conceptual framework comprises five constructs. The antecedent (independent construct) is family firm. The dependent construct that is the consequence of customer engagement is firm performance. The customer engagement construct is the mediator construct between the independent and dependent constructs. The moderators of the proposed framework are family strategic emphasis and social media usage intensity.

![Diagram of the conceptual framework](image)

**Figure 1.** Conceptual Framework (Source: Authors)

The variables’ details and proposed relations between them are discussed in the following sections. It should be noted that this study addresses the variables from the firm’s point of view. The identified variables of the framework are listed and defined in the following Table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Suggested measures</th>
<th>Source</th>
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<tbody>
<tr>
<td><strong>Family Firm</strong></td>
<td>“Firm whose founder or a member of the family by either blood or marriage is an officer, a director, or the owner of at least 5% of the firm’s equity, individually or as a group” (Villalonga &amp; Amit, 2006, p. 390).</td>
<td>Family firm is a dichotomous variable. 1 refers to a family firm, 0 if a non-family firm. Firms in this category need to satisfy at least one of the following two conditions: 1. The founder of the firm or at least one member serves a director or executive officer in the firm. 2. The family members own at least 5% equity of the firm. Source: Firm Proxy</td>
<td>Firm Proxy</td>
</tr>
<tr>
<td><strong>Customer Engagement</strong></td>
<td>“a customer’s behavioral manifestations that have a brand or firm focus, beyond purchase, resulting from motivational drivers” (Van Doorn et al., 2010, p. 254).</td>
<td>The number of posts shared by customers.</td>
<td>Firm Facebook Account</td>
</tr>
<tr>
<td><strong>Firm Performance</strong></td>
<td>Financial outputs of the firm</td>
<td>Tobin’s q can be calculated with Chung and Pruitt’s (1994) formula: (share price at the end of calendar year x number of common stock outstanding at the end of calendar year + 1000000) / number of common stock outstanding at the end of calendar year</td>
<td>COMPUSTAT</td>
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Family Firms and Customer Engagement

Extant research shows that marketing technologies (e.g., social media) allow firms to interact with their customers more effectively and efficiently (Coviello et al., 2001; Park et al., 2021). This interaction allows firms to obtain customer information which allows them to develop more effective customer response systems or strategies (Jayachandran et al., 2005; Wang & Kim, 2017). Family firms focus on keeping long-term relationships with their customers (Le Breton–Miller & Miller, 2006); they are more likely to utilize any means that allow them to do so. Empirical research conducted by Bednarz et al. (2022) shows that customers perceive family firms as more family-focused with long-term relations. Thus, we propose that a family firm is more likely to invest in social media platforms to increase the interaction with customers, understand their needs better, and strengthen their existing relationships. All these actions are likely to motivate or encourage customers to engage with the firm. In addition, customers can engage with the firm on these platforms by sharing their positive experiences with other people in their social network and advocating for the firm or its products or services (Sashi, 2012; Wang & Kim, 2017).

Also, firms are able to increase CE if they have capable personnel that interacts with the customer (Kumar and Pansari, 2016). The interaction between employees and customers positively or negatively affects customers’ perceptions of the firm (Sirrianni et al., 2013). These perceptions, in turn, affect customers’ behaviors, such as their purchases, influence, referrals, and suggestions (Kumar & Pansari, 2016). That is, a good relationship between customers and employees might motivate customers to share their experiences with their friends or family (Kumar & Pansari, 2016). Therefore, firms may need talented, motivated, and loyal employees to create desired perceptions. Family executives/managers have concerns about family legacy and their firms’ success in the long term. Therefore, they heavily invest in their workforce by hiring talented employees, training them, creating an emotional relationship with them, paying them better, and providing generous long-term benefits to them (Le Breton–Miller & Miller, 2006; Davis et al., 1997; Guzzo & Abbott, 1990). Thus, we expect motivated, emotionally attached, loyal, or well-paid employees of family firms to interact with their customers more efficiently and effectively on social media, potentially motivating customers to share their experiences or feelings with other people in their network. Given this background, the following proposition is proposed.

Proposition 1: Family firms (as compared to non-family firms) are likely to have higher levels of customer engagement.

Customer Engagement and Firm Performance

Firms and consumers have more interactive relations and two-way communications with technological advancements, such as social media platforms. Firm performance depends on how likely it can influence and engage its consumers. Customer engagement provides both indirect and direct advantages to the firms. Indirectly, shared reviews, feedback, or comments help firms understand customers’ needs, demands, or wants and improve their existing offers or develop new products or services according to the needs, wants, or demands (Pansari & Kumar, 2017). Besides, more engaged customers help firms in many ways, such as originating referrals, supporting in co-creation of value and experience, enhancing firms’ innovation process, and providing long-term loyalty to firms (Hoyer et al., 2010; Prahalad & Ramaswamy, 2004). On the other hand, directly, highly engaged customers positively affect the firm’s performance by increasing profits, revenue, or market share. (Kumar, 2013; Kumar & Pansari, 2016; Harmeling et al., 2017). Therefore, we propose that,

Proposition 2: Family Firms with higher levels of customer engagement are likely to have higher firm performance.
Family Firms, Customer Engagement, and Firm Performance

Previous research demonstrates that CE has a positive impact on customer loyalty (Brodie et al., 2013), satisfaction (Brodie et al., 2013; Van Doorn et al., 2010), and brand/firm value (France et al., 2016). Also, research shows that engaged customers tend to display greater purchase, influence, suggestions/feedback, and referrals intentions (Pansari & Kumar, 2017; Kumar & Pansari, 2016). Also, CE leads to higher levels of business performance (Wang & Kim, 2017). Because of the reasons outlined above, family firms are more likely to have higher levels of business performance through higher levels of CE. Thus,

Proposition 3: The link between family firms and firm performance is positively moderated by the firm’s strategic emphasis.

The Moderating Role of Strategic Emphasis

Firms distribute their limited resources between two main processes of creating value and appropriating value (Mizik & Jacobson, 2003). Even though both value creation and appropriation are necessary for sustained competitive advantage, due to resource limits, firms tend to emphasize one over the other (Mizik and Jacobson, 2003). Mizik and Jacobson (2003) called this trade-off “strategic emphasis,” which is defined as “the relative emphasis a firm places on value appropriation relative to value creation” (p. 63). That is, strategic emphasis represents the difference between advertising intensity and R&D intensity. If a firm’s advertising intensity is greater than its R&D intensity, its emphasis is value-appropriation, but if its R&D intensity is greater than its advertising intensity, it is value-creation.

We propose that the link between family firms and CE is higher when the firm’s strategic emphasis is lower. We do not expect a meaningful difference between family and non-family firms in terms of CE level when value appropriation is emphasized. This is because previous research shows that advertising creates awareness, enhances customer knowledge, and affects short and long-term customer preferences (Hirschey, 1982). Thus, we propose that customers are more likely to be familiar with or aware of firms with high advertising intensity, potentially affecting their engagement behavior positively, regardless of how the firm is characterized (family vs. non-family). Thus, we postulate:

Proposition 4: The link between family firms and customer engagement is negatively moderated by the firm’s strategic emphasis: the impact of family firms on customer engagement is higher when the firm’s strategic emphasis is lower.

The Moderating Role of Social Media Usage Intensity

We expect firms with high (relative to firms with low) social media usage intensity enjoy higher levels of CE. Because firms actively utilize social media can increase the customers’ awareness of brands/firms and accentuate their intentions to engage in an interactive dialogue. (Wang & Kim, 2017). The more active they are on these platforms, the more likely they send engagement signals to the customer, enabling customers to be aware of these firms. Also, firms with high usage intensity are more likely to reach out to users or customers who are present at different times on these platforms. That is, because different users log into social media platforms at different times, firms may need to be present at those times to interact with them. Doing so should increase customers’ awareness of and familiarity with the firms, potentially leading them to engage with these firms regardless of how these firms are characterized (family vs. non-family). Thus, the following proposition has been offered,

Proposition 5: The link between family firms and customer engagement is negatively moderated by the firm’s social media usage intensity: the impact of family firms on customer engagement is higher when the firm’s social media usage intensity is weaker.

DISCUSSION AND IMPLICATIONS (THEORETICAL AND MANAGERIAL)

This study expands the knowledge on family firms, customer engagement, and firm performance. The main objective of the current study is to develop a comprehensive conceptual framework of customer engagement. Research on customer engagement is heavily focused on customer- perspectives. Therefore, we centered on the firm-focused and developed propositions based on the literature on family firms and customer involvement. To reach the research aim, first, we identify the antecedents and consequences of CE from the firm focus. According to our proposed framework, the CE serves as mediating variable between a firm’s governance-related characteristics (e.g., founding family presence or family firms) and firm performance. The moderating effect of the firm’s strategic emphasis and social media usage intensity on the link between family firms and CE are also
proposed. We expect that the family (relative to non-family) firms indicate higher levels of CE, leading to better firm performance. Also, our propositions state that this effect is magnified when the firm’s strategic emphasis and social media usage intensity are low.

This study will make noteworthy contributions. First, while previous CE research primarily focused on customer-focused antecedents (e.g., Hollebeek et al., 2014; Brodie et al., 2013; Bozkurt et al., 2021; Gligor & Bozkurt, 2021), we focus on a firm-based (governance-related factor) antecedent of CE. We theoretically expect to contribute to the literature by expanding the body of knowledge from a different perspective. Future studies can use our conceptual framework as an underpinning model to empirically explain the governance-related factors and customer engagement relations. Second, instead of investigating the outcomes of CE based on customer–mind set measures like many studies have (e.g., customer satisfaction, loyalty, trust) (e.g., Brodie et al., 2013), we propose a financial/dollar value of CE measurement, which is appealing to managers (Ailawadi et al., 2003). Third, this study will contribute to the governance literature by revealing a new underlying mechanism between family firms and their performance.

This study will provide some suggestions for practitioners. Our propositions suggest that due to certain characteristics of family firms, they enjoy higher levels of CE. Thus, non-family firms should adapt their strategies to those features. For example, firms should aim to create an emotional relationship with their employees and long-term relationships with their customers. Also, we suggest that increases in strategic emphasis and social media usage intensity allow non-family firms to close the gap in CE and firm performance.

Even though our study will make substantial contributions, this study is not free from limitations. These limitations necessitate future research. First, we did not collect data about firms that are not active on social media. Table 1 demonstrates the list of proposed constructs and relevant measures that rely on the existing literature. Therefore, there is a need for empirical validation of proposed relationships in further research. Second, even though we suggest controlling for as many factors as possible, other factors, such as customers’ social media usage intensity and their perceptions of social media, may play an important role. Future theoretical or empirical research should expand the proposed conceptual framework by investigating the effect of these additional factors.

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Çukurova Üniversitesi Sosyal Bilimler Enstitüsü Dergisi, Cilt 31, Sayı 2, 2022, Sayfa 477-487


**Author Contributions**
The contribution of the first author is 50%, the second author's contribution is 25%, and the contribution of the third author is 25%.