

Nexus between Family Capital and Corporate Reputation through Learning and Corporate Governance

Qing Zhang

Business School, Linyi University, INSPEM, UPM
Email: 408493982@qq.com

Wei Chong Choo

School of Business & Economics, Universiti Putra Malaysia, Institute of Mathematical Research, Universiti Putra Malaysia
Email: wcchoo@upm.edu.my

Mass Hareeza Ali

Senior Lecturer, Department Management and Marketing Faculty of Economic and Management, Universiti Putra Malaysia
Email: mass@upm.edu.my

Abdul Hanan

National College of Business administration and economics, Pakistan
Corresponding Author Email: abdulhananhassan2321@gmail.com

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Abstract

Corporate reputation play a vital role in the China's business landscapes to developed the dominant force in the emerged business. However, the existing literature focus on highlighting the role of family capital in corporate reputation which are unclear in context. Underpinned by RBV theory, this study represents the huge empirical prove on family capital and corporate reputation perspective. Also, the moderating role of learning and corporate governance applied between the nexus of family capital and corporate reputation. Therefore, by utilizing the non-probability convenience sampling technique the sample was selected from three major business provinces of china namely are, Jiangsu, Gangdong and Shandong through collecting 387 sample test. The results finds that the family capital in china exhibit unique characteristics shaped by economic factors, cultural and institutional factors. This research provide the different significant insights on several challenges to focus on corporate reputation in china are identified, including planning difficulties on succession, conflicts

between family and business interest, professionalization dilemmas and appropriate structure of corporate governance which perform effectively. Hence, this study provide future insights on Chain's family business to investigate for overcome the challenges through adopting the modern promotional external activities, management practice, and innovation and embracing technology.

Keywords: Family Capital, Learning, Corporate Governance, Corporate Reputation, Resource Base View.

Introduction

According to the World Bank, China's construction industry has been marred by allegations of corruption and unethical practices, which have had adverse effects on corporate reputation (World Bank, 2017). These allegations have led to project delays, financial losses, legal disputes, and damaged relationships with clients and the public. Additionally, the lack of transparency and accountability within the construction sector exacerbates the reputation problem (Zhang & Li, 2015). One notable example is the 2008 scandal involving the collapse of school buildings during the devastating Sichuan earthquake. The collapse of poorly constructed school buildings led to the tragic loss of thousands of lives, raising concerns about construction quality and safety standards (BBC News, 2009). Such incidents not only tarnish the reputation of the companies involved but also erode public trust in the entire construction industry. Furthermore, the rapid growth and intense competition within the Chinese construction market have led some companies to prioritize short-term gains over long-term reputation building (Zhang & Li, 2015). This profit-driven mentality often results in corners being cut, compromising construction quality and ethical practices, further damaging corporate reputation. In this regard, research on corporate reputation is emerging as an important tool (Yu et al., 2022; Hanan et al., 2021). Hence, the current study examining the role of family capital in corporate reputation. Furthermore, the role of corporate governance and learning moderates the relationship between family capital and corporate reputation. In previous studies have primarily focused on external factors, such as corruption and unethical practices, as determinants of corporate reputation. However, there is a need to explore the role of internal factors, particularly organizational culture, in shaping and influencing reputation. Understanding how organizational culture impacts reputation management practices can provide valuable insights for Chinese construction companies (Zhang & Li, 2015). Most existing studies have adopted a cross-sectional approach, providing insights into the reputation challenges faced by Chinese construction companies at a specific point in time. However, there is a dearth of longitudinal studies that track the evolution of corporate reputation over time. Longitudinal research can provide a deeper understanding of the dynamics, trends, and changes in reputation management practices within the industry (Dong & Peng, 2013). While some studies have considered the perspective of clients and the general public, there is a need to broaden the scope and include a comprehensive examination of various stakeholder perspectives. Understanding how different stakeholders perceive and evaluate corporate reputation can provide a holistic view and help in formulating targeted reputation management strategies (Zheng, Ren, & Zhang, 2018). Hence, the research on family capital on corporate reputation was necessary. Hence, the current study examining the role of family capital in corporate reputation. Furthermore, the role of corporate governance and learning moderates the relationship between family capital and corporate reputation. Based on the inconsistent findings, the present study has following research questions

- 1) Does family capital influences corporate reputation?
- 2) Does corporate governance moderate between family capital and corporate reputation?
- 3) Does learning moderate between family capital and corporate reputation?

The present study contributes to the academic literature in several ways. First, Understanding the impact of family dynamics on reputation management: Research has explored how family involvement and control within Chinese construction companies influence reputation management practices. It highlights the challenges arising from issues like nepotism, favoritism, and conflicts of interest, which can impact decision-making processes, governance structures, and accountability mechanisms (Chen et al., 2017). Second, examining the influence of corporate governance mechanisms on the relationship: Research has explored how various corporate governance mechanisms, such as board structure, ownership concentration, and board independence, moderate the relationship between family capital and corporate reputation. It investigates how these mechanisms can mitigate the negative impact of family involvement and enhance reputation management practices (Chen et al., 2019). Third, research has explored how organizational learning processes and capabilities influence reputation management practices in Chinese construction companies with family capital. It investigates how the organization's ability to acquire, share, and apply knowledge and lessons learned can shape reputation-building efforts and mitigate reputation-related challenges (Wang et al., 2021).

Theoretical Development and Literature Review

Resource Based View (RBV) Theory

The resource-based view (RBV) theory provides a framework for understanding how family capital, as a unique resource, can contribute to the development and management of corporate reputation. The RBV theory emphasizes the role of valuable, rare, inimitable, and non-substitutable resources in achieving competitive advantage. While limited research directly addresses the RBV theory in the context of family capital and corporate reputation, we can draw insights from literature on RBV, family businesses, and corporate reputation. The RBV theory posits that a firm's competitive advantage and performance are influenced by the unique resources and capabilities it possesses. These resources can include tangible, intangible, human, and organizational assets that are valuable, rare, difficult to imitate, and not easily substitutable by competitors. Family capital refers to the unique resources, values, traditions, networks, and influence associated with family businesses. It encompasses family-specific knowledge, reputation, governance practices, and long-term orientation. Within the RBV framework, family capital can be considered a valuable and rare resource that can contribute to the development and management of corporate reputation. Family businesses often have distinct values and traditions that guide their behavior and decision-making. These values can shape corporate reputation by emphasizing trust, commitment, responsibility, and other favorable attributes that stakeholders value (Daspit et al., 2018). Effective governance practices within family businesses, such as transparent decision-making processes, professional management, and independent oversight, can positively impact reputation development and management (Fernández-Méndez et al., 2018). Family businesses, typically driven by long-term goals and intergenerational continuity, can develop and sustain reputation-building initiatives over time. This long-term orientation signals stability, commitment, and responsible business practices, contributing to corporate reputation (Zellweger et al., 2012). The RBV theory suggests that the utilization and leveraging of family

capital, as a valuable and rare resource, can contribute to the development of a sustained competitive advantage. A positive corporate reputation, built on family-specific resources and capabilities, can enhance customer loyalty, attract top talent, and strengthen stakeholder relationships, leading to long-term success and differentiation in the marketplace. It is important to note that while the RBV theory provides a theoretical lens for understanding the relationship between family capital and corporate reputation, empirical research specifically applying RBV to this context is limited. Future studies should explore this relationship further and consider the nuances of family capital and its impact on corporate reputation.

Hypothesis Development

Family Capital and Corporate Reputation

Family businesses often emphasize values such as trust, commitment, and long-term orientation, which can positively impact corporate reputation. Stakeholders, including customers and employees, may perceive family businesses as more trustworthy, responsible, and focused on relationships. This can enhance corporate reputation, leading to increased customer loyalty and employee satisfaction (Daspit et al., 2018; Ong et al., 2023). The involvement of family members in business operations can present both opportunities and challenges for corporate reputation. If family members are competent, ethical, and aligned with stakeholders' interests, their involvement can strengthen reputation. However, nepotism, family conflicts, or inadequate qualifications may harm reputation and undermine stakeholder trust (Miller et al., 2019; Di Vaio et al., 2023). Family businesses often have a long-term perspective, prioritizing intergenerational continuity and sustainable practices. This focus on long-term orientation can positively influence corporate reputation by signaling stability, commitment to stakeholders, and responsible business behavior (Zellweger et al., 2012). Effective governance practices in family businesses can contribute to building and safeguarding corporate reputation. Transparent decision-making processes, independent boards, and professional management practices can mitigate potential reputational risks and enhance stakeholder confidence (Fernández-Méndez et al., 2018; Yu & Latif, 2023). While the above points highlight the general relationship between family capital and corporate reputation, it is important to note that individual family businesses may experience unique dynamics and outcomes. Further research is needed to explore this relationship in more depth and across different contexts. Hence, we proposed the following hypothesis:

Hypothesis (H1): Family capital influences positively corporate reputation

Moderating role of learning

The moderating role of learning in the relationship between family capital and corporate reputation suggests that the acquisition and application of knowledge within a family business context can influence how family capital shapes corporate reputation. While limited research specifically examines this moderating role, we can draw insights from relevant literature on organizational learning, family businesses, and corporate reputation. Learning within a family business context enables the transfer of tacit and explicit knowledge from one generation to another. Effective knowledge transfer processes can enhance the alignment of family values, traditions, and practices with corporate reputation management strategies (Kraus et al., 2020; San et al., 2022). Learning processes facilitate innovation and adaptation to changing market conditions. Family businesses that actively engage in learning activities are more likely to develop innovative practices that positively impact corporate reputation, such as

responsible business practices or product/service improvements (Hoffmann et al., 2017). Learning interventions, such as training and development programs, can enhance the professionalization of family businesses. By acquiring new skills and knowledge, family members can improve their managerial capabilities and reputation management practices, thus positively influencing corporate reputation (Eddleston et al., 2010). The impact of learning as a moderator can be influenced by various contextual factors, such as the family business's size, industry, and stage of development. Additionally, the effectiveness of learning interventions may vary based on the family's openness to change, the presence of a learning culture, and the availability of learning resources (Eddleston et al., 2010). It is worth noting that empirical research specifically examining the moderating role of learning between family capital and corporate reputation is limited. Future studies should explore this relationship in more depth and consider the nuances of organizational learning within the family business context.

Hypothesis (H2): Learning moderate between family capital and CR relationship

Moderating role of Corporate Governance

Effective governance practices promote transparency and accountability, which are crucial for managing corporate reputation. Well-defined processes, disclosure policies, and mechanisms for monitoring family influence can enhance stakeholders' trust and confidence in the company's reputation (Zahra et al., 2014). Independent board members and governance structures can provide oversight and balance the influence of family members. Their involvement can mitigate potential conflicts of interest and ensure that decisions and actions align with stakeholder interests, positively impacting corporate reputation (Chua et al., 2011; Latif et al., 2022). Corporate governance mechanisms, such as the appointment of professional managers and external advisors, can enhance the professionalization and expertise within the organization. This can positively influence reputation management practices and the alignment of family capital with corporate reputation strategies (Eddleston et al., 2010). The impact of corporate governance as a moderator may vary based on contextual factors, including the specific governance practices implemented, the level of family involvement in the business, and the legal and regulatory environment. The effectiveness of governance mechanisms in moderating the relationship between family capital and corporate reputation may also depend on the unique dynamics and values of each family business (Chrisman et al., 2015). While research on the moderating role of corporate governance in the relationship between family capital and corporate reputation is limited, these insights highlight the importance of effective governance practices in family businesses to manage and enhance corporate reputation.

Hypothesis (H3): CG moderate between family capital and CR relationship

Research Framework

The positive effects of Family capital on corporate reputation with the moderating effect of Learning and Corporate governance in the sectors of construction companies of china are mainly focus on the study to examine the positive effects. The research framework is as followed in figure 1.

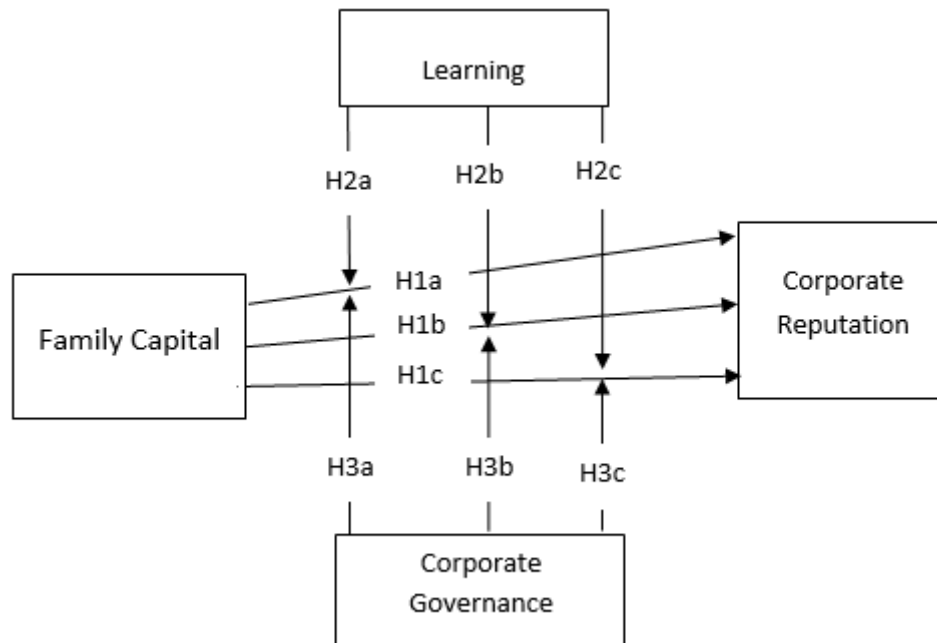


Figure 1: Research Framework

Methodology and Sampling

Research Design

In table 1 the frequency distribution was presented for the respondent profiles. The male respondents (n=273, 76%) are the majority of the questionnaires were completed, while the remaining questionnaires were concluded by female respondents (n=114, 24%) from the analysis. The sample regarding the ownership structure the private firms are the respondents which was found that the highest proportion consisted. Therefore, the state owned and collective firms were followed by the respondents is (n=92, 26%), and within the companies the foreign invested firms is (n=91, 25%). Additionally, the age factor analysis was utilized to understand the frequency distribution of employees' profiles. So on, the findings disclose that the most of the employees sample fall within the age range of 16-20 years (n=40, 11%), which is considerable and beneficial for the long-term stability of companies. So on, the employees ages followed between 31-35 (n=161, 45%) or 26-30 (n=94, 26%). A smaller proportion of employees fall within the age range of 21-25 (n=66, 18%). Although in table 1 was reported most of the engineering firms respondents are working which are (n=89, 25%). Other sectors like construction management firms are also presented (n=97, 27%) and the renovation companies was the next largest group (n=98, 27%), followed by the Equipment lessor (n=77, 21%).

Table 1

Respondents' demographic profile (N=387)

Demographic Variables	Category	Frequency	(%)
Gender	Male	273	0.76
	Female	114	0.24
Age	16-20	56	0.11
	21-25	66	0.18
	26-30	94	0.26
	31-35	161	0.45
	State Owned and collective firms	93	0.26
Ownership Structure	Private firms	177	0.49
	Foreign invested firms	91	0.25
Industry Type	Engineering firm	89	0.25
	Construction management company	97	0.27
	Equipment lessor	77	0.21
	Renovation companies	98	0.27
Total		387	100.0

Measurement of scale

The findings on research against reliability and validity was adopted from previous study to provide the greatest insights. Six items of family capital were measured, five-items of corporate reputation were adopted, four-items of learning were adopted from Zailani et al (2019); Sassen et al (2016); Cheng et al (2014) and four items were measured of corporate governance.

Results

The analysis was divided and elaborated into two parts, the first part defines the analysis of the measurement model while the second part is about structural equation model.

Measurement Model Assessment

The results constructs ensure that the reliability and consistency of the measurement which are error free of nature. Its focus on the concepts of internal stability and consistency. Therefore, to calculate the same idea of internal consistency of constructs which refers the ability of items scale to correlate with other items with in the same scale. In this study, the lower bound of internal consistency reliability is used through Cronbach's Alpha (CA), while the upper bound for true reliability was serves Composite Reliability (CR) (Hair et al., 2011). As shown in Table 2, the CA results of all constructs range from 0.956 to 0.915, mitigate the recommended threshold of 0.7 suggested by Hair, Ringle, and Sarstedt (2013). Additionally, the CR values of the item range from 0.964 to 0.936, indicating the internal consistency or adequacy convergence (Hair et al., 2016). Subsequently, the Average variance extracted (AVE) was used to assess the first-order constructs. Hence, the latent variables explains the associated indicators to explore the average amount of variance through AVE. The latent variables explore the variance to indicates the average, which is considered sufficient (Hair

et al., 2013; Henseler et al., 2009) when the indicators values are 0.5 or higher. In the previous study, the AVE of each constructs was found that the value is higher than the threshold value which is minimum 0.5 as suggested by (Hair et al., 2013). Therefore, the AVE values ranged from 0.843 to 0.747. Based on these results, which summarized the convergent validity to been achieved so they can indicate the constructs adequately to measures the underlying concepts.

Table 2

Construct	Items	Factor loading	CA	CR	AVE
Family Capital	FC1	0.911***	0.956	0.964	0.819
	FC2	0.897***			
	FC3	0.909***			
	FC4	0.910***			
	FC5	0.901***			
	FC6	0.902***			
Corporate Reputation	CR1	0.871***	0.915	0.936	0.747
	CR2	0.867***			
	CR3	0.864***			
	CR4	0.852***			
	CR5	0.866***			
Learning	L1	0.913***	0.936	0.955	0.840
	L2	0.924***			
	L3	0.912***			
	L4	0.917***			
Corporate Governance	CG1	0.912***	0.938	0.956	0.843
	CG2	0.914***			
	CG3	0.925***			
	CG4	0.922***			

Note: * $p < 0.05$; ** $p < 0.01$; $p < 0.001$.

Fornell and Larcker Criterion for Discriminant Validity

The phenomenon of distinguishing on one construct from other constructs explains through discriminant validity. It explores the correlation between constructs to know how many indicators represents the only way of single constructs (Hair et al., 2013). It is assessed using Fornell-Larcker criterion (Fornell & Larcker, 1981) and the cross-loading (Chin, 1998). According to the cross-loading method, the loadings indicators on its latent variables which are assigned should be greater than its loadings on all other latent variables. The second Fornell-lacker criteria explore that the latent variables (LVs) should explore more variance to their own indicators which indicates the others LVs. Additionally, the LVs, of AVE should be greater than the squared correlations between the LV and all other variables (Chin, 1998; Fornell & Larcker, 1981). In table 3, the calculated square root of AVE, ranges from 0.876 to 0.802, indicating that the values exceeded the inter-correlations of the construct with the other constructs in the model. This suggests adequate discriminant validity.

Table 3

Constructs	Mean (SD)	1	2	3	4	5	6	7	8
Gender	1.13 (0.337)	1							
Age	3.14 (0.950)	0.056	1						
Ownership Structure	1.84 (0.371)	-	-	1					
Industry Type	3.06 (0.981)	0.047	-	0.018	1				
FC	4.891 (0.774)	-	-	0.003	-	0.025	0.864		
CR	4.920 (0.751)	-	-	0.035	0.038	0.817***	0.930		
L	4.749 (0.815)	-	-	0.052	0.042	0.803***	0.914***	0.917	
CG	4.780 (0.798)	0.013	-	0.031	0.024	0.774***	0.912***	0.900***	0.918

Abbreviations: FC, Family Capital; CR, Corporate Reputation; L, Family Business; CG, Corporate Governance, **Note:** * $p < 0.05$; ** $p < 0.01$; $p < 0.001$.

Structural Model Assessment

Hierarchical Regression Analysis

The relationship between the predictor variables and the dependent variables while controlling the influence of these variables to be analyzed through the technique of hierarchical regression analysis. Therefore, the theoretical rationale involves stepwise input of the predictor variables in the manner of a predetermined order to the regression equation. The criteria to conduct the hierarchical regression including evaluating the incremental contribution of each predictor variable, assessing the model fit at each step, selecting predictor variables, running the regression analysis, determining the order of entry, and interpreting the results (Cohen et al., 2003; Field, 2018; Tabachnick & Fidell, 2019). Therefore, the table 4 shows the hierarchical regression analysis. So on the H1 was supported a positive and significant relationship with Family capital ($\beta = 0.875$ $p < 0.001$ Model 2). Thus, the hypothesis was accepted. Moreover, learning moderate the relationship between Family capital and Corporate reputation among chineses manufacturing companies which was found positive. So on, the interaction coefficient effect of FC and L on CR was positive and significant ($\beta = 0.989$, $p < 0.001$, Model 3). Hence, H2 was accepted. Hence H3 in table 4 illustrates the interaction coefficient effect of family capital and Learning on corporate reputation was positive and significant ($\beta = 0.568$, $p < 0.001$ Model 4), supporting H3. Therefore, H4 was supported that the relationship between Family capital and corporate reputation with corporate governance was found positive in table 4 so on, the interaction term between FC and CG on CR was positive and significant ($\beta = 0.685$, $p < 0.001$, Model 3). Hence, H5 was supported the relationship between family capital and corporate governance on corporate reputation was positive and significant ($\beta = 0.477$, $p < 0.001$, Model 4) in table 4. Therefore, H5 was accepted.

Table 4

Hypothesis Testing Results

Variable	Corporate Reputation			
	Model 1	Model 2	Model 3	Model 4
Gender	0.039	0.061	0.072	0.064
Age	0.053	0.015	0.017	0.010
Ownership Structure	0.064	0.059	0.063	0.067
Industry Type	0.030	0.027	0.021	0.033
Independent Variables				
Family Capital		0.875 ***	0.483 ***	0.889 ***
Moderators				
Learning			0.989***	0.568***
Corporate Governance			0.685***	0.477***
Interaction terms				
FC X L				0.274***
FC X CG				0.231***
R ²	0.032	0.521	0.679	0.873
Change in R ²	0.007	0.509	0.669	0.867
F	1.47	40.9***	59.2***	69.3***

Abbreviations: FC, Family Capital; CR, Corporate Reputation; L, Family Business; CG, Corporate Governance, Note: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

Discussion

Underpinning by RBV theory, the current study examining three important research questions: 1) does family capital influence corporate reputation? 2) does the corporate governance moderate the relationship between family capital and corporate reputation 3) does the learning moderate the relationship between family capital and corporate reputation. The research question 1 covers Hypothesis 1, which describes the significant relationship between family capital and corporate reputation in the construction industry of China. Family capital can have both positive and negative impacts on corporate reputation. On the positive side, family involvement often brings stability, long-term vision, and a sense of commitment to the company. Family-owned or family-controlled businesses may benefit from stronger values, shared heritage, and a focus on preserving the reputation built over generations (Chen et al., 2017; Latif et al., 2023). These factors can contribute to building a positive corporate reputation based on trust, reliability, and credibility.

The research question 2 covers Hypothesis 2, which describes the significant moderating role of corporate governance between relationship of family capital and corporate reputation in the construction industry of China. Effective corporate governance mechanisms help ensure transparency, accountability, and ethical practices within organizations. They provide a framework that regulates the behavior of family members and promotes professional management practices, which can positively influence corporate reputation. For example, the

presence of independent directors on the board can bring diverse perspectives, objectivity, and expertise, which contribute to better decision-making processes and enhance the reputation of the company (Liu et al., 2018).

The research question 3 covers Hypothesis 3, which describes the significant moderating role of learning between relationship of family capital and corporate reputation in the construction industry of China. Organizational learning plays a crucial role in reputation management by enabling the acquisition, sharing, and application of knowledge. Family capital can benefit from learning processes that help in understanding and addressing reputation-related challenges effectively (Wang et al., 2021). By fostering a learning-oriented culture, Chinese construction companies can create an environment that values continuous improvement, innovation, and the acquisition of new knowledge, which can positively impact corporate reputation (Yang & Wang, 2020).

Implication

Balance family involvement and professional management: Chinese construction companies need to strike a balance between family involvement and professional management practices. While family capital brings stability and long-term vision, it is crucial to ensure that decisions are made based on merit and expertise rather than nepotism or favoritism. Implementing transparent and fair processes, including effective corporate governance mechanisms, can help maintain the reputation of the company (Chen et al., 2017). **Foster a culture of transparency and accountability:** Transparency and accountability are vital for reputation management in family-controlled construction companies. By fostering a culture of openness, companies can build trust with stakeholders, including clients, investors, and the public. Regular and accurate reporting, disclosure of relevant information, and adherence to ethical standards are essential in maintaining a positive corporate reputation (Gao et al., 2016). **Embrace continuous learning and knowledge sharing:** To effectively manage reputation, Chinese construction companies should foster a learning-oriented culture. Encouraging continuous learning, knowledge sharing, and the adoption of best practices can help organizations adapt to changes, innovate, and make informed decisions. By continuously improving their capabilities, companies can enhance their reputation and mitigate potential risks associated with family capital (Yang & Wang, 2020).

Conclusion

The current study examined relationship between family capital and corporate reputation in Chinese construction companies through moderating role of learning and corporate governance. Family involvement can bring stability, long-term vision, and strong values to the organization, contributing to a positive corporate reputation. However, challenges such as nepotism, conflicts of interest, and a lack of transparency can pose risks to reputation management. To effectively manage reputation in the context of family capital, Chinese construction companies need to strike a balance between family involvement and professional management practices. This requires implementing robust corporate governance mechanisms, fostering a culture of transparency and accountability, and embracing continuous learning and knowledge sharing.

Table 5

Summary of Major Findings

Research Question	Findings	Evidence
Does family capital influences corporate reputation?	The findings of the RQ1 confirmed that family-owned businesses often have a long-term perspective due to their focus on preserving the family legacy and passing it down to future generations. This long-term orientation can lead to consistent and sustainable business practices, which contribute to building a positive corporate reputation.	Chinese construction companies can leverage these positive findings related to family capital and corporate reputation to enhance their own business operations and image.
Does corporate governance moderate between family capital and corporate reputation?	The findings of RQ2 reflected that family-owned businesses are a vital component of the business landscape, contributing significantly to economic growth and employment. One critical factor influencing the performance of these businesses is their corporate reputation. Corporate reputation is a valuable intangible asset that affects various stakeholders' perceptions, trust, and loyalty toward the firm. Family capital, stemming from the values, traditions, and long-term perspectives inherent in family ownership, can impact corporate reputation positively.	Chinese construction companies often work on large infrastructure projects domestically and internationally. Building a strong corporate reputation is crucial for winning contracts, gaining the trust of stakeholders, and attracting investors. By adopting effective corporate governance practices, these companies can ensure that their family values align with transparent, accountable, and ethical operations, thereby enhancing their reputation in the industry.
Does learning moderate between family capital and corporate reputation?	The findings of RQ3 reflected that family capital and corporate reputation are pivotal assets for businesses, contributing to sustainable growth, competitive advantage, and stakeholder trust. Family capital encompasses the unique resources, values, and capabilities that family-owned firms possess, while corporate reputation encompasses the perceptions and beliefs stakeholders hold about a company's character and actions.	The findings and insights presented in the study about the positive moderating role of learning between family capital and corporate reputation could have several implications for Chinese construction businesses.

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