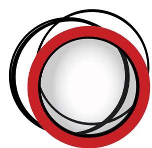

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# *A Special Issue on*
# Family and Technology: Resilience Factors in SMEs in a Pandemic

**Guest editors: Vanessa Diaz-Moriana[a], Remedios Hernández-Linares[b], Valeriano Sanchez-Famoso[c]**

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## 1. Introduction

In conjunction with the *VI International Forum on Management*, held in Mérida (Badajoz, Spain) on the 24th and 25th of January 2022, the *European Journal of Family Business* publishes this special issue "Family and technology: Resilience factors in SMEs in a pandemic".

The pandemic generated by COVID-19 has forced firms to face dramatic environmental changes: the breakdown of global supply chains; restrictions on opening hours to the public; limitations on the number of people who can be served in an establishment; borders closures; perimeter closures in towns, cities, and regions; the need to adapt physical workspaces to turn them into safe environments; the need to invest in technologies to promote remote work or the increase of home-based businesses, among others (Choudhury et al., 2020; Gonsalves, 2020; Kniffin et al., 2021; Reuschke & Mason, 2020).

Small- and medium- enterprises (SMEs), due to their smaller size and higher flexibility may explore new opportunities and develop emergent strategies for sustainable business operations (Davidsson, 2015; Papadopoulus et al., 2020; Shepherd & Williams, 2018). However, they are more vulnerable to environmental changes (Wade & Hulland, 2004) because they have fewer options in terms of resources, capabilities, and market power (Drnevich & Kriauciunas, 2011; Sawers et al., 2008). This higher vulnerability and their significant share of the business landscape (Ayyagari et al., 2007; Filipe et al., 2016; OECD, 2017) seem to call for a critical reflection on how to promote SMEs' resilience, so that they can survive and successfully face both the COVID-19 pandemic and other pandemic and crisis situations that may occur in the future.

Environmental turbulence leads to the increasing value of resilience (Zhao et al., 2016). Resilience refers to how firms adjust, adapt, and reinvent their business models in a changing environment (Sharma & Salvato, 2013). Indeed, Lengnick-Hall and Beck (2005) define resilience as the ability of organisations to avoid, absorb, respond to, and recover from situations that could threaten their existence. One of the main objectives of family firms is their long-term survival in order to transfer their business to subsequent generations (Lumpkin & Brigham, 2011) and, therefore, resilience is especially important in this type of firms. The essence of resilience is the intrinsic ability of a firm to maintain a dynamically stable state (Hollnagel, 2006), which forces family firms to pursue longevity and manage the trade-off between continuity and adaptability (Campopiano et al., 2019). Resilience allows family firms to remain flexible and balance the core essence of both the business and the family (Sharma & Salvato, 2013).

The family firms' resilience is especially important in this historical moment because "*the pandemic and its social and economic reverberations are triggering particularly salient challenges for family businesses*" (De Massis & Rondi, 2020, p.

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1727). For example, while succession has been considered traditionally as an intra-family process that must be methodically planned and executed to ensure a smooth and beneficial transition to the next generation (e.g., Cabrera-Suárez et al., 2001; Corona et al., 2021), as a result of the COVID-19 pandemic a vast cohort of family firms (mostly family SMEs) have to face succession in an unexpected, rapid, and unplanned way (De Massis & Rondi, 2020). Despite these additional challenges, during times of crisis business families are better able to mobilize their specific bundle of resources to keep their business operating, lending superior resilience to family firms (Agustí et al., 2021; Amann & Jaussaud, 2012; Calabrò et al., 2021; Kraus et al., 2020; Lee et al., 2016). In fact, research has shown that family business' ability to, for instance, leverage their family's social capital and patient financial capital can make a difference in times of crisis, making the family the backbone of family business resilience in such times (Calabrò et al., 2021).

## 2. Special Issue Content

This special issue is intended to provide an overview of several important factors highlighted above. The first article in the special issue, "Family Business Resilience: The Importance of Owner-Manager's Relational Resilience in Crisis Response Strategies", the authors Matti Schulze (Bielefeld University, Germany) and Jana Bövers (Bielefeld University, Germany) shed light on the resilience of owner-managed family businesses. Schulze and Bövers (2022) put a special focus on different levels within and beyond the organization, by analyzing digitalization efforts as one form of strategic response to a crisis. More precisely, building on an extensive explorative multiple case study, this study explores how and why family businesses differ regarding their resilience and the implications this has for their crisis management. This study contributes both to the literature on resilience and to research on family business strategies by showing differences in crisis response related to different levels of family business resilience and the special role of the owner-manager.

In the second article of this special issue, "Determinants of Dividend Payout in Unlisted Spanish Family and Non-Family Firms" by João Miguel Borralho (University Lusofona, Portugal) and Isabel Duarte (University Lusofona, Portugal), analyzes dividends paid in unlisted family and non-family businesses, exploring factors that lead to higher or lower dividend payments. Data from 612 Spanish companies during 12 consecutive years was analyzed. Borralho and Duarte (2022) indicate that family businesses, as a result of the greater proximity of the family to the business, pay lower dividends. However, the authors found evidence of higher dividends paid in pyramid structures, susceptible to higher agency costs, both in family and non-family businesses. In family businesses, this can be explained by their aim to maintain levels of trust with minority interests, and in non-family businesses by the purpose to mitigate conflicts of interest as a consequence of greater autonomy of subsidiaries. The evidence obtained adds value to the investigation, which has generally been focused on listed companies. Considering that unlisted companies use the dividend policy to align divergent interests, especially in more fragile governance structures, the results contribute to reduce the gap in research, and have practical implications for companies and investors.

The third article, "Strategic Renewal and Family Firm: A Systematic Literature Review" by Remedios Hernández-Linares (University of Extremadura, Spain) and Triana Arias-Abelaria (University of Extremadura, Spain) aims to examine the current state of strategic renewal research in family businesses identifying the main research gaps and providing a path for future research to the academics. Hernández-Linares and Arias-Abelaria (2022) present a systematic and comprehensive review of 21 studies (18 articles and 1 book chapter) about strategic renewal and family business published between 2009 and 2022. The comprehensive analysis reveals that the most of studies so far are empirical studies that have put the focus on the strategic renewal's antecedents, while the strategic renewal's outcomes remain unexplored. This and other significant research gaps are identified and discussed in this review, which emphasizes the need for further research about the topic.

The final article, "Bringing a Horse to Water: The Shaping of a Child Successor in Family Business Succession" by Jahangir Wasim (Edinburgh Business School, United Kingdom), and Fernando Almeida (Ispgaya & Inesc Tec, Portugal), critically investigates and evaluates the childhood and adolescent year strategies, and efforts that parent-owners of family businesses incorporate to encourage and prepare children for a successful future succession. The sample consisted of six family businesses in the Northeast of Scotland: two successfully introduced a second-generation, two a third generation and one a fourth generation, with one still in the founder stage. The Wasim and Almeida's (2022) findings reveal that the succession planning process was an instantaneous event into generational bridging, where no formal planning process was commenced. Parent-owners influenced and facilitated knowledge transfer and education, leaving control to

the child successors with career options. The research has also shown the difficulties in how the child successors of the future may find succession challenging and demanding with contextually complex issues.

## 3. Concluding Remarks

We hope you enjoy this special issue. The topic of this issue is timely and compelling, and its insights help us to advance research in the family business field.

We would like to thank the numerous reviewers who contributed their valuable time and talent to develop this special issue and ensured the articles' quality with their constructive comments and suggestions to the authors.

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# Family Business Resilience: The Importance of Owner-Manager's Relational Resilience in Crisis Response Strategies

**Matti Schulze[a]*, Jana Bövers[a]**

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Research paper. Received: 2022-5-4; accepted: 2022-12-15

**JEL CLASSIFICATION**
M10

**KEYWORDS**
Crisis management, Digital transformation, Family business, Owner-managers, Resilience

**Abstract** The COVID19 pandemic has disclosed the compelling necessity for businesses to develop and maintain a high resilience to survive the constantly changing environment they operate in and the rising number of crises they face. Our study sheds light on the resilience of owner-managed family businesses, with a special focus on different levels within and beyond the organization, by analyzing digitalization efforts as one form of strategic response to a crisis. More precisely, building on an extensive explorative multiple case study, we explore how and why owner-managed family businesses differ regarding their resilience and the implications this has for their crisis management. We contribute both to the literature on resilience and to research on family business strategies by showing differences in crisis response related to different levels of family business resilience and the special role of the owner-manager.

**CÓDIGOS JEL**
M10

**PALABRAS CLAVE**
Gestión de crisis, Transformación digital, Empresa familiar, Propietarios-gestores, Resiliencia

**Determinantes del pago de dividendos en empresas españolas no cotizadas, familiares y no familiares**

**Resumen** La pandemia de COVID19 ha puesto de manifiesto la imperiosa necesidad de que las empresas desarrollen y mantengan una elevada resiliencia para sobrevivir en el entorno en constante cambio en el que operan y hacer frente al creciente número de crisis a las que se enfrentan. Nuestro estudio arroja luz sobre la resiliencia de las empresas familiares gestionadas por sus propietarios, con especial atención a los diferentes niveles, dentro y fuera de la organización, mediante el análisis de los esfuerzos de digitalización como una forma de respuesta estratégica a una crisis. Más concretamente, a partir de un amplio estudio exploratorio de casos múltiples, exploramos cómo y por qué las empresas familiares gestionadas por sus propietarios difieren en cuanto a su resiliencia y las implicaciones que esto tiene para su gestión de crisis. Contribuimos tanto a la literatura sobre resiliencia como a la investigación sobre las estrategias de las empresas familiares al mostrar las diferencias en la respuesta a las crisis relacionadas con los distintos niveles de resiliencia de las empresas familiares y el papel especial del propietario-administrador.

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## 1. Introduction

Family businesses face special challenges regarding business survival and longevity. When managing the trade-off between continuity and adaptability (Campopiano et al., 2019), they always have to consider both the family side and the business side (Sharma & Salvato, 2015). Drawing upon the notion of longevity, scholars are increasingly exploring the long-term survival of family businesses in disruptive environments (Antheaumene et al., 2013; Bövers & Hoon, 2021; Riviezzo et al., 2015).

To address crisis-induced changes in technology, markets, or society, family firms often have to be highly resilient and adapt their business strategy (Stafford et al., 2013). Here, resilience refers to the ability of organizations to avoid, absorb, respond to, and recover from situations that could threaten their existence (Lengnick-Hall & Beck 2005). In particular, the COVID19-induced crisis has been a challenge for many family firms, forcing them to adapt, often leading to organizational and strategic transformations (Kraus et al., 2020). While previous research has started to reveal how family businesses generally respond to crises (Calabrò et al., 2021), we know surprisingly little about individual differences in family businesses' efforts to respond to crises such as the COVID19 pandemic. On this basis, we understand crisis management as the strategic response to a situation that threatens business continuance (Carsrud & Brännback, 2011). Building on that, our aim is to answer the question of how and why owner-managed family businesses differ regarding their resilience and the implications this has for their crisis management.

Evaluating the effects of family dynamics on business strategy and behavior is of special importance, as family firms are often seen as unwilling to change and strategy in family businesses is different from nonfamily firms (e.g., Daspit et al., 2017; Nordqvist & Melin, 2010; Sharma et al., 1997). Nevertheless, recent studies showed that the COVID19 crisis made family firms unlock their innovation potential (Leppäaho & Ritala, 2022) and use their adaptive capacity to overcome a crisis (Soluk et al., 2021). In addition, the long-term existence of family firms relies on their relational adaptation abilities (Williams et al., 2017). This describes their ability to manage interactions, especially outside of the organization itself. In what follows, we consider family businesses as businesses in which the family has ownership control and a hands-on involvement in the management of the business (Astrachan et al., 2002; Shanker & Astrachan, 1996) and especially focus on those companies with family involvement in management and leadership (Amit & Villalonga, 2014).

To extend the understanding of family business crisis management, we focus on individual differences in the family business owner-manager's strategic decision making as a response to a crisis, considering business adaptation and transformation as central mechanisms of business resilience. More specifically, we focus on the use of technology as a strategic response to the COVID19-induced crisis. We consider those businesses exhibiting long-term digital transformation processes to have succeeded in responding to a crisis in contrast to a short-term digital adaptation (which is often a precondition to the digital transformation). Furthermore, we adopt a more nuanced view on family business resilience in going beyond organizational resilience and the functioning of the business family (Calabrò et al., 2021), considering resilience as a multi-level construct. Hence, to enhance the understanding of family business owner-manager's resilience, we conduct a multiple case study based on a vast data set spanning interviews, documents, observations, and website analysis of 141 businesses.

Our extensive qualitative study reveals that all family businesses under study were affected equally by the crisis. However, they largely vary in their ability to adapt and even thrive and innovate as a reaction to the crisis. This depends on the manifestation of resilience in their business, influencing the pace and quality of their crisis response.

We contribute to existing research in various ways. First, we enhance research on resilience by empirically extending the understanding of resilience and identifying three dimensions of resilience, namely personal, business, and relational resilience, which mutually influence each other. In doing so, we especially highlight the multidimensionality of the resilience concept, helping to refine existing conceptualizations and diverging research (Ventura et al., 2020). We also extend the understanding on the relationship between these dimensions (Santoro et al., 2021). Especially the relational dimension of resilience offers rich insights into the functioning of family businesses after a crisis, extending the relational benefits of family business owner-managers beyond the family and the business. Reaching high levels of relational resilience, especially through resource sharing and knowledge sharing, highly enhances the quality of crisis response.

Second, we therefore add to the research on crisis response, as we show that the different levels of resilience have vast consequences on the way family businesses react to crises. This reaction can be divided into three modes: react, adapt, and consolidate. Further, depending on the owner-managers and their family business,

there are large differences in the pace and quality of digital transformation and hence the strategic response. Our data suggest a link between relational resilience and the quality of the crisis response, highlighting the importance of the relational aspect of resilience and especially identifying the owner-managers' personal ties outside the business family as making a significant difference. Thereby we also shed light on the relationship between resilience and strategy.

Third, in showing the multiple ways through which they are able to increase resilience, our study also adds to research on the central role of owner-managers in family businesses, especially during crises. We found four different types of owner-managers and their family businesses, enriching our understanding of how strategic transformation in family businesses can be reached.

Lastly, our study has several practical implications for family businesses, their owner-managers and policy makers. Our findings especially highlight the inter-connectedness between these players, leading to the overall recommendations for owner-managers to recognize the advantages of business ecosystems and to actively position themselves within them to facilitate strategic transformation.

## 2. Theoretical Background

### 2.1. Owner-managed family businesses and resilience

Although there are multiple conceptual elements to define and classify a family business (Hernández-Linares et al., 2017), we suppose active family involvement in management and leadership is an essential defining feature of family firms (Amit & Villalonga, 2014). As a result, this involvement allows the family to directly transfer their own values, goals, and practices to the business and to immediately influence its decision-making processes and organizational behavior (Salvato et al., 2019). Research has shown that family ownership creates value only when it is combined with certain forms of family management and control (Amit & Villalonga, 2014). As a consequence, we focus on owner-managers in family businesses and their response to a crisis. Given their special role as owners, they are granted ultimate property and residual rights and can thereby exert superior influence on the strategy of their businesses (Schulze & Zellweger, 2021). In addition, in a family business, owners face the challenge of positioning themselves toward the family business's need for continuity and the need to adapt and change when needed to hand down the company to the next generation (Erdogan et al., 2020; Lorenzo-Gómez, 2020).

In times of crisis, business families have been found capable of mobilizing their specific bundle of resources to keep their business operating, lending superior resilience to family firms (Amann & Jaussaud, 2012; Calabrò et al., 2021; Kraus et al., 2020). More precisely, research has shown family businesses' ability to leverage their family's social capital and patient financial capital, which can make a difference in times of crisis, making the family the backbone of family business resilience in such times (Calabrò et al., 2021). The growing amount of environmental turbulence has led to an increasing value of resilience (Zhao et al., 2016).

Here, resilience refers to how firms adjust, adapt, and reinvent their business models in a changing environment (Sharma & Salvato, 2015). Lengnick-Hall and Beck (2005) defined resilience as the ability of organizations to avoid, absorb, respond to, and recover from situations that could threaten their existence. As one of the main objectives of family firms is their long-term survival, transferring their business to subsequent generations (Lumpkin & Brigham, 2011), resilience is especially important in this type of firm. Family-owned and managed businesses with high resilience develop idiosyncratic ways of responding to exogenous shocks (Danes et al., 2009; Haynes et al., 2019; Herbane, 2015).

Previous research has illustrated that family members' abilities to access resources, make decisions, and take actions in the presence of unforeseen circumstances are critical to family business sustainability (Danes et al., 2009). Therefore, family business resilience is a special type of resilience that reflects "the reservoir of individual and family resources that cushions the family business against disruptions" (Brewton et al., 2010). Additionally, based on a review of the paradigm of resilience in family businesses by Ventura et al. (2020), we understand resilience as a multi-level concept, with different organizational levels mutually influencing each other and cumulatively adding up to the overall resilience of the business (Anwar et al., 2021; Lengnick-Hall et al., 2011).

Especially in owner-managed businesses, personal resilience in the form of the owner-managers' resilience is particularly important to business survival (Ghobakhloo & Tang, 2013; Herbane, 2019; Kevill et al., 2017). Owner-managers need to be able to look for alternatives under adverse conditions and to deal with complex situations, identifying solutions (Renko et al., 2021; Santoro et al., 2021). Whereas owner-managers can be present in both family and nonfamily firms (Chrisman et al., 2016), owners of the former usually pursue goals that involve increasing both financial and socioemotional wealth (Chrisman et al., 2016; Rousseau et al., 2018) and exhibit stronger

stewardship toward the firm (Hadjielias et al., 2021; Miller & Le Breton-Miller, 2006). Despite the limited insights into the influence of owner-manager resilience on family business resilience, long-term family ownership orientation and the desire to transfer the business to future generations have been identified as providing the social, financial, and emotional capital required to successfully cope with emergencies (Calabrò et al., 2021; Salvato et al., 2020).

On the next level, we follow Ortiz-de-Mandojana and Bansal (2016) to define organizational resilience as a set of capabilities that equip the business with tendencies that can facilitate its reaction to unexpected disruptions. This entails positive adjustments made by the firm under adversity, which mainly involve effective coordination and knowledge integration (Lengnick-Hall & Beck, 2005; Williams et al., 2017). These adjustments are positively influenced by relational coordination in the form of effective communication and integration across roles and functions (Anwar et al., 2021). This is specified through the three key domains of resilience: communication, problem solving, and adaptability (Burnard & Bhamra, 2011).

As argued above, family business resilience is special regarding the necessity of considering the connection between the family and the business and the importance of relational ties within and beyond the business. However, studies on resilience have focused largely on the abilities and capabilities of individuals or businesses. There is some research in psychology on resilience as a relational dynamic (Jordan, 1992). Although the few existing studies have highlighted resilience through networks as a meaningful strategy in handling crises (Schwaiger et al., 2022), more research on relational resilience in business and management is needed. Studies on resilience in family businesses focus on family capital (human, social, and financial), with social capital being the most important resource for overcoming a crisis, particularly in the form of strong social relationships (Mzid et al., 2019) that can be understood as an antecedent of organizational resilience (Herbane, 2019). In line with that, a literature review by Chrisman, Chua, and Steier (2011) points out that social capital, as a factor of family business resilience, can be caused by social exchange and thus should be further investigated.

Additionally, cooperation, networking, and the embeddedness of one firm increase the level of overall resilience (Dahles & Susilowati, 2015; Schwaiger et al., 2022; Sharma et al., 2021) and that community can be seen as a strategic resource (Gibson et al., 2021). Furthermore, a family firm's embeddedness in an ecosystem can be highly beneficial (Bichler et al., 2022). Research has mainly focused on the collaboration between firms and their interactions in a network (Chesbrough & Appleyard, 2007; Lorenzoni & Baden-Fuller, 1995; Wulf & Butel, 2017). In particular, the idea of achieving synergies by sharing resources is the main driver behind collaborative efforts between organizations (Ahuja, 2000; Arya & Lin, 2007). Additionally, the exchange of knowledge is seen as a success factor of these collaborations (Wulf & Butel, 2017). Overall, these mechanisms enable businesses to build long-lasting competitive advantages (Albers et al., 2016; Lorenzoni & Baden-Fuller, 1995; Rong & Shi, 2015). Other research streams emphasize a more "holistic view of the business network and the relationships and mechanisms that are shaping it, while including the roles and strategies of the individual actors that are a part of these networks" (Anggraeni et al., 2007, p. 11), implying the high importance of relational resilience. Hence, firms are no longer isolated, acting alone in a market between and against their competitors, but are integrated in an ecosystem where organizations are connected (Brass et al., 2004), striving due to these connections (Makinen & Dedehayir, 2012).

### 2.2. Strategic response to change in family businesses

As argued above, we consider family business owner-manager's strategic decision as a response to a crisis, with a special focus on business adaptation and transformation as central mechanisms of business resilience. Therefore, resilience can be understood as a prerequisite to strategy, both internalized in the owner-managers and their family businesses.

Strategic management research has focused largely on nonfamily businesses, especially considering performance and competitive strategies (Furrer et al., 2008; Hoskisson et al., 1999). Coming from a legitimate discussion of whether these results can be applied to family business research, Astrachan (2010) formulated a multidimensional research agenda for strategy in family business. Thus, evaluating the effects of family dynamics on business strategy and behavior is of special importance, as family firms are often seen as unwilling to change, and strategy in family businesses has to be seen from a different perspective (e.g., Daspit et al., 2017; Nordqvist & Melin, 2010; Sharma et al., 1997). In contrast to these expectations, several studies demonstrate family businesses' responsiveness to strategic change, resulting in a competitive advantage (Memili et al., 2010) and the sustainability of the firms (Pieper, 2010). One reason for this is their ability to manage the tension between tra-

dition and future business requirements (Erdogan et al., 2020).

To keep pace with rapid and disruptive changes (Johnson et al., 2009), family firms can mobilize new, modified, or adjusted strategic options, for example, regarding products, internationalization, or innovation (Aronoff & Ward, 2011; Sharma et al., 1997). Crises especially come with unexpected challenges, typically requiring fast and decisive strategic decision-making (Ritchie, 2004), since a crisis is a situation that threatens business continuance (Carsrud & Brännback, 2011). Although there is limited research on how family firms manage crises (for some exceptions, see Cater & Beal, 2014; Cater & Schwab, 2008; Faghfouri et al., 2015; Kraus et al., 2020), especially the COVID19 pandemic led to new streams of research on how family businesses had to implement crisis management measures and adjust their strategy accordingly. Existing research mostly adopts a macro level perspective on the response to the COVID19 pandemic, focusing on digitalization (Guo et al., 2020; Soluk et al., 2021), resources (Calabrò et al., 2021; Leppäaho & Ritala, 2022) and internal and external factors influencing resilience on the organizational level (Schwaiger et al., 2021; Sharma et al., 2021). An exploratory approach on the strategic response to the crisis by Kraus et al. (2020) revealed that family firms often apply measures that can be assigned to five overarching topics: (1) safeguarding liquidity, (2) safeguarding operations, (3) safeguarding communication, (4) business models, and (5) cultural changes to emerge from a crisis stronger in the long run (Kraus et al., 2020).

Building on that, we understand crisis management as the strategic response to disruptive change, namely to a situation that threatens the survival of the business (Carsrud & Brännback, 2011). Hereby, especially in times of crisis, family businesses might be forced to carry out strategic transformation in the form of innovation (Leppäaho & Ritala, 2022), digital transformation, and strategic change (Guo et al., 2020; Soluk et al., 2021). According to Rumelt (1995, p. 10), transformation is "the process of engendering a fundamental change in an organization leading to a dramatic improvement in performance [… which] may involve strategic redirection". His model distinguishes between recovery and renewal, defined as "the process of developing new skills and resources or of discovering new uses for extant skills and resources" (Rumelt, 1995). From this perspective, transformation suggests not just a return to a previously existing state but movement through and beyond stress or suffering into a new and more comprehensive personal and relational integration.

## 3. Research Method

Drawing on a positivist approach with the theoretical purpose of exploring how and why family businesses differ regarding their resilience and the implications for their crisis management, we applied a case study research approach (Leppäaho et al., 2016). A case study is an empirical inquiry that "… investigates a contemporary phenomenon (the 'case') in depth and within its real-world context …" (Yin, 2018, p. 15). This builds on the understanding that you need to consider contextual conditions to comprehend a real-world phenomenon and that "… context and phenomenon are not always sharply distinguishable…" (Yin, 2018, p. 15).

Given the limited insights we have regarding the resilience of family businesses, conducting a case study allowed us to generate a new or extended conceptual understanding (Hall & Nordqvist, 2008), thereby elaborating theory from a rich set of qualitative data (Patton, 2002). We conducted a multiple-case approach whose cross-case analysis "… forces investigators to look beyond initial impressions and see evidence through multiple lenses …" (Eisenhardt, 1989, p. 533). Therefore, similarities and differences can be found (Eisenhardt, 1989) and it is important to describe the cases in detail and in depth to address questions of generalizability (Patton & Appelbaum, 2003).

### 3.1. Case selection and research setting

As for every form of research approach, a case study requires a distinct sampling strategy to decide who to interview and which settings to examine (Punch, 2014). As we were interested in analyzing how owner-managers in family firms (re-)act in the case of a major crisis, we focused on an extensive set of cases based on the same business ecosystem and the same industry sector. This enabled us to identify within-group differences, as we executed a theoretical replication to find contrasting results but for expectable reasons (Yin, 2014).

We chose 141 small- and medium-sized regional fashion retailers located in Germany that are all part of the same business ecosystem but vary in their corporate structures. Looking for extreme cases (Flyvbjerg, 2006), we chose this context because the retail sector was hit especially hard by the COVID19 pandemic, and their business model, and hence the fundament of their business, ceased to exist. This gave us the advantage of studying and comparing many owner-managed family businesses with foreseeable similarities (e.g., business models) as well as differences (e.g., size). Since the goal of our study is to explore differences in family businesses' reactions

to crises in terms of their resilience, these family businesses all belong to the same business ecosystem; thus, overall, we followed purposeful sampling logic (Palinkas et al., 2015; Patton, 2002). Additionally, all companies under study faced the same crisis - the COVID19 pandemic - with the same timeframe and starting point. This gave us the opportunity to compare the crisis response and resilience dimensions in a rather objective manner, as all companies were in the same situation and had to deal with the same circumstances. For a detailed description of the cases under study, see Appendix 1.

### 3.2 Data collection

While the pandemic also poses challenges for conducting research (Rahman et al., 2021), we were able to consider alternative data collection methods in advance. Therefore, we chose a combination of virtual interviews and on-site observations to overcome the 'distance away from the research site' (Howlett, 2022) and balance benefits and challenges of conducting remote qualitative research (Rahman et al., 2021).

Consequently, to gather rich data, we collected the following data on the 141 cases: (1) observations of the businesses under study, (2) archival data about the business and its environment, (3) website data, and (4) two waves of semi-structured interviews with the owner-managers of the family businesses, first in focus groups and second through telephone interviews. The data were collected as part of a larger research project on family businesses with owner-managers. For a more detailed description of the data sources, see Table 1.

Conducting a rich dataset helped us to triangulate our data and mitigate possible biases (e.g., social desirability bias) from the interviews. Furthermore, a vast dataset was needed, as we wanted to understand whether all family businesses reacted the same way to the crisis. Conducting interviews in a focus group setting enabled us to replicate the business ecosystem logic in our research setting and understand interrelations between the actors as these group discussions build on inherent dynamics and help to explore the issues in context, depth and detail.

### 3.4. Data analysis

Data analysis drew upon established approaches for qualitative studies (Patton, 2002). In following an inductive approach (Corbin & Strauss, 2008), we moved back and forth between the data and an emerging theoretical understanding of crisis response and resilience in the case setting. We focused on how individuals managing and controlling a business responded to the COVID19 pandemic as a form of massive crisis, why they proceeded as they did, and what the consequences were. Our analysis progressed in four steps as we developed and refined our findings.

#### *Step 1 - Individual case analysis*

First, we analyzed each of the cases separately to gain an understanding of their characteristics. Detailed descriptions were condensed with the help of all data sources. This resulted in the identification of digital transformation as a

**Table 1.** Types of data and use in analysis

| Data type | Description | Use in analysis |
|---|---|---|
| *Observations* | The first author observed meetings (board meetings, senior management team meetings, strategic planning meetings, strategy 'away-days'), took part in casual conversations and did site visits. | • Finalization of the interview sample<br>• Development of a code book for website analysis<br>• Analysis of the pace and depth of the crisis reaction (digital transformation) |
| *Website analysis* | Over a period of 15 month (March 2020 to July 2021) a group of trained students analyzed the online activities of the family firms under study. | • Analysis of the pace and quality of crisis reaction (digital transformation) |
| *Focus group interviews* | Eleven semi structured focus group interviews varying from two to six participants (90 minutes each), using Microsoft Teams, recorded (more than 44 hours of video material) and transcribed verbatim (400 pages). | • Refinement of the analysis of the pace and quality of crisis reaction (digital transformation)<br>• Typology of owner-manager resilience and across-type analysis |
| *Telephone interviews* | Ten semi structured telephone interviews with a length of 60 minutes in total, specifically asking follow up questions. | • Final validation of the analysis<br>• Validation of the relational resilience construct |

central strategy of crisis response in the family businesses under study. Following Hanelt et al. (2020, p. 2), we define digital transformation as a specific type of strategic transformation in which "organizational change [is] triggered and shaped by the widespread diffusion of digital technology." This is supported by Bharadwaj et al. (2013, p. 471), who stated that "digital technologies [...] are fundamentally transforming business strategies, business processes, firm capabilities, products and services, and key interfirm relationships in extended business networks." Proceeding with our analysis, we focused on all data related to digital transformation as a strategic response to the crisis to identify similarities and differences across the cases under study.

***Step 2 – Analysis of pace and quality of crisis response***

In the second step, using Atlas.ti software, we engaged in a cross-case analysis. Drawing upon grounded theory (Corbin & Strauss, 2008; Gioia et al., 2013) allowed us to refine how the family business owner-managers and their family businesses responded to the crises and captured their digital transformation as a central strategy. This second step resulted in an overview of the different modes of crisis management of the family businesses under study regarding digital transformation. Building on the existing literature, we found three modes and identified them as react, adapt, and consolidate. Analyzing the cases with regard to these crisis modes, we discovered that the family businesses under study varied largely with regard to the pace and quality of their strategic responses to the crisis. Since the COVID19 pandemic had a single starting point, we were able to retrace the pace of the family businesses' individual crisis responses by analyzing which crisis mode was fulfilled at a given time.

To measure the quality of the strategic response, we followed Guo et al. (2020) and combined the general countermeasures, the overall digitalization degree (adoption of digital technologies) of family business, the evaluation of the strategy from a customer perspective, and the overall strategic fit.

***Step 3 – Identification of four types of owner-managers***

Third, to understand the reasons behind the differences in pace and quality in crisis response, we conducted an inductive thematic analysis using the constant comparative method (Silverman, 2006). By rereading the emergent types and independently coding the data, we assessed the reliability and uncovered the meaning of the data and the emerging categories. Taking short notes facilitated iteratively moving back and forth between the data, the emerging categories, and the literature. Building on that, we focused on the different levels of resilience of the family businesses (i.e., personal, business, and relational resilience). As the analysis progressed, we refined our categories, finally identifying similarities and differences in the interplay of family business resilience and crisis response in the cases under study.

Thus, we identified four different types of owner-managers within their businesses based on their pace and quality of crisis response, explained by differences in their resilience configuration. Therefore, in this step, we organized the businesses with regard to their pace and quality in crisis response (i.e., low vs. high), related to different resilience dimensions (e.g., *personal resilience*), and corresponding codes (e.g., *mindset* or *personal knowledge base*).

Overall, inductively analyzing the case data was beneficial in two different ways. First, grounding the codes and categories in the data helped us refine the existing research without losing its connection to it. Second, rather than forcing data into predetermined categories, we inductively moved back and forth between data and allowed categories to emerge, which, along with the theory, generated a better understanding of the phenomena under investigation and, thus, more insightful findings.

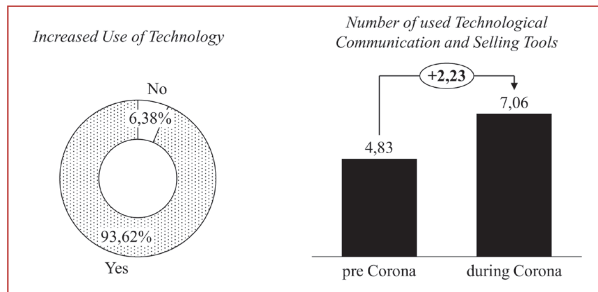
## 4. Findings

Our study was designed to explore how and why family businesses differ in their resilience and how it influences their crisis response. Analyzing our extensive qualitative data revealed that all firms in the ecosystem were affected equally by the crisis due to the lockdowns and the forced closing of their business. All interviewees perceived the COVID19 pandemic as a direct and insurmountable threat to their family business, fearing the loss of the family's wealth.

> *"When COVID19 appeared, the first thing to do was to go into crisis mode. There was naturally the worry of losing the capital that had been built up over the years from generation to generation. For a short time, I thought, damn it, I can see how the family legacy is being destroyed." (C19)*

However, it is also a chance to strategically transform, that is, to adapt and innovate. Our data showed that the majority of family firms under study increased their usage of customer-focused communication technologies permanently during the COVID19 pandemic, implying a digital transformation.

**Figure 1.** Increased use of technology




More specifically, we found that almost all of the businesses under study went through three modes of crisis management—react, adapt, and consolidate—confirming that there was no difference in the issues family businesses have to address in times of crisis but only in how they responded. Table 1 provides more detail of the actions and crisis mode the family businesses took in response to the crisis, as well as which of Kraus et al.'s (2020) overarching topics were identified in their responses.

Building on that, our data showed that all three dimensions of family business resilience (personal, business, and relational resilience) were central to the crisis response. Comparing crisis response and resilience across the cases, we identified several resilience dimensions that are central to family business resilience. These will be described in more detail in the following sections.

### 4.1. Three dimensions of family business resilience

Analyzing the crisis response revealed differences in family businesses' ability to avoid, absorb, respond to, and recover from situations that could threaten their existence. We found these dynamic processes of resilience, involving the ability to learn and positively adapt, at different levels of the businesses under study (i.e., individual, business, and relational), with different factors facilitating these dimensions. An overview of these findings is depicted in Figure 2. Thereby we clearly identified resilience in family businesses as a multidimensional construct where all dimensions form the businesses' overall ability to counteract a crisis.

**Table 2.** Overview of crisis responses by family businesses during COVID19

| Crisis mode | Overarching topic | Measures | Representative quote |
|---|---|---|---|
| React | *Safeguarding liquidity* | Special credit programs<br>Direct subsidies<br>Short-time work<br>Cutting rent | "I think short-time work was the first thing everyone introduced, and I'm still working with reduced opening hours to keep personnel costs low. I have also discussed rents with my landlords. Fortunately, it wasn't really a deciding factor since I'm in my own property for the large part of my business. In addition, I have provided myself with liquidity through various governmental credit programs. I don't know yet whether I will draw down all the loans, but it makes me feel safe." (C139) |
| | *Safeguarding operations* | Keeping good personnel | "But we have to manage our company in such a way that it's powerful enough to feed the family. There is no goal of generating 5% returns, for example. If that's the case, to take on an investor's perspective, we shouldn't have made the decision to top up our employees' salaries while they were on short-time work. If we keep the people in our company and keep them happy, we don't have to look for new employees after the crisis and re-train them. It's about long-term goals." (C14) |
| | | Reducing working capital | "And when the lockdown began, it was the start of the most important weeks of the year for us, and the warehouses were full. And it completely frightened us. We instantly hopped onto the well-known marketplaces very quickly. Just to sell products, reduce inventories, and somehow flush liquidity into the company." (C10) |
| | *Safeguarding communication* | Staying in touch with customers | "We printed out a list of our most loyal customers and our stuff called them and asked if we can deliver surprise packages to their homes. And of course, we also introduced WhatsApp group customers." (C24) |
| | | Addressing employees' fears | "But with the pandemic, communication has become the most important task just to give employees solidity and confidence. That has changed so much for us now." (C92) |
| | | New communication tools<br>Direct communication | "We have introduced Threema. It has been extremely helpful for us because we were always in touch with everyone. We also made no distinction between hierarchical levels.“ (C119) |

| Crisis mode | Overarching topic | Measures | Representative quote |
|---|---|---|---|
| Adapt | *Business model* | New business segments | "Even long before Corona, we had been speculating about to do an online shop. And we didn't really do it until the lockdown came. We told ourselves: If not now, then we will never do it. And we went all the way, and we haven't regretted it since. Corona was just a driver for innovation" (C19) |
| | *Cultural changes* | Sense of solidarity | "The employees came to me: "Boss, we've done other things together and we'll get through this. We stand by you, and if I have to give up money so that we can get through the crisis, that's okay." (C135) |
| | | Identification with new business segments | "We've had all these communication tools for a while. But some of our employees are older. Now even the last ones bought a smartphone to get all the information, and those were the ones who were totally excited when the first orders came in via the online store." (C76) |
| | | More responsibilities | "The young people worked their way to the forefront, which was positive. The apprentices were also able to work on their own, especially during the lockdown phase, when we had a lot of short-time work for the regular employees. Every single person had to work independently, but the new technologies also made it possible to break down hierarchies." (C26) |
| Consolidate | *Business model* | Review of measures | "During Corona there was of course a lot of trial and error and mainly short-term goals. Now, we are reviewing all the measures and trying to aim for long-term transformation. For instance, we are now using our interfaces in online marketplaces with a different strategy. "(C83) |

***Personal resilience***

All the owner-managers under study confirmed that the pandemic strongly influenced their own role in the company and that their personal involvement had changed. They had to focus more on operative subjects, including legal topics such as short-time work or other subsidies like special funding program for the introduction of new technologies. Additionally, strategic decisions, for example, about implementing new technologies and investing in digitalization measures, were made by the owners themselves in family firms. Thus, personal resilience was a key factor in family firms. This included the personal knowledge base and capabilities of the owner-managers, as they had to adapt to the crisis. Their personal know-how about crisis measures mattered, but most of the owners emphasized their own ability to recognize and assimilate new information to make strategic decisions.

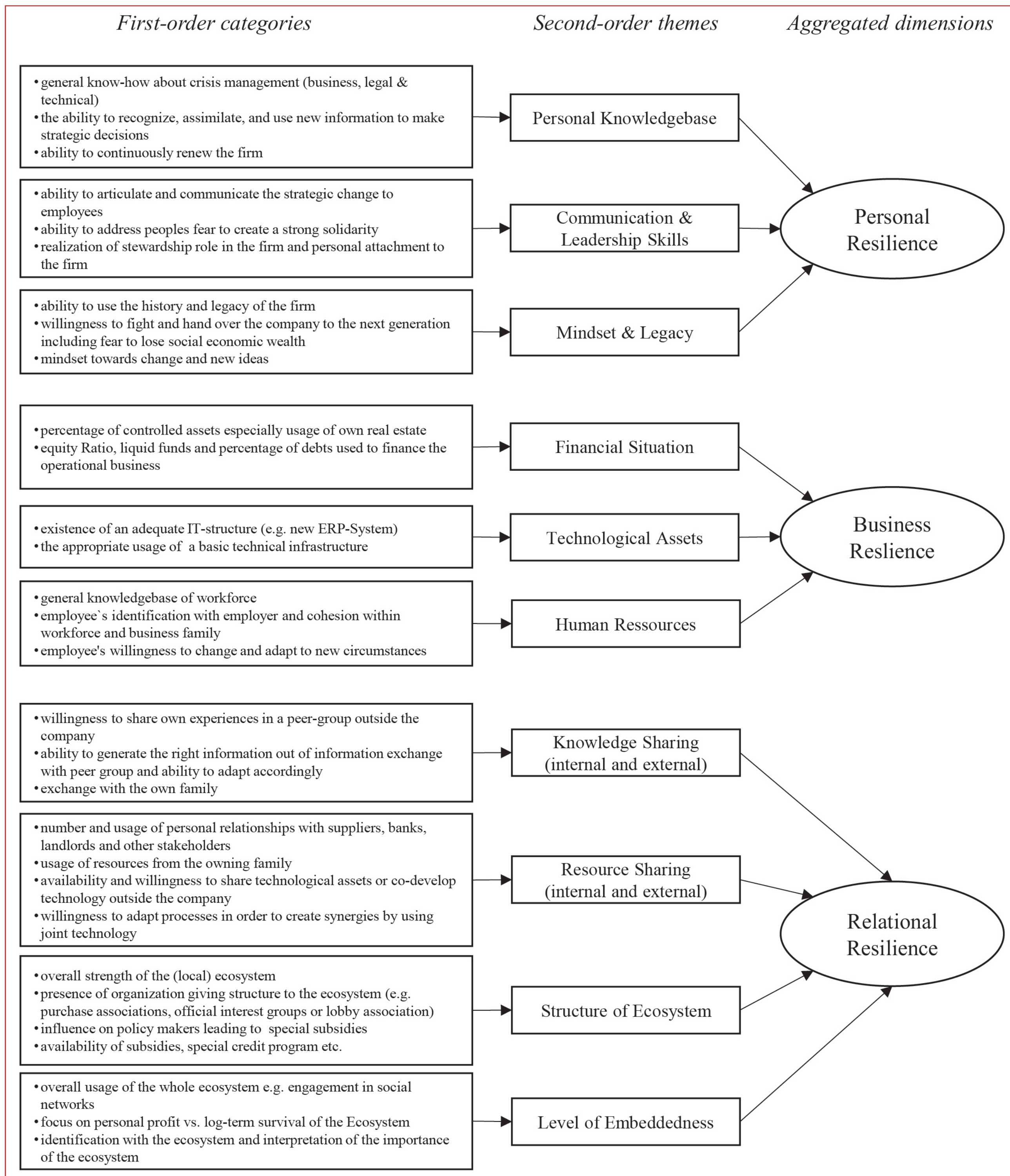
*"What kept you busy is that you had to leave your role as an entrepreneur. I had to find my way back into areas in which I had no previous experience. have never dealt with all this: short-time work, subsidies, digitalization, and so on… but I had to gather information to be able to make the right decision." (C96)*

Other personal resilience identified included leadership and communication skills, as the family business owners were also the face of the company toward the businesses' employees and customers. Thus, fulfilling the role of steward and strengthening personal attachment increased resilience. In particular, the ability to articulate and communicate strategic change and to share the contingency plan was important. These communication skills were highly relevant to creating strong solidarity and identification with the company, as employees feared uncertainty.

*"As the head of the company, you tended to back off a bit in the period before. You developed the strategy, you are in the background, and you have the vision. But because of the pandemic, this communication has become extremely important, just to give the employees firmness and confidence." (C92)*

Further, the mindset and the use of the firm's legacy seemed to be pivotal. Although almost all the owner-managers perceived the pandemic as a crisis, there were differences in the extent to which it was also seen as an opportunity. Most of the companies under study had to adjust their business models or product ranges several times

**Figure 2.** Dimensions of family business resilience




in their history; however, not all companies made use of the past—that is, used their legacy to form a mindset that was open to change.

*"So, if we hadn't changed, we wouldn't be in the 6th generation now. We started as a small mom-and-pop store and have grown through a bed department store that my father ran. And now, in my generation, we have turned it into a fashion store and are going down the path of digitalization. So, it's about changing all along. But it is also about succession. To hand over this legacy." (C92)*

***Business resilience***

At the business level, three second-order themes that formed business resilience were identified, as shown in Figure 2. Many participants highlighted

the businesses' financial situation as a success factor in the crisis. The family firms focused on long-term goals, allowing them to operate with a high equity ratio and often using their own real estate for the operational business.

*"50% of the store space we use, and the lion's share in terms of square meters, belongs to ourselves. That let me sleep more calmly in the pandemic because I knew that I don't have to pay rent to myself." (C83)*

*"As a family business, I fortunately don't have to report to an investor who wants dividends every year. We keep the money in the company. I've never had to take out short-term loans to finance goods, and even now in the pandemic, I've only applied for loans as a security measure, but in the end, I was able to pay everything out of equity." (C73)*

Another aspect of business resilience identified was human resources—that is, the abilities of employees. In particular, flexibility, and adaptability were mentioned. This seems to be especially the case for smaller family businesses because the areas of responsibility of both the management and the employees are very diverse and less specialized than in large companies.

*"During the crisis, I also discovered new skills in some employees. All of a sudden, our IT colleague was obsessed with the possibilities of social media marketing and provided a lot of new impulses." (C135)*

Furthermore, existing technology in general was understood as a sub-factor of business resilience. This included not only the sheer existence of technology but also whether it was appropriately used.

*"Fortunately, we had already invested in IT and kept our ERP at an adequate level. This made it easier for us to implement further interfaces to our own online shops and online market places." (C10)*

***Relational resilience***

Both on the personal and on the business level, participants repeatedly emphasized how important the interactions between the various players were in getting through the crisis. Thus, managing and making use of relationships seemed to be critical within, but especially beyond, the organization. Our data showed two ways in which relationships were used to strengthen resilience (knowledge sharing and resource sharing) and the importance of the overall ecosystem (structure of ecosystem and level of embeddedness). The data showed that close exchange with the owner's family was used to make the right decisions. In this way, questions could be discussed from different perspectives, and the skills of each family member could be used more efficiently.

*"At the moment, we are four family members working in the company. My sister and my parents. All of our decisions are discussed internally first." (C101)*

This aspect seems to be more pronounced in family businesses, where the owner-managers are embedded in a network of strong social ties with their own family as well as friends, personal business contacts, and employees. Our analysis of relational resilience revealed that owner-managers used these social ties mainly in two ways. Knowledge sharing refers to their use of their own networks to learn from the experience other firms had made, thus gaining personal knowledge.

*"Online sales were low until I talked to another retailer. He then told me three times here, three times there and behold, sales skyrocketed." (C10)*

Especially in terms of strategic decisions, the network was a resource, and thus, the ability to generate the right information out of information exchange with peer groups and the ability to adapt accordingly was a resilience factor.

*"And I've always been like that with an idea, rather well stolen than badly invented myself. And that basically was enhanced by the pandemic because I was lucky enough to have stumbled into this exchange panel relatively early, with the first Lockdown. This meant that I was always in a close exchange with many other retailers from the very beginning and was naturally able to pick up on ideas that have proven themselves with others [...] and develop the strategy accordingly. […]" (C17)*

Resource sharing additionally included the joint use of IT systems and accordingly the availability and willingness to share technological assets or co-develop technology but also the willingness to adapt processes to create synergies by using joint technology.

*"Without the use of central IT structures, which were made available for us through a partner network, we would never have gone live on all the marketplaces within such a few days, and our web shop project would still not be completed today. We don't even need to talk about the costs at this point. They would also be many times higher." (C133)*

Further, there were personal relationships between the owner's family, suppliers, and other stakeholders that could be used during the crisis to reduce costs in the short term, which can be defined as personal favors.

> *"...with the landlord of one of our stores, I am in the local choir. This also helped to negotiate the rent." (C83)*

This knowledge- and resource-sharing mechanism, including personal favors, can be further divided into whether the owners consumed or provided only for themselves. Our data showed that the resilience of the family businesses under study also depended heavily on the structure of the business ecosystem in which they were embedded. The ecosystem can be viewed and expanded at different levels. On the one hand, there was local biotopes, which was especially important for local family businesses in the retail sector.

> *"What happens to my downtown biotope? What do I need from the outside for me to exist or for the business to exist? And to what extent is that within my control? […] I prefer to act in such a way that I not only strengthen my own company, but also make sure that the surrounding area is doing well..." (C87)*

On the other hand, there was the business side of the ecosystem, which included suppliers, customers, competitors, and the same types of businesses in other regional settings. A strong ecosystem also fostered the resilience of the family firm.

> *"This construct of medium-sized, owner-managed retailers only works as long as all the companies involved act in partnership. Corona demonstrated this to us. We retailers need brands in our stores. We are too small to do everything ourselves. We don't need to gloat when fashion brand X or retailer Y goes bankrupt. That harms us just as much." (C95)*

However, these ecosystems must also be managed. Thus, for instance, purchase associations are an integral part of giving structure to such an ecosystem and guidance to the players involved but also negotiating with policymakers about the special needs leading to, for example, subsidies. In particular, the availability of these government grants made it easier for family firms to adapt as they were for instance designed to help companies to implement new technologies.

> *"Even though everyone is always ranting about the purchase associations. In the crisis, I was glad to be a member of it and to be able to rely on its advice and its good network to our suppliers, other retailers, and policy makers. […] The availability of the subsidies [like the digitalization bonus] provided by the government made it easier for us to get through everything." (C133)*

This shows that the survival of the entire ecosystem is sometimes more important in a crisis than short-term profit. Hence, it is particularly noteworthy at this point that some participants in the ecosystem examined deliberately put their own interests aside to ensure the survival of the entire system.

> *"We also followed the associations' recommendation during the crisis and did not disagree when the payment terms were changed centrally for several months, and we gave up a 4% discount as a result. We would still have had enough liquidity, but it was more important for me to work in solidarity with the other retailers so that we all came out stronger." (C73)*

Interestingly, combining these findings, although all businesses under study exhibited resilience, we found large differences regarding the pace and quality of their strategic reaction (transformation) to the crisis. The resilience dimensions of the owner-managers and their

**Figure 3.** Overview of findings

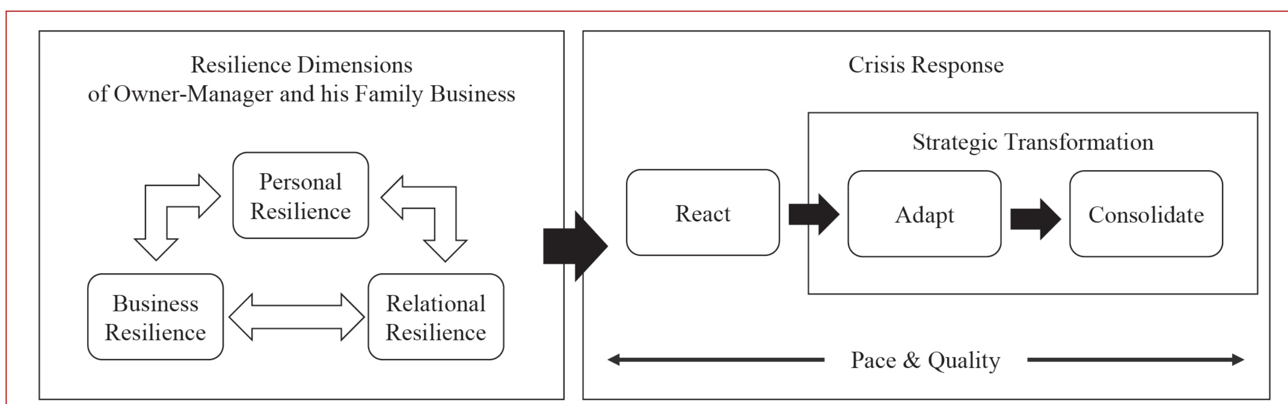
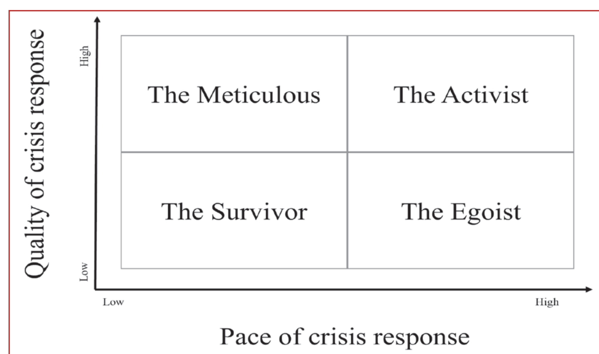


**Figure 4.** Four types of owner-managers and their family businesses




family businesses under study showed an interplay leading to different process configurations in their crisis response modes. Thus, only when they successfully processed the adapt and consolidate modes was a strategic transformation achieved.

### 4.2. Four types of owner-managers and their family businesses

Based on the crisis response of the businesses, we focused our analysis on the general countermeasures to safeguard the business and digitalization as one form of strategic response to the crisis. These responses can be assigned to the three crisis modes. Overall, the reaction mode is about implementing short-term countermeasures to secure the company and the family assets, whereas the adaption and consolidation phase is about making strategic decisions to engage in strategic change and renew the company by developing new skills or implementing new business segments and finally reviewing those measures to reinvent the company and recover from the crisis (for a detailed depiction, see Table 2).

We were able to identify four types of owner-managers and their family businesses, which largely vary regarding the quality and pace of their crisis response. For a depiction of the four types, see Figure 4. Overall, we found that the rationale behind the differences lies within the resilience dimensions leading to four typical configurations for owner-managers and their business'. We found a strong connection between the owners' business resilience, especially in terms of their financial situation, and the pace of the crisis response. Further, our findings suggest a link between relational resilience and the quality of the crisis response.

#### *Type 1: The family business survivor*

This type of family business owner-manager never really leaves the reaction mode and primarily focuses on countermeasures to overcome the crisis instead of engaging in many measures to adapt to the new circumstances and transform the business. Owner-managers of this type especially focus on countermeasures to safeguard liquidity by using special subsidies, and they are focused on short-term goals rather than on long-term strategies. Therefore, the quality of their crisis response is also rather low, as their strategic transformation is almost nonexistent. In terms of short-term countermeasures, they engage in a few but do not particularly safeguard communication.

In terms of family business survivors' personal resilience, one can highlight that they have some basic knowledge about crisis management but especially lack the ability to assimilate new information to make strategic decisions to renew the firm. This also continues in that they fail to inspire their workforce or being a strong role model. Additionally, they fear risk and are not open-minded to change, focusing on preserving the company's tradition and current state.

The company's financial situation is rather critical, as it has to work with a low equity ratio, regularly requiring short-term debt to finance the normal operational business even during stable times. Often, technological assets are rather outdated, and its digital transformation not only includes integrating new technologies but also replacing existing IT infrastructure. Its workforce is usually overaged, has been in the company during their whole work life, and lacks the skillset needed to engage in a quick and fitting transformation to the new given circumstances.

In terms of relational resilience, the owner-managers do not often use their personal network to gain information and only consume information rather than providing input themselves. They are also focused on their personal family rather than on their business network. This is also true when it comes to interactions with employees. Overall, they are not really embedded in their ecosystems, as they have low engagement and no real identification with the other players being focused on themselves. Thus, these owner-managers and their family businesses never really outlive the crisis mode and do not engage in strategic transformation.

#### *Type 2: The family business egoist*

This type engages in many measures to tackle all three crisis modes, as they are already consolidating their means and reinventing themselves. However, the quality of the family business egoists' crisis response is also rather low, as their transformational output is perceived as unfit from a customer perspective. They engage in all countermeasures but do not have to execute

these in a perfect manner, as their financial situation gives them the freedom to keep the business running, even without the use of, for example, all the special credit programs available. By that, they give away potential sources of revenue. The family firm has a high equity ratio and often uses the family's real estate, and the IT structure has been renewed frequently. The owner-managers use this financial freedom to engage in transformational measures by including new business segments and digital communication tools. However, although the overall extent of digitalization is high, the output is still low in terms of strategic fit and execution. This is partially because their employees are not included in strategic decisions, especially as the owner-managers do not really articulate and communicate the strategic change addressing the cultural changes during the adaption phase.

Overall, they are not really embedded in the ecosystem, as they are rather inward-looking seeking their own benefits. Their focus is on the personal and business dimensions of resilience. They already have a broad knowledge base that was partly generated by using knowledge-sharing measures in the past but only in a consuming manner. They can assimilate information to make the right decision and are open to change but lack execution. As addressed before, their financial situation is good, their technological assets are up-to-date, and they can invest in the skillsets of their personnel. However, cohesion and identification within the workforce are especially low.

Concerning the relationship level, overall involvement in the ecosystem is focused on the owner level rather than on the employees. Overall, there is no real identification with the ecosystem. These owner-managers aim to exploit it because they are focused on consuming possibilities out of the ecosystem. This leads to using shared resources/technologies when it seems appropriate for them and their business but only in a consuming manner.

***Type 3: The family business meticulous***

Owner-managers belonging to the family business meticulous type focus on adapting to the crisis but their ongoing transformation is of high quality. Their financial situation is especially limited, so they must exploit every possibility to gain synergies. Hence, within the countermeasures, they are very meticulous in using every governmental program available to safeguard their company's liquidity while implementing measures to reduce the working capital. Although they can address their employees' fear and articulate the upcoming strategies, they have a deficit concerning their own knowledge, but they overcome this by heavily relying on knowledge-sharing mechanisms on all levels of their organization and are also contributing to the ecosystem themselves. However, they are often hesitant to implement measures in a timely manner because of their firm's financial status, and thus, they do not use all the resources available through their network to adapt in the short run. However, the owner-managers need to use these shared resources to create synergies, as the companies' technological assets are on a basic level and need to be renewed. This is also the reason why their identification with the ecosystem is high, and they are willing to share their experience so that other owner-managers can learn from them.

Their employees are eager to compensate for the financial situation, as they have a strong identification with the business family, but their general knowledge base is rather outdated.

The owner-managers often rely on the firm's legacy and their willingness to hand over the company to the next generation when implementing strategic measures and engage in lengthy discussions with their own family to exploit the family's knowledgebase. Overall, they highly use knowledge sharing and provide their own insight into the ecosystem but are comparably slow in leaving the crisis modes.

***Type 4: The family business activist***

The family business activist tackles all dimensions of crisis response and focuses on reinventing and continuing business activities. These owner-managers' transformations are successful, and their transformational efforts are of high quality. They have basic knowledge about crisis management and strategic transformation but are constantly learning, as they can assimilate and use new information to make strategic decisions, which is in line with their ability to constantly renew the firm. They use their own network to gain such information, especially outside their business family, and rely on knowledge sharing at all levels within their organization.

Although their family business is financially stable and can afford to invest from its cashflow, the owner-managers are highly active within the ecosystem, and their business uses shared resources to further strengthen the company's position. They can address the cultural changes that come with a strategic transformation to create strong solidarity and identification among their personnel. Especially noteworthy is the willingness to change and adapt to employees. Overall, they are highly embedded in their ecosystem and focus on its long-term survival, as the see the importance of the overall construct.

## 5. Discussion, Conclusion, Future Research, and Limitations

By conducting a multiple case study and analyzing a rich set of data, we offer several insights into family business resilience and crisis response, thereby adding to both the field of family business research and the existing stream of research on resilience.

First, our study contributes to the research on resilience by extending the knowledge on different dimensions of resilience that can be found at different levels in a business. In doing so, we especially highlight the multidimensionality of the resilience concept, helping to refine existing conceptualizations and diverging research (Ventura et al., 2020).

Besides the conceptual contribution, our qualitative exploratory approach allowed us to emphasize the importance of the relational aspect of resilience, which has been neglected in research so far. Although there are research streams exploring the concept of relational resilience, they focus primarily on internal relationships, especially within the business family (Calabrò et al., 2021) while neglecting external interlinkages as emphasized by social network and business ecosystem theory. Hence, our research adds especially to these streams by showing that relational resilience exists not only within the company but also within the whole family business ecosystem and thus includes internal and external factors (Schwaiger et al., 2021; Sharma et al., 2021). Following these external links, future research should include the perspective of community as a strategic resource, as introduced by Gibson, Gibson, and Webster (2021), to further investigate the special role of communities in which family businesses are embedded.

While most research focuses on the business family, showing the family business's ability to leverage their family's social capital and patient financial capital to gain resilience (Calabrò et al., 2021), we find that the owner-managers' personal ties with industry experts and other owner-managers make a significant difference. This adds to current research streams focusing on the owner-managers' ability to look for alternatives and deal with complex situations (Renko et al., 2021; Santoro et al., 2021) by implying that their personal relationships beyond the business help them to identify those alternatives and develop the skillset to deal with a crisis. We thereby emphasize that personal networks are not only an antecedent of resilience (Herbane, 2019) but also an elementary success factor.

The positive link between the owner-managers' resilience and the organization from a psychological resilience perspective has been shown (Hadjielias et al., 2021). However, our research paints a bigger picture, identifying that the owner-managers' personal resilience (e.g., their mindset and leadership skills) is only one integral part of the multidimension construct of family business resilience. Nevertheless, future research should especially analyze the interplay between the owner-managers and their workforce in times of crisis, as we found human resources, and especially the workforce's identification with the company, to be a central factor for a family businesses' resilience. Therefore, cultural changes evolving through crisis response (Kraus et al., 2020) must be addressed. This shows the close interconnectedness of personal, relational, and business resilience, which all adds up to effective coordination and knowledge integration (Lengnick-Hall & Beck, 2005; Williams et al., 2017). These adjustments, in turn, are positively influenced by relational coordination in the form of effective communication and integration across roles and functions (Anwar et al., 2021). Altogether, they form the three key domains of resilience—communication, problem solving, and adaptability (Burnard & Bhamra, 2011).

Overall, we not only show that strong relationships lead to resilience (Mzid et al., 2019), but we also identify two central mechanisms to exploit relationships to gain resilience: knowledge- and resource-sharing. Although knowledge sharing and collaborative relationships have been investigated as a way to support strategic decision making (Wulf & Butel, 2017), we show that they are most prominent in family businesses with owner-managers and especially helpful in times of crisis. We further identify that family businesses collaborate in terms of resource sharing in the form of co-developing technologies or using technologies that have been provided through their partner network. We also show that it is not only family firms' embeddedness in the regional ecosystem that is beneficial for both the ecosystem and the organization (Bichler et al., 2022); the structure of the ecosystem itself influences the resilience of family firms. Building on ecosystem theory, these results should be further discussed to combine ecosystem and social network theory with family business research and to further analyze these central mechanisms, especially how they arise and need to be managed.

Additionally, our research reveals that the different resilience dimensions have a direct influence on the pace and quality of the strategic crisis response and the measures taken. We find a strong connection between the owners' business resilience, especially in terms of their financial situation, and the pace of the crisis response. Further, our data suggest a link between relational resilience and the quality of the crisis

response. Therefore, we extend the research on the interplay of crisis management and resilience in family-run businesses by combining the identified crisis modes and resilience dimensions. This interplay can be used to further analyze the resilience of family firms during a crisis.

Second, our study adds to the current research on crisis management in family businesses by elucidating the three different modes of crisis response that emerged from our data analysis: react, adapt, and consolidate (Kraus et al., 2020; Lengnick-Hall & Beck, 2005; Sharma & Salvato, 2015). We show that companies can only emerge sustainably stronger from the crisis if they go through all three crisis modes and transform and reinvent themselves accordingly. Further, we can show that most of the businesses under study adapt the same three crisis modes, while a few remain stuck, overly focusing on tackling only certain parts of the crisis-related challenges. Thereby we also shed light on the relationship between resilience and strategy, extending existing research on family businesses' response to the COVID19 pandemic (e.g. Calabrò et al., 2021; Schwaiger et al., 2021; Sharma et al., 2021). Our research additionally adds value to current research streams on digital transformation in family businesses by highlighting the special role of the family and the owner-manager when adapting new technologies (Ghobakhloo & Tang, 2013), adding up to current research showing that, for example, paternalism is a barrier to transformation (Soluk & Kammerlander, 2021). Accordingly, future research should also focus on digital transformation in family businesses in general, given our findings of the increased use of technology and increased digitalization efforts as a significant countermeasure. Such investigations were used to provide insight into crisis management itself.

Third, our research supports the current research streams regarding the special role of owner-managers, as they have ultimate control over the business (Schulze & Zellweger, 2021) and are thus the primary strategy makers in family businesses. Therefore, we offer implications for how owner-managers are influenced by their personal network in their strategizing, especially since knowledge sharing is used to support strategic decision making (Wulf & Butel, 2017). This should be further investigated, especially within the paradoxical tension between the family's legacy and tradition and the (crisis-induced) need to innovate (Erdogan et al., 2020) and whether relational ties within or without the family are more beneficial. Barriers to change in family business (Lorenzo-Gómez, 2020) have to be considered because change and renewal are central to allow the family to hand down the company to the next generation. In this context, the owner-manager's identity might be relevant, as "founders' identity … systematically shape key decisions in the creation of new firms" (Fauchart & Gruber, 2011), and research has shown that there is a close interplay between identity and strategy on the organizational level (Bövers & Hoon, 2021). Our typology of different owner-managers in family businesses is in line with the research on classification systems of family business research as it supports the heterogeneity of the family business concept (Hernández-Linares et al., 2017).

The study is not without limitations. First, we analyzed one specific (regional) ecosystem, which might lead to less generalizable results for family firms within other ecosystems. In particular, knowledge- and resource-sharing mechanisms might not be as applicable if the ecosystem under study is not as homogenous as in our case. Additionally, our findings emphasize that the general structure of the ecosystem is a resilience factor. However, our data did not show any variation, as only one ecosystem was the subject under study. To overcome this limitation, one option for future research is to validate our results in a quantitative study while including other ecosystems.

Second, although we triangulated our data and used multiple data sources, our findings are, to a certain extent, focused on data provided by family business owner-managers, which are often subjective and might lead to one-sided conclusions, especially when talking about the role of the employees. In particular, the results can be biased if there is only one informant (Chrisman et al., 2007). Following Holt, Madison, and Kellermanns (2017), a dispersion model could be used in future research to gain more insight by not only relying on the assessments through a single key informant.

Third, we focused on a specific snapshot in time (COVID19 pandemic), and thus, the results may vary for other crises, although COVID19 gave us the chance to study such a large quantity of owner-managed family businesses facing the same crisis to identify variance within the crisis response.

In summary, our study enhances knowledge about resilience as a multidimensional concept and the special role of relational resilience. We are able to show the mutual influence of the dimensions of resilience, as well as the consequences for short-term crisis reaction and strategic responses. Thereby, we extend the understanding of the strategic crisis response of family businesses and the prerequisites for strategic transformation. This complements the existing literature and emphasizes the need for further research on the relational aspects of resilience.

## 6. Practical Implications and Recommendations

This study offers several practical recommendations for family businesses, their owner-managers but also policy makers. First, it shows that family businesses always respond to crises through the same modes. Especially during the first crisis mode, staying solvent is essential, and hence practitioners should apply different strategies ensuring liquidity, such as ad-hoc cost-cutting measures but especially relying on the family capital and using government measures.

First, open communication with all stakeholders is essential to keep the business running and motivation high. Almost all interviewees stated that using new technologies to stay in touch with employees, customers, and suppliers was a central success factor during the crisis. Hence practitioners need to be aware of their different communication channels and interactions and should scan the market for new opportunities to keep the interaction between all stakeholders on a high level.

Second, our study reveals that the interaction between policy makers and family businesses is an integral part during a crisis. In times of crisis, policy makers should consider the special needs of family businesses and offer unbureaucratic support programs. Organizations who are forming structures, such as trade associations, play a crucial role in this process, acting as mediators and communicators between family businesses and the government. Therefore, this study recommends for policy makers to engage with trade associations, especially those representing family businesses, to stay informed about the businesses' needs.

Third, this study shows that a high equity ratio and high cash rates are surviving factors for family business as they usual lack the ability to generate quick cash resource from the financial market e.g. via bank loans. Hence one can argue that to be prepared for upcoming crises, family businesses should focus on generating cash reserves. Additionally, family businesses need to be informed about current subsidy programs as during this particular crisis, these helped the businesses to stay solvent (e.g. short-time work) but also to adapt and implement new technologies (e.g. digitalization bonus).

Altogether, our study especially highlights that during the crisis, the family owner-managers are at the heart of all actions and are embedded in a broader ecosystem of the firm with several interlinkages within their social network. Their role changes from being the pure strategist to being the captain performing the operative 'legwork.' Nearly all the CEOs we interviewed stated that their involvement during the pandemic changed to more operative and communicational tasks. Hence, personal abilities are especially important in overcoming the crisis itself and transforming the company to the next level. However, smaller family firms especially lack the knowledge and/or resources needed. The family owner-managers turn to their personal network more frequently than during stable times, making the influence of the overall business ecosystem unmissable and a key driver of success and failure, especially during a crisis.

At such times, most family firms rely on interactions with other organizations interlinked to their business. Hence, the embeddedness of an organization within its ecosystem is an essential driver of resilience during a crisis. Especially interesting are the participants and the interlinkages within the ecosystem when analyzing the different ecosystem dimensions. Those dimensions include the horizontal (economic and socio-political environments) level, involving stakeholders such as suppliers, banks, and customers, as well as the vertical (industry regimes and family systems) level (for a deeper theoretical understanding, see Bichler et al., 2022). Our data additionally show that new ties, even between (former) competitors, are formed and used to overcome the crisis. Accordingly, the clear practical recommendation can be derived that owner-managers must see themselves as networkers. In doing so, they should focus primarily on the two identified mechanisms of resource and knowledge sharing to gain competitive advantages. Thereby our study shows that it is equally important to provide and consume resources and knowledge. These mechanisms can subsequently also be applied to intra-organizational relationships.

To sum up, this study adds value by providing family managers with practical implications for how to cope with a crisis and how to use the whole ecosystem to overcome the crisis. Our research shows that family business resilience includes more than one firm's financial aspects, and that a strong social network can particularly help overcome a crisis by creating synergies due to knowledge- and resource-sharing mechanisms. Hence, our research explicitly provides insight to family owner-managers to manage and foster their relationships within, but especially without, the company to gain competitive advantages.

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## Appendix 1. Overview of family firms under study

| Company code | Ownership and leadership situation | Focus group | Manager code | Generation |
|---|---|---|---|---|
| C1 | Sole ownership and management | | | 5th |
| C2 | Co-ownership and management with predecessor | I | Havana | 5th |
| C3 | Sole ownership and management | | | 2nd |
| C4 | Sole ownership and management | | | 2nd |
| C5 | Co-ownership and management with predecessor | K | Madagascar | 5th |
| C6 | Sole ownership and management | | | 4th |
| C7 | Co-ownership and management with siblings | | | 3rd |
| C8 | Sole ownership and management | | | 4th |
| C9 | Co-ownership and management with spouse | K | Beta | 4th |
| C10 | Sole ownership and management | A | Hotel | 3rd |
| C11 | Co-ownership and management with siblings | | | 2nd |
| C12 | Sole ownership and management | | | 3rd |
| C13 | Sole ownership and management with external Manager | | | 3rd |

| Company code | Ownership and leadership situation | Focus group | Manager code | Generation |
|---|---|---|---|---|
| C14 | Co-ownership and management with siblings | L | Xray | 4th |
| C15 | Co-ownership and management with siblings | | | 2nd |
| C16 | Sole ownership and management | C | Romeo | 2nd |
| C17 | Sole ownership and management | A | Victor | 3rd |
| C18 | Co-ownership and management with spouse | | | 2nd |
| C19 | Co-ownership and management with predecessor | D | Baltimore | 4th |
| C20 | Sole ownership and management | L | Valencia | 2nd |
| C21 | Sole ownership and management | | | 2nd |
| C22 | Sole ownership and management | | | 3rd |
| C23 | Co-ownership and management with external Manager | | | 4th |
| C24 | Co-ownership and management with spouse | I | Denmark | 4th |
| C25 | Sole ownership and management | | | 2nd |
| C26 | Co-ownership and management with predecessor | I | Tripoli | 3rd |
| C27 | Sole ownership and management | | | 2nd |
| C28 | Co-ownership and management with spouse | | | 3rd |
| C29 | Sole ownership and management | | | 3rd |
| C30 | Sole ownership and management | | | 3rd |
| C31 | Co-ownership and management with siblings | | | 2nd |
| C32 | Co-ownership and management with spouse | | | 4th |
| C33 | Sole ownership and management | | | 2nd |
| C34 | Co-ownership and management with spouse | | | 3rd |
| C35 | Sole ownership and management | | | 3rd |
| C36 | Sole ownership and management with external Manager | | | 4th |
| C37 | Sole ownership and management | | | 4th |
| C38 | Co-ownership and management with siblings | A | Edison | 2nd |
| C39 | Co-ownership and management with siblings | | | 3rd |
| C40 | Sole ownership and management | | | 2nd |
| C41 | Sole ownership and management | L | Paris | 4th |
| C42 | Co-ownership and management with siblings | | | 2nd |
| C43 | Sole ownership and management | | | 6th |
| C44 | Co-ownership and management with predecessor | | | 3rd |
| C45 | Sole ownership and management | | | 5th |
| C46 | Co-ownership and management with external Manager | | | 2nd |
| C47 | Sole ownership and management | | | 2nd |
| C48 | Sole ownership and management with external Manager | | | 3rd |
| C49 | Co-ownership and management with predecessor | | | 4th |
| C50 | Sole ownership and management | | | 2nd |
| C51 | Sole ownership and management | | | 4th |
| C52 | Co-ownership and management with siblings | | | 4th |
| C53 | Co-ownership and management with siblings | E | Roma | 7th |
| C54 | Sole ownership and management | D | Oscar | 4th |
| C55 | Sole ownership and management | | | 3rd |
| C56 | Sole ownership and management with external Manager | | | 2nd |
| C57 | Sole ownership and management | I | Quebec | 2nd |
| C58 | Sole ownership and management | H | Italia | 2nd |

| Company code | Ownership and leadership situation | Focus group | Manager code | Generation |
|---|---|---|---|---|
| C59 | Co-ownership and management with predecessor | F | Florida | 3rd |
| C60 | Sole ownership and management | | | 3rd |
| C61 | Sole ownership and management | | | 2nd |
| C62 | Sole ownership and management | | | 6th |
| C63 | Sole ownership and management with external Manager | | | 3rd |
| C64 | Sole ownership and management | H | Kilogram | 4th |
| C65 | Co-ownership and management with siblings | | | 3rd |
| C66 | Sole ownership and management | | | 2nd |
| C67 | Sole ownership and management | L | Foxtrot | 3rd |
| C68 | Sole ownership and management | | | 3rd |
| C69 | Sole ownership and management | | | 4th |
| C70 | Sole ownership and management | | | 2nd |
| C71 | Sole ownership and management | | | 6th |
| C72 | Sole ownership and management | | | 2nd |
| C73 | Co-ownership and management with predecessor | F | Alpha | 6th |
| C74 | Co-ownership and management with predecessor | F | Liverpool | 3rd |
| C75 | Co-ownership and management with external Manager | | | 6th |
| C76 | Co-ownership and management with spouse | F | Juliet | 3rd |
| C77 | Sole ownership and management | | | 3rd |
| C78 | Co-ownership and management with siblings | G | Gallipoli | 2nd |
| C79 | Sole ownership and management | | | 3rd |
| C80 | Co-ownership and management with spouse | K | Uniform | 3rd |
| C81 | Sole ownership and management | | | 4th |
| C82 | Co-ownership and management with siblings | I | Charly | 2nd |
| C83 | Co-ownership and management with predecessor | B | Epsilon | 3rd |
| C84 | Sole ownership and management | | | 3rd |
| C85 | Co-ownership and management with spouse | H | Santiago | 2nd |
| C86 | Co-ownership and management with predecessor | K | Washington | 3rd |
| C87 | Sole ownership and management | B | Delta | 4th |
| C88 | Co-ownership and management with siblings | L | Mike | 4th |
| C89 | Sole ownership and management | I | Yankee | 4th |
| C90 | Co-ownership and management with predecessor | H | Uppsala | 2nd |
| C91 | Co-ownership and management with external Manager | | | 2nd |
| C92 | Sole ownership and management | E | Zulu | 6th |
| C93 | Co-ownership and management with siblings | | | 4th |
| C94 | Co-ownership and management with spouse | G | Casablanca | 4th |
| C95 | Sole ownership and management | G | Sierra | 5th |
| C96 | Sole ownership and management | E | Golf | 4th |
| C97 | Co-ownership and management with predecessor | K | India | 6th |
| C98 | Sole ownership and management | | | 2nd |
| C99 | Co-ownership and management with predecessor | | | 3rd |
| C100 | Co-ownership and management with spouse | K | Papa | 3rd |
| C101 | Co-ownership and management with siblings | C | Tango | 5th |
| C102 | Sole ownership and management | | | 3rd |
| C103 | Co-ownership and management with predecessor | D | Kilo | 4th |

| Company code | Ownership and leadership situation | Focus group | Manager code | Generation |
|---|---|---|---|---|
| C104 | Sole ownership and management | | | 2nd |
| C105 | Sole ownership and management with external Manager | | | 2nd |
| C106 | Co-ownership and management with predecessor | | | 2nd |
| C107 | Co-ownership and management with predecessor | | | 3rd |
| C108 | Sole ownership and management | | | 2nd |
| C109 | Sole ownership and management | | | 3rd |
| C110 | Sole ownership and management | | | 2nd |
| C111 | Sole ownership and management | | | 3rd |
| C112 | Sole ownership and management | | | 3rd |
| C113 | Sole ownership and management | | | 2nd |
| C114 | Sole ownership and management | | | 2nd |
| C115 | Sole ownership and management | | | 5th |
| C116 | Sole ownership and management | | | 3rd |
| C117 | Co-ownership and management with siblings | | | 5th |
| C118 | Co-ownership and management with spouse | C | Lima | 2nd |
| C119 | Sole ownership and management | E | Amsterdam | 2nd |
| C120 | Sole ownership and management | | | 4th |
| C121 | Co-ownership and management with predecessor | | | 2nd |
| C122 | Sole ownership and management | | | 3rd |
| C123 | Sole ownership and management | | | 2nd |
| C124 | Co-ownership and management with siblings | | | 3rd |
| C125 | Sole ownership and management | | | 2nd |
| C126 | Sole ownership and management | | | 4th |
| C127 | Sole ownership and management | H | Jerusalem | 2nd |
| C128 | Sole ownership and management | | | 5th |
| C129 | Sole ownership and management | | | 4th |
| C130 | Sole ownership and management | | | 4th |
| C131 | Co-ownership and management with spouse | G | Whisky | 2nd |
| C132 | Co-ownership and management with spouse | | | 4th |
| C133 | Co-ownership and management with predecessor | H | New York | 6th |
| C134 | Sole ownership and management | | | 5th |
| C135 | Sole ownership and management | | November | 4th |
| C136 | Sole ownership and management | | | 2nd |
| C137 | Sole ownership and management | | | 3rd |
| C138 | Co-ownership and management with predecessor | | | 3rd |
| C139 | Sole ownership and management | E | Oslo | 4th |
| C140 | Sole ownership and management | | | 2nd |
| C141 | Sole ownership and management | | | 4th |

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# Determinants of Dividend Payout in Unlisted Spanish Family and Non-Family Firms

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Dividends, Family firms, Transparency, Unlisted companies

**Abstract** The present study analyzes dividends paid in unlisted family and non-family businesses, exploring factors that lead to higher or lower dividend payments. Data from 612 Spanish companies during 12 consecutive years was analyzed. This study indicates that family businesses, as a result of the greater proximity of the family to the business, pay lower dividends. However, we found evidence of higher dividends paid in pyramid structures, susceptible to higher agency costs, both in family and non-family businesses. In family businesses, this can be explained by their aim to maintain levels of trust with minority interests, and in non-family businesses by the purpose to mitigate conflicts of interest as a consequence of greater autonomy of subsidiaries. The evidence obtained adds value to the investigation, which has generally been focused on listed companies. Considering that unlisted companies use the dividend policy to align divergent interests, especially in more fragile governance structures, the results contribute to reduce the gap in research, and have practical implications for companies and investors.

**CÓDIGOS JEL**
G3, G35

**PALABRAS CLAVE**
Dividendos, Empresas familiares, Transparencia, Empresas no cotizadas

**Determinantes del pago de dividendos en empresas españolas no cotizadas, familiares y no familiares**

**Resumen** Este estudio analiza los dividendos distribuidos por empresas familiares y no familiares que no cotizan en bolsa para identificar los factores que llevan a una mayor o menor distribución de dividendos. El análisis se basa en datos de 612 empresas españolas recogidos durante 12 años consecutivos. Los resultados indican que las empresas familiares, como consecuencia de la mayor implicación de la familia en el negocio, distribuyen menos dividendos. Sin embargo, también encontramos evidencia de que la distribución de dividendos es mayor en estructuras piramidales, susceptibles de mayores costes de agencia, tanto en las empresas familiares como en las no familiares. Este hecho, en el caso de las empresas familiares, puede estar motivado por la preocupación por mantener altos niveles de confianza entre los socios minoritarios, mientras que en el caso de las empresas no familiares se podría deber a la intención de mitigar los conflictos de interés derivados de la mayor autonomía de las filiales. Estas evidencias suponen una contribución a la literatura porque complementan la investigación existente, que se ha centrado fundamentalmente en las empresas que cotizan en bolsa. Teniendo en cuenta que las empresas que no cotizan en bolsa utilizan la política de dividendos para alinear intereses divergentes, particularmente en estructuras de gobierno más débiles, los resultados obtenidos, además de reducir la brecha en la investigación, pueden tener implicaciones prácticas para empresas e inversores.

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## 1. Introduction

Dividend distribution in the context of family versus non-family businesses is still a controversial topic (Teng et al., 2021). While some studies indicate that family businesses pay more dividends compared to non-family businesses (Bhattacharyya et al., 2014; Pindado et al., 2012), others report otherwise (Mulyani et al., 2016; Teng et al., 2021). Family businesses are considered expropriators of minority interests, retaining most of the funds in the company for the benefit of future generations (Wang & Song, 2006). However, the transmission of confidence signals to the capital market can lead to higher dividends, to make the company's shares more competitive and, thus, preventing investors from considering that the governance of these companies does not protect their interests (Attig et al., 2015; Wei et al., 2011).

Despite the research carried out, few studies have focused on unlisted companies (González et al., 2014; Molly & Michiels, 2022), and the known results of publicly traded companies are not directly applicable to them (Dick, 2015), either because of the lower legal protection for investors, or due to more fragile governance systems, resulting from the greater concentration of capital of these companies (Anderson & Reeb, 2003; Seida, 2001). Although unlisted family businesses are more dependent on self-financing and face greater conflicts of interest by opening capital to non-family shareholders (De Massis et al., 2013), research has not yet sufficiently analyzed whether dividends mitigate potential conflicts that may arise, as a result of agency relationships in unlisted companies (Mulyani et al., 2016).

To cover this gap in the literature, the objective of the present investigation is to analyze the dividends paid in unlisted family companies versus unlisted non-family companies, while exploring explanatory factors of the dividend policy. This analysis is based on the effect of companies that are organized in the form of groups of societies, namely the so-called pyramidal structures (greater or lesser distance from the controlling shareholder's pyramid), with an impact on corporate governance. The pyramidal structures are more likely to extract benefits from shareholders, whether through transactions between related parties, incorrect budgets, transfer prices or high compensation from managers (Bjuggren & Palmberg, 2010; González et al., 2014; Sacristán-Navarro & Gómez-Ansón, 2007). Therefore, they support greater agency conflicts, with a greater need to align interests with shareholders, which may lead to a more intensive dividend policy (Sacristán-Navarro & Gómez-Ansón, 2007). For this purpose, we analyzed a sample of 612 large Spanish companies, mostly organized in groups of societies, in the period from 2008 to 2019. Spanish companies are a fruitful field for carrying out this analysis, as pyramid shareholder structures are prevalent, with a predominance of family businesses (Sacristán-Navarro et al., 2011). Our results indicate that unlisted family businesses pay lower amounts of dividends, compared to their non-family counterparts. On the other hand, subsidiaries of companies with control exercised through pyramidal structures pay larger amounts of dividends, whether they are family businesses or not.

This study makes two contributions to literature. First, it addresses the calls for researching the dividends policy in closely held companies (De Massis et al., 2013; Dick, 2015; González et al., 2014; Molly & Michiels, 2022). Second, it contributes to the literature related to family businesses - since they have limited financial resources - the company's cash outflows as dividends are more weighed (Michaely & Roberts, 2007). The higher dividends paid, as observed in family-owned subsidiaries controlled through pyramid structures, confirm the assumptions of the signal theory, considering that dividends convey an image of trust in family management and thus can facilitate the attraction of non-family investors (Attig et al., 2015; Michiels et al., 2015). In addition, our results have practical implications for policy makers, firms and investors, since dividends in unlisted companies are associated with the alignment of interests between management and majority shareholder, and between majority shareholder and minority investors.

## 2. Theoretical Fundamentals and Investigation Hypothesis

The agency theory (Jensen & Meckling, 1976) is the main support of investigations that analyzed dividend policy in family versus non-family companies (De Massis et al., 2013; Goyal et al., 2020; Pindado et al., 2012). In this context, agency costs arise originating from the actions necessary to managers performance control in face of divergent interests, with dividends being a mechanism for aligning them, because this will allow more transparent management (Bhaumik & Gregoriou, 2010; Bin et al., 2018). However, the conflicts of interest that are established between shareholders and managers generate higher agency costs that the dividend policy intends to minimize (Villalonga & Amit, 2006). If there are profits, these, in addition to being able to finance the company's future investments, should benefit their owners. In this sense, the financing of new investments will also be carried out by external resources, which subjects the ap-

plication of these resources to market scrutiny, minimizing potential investments that favor the self-interest of managers or majority shareholders (Barros et al., 2020). For this reason, it has been argued that dividends paid are higher when higher agency costs occur (Almeida et al., 2014). Unlisted companies have a greater concentration of capital (De Massis et al., 2013), and in theory, minority interests are less relevant, as these companies do not suffer the pressures of the capital market, associated with the price of shares that motivate greater capital dividends distributions (Michiels et al., 2015). The major shareholder normally occupies management positions in the company (De Massis et al., 2013), having more information about the business than other investors, which can lead to greater information asymmetries (Karjalainen et al., 2020). On the other hand, governance bodies will be potentially more fragile, not being effective in defending minority interests, either because of less legal protection for the investor or because these companies are not subject to similar rules to those of the capital market (Michiels et al., 2015).

Family companies have fewer agency conflicts between shareholders and managers (type I conflict) (Shleifer & Vishny, 1997), since the administration is mostly in the hands of the family, which allows them to exercise greater supervision over the managers performance (Ali et al., 2007). On the contrary, interest conflicts between majority and minority shareholders may be more intense in these companies (type II conflict) (Johnson et al., 2000; Porto-Robles et al., 2022). While the family invests resources in the company, in a long-term perspective, they also pass on the wealth of the company to their descendants, while minority interests will be deprived of the return on their investments (Wei et al., 2011).

The stewardship theory (Davis et al., 1997) is contrary to the assumptions presented by the agency theory regarding these interests. Thus, it is argued that family administrators base their actions not only on financial performance, but also for other reasons such as prestige, ethical practices, and good conduct, as well as acceptance by their family and society (Sakawa & Watanabel, 2019). Bearing in mind that the positions of these representatives last over time, unlike the managers of non-family companies with a faster passage (Le Breton Miller & Miller, 2009), steward managers will have to combine the family interests with those of other stakeholders because, given the long-term perspective of these companies, discretionary procedures that do not consider the equity of the shares can harm the company and the family (Sakawa & Watanabel, 2019; Yoshikawa & Rasheed, 2010). Therefore, in view of the stewardship theory, the interests of minority shareholders will be safeguarded, whether or not, there is distribution of dividends, since the company's wealth will benefit both majority and minority shareholders in the future (Le Breton Miller & Miller, 2009; Soler et al., 2017), preferring to invest in stewardship and the long-term health of the company (Cennamo et al., 2012; Madison et al., 2016). In this sense, we formulate the following hypothesis:

***Hypothesis 1***. *Family businesses have lower levels of dividend payments compared to non-family businesses.*

Pyramidal structures allow the controlling shareholder, to hold majority of voting rights, without having most of its capital (Almeida & Wolfenzon, 2007; Bin et al., 2018). In this context agency costs are higher, whether derived from the autonomy of the subsidiaries - some of them far removed from the decision-making power of the controlling shareholder - but also from the innumerable possibilities of expropriating shareholder wealth, such as transfer prices, managers' remuneration or incorrect budgets (Almeida & Wolfenzon, 2007; Bjuggren & Palmberg, 2010; Dyck & Zingales, 2004; González et al., 2014; Morck et al., 2005; Sacristán-Navarro & Gómez-Ansón, 2007).

The conflicts of interest between managers and shareholders are associated with higher dividend payments (González et al., 2014; Mulyani et al., 2016; Vandemaele & Vancauteren, 2015). The dividend policy is presented as a mechanism to reinforce some weaknesses in governance systems, such as the independence of the board of directors to limit the performance of managers to its benefit (Caravaca-Sánchez et al., 2012).

However, the presence of one big shareholder that allows the supervising of managers has a negative effect on the dividend distribution rate (González et al., 2014; Maury & Pajuste, 2005). This evidence is consistent with the argument that the greater concentration of ownership in privately held companies, leads to greater intervention in the controlling shareholder's company, allowing greater supervision of the parent company's managers (Ding et al., 2011). The majority shareholder of these companies usually has experience and interest in the company's operations and can play an active role in the management, and dividends are not considered useful in limiting the managers' influence on the company's profits (Michaely & Roberts, 2007).

However, in subsidiaries, especially those with a greater distance from the majority shareholder, control is indirect, since it is exercised through intermediate companies of the group, and there

is usually greater dispersion of capital (González et al., 2014). In addition to less supervision by the controlling shareholder over the managers of these subsidiaries, there is also less knowledge of the operations carried out by these subsidiaries and therefore greater information asymmetries between the managers of the subsidiaries and the controlling shareholder (Michaely & Roberts, 2007). The combination of these factors will lead to the establishment of higher dividends in subsidiaries, as a way to align the interests between the owner shareholder and the managers (Bhaumik, & Gregoriou, 2010; Bin et al., 2018). Therefore, we propose:

***Hypothesis 2****. Majority shareholder control in subsidiaries, exercised through pyramid structures, is positively associated with dividends paid.*

The agency theory, when focusing fundamentally on the financial aspects, presents limitations to explain the whole reality inherent to family businesses, while the stewardship theory proves to be too optimistic about the behavior of family managers, by understanding that they equally defend family interests and those of other stakeholders (Arthurs & Busenitz, 2003; Pepper & Gore, 2012). The signaling theory (Cooper, 1992) complements the previous theories by considering that managers have more information than shareholders and therefore convey positive or negative signals through dividend policy (Atieh & Hussain, 2012). The greater distribution of dividends increases shareholder confidence in management, as current dividends will indicate future improvements (Attig et al., 2015). In family businesses this will be particularly relevant regarding minority shareholders, in view of the competitiveness of shares and the reputation of the family business (Anderson & Reeb, 2003; Seida, 2001). The objective of these companies of maintaining control over the parent company and the defense of the assets in the family group motivates a preference for their own financing, instead of external financing that can increase the financial risk of the business (Anantavrasilp et al., 2019; De Massis et al., 2013). In fact, external financing has a fixed remuneration, while equity is only remunerated if there are profits (Michaely & Roberts, 2007). The opening of capital to non-family investors provides the business with new knowledge and contributes to mitigating potential problems that family management can cause for the benefit of the company (e.g. rejection of long-term investments) but is considered of high risk for family wealth (De Massis et al., 2013). On the other hand, the representation of non-family shareholders in management can mitigate conflicts between family members, both those who work for the company and those who do not, because the latter claim benefits from the business for inheritance reasons (De Massis et al., 2013). In short, dividends can be an effective mechanism to attract new investors for reasons of trust in family management, which can prove to be beneficial for the company in terms of capital appreciation (Cano-Rubio et al., 2016; Michiels et al., 2015).

Conversely, the dispersion of capital derived from the incorporation of new shareholders increases conflicts of interest in unlisted family businesses, since this clashes with control concerns in these companies (De Massis et al., 2013). The pyramid structure of family groups is related to this problem, since by opening capital in subsidiaries, it minimizes the intervention of minority shareholders in the parent company, while safeguarding that dividends paid by subsidiaries to group companies do not give rise to any outflows of cash abroad (Anantavrasilp et al., 2019; González et al., 2014).

Thus, the presence of non-family investors should reduce conflicts of interest with the majority shareholder because they claim for higher dividends when profits are significant (Duygun et al., 2018). This is consistent with the results of the research conducted on unlisted firms. For example, studies supported by agency theory, report that the disproportionate control between voting rights and ownership interest, which occurs in subsidiaries, gives rise to higher dividends (González et al., 2014).

In addition to these reasons, it is also relevant the information asymmetries that are established between the majority shareholder of family-owned subsidiaries and the minority interests (Connely et al., 2011). These asymmetries may arise associated with the definition of the business strategy in line with the group of companies, along with more informal governance structures (Aguilera & Crespi-Cladera, 2012; Jaggi et al., 2009; Michiels et al., 2015). Thus, family firms need to convey signals of trust to their investors, which can be achieved through higher dividend payouts (Attig et al., 2015). This may also explain that dividends are lower in the parent company relative to subsidiaries, even though there may be minority interests belonging to the family, such as heirs who do not work in the company (Cano-Rubio et al., 2016). The interests of these investors can be assimilated to those of minority shareholders, so it is likely that they demand dividends as a way to remunerate their capital. However, research has found that the protection of family wealth, with the retention of funds in the company, overrides these interests (Vandemaele & Vancauteren, 2015). Therefore, we consider that dividends will be higher in family-owned subsidiaries, so we es-

tablish the following hypothesis:

***Hypothesis 3****. The relationship between family business and dividends paid is moderated by majority shareholder control. Specifically, family business will pay more dividends when family shareholder control is lower.*

## 3. Methodology

### 3.1. Population and sample

The sample was selected from the SABI (Sistema de Análisis de Balances Ibéricas – System for Analyzing Iberian Balances) database, which is often used in family business research (Hernández-Linares & López-Fernández, 2020). We focus on companies with a turnover in 2019 of 100,000 thousand euros or more, in total unlisted companies. The turnover indicator has been used in other studies to select unlisted companies for their size (De Massis et al., 2013). Data was restricted to companies with the legal form of public limited companies, with consolidated financial statements available in the said database (C2 - declaration of the parent company that integrates the declaration of its subsidiaries and affiliates; and U1 - declaration of the company that does not integrate the declaration of possible subsidiaries or affiliates). The sample covered firms from all sectors of activity, excluding those from the financial and insurance sectors, due to the specificities of their accounting rules, in consistency with the research of Cui et al. (2017) and Pindado et al. (2012). The final sample consists of 612 firms, covering data from the period 2008 to 2019. The sample includes the dividends paid in 2020, since in order to construct the dividend indicator we used the corresponding amount paid in the following year (cf. point 3.2). The breakdown between family and non-family companies (cf. criterion presented in table 1 for the FAMILY variable) is 43% and 57% respectively, which is in line with other studies that have focused on unlisted Spanish and Southern European companies (Borralho et al., 2020a; Claessens & Tzioumis, 2006).

### 3.2. Variables and research model

***Dependent Variable***

We use as dependent variable the value of dividends paid in the following year divided by total assets in the year (DIVID/ASS), which is in line with previous research (González et al., 2014; Lee, 2010; Michiels et al., 2017; Villalonga et al., 2019). As an alternative measure we also use that value of dividends paid in the following year divided by the equity of the year (DIVID/EQU), considering potential effects of more indebted firms.

***Independent variables***

We use as independent variables, whether the company is family-owned or not (FAMILY) and the controlling shareholder (SHAREHOLDER). These variables are presented in Table 1.

In the absence of an identification of family businesses, we proceeded to classify them considering the concentration of capital in more than 50% and the family's intervention in the business, identified through the coincidence of names between the majority shareholder and the representatives on the board (Dick, 2015; Diéguez-Soto & López-Delgado, 2018; Soler et al., 2017). The controlling shareholder identifies the level in the shareholder structure at which the company is located, on a scale of 1 to 10. Value 1 refers to the parent company or companies without shareholdings, value 2 to direct shareholdings in subsidiaries and values 3 to 10 identify indirect shareholdings. González et al. (2014) analyzed the pyramidal structures through a dummy variable, considering the existence of indirect shareholdings, given that they focused only on family businesses.

**Table 1**. Independent variables

| | |
|---|---|
| *FAMILY* | Takes the value 1 and 0 if the company is classified as family or non-family respectively. The company is considered a family business if the majority of the capital is held by a family, individual or company, according to the information available in the SABI database. |
| *SHAREHOLDER* | The level in the shareholder structure in which the company finds itself in 2019, in relation to the controlling shareholder - the value ranges from 1 to 10, with the first level being the least distant and the last level the most distant. |

***Control variables***

The control variables are size (SIZE), return on assets (ROA), indebtedness (IND), age of the company (AGE), non-duality or separation of functions between the chairman and the CEO (N-DUAL), the sector to which the company belongs (SECTOR) and the accounting year (YEAR). These variables are presented in Table 2.

The control variables associated with the financial characteristics of firms that are related to dividends are return on assets and debt (González et al., 2014; Pindado et al., 2012). Research has found a positive statistical association for the former variable and negative for the latter in un-

listed companies (González et al., 2014; Vandemaele & Vancauteren, 2015). The variables company size and age are also positively associated with the dividend policy of companies (González et al., 2014; Pindado et al., 2012). The variable non-duality refers to the separation of functions between the chairman and the CEO and aims to characterize the strategy followed regarding the board of directors, mainly in the alignment of interests between shareholders and managers (Borralho et al., 2020b). The board of directors is the final decision-making body of a company and aims to oversee the relationship of management with stakeholders, reducing information asymmetries (Cohen et al., 2002; Torchia & Calabrò, 2016). The fact that the same person performs the functions of CEO and chairman leads to a concentration of power and this may condition the level of oversight of management, due to the accumulation of functions that may reduce internal effectiveness over control mechanisms in the alignment of interests (Torchia & Calabrò, 2016). The single leadership can restrict the information on the board, and this may condition the ability of the other members to make correct judgments (Liu et al., 2016).

**Table 2.** Control variables

| | |
|---|---|
| SIZE | Natural logarithm of total assets. |
| RETURN ON ASSETS (*ROA*) | Quotient between operating profit and assets. |
| INDEBTEDNESS *(IND)* | Quotient between total liabilities and total assets. |
| COMPANY AGE *(AGE)* | No. of years between the year of incorporation and the year to which the financial statements of the observation refer. |
| NON DUALITY (*N-DUAL*) | Variable that takes the value 1 if the chairman and CEO roles are held by different people and 0 if held by the same person. |
| *SECTOR* | It takes the value 1 if the observation belongs to the sector and 0 otherwise. |
| *YEAR* | It takes the value 1 if the observation belongs to the accounting period and 0 otherwise. |

***Research model***

The analyses are conducted through the regression model presented in equation 1. Firstly, we analyze the effect of the control variables and then we check the changes that occurred with the introduction of the independent variables. Finally, we analyze the interaction effect of the family variable (FAMILY) with the levels of the controlling shareholder (SHAREHOLDER).

DIVID = α + β1 SIZE + β2 ROA + β3 IND + β4 AGE + β5 N-DUAL + β6 FAMILY + β7 SHAREHOLDER + β8 FAMILY*SHAREHOLDER + β9 SECTOR + β10 YEAR + ε (1)

We applied the panel data model, fixed and random effects. The Hausman test did not allow rejecting the null hypothesis ($p > 0.10$), simultaneously for the main model that expresses the relationship between dividends paid and assets ($X^2 = 25.38$; $p = 0.063$) and for the alternative model, concerning the relationship between dividends and equity ($X^2 = 67.029$; $p = 0.000$), so we choose the fixed effects model.

## 4. Results

### 4.1. Descriptive statistic

Table 3 presents the descriptive statistics for the dependent variable, independent and control variables. Except for the ROA variable, the remaining variables show statistically significant differences in the means (t-test) of the data between family and non-family businesses. These differences highlight some of the characteristics of family businesses, such as smaller size, lower indebtedness, higher age, less decentralization, and greater duality in the roles of chairman and CEO.

Table 4 presents the bivariate correlations, which confirms that there is no high degree of correlation between the independent and control variables. The coefficients obtained are lower than the recommended value of 0.65 (Tabachnick & Fidell, 2012).

### 4.2. Multivariable analysis

In Table 5, we present the empirical results of the applied model step by step. Columns C1 to C3 present the main model (dividends paid divided by assets), respectively for the control, independent and interaction effects variables. Columns C4 to C6 present in the same order the alternative model (dividends paid divided by equity).

**Table 3.** Descriptive statistics

| | *DIVID/ ASS* | *DIVID/ EQU* | *SIZE* | *ROA* | *IND* | *AGE* | *N-DUAL* | *FAMILY* | *SHAREHOLDER* |
|---|---|---|---|---|---|---|---|---|---|
| Sample N = 7,344 | | | | | | | | | |
| Mean | 0.027 | 0.088 | 11.921 | 0.058 | 0.648 | 32.16 | 0.38 | 0.43 | 2.80 |
| Median | 0 | 0 | 11.694 | 0.049 | 0.692 | 28.0 | 0 | 0 | 2.0 |
| Standard deviation | 0.065 | 0.223 | 1.417 | 0.095 | 0.251 | 19.09 | 0.486 | 4.95 | 1.88 |
| Family N = 3,168 | | | | | | | | | |
| Mean | 0.025 | 0.072 | 11.636 | 0.058 | 0.637 | 32.73 | 0.32 | | 2.44 |
| Median | 0 | 0 | 11.460 | 0.055 | 0.648 | 29.0 | 0 | | 2.0 |
| Standard deviation | 0.057 | 0.199 | 1.178 | 0.083 | 0.233 | 16.78 | 0.466 | | 1.67 |
| Non-Family N = 4,176 | | | | | | | | | |
| Mean | 0.030 | 0.099 | 12.137 | 0.057 | 0.656 | 31.73 | 0.43 | | 3.07 |
| Median | 0 | 0 | 11.906 | 0.047 | 0.672 | 26.0 | 0 | | 3 |
| Standard deviation | 0.070 | 0.238 | 1.540 | 0.104 | 0.257 | 20.67 | 0.495 | | 1.98 |
| **Difference in means (Est. t)** | -0.005*** | -0.027*** | -0.50*** | +0.001 | -0.019*** | +1.00** | -0.11*** | - | -0.63*** |

***p < 0.01; **p < 0.05; *p < 0.1

**Table 4.** Bivariate correlations

| Variables | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. *DIVID/ASS* | 1 | | | | | | | | | | |
| 2. *DIVID/EQU* | - | 1 | | | | | | | | | |
| 3. *SIZE* | 0.035*** | 0.062*** | 1 | | | | | | | | |
| 4. *ROA* | 0.391*** | 0.317*** | 0.012 | 1 | | | | | | | |
| 5. *IND* | -0.151*** | 0.079*** | -0.008 | -0.320*** | 1 | | | | | | |
| 6. *AGE* | -0.047*** | -0.090*** | 0.118*** | -0.052*** | -0.109*** | 1 | | | | | |
| 7. *N-DUAL* | 0.010 | -0.045*** | 0.102*** | 0.029*** | -0.101*** | 0.087*** | 1 | | | | |
| 8. *FAMILY* | -0.060*** | -0.061*** | -0.175*** | 0.008 | -0.038*** | 0.026** | -0.112*** | 1 | | | |
| 9. *SHAREHOLDER* | 0.037*** | 0.069*** | -0.010 | -0.045*** | 0.100*** | -0.055*** | -0.062*** | -0.164*** | 1 | | |
| 10. *FAMILY*SHAREHOLDER* | -0.020* | -0.013 | -0.096*** | -0.016 | 0.039*** | -0.019* | -0.098*** | - | 0.272*** | 1 | |
| 11. SHAREHOLDER**N-DUAL* | 0.02 | -0.032*** | 0.095*** | -0.012 | -0.041*** | 0.028** | - | -0.130*** | 0.364*** | 0.033*** | 1 |

*** *p* < 0.01; ** *p* < 0.05; * *p* < 0.1.

From the results of the control variables, it is observed that they are statistically significant, apart from the variables N-DUAL, SECTOR and YEAR. The variables size (SIZE: ß = 0.210; p < 0.01) and profitability (ROA: ß = 0.261; p < 0.01) show a positive coefficient, indicating that larger and more profitable companies have a higher propensity to pay dividends. The variables indebtedness (IND: ß = - 0.008; p < 0.01) and age of the firm (AGE: ß = - 0.008; p < 0.05) have a negative relationship with dividends. Firms with lower debt pay more dividends, which may be associated with higher rates of return on assets. The non-duality variable is not significant in the main model despite showing negative sign but is significant in the alternative model (N-DUAL: ß = - 2.230; p < 0.01). The evidence obtained is corroborated by the alternative model.

As seen in C2, all independent variables, family firm and shareholder are statistically signifi-

cant. Family firms express a negative relationship with dividends (FAMILY: ß = - 0.667; p < 00.1), as expected. This result corroborates hypothesis 1. The relationship with the controlling shareholder is positive and significant (SHAREHOLDER: ß = 0.171; p < 0.01), indicating that these companies may suffer higher agency costs, and these are minimized through the dividend policy. This result, also evidenced in the alternative model, corroborates hypothesis 2. In C3, we observe the interaction effect of family firms with the controlling shareholder. The greater remoteness of the controlling shareholder in family firms is a generator of higher dividends paid (FAMILY*SHAREHOLDER: ß = 0.173; p < 0.05). This result corroborates hypothesis 3.

The model proves to be significant and the coefficients of determination $R^2$ reach values of 28% in the main model, being consistent with other research (Goyal et al., 2020; Smith & Pennathur, 2019).

### 4.3. Additional analysis

Given the option for data on consolidated financial statements and the risk of possible duplication of companies in the data values, we separated the sample between the two types of accounts (C2 - declaration of the parent company that integrates the declaration of its subsidiaries and affiliates; and U1 - declaration of the company that does not integrate the declaration of possible subsidiaries or affiliates). The results obtained from these subsamples are consistent with those observed for the total sample used, so this problem does not influence our conclusions.

In addition, we have observed, through the analysis shown in Appendix A, if the dividends paid are associated with weaknesses in the governance systems. The moderating effect of the shareholder variables with the non-duality presents statistical significance of negative coefficient (SHAREHOLDER*N-DUAL: ß = - 0.143; p < 0.10). In the alternative model, the referred ef-

**Table 5**. Empirical results

| | C1 | C2 | C3 | C4 | C5 | C6 |
|---|---|---|---|---|---|---|
| **Dependent variable** | | *DIVID/ASS* | | | *DIVID/EQU* | |
| **Independent variables** | **ß/S.E.** | **ß/S.E** | **ß/S.E** | **ß/S.E.** | **ß/S.E.** | **ß/S.E** |
| *a (constant)* | -2.185* | -1.569 | -1.348 | -21.843*** | -19.932*** | -20.033*** |
| | (1.206) | (1.242) | (1.247) | (4.183) | (4.313) | (4.328) |
| *SIZE* | 0.210*** | 0.168*** | 0.156*** | 1.186*** | 1.058*** | 1.064*** |
| | (0.053) | (0.054) | (0.054) | (0.184) | (0.186) | (0.187) |
| *ROA* | 0.261*** | 0.262*** | 0.262*** | 0.877*** | 0.879*** | 0.879*** |
| | (0.008) | (0.008) | (0.008) | (0.027) | (0.027) | (0.027) |
| *IND* | -0.008*** | -0.009*** | -0.009*** | 0.155*** | 0.152*** | 0.152*** |
| | (0.003) | (0.003) | (0.003) | (0.010) | (0.010) | (0.010) |
| *AGE* | -0.008** | -0.007* | -0.007*** | -0.035*** | -0.030** | -0.030** |
| | (0.004) | (0.004) | (0.003) | (0.014) | (0.014) | (0.014) |
| *N-DUAL* | -0.167 | -0.189 | -0.199 | -2.230*** | -2.298*** | -2.294*** |
| | (0.147) | (0.148) | (0.148) | (0.511) | (0.514) | (0.514) |
| *FAMILY* | | -0.667*** | -1.139*** | | -2.047*** | -1.830** |
| | | (0.149) | (0.267) | | (0.518) | (0.927) |
| *SHAREHOLDER* | | 0.171*** | 0.112** | | 0.521*** | 0.549*** |
| | | (0.039) | (0.048) | | (0.134) | (0.165) |
| *FAMILY*SHAREHOLDER* | | | 0.173** | | | -0.080 |
| | | | (0.047) | | | (0.281) |
| *SECTOR* | | n.s. | | | n.s. | |
| *YEAR* | | fixed | | | fixed | |
| $R^2$ | 27.4% | 27.9% | 28.0% | 26.6% | 27.0% | 27.0% |
| Significance level | 0.000*** | 0.000*** | 0.000*** | 0.000*** | 0.000*** | 0.000*** |
| N | | | 7.344 | | | |

***p < 0.01; **p < 0.05; * p < 0.1; S.E. - Standard error (in brackets); n.s. - not significant

fect is strength (ß = - 0.758; $p < 0.01$). This result corroborates the idea that higher dividends are motivated by the weaknesses in the governance systems of subsidiaries with greater distance from the controlling shareholder.

## 5. Discussion

The divergences found in the literature regarding dividend payment in family and non-family firms led us to formulate the research hypothesis that family firms pay lower dividends than non-family firms in unlisted companies (hypothesis 1). The results obtained support this hypothesis by a negative relationship between the dividends and the familiar variable, which is consistent with other research conducted in unlisted companies (Dick, 2015; González et al., 2014; Vandemaele & Vancauteren, 2015). This result also corroborates the findings of studies conducted in listed companies in several European countries that showed that family firms only pay more dividends when there is a risk of expropriation of minority interests and it is necessary to convey signals of trust to investors (Pindado et al., 2012). In the presence of a second non-family shareholder these signals will not be needed and therefore dividends will be lower (Pindado et al., 2012).

Next, we verified whether dividends mitigate potential conflicts of interest that arise associated with agency relationships (Ding et al., 2011; Maury & Pajuste, 2005), both in family and non-family businesses. To this end, we used control exercised through pyramidal structures as a research instrument, observing, whether the greater distance of subsidiaries from the controlling shareholder can lead to higher dividend payments (hypothesis 2) and whether this is also valid for family firms (hypothesis 3). The results corroborate both hypotheses by showing a positive relationship between dividends paid and the level of remoteness from the controlling shareholder. This can occur both to align the interests between managers and the majority shareholder and between the majority and minority interests. On the one hand, the greater distance of the subsidiaries may lead to insufficient supervision of managers by the controlling shareholder, who usually holds management positions in the parent company. On the other hand, the prevalence of institutional investors in subsidiaries such as banks, insurance companies, equity and pension funds, as well as international investors, may lead to greater pressure to pay dividends, reducing the conflict. The limited research on the control of pyramid structures and dividends, do not conclude whether pyramid structures pay more or less dividends, although they did obtain a positive relationship when there are discrepancies between the voting rights of the controlling shareholder and the cash flow rights of the ownership stake. Since these results are associated with greater conflicts of interest, this is consistent with the results obtained that we associate with weaknesses in governance systems.

Literature has considered that dividends mitigate weaknesses in corporate governance systems, so in this context we have analyzed whether the level of dividends is associated with these weaknesses (Pindado et al., 2012). To this end, we analyzed the relationship between dividends and the non-duality of functions between the chairman and the CEO. The board of directors is the guarantor of the defense of shareholders' interests and this separation of functions aims to safeguard the independence of the chairman in supervising managers. This relationship revealed greater significance in subsidiary companies, which are more distant from the controlling shareholder, a result we attribute to the fact that many subsidiaries are characterized by CEO duality, especially in family-owned companies. The average of companies with separate functions between the chairman and CEO is only 38% and in family companies 32%. (see Table 3).

The higher agency costs in family businesses (Chrisman et al., 2004), potentially caused by the existence of sophisticated shareholders that are business partners or institutional investors, lead to higher dividend payments in these companies. These entities integrate the return on financial holdings into their operations, so it has been argued that they will exert greater pressure to pay dividends (González et al., 2014; Villalonga & Amit, 2010). On the other hand, dividends increase investor confidence in family management for reasons of greater transparency, which also positively influences the family's image and consequently family wealth (Borralho et al., 2022; Cano-Rubio et al., 2016; Michiels et al., 2015).

In addition to confirming the hypotheses, we also confirmed other determinants associated with the dividends paid. Unlisted firms pay higher dividends when they have larger size and profitability and lower debt. These results are consistent with others observed in unlisted firms (González et al., 2014; Yoshikawa & Rasheed, 2010). Regarding the influence of firm age, in line with what was reported by Vandemaele and Vancauteren (2015), who studied the effect of family generations, it is younger firms that pay more dividends. This stems from the way groups in pyramidal structures are created. As opportunities for corporate development arise, there are subsidiaries created that associate business partners (Almeida & Wolfenzon, 2007), that pay the dividends, and not the parent company.

## 6. Conclusions

Based on a sample of 612 unlisted Spanish firms, this paper examines whether family firms have lower/ higher propensity to pay dividends. The results indicate that family-owned closely held companies pay lower dividends compared to non-family counterparts. Family intervention in the business leads to lower agency costs and therefore less need for dividend distribution in order to align the interests between shareholders and managers. However, dividends were found to be higher in subsidiaries controlled through pyramid structures. Opening the capital of subsidiaries to other business partners leads to the need to generate confidence in investors, which seems to lead to the payment of higher levels of dividends, in order to reduce agency conflicts between majority and minority shareholders (agency problem type II).

This conclusion differs from non-family businesses, where higher dividends paid by subsidiaries are mainly associated with agency costs and information asymmetries between the controlling shareholder and subsidiary managers (agency problem type I). The greater distance of the controlling shareholder from the management of these companies leads to the need for alignment of those interests (between the owner and the managers), which is reinforced by weaknesses in the governance systems.

The main limitation of the study is that the data source we had access to does not have information on voting rights, so it was only through indirect information on the characteristics of the board of directors that we were able to analyze the factors that explain the higher dividends in subsidiaries. Considering that the board of directors should defend shareholders' interests, the lower independence of this body in relation to the company's current activities indicates the need for higher dividends. On the other hand, in the classification of family businesses we have matched the family's participation in the board of directors. Therefore, we consider that the higher dividends in these companies are associated with the protection of minority interests, given the family's greater propensity to retain funds in the company.

As future research lines we suggest further investigation to confirm whether dividends paid result from differences between voting rights held by the majority shareholder and cash flow rights. Unlisted family and non-family firms have many similarities that are associated with higher concentration of capital, so type II agency costs may be equally relevant in non-family firms. On the other hand, it can also be observed if the dividend policy favors or conditions the Corporate Social Responsibility (CSR) measures in family and non-family businesses (Benlemlih, 2017; Borralho et al., 2022). Considering that dividends focus on increasing business transparency which is also reinforced by CSR (Borralho et al., 2022), it will be important to observe how companies articulate these two dimensions, since dividends reduce self-financing and therefore the financial resources available to carry out those actions.

Our findings make, at least, two contributions to literature. First, this paper extends the literature related with private equity firms investigation (De Massis et al., 2013; Dick, 2015; González et al., 2014; Molly & Michiels, 2022). These companies are more dependent on bank financing, and this can condition their dividend policy, so we emphasize shareholder control in pyramid structures (Almeida & Wolfenzon, 2007; González et al., 2014). Second, it contributes to increasing knowledge of the family business domain. Family businesses are dominant in the European business environment (Borralho et al., 2020b) and usually have more limited financial resources. Dividend policy can increase confidence in the management of these companies and therefore attract non-family investors (Attig et al., 2015; Michiels et al., 2015). In addition, our results may be useful for policy makers, firms and potential investors. Policy-making bodies may consider our results for the definition of corporate legal rules and may set limits on dividend payments. Companies may have an interest in the effects of the dividend policy of their peers, and the investors to consider that such policy may mitigate weaknesses in corporate governance systems.

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## Appendix A

| | C1 | C2 |
|---|---|---|
| **Dependent variable** | *DIVID/ASS* | *DIVID/EQU* |
| **Independents variables** | **B/S.E** | **B/S.E** |
| *a (constant)* | -0.887 | -21.421*** |
| | (0.787) | (4.355) |
| *SIZE* | 0.161*** | 1.085*** |
| | (0.054) | (0.188) |
| *ROA* | 0.261*** | 0.876*** |
| | (0.008) | (0.027) |
| *IND* | -0.009*** | 0.151*** |
| | (0.003) | (0.010) |
| *AGE* | -0.006*** | -0.032** |
| | (0.004) | (0.014) |
| *N-DUAL* | 0.197 | -0.202 |
| | (0,263) | (0.914) |
| *FAMILY* | -1.102*** | -1.632* |
| | (0.268) | (0.929) |
| *SHAREHOLDER* | 0.171*** | 0.863*** |
| | (0.057) | (0.201) |
| *FAMILY*SHAREHOLDER* | 0.164** | -0.125 |
| | (0.080) | (0.281) |
| *SHAREHOLDER*N-DUAL* | -0.143* | -0.758*** |
| | (0.078) | (0.274) |
| *SECTOR* | n.s. | n.s. |
| *YEAR* | fixed | fixed |
| $R^2$ | 28.0% | 27.1% |
| Significance level | 0.000*** | 0.000*** |
| N | 7,344 | |

***p < 0.01; **p < 0.05; * p < 0.1; S.E. - Standard error (in brackets); n.s. - not significant

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# Adapt or Perish! A Systematic Review of the Literature on Strategic Renewal and the Family Firm

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**JEL CLASSIFICATION**
L26, M14, O3

**KEYWORDS**
Family firm, Literature review, Strategic renewal

**Abstract** The objective of this paper is to examine the current state of strategic renewal research in family businesses, identifying the main research gaps and providing a path for future research to the academics. To do so, we have performed a systematic and comprehensive review of 21 studies (20 articles and 1 book chapter) about strategic renewal and family business published between 2009 and 2022. Our comprehensive analysis reveals that the majority of studies to date are empirical studies that have focused on the strategic renewal's antecedents, while the strategic renewal's outcomes remain unexplored. This and other significant research gaps are identified and discussed in this review, which emphasizes the need for further research about the topic.

**CÓDIGOS JEL**
L26, M14, O3

**PALABRAS CLAVE**
Empresa familiar, Revisión de la literatura, Renovación estratégica

**¡Adaptarse o morir! Una revisión sistemática de la literatura sobre renovación estratégica y empresa familiar**

**Resumen** El objetivo del presente trabajo es examinar el estado actual de la investigación sobre renovación estratégica y empresa familiar con el fin de identificar los principales gaps de investigación y proporcionar un camino a los académicos para futuras investigaciones. Para ello hemos realizado una revisión comprensiva y sistemática de 21 trabajos (20 artículos y 1 capítulo de libro) publicados entre 2009 y 2022. Nuestro análisis exhaustivo revela que la mayoría de los estudios publicados hasta ahora son de naturaleza empírica y se han centrado en los antecedentes de la renovación estratégica, mientras que sus resultados permanecen inexplorados. Esta y otras importantes lagunas en la investigación se identifican y discuten en esta revisión, que subraya la necesidad de seguir investigando sobre el tema.

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## 1. Introduction

Today's dynamic business environment is characterized by substantial and often unpredictable technological, political, and economic changes, which forces organizations to transform (Schmitt et al., 2018). A firm's strategic renewal, defined as the firm's ability to envision the future (Mzid et al., 2019) and ensure its survival (Burgelman, 1983), is a key consideration in understanding firms´ long-term survival and prosperity (Schmitt et al., 2018). For family businesses, long-term sustainability is their main goal (Chua et al., 1999), but only 30% of them survive to the second generation (Gascón, 2013). A reason to explain this low percentage of survival could be that family firms are not able to continuously renew themselves, as it is required to succeed in today's business dynamic environment (Ratten, 2020). Hence, understanding the strategic renewal process in the context of the family business is especially relevant not only because they account for approximately two-thirds of all firms worldwide and account 70-90% of annual Gross Domestic Product and 80% of employment (De Massis et al., 2018), but also to help public administrations to identify ways of improving survival rates of such firms (Cucculelli et al., 2016; Handler Miller, 2008). That is, for ensuring that family businesses are passed down from generation to generation, emphasis should be placed on strategic renewal (Luu, 2022). For this reason, scholars have started to pay attention to the strategic renewal of family firms (Cucculelli et al., 2016; Jones et al., 2013; Weimann et al., 2021), generating a complex body of research. However, this body of research is highly fragmented, as reveals the very scant number of journals that have published more than on article about the topic (see more details in the Methodology section). This fragmentation of the literature on the confluence between strategic renewal and family firms calls for an effort to integrate and make sense of extant research. Strategic renewal is the continuous adaptation of organization' resources and outputs in response to environmental changes (Albert et al., 2015). Family firms tend to have lower resources than non-family firms (Meroño-Cerdán, 2017), however, the recent Covid-19 pandemic forced many of them to decide between renewal or death. The pandemic has stressed that changes in the environment can be drastic and unforeseen, and that family firms have to cope with change. It is thus timely to advance our knowledge on strategic renewal in order to offer future lines of research that will encourage scholars to deepen our understanding on the topic.

To this aim, we carry out a comprehensive and systematic literature review to answer our two main research questions: *What do we know about family firms' strategic renewal?* and *what should we know about how family firms renew themselves and cope with change?* To answer these questions, we adopted the process by Tranfield et al. (2003) and performed a systematic literature review drawing on the two most comprehensive sources of indexed academic work: *Web of Science (WoS)* and *Elsevier Scopus (Scopus)* databases (Mariani et al., 2021). Thus, we reviewed 21 studies at the intersection of strategic renewal and family business to illustrate the evolution of the research field and provide the academic community a guiding framework for new research.

Our work makes important contributions to the strategic renewal and family firm's literature. *First*, to our best knowledge, no attempts have been made to carry out either a systematic literature review or bibliometric mapping of research at the intersection of strategic renewal and family firms. This study, hence, contributes to literature by integrating and critically examining prior research on the topic, that is, by providing a broad overview of the state-of-the-art on strategic renewal in family firms. *Second*, leveraging on our review and systematization of current stock of literature, we identify critical research gaps and provide scholars with a potential future research agenda that endows strategic renewal and family business.

## 2. Methodology

Systematic literature reviews are characterized by relying on structured, transparent and reproducible methods (Calabrò et al., 2019; Tranfield et al., 2003). Therefore, in line with recent systematic literature reviews in the family business field (e.g., Ge & Campopiano, 2022), we follow Tranfield et al. (2003)'s three-step process. The first step is the planning of the review and requires the researchers get familiarized with the topic, frame the research purposes and set the research questions. To familiarize with the topic, we read a recent systematic literature review on strategic renewal in general (Schmitt et al., 2018), as well as several works related to corporate entrepreneurship (e.g., Randolph et al., 2017) and strategic renewal (e.g., Cucculelli et al., 2016; Pérez-Pérez & Hernández-Linares, 2020) and family firm, including the seminal study (Mitchell et al., 2009). Based on the knowledge gleaned from these readings, we established the research questions presented in the third paragraph of the Introduction section. The second step consisted of searching for relevant studies using inclusion and exclusion criteria, as well as of description and synthesis of studies finally selected. The third and last step for performing a systematic literature review, according to Tranfield et al. (2003), is the reporting

and dissemination of the results, drawing future research directions.

After having planned the review (step 1), the second step of the Tranfield et al.'s (2003) process starts with the selection of relevant studies. Thus, considering that "the choice of the database of documents is one of the most important steps in performing a reliable literature review" (Aparicio et al., 2021), we built a comprehensive database by searching in two comprehensive citation databases (Mariani et al., 2021), *WoS* and *Scopus*, which have been used in other systematic literature reviews in the field (e.g., Hernández-Linares & López-Fernández, 2018; Su & Daspit, 2021). The search criteria is shown in Table 1. Specifically, we combined the keyword "famil*" with the following keywords: "strategic renewal", "self-renewal", "organizational renewal" ("famil*" AND "strategic renewal"; "famil*" AND "self-renewal"; "famil*" AND "strategic renewal"). We sought only documents written in the English language, which is a common practice in literature reviews (Schmitt et al., 2018), and in line with other studies (e.g., Landström et al., 2015), we did not limit our search to journal articles as in emerging fields of research, early studies often appear first in books (Hernández-Linares et al., 2018). To provide a comprehensive review of the literature and to avoid any omission and/or potential bias caused by considering only a set of relevant journals (Dinh & Calabrò, 2019; López-Fernández et al., 2016), we did not look for particular journals; instead, we used the entire *WoS* and *Scopus* databases. Similarly, to prevent distortion of the results, the selected time limit was the maximum allowed (including papers in press), although the first document found was published in 2009 by Mitchell et al. Our search therefore covers almost 14 years of strategic renewal research and family business research (2009-2022).

The initial *WoS* and Scopus databases search, performed on October 24, 2022, yielded 3108 and 1742 documents respectively. We merged the results from the two databases and given that 1331 studies appeared in the two databases, the final set of documents to analyze comprised 3519 studies. Then, we conducted a qualitative analysis of the titles and abstracts of these 3519 documents, and when it was required, we downloaded the documents and read them independently (following the procedure used by Ge and Campopiano, 2022) to exclude those studies that were not relevant to answer our research questions. Specifically, we eliminated from our list all misclassifications, that is, studies that did not investigate strategic renewal or not about family firms. Thus, 19 studies (18 articles and 1 book chapter) were considered relevant for this research. To complete the list identified in our searches in both databases (*WoS* and *Scopus*), in a second phase, we performed an additional manual search, by reading all references listed in the documents identified in the first phase, but we did not identify more studies to be included in our review. Similarly, in order to provide an up-to-date a review as possible, we analyzed those works that had cited such 19 studies since 2022. Two new studies were identified to be included in our review (Anggadwita et al., 2022; Issah et al., 2023).

**Table 1.** Search criteria

| | Web of Science | Scopus |
|---|---|---|
| "Famil*" and following keywords:<br>"strategic renewal"<br>"self-renewal"<br>"organizational renewal" | ▪ Search in: Topic<br>▪ Research area: All<br>▪ Language: "English"<br>▪ Document type: "Article", "Review articles", "Books"<br>▪ Years: All | ▪ Search in: "Title-abs-key"<br>▪ Subarea: All<br>▪ Language: "English"<br>▪ Document type: "Article" or "Books chapters"<br>▪ Years: All |
| Search date | 10-24-2022 | 10-24-2022 |
| Number of studies | 3108 | 1742 |
| Studies appearing in the two databases | 1331 | |
| Excluded studies | 1310 | |
| Studies included in our literature review | 19 | |
| Studies identified in the manual search | 2 | |
| Studies finally included in our literature review | 21 | |

From 21 studies finally included in our systematic literature review, 20 studies are peer-reviewed articles published in 18 different journals, 14 of which (80%) are listed in the Chartered Association of Business Schools (CABS) *Academic Journal Guide 2021*. *Journal of Family Business Management* and *Journal of Management and Governance* are the only journals that has published 2 articles about the topic. The remaining study included in our literature review is a book chapter (Pérez-Pérez & Hernández-Linares, 2020).

| **Table 2.** Identified studies by source | |
|---|---|
| **Journal name*** | **Number of articles** |
| *Journal of Family Business Management* (ABS1) | 2 |
| *Journal of Management and Governance* (ABS1) | 2 |
| *Administrative Sciences* (-) | 1 |
| *Business History* (ABS4) | 1 |
| *Cross Cultural & Strategic Management* (ABS2) | 1 |
| *Corporate Ownership & Control* (-) | 1 |
| *Entrepreneurship Theory and Practice* (ABS4) | 1 |
| *International Entrepreneurship & Management Journal* (ABS1) | 1 |
| *Journal of Asian Business and Economic Studies* (-) | 1 |
| *Journal of Business Ethics* (ABS3) | 1 |
| *Journal of Business Research* (ABS3) | 1 |
| *Journal of Family Business Strategy* (ABS2) | 1 |
| *Journal of International Entrepreneurship* (ABS1) | 1 |
| *Journal of Small Business Management* (ABS3) | 1 |
| *Leadership & Organization Development Journal* (ABS1) | 1 |
| *Long Range Planning* (ABS3) | 1 |
| *Scandinavian Journal of Management* (ABS2) | 1 |
| *Strategic Management* (-) | 1 |
| **Total articles** | **20** |
| **Books chapters** | **1** |
| **Total** | **21** |

*In brackets the journal's ranking in the *Academic Journal Guide 2021*. A dash implies that the journal is not included in the guide.

36 years after Burgelman's seminal article in 1983. After Mitchell et al.'s (2009) study, and until 2016 the number of studies published was none or 1 or each year, with the exception of 2013, when 2 articles were published. However, since 2017, the interest in the topic began to grow. Since 2017, at least one work has been published yearly, showing a peak in 2020 (with five works). From studies included in this review, 52.38% have been published between 2020 and today, when the year 2022 has not yet come to an end (despite a study that will be published in 2023 has been included in our review).

To conclude with the second step of the Tranfield et al.'s (2003) three-step process, and in line with other systematic literature reviews (e.g., Creevey et al., 2022; Ge & Campopiano, 2022), key information from all studies (e.g., year, journal, abstract, definitions, research design, samples, etc.) was then entered into an Excel spreadsheet to facilitate the descriptive analysis presented in next section.

## 3. Mapping the Strategic Renewal and Family Business Research

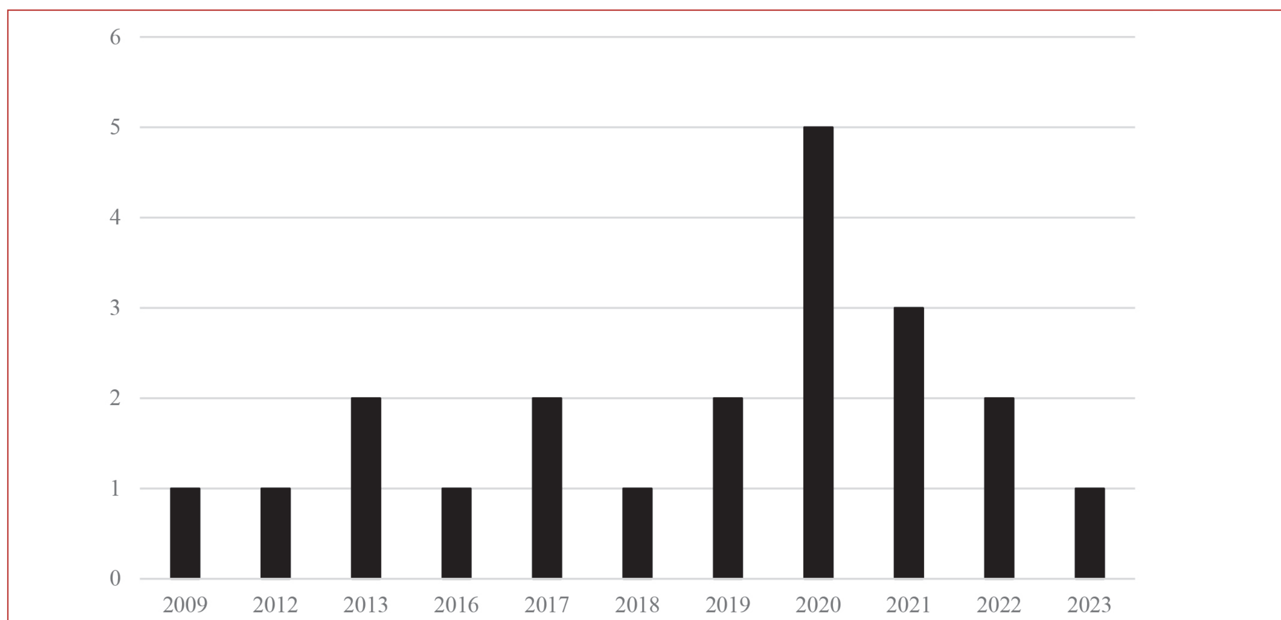
The distribution of studies per year (*Figure 1*) reveals that the topic is extremely young, with the earliest contributions published in 2009 (Mitchell et al., 2009). That is, the family business field started to pay attention to the strategic renewal

In order to carry out our systematic review of family business and strategic renewal, we have analyzed the works compiled in terms of their content, exploring four thematic axes: (1) methodological and sample diversity, (2) theoretical diversity, (3) conceptualization of the family business and strategic renewal, and (4) key findings.

### 3.1. Methodological and sample diversity

Studies included in our review (Table 3) are mainly empirical studies (18 studies), with the remaining 3 studies being of a theoretical nature (Abdelgawad & Zahra, 2020; Mitchell et al., 2009; Randolph et al., 2017).
Theoretical studies suggest that successor dis-

**Figure 1.** Strategic renewal publication distribution (2009-2022)




cretion (Mitchell et al., 2009) and religion (Abdelgawad & Zahra, 2020) promote the strategic renewal in the family business context. Furthermore, Randolph et al. (2017) propose a typology of business orientations and argue that family firms that intend to transfer ownership to next generations of family members tend to invest more in strategic renewal, even if doing so the immediate benefits for existing members are reduced.

The empirical studies may be classified in two groups regarding methodological diversity (Table 3). The first group includes those studies that apply (9 studies) qualitative methodologies, and the second group includes the studies that apply quantitative methodologies (9 studies). This implies that the distribution between qualitative (50%) and quantitative studies (50%) is slightly more balanced than in the literature on strategic renewal in general (49.02% versus 50.98%, according to the Schmitt et al.'s review, published in 2018).

Among the studies included in the first group (9 studies), the 55.56% of qualitative designs are in-depth single cases (Di Toma, 2012; Jones et al., 2013; Németh et al., 2017; Sievinen et al., 2020a, 2020c), with the 44.44% of designs being multiple case studies (Anggadwita et al., 2022; Lionzo & Rossignoli 2013; Mzid et al., 2019; Sievinen et al., 2020b).

The second group of empirical studies comprises those studies that apply quantitative methodologies (9 studies). All of the studies included in this group are based on primary information reached via questionnaires (Au et al., 2018; Cucculelli et al., 2016; Giang & Dung, 2021; Huynh, 2021; Issah et al., 2023; Luu, 2022; Pérez-Pérez et al., 2019; Pérez-Pérez & Hernández-Linares, 2020; Weimann et al., 2021). In some cases, the survey data are complemented with data retrieved from a secondary database (e.g., Cucculelli et al., 2016; Pérez-Pérez et al., 2019; Pérez-Pérez & Hernández-Linares, 2020). Further, all quantitative studies are cross-sectional studies. In terms of methodologies used for the data analysis, a 44.44% of quantitative studies performed regression analysis (Au et al., 2018; Cucculelli et al., 2016; Issah et al., 2023; Weimann et al., 2021), another 44,44% used structural equations modelling, in all cases by using the *Partial Least Squares* software (Giang & Dung, 2021; Huynh, 2021; Luu, 2022; Pérez-Pérez & Hernández-Linares, 2020) and the last 11.11% used two-step cluster analysis (Pérez-Pérez et al., 2019).

Regarding sample diversity (see Table 3), only Au et al. (2018) and Issah et al. (2023), have researched firms from more than one country, 26 and 69 countries respectively. In the case of Issah et al. (2023), they used data from a global survey conducted by the Successful Transgenerational Entrepreneurship Practices (STEP) global consortium, which is an independent association with members from universities around the world.The remaining empirical papers have researched firms from only one country, with Finland (Sievinen et al., 2020a, 2020b, 2020c), Italy (Cucculelli et al., 2016; Di Toma, 2012; Lionzo & Rossignoli, 2013) and Vietnam (Giang & Dung, 2021; Huynh, 2021; Luu, 2022) being the most researched countries (with 16.67% of empirical studies studying each country), followed Spain (Pérez-Pérez et al., 2019; Pérez-Pérez & Hernández-Linares, 2020), researched by the

11.11% of the studies included in our literature review. Other countries researched are Germany (Weimann et al., 2021), Hungary (Németh et al., 2017), Indonesia (Anggadwita et al., 2022), Tunisia (Mzid et al., 2019), and United Kingdom (Jones et al., 2013). It is also interesting to note that 94.44% of empirical studies (17 from 18) study exclusively family firms, with the only exception being Pérez-Pérez and Hernández-Linares (2020), who researched both family and non-family firms

Finally, focusing on studies with a quantitative design, it seems necessary to notice that they are based on samples of different size, ranging from 82 (Luu, 2022) to 2139 firms (Issah et al., 2023), with the average size of the samples being 512 firms. Considering the size of firms researched, five studies focused on small and medium- size firms (Cucculelli et al., 2016; Luu, 2022; Pérez-Pérez & Hernández-Linares, 2020; Weimann et al., 2021), one study focused on medium to large companies (Au et al., 2018) and one on firms of all sizes (Issah et al., 2013). The two remaining studies (Giang & Dung, 2021; Huynh, 2021) do not report about the size of firms included in their samples. The composition of samples by industry sectors also varies. Around 33.33% of studies (Issah et al., 2013; Pérez-Pérez et al., 2019; Pérez-Pérez & Hernández-Linares, 2020) analyze companies from all sectors; a 11.11% of studies focus on manufacturing industries (Cucculelli et al., 2016) and another 11.11% (Weimann et al., 2021) focus on firms operating in manufacturing, transport, service activities, suppliers, agriculture, building, trade and communication sector, among other works. Finally, four studies do not provide any information about the industry sectors studied (Au et al., 2018; Giang & Dung, 2021; Huynh, 2021; Luu, 2022).

**Table 3.** Summary of studies about strategic renewal and family firm

| Author/s (year) | Study type | Main theory | FB definition | Sample short description | Key findings |
|---|---|---|---|---|---|
| Mitchell et al. (2009) | T | Social cognitive theory | n.a. | - | To avoid typical post-succession issues in FBs, managerial discretion (the ability to freely formulate, modify and enact future plans) may constitute a key factor for enabling strategic renewal. |
| Di Toma (2012) | E/Ql | AT | n.a. | Case-study of an Italian FB that operates in the public sound and professional audio system market. | Appropriate changes in the corporate governance structure may facilitate the firm's ability to pursue a strategic renewal. |
| Jones et al. (2013) | E/Ql | DC | Ownership | A sixth generation FB, from Liverpool that operates in retail, distribution, financial services and shipping industries. | Strategic flexibility based on cognition business and effective decision-making routines enable rapid response as new opportunities arise. |
| Lionzo & Rossignoli (2013) | E/Ql | Organizational learning theory | Ownership | 3 Italian family SMEs | The culture and experience accumulated by family leaders help them identify critical environmental threats and recognize the need for a strategic change. The knowledge sharing and integration are key tasks of family members if they want to succeed in strategic renewal. |
| Cucculelli et al. (2016) | E/Qn | SEW | Management, ownership | 220 Italian medium sized FBs operating in industrial sectors | Company renewal is dependent upon corporate governance, which directly affects the type and growth potential of new products. Family management limits the products that renew technological capabilities, while increasing the offerings that help to open new foreign markets. |

| | | | | | |
|---|---|---|---|---|---|
| Németh et al. (2017) | E/Ql | System theory, RBV | Work, values, continuity | A medium second-generation FB in western Hungary operating in hospitality services industry | The generational change in FBs may imply changes in strategic renewal, such as carrying out a renewal, reduction and concentration of activities or new management strategies. |
| Randolph et al. (2017) | T | n.a. | n.a. | - | Authors develop a typology of corporate entrepreneurship in FBs and suggest that the varied corporate entrepreneurship orientations (strategic renewal included) of FBs are impacted by the duality of a family's distinct intention to pursue transgenerational succession and the firm's unique capabilities to acquire external knowledge. |
| Au et al. (2018) | E/Qn | n.a. | Continuity, governance, management, ownership, self-definition | 959 FBs from 26 countries | Family CEO is negatively related to strategic renewal across cultures, but this relationship is attenuated by uncertainty avoidance and power distance. Multigenerational involvement is positively related to renewal, and this relationship is enhanced by cultural dimensions. |
| Mzid et al. (2019) | E/Ql | SFBT | n.a. | 4 Tunisian FBs in clothing, food, plastics and catering industries | Financial capital enhances the potential for adaptive, renewal and appropriation capacity, and, ultimately, resilience. International ties contribute to firms' strategic renewal. Hence, it is necessary for firms to build an enduring trust with their external partners. |
| Pérez-Pérez et al. (2019) | E/Qn | KBV, SEW | Management, ownership, self-definition | 288 small and medium-sized Spanish FBs from all industries. | Strategic flexibility and knowledge management allow and constrain strategic renewal. FB' strategic renewal orientation is impacted by the CEO's characteristics, the level of family involvement and the firm's unique capabilities of acquiring and promoting knowledge. Knowledge management practices boot strategic renewal. |
| Abdelgawad & Zahra (2020) | T | Organizational identity theory | Ownership; management | n.a. | Authors propose that a religious identity determines FBs' spiritual capital, which influences strategic renewal activities (e.g., conflict resolution and resource allocation). Spiritual capital can be a double-edged sword when FBs pursue strategic renewal |
| Pérez-Pérez & Hernández-Linares (2020) | E/Qn | n.a. | Self-perception | 238 Spanish SMEs (181 FBs and 57 non-FBs) from all industries | Strategic renewal is strongly shaped by some KM processes (KM flow and KM generation). |
| Sievinen et al. (2020a) | E/Ql | Institutional action theory | Continuity, governance, management, ownership | A Finnish FB from lighting controls and luminaire component industry. | The owners' active involvement is an important factor contributing to the process of strategic renewal. Some characteristics of FBs such as the importance of tradition, a long-term perspective and strong mental models also deceptive influence the renewal process. |

| | | | | | |
|---|---|---|---|---|---|
| Sievinen et al. (2020b) | E/Ql | n.a. | Continuity, governance, management, ownership | 2 Finish FBs focus on lighting solutions and wood products. | Some organizational rules display higher stability than others, but rules are not change-hindering or -facilitating per se but their influence on the strategic renewal is contextual. However, by refusing to alter the rules owners adhere to if the contingencies change and the rules are no longer fit for the new environment, the owners can impede change. |
| Sievinen et al. (2020c) | E/Ql | n.a. | Continuity, governance, management, ownership | A Finnish mature FB at the cousin consortium stage and operating in the lighting market. | The advisory role of non-family board members evolves from inertia preservation to inducing stress. The role, content, intensity, and locus of advice can change as the renewal proceeds, reflecting the stage of the renewal process and resource configuration of the firm. |
| Giang & Dung (2021) | E/Qn | Intrapreneurship theory | Ownership | 368 key role non-family employees at 109 family export and import firms in Vietnam | Transformational leadership positively influences non- family employee intrapreneurial behaviour. This relationship is mediated by adaptive corporate culture and psychological empowerment. |
| Huynh (2021) | E/Qn | Corporate entrepreneurship theory, international business theory | n.a. | 379 employees at 132 family export and import firms in Vietnam. | Strategic renewal of employees assumes a crucial role in the construction of theory in the context of international business. Strategic renewal at the international level are actions that allow the company to take advantage of market opportunities to innovate strategies from products to operating processes, thus improving the organization's competitiveness in the international market. |
| Weimann et al. (2021) | E/Qn | Network theory | Continuity, governance, ownership | 181 German FBs of manufacturing, transport, service activities, suppliers, agriculture, building, trade and communication industry. | Social ties do not negatively influence the strategic renewal of FBs. DC are positively associated to strategic renewal in FB context. |
| Anggadwita et al. (2022) | E/Ql | RBV, strategic management approach | Ownership | 5 FBs in Indonesia | Women's successors in FBs can be a valuable source of resilience because they contribute to a company's adaptive capacity, strategic renewal and appropriation capacity. |
| Luu (2022) | E/Qn | AT, stewardship theory | Continuity, governance, management, ownership | 82 small and medium FBs in Vietnam. | Family board members with transformational leadership qualities play an essential role in developing non-family employee SR. |
| Issah et al. (2023) | E/Qn | n.a. | Governance, ownership | 2139 FBs observations from 69 countries | In comparison to the later generations, founding generation-managed FBs only do better at strategic renewal as a response to the crisis when they have sufficient managerial capabilities. |

A = article; AT = agency theory; B= book; CEO = chief-executive officer; DC=dynamic capabilities; E = empirical; FB = family business; KBV = knowledge based-view; n.a. = not available; Ql= qualitative; Qn = quantitative; RBV = resource based view; RDT = resource dependence theory; SEW = socioemotional wealth; SFBT= sustainable family business theory

### 3.2. Theoretical diversity

In this section we focus on the theoretical framework used by the literature given that a strong theory delves into underlying processes to understand the systematic reasons for a particular occurrence or nonoccurrence of acts, events, structure, and thoughts (Sutton & Staw, 1995), We observed that the most used theory is resource-based view (RBV; Barney, 1991) and its variants. RBV (Barney, 1991) provides a strategic theoretical framework to assess the competitive advantages of firms based on their unique resources and capabilities, which in the case of family firms emerge because of the systems interaction between the family, its individual members, and the business and are called familiness (Habbershon & Williams, 1999). This theory has been used by two studies included in our review (Anggadwita et al., 2022; Németh et al., 2017). Thus, Anggadwita et al. (2022), drawing on RBV and strategic management approach, propose a model to explain how family businesses take advantage of new opportunities (strategic renewal capacity) and become more proactive in dealing with shocks in the environment, creating resilience in the family business. Similarly, Németh et al. (2017) combine RBV with system theory, which focuses on viewing the world in terms of the interrelationships of objects with one another (Barrett, 2014), to explain how the family businesses' generational changes may promote their strategic renewal. In addition, RBV variants, such as dynamic capabilities (Teece et al., 1997) and knowledge-based view (Leonard-Barton, 1992) have been also used by one study each (Jones et al., 2013 and Pérez-Pérez et al., 2019, respectively). Thus, Jones et al. (2013) draw on this theory to examine development and capability to self-renewal of the only surviving family-owned Liverpool shipping company. While Pérez-Pérez et al. (2019) combine arguments from knowledge-based view with arguments taken from socioemotional wealth (SEW, Gómez-Mejía et al., 2007) to study the existence of heterogeneous groups of family firms in terms of strategic renewal.

Following RBV, we found that agency theory (Jensen & Meckling, 1976), and SEW (Gómez-Mejía et al., 2007) wereused in two studies each. On the one hand, agency theory focuses on potential conflict between the principal (e.g., owner of the company), and the agent (e.g., a non-owner manager), given the assumption that the agent will behave opportunistically (Jensen & Meckling, 1976). Di Toma (2012) was pioneered at the application of this theory to the study of strategic renewal, reporting that appropriate changes in the corporate governance structure contributes to pursue a strategic renewal. Luu (2022) combines it with stewardship theory, despite stewardship theory has been often considered contrary to agency theory (Hernández-Linares & López-Fernández, 2018), and proposes a model to explain the relationship between the transformational leadership of family board members and the strategic renewal of non-family employees. On the other hand, SEW helps explain why family firms behave distinctively and is considered as the most important differentiator of the family firm as a unique entity (Berrone et al., 2012). Thus, Cucculelli et al. (2016) adopted arguments from this theory exclusively to empirically demonstrate that strategic renewal is dependent upon corporate governance. After, Pérez-Pérez et al. (2019) complemented the arguments taken from SEW with arguments taken from knowledge-based view (Leonard-Barton, 1992), one of the RBV variants, and empirically demonstrated that knowledge management practices boot strategic renewal.

Other theories have been adopted only once in the studies included in our sample. Thus, for example, social cognitive theory (see Wood & Bandura, 1989), a theory of human agency that emphasizes the duality of agency and structure, is used by Mitchell et al. (2009) to theoretically analyze the role of agency and cognition in family business-based entrepreneurial action. Organizational learning theory (Crossan et al., 1999) is used by Lionzo and Rossignoli (2013) to study the process by which knowledge is integrated throughout the firm to facilitate strategic renewal, paying special attention to the family's role in starting and perpetuating the process of learning and change. Sustainable family business theory, which is based on general systems theory and links the company with the family (Danes & Brewton, 2012) is used by Mzid et al. (2019) to explore the role of family capital in family business' resilience. Organizational identity theory (Albert & Whetten, 1985), which posits that organizations develop a sense of identity that reflects their core values and beliefs, is used by Abdelgawad and Zahra (2020) to propose that the religious identity determines family business' spiritual capital, which influences its strategic renewal activities. Similarly, institutional action theory (March & Olsen, 1989), which highlights the importance of identity in decision-making processes, is used by Sievinen et al. (2020a) to deepen in the link between family firm corporate governance and strategic change and to study the decision-making of family firms at the micro-level. Specifically, Sievinen et al. (2020a) show that contextually relevant identities, such as those of a board member and an ex-executive (someone who has served as an executive in the past) can increase the response flexibility of the owners as they can shift their focus from being in a control role to resource provision. Network theory (Granovetter, 1985) is used by Weimann et al. (2021) because family firms are considered so-

cially embedded they analyze the influence of this social resource of family firms in their corporate entrepreneurship. Other authors argue the use the intrapreneurship theory (Gian & Dung, 2021), corporate entrepreneurship theory or international business theory (Huynh, 2021), although in these cases we refer to literatures/perspectives instead of mainstream theories.

Finally, the 28.57% of the literature do not formally claim to apply any theory to support their arguments and investigations, although some scholars reveal the perspective in which are based their arguments, this being the case, for the example, of Au et al. (2018), who based on the literature of dominant logic perspective.

### 3.3. Conceptualization of the family business and strategic renewal

Although family business literature has emphasized that the field would certainly benefit from greater conceptual clarity (Hernández-Linares et al., 2018; Hernández-Linares & López-Fernández, 2018), only the 76.19% of studies included in our systematic literature review do provide an explicit definition of the family business concept or operationalize it in any way. This percentage is higher than that reported by a recent review on entrepreneurial orientation and the family business (69.23% is reported by Hernández-Linares & López-Fernández, 2018).

Among the 16 works that explicitly define family business, the ownership criterion, referred to the control of the company's capital by the family (Diaz-Moriana et al., 2019; Hernández-Linares et al., 2017) has been the most used. The 87.50% of studies defining family firms considered ownership (i.e., having control of voting rights), either as the sole defining criterion (Anggadwita et al., 2022; Giang & Dung, 2021; Jones et al., 2013; Lionzo & Rossignoli, 2013) either in conjunction with other criteria. Three studies have defined family firm based on ownership and another criterion, this being family management (Abdelgawad & Zahra, 2020; Cucculelli et al., 2016), understood as the involvement of family members in the firm's management (Hernández-Linares et al., 2018), or strategy (Issah et al., 2023), referred to the family control over its company's strategic direction. In remaining studies that have used family ownership as definitional criterion, this criterion has been used in combination with two (Pérez-Pérez et al., 2019) or more criteria (e.g., Sievinen et al., 2020a, 2020b, 2020c). The second definitional criterion most used is the family management, used by the 50% of studies that define family firms. This criterion has always been used in conjunction, at least, with the ownership criterion (Abdelgawad & Zahra, 2020; Cucculelli et al., 2016), which implies the current situation in the family business literature in general, these two definitional criteria are often used in conjunction (Diaz-Moriana et al., 2019; Hernández-Linares et al., 2018). Others add to these criteria the self-perception (Pérez-Pérez et al., 2019), understood as "the way in which the principals in a business identify it" (Hernández-Linares et al., 2018, p. 942), the family continuity (Weimann et al., 2021), referred to address the intention to have a family business managed in the future by family members, or even several definitional criteria. Thus, for example, Sievinen et al. (2020a, 2020b, 2020c) and Luu (2022), in addition to use management and ownership as definitional criteria, use continuity and governance; and Au et al. (2018) add to these four definitional criteria (continuity, governance, management, ownership) a fifth criterion: the self-definition.

After ownership and management, the definitional criteria most used are continuity and governance, used by seven studies each (43.75% of studies defining family firm). In six of these seven studies, family continuity and family governance are applied in conjunction and with other definitional criteria (Au et al. (2018); Luu, 2022; Sievinen et al., 2020a, 2020b, 2020c; Weimann et al., 2021).

It is interesting to note that among studies that have not defined family firms based on ownership, Németh et al. (2017) defined the family firm based on family work, family values and continuity, the family business conceptualizations based on more than two criteria have always included the ownership criterion, accompanied by others such as continuity and government (Weimann et al., 2021), management and self-definition (Pérez-Pérez et al., 2019), or management, governance and continuity (Luu, 2022).

Strategic renewal has been explicitly defined by 76.19% of the studies reviewed, that is, by 16 out of 21 studies. However, strategic renewal has been defined differently, which is not surprising, since "(d)espite its wide recognition and importance across various research domains, there is no consensus in the literature on what strategic renewal means and how it differs from other, related concepts, such as corporate entrepreneurship (…), strategic change (…) and strategy process" (Schmitt et al., 2018, p. 84). Most of studies (e.g., Isaah et al., 2023; Pérez-Pérez et al., 2019; Pérez-Pérez & Hernández-Linares, 2020; Sievinen et al., 2020a, 2020b, 2020c) have defined strategic renewal following Schmitt (2018), who establishes that strategic renewal is a dynamic management process that allows organizations to alter their path dependence by replacing and transforming their strategic intent and capabilities. In this same line but based on the defini-

tions proposed by Burgelman (1983, 1991), other scholars defined it as "an entrepreneurial process in which organizations anticipate or adapt to changing environmental demands to ensure long-term prosperity and survival" (Au et al., 2018, p. 604). These definitions emphasize the key role of strategic renewal to address emerging environmental opportunities and risks for family business' long-term survival and prosperity (Pérez-Pérez & Hernández-Linares, 2020; Schmitt et al., 2018). Furthermore, others understand strategic renewal "as the firm's ability to envision the future" (Mzid et al., 2019, p. 254) or the skills "to visualize upcoming opportunities from an innovative perspective to propose solutions and reconsider practices" (Anggadwita et al., 2022, p. 6).

The way in which quantitative studies have operationalized the strategic renewal is also diverse. While some scholars have adopted previously validated scales, others have developed their own scales. Among studies that adopted scales consolidated in literature, we identify two groups. The first group is constituted by the two studies that have used strategic renewal scales and includes Luu's study (2022), which measured employee strategic renewal by using the 6-item scale from Gawke *et al.* (2019), and the Issah et al.'s (2023) study, which uses the Klammer et al.'s (2017) scale. The second group is constituted by those studies (4) that adopted items from broader scales. Specifically, two studies (Giang & Dung, 2021; Huynch, 2021) adopted the 3-item measurement scale from Do and Luu (2020) to measure the strategy renewal, this being considered as one dimension of the intrapreneurial behavior variable. In similar sense, Pérez-Pérez and Hernández-Linares (2020) used the items from Burgers and Covin's (2016) scale corresponding to the strategic renewal dimension, and Weimann et al. (2021) adopted the four items from the Zahra's (1996) scale corresponding to the strategic renewal dimension.

Among the studies that developed new scales, Pérez-Pérez et al. (2019) used a 5-item scale based on Burgers and Covin (2016), Simsek et al. (2007), and Zahra (1996); while Au et al. (2018) developed a 7-item scale, which are in line with strategic renewal measure used in Kearney and Morris (2015) and Zahra (1991, 1993).

Finally, Cucculelli et at. (2016) assessed strategic renewal with two primary variables: number of new patents the firm achieved in the process of its new product introductions and new foreign market entries that followed the new product introduction.

The diversity of conceptualizing and assessing strategic renewal in the family business field is in line with the lack conceptual clarity detected in general literature by Schmitt et al. (2018) and suppose a difficulty for enabling cross-fertilization and cumulative knowledge development across the different theoretical streams (Schmitt et al., 2018).

**3.4. Consideration of the strategic renewal construct within the research models and discussion of empirical evidence**

In this section we analyze the findings of the strategic renewal review. We observed that those studies with qualitative design support/argue/contend that family business' strategic renewal is promoted by the active participation of the owners (Sievinen et al., 2020a), the generational change that takes place in family businesses (Németh et al., 2017), appropriate changes in the corporate governance structure (Di Toma, 2012) and by international links (Mzid et al., 2019). In addition, these studies report that knowledge sharing and integration are key tasks of family members for the success of strategic renewal (Lionzo & Rossignoli, 2013), that strategic flexibility enables rapid response to as new opportunities arise (Jones et al., 2013), that refusing to alter the organizational rules by adhering to if the contingencies change, the family business' owners can impede change (Sievinen et al., 2020b), and that the advisory role of non-family board members may evolve from inertia preservation to introducing stress (Sievinen et al., 2020c). In addition, Anggadwita et al. (2022) report that in family firms, women's successors contribute to a company's adaptive capacity, strategic renewal and appropriation capacity, that is, to corporate resilience.

To explain the main findings of quantitative studies we rely on Table 4. As we can see, when strategic renewal has been considered as an independent construct, in all cases, it has been considered as a dependent variable (Au et al., 2018; Issah et al., 2023; Luu, 2022; Pérez-Pérez & Hernández-Linares, 2020; Weimann et al., 2021). These works report that knowledge management flow and knowledge management generation (Pérez-Pérez & Hernández-Linares, 2020), interfamily social ties (Weimann et al., 2021), sociocultural context of the firms (Au et al., 2018) and managerial capabilities (Issah et al., 2023) promote strategic renewal, although this last relationship is moderated by uncertainty avoidance. Moreover, Luu (2022) reports that family board's members with transformation leadership qualities play a key role in developing non-family employees' strategic renewal; while Issah et al. (2023) find that family businesses managed by founding generation are better than those managed by later generations at strategic renewal as a response to the crisis when they have sufficient managerial capabilities. Finally, Cucculelli et al.

(2016) find that externally managed firms behave like founder run firms, even if their preference for risky products receives weak statistical support and that risky products become appealing for family managers, as they can help survival when a firm is in financial crisis. In addition, they find that family firms' favoring of less risky product introductions will extend the firm's market reach.

the international entrepreneurship construct (also a second-order construct) and reports that transformational leadership and employee psychological empowerment boost employee international intrapreneurship, although the relationship between transformational leadership and employee international intrapreneurship is partially mediated by employee psychological empowerment.

**Table 4.** Strategic renewal in quantitative studies

| Author/s (year) | Independent variable | Dependent variable | Moderating variable | Mediating variable |
|---|---|---|---|---|
| *Strategic renewal is considered as a dependent variable* | | | | |
| Cucculelli et al. (2016) | Risky new product introductions | Strategic renewal | | |
| Au et al. (2018) | Sociocultural context | Strategic renewal | Uncertainty avoidance | |
| Pérez-Pérez & Hernández-Linares (2020) | Knowledge management generation, knowledge management flow | Strategic renewal | | |
| Weimann et al. (2021) | Bind social ties | Strategic renewal | | |
| Luu (2022) | Idealised influence, inspirational motivation, intellectual stimulation, individualised consideration, psychological ownership, nonfamily employee strategic renewal, transformational leadership of family board members. | Strategic renewal | | Psychological ownership |
| Issah et al. (2023) | Managerial capabilities | Strategic renewal | Founding generation | |
| *Strategic renewal is considered as part of a broader construct* | | | | |
| Giang & Dung (2021) | Transformational leadership, adaptive corporate culture, employee psychological empowerment | Intrapreneurial behavior* | | Adaptive corporate culture, employee psychological empowerment |
| Huynh (2021) | Transformational leadership, employee psychological empowerment | International intrapreneurship*, | | Employee psychological empowerment |

Note: Pérez-Pérez et al. (2019) do not study relationships among variables (therefore, we cannot identify dependent or independent variables), but the existence of heterogeneous groups of family firms in terms of knowledge management, strategic flexibility, and strategic renewal.
*Strategic renewal is considered a dimension of these variables.

Among the works that consider the strategic renewal as a dimension of another construct, Giang and Dung (2021) study the strategic renewal as a dimension of intrapreneurial behavior, a second-order construct, and report that transformational leadership has a positive effect on employee intrapreneurial behavior. Also, they report that adaptive corporate culture and nonfamily employee psychological empowerment is directly and significantly related to their intrapreneurial behavior. Moreover, Huynh (2021) considers strategic renewal as a dimension of

## 4. Future Research Directions

The third step established by Tranfield et al. (2003) to carry out a systematic literature review is the reporting and dissemination of results, making room to draw future strand or avenues for research and practical implications. Therefore, taking our systematic and comprehensive analysis of 14 years of research on strategic renewal and family business as starting point, in this section we present some research questions (RQ) that we consider key to advance our knowledge about the

antecedents and outcomes of strategic renewal in the family business.

**4.1. Strategic renewal's antecedents**

The systematic analysis performed in the previous section reveals that knowledge management flow and knowledge management generation (Pérez-Pérez & Hernández-Linares, 2020), inter-family social ties (Weimann et al., 2021) or sociocultural context of the firms (Au et al., 2018) constitute antecedents for strategic renewal. However, other possible antecedents of strategic renewal deserve to be studied.

Specifically, managerial choices are influenced by the desire to preserve the family's SEW (Pérez-Pérez et al., 2019). Thus, for example, when SEW is threatened, family businesses make decisions to avoid the loss of SEW, in spite of their economic efficiency (Gottardo & Moisello, 2015). It is in line with the idea that strong bonds of family to the company, can lead to a desire to preserve the status quo and to resist change (Pérez-Pérez et al., 2019). These arguments, the recent advancements linking SEW dimensions to innovation practices or outcomes in family firms (Bauweraerts et al., 2022; Gast et al., 2018), and the existence of both a bright and a dark side of SEW (e.g., Kellermanns et al., 2012) lead us to emphasize here the interest of investigating how SEW could affect strategic renewal. Therefore, we propose:

***RQ 1**. How does SEW affect the strategic renewal of family firms?*

Moreover, lessons from past experience are used to shape organizational strategy (Wadhwani et al., 2018) and facilitate change within continuity (Maclean et al., 2018), Indeed, research shows that, from a path dependence perspective (Liebowitz & Margolis, 1995), firm strategy is heavily influenced by its past history (Jaskiewicz et al., 2015; Lorenzo-Gómez, 2020). Indeed, our literature review reveals that the culture and experience accumulated by family leaders help them identify critical environmental threats and recognize the need for a strategic change (Lionzo & Rossignoli, 2013). However, Lorenzo-Gómez (2020) posits that decisions adopted by family businesses in the past could create a dominant pattern that acts as a barrier to change processes. Therefore, we call for researching how past experiences of mature family firms can influence their strategic renewal. Consequently, we propose:

***RQ 2**. How family legacy/history affects the strategic renewal of family firms?*

Our systematic analysis also reveals that, so far, literature on the confluence between strategic renewal and family firms has not paid attention to key characteristics of family firms, as their long-term orientation, i.e., the "tendency to prioritize the long-range implications and impact of decisions and actions that come to fruition after an extended time period" (Lumpkin et al., 2010, p. 241). It seems a bit surprising given that research provides arguments that lead us to think that long-term horizon often attributed to family firms (Miller & Le Breton-Miller, 2005; Zahra et al., 2004) could impact a firm's strategic renewal. Thus, for instance, literature points that the intention of the founders to build a lasting legacy over time may lead family firms to have a more conservative approach to strategic decision making (Gentry et al., 2016; Lorenzo-Gómez, 2020). However, research also reports a positive relationship between long-term orientation and corporate entrepreneurship (Eddleston et al., 2012). In this sense, and as a long-term orientation is an organizational culture that favors patient investments in time-consuming activities (e.g., Zahra et al., 2004), it seems reasonable to think that it can affect the strategic renewal, given that any strategic transformation is time and resources consuming. Therefore, we encourage scholars to answer the following research question:

***RQ 3**. How family firms' long-term horizon affects their strategic renewal?*

It is also surprising that, with the exceptions of Mitchell et al. (2009) and Anggadwita et al. (2022), who study the influence of the successor discretion in the strategic renewal's promotion and the role of women successors in family business' resilience respectively, research on strategic renewal and family firms have under noticed one of the major challenges facing the family firms: the succession (Cabrera-Suárez et al., 2001; Corona, 2021; Corrales-Villega et al., 2019). According to family development theory (Hill & Duvall, 1948), families go through distinct stages of development, and face processes of change (for instance, divorces). It would be interesting, hence, to explore whether and how the transition from one family's development stage to another influences the firm's ability to renew itself. Specifically, we call for research how different types of succession (intra-family succession or external succession, planned versus unexpected, etc.) influence firm' strategic renewal. Consequently, we propose:

***RQ 4**. How family's development stages, and specifically succession processes, affect the strategic renewal of family firms?*

Finally, our review reveals that some knowledge-related variables are antecedents of strategic renewal in family firms (Lionzo & Rossignoli, 2013; Pérez-Pérez & Hernández-Linares, 2020). In this sense, literature reports that involvement of several family's generations in the company is a unique predictor of entrepreneurial behavior in family firms (Kellermmans et al., 2008) and that family members from newer generations tend to be a driving force for change (Kepner, 1991). As the newest generations may offer greater input and new and diverse perspectives to modernize organizational objectives and strategies (Handler, 1992; Kellermanns et al., 2008), it seems reasonable to think that the involvement of several family generations in the firm's board or top management team (i.e., where each generation to have a say in the strategy making of the firm) may influence its ability to renew itself. Therefore, and considering that we encourage scholars to answer the following research question:

***RQ 5***. *How does the involvement of several family's generations in the top management and/or board influence the capability of family firms to renew themselves?*

**4.2. Strategic renewal's outcomes**

According to Schmitt et al.'s (2018) review, "since most organizations need to transform themselves at one time or another, strategic renewal is a key consideration in understanding their long-term survival and prosperity" (p. 81). However, in the family business field, the relationship between strategic renewal and survival is merely assumed, but it has not been empirically corroborated. Considering the known family firms' high mortality rate (Dyer, 2021; Ghee et al., 2015), this lack of empirical evidence results a bit surprising because increasing family businesses' survival rate has intrigued scholars, practitioners, and consultants (Stamm & Lubinski, 2011), becoming a be considered one of the most difficult challenges faced by both public policies and scholars (Hernández-Linares et al., 2022). Therefore, and convinced the progress of science must not be based on assumptions, we propose a new research question:

***RQ 6***. *How family firms' strategic renewal impacts on their survival?*

According to Schmitt et al.'s (2018) literature review "every organization faces the dilemma of either maintaining continuity or engaging in strategic renewal. Continuity ensures reliability and cohesion, but strategic renewal is equally important to enable innovation" (p. 94). Given that this dilemma presents a singular character in family firms because of their wish to transfer the legacy to the next generation (Brigham et al., 2015; Moreno-Menéndez et al., 2021) and to keep the company in the family (Casson, 1999), as well as the existence of family-oriented goals (Chrisman et al., 2012; Kotlar & De Massis, 2013), such as family cohesion and well-being. Therefore, we propose the following avenue for future research:

***RQ 7***. *How firm's strategic renewal influences family cohesion and well-being?*

Finally, while in the family business field the research on business exit has focused on entrepreneurial exit from a single venture and has overlooked the case of business families that manage a portfolio of businesses and face more than exit process (Akther et al., 2016). However, it is broadly accepted that successful portfolio entrepreneurship involves renewal and constant entry into and exit from business activities (Dess et al., 2003; DeTienne & Chirico, 2013) because a successful business exit can, for example, free up new resources (Carnahan, 2017) and lead to strategic renewal and the foundation of a new firm (Ren et al., 2019). Therefore, it would be interesting to explore how the level of strategic renewal of a portfolio of family firms influences the way a family voluntary disinvests in a business (e.g., selling, shutting down, etc.) both in ordinary economic conditions as in situations of economic crisis. Therefore, we propose a last research question:

***RQ 8***. *How portfolio of family firms' strategic renewal influences the choice of business exit?*

Besides of these research questions, we joint to the call of Mitchell et al. (2009) who state that more research is needed to develop a theory that describes how factors at the individual level can be combined with factors at the family level to positively affect the strategic behavior of individuals.

Finally, although the quantitative research on the strategic renewal in family firms is scant yet, it is fully from cross-sectional nature, wich impides establish causal relationships. Therefore, we call for further quantitative research, but specially we encourage scholars to perform transversal studies that allow us overcame the cross-sectional studies' limitations. Similarly, we strongly encourage scholars to research family firms' strategic renewal of contexts not investigated until now, such as Canada or United States of America, with well-developed knowledge economies, with different general competitive conditions (Chen et al., 2007) for firms. It will allow us to compare results of these studies with those found in econ-

omies that are in a transitioning situation (e.g., Vietnam) and will contribute to the generalization of findings.

## 5. Conclusion

Our systematic review of literature on strategic renewal and family firms contributes to both family business literature and strategic renewal literature in two ways. *First*, this is the first study in systematizing, integrating and critically examining the corpus of knowledge on strategic renewal and family firm, a flourish literature that is very fragmented (indeed, only two journals have published more than one article about the topic), which add value to our compilation and analysis. Therefore, we contribute to literature by providing a chronological account of the relevant research. *Second*, based on our review and systematization of literature, which relies on a structured, transparent and reproducible method of selecting and assessing studies (Tranfield et al., 2003), we identify gaps in the literature and provide scholars with a future research agenda that endows strategic renewal and family business. Therefore, we trust our study constitutes an impulse for further research.

In addition, we share with Ge and Campopiano (2022) that the main purpose of a systematic literature review is to systematize existing knowledge about a topic and offering avenues for future research. However better understanding the status quo about strategic renewal in family business has also practical implications for managers and consultants. *For family businesses' managers,* our study offers a guidance on how to promote strategic renewal. Thus, for instance, managers may find useful to establish practices of knowledge management (Pérez-Pérez & Hernández-Linares, 2020) as an enabling of strategic renewal in their firms. In addition, our systematic literature review offers *family businesses' consultants* some insights of how advice firms to face change and advance their understanding of strategic renewal within family firms. However, this works is not exempt of limitations. First, we limited our search to studies published in English and available in the *WoS* and *Scopus* databases. Although our sample's publications thus represent relevant literature, having searched in other databases could have provided us with more information with which we would have reached other results. Therefore, future systematic reviews can include conference proceedings and studies published in other languages and available via other databases. *Second*, we are conscious that the number of publications included in our review is slightly lower than those included in other review articles in the family business field (De Massis et al., 2013). Nevertheless, in our view, this is not a serious concern given the novelty of the studies on the confluence between family business and strategic renewal, and the need to systematization of the prior literature. *Third*, we screened the studies included in our review manually, which subjects our process to human error. Therefore, future literature review could adopt more sophisticated and robust methods to select and filtrate the studies finally revised in order to overcome this limitation.

In conclusion, research on strategic renewal and family firms was born less than fifteen years ago (Mitchell et al., 2009), however our literature review reveals that interest in the topic is growing, and our study aims to lay the foundations for solid growth in research on the topic in the future.

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# Bringing a Horse to Water: The Shaping of a Child Successor in Family Business Succession

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**KEYWORDS**
Family business, Family firm, Scotland, Succession, Successor

**Abstract** This study critically investigates and evaluates the childhood and adolescent year strategies, and efforts that parent-owners of family businesses incorporate to encourage and prepare children for a successful future succession. The sample consisted of six family businesses in the North East of Scotland: two successfully introduced a second-generation, two a third generation and one a fourth generation, with one still in the founder stage. The findings reveal that the succession planning process was an instantaneous event into generational bridging, where no formal planning process was commenced. Parent-owners influenced and facilitated knowledge transfer and education, leaving control to the child successors with career options. The research has also shown the difficulties in how the child successors of the future may find succession challenging and demanding with contextually complex issues.

**CÓDIGOS JEL**
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**PALABRAS CLAVE**
Empresa familiar, Escocia, Sucesión, Sucesor

**Guiando al caballo hacia el agua: La formación de un sucesor infantil en la sucesión de la empresa familiar**

**Resumen** Este estudio investiga y evalúa críticamente las estrategias y los esfuerzos que los padres propietarios de empresas familiares llevan a cabo para incentivar y preparar a sus hijos para una futura sucesión exitosa. La muestra consistió en seis empresas familiares en el noreste de Escocia: dos en segunda generación, dos en tercera generación, una en cuarta generación y una todavía en la etapa de fundador. Los hallazgos revelan que el proceso de planificación de la sucesión fue un evento instantáneo en el puente generacional, donde no se inició ningún proceso de planificación formal. Los padres-propietarios influyeron y facilitaron la transferencia de conocimientos y la educación, dejando el control a los hijos sucesores con opciones de carrera. La investigación también muestra las dificultades de cómo los futuros sucesores pueden encontrar la sucesión desafiante y exigente con problemas contextualmente complejos.

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## 1. Introduction

A centuries-old custom dictated who would be handed down the family wealth and business. In days when parent-owners did not retire, it was only after their death that the eldest son would take up the reins of the family business, despite the individual's willingness, capabilities and consideration for other siblings (Yadav & Shankar, 2017). The daughters would generally be excluded from the succession (Wang, 2020). In the twenty-first century, family business succession planning is far more advanced and now considers various integrated influences, such as the predecessor's business knowledge and skill set, to develop a concrete foundation, leading to a successful succession (Ghee et al., 2015). Transfer of that knowledge to the successor can be a determinant factor for the survival of the business after succession (Corona, 2021; Wasim et al., 2020). Furthermore, succession planning is significant to any family business's realisation, survival, and growth (Pitcher et al., 2000) and succession to children is better for a firm than handing it over to other relatives or outsiders (Chiang et al., 2021). Bearing this in mind, Vera and Dean (2005, p. 323) highlight that: "only 30% of family businesses are expected to survive the first generation, around 15% are expected to survive to the third generation, and less than 3% are expected to survive to the fourth generation." Succession is imperative for family business continuity as it can be the last leg of the business cycle and is one of the most critical issues for a family business (Giménez & Novo, 2020).

Wiecek-Janka and Mierzwial (2015) have researched the barriers successors face in the first stage of business succession. Results, considering Polish firms, concluded that other plans, fear of criticism and reluctance to run a business were the weightiest. These were deliberated to have been instilled in early years, in the successor's upbringing, and shaped into the successor's personality. The study also exposes some research gaps in this field, including shaping entrepreneurs' capabilities in the early years, the building of confidence to overcome anxieties, and the impact of worries of one day taking over the family business. How well a potential successor knows the firm and its operations is also imperative for a successful succession and the capability development of a successor. Furthermore, Parker (2016) brought resourced-based logic into the willing successor and ventured into the altruistic and dynastic motives of the founders of a family business with desires to see their children take the helm of the business. In a bid to entice successors, Parker (2016) explores founders with greater incentives in targeted actions. However, combined with motives, the results may not be the effects both the parent-owner and child successor were seeking. Parker (2016) seeks further research in understanding child successors through parenting methods, supporting successors from an early age in assisting and providing foundations and energy in the preparation of setting the scene for the business in adult life.

Focusing on family business in the North East of Scotland, this study addresses the research gaps and future research directions established by Wiecek-Janka and Mierzwial (2015), Parker (2016) and Wasim et al. (2020). The research aims to critically investigate and evaluate the childhood and adolescent year strategies and efforts family business owners experienced and have planned to encourage and prepare child successors for the family business considering the Self Determination Theory (SDT).

To meet the aim of this study, three research questions have been established:

***RQ1***: *What steps do parent-owners consider to nurture their potential successor?*
***RQ2***: *How do parent-owners ensure that the critical learning needs of a potential successor are met?*
***RQ3***: *How do parent-owners nurture the interest and determination of a potential successor for the family business?*

This research provides theoretical and practical contributions. It extends the literature provided by Duh (2014), Parker (2016) and Merchant et al. (2018) regarding the succession planning in family businesses and identifies the major factors along with education in the learning and succession process initially considered in studies provided by Billett (2016) and Rivera et al. (2020). Furthermore, the findings of this research can help support organisations in the region to better address the challenges around the succession process. Parent-owners of businesses that envision a succession in the future can benefit from the research by shaping the child's successor from the early years and can also understand their appetite for business.

The study is organised into six sections. Within the first section, the topic is introduced, the literature gaps and contributions are highlighted, and the research questions are presented. The subsequent section contains the literature review focusing on existing research offering to provide evidence. The section also explores academic literature and research, providing the theoretical underpinnings for the empirical research. The following section describes the methodology used to gather and analyse the empirical data.

The next section delivers results of empirical evidence, which are analysed to identify findings from the research. The last section draws the research to a conclusion that reviews key findings and issues researched in this paper. It also provides some recommendations for future research by highlighting the limitations of this study.

## 2. Background

### 2.1. The predecessor parent-owner and child successor

Parker (2016) poses several relevant questions regarding parent-owner and child successor, such as: What strategies can be planned for the child successor to develop an interest, commitment, and motivation into the family business? Will the child successor have the competencies to ensure that all the hard work and investment of the parent-owner will create a lasting legacy without recruiting management of non-family members? Parent-owners have uncertainty whether the child's successor will develop a strong enough commitment to achieve business longevity. Planning the most beneficial parent-owner approach is no easy task when considering the family business and the child successor's development in childhood. McMullen and Warnick (2015) highlight ethical issues that may arise in bringing the two together and suggest maintaining a separate parenting approach from the family business.

The parent-owner tends to control the family (Lansberg, 1988; Rubenson & Gupta, 1996). It is an assumption that predecessors, to a vast extent, are heavily involved in the succession, from planning to initiation to managing the process. Bjuggren and Sund (2011) indicate another angle in which entrepreneurs may be reluctant or unable to initiate the plan. Entrepreneurs can be far too busy managing the family business or may have a fear of losing the principal role in the family. In comparison to this, Sharma et al. (2003) conclude that it is not the aspiration or goals of owners that are important in whether succession is planned, but more so the willingness and capability of a trustworthy family member. Another aspect related to the parent-owner is nepotism. Handing over the family business to offspring may cause more harm to the business than first thought, through lack of trust and abilities in the views of stakeholders or even other family members (Pollak, 1985). The change of ownership is challenging for all businesses, including family-owned ones (Merchant et al., 2018).

For the child successor being brought up in a family where the parents are business owners play a significant role in gaining insights into the entrepreneurial behaviours, challenges, and opportunities (Hernández-Linares and López-Fernández, 2020). The environment of the integrated role of the parent-owner in family and business develops and moulds the child successor into business. In contrast with the absenteeism of parents in successors childhood due to the family business constraints, potential child successors may wish to venture out of the family business to escape the responsibilities and lifestyle associated with it. Bearing this in mind, Zellweger, Sieger and Halter (2011) discuss that children from family businesses have a preferred intention through independent motivations to be a founder of their own business, not taking the succession path.

### 2.2. Learning and knowledge transfer

Mentoring and knowledge transfer are known to stimulate the progression of learning. Without knowledge transfer, there would be no appropriate learning strategy (Rowley, 2000). For Rowley's (2000), starting with gathering information, learning to create knowledge determines actions, behaviours, and decision-making.

Within the family business, knowledge transfer is a collective process (Borgatti & Carboni, 2007). As the key knowledge holder, the parent-owner is responsible for facilitating the knowledge transfer to complete a successful succession and maintain the family business's competitive advantage, depending on the nature of the business. It is also pivitol that there is an organisational culture of knowledge sharing in a family business (Botero et al., 2021). Strengthened levels of trust in the parent-owner, known as the child successor relationship, influence the amount of knowledge shared and the parent-owner's readiness to pass on knowledge. For the child successor, the willingness to learn further embraces the relationship (Bachmann, 2001). Within a family business, the knowledge transfer is enriched by experience-centred knowledge which is passed on through exchanges among family members. Organisational culture within a family firm that promotes participation of among the family and non-family employees also helps creation of new knowledge (Botero et al., 2021). Such participation can increase the involvement and interest of a potential successor within the business. However, knowledge loss is possible if this knowledge is not managed and sustained, significantly impacting the small family-owned firms (Wong & Aspinwall, 2004). In addition to that, generational interaction in family businesses can also put a strain on among family members which are particularly important during a sucession process (Magrelli et al., 2022).

Contrasting with other types of businesses, family firms can be considered incredibly idiosyncratic. In non-family firms, the extent of knowledge and experience gained with hands-on working

produces a family of human assets to the firm (Klein, 1988). This tends to be lacking in the family businesses. In a family business, idiosyncratic knowledge is an intangible capital, based on non-codified knowledge, frequently individual-specific than business-specific. This knowledge may only be known to the owner. Therefore, successors must acquire this knowledge for business continuity and success, for successors to have exposure and work in business areas similar to owners or employees (Neubauer & Lank, 1988). In doing so, an additional benefit would be gaining credibility, trust and acceptance by members of the family and stakeholders (Osborne, 1991).

Business knowledge need not only be transferred from parent-owner to child successor. Non-family members of a business also need to transfer vital knowledge for the business to function. Wasim et al. (2020) studied the knowledge value of non-family members, how the exchange varies, and the levels of engagement across business cultures. Empirical evidence highlighted that crucial knowledge and hands-on involvement are achieved during the early stages of knowledge transfer and encouragement for the successor, albeit prior to succession completion. Rivera et al. (2020) presents an argument looking at knowledge sharing from a psychological safety and similar to Wasim et al. (2020), they found that knowledge sharing is a social process. Arzubiaga et al. (2022) highlighted the importance of knowledgement management within family businesses and how complex it is. They also suggested several knowledge creation, storage, sharing and application gaps in the literature within a family business context.

Knowledge from outside the firm is also as important as the internal knowledge. This can be done through formal educationa as well. Morris et al. (1997) note that educating the next generation through early intervention in family business succession planning is essential. With an appropriate long-term planning process, the child successors have an opportunity to access formal education, develop skills and knowledge, credibility and capabilities, which are crucial in the early stages of transition (Morris et al., 1997). It is required to obtain a good grounding in entrepreneurship knowledge, education and training that teaches and prepares individuals on entrepreneurship. This can be done through developing and creating mindsets for knowledge, innovation, motivations, and passion (Gundlach & Zivnuska, 2010), and to get minds thinking on individual intentions (Pruett, 2011).

Research surrounding entrepreneurship education emphasises classroom assessments instead of seeing a classroom environment as a part of the real working world (Wasim, 2019). Mixing education and work experience are demonstrated with internships, which play a significant role in applying knowledge and theories gained in the university setting to the workplace in an attempt to narrow the issue of the theory-practice gap (Allen, 2011). The entrepreneurial learning approach to internships was studied by Ramsgaard and Ostergaard (2018). The findings highlight a need to incorporate assessment practice into the design of the internship to add value, increase reflection, encourage feedback and gain confidence in establishing professional identity. Although higher education seems a good fit for ensuring well-educated successors, working outside the family business gains the skills, knowledge and confidence to develop a sense of identity from this environment, to aid in the readiness of preparation which proves to be a valuable asset to the firm (Chirico & Salvato, 2008).

Alternatively, the apprenticeship program is an option where child successors can work full time in the family business. Informally formed through family and local workplaces, Billett (2016) recognises that apprenticeships are a highly recognised method of learning supported by educational practices. Dominated by school leavers, apprenticeships are work-based learning development, incorporating drivers of learning work with occupational tasks. This option may be a suitable vehicle for on-the-job training while gaining a qualification for the child successor of small family businesses, an ideal introductory phase combined with knowledge transfer which would be business-specific. Another beneficial element is forming relationships with non-family staff to build competencies and trust and incorporate business culture (Wasim et al., 2020).

### 2.3. The relevance of trust, motives and commitment

Hosmer (1995, p. 393) suggests that "trust is the reliance by one person, group, or firm upon a voluntarily accepted duty on the part of another person, group, or firm to recognise and protect the rights and interests of all others engaged in a joint endeavour or economic exchange." By creating a supportive environment and displaying appropriate behaviours, trust begins to form. While forming good relationships and responding to physical and emotional needs, trusting relationships can be developed and improved. Trust would develop over time from the family bonds that are already strengthened to form a harmonious relationship from childhood to bring into the business (Zahra et al., 2007). Through experiences including possibilities and advice from the parent-owner, child successors can feasibly be nurtured into the family business (McMullen & Warnick, 2015). Successors with an upbringing feeling affective commitment within the fam-

ily are more likely to follow their parents into the family business. Therefore they are ideal for parents seeking ready and dedicated successors (Sharma et al., 2003).
McMullen and Warnick (2015) present the Autonomous Motivation Model of Family Business Succession. It highlights the non-financial goals the parent-owners seek from their successor in relation to the family business, especially the commitment and motivations attached with affective commitment. Associated with affective commitment are the qualities such as autonomy, elements of intrinsic and extrinsic motivations, self-determination, and content with psychological awareness for relatedness, and competency to effectively be confident and self-assured for joining a family business (McMullen & Warnick, 2015). For the successor already working within the family business, affective commitment is significantly important. It does not require tangible rewards or incentives. The reason for this is that successor would be satisfied with meeting the family business vision and goals with the behaviours instilled into them by the parent-owners. Commitment is critical to the succession and the family business's nontangible goals (Meyer et al., 2002). The successor also would be willing to take on the leadership role when the time comes for a handover.
In order to gain a greater understanding of the role of trust in the family business, Shi, Shepherd and Schmidts (2015) identify various types of trust, which featured interpersonal trust, which derives from family goodwill and individual competency. Beyond trust, the relationship is also an important area to consider within the family firm: relationships among family member employees and family and non-family member employees in a firm (Dalpiaz et al., 2014).
To conclude, "familiness", a concept that considers the individual family members and the business itself, signifies the resources at the centre of a family-owned business (Tagiuri & Davis, 1996). Roles that intertwine between family and the business may lead to a shared sense of identity for both child successor and parent-owner Tagiuri and Davis (1996). It can be reasonable to say that family in family business considers family before the business.

## 3. Methodology

The research design for the study followed an exploratory path where goals were explored to meet the aims and objectives of the study. This approach has the goal to explore unexplored areas to provide an increasing understating. Furthermore, following an interpretivist theoretical framework, this study has followed an inductive approach in that, in the beginning, observations were noted and at the end of the research, theories were suggested and applied (Goddard & Melville, 2004).
The empirical nature of the research was fundamental and instrumental to the validity and reliability of the overall process. This study adopts a qualitative approach and, therefore, a non-probability purposive sampling method was used. To increase the validity and reliability of the data, this study used semi-structured interviews to explore the experience and expertise of family businesses. The interview questions (see appendix) were carefully designed to accommodate the research areas, allowing for the elasticity of free discussion on a face-to-face semi-structured approach within the investigation process. This allowed researchers to consider having data from family businesses as crucial for this study while gathering data from non-family businesses considered irrelevant (Densombe, 2010). A pilot was conducted with a founder of a family business to gain feedback and trial clarity. The interview guide was modified as a result of the pilot to eliminate elements that might drive the conversation away from the aim of the research. The questions were improved upon and practised in a more skilled and assertive manner to focus on the overarching research questions, enriching data and avoid unnecessary time loss. In the end, the interview contains 33 questions that explore topics such as respondent profile, founder, parent owner and child successor, knowledge, trust and commitment, and future successors.
Once the perimeters of purposive sampling were established, the participants were selected using LinkedIn, Facebook and company websites where it was displayed that the company is a family business. Initial contact was made with the Small Business Federation; they also recommended using social media for participant recruitment. It was decided that the geographical location of the participants could produce an unknown variable for the study. Therefore, the sample consisted of family firms from urban and rural areas to see any distinctive elements. Thereafter, around forty family businesses were contacted through email and requesting to participate in the research. Maximum variation sampling was planned for ten companies where it was felt that the point of saturation might occur. From the forty invitations sent, seven family businesses responded. One family business withdrew prior to the interview. Two family businesses found time constraints in weekday evenings and weekends and agreed to telephone interviews. Four family businesses were interviewed face-to-face on weekends to accommodate the participants. Consent forms were signed for the face-to-face interviews. For the telephone interviews, participants were reminded of the ethical

elements such as anonymity and voluntary participation prior to the interview and verbal consent was secured. The interviews were digitally recorded, with consents signed, using a Dictaphone and transcribed at the earliest opportunity. For the telephone interviews, note-taking was also used to record all data in the interviews. In total, the sample is composed of six family businesses located in the North East of Scotland.

Thematic analysis was used to analyse data. The main objective of thematic analysis was to identify themes, for example, patterns presented in the data that were significant, interesting, and to use the patterns to address the research or highlight a question. The thematic analysis does not summarise data but interprets the data. Therefore, the main interview questions were not used as themes as this would only summarise and organise the data: the data was analysed (Braun & Clarke, 2013). Illustration of thematic codes is highlighted in Table 1 below.

**Table 1.** Coding scheme

| First-order codes | Second-order codes | Statement |
|---|---|---|
| Relationship | Background | Understanding between predecessor and (potential) successor |
| | | Common understandings |
| | | Difference of work vision |
| | Attributes | Responsibility |
| | | Understanding of the context |
| | Expectations | Autonomy |
| | | Making a change |
| | | Other expectations |
| Successor's perception of the family business | Involvement | Working in the family business |
| | | Doing chores but not working formally for the family business |
| | | Formally working for the family business |
| | Commitment | Vision for the family business |
| | | Thoughts about succession |
| | | Investing time and effort before the succession |
| Knowledge and learning | Prior knowledge | Transferred from parent-owner |
| | | Transferred from non-family employees |
| | | Transferred from other sources |
| | | About the business but learned away from the business |
| | New knowledge | Learning by doing |
| | | Formal education |
| | | Internet |
| | | Books and magazines |
| | Business related learning | Directly related at the given time |
| | | In-Directly related at the given time |
| | | Directly related for a future time |
| | Educational background | Formal education |
| | | In-formal education |
| Self-determination | Environmental and psychological factors | Autonomy |
| | | Competence |
| | | Relatedness |

In Table 2, a profile of the research sample details the interviewed participants of the family business generational bridging succession. Table 2 includes information regarding the business sector, the founding year, and the current generational succession. Also included is entrepreneurial bridging, which indicates the generations currently working together in the family business.

However, apart the how they are defined, the challenges during succession are the same for family businesses in Scotland (Cromie et al., 1999; di Belmonte et al., 2016) and the rest of Europe (European Commission, 2009). Hence, considering the topic of the research i.e., succession of family business, the insights are applicable beyond the Scottish context.

**Table 2.** Profile of research sample

| Sector/Identifier | Founding year | Generational succession | Entrepreneurial bridging |
|---|---|---|---|
| **Engineering business** | 1999 | Founders | Founder and son (son was not present) |
| **Fabrication business** | 2009 | Founder | Founder |
| **Hospitality business** | 1995 | Second generation | Second generation and daughter |
| **Trade and joinery business** | 2001 | Founder | Founder and son |
| **Agricultural business-A** | 1975 | Second generation | Second generation and son |
| **Agricultural business-B** | 1959 | Third generation | Third generation and son |

There are many similarities between Scottish family businesses with European family businesses. As illustrated by Neubauer (2003) family businesses comprise family, property, business and management, which would be the same for all family businesses regardless of the location. Family Business United Scotland (2019) defines a family business as a business which is predominantly owned by a family where two or more family members are involved in the business. Whereas the European Commission (2009) used a definition by the Finnish Working Group on Family Entrepreneurship. They define a family business as “a firm, of any size, is a family business, if:

1) The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children’s direct heirs.
2) The majority of decision-making rights are indirect or direct.
3) At least one representative of the family or kin is formally involved in the governance of the firm.
4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.” (Kalss, 2015 p. 5).

## 4. Results

### 4.1. The parent-owner and child successor

From the findings, a common theme of non-planning was identified where parent-owners of Engineering Business Fabrication Business and Trade and Joinery Business formed businesses through challenging events in life or uncertainties with employers and payments. There was no evidence of desires or realisation of aspirations from the childhood of parent-owners to start a business or to start a venture. Parent-owners included in the research were brought up in families with no connections to business. Life had thrown challenges at the founders, which resulted in the formation of a business.

*“Classic tale of being made redundant at the age of 39 years old and with 20 years’ experience decided doing it for myself was the best pathway to securing my future”.*
*(Founder, Engineering Business)*

Results showed that the parent-owners had an underlying desire for child successors to come into the business. At the start-up stage, thoughts were expressed on business growth and how the business would continue if successful. Over time, as businesses developed and grew, child successors became interested and willing to join the business. Founders were satisfied when the bridging occurred apart from Fabrication Business, where they have no children (is consider-

ing extended family), where succession has not bridged.
Although no formal succession plan was instigated, when bridging occurred, it seems to have been an instantaneous event,

*"I knew nothing else and had worked hard on the farm when being brought up, I remember my grandfather's wishes, it's the right thing to do, you feel a sense belonging."*
*(Son, Agricultural Business-A)*

For Agricultural Business-A and Agricultural Business-B, parenting techniques and encouragement focused on the child successor working most of childhood in the business (agriculture). From a very young age, the successors were integrated into the business to ensure the knowledge and skills were ingrained by the time of leaving school and working full time. Although nothing had been planned, upbringing had been designed on the parent-owner's own childhood and taken the same route for their successor (i.e., the parent-owner had brought up the child successor in the same upbringing as the parent-owner had been brought up). Overall, in succession for an agricultural business, this was described as "a way of life" by both Agricultural Businesses.
Apart from Hospitality Business, parenting techniques did not involve the business-specific element in upbringing. For the successor of Engineering Business, it was only decided at the time of leaving school as the successor was unsure of a career path. With the influence from parent-owners at the time, the child successor decided to join the family business.

*"My son didn't know what to do when he left school, now he is involved in the business, going back 14 years when he joined his mother and myself, the intention at that time was to train him up to eventually take over the reins."*
*(Founder, Engineering Business)*

For Trade and Joinery Business, memorable events inspired the successor to join the business by occasionally helping the father with at the weekends. This was viewed by the child successor as helping the father out and not the business. For Hospitality Business, instead of parent-owner's desire, it was the desire of a sibling of the child successor who initially was supposed to be the successor. The chosen successor had chosen to pull out. This had given way for another sibling to take up the reins. On this occasion, the un-favoured sibling took control and decided to come into the family business with the approval of the parent-owner.

*"My son left school, went on to university and didn't come back, I was hoping he would come back, to the business. I thought my daughter would do the same, however, she wanted to be involved, thereafter, I put thoughts of selling up to one side. I was very pleased and proud of her."*
*(Second Generation, Hospitality Business)*

**4.2. Learning and knowledge transfer**

In the findings, knowledge transfer in the agricultural sector was substantial. Knowledge transfer commenced very early for Agricultural Business-A and Agricultural Business-B (from under five years of age). Children were exposed to animal management and machinery such as tractors. The knowledge transfer was described as traditional by the child successors. In gaining the experience to learn knowledge, it was hard work for children. However, both felt it did them no harm, and this was a main part of the learning process through knowledge transfer.

*"You only learn by doing the job and seeing the results, seeing the whole circle, from when a lamb is born to going to the mart."*
*(Son, Agricultural Business-B)*

Son of Agricultural Business-A described the knowledge he gained at Agriculture College as "modern, enlightening and more cost-effective." He described that the power of knowledge gradually transferred to him on his return to the subsequent learning from the knowledge, instead of it being his father in a short space of time.
Both agricultural businesses highlighted the transfer of knowledge from similar communities, in how neighbours and friends facing similar problems managed and dealt with issues, demonstrating networking in the local community even at a young age. In the remaining businesses, networking did not feature heavily as much as it did in the agricultural sector
Another theme within the findings demonstrated the importance of non-family employees in knowledge transfer. Engineering Business, in which there are two parts to the business, the successor chose to work in the department where the parent-owner had limited knowledge. Although this kept the successor away from the main centre of the business, but allowed him to grow in an area of his interest.

*"Our son very quickly showed promise in the machine shop and we assigned him a mentor who soon advised that he was keen to put him on an official apprenticeship, to learn the machinery and how the department works."*
*(Founder, Engineering Business)*

Working with non-family employees gave the child successor a good opportunity to build relationships and skills from experienced staff working on idiosyncratic knowledge, in terms of operational knowledge of specialised machinery, which was essential for the business stability and continuity skills. Another example of non-family knowledge transfer theme was Hospitality Business. The child successor had to "sink or swim". The successor gained knowledge transfer from the experienced staff in the business. The front of house leader trained the successor in all dining room areas and workings within the kitchen, including the chef in cooking.

*"When at school I helped out in the kitchen and then in the dining room, I enjoyed the work and gained a good deal of knowledge on how the hotel worked and what everyone did, I become to know staff, they were like a "family". You would be fair to say I was never forced to work, but you could say expected to, if we were short staffed."*
*(Daughter, Hospitality Business)*

Alternatively, findings revealed that, for others, knowledge transfer was gained through quality time with family members in childhood through memorable activities. For Trade and Joinery Business, the child successor believes that building a treehouse with his father inspired him to join the business. The experience was memorable, and the structure is still there as a reminder.

*"I remember family time spent with dad in building a treehouse, I learnt a lot from that experience. It's amazing what you learn just watching and listening, especially the watching than doing, looking back after the treehouse was finished, it gave me the bug."*
*(Son, Trade and Joinery Business)*

For self-taught knowledge, the internet, television and publications emerged as a strong theme. Successors viewed these media as a good source of knowledge to be used in an attempt to extend the knowledge base and keep up with trends and innovation. Son of Trade and Joinery Business predecessor described the television, particularly programs surrounding house building, as interesting and expanding the knowledge base on what others are doing around the country and keeping up with the new innovations. Daughter of Trade and Joinery Business predecessor also described the television as key to keeping up with the initiative in the industry.

Table 3 consists of a profile of research education, which illustrates the further education levels of some of the successors within the research.

There was no university attendance by any successors in any of the family businesses researched, and none were planned. For education, apprenticeships featured heavily and hands-on work experience with some weekly college attendance (part-time). In all cases, the apprenticeship embarked on considering the nature of the businesses also in the interests of the successor.

For Engineering Business, Hospitality Business and Trade and Joinery Business, successors took on apprenticeships to educate themselves and gain the skills required for core activities of the business.

*"Joinery was what I wanted to do, I wanted to be a good finishing joiner, which I was interested in. It also meant I could join the family business."*
*(Trade and Joinery Business, Son)*

Apprenticeships were a popular theme, a popular choice with successors and mostly being the sole educational choice. This choice seemed to satisfy parent-owners, and successors, in that successors worked in the business and learned the business along with the occupational expertise and forming of relationships in staff. Parent-owners highlighted that, with parent-owners leaving the

**Table 3.** Profile of education sample

| Identifier | Generation | Qualifications |
|---|---|---|
| **Engineering business** | Second Generation – Son<br>(Son was not present) | Son - Apprenticeship<br>Mechanical Engineering |
| **Hospitality business** | Second Generation - Daughter | Daughter - Introduction to College, Hospitality and Bakery<br>SCOF Level 4 |
| **Trade and joinery business** | Second Generation - Son | Son - Apprenticeship<br>Joinery |
| **Agricultural business-A** | Second Generation - Son | Son - Scotvecs in Agriculture Management |

choice of course and occupation to the child successor, the child successor felt more in control to make their own choices. This led to a more individual commitment by the child successor, albeit the responsible mentors were non-family employees, although they were still working with parent-owners.

*"I just let my daughter do what she wanted to do, whatever made her happy, she works hard for the business, I can rely on her."*
*(Second generation – Hospitality Business)*

No other forms of education are highlighted for the successors and no entrepreneurship training is planned either. For the child successors, experience and knowledge transferred from the parent-owners had educated them for the business. For example, costings for jobs, accountancy, decision-making, and strategic planning for the business, successors learned these things from the parents. This indicated in-house education of what parent-owners had learned to be passed on to child successors, showing an interest in expanding knowledge.

**4.4. Trust, motives and commitment**

Table 4 provides an overview of the profile of child successors considering the SDT as proposed by McMullen and Warnick (2015). It consists of three main elements: (i) autonomy, defined as taking control of your life, in control of behaviours and your goals in life; (ii) relatedness, defined as feeling attachment to people, a sense of belonging; and (iii) competence, for individuals to gain expertise and mastery of tasks and begin to learn new skills. Once all three elements are achieved and psychological growth is realised, one can achieve intrinsic motivation—this required ongoing sustenance with continual support from others. Intrinsic motivations drive one to work on and achieve personal goals.

The thematic analysis revealed that child successors developed a feeling where all were content, all had feelings of self-control and self-assurance, with no known issues with parent-owners.

*"My father lets me get on with it; when the only lead member of staff left, I took on the role, it saved the business money, nobody replaced my position as I felt we didn't require no one, business was slow with the downturn. I knew the role anyway."*
*(Daughter, Hospitality Business)*

All successors had displayed feelings of attachment towards family. There were no conflicts revealed and from the apprenticeships working with staff, successors in Engineering Business, Hospitality Business and Trade and Joinery Business had developed attachments in the working environment with non-family staff.

Motivations appear to be centred on the family and business, and there seems to be no distinction. Findings show that successors are striving to get back business that had gone down since the oil and gas downturn in the Northeast of Scotland. Since leaving school, all successors have re-

**Table 4.** Profile of Self Determination Theory (SDT) on Child Successors

| | Environmental Factors<br>Parent-Owner Support of Child Successor<br>Psychological Needs Satisfaction | | | Psychological Mediators<br>Need Satisfaction of Child Successor | | |
|---|---|---|---|---|---|---|
| | Support for Psychological Needs Satisfaction | | | Psychological Needs Satisfaction | | |
| | Human's Three Basic Needs | | | | | |
| | Autonomy | Competence | Relatedness | Autonomy | Competence | Relatedness |
| Engineering business | Yes | Yes | Yes | Yes | No | Yes |
| Hospitality business | Yes | Yes | Yes | Yes | Yes | Yes |
| Trade and joinery business | Yes | Yes | Yes | Yes | No | Yes |
| Agricultural business-A | Yes | Yes | Yes | Yes | Yes | Yes |
| Agricultural business-B | NO | Yes | Yes | No | Yes | Yes |

mained with the family business and believe the business shall return to its prior to the oil and gas downturn.

*"We laid off three staff and now there is just one employee through lack of business, we get enough work to keep us going."*
*(Son, Trade and Joinery Business)*

In this quotation, an affective commitment and intrinsic motivation are displayed. Successors are not showing the desire for financial gains to be made (bonuses). Instead, they are more focused on being in the business through difficult periods, working and dedicating time and effort to help the family business.
Finally, another emerging concept was business values and goals, however not heavily featured. For Agricultural Business-A and Agricultural Business-B, business values and goals did not feature in the analysis: this was not a business rule. No successor could say that they had grown up with business values. However, reflecting on the parents' values that they had grown up with, an understanding was formed. The daughter in Hospitality Business explained that there were no goals and vision until the parent-owners introduced them a few years ago. In her upbringing, she recalls:

*"My mother never broke a promise, and through that alone I formed a good trusting relationship with her."*
*(Daughter, Hospitality Business)*

This reflects in one of the business goals. Another similar pattern emerges from Son, Trade and Joinery Business, in which one goal relates to a good service:

*"My father always told me to always do your best and do a good job, leave the customer happy."*
*(Son, Trade and Joinery Business)*

For child successors of Engineering Business, Hospitality Business and Trade and Joinery Business, goals were building the business up to what business had originally been prior to the oil and gas downturn when business was good. Successors identified those qualities in their upbringing related to family goals and business binding together.

## 5. Discussion

Out of the six businesses that took part in the research, two successfully introduced a second-generation, two a third generation, and one a fourth generation. Founders of Engineering Business, Fabrication Business and Trade and Joinery Business started businesses on their own after difficult times in life. With no upbringing in business families and no entrepreneurship training, the founders took a leap of faith. Businesses grew from strength to strength over the years. Now with their own families in the entrepreneurship bridging for succession, apart from Fabrication Business. For all businesses, there was a denial of succession planning, which is also observed in the literature (Ferrari, 2021). Ferrari (2021, p. 11) also suggest that despite the the founder owners growing older, "there is little concern for future", and a lack succession planning, especially when the successor is a daughter. However, the perception of gender difference was not a factor in the findings of this research. Work of Ghee et al. (2015) and Pitcher et al. (2000) indicate that planning is fundamental, the foundation to generational succession. A lack of succession planning identified as a key reason family business fail (Lansberg, 1988). Despite the importance succession planning highlighted by literature for years, it has been observed that lack of planning is still an critical cause for concern in family businesses. It can be debated that planning is included in the harmony of the family with the upbringing of the child successors. What the business means to the parent-owner was already established in the family and also how the business contributes to the family, financially and socially. All businesses are situated in a socio-cultural setting and are often started to support families (Ukanwa et al., 2022) Unconsciously, there may have been a plan through nurturing and influence from the parent-owners. Interest and commitment among successors of Engineering Business, Hospitality Business and Trade and Joinery Business were already developing prior to leaving school, which also reflects the findings of Sharma and Irving (2005) and Schroder and Schmitt-Rodermund (2013). However, with different parenting approaches, in Engineering Business, Hospitality Business and Trade and Joinery Business, McMullen and Warnick's (2015) model of separate parenting from the family business prevail as the business was not involved in upbringing apart from occasionally working weekends for the family. For Agricultural Business-A and Agricultural Business-B, the same debate would apply. However, in a more controlled manner, as suggested by Rubenson and Gupta (1996), where managing the intense preschool working of the farming business and managing family, with a strong sense of nepotism. For the child successors, having these elements rooted at an early stage through the parent-owners parenting approaches can only develop over time to integrate children into the family busi-

ness when required. For all participating businesses, parent-owners believed the trustworthiness in the child successors and their capabilities, as well as the willingness displayed to learn the business, similar to the findings of Sharma et al. (2003).

Knowledge transfer was a positive beginning in childhood for the successors, apart from Engineering Business and Fabrication Business. For Hospitality Business, Trade and Joinery Business, Agricultural Business-A and Agricultural Business-B, knowledge transfer commenced early and integrated into the childhood years by working in the business, some more than others. A generation passed knowledge commenced by actual involvement of daily and seasonal tasks associated with the business, especially for Agricultural Business-A and Agricultural Business-B. Therefore, by leaving school and entering the business, a good grounding knowledge had already formed; it had become second nature. For Hospitality Business and Trade and Joinery Business, this working environment knowledge and a good induction to the industry had already been undertaken. Knowledge transfer from the family and non-family employees is also a critical element for the success of a succession (Wasim & Taylor, 2017; Wasim et al., 2020).

Consequently, on commencing in the business, the knowledge transfer and acceptance by non-family members had been built and trust was already formed, confirming the work of Neubauer and Lank (1988) and Osborne (1991). With a willingness to learn from the successors, experience-centred knowledge relevant to the business is enriched, along with further bonding within the relationship (Bachmann, 2001). The literature is consistent within the research conducted for knowledge transfer. It can be demonstrated that individual and business-specific knowledge transfer commenced early for the child successors. Idiosyncratic knowledge transfer commenced with apprenticeships. Neubauer and Lank (1988) suggest that it is more so when child successors enter into other business areas, such as suppliers, pricing for new jobs, decision making and customer services. It is a strong theme within the research the value of non-family knowledge transfer, mainly when mentors for the apprenticeships were employees and not parent-owners. Furthermore, Wasim et al. (2020) recognise the importance of non-family members within knowledge transfer in the early stages of development of child successors with hands-on work experience and encouragement. This early relationship has bonded trust and commitment with non-family members, including a work ethic of willingness.

In education through attendance at Agriculture College for Agricultural Business-A, the knowledge extended. The formal education was brought back to the business, resulting in the child successor feeling knowledge power where their knowledge exceeded the parent-owner. Formal education of the successor showed positive signs for a smoother succession (Porfírio et al., 2020). Level of parent owner's education also helps during succession (Fairlie & Robb, 2009). For further education, apprenticeships were the commonly chosen route. The nature of the businesses found more value in the apprenticeships scheme with being engineering, joinery, hospitality, agriculture businesses. For a school leaver who wishes to work in the business, it was an ideal method supported by educational establishments (Billet, 2016). The literature suggests the main attribute for this is the apprentice's capabilities and commitment (Billet, 2016). No successors or parent-owner in this research had attended higher education, apart from the chosen successor for Hospitality Business. The chosen successor of Hospitality Business studied at a university and pulled out of the family business to pursue an alternative career. For the child successor's, "next gens" university education features a negative factor as confirmed by Agricultural Business-B where the "next-gen" is studying medicine: where it looks unlikely to return to bridge into the business. No other forms of education came through in discussions; no specific entrepreneurial education was undertaken either. The existing literature pulls towards formal entrepreneurship education in developing knowledge and innovations of child successors (Gundlach & Zivnuska 2010; Morris et al. 1997; Pruett 2011). However, none of the businesses researched here consider this, calling a stronger need for policy intervention to promote the importance of formal education among family businesses.

Child successors from the Hospitality Business, Trade and Joinery Business, Agricultural Business-A and Agricultural Business-B seemed content with life. During the discussions, all appeared confident, had self-efficacy, pride and expressed how integration into the business had developed and matured similarly to what LaChapelle and Barnes (1998) and Zahra et al. (2007) indicated. Feelings of self-control were displayed along with remarks on the control and the decision making each successor had taken in life since leaving school. An attachment to the business had formed prior to leaving school and developed on leaving school along with consistent attachment to the family, where no conflicts were displayed, reflecting McMullen and Warnick's (2015) findings. A high sense of commitment was expressed in dealing with a business downturn through the oil and gas situation, which many businesses are incurring. This displayed non-financial motivation

and more care for the business as stated in Poza-Valle (2021). The commitment in application to the self-determination model concentrates on affective commitment leading to intrinsic motivations, which would indicate that financial goals are not the most important to the child successors, but rather the continuation of the business and "getting by". McMullen and Warnick (2015) show that based on the self-determination theory that the parent-owners fostering affective commitment towards child successors has potential to achieve the desired outcome of a successful transition rather than the financial motivation.

## 6. Conclusions

The aim and objectives of the research, set in the North East of Scotland, focused on childhood, adolescent year strategies and efforts parent-owners experienced to encourage and prepare childhood successors. The research focused on four main areas: the desires and planning of parent-owners, the knowledge transfer through generations, the planning of education requirements, and the exploration of the motivations, commitment, and trust embedded to ensure a smooth transition.

The findings highlighted that no parent-owner had any formal planning process and lacked a focus for that as well. Generational bridging was an instantaneous event in businesses and described as a "way of life" by some. Even though there was no succession planning, child successors were willing and committed to joining the family business. The knowledge transfer came through passing knowledge from generation to generation and early working life when leaving school in apprenticeships. The study also highlighted that knowledge transfer came from non-family members working alongside child successors since before joining the business. The non-family member knowledge transfer also came into education where non-family members featured in mentoring apprenticeships with child successors acting as an educational program. Apprenticeships featured heavily with child successors. This may be deemed through the nature of the businesses within the research, where no formal higher education was necessary. However, it was the only educational route after leaving school. Trust, motivation and commitment came through from upbringing values instilled into child successors to form the values for the business.

Results portrayed a less formal, less demanding generational succession, in that parent-owners left choices up to the child successors and did not impose or force their desired decisions. However, through nurturing, encouragement and facilitating, parent-owners achieved desires, leaving control of career options to the child successors, to build self-esteem and confidence. A kinship relationship was evident in families with strong social units held together with high trust, regard, and emotional bonds. The businesses within this study are currently in entrepreneurship, bridging with concerns for the future through ill health, retirement, and alternative career choices for the "next-gens". It is not always the case for the parent-owner to wait for the child successor to join the family business. The family business is important to all family members; the research has shown that parents-owners' efforts to build trust, motivation, and be proactive in upbringing by instilling values and harmony into the family and business can persuade the child successor to come on board.

### 6.1. Implications for theory and practice

There are many worries and complexities for parent-owners in family business, whether the parent-owner has already planned for succession or is in the process of planning a succession line. It was found that succession planning requires commencing initiation within the childhood years of the child successor under the control of the parent-owner. Additionally, this study concluded that to provide a good foundation for developing values, qualities, attitudes, and behaviours, all family members need to be involved in building a strong commitment and trust. This study allows us to extend the literature by identifying that trust, affective commitment, and motivation are major key aspects along with education in the learning and succession process. There are no guarantees for the parent-owner of a successful succession. However, literature has highlighted that the process begins through parenting strategies and approaches that align with the family business's visions and qualities are reflected through upbringing.

This study also offers relevant practical implications by focusing on family business in the North East of Scotland and applying its results in this context. However, it was observed from the literature that the process of succession is somewhat similar regardless of the geographical location of a family business. Many elements that are critical for succession such as knowledge transfer, succession planning and personal attributes and determination of a successor are same everywhere. The study allowed characterising the plans of the parent-owner concerning family business succession, the transfer of knowledge strategies, the role of formal and informal education, and the role of motivation, commitment and trust. Their knowledge is important for the establishment of public policies of support at a regional level that allows increasing the competitiveness of family

businesses, which are essential in an economy where small and micro businesses with a strong generational weight. Especially for this region because of the high number of family-owned businesses.

### 6.2 Study limitations and further research opportunities

Some restrictions affected the research study. The lack of response from generational succession companies was unavoidable and with more company participation, this research would have been more enriched and informative. A limiting factor for the research may have been that interviewees felt uncomfortable with questions on childhood and upbringing, resulting in consciously withheld information. To minimise such elements, consent forms were signed, and a relaxed environment was created to reassure the participants.

It would be worthwhile if further research were conducted into generational succession in the agricultural sector to analyse the willingness of the child successor when considering a longitudinal approach that occurs to achieve ownership. Through highlighted concerns in the research, the length of time in attaining ownership may bridge into three generations still working within the business. It may prove that this factor would negatively affect the "next-gen" to make plans for an alternative career choice?

Another area of research that may be considered is the parent-owners choice of child successor for a small business. Within this study, a sibling of the chosen successor took on the reins of the business, where the chosen sibling decided to attend university in an alternative career choice. The parent-owner assumed that the succession would bridge. However, it was bridged by another sibling. Further research into child successor choice in small businesses may help understand whether the old custom of the eldest son taking on the business is still in practice.

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## Appendix - Interview/Guide

*Background information of interview participant*

1. When was the business founded?
   (What year was start up with the business?)
2. What generational succession is the business in?
   (What successions are in the entrepreneurship bridging?)
3. How many years have you been in the business?
   (If not the founder, how many years has the parent-owner been in the business)
4. Business Sector?
   (Sector the business is in)
5. Urban or rural location?
   (Whether any differences arise when comparing rural and urban areas)

*Founder*

6. Are you the founder of the business?
   (Can you tell me about your business experience prior to your start up, what aspired you to venture into business?)
7. Did you get involved with a business at a preschool leaving age?
   (Discuss whether interviewee gained insights, experience into business in early years through a part time job and what qualities were instilled through working as part of an upbringing)
8. Have you a higher formal education?
   (Discuss educational background, depending on the business nature prior to start up and since commencing in business)
9. Did you commence your own business at a young age, did you feel you were prepared?
   (Discuss tools that gained knowledge, did family members/friends/professionals assist with aspects from business planning to start up and continuation)

*Parent owner / Child successor*

10. From a preschool leaving age did you know for certain you would be joining the family business on leaving school?
    (Discuss whether it was certain that parents' wishes were for their chosen offspring to enter into the business, were parents thinking of traditional methods)
11. Did you want to join the business or had you other ideas/thoughts on your future, were you a "willing successor"?
    (Discuss whether predecessor desired an alterna-

tive career or was it their wish to join the family business as part of their upbringing)

12. Did you work in the business prior to leaving school? (Discuss whether parents set the scene encouraging you to work in the business during holidays and weekends in gaining an insight into business and what qualities this instilled as part of your upbringing)
13. Did your parents give you the option to work for an alternative employer to eventually come back to the family business with experienced gained? (Discuss whether this option was suggested)
14. Do you feel a good foundation was created through parent strategies to set you up in the business through childhood and adolescent years? (Discuss whether there were any anxieties or worries resulting from what they already knew regarding the family business)
Did you feel part of business when you commenced working? (Discuss whether involved in any decision making or contributions to the business)

*Knowledge*

15. What strategies did parents use to pass on idiosyncratic (specialised) knowledge transfer? (Discuss how parents passed on unusual knowledge, ie knowledge only known to them or key members of staff, this could mean customer preferences, machinery. Was there a development plan for specific knowledge transfer or a when it happened basis)
16. Explicit knowledge can be easily conveyed and understood by others, what strategy did parents use to convey tacit knowledge, how was this mentored or delivered?
17. (Discuss if work experiences incorporated this type of knowledge transfer whether through experience or passing on of skills)
18. What value of knowledge have non family members brought to your knowledge base within the business regarding all areas and did you encounter any barriers to gain this knowledge? (Discuss how employees or external sources contributed to your knowledge development)
19. Did you do anything on your own to develop knowledge in early development? (Discuss any research of innovation on traditional practices, did you recognise any culture communication)
20. Have you a formal higher education and did the business require it? (Discuss whether education took place prior to entering the family business or has any taken place since)
21. If so has it closed the theory-practice gap, did the education prepare you for work? (Discuss if education has benefited the business)
22. Did you embark on an internship? (Discuss was it beneficial in the business setting)
23. Did you embark on an apprenticeship within the business? (Discuss skills/knowledge developed through an apprenticeship)
24. Were you employed by the business when you left school? (How did this employment commence, was there any induction/development plans)
25. Was this your decision or your parent not to education prior to coming into the business? (Discuss what successor would have preferred)
26. Had you ever had any second thoughts with entering the business? (Discuss whether they liked the business or was there family commitment being considered)

*Trust, Motives and Commitment*

27. What values and qualities did your parents instill into your childhood? (Discuss values such as hard work, discipline, honesty)
28. Would you consider your values to be similar to your father or mother? (Discuss if personal values is made up of similar values to mother and father)
29. Do you think your parents instilled these to reflect the business philosophies? (Discuss same as above)
30. What motivates you at your work considering working in a family business? (Discuss on whether motivations are for a financial gain or non-financial)
31. Were you willing and committed when joining the business considering it was your first job?
32. Has these values protected you and the business through hard times, ie have they benefitted you and the business? (Discuss through reflection whether upbringing has protected the successor and the business)

*Future Successors*

33. With your own children, would you handle strategies differently? (Bearing in mind your own experiences)

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# Internationalization and Family Firms: The Influence of Family Involvement on Exports

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**KEYWORDS**
Exports, Family firms, Family influence, Internationalization, SMEs

**Abstract** Family firms show specific behavior in their internationalization because of the affective ties derived from the family's influence in the business. The desire to achieve business and family objectives determines the strategic decision making of family members in governance and management, affecting the internationalization strategy. This research intends to determine the factors related to family influence in the internationalization of family firms. Thus, using a sample of 254 Spanish small- and medium-sized family firms, we analyze how family-related factors affect exports. The results confirm that family ownership and the generation in charge of the firm have positive effects on the export intensity of family firms. However, the results are not conclusive when assessing the relationship between family involvement in the board of directors and exports.

**CÓDIGOS JEL**
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**PALABRAS CLAVE**
Exportaciones, Empresas familiares, Influencia familiar, Internacionalización, PYMES

**Internacionalización y empresas familiares: la influencia de la implicación familiar en las exportaciones**

**Resumen** Las empresas familiares muestran un comportamiento particular en su internacionalización debido a los lazos afectivos que se derivan de la influencia familiar en el negocio. El deseo de alcanzar objetivos tanto empresariales como familiares determina la toma de decisiones estratégicas de los miembros familiares en el gobierno y la dirección, afectando a la estrategia de internacionalización. Esta investigación pretende determinar qué factores asociados a la familia influyen en la internacionalización de las empresas familiares. Así, utilizando una muestra de 254 pequeñas y medianas empresas familiares españolas analizamos como los factores relacionados con la familia afectan a las exportaciones. Los resultados confirman que tanto la propiedad familiar como la generación a cargo de la empresa tienen un efecto positivo en la intensidad exportadora de las empresas familiares. Sin embargo, los resultados no son concluyentes respecto a la relación entre la implicación de la familia en el consejo de administración y las exportaciones.

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## 1. Introduction

Growing globalization, technological development, and aggressive competitiveness have enabled family firms to internationalize with the intention to remain competitive (Casprini et al., 2020; De Massis et al., 2018; Debellis et al., 2021). Internationalization is an unstoppable phenomenon that affects multinationals and large companies, as well as small- and medium-sized family firms (Alayo et al., 2019; Cerrato & Piva, 2012). This idea has been further reinforced by the current situation owing to the Covid-19 pandemic.

Family firms are the predominant organizational form worldwide (De Massis et al., 2018; Morck & Yeung, 2003), and most of them are small- and medium-sized enterprises (SMEs) (Hennart et al., 2019; Lahiri et al., 2020; Majocchi et al., 2018). For family firms, business internationalization can be an important strategy for their long-term growth and survivability (Alayo et al., 2019; Hennart et al., 2019). As Casillas and Moreno-Menéndez (2017) indicate, the new globalized scenario has modified internationalization patterns and market players, allowing the emergence of new opportunities for family firms.

The strong ties that intertwine the family and the business define the family firm and differentiate it from other types of organizations, conferring a unique character that influences internationalization decisions and strategies (e.g., Calabrò et al., 2013; Fernández & Nieto, 2006). Thus, in the last decade, there has been an intensification of research on family firms' internationalization (e.g., Alayo et al., 2021; Arregle et al., 2021; Casprini et al., 2020; Debellis et al., 2021) that shows how the unique characteristics of these firms influence their internationalization (e.g., Casillas & Moreno-Menéndez, 2017; Graves & Thomas, 2008; Kontinen & Ojala, 2011; Pukall & Calabrò, 2014). However, the results are not yet conclusive given the heterogeneity of family firms (De Massis et al., 2018). This fact determines the need to continue investigating the influence of family involvement in family firms' internationalization (Alayo et al., 2021; Pukall & Calabrò, 2014).

Business families consider the company as an extension of their identity (Dyer, 2021); therefore, with business activity, they try to achieve both business and affective goals linked to the family (Chua et al., 2012). This can generate some conflicts because the desire to preserve family values and control and the link to the territory where the company was born are opposed by the need to seek and exploit the advantages of international expansion (Arregle et al., 2017). This unique phenomenon, as Debellis et al. (2021) note, requires a specific and contextualized examination of the internationalization of the family firms. Following this line of research, this study identifies the extent to which the involvement of family members in the governance and management of family SMEs determines their internationalization into foreign markets through exports, the most common way they use to go abroad (Majocchi et al., 2018).

The empirical analysis was based on a sample of Spanish family SMEs. Spain is considered a suitable context to conduct such a study because of the high presence of family owned companies in the country (around 89%), most of them small- and medium-sized, which make a very important economic contribution in terms of job creation and Gross Domestic Product (GDP) (Spanish Family Business Institute, 2022).

The results of this study show that family ownership and the generation in charge of the firm have a significant influence on the export activities of family SMEs. However, family involvement on the board of directors has not been confirmed. Thus, this study contributes to the literature on family firm internationalization in several ways. First, considering the mixed results of previous studies, this research helps clarify the effect of family related variables on firm internationalization, answering the call for new research in this field (Alayo et al., 2021; Pukall & Calabrò, 2014). Second, our research contributes to advancing our knowledge about the heterogeneity of family firms (Chua et al., 2012), which is of great importance, given the interest in determining the emotional and affective effects of the family on the behavior of these firms (Daspit et al., 2021; De Massis et al., 2018). Third, the study strengthens the ties between different research areas by integrating the Uppsala model of internationalization with the socioemotional wealth (SEW) perspective and stewardship theory, which allows us to understand the differentiated behaviors of family firms (Pukall & Calabrò, 2014).

The remainder of this paper is organized as follows. The next section presents a literature review and hypotheses development. The third section details the methodology, and the fourth section provides the results. The fifth section presents the discussion. Finally, the main conclusions, limitations, and future research directions are presented.

## 2. Literature Review and Development of Hypotheses

### 2.1. The internationalization of family firms

A family firm can be defined as an organization in which one family owns the majority of the prop-

erty, family members participate in the management of the business, and there is willingness to transfer the business to the next generation (Chua et al., 1999). Family firms are heterogeneous organizations that share a series of differentiating characteristics (Chua et al., 2012; Sharma et al., 2012). The culture, values, and interests of each family make up a unique company derived from the involvement of the family in the business (Distelberg & Sorenson, 2009). The two subsystems that form the family firm cohere and evolve to create a complex system (Gallo, 2004). Research on family firm internationalization has shown mixed results (Arregle et al., 2017; Pukall & Calabrò, 2014). Therefore, it is necessary to continue investigating the effect of family involvement on the internationalization of these organizations (Alayo et al., 2021). According to the academic literature, compared to non-family firms, family firms internationalize later and more slowly, and begin their international activities in closer markets (Fernández & Nieto, 2005, 2006; Gómez-Mejía et al., 2010; Moreno-Menéndez et al., 2021). These foreign markets are the ones that have a lower psychic distance from the local market, thus minimizing the perceived risk of internationalization (Calabrò et al., 2016; De Massis et al., 2018). This behavior of family SMEs is associated with the Uppsala model of internationalization (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). The lack of external market knowledge and scarcity of contacts influence business activities abroad. For this reason, the internationalization process is gradual and incremental: as learning about the external market increases and obstacles due to lack of knowledge and experience are overcome, more resources are devoted to this strategy.

In addition, family SMEs often have limitations in financial resources, human capital and technological capabilities that affect their internationalization process (Merino et al., 2015). Thus, exports are the most common way used by family SMEs to internationalize (Alayo et al., 2022; Majocchi et al., 2018), because they require a lower commitment of resources, offer greater flexibility, and entail less business risks (Merino et al., 2015).

Although the Uppsala model helps understand the internationalization of family SMEs, it does not consider the specific characteristics of family firms (Cesinger et al., 2016). According to the SEW perspective, family firms pursue non-financial goals related to their affective needs (Berrone et al., 2012; Gómez-Mejía et al., 2010). Gómez-Mejía et al. (2007, p. 106) describe SEW as the "non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty". When pursuing these non-financial objectives, family firms seek to transmit the company to the next generation; and thus, family values and legacy remain (Gómez-Mejía et al., 2007), and their reputation and status in the community can be maintained (Dyer & Whetten, 2006). In short, SEW is a broad concept that attempts to capture affective value within family firms and distinguishes these firms from non-family firms (Berrone et al., 2012). Concerns about protecting SEW explain the interest of family firms in maintaining the company's control (Gómez-Mejía et al., 2007) and in considering affective elements in their strategies, corporate governance, and their relationships with other stakeholders (Gómez-Mejía et al., 2011; Kuo et al., 2012).

Thus, family firms simultaneously pursue non-financial objectives related to the family, as well as financial objectives such as internationalization (Gómez-Mejía et al., 2010). Therefore, in addition to the limitations of financial and human resources that SMEs may have, there are restrictions derived from their family nature that can determine the decision to internationalize, such as the desire to maintain ownership in the hands of the family or the risk of losing their family identity or reputation due to failed international operations (Chua et al., 2015; Gómez-Mejía et al., 2007, 2014; Kuo et al., 2012).

However, the particular characteristics of family firms can also confer advantages to internationalization. Family firm literature suggests that the involvement of the family in the business generates a series of unique resources, known as "familiness" (Habbershon & Williams, 1999). These idiosyncratic resources differentiate an entrepreneurial family firm and explain the effect of the family on firm performance. In this sense, the family's emotional attachment to the business and its desire to ensure its survival could motivate family firms to implement strategies such as internationalization (Gómez-Mejía et al., 2014), so that they can be willing to take greater risks than non-family firms to meet the objectives of transferring the business to future generations (Pukall & Calabrò, 2014). Centrality in decision-making (Sharma et al., 2012; Zahra, 2003) and having a governance model based on trust due to the participation of the family in the business (Sirmon & Hitt, 2003) are other characteristics that explain the behavior of the entrepreneurial family firm.

In line with the above, stewardship theory argues that the owners and managers of these companies act as stewards in their businesses and become more involved, with the aim of achieving the continuity of business and improving the value for all its stakeholders (Arregle et al., 2007).

Family members may show a higher willingness to act in favor of the organization because of their emotional attachment to the firm (Sciascia et al., 2014) and to support the family in the future (Andreu et al., 2020). This attitude prevails when the leader of the company is a family member or when he is closely linked to the family (Miller & Le Breton-Miller, 2006), and may exert an effect on organizational performance (Le Breton-Miller et al., 2011). Based on stewardship theory, Mitter et al. (2014) argue that managers and employees prioritize cooperation and contribute to achieving the company's objectives because their motivation is in line with the organization's goals. Altruism, cooperation, and trust in relationships can be found in family firms.

In short, the participation and presence of the family in a company are factors that influence their internationalization strategies (Alayo et al., 2021; Casprini et al., 2020; De Massis et al., 2018; Debellis et al., 2021). Therefore, this research analyzes how family's influence on ownership, governance, and the generation in charge of the company affect firm internationalization.

### 2.2. Family ownership

Although family ownership has been identified as an important variable in the strategic decision-making of family firms (Chen & Hsu, 2009) and is recognized as a source of heterogeneity (Arregle et al., 2017), existing studies present mixed results on the relationship between family ownership and business internationalization (see Alayo et al., 2021; Pongelli et al., 2016; Pukall & Calabrò, 2014). Some researchers have reported a negative effect (Fernández & Nieto, 2006; Lin, 2012; Yang et al., 2020), while others have identified a positive effect (Chen et al., 2014; Minetti et al., 2015; Zahra, 2003), or have asserted that the relationship may be non-linear (Sciascia et al., 2012). However, knowledge of how affective factors affect this relationship is still limited (Chirico & Salvato, 2016).

From the SEW perspective (Gómez-Mejía et al., 2007) and stewardship theory (Donaldson & Davis, 1991), we argue that family owners have favorable readiness to internationalize. Family firms have patient capital; that is, they are willing to sacrifice short-term profits to obtain long-term returns (Le Breton-Miller et al., 2011). This last characteristic is important in internationalization as it may take some time before this strategy generates positive returns (Zahra, 2003). In addition, family owners see internationalization as a vehicle to create wealth and nurture the family in the future, thus helping sustain it in the long term (Zahra, 2003). Therefore, family owners tend to be more concerned about ensuring business continuity and supporting more future-oriented initiatives and investments (Miller et al., 2008; Sirmon & Hitt, 2003).

We argue that the greater the control of the family through ownership, the greater its ability to influence strategic decision making, adopting those that favor both business and family interests (Chen et al., 2014). If financial and non-financial objectives are aligned, they are more likely to support actions to ensure the future continuity of the company despite the risks derived from these actions (Chen & Hsu, 2009; Kano & Verbeke, 2018; Miller et al., 2015). In brief, the control of the family and its desire to promote business continuity can support family SMEs' decision to enter foreign markets because there is a coincidence of objectives in terms of preserving economic and socio-emotional wealth. Considering the proposed arguments, family ownership is expected to positively affect the internationalization of family SMEs. Thus, we propose the following hypothesis:

***Hypothesis 1***. *Family ownership positively affects export intensity.*

### 2.3. Family involvement in the board of directors

Existing studies on family involvement in the board of directors and its effect on internationalization also show mixed results (see Alayo et al., 2021; Pukall & Calabrò, 2014). These governing bodies in family SMEs are usually formed by family members who help in decision-making and strategy formulation. This human capital is an important resource for improving business management (Sirmon & Hitt, 2003), and can contribute positively to the internationalization process if the board is actively involved in strategic processes. According to stewardship theory, the main function of the board is to provide services and advice rather than to supervise (Segaro, 2012). If the board adopts this role, it is expected to improve the value creation of the business (Eddleston & Kellermanns 2007; Mitter et al., 2014), contributing to its long-term survival (Zahra, 2003) and the achievement of financial and non-financial objectives of the family firm (Gómez-Mejía et al., 2010).

An involved board of directors in strategic decisions of the business enables it to benefit to a greater extent from the knowledge and experience of its members, which can influence the internationalization strategy. The strategic change necessary to expand to foreign markets requires consensus and active participation of all its members (Segaro, 2012), so in this sense, board of directors should play an essential role. Family members on the board of directors show an attitude of working in favor of the family firm and

are willing to maintain SEW while ensuring the viability of the business in the future. Therefore, according to the proposed arguments, the involvement of the board of directors is expected to have a positive influence on family SMEs' internationalization. Therefore, we propose the following hypothesis:

***Hypothesis 2***. *Family involvement in the board of directors positively affects export intensity.*

### 2.4. Generation in charge of the firm

Family firms go through different stages depending on the generation in charge of the business (Cruz & Nordqvist, 2012), affecting their attitude and behavior in strategic decisions (Fang et al., 2018). The participation of the next generation in the business is an essential element in maintaining the long-term orientation of family firms (Kellermanns et al., 2008) and SEW (Berrone et al., 2012).

According to previous research, firms managed by more advanced generations are more prone to internationalizing their operations. Fernández and Nieto (2005) argue that the founder has less interest in international markets, whereas later generations are more likely to go abroad. Thus, generational transfer can be an opportunity to introduce changes to a company to effectively internationalize it (Calabrò et al., 2016; Mitter et al., 2014).

In addition, newer generations are usually better educated and have previous international experience that can facilitate internationalization (Cruz & Nordquist, 2012; Fernández & Nieto, 2005; Merino et al., 2015), because this expertise can reduce uncertainty and help recognize opportunities in foreign markets (Alayo et al., 2022). Their additional knowledge and experience bring new resources to the family firm, which may explain the positive effect of new generations on internationalization (Alayo et al., 2022; Fang et al., 2018).

The concern for non-financial objectives, such as maintaining family legacy, the image of the family firm, or their attachment to the company, varies depending on the generation in charge (Gómez-Mejía et al., 2011). Thus, if the founding generation perceives that internationalization can generate a loss of control, they may not undertake international operations to protect the business (Gómez-Mejía et al., 2010). However, emotional attachment to the firm and the relevance of non-financial objectives tend to decrease as future generations join the business and different family branches emerge (Sciascia et al., 2014). Thus, we observe how the founding generation will be more concerned with maintaining control and family legacy, while its importance decreases as the family firm advances to future generations (Alayo et al., 2022; Gómez-Mejía et al., 2010). Considering the proposed arguments, we expect that firms led by more advanced generations have a positive influence on the internationalization of family SMEs. Thus, we propose the following hypothesis:

***Hypothesis 3***. *Having a more advanced generation in charge of the firm positively affects export intensity.*

## 3. Methodology

### 3.1. Sample

This research was conducted using a sample of family SMEs from a Spanish region with a high concentration of family firms. Of Spanish companies, 89% are family owned, creating 66% of private employment and 57% of GDP (Spanish Family Business Institute, 2022).

Family firms that participated in the empirical study were identified using the SABI (Iberian Balance Sheet Analysis System) database. To identify a company as a family firm, it had to meet two characteristics (Arosa et al., 2010): 1) the majority of ownership should be in the hands of a family, and 2) family members should participate actively in the company holding positions on the board of directors or in management. Thus, the ownership structure of the companies and the composition of the board of directors and managers were analyzed to verify the coincidence of surnames. In addition, to include only family SMEs, the firms in our sample needed to have between 10 and 250 employees.

A total of 2,435 family SMEs that met these conditions were identified. Before the questionnaire was launched, it was pretested with several family firm managers to ensure its validity and reliability. Once the final questionnaire was prepared, the information was gathered by a professional company specialized in market research to ensure a better response rate and correct completion of the questionnaires. The resulting sample consisted of 254 family SMEs, representing a response rate of 10.43%, which is higher than that reported in previous studies (e.g., Merino et al., 2015).

### 3.2. Variables

Exports are the main mode of internationalization for family SMEs (Merino et al., 2015). Specifically, the dependent variable was measured using *export intensity*. According to previous studies, export intensity efficiently explains export performance (Fernández & Nieto, 2006; Majocchi et al., 2018; Sánchez-Marín et al., 2020). Export intensity was measured by the proportion of ex-

ports over total sales. This ratio can take values between 0 if it does not export, and 1 if all its sales are abroad.

Three independent variables, were used in this research. *Family ownership* was measured as the proportion of shares held by family members to the total number of shares (Sharma et al., 2012; Zahra, 2003). *Family involvement in the board of directors* was measured as the ratio obtained by dividing the number of family members on the board by the total number of board members (Sciascia et al., 2013). The *generation in charge* of the firm was determined by the generation of the family that holds the top executive position of the family firm (Claver et al., 2009; Mitter et al., 2014). This variable can take values from one to three depending on whether the company is run by the founder, second generation, or third or subsequent generations (Alayo et al., 2022).

The age and size of the company were used as control variables, as they were key factors for business internationalization according to previous studies (Calabrò & Mussolino, 2013; Fernández & Nieto, 2006; Rienda & Andreu, 2021). *Firm age* was determined by the number of years the firm had been operating (Calabrò et al., 2009; Zahra, 2003), and *firm size* was measured by the total number of full-time employees (Zahra, 2003). We used the logarithmic transformation of these variables for the empirical analysis (Moreno-Menéndez et al., 2021).

## 4. Results

To test the proposed hypotheses, linear regressions were performed using the statistical software IBM SPSS Statistics. This software offers quality prediction models and analysis methods and is used in the analysis of numerous studies.

Table 1 shows the descriptive statistics of the analyzed variables and the correlations between the variables of the model. All correlations were low and below the critical value of 0.5. Regarding multicollinearity, we observed that the Variance Inflation Factor (VIF) was below 10 for all variables; therefore, multicollinearity was not a problem.

Table 2 presents the results of the analysis. This table indicates the estimated coefficients and their significance.

**Table 2.** Results of the analysis

| | Export intensity | |
|---|---|---|
| | ß | Sig. |
| Family ownership | 0.138 | 2.298* |
| Family involvement in the board | 0.017 | 0.280 |
| Generation in charge | 0.174 | 2.695** |
| Firm age | 0.047 | 0.714 |
| Firm size | 0.292 | 4.850*** |
| $R^2$ | 0.142 | |

***p < 0.001; **p < 0.01; *p < 0.05

The results show that *family ownership* has a positive and significant effect on export intensity (ß = 0.138; t = 2.298), thus supporting hypothesis 1. Therefore, family control over a firm has a positive effect on export intensity. Although, *family involvement in the board of directors* has a positive effect, it is not significant (ß = 0.017; t = 0.280). Thus, we cannot confirm hypothesis 2 with the results obtained. Finally, *the generation in charge of the firm* exerts a positive and significant effect on export intensity (ß = 0.174; t = 2.695), thus confirming hypothesis 3. Therefore, when the company is run by a more advanced generation, export intensity is greater.

Regarding the control variables, *firm size* has a positive and significant effect on export intensity (ß = 0.292; t = 4.850). This result reinforces the importance of firm size in the internationalization of family firms. On the other hand, the relationship between *firm age* and export intensity is positive, but not significant (ß = 0.047; t = 0.714).

Additionally, a robustness test was conducted to verify the relevance of the obtained results. For the robustness test, *export propensity* was considered as the dependent variable (Fernández & Nieto, 2006). Export propensity is a dichotomous variable that takes the value of 1 if the company exports and 0 if the company does not export. The results show that family ownership (t = 2.447), family involvement in the board of directors (t = 2.241), and generation by the company (t = 2.650) have positive and significant effects

**Table 1.** Descriptive statistics and correlation matrix

| | Variables | Mean | SD | VIF | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Export intensity | 0.05 | 0.15 | - | 1 | | | | | |
| 2 | Family ownership | 0.83 | 0.19 | 1.04 | 0.02 | 1 | | | | |
| 3 | Family involvement in the board | 0.86 | 0.26 | 1.03 | 0.04 | 0.09 | 1 | | | |
| 4 | Generation in charge | 1.59 | 0.59 | 1.21 | 0.19 | -0.12 | -0.05 | 1 | | |
| 5 | Firm age | 29.40 | 10.87 | 1.27 | 0.16 | -0.15 | 0.09 | 0.40 | 1 | |
| 6 | Firm size | 22.06 | 25.68 | 1.05 | 0.30 | -0.07 | 0.04 | 0.06 | 0.20 | 1 |

on the propensity to export. Therefore, the three proposed hypotheses are supported by considering export propensity as the dependent variable. Thus, the results obtained for hypotheses 1 and 3 are corroborated.

## 5. Discussion

This research offers additional knowledge about the internationalization of family SMEs, following the Uppsala model of internationalization as the most common internationalization pathway, followed by these companies (Graves & Thomas, 2008; Merino et al., 2015). To determine family's influence in strategic decisions, family ownership, family involvement in the board of directors, and the generation in charge of the firm have been analyzed, as they are distinctive elements of these companies (Kontinen & Ojala, 2010), and have a direct relationship with the internationalization strategy (Pukall & Calabrò, 2014).

Using a sample of Spanish family firms, we find that family ownership has a positive impact on firm internationalization, confirming the conclusions of previous studies (e.g., Chen et al., 2014; Zahra, 2003). This positive effect is probably because internationalization can provide long-term sustainability. Alignment of business and family goals and interests, flexibility in decision-making, and long-term orientation are characteristics that a large number of family firms with concentrated ownership possess, which favors internationalization.

On the other hand, although the board of directors is a key group in strategic decision-making in family firms (Mitter et al., 2014; Segaro, 2012), as in previous studies (Calabrò et al., 2013), our results do not allow us to conclude whether family involvement in the board influences business internationalization. The effect of family influence in the board is not significant in relation to export intensity, although it is relevant to export propensity. Thus, we have not been able to clarify the mixed results reported in the previous literature on family firms' internationalization (e.g., Alayo et al., 2021). Therefore, it is necessary to conduct more studies to determine whether the presence of family on the board influences business internationalization.

The results on the effect of the generation in charge of the company on internationalization are more conclusive because it was confirmed that firms lead by a more advanced generation promote this strategy. Our results are in line with previous research that has analyzed the generational effect on the internationalization of family firms (e.g., Calabrò et al., 2016; Fang et al., 2018; Stieg et al., 2017). Greater capacity, preparation, and international experience of family members from advanced generations facilitate family firms' access to foreign markets (Fernández & Nieto, 2005). Newer generation managers seek a place in the company, boosting business through international expansion (Calabrò et al., 2016).

Although internationalization entails risks and can jeopardize the SEW of family firms, it is also an important strategy to ensure the long-term viability of the business. Similarly, we observe that family firms are heterogeneous entities with different levels of family participation in the business. Family involvement in the business, also known as familiness, provides important attributes and capabilities to these entities that favor internationalization, as family members are more likely to work in favor of the family firm altruistically because they feel involved and identified with the business.

## 6. Conclusions and Limitations

### 6.1. Conclusions

We can conclude that business internationalization is a complex process, being even more difficult in the case of family SMEs given their limited resources (Fernández & Nieto, 2005) and the possibility of losing control, and damaging their SEW endowment (Gómez-Mejía et al., 2010). Family influence largely determines international behavior; thus, a high percentage of ownership in family hands promotes internationalization via exports. The desire to continue with the business legacy in the future and their commitment to the business are characteristics that favor going abroad.

A later generation in charge of the family firm also favors the international expansion of the company. New generations, who have better preparation and previous work experience abroad (Calabrò et al., 2016), facilitate the internationalization process. The conservatism of the founder and willingness to maintain the position in the home market are replaced by the greater interest of new generations in expanding the firm abroad, which may generate new profits and growth for the family firm.

In summary, this research provides new evidence on the presence of the family in governance and management positions and its influence on firm internationalization. Thus, it responds to the call made in previous studies on the need to deepen these relationships (Alayo et al., 2021; Pukall & Calabrò, 2014) and to better understand and demonstrate the heterogeneity of family firms (Chua et al., 2012; Daspit et al., 2021; De Massis et al., 2018).

The involvement and behavior of the family in the business depends on their expectations.

Therefore, although family firms share similar characteristics, they behave differently from each other; hence, their attitudes and willingness to internationalize will also be different (Arregle et al., 2017). We expect that future studies will continue to delve into how emotional and affective components influence strategic decision making in family firms, especially those related to internationalization.

**6.2. Limitations and future research lines**

This study has some limitations. The sample used in this research is limited because it includes only Spanish family firms. Although we expect that these results are maintained in other culturally similar areas, the conclusions obtained cannot be generalized globally. The behavior of family firms differs depending on the geographical area or country of origin, since cultural and family values are different.

This research is also limited to the analysis of exports. The geographical scope of international sales was not considered in this study. Thus, future research could consider the number of countries or regions to which it is exported to obtain a more complete measure of the degree of internationalization. In addition, although exports are the most common entry mode in foreign markets for family SMEs, other entry modes can also be analyzed. Future research should analyze the impact of strategic alliances or foreign direct investments.

Finally, to conduct this research, we focused on data from a survey collected at a given time. Considering that the Uppsala model proposes a gradual process that varies over time, future research could conduct longitudinal studies to analyze the internationalization process of family firms.

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# What Drives Innovation in Family Farms? The Roles of Socioemotional Wealth and Diverse Information Sources

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Diversity of information sources, External threats, Family farms, Innovation, Socioemotional wealth

**Abstract** Family business literature barely addresses family farms and their innovation behavior. Innovation can be key to mitigate typical threats family farms are faced with, e.g., international competition and climate change. This article investigates socioemotional wealth (SEW) and diversity of information sources as innovation drivers. It also explores the role of diversity of information sources as a moderator. A sample of 911 family farms was used for linear regression analysis. The SEW dimension identification of the family members with the farm positively affects the implementation of innovation measures because the stronger the family members identify with the business, the more important is it for them to preserve the identity endowments. Since innovation is a way to do that, strong identification will motivate family members to innovate. Diversity of information sources is also positively linked to innovation measures. However, it has a negative moderating effect on the relationship between identification and innovation measures. While diverse information sources seem to increase a family farm's ability to innovate by supporting the opportunity identification and utilization, it can also mitigate the farms willingness to innovate when information is ambiguous. The study integrates knowledge from agricultural, innovation and family business research and contributes to a better understanding of the peculiar business type "family farms" and SEW as a multidimensional concept.

**CÓDIGOS JEL**
M10

**PALABRAS CLAVE**
Diversidad de fuentes de información, Amenazas externas, Granjas familiares, Innovación, Riqueza socioemocional

**¿Qué impulsa la innovación en las granjas familiares? El papel de la riqueza socioemocional y las fuentes de información diversas**

**Resumen** La literatura sobre empresas familiares apenas aborda las granjas familiares y su comportamiento innovador. La innovación puede ser clave para mitigar las amenazas típicas a las que se enfrentan las granjas familiares. Este artículo se centra en la riqueza socioemocional (SEW) y la diversidad de fuentes de información como elementos impulsores de la innovación. También explora el rol moderador de las fuentes de información. Se ha utilizado una muestra de 911 granjas familiares. La dimensión identificación de la SEW de los miembros de la familia con la granja afecta positivamente la implementación de medidas de innovación ya que cuanto más se identifican los miembros de la familia con el negocio, más importante es para ellos preservar su identidad. Dado que la innovación es una forma de hacerlo, una fuerte identificación motivará a los miembros de la familia a innovar. La diversidad de fuentes de información también está relacionada positivamente con las medidas de innovación. Sin embargo, tiene un efecto moderador negativo sobre la relación entre las medidas de identificación e innovación. Si bien las fuentes de información parecen aumentar la capacidad de innovación de una granja familiar al respaldar la identificación y utilización de oportunidades, también pueden mitigar la disposición de las granjas a innovar cuando la información es ambigua. El estudio integra el conocimiento de la investigación agrícola, la innovación y la empresa familiar.

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## 1. Introduction

Farms are central to our economy and society because they provide basic supplies by cultivating the soil, growing crops and raising livestock. Additionally, they may engage in activities that go beyond their core activities, e.g. agritourism, hospitality, generating energy from biowaste, etc. (McElwee, 2006). Agricultural production was traditionally run by families (Hayami, 1996). Still today, family farms are worldwide the predominant form of farms (Chavas, 2001). In this paper, farms are regarded as family farms, when they are owned by a natural person and define themselves as family farms.[1]

Recently, the number of farm entities in Europe is decreasing and the average size of the entities is increasing (European Commission, 2013; Lowder et al., 2016). This development is due to changing conditions and new challenges: For instance, modern technologies lead to productivity growth causing international output prices to drop. Yet, economies of scale effects disadvantage small-scale farm entities (Neuenfeldt et al., 2019). The new economic power relations put family farms enormously under pressure. On top of that, they are increasingly affected by natural disasters caused by climate change (Darnhofer et al., 2016). In the long run, family farms can only survive when they adapt to the changing conditions. Innovation can help to do that (Ahmad et al., 2021). However small- and medium-sized businesses (SMEs) in rural areas often lack entrepreneurial orientation (i.e. the willingness of a firm to engage in product market innovations, take risks and pursue innovations proactively; Miller, 1983; for further readings about the concept see Covin & Slevin, 1991; Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005), because lifestyle goals are more important to their owners than developing the business (Galloway & Mochrie, 2006).

In order to promote the long-term survivability of family farms, this paper aims to foster the understanding of what drives them to implement innovation measures, i.e., products, processes or means of production that are new to the farm, which, so far, we know little about it. A literature review by Suess-Reyes and Fuetsch (2016) classifies the motives for innovation in family farms into farm-related (e.g., to reduce risks caused by pricing pressure or natural disasters), family-related (e.g., to increase family income or create workspace for family members) and/or operator-related (e.g., to pursue personal interests). Yet, the authors attest a general lack of theory use in research on innovation in family farms resulting in disintegrated pieces of knowledge.

Previously, family business researchers have tried to explain strategic decisions in family businesses through socioemotional wealth (SEW), i.e., non-financial benefits the family receives from the business (Gómez-Mejía et al., 2007). According to the SEW perspective, preferences are shaped by existing socioemotional endowments (Miller & Le Breton-Miller, 2014), so that family businesses with rich socioemotional endowments will aim to preserve and increase their SEW (Gómez-Mejía et al., 2011). So far, only a few studies have applied the SEW perspective to investigate innovation decisions (Martínez-Alonso et al., 2018), in the context of family farms even less. Yet, in family farms, where financial benefits are typically low, socioemotional motives can be all the more important for creating awareness that innovation is necessary to tackle external threats.

This study addresses the theoretical gap by investigating how SEW affects the implementation of innovation measures in family farms in the light of external threats through increasing international competition and climate change. Moreover, it also accounts for a factor that may moderate the relationship between SEW and the implementation of innovation measures, namely the use of diverse information sources. Although obtaining information from diverse sources helps to generate innovative ideas (Soda et al., 2021), family farms with rich socioemotional endowments may feel threatened by the ambiguity that information from diverse sources can cause (Simon, 2007), which can weaken the positive effect of SEW on overcoming the general reluctance to innovate.

This study contributes to theory and practice in several ways: (1) By integrating theory from agricultural, innovation and family business research, it takes a first step in overcoming disciplinary boundaries and contributes to the development of an integrated body of knowledge on family farms. (2) It dives into a rather neglected area of research by investigating innovation in the specific context of family farming. It advances the un-

[1] This paper uses a rather broad definition for family farms based on the definition of family businesses by the European Commission (2022), which is appropriate for the purpose of this study for the following reason: Due to the interrelation between family and business, family businesses' strategic decisions, such as innovation decisions, are typically influenced by family interests (Berrone et al., 2012). In farming businesses, this connection is particularly strong (Suess-Reyes & Fuetsch, 2016). Due to the geographic proximity of the family's living and workspace, family members such as spouses or children are often included in farm-related decision-making or farm work (Dumas et al., 1995; Heady, 1952), even though they have no formal function (e.g. farm management or ownership). Thus, the informal influence of the family on the business is typically very strong in farming businesses.

derstanding of family farms by shedding light on the motives that drive innovation and makes suggestions how the innovativeness of this traditionally conservative business type can be increased. (3) As an industry-specific study, it also answers the call from Calabrò et al. (2019) to account for the heterogeneity of family businesses which causes differences in their innovation behavior. (4) It answers the call of family business scholars to treat SEW as a multidimensional construct (e.g., Chua et al., 2015) and underlines the importance of doing so by showing heterogeneous results for the SEW dimensions.

In the following theory section, the central terms will be defined, and the hypotheses will be developed based on the literature. In the subsequent method section, the data collection process, the sample, the measurements and the statistical procedure will be described. After that, the analytical results will be presented. Concluding, the results will be interpreted and discussed.

## 2. Theoretical Background and Hypotheses Development

### 2.1. SEW: an innovation motivator in situations of external threat

SEW are non-financial benefits such as emotions and relationships business family members receive from their business (Gómez-Mejía et al., 2007). They form the affective endowment of a family business that is intrinsically and inseparably attached to kinship ties (Cruz et al., 2012; Martínez-Romero & Rojo-Ramírez, 2016). SEW is what makes family businesses distinct from nonfamily businesses. It constitutes a family business' primary frame of reference, which means that the socioemotional endowments will significantly affect the family business' decision making in a way that the benefits derived from the business will be preserved and accumulated (Berrone et al., 2012). Since preferences depend on existing endowments (Miller & Le Breton-Miller, 2014), families with rich SEW will be particularly eager to preserve and accumulate their socioemotional endowments (Gómez-Mejía et al., 2011).

Constituting the primary frame of reference, SEW also influences innovation decisions. Yet, the findings from studies investigating the effect of SEW on innovation (e.g. Fitz-Koch & Nordqvist, 2017; Gast et al., 2018; Gómez-Mejía et al., 2011; Kammerlander & Ganter, 2015) are ambiguous, pointing to both negative and positive effects. This may be the result of different contexts in which the studies were conducted. While in relatively stable environments with low competitiveness, innovation may be regarded as an unnecessary risk for the SEW, in dynamic and competitive environments, regularly adapting one's resources, procedures and products is a necessity for survival (Eisenhardt & Martin, 2000). Family businesses are known to develop an extraordinarily high willingness to take risks if they are faced with economically difficult situation (Fuetsch & Suess-Reyes, 2017). Only then, the family will be able to continue to profit from the socioemotional endowments (Classen et al., 2014). In agriculture, where family farms, and consequently their SEW, are exposed to all kinds of threats such as climate change causing natural disasters and international mass producers beating down market prices (Darnhofer et al., 2016), innovation measures can make a family farm more resilient and help to establish a competitive advantage by creating additional consumer value (Bessant, 2019). Consequently, despite its uncertain outcomes, innovation measures provide a good chance to prevent SEW loss. Therefore, it is expected that, in the given context, the positive effects of SEW on the family farms' willingness to implement innovation measures will overweight.

This study draws on the three-dimensional concept of SEW suggested by Hauck et al. (2016). The concept includes the dimension renewal of family bonds through dynastic succession (R), emotional attachment of family members (E) and identification of the family members with the business (I). Since the relationships between these dimensions can be causal, overlapping, synergistic or substitutional, it is important to treat SEW as a multidimensional construct (Chua et al., 2015). It is hypothesized that the dimensions influence the implementation of innovation measures as follows:

For family businesses that strive to renew their bonds with the business through dynastic succession, the business embodies the family's heritage, which they want to continue in the future (Berrone et al., 2012). Large, international market players and natural disasters put family farms enormously under pressure. This often has a negative effect on their economic performance. In general, the potential successor's intention to continue the family's heritage is higher, if the family business performs well (Zellweger et al., 2012). Thus, under the difficult circumstances, the willingness of potential successors to take over the farm may decrease. If the family wants to renew its bonds with the farm through dynastic succession, the active owners have to make the farm more attractive for the next generation. Innovation helps to build a farm that is adaptive to external changes and viable over a long period of time (Ahmad et al., 2021; Bessant, 2019). Thus, if families strive to renew their bonds with the farm through dynastic succession, they will be more likely to innovate in order to be able

to hand over a modern and competitive farm. Furthermore, due to their wish to preserve the family heritage for the future, these family businesses tend to develop a long-term perspective (Le Breton-Miller & Miller, 2006), which leads to strategic decisions with an extended time frame (Chrisman & Patel, 2012). As innovation requires investments in uncertain future returns (Flammer & Bansal, 2017; March, 1991), innovators have to be patient until the innovation pays off. Thus, long-term orientation can be conducive to innovation decisions. Indeed, it was found that small family businesses who are long-term oriented have a higher innovation output (Werner et al., 2018). Family farms that wish to renew their bonds through dynastic succession will therefore be more willing to make innovation investments for the future. This leads to the following hypothesis:

***Hypothesis 1a****. The desire to renew family bonds through dynastic succession is positively related to the implementation of innovation measures.*

Emotional attachment of the family members refers to the degree to which positive emotions play a role in building and maintaining binding social ties within and beyond family boundaries (Memili et al., 2015). These emotions arise out of the family members' common history with the farm consisting of shared experiences, knowledge, feelings and memories (Berrone et al., 2012; Lawler, 2001). Since the family business creates a sense of belonging, affection and "togetherness", family members derive positive emotional value from it (Nikolakis et al., 2022). Family members with strong emotional attachment, will strive to preserve this emotional value. When the family farm's survival is endangered by external threats such as intense competitive pressure or climate change, the positive emotions can erode since economic stress can burden the relationships between the family members (Sprung, 2022). Thus, in order to preserve the positive emotions, family farms with strong emotional attachment of their family members, will probably be more willing to implement innovation measures because they potentially foster the viability of the farm (which constitutes the foundation of their positive emotions). Moreover, emotional attachment promotes family members' commitment to the business (Corbetta & Salvato, 2004; Memili et al., 2015), which may encourage family members to put more time and effort in the development and implementation of innovative ideas. If potential successors are strongly emotionally invested in and committed to the farm, the current generation may invest more in innovation measures in order to hand over a healthy and competitively viable farm. Previous findings from SMEs research show that emotional attachment is generally associated with a positive influence on innovativeness (Filser et al., 2018). Thus, it is hypothesized that:

***Hypothesis 1b****. Emotional attachment of the family members is positively related to the implementation of innovation measures in family farms.*

In family businesses, the two systems family and business are usually closely intertwined, so that the boundaries between them can become blurry (Stevens et al., 2015). The business may adopt values and goals of the family and vice versa, leading to the notion that the business is an extension of the family (Berrone et al., 2012). This intermeshing causes a unique identity among family members that is inseparably tied to the business (Aldrich & Cliff, 2003; Chua et al., 1999). When family members identify closely with the farm, a loss to the farm also means a loss to the family. Thus, high identification of the family members with the farm may motivate them to invest in innovation measures because innovation can help to secure the farm's well-being and positive identity endowments (which are the basis of the unique identity; Gast et al., 2018). Furthermore, family members who feel a tight connection to their business, tend to care much about the public image of their business (Berrone et al., 2010). Thus, family farms with a strong identity will most likely want to make a good impression on neighbors, customers and other stakeholders. In agriculture, green innovations aiming at pollution prevention or protection of biodiversity offer a great opportunity to confer an environmentally and socially responsible image (Ma et al., 2017). Family farms that care for their public image will thus be more motivated to innovate. This leads to the following hypothesis:

***Hypothesis 1c****. Identification of the family members with the farm is positively related to the implementation of innovation measures in family farms.*

### 2.2. Diversity of information sources as innovation facilitator

SEW determines what a family farm strives to do. However, in order to leverage the positive attitude towards innovation, it is also important what the farm *can* do (Vilkinas et al., 2019). In that regard, information, i.e., context-specific data containing relevant meaning, is a crucial resource that forms the basis of decisions and actions (Liew, 2007). It facilitates the recognition of entrepreneurial opportunities (Gaglio & Katz,

2001), helps to pin down one's own strengths and weaknesses, estimate possible innovation outcomes and identify which resources yet need to be acquired to achieve a goal (Zott et al., 2011). Innovation is a complex and dynamic task, which requires expertise from different fields (DellaPosta & Nee, 2020). For instance, in family farms information regarding new farming methods, new technological developments, latest market trends and consumer needs, etc., could be useful for the development of innovations. This information can hardly be provided by one actor alone. Businesses that combine information from different sources were found to be more innovative than others (Grillitsch & Trippl, 2014). A high diversity of information sources may equip family farms with the ability to identify and utilize opportunities. Thus, diverse information sources may increase a family farm's ability to innovate. This leads to the hypothesis that:

***Hypothesis 2****. Diversity of information sources is positively related to the implementation of innovation measures in family farms.*

**2.3.The moderating role of diverse information sources**

While it is argued, in this study, that the diversity of information sources has a positive influence on the family farm's innovation ability and, consequently, on the implementation of innovation measures, it may also interact with the motivational effect of SEW on innovation. Using information from diverse sources increases the probability of information ambiguity, which can cause uncertainty in innovation decisions (Eppler & Mengis, 2004). Although ambiguous information is necessary to a certain degree to trigger critical reflections and open up new perspectives (Laros & Košinár, 2019), too much ambiguity can be overwhelming resulting in a retreat from the intended task due to a perceived lack of control (Budner, 1962; Rüegg-Stürm, 2001; Simon, 2007). In situations like these, family farms may behave more cautiously and respond with confusion, doubt or fear of failure (Schommer et al., 2001). These negative emotions are detrimental to flexible thinking, creativity and problem-solving (Baas et al., 2008; Roskes et al., 2012) – abilities that are crucial for innovation. Thus, diversity of information sources may interfere with the positive effect SEW can have on innovation.

For instance, family farms that wish to renew their family bonds with the farm through succession, may be unsettled regarding which path to choose for their future development. Diverse information sources can provide a more differentiated picture about the environment and the family farm itself. This can open up a number of possibilities for innovation (Laros & Košinár, 2019) but it can also cause uncertainty regarding innovation outcomes or ambiguity about which innovations to pursue (Eppler & Mengis, 2004). Consequently, it may prompt family farms to withdraw from innovation opportunities due to the fear of failure or a development that harms the attractiveness of intra-family succession in the perception of the potential successor. For instance, making use of diverse sources to inform oneself about an alternative cattle species, may make a family farmer aware about a number of risks for dynastic succession that come with switching the livestock. This can create doubts regarding the innovation decision. The fact that innovation measures often require cost-intensive investments, which can create path dependencies (Zhu et al., 2006) meaning that the choices made today, e.g. about which animal species to breed, determine choices in the future (Dosi, 1982), makes the problem even more severe. Since potential successors not seldomly pursue other occupational paths at first and develop their interest in the farm very late (Kimhi, 1994), the current manager is often left alone with decisions like these. The perceived complexity of the decision due to the use of information from diverse sources may reduce the likelihood that family farms implement innovation measures at all. Thus, a high diversity of information sources is expected to curb the motivating effect of the desire to renew family bonds through dynastic succession on innovation measures. This leads to the following hypothesis:

***Hypothesis 3a****. Diversity of information sources negatively moderates the effect of the desire to renew family bonds through dynastic succession on the implementation of innovation measures.*

When family members are emotionally attached, they obtain positive emotions such as affection and a sense of belonging and "togetherness" from the family business (Nikolakis et al., 2022). Using diverse information sources can lead to diverging opinions among the family members, e.g., about which ideas to move forward, which and how many resources to use or how the final innovation output should look like (Liang et al., 2009). Although task conflicts will probably not endanger the relationships between family members with strong emotional attachment, they add complexity to these relationships. The ease of the collaboration based on blind understanding, unconditional trust and a common vision may be diluted by the information plurality brought into the family by diverse sources. Therefore, emotional attachment between the family members may not facilitate the implementation of inno-

vation measures to the same extent as under the condition of lower diversity of information sources. Furthermore, mental overload, which can be caused by conflicting information from diverse sources, reduces the feeling of commitment to the business (Ali et al., 2022) that emotionally attached family members usually have. Commitment can act as innovation motive; however, if information from diverse sources causes commitment problems through mental overload, emotional attachment cannot fully unfold its motivational effect on innovation measures. Consequently, it is hypothesized that:

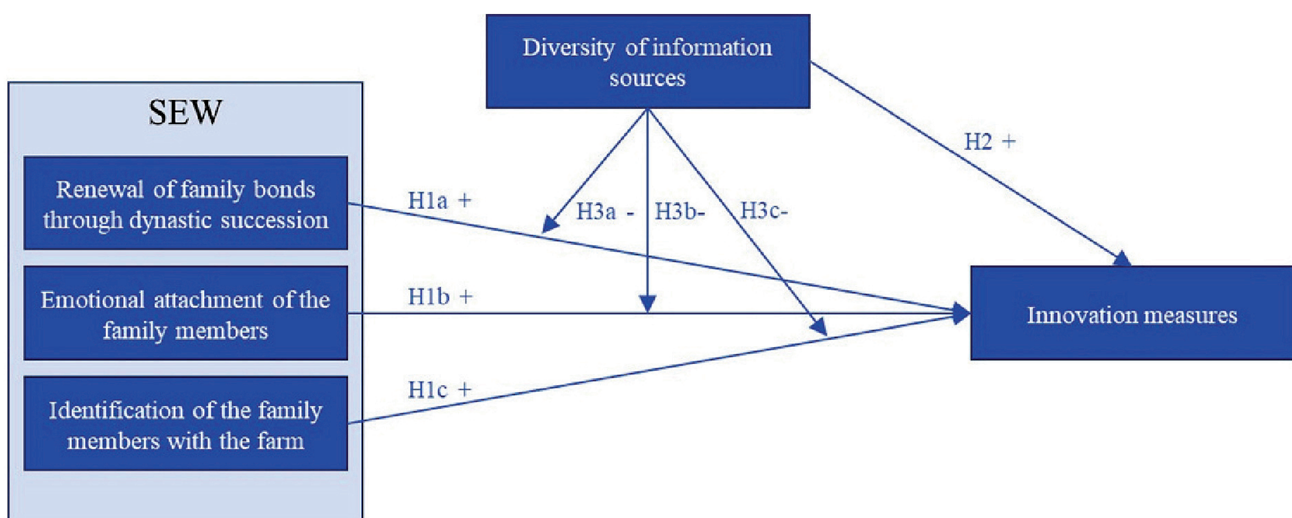
***Hypothesis 3b***. *Diversity of information sources negatively moderates the effect of emotional attachment of the family members on the implementation of innovation measures.*

The use of diverse information sources may also evolve a combined effect on innovation together with the identification of the family members with the farm. Diversity of information sources can create dynamic and multifaceted situations, which were shown to have a destabilizing effect on identity (Sveningsson & Alvesson, 2003). Since family farms with a strong identification of their family members will aim to preserve their identity endowments, they will probably perceive information from diverse sources as irritating and disturbing and develop a resistance to it. Thus, they may not process and use this information as open-mindedly, which can induce them to forgo chances for new innovation measures. This means that information from diverse sources and strong identification may interact in a way that strong identification diminishes the positive effect of diverse information sources on the implementation of innovation measures. Vice versa, diversity of information sources may also weaken the positive effect of identification on innovation because the high degree of uncertainty that information from diverse sources can cause, can make family farms more cautious (Schommer et al., 2001). If the family members identify strongly with the farm, they may be particularly worried about possible innovation failure because a failure would reflect on family members' personal performance, abilities and self-worth (Berrone et al., 2012; Dyer & Whetten, 2006; Ng et al., 2022). The high motivation for the implementation of innovation measures that family members usually experience when they identify strongly with their farm, may thus be tarnished by increased worries (regarding the risk that innovation involves) triggered by the diversity of information sources. Both argued effects are statistically the same (interaction of diverse information sources with identification). For reasons of consistency, this paper focuses on the second effect, which argues a moderating effect of diverse information sources on the SEW dimension identification of the family members with the farm. This leads to the following hypothesis:

***Hypothesis 3c***. *Diversity of information sources negatively moderates the effect of the identification of the family members with the farm on the implementation of innovation measures.*

Figure 1 depicts the theoretical model with all hypotheses.

**Figure 1**. Theoretical model



## 3. Method

### 3.1. Data collection and sample description

The data was collected through an online questionnaire survey among Lower Austrian family farms between November 2015 and January 2016. The Austrian province of Lower Austria is a particularly suitable research area for this study, because it is the largest producer of agricultural goods in Austria (Amt der Niederösterreichischen Landesregierung Abteilung Landwirtschaftsförderung, 2019) and its landscape is very diverse with both plain and mountainous regions. Due to its significance and diversity Lower Austria offers multiple opportunities for innovation in farming.

In preparation of the survey, 4,500 farms were randomly selected from a database by Agrarmarkt Austria containing all Lower Austrian farms that have received subsidies in the past. Since previous studies have shown that the response rate can be substantially increased by pre-contacting potential respondents telephonically (Dillman et al., 2014), these farms were called to explain the purpose of the study and to invite them to participate in the survey. Furthermore, the farms were asked if they were family farms by self-definition. When they confirmed and agreed to take part in the survey, they were sent an email with the link to the online questionnaire. In total, 2,617 farms answered the call (after calling them at least three times on different days and at different hours) out of which 1,813 agreed to participate. Those who agreed were sent an email invitation with the link to the online questionnaire and, in case they did not fill it out, a weekly reminder for three weeks to take part in the survey. In order to dispel potential data privacy concerns, respondents were assured anonymity. Out of the 1,813 farms that received the questionnaire, 1,228 started it and 954 completed it. This corresponds to a response rate of 36.5% (based on the completed questionnaires in relation to the questionnaires sent out) which goes far beyond the average response rate of 21% reported by Pielsticker and Hiebl (2020).

Even though 90 % of all farms in Austria are family farms in the sense that they are family-managed (Bundesministerium für Nachhaltigkeit und Tourismus, 2019) and the respondents were asked telephonically if they defined themselves as family farms, the sample was once more checked for the family's influence on the farm. In accordance with the definition of SEW as the affective endowment of "family owners", farms that were not owned by the respondent or a family member of the respondent were excluded from the sample. Thus, the final sample contains 911 family farms.

The farms in the sample differ in terms of their production focus, occupation type and size: 54 % of the farms pursue cash-crop farming, 53 % animal husbandry, 36 % forestry, 18 % forage production, 16 % viticulture, 10 % fruit and vegetable growing, 10 % energy production and 8 % offer accommodation and/or hospitality. 60 % of the farms are run as main occupation and 40 % as sideline business. Most of the family farms (62 %) are managed by one person alone. In 80% of the cases only one generation is involved in management, in 16 % two generation are involved. On average the farms in the sample consist of 50 hectares and employ two to three employees on a regular basis. Accounting for seasonal fluctuations the average number of employees is six to seven. Austrian farms are generally small-structured (45 hectares on average; Bundesministerium für Nachhaltigkeit und Tourismus, 2019), which makes it all the more important for them to innovate in order to achieve competitive advantages on the globalized market. Regarding their financial endowment, the majority of the farms (57.5 %) have, at most, financial resources to maintain the day-to-day operations available.

### 3.2. Measurements

In this section the variables used in the analysis are described. More detailed descriptions about the measurements are disclosed in Table A1 in the appendix.

#### *3.2.1. Dependent variable*

*Innovation measures* are defined as the implementation of new products, processes or means of production. What is regarded as "new" often depends on the context. Agriculture is a rather traditional sector and the first- or early-mover strategy is typically rare among farming businesses. Mostly, they prefer to observe novelties in the market for a while, to see if they prove successful, before implementing them as innovation measures themselves (Long et al., 2016). Assuming a generally low level of innovativeness in the sector, it is most suitable for the context of family farms to define "new" as something that is perceived to be new by the family farm (based on Zaltman et al., 1973). Thus, to measure *innovation measures*, respondents were asked how many new products, processes or production means a farm implemented in the last five years in comparison to other farms of the same type. More specifically, the items are related to the use of (a) new machines, (b) new or remodeled agricultural buildings, (c) new supplies and equipment, (d) new processes and (e) new crops and breeds

and are measured on a 6-point Likert scale. Since objective indicators (e.g. profits through innovations or number of patents) are difficult to obtain, relative measures are a suitable and widely used alternative for measurement (Ritala et al., 2015). Unlike other studies that investigate innovation as an orientation, this study measures it as a manifest, action-related variable. This avoids the problem of the intention-action gap, which arises where intentions do not bring about the desired actions (Schepers et al., 2021). The scale is reflective. The value of the variable is calculated as the mean of the five items of the scale. With a Cronbach's alpha of 0.72 the scale's reliability is good (Hair et al., 2007).

*3.2.2. Independent variables and the moderator variable*

To measure SEW, this study uses the three-dimensional REI scale by Hauck et al. (2016). The items were slightly adapted to the family farm context. All dimensions are reflective measures and are calculated as the mean of their item's values (scales ranging from 1 to 6).

- *Renewal of Family Bonds through Dynastic Succession* refers to the family's eagerness to continue its legacy by safeguarding long-term family control over the farm through intra-family succession. Three items measure this attitude on a six-point Likert scale with good reliability (Cronbach's alpha = 0.71).
- *Emotional Attachment of Family Members* measures the extent to which family relationships bring emotions into the family farm context. These positive or negative emotions result from the family members' shared past and can affect business decisions in the present and future. The three-item scale (ranging from 1 to 6) used in this study has excellent reliability (Cronbach's alpha = 0.92).
- *Identification of Family Members with the Farm* is the degree to which family members think of the family farm as an extension of themselves. It is measured with four items on a six-point Likert scale with excellent reliability (Cronbach's alpha = 0.91).

The independent and moderator variable *diversity of information sources* measures the number of different types of information sources used by the farm. Out of a list of six farm-internal (e.g., performance indicators) and -external information sources (e.g. industry magazines), respondents were asked to select those that guide decisions in their farm. The variable is a formative measure and is calculated as the sum of the selected innovation measures. Thus, the variable takes a value between 0 and 6, where a high number signifies a great diversity of information sources.

*3.2.3. Control variables*

Family businesses are very heterogeneous regarding structural conditions. These can affect innovation inputs and outputs (Werner et al., 2018). Thus, structural variables need to be taken into account when investigating innovation in family farms. The regression analysis includes *farm size in hectares*, *family farm generation* and *occupation type* (sideline vs. main occupation) as control variables. Furthermore, the resource situation of the family farm can also affect the farm's ability to implement innovation measures. Since agriculture is generally a resource-constrained environment (Poole, 2017), it is particularly important to take this factor into account. Thus, the *availability of financial resources* (1 - low to 4 - high) is controlled for in the analysis. In addition, external factors can influence family farms' innovation behavior. Due to climate change, natural disasters are a factor of increasing relevance in agriculture. Thus, the number of *natural disasters suffered* (one or less vs. multiple) is also controlled for in the analysis. Previous studies indicate that farms often adopt risk-mitigating innovations when they are exposed to natural disasters (Miao & Popp, 2014). Finally, previous studies have shown that a collaboration of family members from different generations on the management and the ownership level may affect the family business' innovation behavior. Multiple generations bring heterogeneous knowledge, skills, perspectives and experiences into the farm, which can facilitate innovation (Frank et al., 2019; Fuetsch, 2022; Sciascia et al., 2013). Thus, the number of *family generations in management* and *in ownership* are also controlled for in this study.

Table 1 shows the descriptive statistics of all variables.

## 4. Results

Before testing the hypotheses, bivariate correlations among all variables were evaluated. They are depicted in Table 2. With the exception of the correlation coefficients between the REI dimensions of the SEW scale, which are below +/- 0.6, all correlation coefficients between independent variables are below +/- 0.3. This equals moderate and low correlation levels (Evans, 1996). Unless correlation coefficients are close to +/- 0.8, problems with multicollinearity are not to be expected (Shrestha, 2020; Young, 2018). For additional assurance, variance inflation factors (VIF) were calculated. While Hair et al. (1995) suggest a maximum VIF level of

**Table 1.** Descriptive statistics

| | Min. | Max. | Mean | SD |
|---|---|---|---|---|
| Innovation measures | 1 | 6 | 3.19 | 1.11 |
| Farm size in hectares | 1 | 690 | 50.05 | 56.88 |
| Family farm generation | 1 | 4 | 3.40 | 0.88 |
| Sideline business | 1 | 2 | 1.40 | 0.49 |
| Availability of financial resources | 1 | 4 | 2.41 | 0.79 |
| Multiple natural disasters suffered | 1 | 2 | 1.37 | 0.48 |
| Family generations in management | 1 | 3 | 1.22 | 0.49 |
| Family generations in ownership | 1 | 3 | 1.19 | 0.43 |
| Identification of family members with the farm | 1 | 6 | 4.81 | 1.17 |
| Emotional attachment of family members | 1 | 6 | 4.74 | 1.13 |
| Renewal of family bonds through dynastic succession | 1 | 6 | 4.91 | 1.13 |
| Diversity of information sources | 1 | 6 | 2.60 | 1.09 |

10, Hair et al. (2010) recommend that VIF should not exceed 4. All VIF in the analysis are below or equal to 2.0, which is far below the problematic thresholds. Therefore, there is no indication for a multicollinearity problem.

To test the hypotheses, hierarchical linear regression analysis was conducted. The analysis was run with SPSS 25.0.0.1. In order to avoid multicollinearity problems with interaction terms, all metric variables in the analysis were mean-centered (Dawson, 2014). In a first model, the effects of the control variables were tested. In the next step, the SEW dimensions and diversity of information sources were included to test the main effects. In the final model, the interaction terms of the SEW dimensions and diversity of information sources were included to test the moderation effects.

**Table 2.** Correlation matrix (Pearson)

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Innovation measures | 1 | 0.165*** | - 0.01 | - 0.185*** | 0.183*** | 0.113*** | 0.066* | 0.051 | 0.193*** | 0.166*** | 0.321*** | 0.242*** |
| 2 | Farm size in hectare s | | 1 | 0.106** | - 0.276*** | 0.206*** | 0.096** | -0.014 | 0.116*** | 0.141*** | 0.023 | 0.129*** | 0.165*** |
| 3 | Family farm generation | | | 1 | - 0.084** | 0.071* | 0.107** | -0.002 | 0.092** | 0.062* | - 0.068* | 0.026 | 0.042 |
| 4 | Sideline | | | | 1 | -0.129*** | -0.094** | -0.001 | -0.086** | -0.088** | 0.004 | -0.177*** | -0.155*** |
| 5 | Availability of financial resources | | | | | 1 | - 0.066* | 0.006 | 0.127*** | 0.084* | 0.019 | 0.132*** | 0.044 |
| 6 | Multiple natural disasters suffered | | | | | | 1 | 0.073* | 0.054 | 0.032 | 0.028 | 0.048 | 0.113*** |
| 7 | Family generations in management | | | | | | | 1 | 0.226*** | 0.015 | - 0.049 | 0.058 | 0,042 |
| 8 | Family generations in ownership | | | | | | | | 1 | 0.063 | -0.044 | 0.057 | 0,034 |
| 9 | Renewal of family bonds through dynastic succession | | | | | | | | | 1 | 0.479*** | 0.598*** | 0.074* |
| 10 | Emotional attachment of family members | | | | | | | | | | 1 | 0.523*** | 0.065* |
| 11 | Identification of family members with the farm | | | | | | | | | | | 1 | 0.149*** |
| 12 | Diversity of information sources | | | | | | | | | | | | 1 |

n = 911; * p < 0.05; ** p < 0.01; *** p < 0.001

The results of the linear regression analysis are shown in Table 3.

**Table 3**. Regression results (dependent variable: innovation measures)

| Model | 1 | | 3 | | 4 | |
|---|---|---|---|---|---|---|
| | Beta | Robust S.E. | Beta | Robust S.E. | Beta | Robust S.E. |
| Farm size in hectares | 0.091** | 0.001 | 0.053 | 0.001 | 0.049 | 0.001 |
| Family farm generation | - 0.053 | 0.042 | - 0.051 | 0.041 | - 0.058 | 0.040 |
| Sideline | - 0.134*** | 0.082 | - 0.084* | 0.079 | - 0.083** | 0.079 |
| Availability of financial resources | 0.158*** | 0.047 | 0.129*** | 0.044 | 0.132*** | 0.044 |
| Multiple natural disasters suffered | 0.108** | 0.076 | 0.078* | 0.073 | 0.071* | 0.072 |
| Family generations in management | 0.060 | 0.078 | 0.042 | 0.071 | 0.047 | 0.071 |
| Family generations in ownership | - 0.007 | 0.081 | - 0.008 | 0.079 | - 0.006 | 0.079 |
| Renewal of family bonds through dynastic succession | | | 0.007 | 0.038 | 0.006 | 0.038 |
| Emotional attachment of family members | | | 0.020 | 0.041 | 0.028 | 0.040 |
| Identification of family members with the farm | | | 0.235*** | 0.040 | 0.218*** | 0.040 |
| Diversity of information sources | | | 0.178*** | 0.035 | 0.191*** | 0.033 |
| Renewal of family bonds through dynastic succession * diversity of information sources | | | | | 0.072 | 0.038 |
| Emotional attachment of family members * diversity of information sources | | | | | 0.041 | 0.040 |
| Identification of family members with the farm * diversity of information sources | | | | | - 0.146*** | 0.037 |
| $R^2$ | 0.085 | | 0.184 | | 0.195 | |
| Adjusted $R^2$. | 0.078 | | 0.174 | | 0.183 | |
| Δ in $R^2$ | 0.085*** | | 0.099*** | | 0.011** | |

* p < 0.05; ** p < 0.01; *** p < 0.001; All VIF ≤ 2

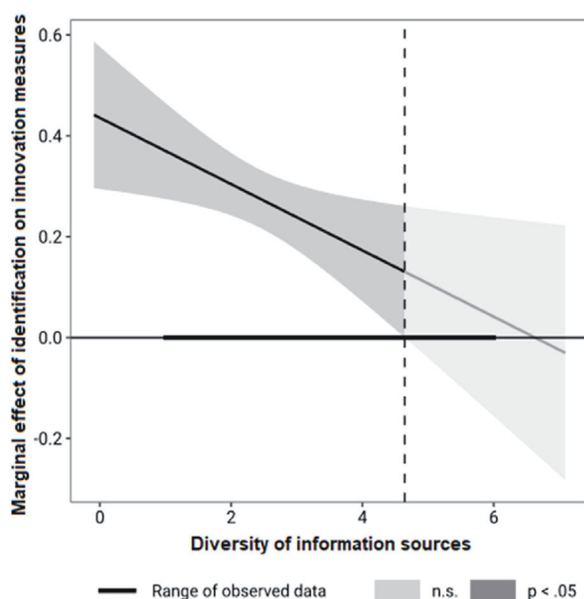
Model 1, which controls for context variables, shows that farm size (ß = 0.091, p < 0.01), the availability of financial resources (ß = 0.158, p < 0.001) and multiple natural disasters suffered (ß = 0.108, p < 0.01) contribute positively to the implementation of innovation measures. However, running the farm as a sideline business is negatively related to innovation measures (ß = - 0.134, p < 0.001). The effects of the family farm generation, family generations in management and family generations in ownership are not significant. Model 1 explains 8.5 % of the variance of the dependent variable.

Model 2 additionally includes the SEW dimensions and diversity of information sources. Only one of the three SEW dimensions is significantly associated with the implementation of innovation measures. Identification of the family members with the farm has a positive effect (ß = 0.235, p < 0.001). Furthermore, diversity of information sources also has a significant positive effect (ß = 0. 178, p < 0.001) on innovation measures. This model contributes 18.4 % to the explanation of the implementation of innovation measures, 9.9 % of which are contributed by the independent variables.

Model 3 additionally includes the moderation effects between the SEW dimensions and diversity of information sources. In this final model, three context variables are significant, namely the occupation type sideline (ß = - 0.083, p < 0.01), the availability of financial resources (ß = 0.132, p < 0.001) and multiple natural disasters suffered (ß = 0.071, p < 0.05). Furthermore, as in the previous model, the identification of the family members with the farm (ß = 0.218, p < 0.001) has a positive effect on the innovation measures. The other SEW dimensions have no

significant influence. Therefore, hypothesis 1c is supported, while hypotheses 1a and 1b are not supported. Diversity of information sources is significantly and positively related to innovation measures (ß = 0.191, $p < 0.001$), which supports hypothesis 2. Regarding the moderating role of the diversity of information sources, the interactions with identification of the family members with the farm is significant and negative (ß = - 0.146, $p < 0.001$). The Johnson-Neyman technique is used in order to ascertain in which range of values the moderator unfolds its moderating effect (Hayes, 2013). Figure 2 shows that the positive marginal effect of identification of the family members with the farm on the implementation of innovation measures declines with an increasing value of diversity of information sources. The grey area depicts the 95% confidence interval. The marginal effect is significant, when both the upper and lower bound of the interval are on the same side of the zero line. This is the case, when diversity of information sources takes a value below 4.64, which is true for 95.17 % of the sample. Thus, hypothesis 2c is supported. The interactions of diversity of information sources with the renewal of family bonds through dynastic succession and emotional attachment of family members are not significant. Thus, hypotheses 2a and 2b are not supported. This final model explains 19.5 % of the variance of the dependent variable. Compared to Model 2, the difference in $R^2$ is 1.1 %, which represents the explanatory value of the moderation effects added in Model 3.

**Figure 2**. Marginal effect of identification of the family members with the farm on the implementation of innovation measures for different values of diversity of information sources




## 5. Discussion

### *5.1. Interpretation of the results*

Innovation can be key for family farms to tackle the external threats posed by global competition and climate change (Palmer et al., 2001). However, farmers often do not see themselves as entrepreneurs (Haugen & Vik, 2008; McElwee, 2006) and are reluctant to innovate. These circumstances make innovation in family farms an interesting and important topic. The focus of this paper was directed at the question of "what drives innovation in family farms" and to investigate the role of the SEW dimensions renewal of family bonds through dynastic succession, emotional attachment of the family members and identification of the family members with the farm as innovation motives. Furthermore, this study investigated the role of diverse information sources as innovation facilitator and moderator in the relationship between the SEW dimensions and innovation measures.

#### *5.1.1. About the context of innovation in family farms*

Regarding the context of innovation, the analysis has revealed that the conditions in family farms are difficult. The regression results show that family farms with fewer financial resources implement fewer innovation measures indicating that innovation requires a certain financial effort. However, financial resources are generally limited in agriculture (Poole, 2017), which is also confirmed by the descriptive results of this study. Less than half of the investigated farms possess enough financial resources that allow them to make investments that go beyond maintaining the status quo. Even less capital-intensive innovation measures may be restrained through a scarcity of financial resources due to psychological reasons because scarce financial means make it difficult to compensate possible future losses caused by failed innovations (Barbieri & Mahoney, 2009). This makes SEW as a motivator to overcome the psychological barrier of innovation in family farms all the more important.

Another significant context factor for innovation is the natural environment. The positive effect of multiple natural disasters suffered on innovation confirms that natural disasters are a big issue for family farms. However, it also shows that family farms have recognized innovation as a strategy to tackle this external threat. In the long run, climate change may contribute to an "entrepreneurial awakening" of family farms, which traditionally have been rather conservative.

#### *5.1.2. About SEW as a driver for innovation in family farms*

The proposed positive effects of the SEW dimensions renewal of the family bonds through dy-

nastic succession and emotional attachment of the family members on innovation could not be supported. Renewing family bonds is a long-term goal. Usually, this long-term perspective can motivate innovation because the family farms understand that innovation is an investment in possible future gains (March, 1991) that bring the farm forward. However, when family farms are faced with immediate threats such as competitive pressure from international market players and climate change, they may develop a more short-term focus. Previous experiments have shown that people behave differently when threat is imminent opposed to when it is distant (Mobbs et al., 2007). Today, the question of the short-term survival of the farm might often times be more pressing than who will continue the family legacy. Thus, although family farms often strive to continue the farming business through intra-family succession, innovation decisions will probably be shaped by more immediate goals such as becoming more resistant to climate change or more independent from large food retailers rather than renewing the family bonds with the farm. The emotional attachment of the family members has probably not been proven relevant for the implementation of innovation measures because most family farms in the sample are managed by one person alone (62 %). When one person carries the main responsibility for the decisions, the relationships between the family members are less important for innovation decisions. Moreover, emotional attachment may not be effective on innovation because the deteriorating external conditions, a high workload and a low-income level (Crocket, 2004) may undermine their desire to continue their shared history by creating new common experiences and feelings.

Yet, this study has shown that the identification of the family members with the farm significantly drives the implementation of innovation measures. If family members identify strongly with the family farm, they think of it as an extension of the family, which makes gains and losses of the farm feel like gains and losses of their own (Berrone et al., 2012). Thus, they will be particularly eager to secure the wellbeing of the farm. Furthermore, in farms with a strong identification of the family members, making a good impression on others is often an important goal (Berrone et al., 2010). Since innovation can foster resilience and adaptability in the context of external threats such as international competition and climate change and help to develop the farm sustainably, it is a way for family members to achieve their identity-driven goals. That way, strong identification can motivate family farms to innovate because innovation allows them to continuously benefit from the positive feelings they get out of their identification with the farm. Depending on the farmer's type of identity, the significance of these motives may differ. Due to the strong value of tradition in agriculture, many farmers still do not think of themselves as entrepreneurs (Haugen & Vik, 2008; McElwee, 2006). They possess a producer-farmer identity (Stenholm & Hytti, 2014) and may fear that entrepreneurial activities weaken their identity as farmers (Padel, 2001). This identity is typically associated with a conservative strategic approach, which aims at operating profitably and expanding the farming capacity under the constraints of the prevailing social norms. Appearance vis-à-vis others is an important factor for their behavior (Burton, 2004), so that the family members of these farms will care a lot about the public image if their identification with the farm is strong (Berrone et al., 2010; Deephouse & Jaskiewicz, 2013). These farms will most likely prefer incremental adaptions that meet societal expectations. Farmers with an entrepreneur-farmer identity, on the other hand, strive to improve their farm actively by challenging prevailing social norms (Stenholm & Hytti, 2014). They are willing to take the risk of radical innovations and promote diversification and pluri-activity (Vesala & Vesala, 2010). Their identity builds on having control over their own farm and mastering externally imposed challenges rather than receiving approval from others. For them, having control produces a feeling of pride, which forms the basis of their identity (Dessein & Nevens, 2007). Innovation offers a chance to achieve that. Thus, although driven by different motives depending on the type of identity, family members who identify strongly with the farm will be more willing to innovate despite the uncertainty of the innovation's outcome. This confirms that innovation strategies and a family farming ideology do not necessarily exclude each other (Hildenbrand & Hennon, 2008). Furthermore, another reason for the positive effect of the family members' identification with the farm on the implementation of innovation measures is that identification is positively associated with organizational effectiveness, which means that goals are more likely to be realized if the identification is high (Barros et al., 2017). Therefore, the probability that innovative ideas are transferred into actual innovation measures is higher. Altogether and in line with previous research (e.g. Cabrera-Suárez et al., 2014; Eddleston, 2011), this study provides evidence that the identification of the family members with the business constitutes a key factor of family business behavior.

*5.1.3. About the role of diversity of information sources for innovation in family farms*

While motivations such as identification are the psychological cause for action (Schacter et al.,

2011) and are required to make entrepreneurial decisions (Edelman et al., 2010), information also affects the family farm's ability to innovate. Family farms that obtain their information from diverse sources will be able to recognize opportunities more easily (Gaglio & Katz, 2001), assess situations more accurately and find effective ways to achieve their goals (Zott et al., 2011). Furthermore, since information is the primary requirement to build knowledge (i.e. actionable information, Tiwana, 2001), it helps to put goals into action (Wilcox King & Zeithaml, 2003). As hypothesized, the diversity of information sources has a significant positive effect on the implementation of innovation measures. However, the role of diverse information sources for innovation is complex. The results also support the hypothesized negative moderation effect on the relationship between identification of the family members with the farm and innovation. This means that in family farms that use a greater diversity of information sources, identification of the family members with the farm has a weaker positive effect on innovation than in family farms that use less diverse information sources. This negative moderating effect can be explained by increased information ambiguity when information is retrieved from diverse sources. Ambiguous information can generate uncertainty (Stephens et al., 2021) and a feeling of loss of control over the situation (Budner, 1962). Persons with low tolerance for uncertainty may experience stress, be unable to make decisions and avoid uncertain situations (Dugas et al., 2005). Since innovation failure would reflect upon the family members' personal performance, abilities and self-worth and upon the family farm image when family members identify strongly with the farm, strong identification can cause a rather low tolerance for uncertainty. This seems to curb the positive effect that strong identification usually has on the implementation of innovation measures.

### 5.2. Practical implications

This study confirms findings from previous studies (e.g., Busse et al., 2014; Ulvenblad et al., 2018), which suggest that a lack of financial resources can inhibit innovation in family farms. Family businesses are often reluctant to raise external funds because they want to maintain their independence from lenders who could exert an influence on strategic decisions (Chrisman et al., 2015; Pijanowski, 2014). A study among wineries showed that compared to non-family businesses, the debt ratio in family businesses is significantly lower (Soler et al., 2017). However, relying too much on equity capital and government subsidies restricts a farm's entrepreneurial possibilities. In fact, external capital can facilitate innovation and decrease dependencies from market developments, the climate and government subsidies. Since small businesses in traditional sectors often have difficulties to acquire bank loans for innovation investments (Harel & Kaufmann, 2022), family farms could make greater use of mortgages. A previous study shows that only very few family farms use this possibility to increase their chances of receiving a bank loan (Süss-Reyes et al., 2016).

Furthermore, in order to help family farms that are not yet entrepreneurially oriented to overcome their traditional patterns of thinking and increase the degree of their innovativeness, one could make use of their image-focused innovation motives. Showing these family farms appreciation for their manifold functions in the society, could strengthen their identification with the farm and increase their willingness to innovate. Farms do not only produce food and other agricultural products but also maintain the cultural landscape and rural infrastructure, provide space for tourism and leisure, keep the rural culture alive (Nolten, 2010) and prevent the soil from erosion (Gould et al., 1989). Furthermore, emphasizing the importance of their role for building an ecologically sustainable economic system can promote market-pull innovations aiming at pollution prevention or protection of biodiversity (Ma et al., 2017). These can make the family farm more competitive and resilient against climate change. Since behavior and identity reciprocally influence each other (Bem, 1972; Crocetti et al., 2014; Quan et al., 2021), promoting the innovation behavior of family farms with a producer-farmer identity, may trigger an identity change towards an entrepreneur-farmer identity. This study also showed that the diversity of information sources has a positive effect on innovation. Since in family businesses family, social and business networks typically overlap (Seaman et al., 2014), the access to diverse information sources is potentially high in family farms. Using this potential effectively is important for innovation. A study by Lambrecht et al. (2014) shows that building sustainable networks with different types of partners inside and outside of the agricultural sector can support innovation in different ways: suppliers, customers and research institutions are the best knowledge-sharing partners for product innovations, whereas suppliers, customers and peer farmers can help best with process innovations. Marketing innovations can be facilitated through the exchange with peer farmers and customers. Knowing which information sources are most suitable for which innovation types, may help to decide which information to trust when there is information ambiguity. For instance, when aiming to improve the awareness

for and attractiveness of one's products with a marketing innovation, customer feedback or experiences from peer farmers may be more relevant than information from suppliers or researchers.

Moreover, the results indicate that high identification of the family members with the farm decreases their tolerance for uncertainty. Since intolerance of uncertainty biases a person's perception and interpretation of as well as emotional and behavioral response to uncertain situations (Dugas et al., 2005), it is important to foster a family farm's tolerance for uncertainty in order to be better able to handle ambiguous information from diverse sources and use it constructively. Studies on health science education show that tolerance for uncertainty is a dynamic state that can be promoted through repeated exposure to decision-making in uncertain situations (Stephens et al., 2021). Thus, family farms could constantly and consciously collect and reflect information from diverse sources to lose their fear of making decisions based on ambiguous information.

**5.3 Contributions**

This study takes a first step in overcoming disciplinary boundaries by bridging three independent research fields: agricultural research, innovation research and family business research. It applies the established SEW perspective from family business research to a sample of family farms and integrates agricultural, innovation and family business literature in the analysis. Thereby it includes a variety of discipline-specific paradigms, which offers a great potential for a differentiated view (Suess-Reyes & Fuetsch, 2016) and contributes to a cumulative progress of knowledge.

Traditionally, family farms' purpose was to supply the family with food and essential goods for living (Friedmann, 1980). Today, they are part of the international economic system and forced to compete with other market participants. In this environment, innovation is key to survive (Ahmad et al., 2021). Although innovation in family businesses has been extensively investigated over the past years, farming, which constitutes a specific context for innovation, has still not been considered enough so far (Suess-Reyes & Fuetsch, 2016). This study advances the understanding of family farms by shedding light on the motives driving innovation in this specific business type and makes propositions for how to enhance family farms' innovativeness.

With the focus on family farms, this study also addresses the call from Calabrò et al. (2019) to account for the heterogeneity of family businesses, which has previously often been ignored in entrepreneurship research. Industry-specific studies like this one refine our understanding of innovation behavior in general. The agricultural industry poses a specific context were traditionality and high environmental dynamism come together. Given these circumstances, investigating drivers of innovation have shown that identification of the family members with the farm is a key motive for innovation because the farm constitutes the identity base and the primary goal is to secure its survival. Diversity of information sources can cause uncertainty that unsettles family farms and impairs this motivating effect. Nevertheless, it increases the innovation ability by expanding the awareness and action horizon.

Furthermore, this study also contributes to the SEW literature. While the majority of prior studies drawing on the literature of SEW uses a unidimensional measurement (Filser et al., 2018), this study differentiates between multiple socioemotional aspects as postulated by other researchers (e.g. Chua et al., 2015). Identification of the family members with the farm turns out to be an important socioemotional driver for family farms' innovation behavior, while the renewal of family bonds with the farm and emotional attachment of the family members are not. The different results for the SEW dimensions confirm the importance of using a multidimensional measurement. Furthermore, this study makes an important contribution to the literature of SEW by confirming the results of previous studies (Cabrera-Suárez et al., 2014; Eddleston, 2011), that the identification of the family members with the farm is the key socioemotional driver for family business behavior and by answering the call of Martínez-Alonso et al. (2018) to conduct more research on the relationship between the SEW dimensions and innovation.

**5.4. Limitations and future research**

This study is based on a sample of family farms with various production foci. Depending on the production focus (or production foci), these farms may be confronted with different conditions. For instance, they may have to follow different regulations or be more or less affected by natural disasters. These conditions can change how SEW influences innovation and what role the diversity of information sources plays. Furthermore, the emotional endowments of family businesses are heterogeneous, which can result in different SEW for different types of businesses (Martínez-Romero & Rojo-Ramírez, 2016; Zellweger & Dehlen, 2011). Although, by investigating family farms, this study has already narrowed the focus to a more homogeneous group of family business, reducing the heterogeneity even further, e.g. by distinguishing between different production foci, could help to generate more differentiated results on SEW and the innovation behavior of family farms.

Another interesting research avenue arises from the different results for the SEW dimensions since only the identification dimension turned out to have a significant effect on the implementation of innovation measures. This could be due to the concurrence of traditionality and environmental dynamism, which causes family farms to use innovation to defend the family member's most important identification base, i.e., the farm, against external threats. However, the immediacy of the threats may relativize the importance of long-term goals such as the renewal of family bonds. Furthermore, the composition of the family probably influences the role of the emotional attachment of the family members for the innovation behavior. The ambiguity of the results from previous studies on the effect of SEW on innovation, which was discussed in the hypothesis development section, underlines the context-dependency of the SEW influence. This calls for literature studies that specifically analyze how the observed effects of SEW on innovation vary depending on the internal and external conditions under which family farms operate.

### 5.5 Conclusion

Conclusively, identification of the family members with the farm is a strong motivational driver for innovation in dynamic and competitive environments and although this positive effect is limited by the ambiguity that can be caused by the use of diverse information sources, the most innovative family farms are those with strong identification of the family members combined with a high diversity of information sources.

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## Appendix

**Table A1:** Measurements

FARM SIZE IN HECTARES
*How many hectares of land do you farm?*

________ hectares

FAMILY FARM GENERATION
*Which generation currently runs the farm? (founder generation = 1st generation)*

❍ 1st generation ❍ 2nd generation ❍ 3rd generation ❍ 4th generation and higher

OCCUPATION TYPE

*In which form do you run the farm?*

❍ main occupation

❍ sideline (i.e. the farm manager additionally generates income from another occupation)

AVAILABILITY OF FINANCIAL RESOURCES
*How do you rate the current financial situation of your farm considering all resources available on short call?*

1❍ very few financial resources are available, which makes it difficult to run day-to-day operations

2❍ financial resources to run day-to-day operations are available (smaller investments)

3❍ financial resources for medium investments are available

4❍ financial resources for larger investments are available

NATURAL DISASTERS SUFFERED
*Was your farm hit by natural disasters (e.g., heavy hail, floodings, storms, droughts) to a substantial extent in the past five years?*

❍ never ❍ once ❍ multiple times

INNOVATION MEASURES

*Measured against comparable farms, in the last five years we have implemented innovation measures in the following areas in our farm:*

| | *Much less* | | | | | *Much more* |
|---|---|---|---|---|---|---|
| new devices/machines | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| operation buildings | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| new resources adapted to soil conditions (e.g., fertilizers, seeds) | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| new procedures (e.g., animal husbandry, irrigation, organic farming) | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| new animal or plant species | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |

| RENEWAL OF FAMILY BONDS (adapted from Hauck et al., 2016)<br>*How much do you agree to the following statements regarding your family farm?* | | | | | | |
|---|---|---|---|---|---|---|
| In our family farm… | *Strongly disagree* | | | | | *Totally agree* |
| … continuing the family legacy and tradition is an important goal for my family farm. | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| … successful farm transfer to the next generation is an important goal for family members | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| … we are very eager to avoid selling the farm. | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| EMOTIONAL ATTACHMENT OF FAMILY MEMBERS (adapted from Hauck et al., 2016)<br><br>*How much do you agree to the following statements regarding your family farm?* | | | | | | |
| In our family farm… | *Strongly disagree* | | | | | *Totally agree* |
| … the emotional bonds between family members are very strong. | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| … strong emotional ties among family members help us maintain a positive self-concept. | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| … family members feel warmth for each other. | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| IDENTIFICATION WITH THE FARM (adapted from Hauck et al., 2016)<br><br>*How much do you agree to the following statements regarding your family farm?* | | | | | | |
| In our family farm… | *Strongly disagree* | | | | | *Totally agree* |
| … family members feel that the family farm's success is their own success. | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| … the farm has a great deal of personal meaning for family members. | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| ... family members are proud to be part of the family farm. | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| … it is very important to family members to work in the farm. | 1❍ | 2❍ | 3❍ | 4❍ | 5❍ | 6❍ |
| DIVERSITY OF INFORMATION SOURCES<br>*In our family farm our decisions are guided by… (Multiple answers possible)* | | | | | | |
| ❏ informal exchange with colleagues.<br>❏ industry meetings.<br>❏ industry magazines.<br>❏ performance indicators.<br>❏ individual counselling by the Chamber of Agriculture.<br>❏ international events. | | | | | | |

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# The Influence of the Business Name on the Economic Performance of Family Firms: An Analysis According to the Generational Stage

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**JEL CLASSIFICATION**
G4, M1

**KEYWORDS**
Business name, Economic profitability, Family business, Family identity, Generation, Size

**Abstract** A family identity of a firm, exhibited by the presence of the family name in the business name, can influence the value of economic profitability. The present analysis also explores if this relationship varies depending on the size and the generation running the business. The sample used to conduct this study comprises a panel data set of 21,149 Spanish family firms containing information from 2003 to 2015, which translates into a balanced database including 274,937 observations. For analysis purposes, the firms are classified into small, medium-sized and large ones. Contrary to the competitive advantages brought about by the family identity of the businesses highlighted by previous research, the current study suggests its negative effects on the profitability of small and medium-sized family firms. This effect is more acute when the company is managed by its founding generation. The findings in the case of large family firms indicate that the company name does not have an impact upon economic profitability.

**CÓDIGOS JEL**
G4, M1

**PALABRAS CLAVE**
Razón social, Rentabilidad económica, Empresa familiar, Identidad familiar, Generación, Tamaño

**Influencia de la razón social en el desempeño económico de las empresas familiares: análisis en función de la etapa generacional**

**Resumen** La identidad familiar de la empresa, manifestada a través de la presencia del nombre familiar en su razón social, puede influenciar el valor de su rentabilidad económica. Se analiza si esta relación varía en función de la dimensión empresarial, así como de la etapa generacional a cargo de la organización. La muestra objeto de análisis está compuesta por pequeñas, medianas y grandes empresas familiares. El estudio contempla un extenso panel de datos con información de 21149 empresas familiares españolas desde el año 2003 hasta el 2015, obteniendo una base de datos equilibrada compuesta por 274937 observaciones. Contrariamente a las ventajas competitivas señaladas por investigaciones anteriores, el presente estudio señala un efecto negativo de la identidad familiar de la organización sobre la rentabilidad de las pymes familiares. Este efecto es más acentuado cuando la organización es gestionada por la generación fundadora. Los resultados en el caso de las empresas de mayor dimensión indican que tener una razón social familiar no influye sobre el valor de la rentabilidad económica.

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## 1. Introduction

The resource-based view (RBV) approach states that firms have the ability to generate resources that enable them to gain competitive advantage and increase performance in the long term (Teece et al., 1997). Based on that approach, Habbershon and Williams described family firms as complex, dynamic, and rich in intangible resources to further the concept of *familiness* as "the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business" (1999, p. 11). This captures the contribution of the family to achieve business success.

In family firms, the family often becomes an essential element of the firm's image. The concept of brand identity based on the family materialises when the corporate brand features information about the family in the form of name, history, values, or identity (Gallucci et al., 2015). Craig et al. (2008) argue that a company's brand identity accounts for the most important intangible resource for many businesses. The uniqueness of family corporate identity turns it into a valuable resource that can bear great differentiating potential in competitive markets (Arzubiaga et al., 2019).

Family identity stands as a determining factor of *familiness* in the case of this sort of firms given its influence upon the behaviour of stakeholders, both internal and external (Weismeier-Sammer et al., 2013; Zellweger et al., 2013). The overlap of family and business, e.g. the business name (Sundaramurthy & Kreiner, 2008; Tomo et al., 2021), is a relevant factor in the development of family identity (Parada & Dawson, 2017). However, family-based corporate identity has not been thoroughly studied (Sageder et al., 2016). Particularly, the business name in family firms is currently understudied. Thus, the influence of family identity deserves more research (Campopiano et al., 2020), due to the influence that can exert on their economic performance (Olivares-Delgado et al., 2016) and on the firm's strategic decisions (Wielsma & Brunninge, 2019; Tomo *et al*., 2021). Previous studies in this field are limited to the analyses carried out by Kashmiri and Mahajan (2010, 2014) and Brockman et al. (2018). They all rely on information regarding American listed family firms. Adding to that, research on large American family firms is scarce and inconclusive, and lacking in the case of small non-American family firms. Considering that business size is an indicator representative of the heterogeneity among family firms (Wagner et al., 2015) and that the small family firms represent the dominant form of organisation of the business fabric (IEF and Red de Cátedras de Empresa Familiar, 2018), an in-depth study of the influence of business name on the performance of these organisations is required.

The generational stage of family firms is also a determining factor in the heterogeneity of these organisations (Sánchez-Marín et al., 2020). Depending on which generation manages the company, family firms reveal different characteristics, needs, and strategic behaviours (Maseda et al., 2015). For this reason, given the wide variability in business management processes stemming from generational effects, this study raises the question if the generational stage influences the relationship between business name and performance.

This study, therefore, attempts to specifically fill the need widely expressed in previous research to shed light on the heterogeneity of family firms through any aspect related to family influence (Jiang et al., 2018). The current analysis resorted to data as to 21,149 private Spanish family firms, 98.4 per cent of which are small and medium-sized, and 1.6 per cent large, spanning the timeframe from 2003 to 2015, and yielding a balanced panel data set comprising 274,937 entries. The findings of this study suggest that the business name of small and medium-sized family firms (SMEs), representative of their brand identity, has a negative effect on their economic profitability when the business name incorporates the family name. Furthermore, they indicate that this effect is more acute when the founding generation is in charge of the firm. The results also reveal that the influence of the business name on a company's economic profitability is not independent of its size, as the relationship between both variables is not significant when considering large family firms.

## 2. Literature Review and Approach to the Hypotheses

The presence of the founder's name in the business name reflects an organisation with a strong family identity (Muzellec, 2006; Tomo et al., 2021). In these cases, the identity of the family members becomes closely linked to the organisation, having a feeling of belonging to the business, and perceiving it as an extension of themselves (Davis et al., 2013). This fosters the interest in protecting their image for clients, suppliers, and other external stakeholders (Berrone et al., 2012).

Including the name of the founder or family in the business name is a differentiating and critical resource, difficult for competitors to imitate (Zahra et al., 2004). Zellweger et al. (2013, p. 231) indicate that family entrepreneurs strive "to create a favourable perception of the firm in the public and thus enjoy the benefit of the positive spillover

of public perception on the family". It is noteworthy that profiting from their advantage as a family firm, these organisations can convey a corporate brand that promotes them among consumers, suppliers and financial institutions as a trusted family firm focusing on the customer and the quality of their products (Beck & Kenning, 2015). The findings of previous studies show that businesses are committed to increase the quality of products when they are associated with a family name since family owners view this as a reflection of the family itself (Zellweger et al., 2010). They tend to ensure that such a positive relation be linked to their products (Boisvert & Burton, 2011) and increase consumers' intention to buy (Alonso-Dos-Santos et al., 2020; Ibáñez et al., 2021).

Taking advantage of the family brand status can lead the client to develop a positive image of the organisation (Schellong et al., 2019). A family business name can in fact transmits values such as trust, integrity, honesty, and reliability (Krappe et al., 2011). According to Craig et al. (2008), a family-based brand identity can, to a certain extent, persuade customers to base their purchasing decisions on a firm's perceived attributes rather than on its product. Family firms can thus gain a competitive advantage through embodying the family in the company and leverage these positive traits when engaging clients (Alonso-Dos-Santos et al., 2019). In this regard, Rovelli et al. (2022) demonstrated that the matching of family and business identity favours the positive effect triggered by brand importance upon a firm's revenues.

Earlier research points out that firm size influences the behaviour and management mechanisms of family firms (De Massis et al., 2013). Personal resources in the case of smaller family firms are intermingled to a greater extent with business resources meaning that they, apart from establishing their economic objectives, aim to achieve certain non-economic targets which might be considered even more relevant (Felicio & Galindo-Villardón, 2015). Family ownership is more dispersed and management systems are more complex among large family businesses (Hu et al., 2018), which leads to less involvement of family members (Lwango et al., 2017) and widens the gap between the identity of the company and that of the founding family (Gómez-Mejía et al., 2011). Thus, the relationship between the business name and economic profitability according to the size of family firms is explored. Based on the above considerations, this study advances the following hypotheses:

***Hypothesis 1a****. The presence of the family name in the business name of small and medium-sized family firms is positively associated with the value of economic profitability.*

***Hypothesis 1b****. The presence of the family name in the business name of large family firms is positively associated with the value of economic profitability,*

Family firms present several differences depending on the generational stage. In the case of first-generation family firms, the founder would likely manage the company, as for second and subsequent generations, family members tend to be involved in the ownership and business management (Cruz & Nordqvist, 2012).

The emotional involvement and identification with the company among first-generation firms foster the commitment of the family to the organisation (Bjornberg & Nicholson, 2012). According to Campopiano et al. (2014), when the degree of ownership is high, as in the case of first-generation firms, the desire to transfer the business to younger generations and ensure the quality of the products associated with the family name entails greater commitment to maintaining long-term viability. Members of second and subsequent generations harbour fewer emotional ties to the family firms (Pérez-González, 2006). Ensley and Pearson (2005, p. 269) state that "the greater kinship distance and dispersion of the family members in the family teams will serve to dilute the strong central beliefs and ties of a more closely knit social group". This dispersion can lead the family members in charge of managing the organisation to making decisions beneficial to either of them or to their immediate family members, which can result in new agency problems (Fang et al., 2018).

Therefore, the level of involvement and identification of family members may vary in a company across the first and subsequent generations. The presence of founders and their willingness to transfer the firm to the next generation make family companies take an increasing interest in preserving their socioemotional wealth (García-Ramos et al., 2017). Such behaviour is reinforced when the organisation bears a family business name. Hence as noted by Olivares-Delgado et al. (2016, p. 36) "founders who put their names to the company feel greater attachment to the company" and exert greater control over the family business when the family identity is more present (Mahto et al., 2019). According to Micelotta and Raynard (2011, p. 212), "family identity is not always depicted as a static, immutable, or necessarily enduring concept". This is particularly true when a generational change occurs, since this implies a new vision and organisational culture that may trigger the adoption of novel brand strategies. Such a process is notably complex when the family name is associated with the business name (Casprini et al., 2020). This leads to the following hypotheses:

***Hypothesis 2a****. The generation in charge will positively influence the effect that the business name has on the economic profitability of small and medium-sized family firms.*

***Hypothesis 2b****. The generation in charge will positively influence the effect that the business name has on the economic profitability of large family firms.*

## 3. Methodology

The sample of Spanish companies serving as a base for this analysis comprised 21,149 family firms. It was collected from the Spanish database compiled by the Institute of Family Business and the Family Business Chairs Network (IEF and Red de Cátedras de Empresa Familiar, 2016). A classification as family or non-family, together with their accounting data, was conducted in accordance with the following criteria. Firstly, they had to be public limited and limited liability firms active from 2003 to 2015, whose information should be available for this study for the same time period. Another requirement was that they should have been created by 2001 to ensure a two-year time span before the conduct of the analysis. A total of 70,611 companies met these requirements.

Their classification as family or non-family was based on the method published by the Institute of Family Business (IEF and Red de Cátedras de Empresa Familiar, 2016). The first stage resorted to the automated processes of the Iberian Balance Sheet Analysis System database, based on the ownership structure of the companies and on family participation in their governing bodies (Rojo-Ramírez et al., 2011). Specifically, to classify companies as family business, the study applied the following criteria:

1. Concentrated ownership firms. They are considered family firms if the family shareholder controls over 50% of ownership, or if the shareholder-directors own over 50% of the company.
2. Dispersed ownership firms. They are considered family firms if a single shareholder owns 5% of the firm and the shareholder-directors own over 20% of the firm or the managers are natural persons and shareholders concurrently. Firms are also regarded as a family firm if a family owns 20% of the company and the shareholder-directors own over 20% of the firm or the managers are natural persons and shareholders concurrently.
3. Unknown ownership firms. They are considered family firms if there are shareholder-directors that partially own the firm, or the managers are natural persons or shareholders.

In the second stage of this study, the Network of Chairs of Family Business reviewed the initial classification to detect potential errors and determine the nature of the unknown ownership firms. However, those firms were discarded for the study in order to solely address firms that met an objective criterion. So, the resulting sample accounted for 60,571 firms, out of which 47,064 (77.7%) were family ones.

The data retained for each of these family firms for the years under review were company name, tax code, incorporation date, business activity (according to the 2009 National Classification of Economic Activities) and economic-financial values. The database was exhaustively filtered to remove firms that provided incomplete or erroneous data or which presented extreme values. Five per cent of the largest companies was also excluded in order to avoid distortions because of their singular dimensions. Adding to that, all the micro-enterprises[1] identified were taken off the sample as this category of firms would be under-represented since a very large proportion of them do not present their annual accounts to the mercantile registry. This led to the exclusion of 25,915 family firms reducing the final database to 21,149 private family firms.

Information was therefore collected on 21,149 family firms existing from 2003 to 2015, which materialised into a balanced database comprising 274,937 observations. In order to study the influence of business size on family firms, they were classified in accordance with the EU criteria[1] (European Commission, 2009).

After the final discrimination based on business size, 98.4% of the entries were identified as small and medium-sized (270,436 observations), and 1.6% as large family firms (4,501 observations). Such distribution matches the status of Spain's business fabric (IEF and Red de Cátedras de Empresa Familiar, 2016, 2018). Table 1 shows the number of family firms included in the sample to be studied according

[1] Definitions according to EU criteria (European Commission, 2009):
- micro-enterprise: fewer than 10 employees and an annual turnover (the amount of money taken in a particular period) or balance sheet (a statement of a company's assets and liabilities) below €2 million.
- small enterprise: fewer than 50 employees and an annual turnover or balance sheet below €10 million.
- medium-sized enterprise: fewer than 250 employees and annual turnover below €50 million or balance sheet below €43 million.

to their size in 2003, 2007, 2013, and 2015. These years have been selected as they are inflection points as regards the Gross National Product of Spain as published by Banco de España (2017). So, we can identify an economic expansion period (2003-2007), a recession one (2007-2013), and economic stabilisation (2013-2015). Thus, it can be noted that family firms generally increased their size during the economic expansion period and decreased through the economic downturn.

**Table 1.** Distribution of the sample by business dimension according to inflection points

| | Number of firms | | | | Percentage of firms | | | |
|---|---|---|---|---|---|---|---|---|
| | **2003** | **2007** | **2013** | **2015** | **2003** | **2007** | **2013** | **2015** |
| SMEs | 17765 | 17104 | 17849 | 17565 | 84.0% | 80.9% | 84.4% | 83.1% |
| Medium-sized | 3094 | 3674 | 2964 | 3196 | 14.6% | 17.4% | 14.0% | 15.1% |
| Large | 290 | 371 | 336 | 388 | 1.4% | 1.7% | 1.6% | 1.8% |
| **Total** | **21149** | **21149** | **21149** | **21149** | **100%** | **100%** | **100%** | **100%** |

Source: Own elaboration according to the European Commission (2009)

Following the approach adopted by previous research, the economic performance of family firms was measured according to their economic profitability (Naldi et al., 2015). From the accounting information of the companies that make up our sample, these values were measured as follows:

*Economic profitability = (Ordinary pre-tax income + Financial expenses) / Total assets*

The mean value of economic profitability for each group was obtained according to business size (small and medium-sized or large) and based on whether or not the family name was incorporated into the firm's business name. Then, a test of mean differences was carried out by performing a one-way analysis of variance (ANOVA) to determine whether there were statistically significant differences between the groups.

In order to contrast the hypotheses 1a and 1b, the influence of the company name on the economic performance of family businesses is analysed by carrying out a series of regressions in which the economic profitability was taken as the dependent variable.

Among the independent variables, the categorical variable 'business name' was defined as the inclusion or otherwise of the family name in the firm's name. This variable was constant throughout the study period, and the value 1 was assigned if the family name was thus represented and 0 otherwise. In conducting this classification, we reviewed the corporate name of each company in the study sample and classified the family name as being present when the corporate name included the first name(s) and/or surname(s) of one or more of the owners or an acronym formed from any combination of these names or even their initials (Olivares-Delgado *et al.*, 2016). Finally, when the names of company owners were not published in the database consulted, this information was obtained from specialised internet portals or from the website of the company in question. In this classification, no account was taken of references to topological or racial criteria, or those based on fantasy or variants such as nicknames or indirect references to the founder or the history of the family, because of the impossibility of determining their true origin. In these cases, it was assumed that the family name did not form part of the business name. In our sample of 274,937 observations of family firms, 89,401 (32.5%) corresponded with firms that incorporated the family name in the business name, while 185,536 (67.5%) did not. Table 2 shows the number of family firms included in the sample according to their business name and size.

The generation controlling the company was identified following the criterion in which a family business is classed as first-generation if it has existed up to 25 years and as a succeeding generation if it is over 25 years old, widely used in existing literature (e.g., Arrondo-García et al., 2016). Based on this definition, we created the categorical variable 'generation', which takes the value 0 if the company is first-generation and the value 1 otherwise. Regarding the generation stage distribution of the sample, we found that 184,308 (67.0%) observations are identified with family firms controlled by their founder, while 90,629 (33.0%) observations correspond to multi-generational family firms (table 3).

**Table 2.** Distribution of the sample according to business name and inflection points

| | | Number of firms | | | Percentage of firms | |
|---|---|---|---|---|---|---|
| | | Family name | Non-family name | Total | Family name | Non-family name |
| 2003 | Small | 5927 | 11838 | 17765 | 33.4% | 66.6% |
| | Medium-sized | 873 | 2221 | 3094 | 28.2% | 71.8% |
| | Large | 77 | 213 | 290 | 26.6% | 73.4% |
| 2007 | Small | 5774 | 11330 | 17104 | 33.8% | 66.2% |
| | Medium-sized | 1017 | 2657 | 3674 | 27.7% | 72.3% |
| | Large | 86 | 285 | 371 | 23.2% | 76.8% |
| 2013 | Small | 6002 | 11847 | 17849 | 33.6% | 66.4% |
| | Medium-sized | 806 | 2158 | 2964 | 27.2% | 72.8% |
| | Large | 69 | 267 | 336 | 20.5% | 79.5% |
| 2015 | Small | 5915 | 11650 | 17565 | 33.7% | 66.3% |
| | Medium-sized | 879 | 2317 | 3196 | 27.5% | 72.5% |
| | Large | 83 | 305 | 388 | 21.4% | 78.6% |

Source: Own elaboration

**Table 3.** Distribution of the sample according to generation and inflection points

| | | Number of firms | | | Percentage of firms | |
|---|---|---|---|---|---|---|
| | | First | Other | Total | First | Other |
| 2003 | Small | 15959 | 1806 | 17765 | 89.8% | 10.2% |
| | Medium-sized | 2290 | 804 | 3094 | 74.0% | 26.0% |
| | Large | 172 | 118 | 290 | 59.3% | 40.7% |
| 2007 | Small | 13981 | 3123 | 17104 | 81.7% | 18.3% |
| | Medium-sized | 2410 | 1264 | 3674 | 65.6% | 34.4% |
| | Large | 216 | 155 | 371 | 58.2% | 41.8% |
| 2013 | Small | 10369 | 7480 | 17849 | 58.1% | 41.9% |
| | Medium-sized | 1344 | 1620 | 2964 | 45.3% | 54.7% |
| | Large | 142 | 194 | 336 | 42.3% | 57.7% |
| 2015 | Small | 8431 | 9134 | 17565 | 48.0% | 52.0% |
| | Medium-sized | 1256 | 1940 | 3196 | 39.3% | 60.7% |
| | Large | 140 | 248 | 388 | 36.1% | 63.9% |

Source: Own elaboration

In our analysis, size, leverage, and activity sector are taken as control variables. The 'size' of the company was measured through factor analysis of the variables: total assets, turnover, and number of employees (Pittino et al., 2020). The activity sector is obtained using dummy variables, depending on the activity sector in which the company operates, taking the primary sector as the reference one. Hence, the variables 'secondary sector' and 'tertiary sector' take the value 1 if the company operates in the secondary or tertiary sector and the value 0 otherwise.
To analyse whether the generation stage of the family firm moderates the effect that the business name has on the firm's economic profitability, this possible moderating effect was analysed by examining the interaction of the variables 'business name' and 'generation', identified as 'business name x generation'. This allowed us to contrast the proposed hypotheses 2a and 2b.
A longitudinal analysis was carried out, using both the time series and the cross-sectional information in our panel dataset. This analysis allows us to observe the variations of each firm across the time span considered and its heterogeneity (Greene, 2012). The fixed effects model or the random effects one could be used (Greene, 2012). According to Verbeek (2012), the random effect approach allows to make inferences upon the characteristics of the population. Therefore, considering the nature of the data in our sample, we applied the random effects model since some of the data lacked variation across the time (Greene 2012; Verbeek 2012). Finally, we confirmed that the random effects model was truly more appropriate than the pooled effects model. To that purpose, we performed the Breusch-Pagan test, known as Method of Lagrange Multipliers (Breusch & Pagan, 1980).

## 4. Empirical Analysis and Results

Most of the family firms that make up our sample do not incorporate the family name in their business name, regardless of the year considered and business size (table 2). According to the distribution based on business size, it can be noted that a number of firms that include the family name in their business name decreases as their size increases, with large family firms being the ones that have a non-family corporate name to a greater extent. On the other hand, no major variations are observed regarding the number of firms with a family or non-family name as a function of the economic cycle.
In relation to the distribution of the sample according to the generational stage, we observe that the founder is in charge of the firm mostly in small businesses (Table 3). Thus, as firms increase in size, the number of first-generation organisations decreases. This happens regardless of the year considered.
Table 4 lists the average values, maximum, minimum, and standard deviation of economic profitability depending on whether or not small and medium-sized firms, and large family firms resort to the family name for their business name. The findings indicate that small and medium-sized family firms present statistically significant differences as regards economic profitability depending on their business name. Those firms with a familiar name exhibit lower values. However, among the large firms, no statistically significant differences were obtained in this respect.

**Table 4.** Results of the analysis of variance

| | | Mean values | | | Standard deviation | | Maximum | | Minimum | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Family name | Non-family name | Sig. | Family name | Non-family name | Family name | Non-family name | Family name | Non-family name |
| Economic profitability | **SMEs** | 5.8% | 6.2% | 0.000*** | 0.116 | 0.163 | 2.77 | 1.89 | - 8.91 | - 27.43 |
| | **Large firms** | 8.0% | 7.9% | 0.918 | 0.090 | 0.093 | 0.63 | 0.57 | - 0.20 | - 0.88 |

* p < 0.10; ** p < 0.05; *** p < 0.01

Table 5 lists the Spearman correlations of the variables serving for the regressions. In order to examine their multicollinearity, a variance inflation factor (VIF) was calculated for each independent variable. Following the results advanced by Myers (2000), a VIF with a value of 10 or higher is cause for concern. However, after verifying the values of the VIF of their tolerance levels, it is possible to discard problems of multicollinearity.

**Table 5.** Matrix of correlations

| | Small and medium-sized firms | | | | | |
|---|---|---|---|---|---|---|
| | Secondary sector | Tertiary Sector | Size | Leverage | Business name | Generation |
| Tertiary sector | - 0.945** | | | | | |
| Size | - 0.010** | 0.010** | | | | |
| Leverage | - 0.017** | 0.029** | - 0.022** | | | |
| Business name | 0.014** | - 0.017** | - 0.054** | - 0.026** | | |
| Generation | - 0.062** | 0.063** | - 0.231** | 0.205** | - 0.026** | |
| Economic profitability | 0.007 | 0.001* | 0.036** | 0.070** | - 0.025** | - 0.142** |
| | **Large firms** | | | | | |
| | Secondary sector | Tertiary Sector | Size | Leverage | Business name | Generation |
| Tertiary sector | – 0.964*** | | | | | |
| Size | 0.240*** | - 0.239*** | | | | |
| Leverage | - 0.065*** | 0.088*** | 0.005 | | | |
| Business name | 0.055*** | - 0.078*** | - 0.005 | - 0.091*** | | |
| Generation | - 0.203*** | 0.206*** | - 0.120*** | 0.161*** | - 0.119*** | |
| Economic profitability | 0.047* | 0.026** | 0.027*** | -0.051 | 0.024 | - 0.105*** |

*: The correlation is significant at 0.05 (2 tailed); **: The correlation is significant at 0.01 (2 tailed)

of the control variables on firm economic profitability. Model 2 and 3 illustrate the relationship between the business name and the generation variables on the value of the economic profitability. Finally, Model 4 also includes the interaction of the generation variable and the business name. Table 6 specifically reveals the negative and significant relationship between the business name and the economic profitability of family SMEs (Model 2). Hence, the presence of the family name in the business name has a negative impact on profitability. In view of these findings, hypoth-

Tables 6 and 7 show the results of the regression analyses of small and medium-sized, and large Spanish family firms. Model 1 outlines the effect

esis 1a is not supported. The generation variable exhibits a negative and significant relationship with the value of this indicator (Model 3) as firms managed by the founding generation achieve the highest level of profitability.

Likewise, the results on SMEs support hypothesis 2a (table 6). They indicate that the generation variable has a positive and significant moderating effect on the relationship between the business name and economic profitability (Model 4). This shows that the negative effect that the family firm name has on the value of the economic profitability will be greater when the firm is managed by the first-generation.

When delving into the influence of the control variables (Model 1), it can be noted that business size is a determining factor affecting the profitability of family firms. In the case of SMEs, an increase in size, thus, implies an increase in economic profitability. As regards leverage, this presents a positive and non-significant relationship. As the tertiary sector maintains a positive and significant relationship, family SMEs of this sector reveal higher profitability compared to those of the primary sector. The relation corresponding to the secondary sector reveals a positive sign as well, though non-significant.

**Table 6.** Results of the regression models for small and medium-sized firms (SMEs)

| | **Small and medium-sized firms (SMEs)** | | | |
|---|---|---|---|---|
| | Economic profitability | | | |
| | Model 1 | Model 2 | Model 3 | Model 4 |
| | Coef. β | Coef. β | Coef. β | Coef. β |
| Business name x Generation | | | | 0.0052*** |
| | | | | (0.0024) |
| Generation | | | - 0.0257*** | - 0.0239*** |
| | | | (0.0012) | (0.0014) |
| Business name | | - 0.0036*** | - 0.0028*** | - 0.0063*** |
| | | (0.0013) | (0.0013) | (0.0021) |
| Leverage | 0.0002 | 0.0003 | 0.0003 | 0.0003 |
| | (0.0000) | (0.0000) | (0.0000) | (0.0000) |
| Size | 0.0066*** | 0.0066*** | 0.0087*** | 0.0087*** |
| | (0.0011) | (0.0011) | (0.0011) | (0.0011) |
| Secondary sector | 0.0046 | 0.0046 | 0.0053 | 0.0053 |
| | (0.0036) | (0.0036) | (0.0036) | (0.0037) |
| Tertiary sector | 0.0068* | 0.0067* | 0.0058* | 0.0060* |
| | (0.0036) | (0.0036) | (0.0036) | (0.0036) |
| Constant | 0.0550*** | 0.0563*** | 0.0390*** | 0.0402*** |
| | (0.0035) | (0.0036) | (0.0036) | (0.0037) |
| $R^2$ | 0.0541 | 0.0637 | 0.0846 | 0.0848 |
| F-statistic | 11.2601*** | 10.5988*** | 90.1977*** | 77.9624*** |
| Lagrange multiplier | 13554*** | 13525*** | 14251*** | 14244*** |
| Number of entries | 270436 | 270436 | 270436 | 270436 |

The Lagrange multiplier is distributed as a chi-square test with one degree of freedom exceeding the critical value and favouring the random effects of the GLS model on the OLS (Greene, 2012). Standard error values in brackets. * p < 0.10; ** p < 0.05; *** p < 0.01

Table 7 lists the values obtained from the regression analysis based on the sample of large family firms. The relationship between the business name and the value of economic profitability among these larger firms is not significant (Model 2). The effect of the generation in charge of the organisation (Model 3) is also once again negative and significant, with family firms managed by the founding generation yielding the highest levels of economic profitability. Moreover, there is no evidence of a moderating effect of the generation variable on the relationship between the business name and the value of economic profitability (Model 4). These results indicate that hypotheses 1b and 2b cannot be supported.

**Table 7.** Results of the regression models for large firms

| | Large firms | | | |
|---|---|---|---|---|
| | Economic profitability | | | |
| | Model 1 | Model 2 | Model 3 | Model 4 |
| | Coef. ß | Coef. ß | Coef. ß | Coef. ß |
| Business name x Generation | | | | 0.0078 |
| | | | | (0.0133) |
| Generation | | | - 0.0287*** | - 0.0270*** |
| | | | (0.0056) | (0.0063) |
| Business name | | 0.0029 | 0.0067 | 0.0033 |
| | | (0.0078) | (0.0077) | (0.0096) |
| Leverage | - 0.0002 | - 0.0002 | - 0.0002 | - 0.0002 |
| | (0.0002) | (0.0001) | (0.0002) | (0.0002) |
| Size | 0.0014** | 0.0014** | 0.0015** | 0.0015** |
| | (0.0006) | (0.0006) | (0.0006) | (0.0006) |
| Secondary sector | 0.0537** | 0.0542** | 0.0560** | 0.0553** |
| | (0.0256) | (0.0257) | (0.0254) | (0.0254) |
| Tertiary sector | 0.0527** | 0.0535** | 0.0496** | 0.0488* |
| | (0.0254) | (0.0255) | (0.0252) | (0.0252) |
| Constant | 0.0261*** | 0.0247*** | 0.0106*** | 0.0124*** |
| | (0.0251) | (0.0254) | (0.0253) | (0.0254) |
| $R^2$ | 0.037 | 0.037 | 0.052 | 0.052 |
| F-statistic | 14.5881*** | 10.9812*** | 14.2257*** | 11.9178*** |
| Lagrange multiplier | 11039*** | 11041*** | 11457*** | 11349*** |
| Number of entries | 4501 | 4501 | 4501 | 4501 |

The Lagrange multiplier is distributed as a chi-square test with one degree of freedom exceeding the critical value and favouring the random effects of the GLS model on the OLS (Greene, 2012). Standard error values in brackets. * p < 0.10; **p < 0.05; *** p < 0.01

It is possible when focusing on the analysis referring to the control variables (Model 1) to observe the positive and significant influence of business size on economic profitability. Leverage presents a negative but non-significant relationship. There is a positive and significant relationship for both sectors of activity. Hence, large companies of the secondary and tertiary sectors achieve greater economic profitability than those of the primary sector.

Finally, a robustness test was performed to assess the validity of the proposed model. A random effects model was carried out to examine the effect of the business name and its interaction with the generation stage on the economic profitability of family firms. Yet in this case, we selected a balanced sample, taking into account the same number of observations corresponding to small and medium-sized, and large family businesses. This analysis confirms the robustness of the results since no significant differences were observed with respect to those obtained from the initial models.

## 5. Discussion

The analysis carried out on an extensive panel of data composed of information from 21,149 family businesses that collect information for the period 2003-2015 has allowed us to observe how the period of recession had a negative impact on the growth of family businesses in Spain. On the other hand, small family businesses are those that maintain a family business name to a greater extent. Thus, the presence of the family name in the firm name decreases as the size of the company increases. These results do not vary according to the year of study. In terms of the generational stage, first-generation firms mostly account for small firms, while the presence of the founder in charge of the company decreases as the size of the company increases.

In line with Kashmiri and Mahajan (2010), it can be attested that there are substantial differences in the economic performance of family businesses depending on their business name. Although the findings of our study point out that small and medium-sized companies bearing a family name reveal lower economic profitability values.

The explanation for the current results may have an origin in the fact that the reputation of a firm and that of a family are strongly intertwined. The damage that a firm may suffer to its reputation will not only fall on the company but will also affect the image of a family (Gallucci et al., 2015). Thus, safeguarding the reputation of family firms where the family name is part of the business name is even more relevant (Kashmiri & Mahajan, 2010). As Astrachan and Botero (2018, p. 14) pointed out that "all family members are willing to put the company first in trying to protect the reputation of both the family and the business", which can make the company especially vulnerable.

These types of businesses are more centred on actions that convey a positive family image (Gómez-Mejía et al., 2011). The findings of prior research suggest that linking the business name to the family name generates a great concern in ensuring that the reputation of the family not be damaged (Block, 2010). In this sense, and arising from the need to safeguard the standing of the family name when this is incorporated in the business name, firms could promote other types of actions that, although favouring a positive image, could have a negative impact on the firm's economic performance. These actions may include undertaking responsible strategies such as gestures towards the environment and philanthropic deeds (López-González et al., 2018), which can incur higher expenses and, consequently, bring about a reduction in economic profitability.

In contrast, Shen and Tikoo (2020) found that consumers tend to perceive family businesses as smaller organisations with lower quality products, especially if it is disclosed that they are family-owned. The association of the company with the family may not be perceived positively by all stakeholders, who may also identify it with less professionalism (Astrachan & Botero, 2018), having a negative impact upon their economic profitability.

This study's findings, in the case of large family firms, do not reveal a significant relationship between the values of business name and economic profitability. Family businesses present important differences in terms of behaviour and involvement of family members depending on the firm's size. These circumstances may underlie the results of the current analysis, favouring a lower identification of family members with the firm. This may result in decreased interest for preserving the reputation of the firm associated with a family name (Deephouse & Jaskiewicz, 2013) as the family and business objectives vary according to the company size (Kotlar et al., 2014). On the other hand, Shen and Tikoo (2020, p. 944) argued that when the family business identity is disclosed "any negative perceptions that subjects have of family firms are accentuated for family firms of small size and are ameliorated for family firms of large size".

Regarding the generational stage, the current study concluded that the presence of the founder favours the economic profitability of family businesses and that, however, this performance will likewise be negatively affected by a greater involvement of the heirs, as shown in previous re-

search studies (Dawson et al., 2014). It is therefore possible to state, based on this study's findings, that the generation charged with running the business has an influence on the effect of the business name on the economic profitability of Spanish family SMEs.

The current analysis suggests that a family identity can harm a firm's economic performance to a greater extent when it is managed by the founder. A business family identity can constrain growth due to the interest to further safeguard both the socioemotional wealth and the corporate and family reputation (Memili et al., 2015), which may underlie the results obtained. This circumstance can lead to this type of organisation becoming less flexible and applying more conservative actions in spite of the risk of a negative effect on their economic performance.

A greater family presence in companies, as is the case of first-generation firms, will also lead to an increase of interest in safeguarding their position in their community to maintain their favourable reputation (López-González et al., 2018). Delmas and Gergaud (2014) argue that, as a consequence of the long-term vision of family firms, these companies invest more in activities of corporate social responsibility. After all, creating and preserving a favourable business image can be decisive in maintaining a firm in optimal conditions that can favour its transmission to successive generations (Binz et al., 2013). Furthermore, as noted by Rousseau et al. (2018), when a family name serves as a business name leads their owners to be more willing to resist to the negative aspects arising from conflicts in the organisation, despite the significant impact that these have upon the firm and its performance (Simons & Peterson, 2000). However, as demonstrated by Brockman et al. (2018), family businesses that include the founder's name in their name obtain a lower market value, mainly when the founder is charged with running the company.

## 6. Conclusions

The results of the current study have practical implications for the management of family SMEs. Due to the influence that the family identity of the business can exert on the behaviour of both family members and other stakeholders in the development of its activity, this feature will have a great impact on the economic performance of these organisations. As highlighted by the findings of this study, in the family identity of the business, the company name plays a crucial role; thus, the decision to include the family name to designate a firm has a significant impact on the organisation. As stated throughout this study, the presence of the family name can have a negative effect on the performance of family SMEs, possibly a consequence of adopting certain behaviours that may be detrimental to profitability. However, a firm name can be a valuable asset since it constitutes the means by which the organisation is perceived by the stakeholders (Muzellec, 2006) and influences these relationships (Uhlaner et al., 2004). This also makes it an essential resource for firms, mainly to obtain non-economic benefits (Zellweger et al., 2013). According to Olivares-Delgado et al. (2016, p. 34), business name "serves to convey a particular way of being and of doing business, of liaising with employees, of reinforcing a satisfying experience for consumers, or of inspiring confidence and reliability to the financial community". Hence the challenge of these companies, as advanced by Astrachan et al. (2018), is to identify the organisational values and family characteristics that lead to a favourable reputation of a company brand, placing special relevance on those that render the firm more human (Beck & Prügl, 2018).

The analysis of the influence that the presence of a family name in the business name can exert on the performance of a family firm allows to point out certain challenges that these firms must face in order to ensure their success and survival. Identifying family and organisational values and characteristics that allow the transmission of a favourable reputation thus becomes a key differentiating factor. According to Micelotta et al. (2011, p. 212), "even as companies change, and face more volatile and competitive markets, the family remains a potential source of distinctiveness". In addition, a common effort is required in this type of organisations to preserve and adapt the family brand identity, a resource of familiness, when the generational succession occurs (Casprini et al., 2020). It is fundamental to create a brand image from which the firm can profit through the relationships it maintains with its stakeholders (Beck & Kenning, 2015), and that this positive image be maintained over time, spanning successive generations.

The current study is not devoid of limitations which could be resolved by future research. One is that it only took Spanish family firms into consideration. Future investigations should expand the sample to family businesses in other countries. This would offer the option to undertake comparative studies between different geographical areas to explore whether the prevailing culture in the territory under analysis (Anglo-American/Mediterranean) affects the findings given the influence that cultural aspects can exert on the perception of these companies with family nature. On the other hand, the current analysis did not make distinctions when applying the family name for the business name. Future analyses

should consider different criteria to define this variable, taking into account the impact of toponymic names on economic performance. Future analyses should likewise consider other factors, such as communicating a family brand image through social networks or the website of the company, as well as delve into the influence of communicating its family condition. It is noteworthy that the threshold adopted to define the generational stage in the analysis of the influence of the generation charged with running the business might be a limitation despite its wide use in prior research. Future studies benefiting from concrete knowledge of the generational stage will allow to explore deeper into potential differences. Furthermore, it would be of interest to examine the behaviour of these firms considering the potential case of an intervention by the founder even if they no longer head the company.

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# Where Have All the Families Gone — Is There a Future for Family Businesses?

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**JEL CLASSIFICATION**
L20, L26

**KEYWORDS**
Business families, Family businesses, Family size, Family structure

**Abstract** In this essay, the author describes some of the trends regarding the family that he has witnessed over his lifetime as well as raise some questions concerning family formation, structure, and size that may influence the creation and sustainability of family businesses. Moreover, he makes some suggestions for those who, like himself, would like to see family businesses survive and thrive in the future.

**CÓDIGOS JEL**
L20, L26

**PALABRAS CLAVE**
Familias empresarias, Empresas familiares, Tamaño familiar, Estructura familiar

**¿Adónde se han ido todas las familias? — ¿Hay futuro para las empresas familiares?**

**Resumen** En este ensayo, el autor describe algunas de las tendencias con respecto a la familia que ha presenciado a lo largo de su vida y plantea algunas preguntas sobre la formación, estructura y tamaño de la familia que pueden influir en la creación y sostenibilidad de las empresas familiares. Además, hace algunas sugerencias para aquellos que, como él, quisieran que las empresas familiares sobrevivieran y prosperaran en el futuro.

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## 1. Introduction

In 1932 Aldous Huxley published his acclaimed novel, *Brave New World*. In his novel, he describes a dystopian society, devoid of families, inhabited by people conceived in artificial wombs and engineered to stay in distinct social classes to serve the needs of the state. Children "born" into such a society are raised and controlled by the state. Happiness in this society is derived from ingesting "Soma" which creates a drug-induced euphoria for the populace. No joy is derived from family relationships since there are none.

Huxley published his novel as a satire of certain science fiction works that appeared during the early 20th century. A society without families would be unthinkable in 1932, and for many, unthinkable today. However, given recent trends in family life, we are seeing fewer family units being created and maintained—fewer marriages, fewer children, and more instability in family ties. If these trends continue, we may experience a semblance of Huxley's dystopia and find ourselves in a society with few familial attachments. There will likely be other types of "family-like" associations, but traditional family relations may be the exception rather than the rule.

As I started my career studying family businesses over forty years ago, I focused most of my attention on the business and the question: How do we make family *businesses* more effective? Over the past decade, however, I have turned my attention to studying families and how owning and managing a business affects them and addressing the question: How do we make *families* more effective? Moreover, I have become somewhat of a demographer as I have tracked family structure and dynamics over the years. The changes have been dramatic and given such changes we might ask ourselves: Will there be any family businesses to study in the future? In this essay, I will describe some of the trends regarding the family that I have witnessed over my lifetime as well as raise some questions concerning family formation, structure, and size that may influence the creation and sustainability of family businesses. Finally, I will make some suggestions for those who, like myself, would like to see family businesses survive and thrive in the future.

## 2. What Is a Family?

Since the focus of this essay is on "the family" we should have a working definition. The Merriam-Webster dictionary[1] defines a family as: "a group of people who are related to each other." Other definitions describe a family as containing a parent or parents and children who are related to them by birth or adoption. In my own work with family firms, I have seen a variety of family structures, so I have come up with my own broad definition of family:

"A family is comprised of individuals who identify themselves as a family unit, are recognized by others as a family, and share a common biological, genealogical, and/or social history." (Dyer, 2019, p. 15)

This definition suggests that those in a family identify with that family—using various criteria—and others in the family see them as family members, and such identification takes place in the context of a society which also deems certain social arrangements as a "family." There are also legal obligations (e.g., inheritance rights) typically associated with family membership. With this definition in mind, I will now describe the factors that are influencing the formation of families in today's world. These factors include marriage rates, cohabitation rates, and fertility rates.

### 2.1. Marriage rates

One event that universally signifies the formation of a family unit is marriage. While marriage is typically signified by a legal contract recognized by the state, it is also recognized by the community since most weddings are public. In addition, in many cases marriage is seen as not only a contract between two consenting parties but is seen as a contract with deity and a faith community that prescribes marriage rites. Society also recognizes marriage as a social good, thus affording married couples substantial societal benefits. The marriage rate is a signal within a community that families are (or are not) being created.

In many countries throughout the world, including the United States, marriage rates are at historic lows[2]. In 1920, in the United States, there were 12 marriages per year for every 1000 people. Marriage declined during the Great Depression but bounced back after World War II and peaked at 16.4 mar-

[1] Information is available on the website https://www.merriam-webster.com/

[2] The following statistics on marriage, cohabitation, fertility rates and out-of-wedlock birth rates are taken from: OECD.stat; Horowitz, J. M., Graf, N., & Livingston, G., *The landscape of marriage and cohabitation in the U.S.*, Pew Research Center, November 6, 2019 (https://www.pewresearch.org/social-trends/2019/11/06/marriage-and-cohabitation-in-the-u-s/); Brown, A., *Growing share of childless adults in U.S. don't expect to ever have children*, Pew Research Center, November 19, 2021 (https://www.pewresearch.org/fact-tank/2021/11/19/growing-share-of-childless-adults-in-u-s-dont-expect-to-ever-have-children/; https://ourworldindata.org/marriages-and-divorces; DePaulo, B., *How many Americans want to be single?: Results of 5 studies*, Psychology Today, September 20, 2017 https://www.psychologytoday.com/us/blog/living-single/201709/how-many-americans-want-be-single-results-5-studies).

riages per 1000 people. However, marriage began a slow decline in the 1970s and currently there are now about 6 marriages per 1000 people. Marriage rates also differ by race and ethnicity in the United States and in most parts of the world. For example, in the United Stated, 63% of Asian-Americans and 57% of whites 18 and older are married. However, fewer than half Hispanics are currently married (48%) and only 33% of African Americans are married. Thus, race and ethnicity, which often reflect cultural values concerning marriage, have had a dramatic impact on marriage in America.

Marriage rates are at historic lows in other countries as well. Here is a sampling of a few other countries' marriage rates per 1000 people: South Korea (5), Australia (4.8), United Kingdom (4.2), Italy (3.2), Argentina (2.8), and Bolivia (2.2). However, in a few Asian countries and in some parts of Africa, marriage rates have stabilized or are slightly increasing. We also find that marriages are being significantly delayed worldwide. For example, 83% of the men in England and Wales born in 1940 were married by age 30. Only 25% of men born in 1980 were married by age 30 in those countries. Women are also marrying later in life. The average age for women marrying is over 30 in countries such as Sweden, Norway, the United Kingdom, and Portugal. In the United States, it is about 27 years of age (it is 29 for men). It is clear that marriage is not as popular as it used to be. Moreover, the future of marriage in the United States does not bode well with several studies reporting that about 1 out of 7 Americans do not plan to ever get married and this trend is prevalent in many parts of the world.

Mara Hvistendahl's book *Unnatural Selection* (Hvistendahl, 2011) and Valerie Hudson's and Andrea Den Boer's book *Bare Branches* (Hudson & Den Boer, 2004) highlight another a very troubling fact that will affect future marriage rates in Asia. Due to selective abortions and female infanticide (mostly in India and China), there are well over 100 million fewer women than men in Asia. Thus, the reality is that many young men in Asia will not be able to find a mate to marry. The "one child" policy in China may have caused irreversible damage to China's future families since parents were more likely to abort girls than boys.

### 2.2. Cohabitation rates

"Cohabitation" is typically defined as an unmarried couple living together in an emotionally and/or sexually intimate relationship with or without children. It is most often viewed as a stepping-stone toward marriage, but some see it as an alternative to marriage. While more people in the United States are married than cohabit, among people ages 18 to 44 a larger percentage have cohabited at some point than have been married (59% versus 50%). About 50% of cohabitors in the United States are raising children. Cohabitation rates vary worldwide with the highest rates in Europe (Sweden, 24% and France, 26%) and the lowest in Asia (China, 1% and Taiwan, 2%).

Early research on cohabitation indicates that cohabitation fails to provide couples with the benefits of marriage. When cohabiting couples are compared to married couples, cohabiters have poorer physical and mental health (Waite, 1995), lower happiness (Stanley et al., 2004), a lower quality relationship with their partners (Brown et al., 2014), decreased productivity at work (Korenman & Neumark, 1992), and shorter longevity (Lillard & Waite, 1995). Current research shows similar trends (Graff, 2019; Marripedia, 2019; Rapp & Stauder, 2020; Stanley & Rhoads, 2018). Couples in a cohabiting relationship also tend to have poorer relationships with their parents (Amato & Booth, 1997) and are not as connected to the larger community (including in-laws, churches, etc.) as are married individuals (Waite, 1996). Moreover, cohabiters are also less likely to pool their resources and work together to meet financial or career goals (Larson, 2001). In essence, they act more as individuals than as a married couple. Other studies have found that children of cohabiting parents have more behavioral and emotional problems and lower school attainment than do children of married parents (Brown, 2004; Marripedia, 2019).

Cohabitation also reflects stability between partners. Although cohabiters marry about 50% of the time, early research by Paul Amato on cohabitation indicated that they are 59% more likely to divorce than those couples who marry without cohabiting (Amato, 1996) and subsequent research supports Amato's findings (Stanley & Rhoads, 2018). When compared to married couples, cohabiters end their relationships more frequently with married couples staying together 2.5 times longer than cohabiting couples do.

These findings raise two questions: 1) Will cohabiting couples, with or without children, start "family businesses?" and 2) If cohabiting couples start a business will they continue ownership of their firms across generations at the same rate as those families whose parents are married? While I do not have good data to answer these questions definitively, the likely answer is "no" for three reasons. First, those in a cohabiting relationship (with or without children) are less likely to define themselves as "a family." When we see others as "family members", they are more likely to receive our support, both emotionally and financially. Cohabiting arrangements are less stable, and thus less likely to create the conditions that allow members to develop norms of reciprocity and trust, which are often critical to starting a family business (Dyer, 2019). Second, the children of cohabiting

couples, who may not be biologically related to both partners, may not receive the same attention and inheritance rights when compared to children that are related to both parents biologically or through adoption. Thus, they may be less likely be brought into the business or take over the business when succession is needed. Third, since cohabiters are reluctant to pool their resources as compared to married couples, they may be less willing to collaborate to launch a new enterprise. However, the question is open as to whether cohabiting couples can launch successful "cohabiting businesses" and should be the subject of future research to understand the impact cohabitation on family (or "cohabiting") business formation and continuity.

### 2.3. Fertility rates

As I started my career in the field of family business in the early 1980s, the topic of "succession"—the transfer of ownership and management from one generation of the family to another—was the hot topic. I remember attending various meetings and conferences where we shared our research and consulting experiences concerning how to help family businesses deal with the succession issue. Today, however, due to the declining birthrates worldwide, family business owners may find few, if any, family members available and competent to take over their enterprises. In the United States, the fertility rate was 3.65 per woman in 1960. Today, it is 1.7 per woman. In other countries, we see similar declines with current birthrates below replacement level which is 2.1 per woman: Taiwan (1.1), Japan (1.5), Russia (1.5), Brazil (1.8), Chile (1.8), United Kingdom (1.9), and Australia (1.9). Only in the continent of Africa and parts of East Asia do we see fertility rates significantly over the replacement rate. Our world population (currently about 7.9 billion) is projected to grow for the next 80 years (reaching 10 + billion) due primarily to population growth in Africa but will then undergo a significant decline because of fewer births per woman today.

Another change regarding birthrates over the past 50 years has been the astounding increase in out-of-wedlock births. In 1960, most countries had out-of-wedlock birthrates at less than 10%. Today, in certain Latin American countries (e.g., Colombia, Chile, Costa Rica, and Mexico) the out-of-wedlock birthrate is between 84 and 70 percent. In several countries in Europe, the rate is between 50 and 60 percent (e.g., France, Denmark, and Netherlands). In the United States, it is about 40%. Only in Asia, in countries like Japan (3%), do we see out-of-wedlock birth rates still below 10%.

The out-of-wedlock birthrate affects family business formation for three reasons: 1) it reduces the amount of family capital available to family members since the family network is generally smaller (e.g., the extended family of the father is often not connected to the children). Many children born out-of-wedlock grow up in single-parent homes where there are fewer resources to launch a business (Dyer, 2019). 2) Single-parent families tend to be more unstable (e.g., often multiple partners are involved over time), which causes children in such homes to grow up in a more uncertain world and with fewer long-term connections to adults who could help mentor them and provide opportunities for them to enter a family business (Cherlin, 2010). 3) Children born out-of-wedlock tend to have more emotional and behavioral problems and do poorer in school when compared to those children growing up in more stable environments (Dyer, 2019). Thus, they may be less prepared to handle the challenges of owning and managing a family business.

## 3. Race, Ethnicity, and Culture and Family Business Success

In the United States, Asian-Americans have been highly successful in starting and growing family businesses. Part of the reason for such success is that they have stable families, with high marriage rates, and low divorce, cohabitation, and out-of-wedlock birthrates compared to other racial and ethnic groups in the United States (Fairlie & Robb, 2008; Dyer, 2019). In contrast, African-Americans have the lowest marriage rate, and the highest divorce, cohabitation and out-of-wedlock birth rates of any racial/ethnic group in the United States (Dyer, 2019). Only 37% of all African-American children grow up with their biological parents (Wilcox et al., 2021). Those African-American children raised by their biological parents are wealthier and are significantly more likely to attend college and avoid incarceration than are African-American children raised in other family structures (e.g., single parent) (Wilcox et al., 2021). This true across all racial groups. While discrimination is also an important factor in family business success, African-Americans own fewer businesses and those businesses are less successful than any other racial/ethnic group in the United States (Fairlie & Robb, 2008). Slavery eviscerated the African-American family—forbidding marriage, separating parents from each other and from their children—and unfortunately, African-American families continue to face significant challenges in attempting to become more stable. In contrast, Asian-Americans have faced discrimination (although not slavery) but, due to their stable family structures, have been able to rely on immediate and extended family to provide them with support to launch family businesses. However, in some sense, it is not race that is the key factor that distinguishes the various racial groups in terms

of family business success (for example, in many parts of the world, black communities have very stable families and successful family businesses). It is a community's assumptions about the family and family relationships that drive behaviors that are either amenable or detrimental to family formation and stability.

In other parts of the world ethnicity and culture also have a tremendous influence on family formation and structure. A number of years ago I was giving a seminar for family business consultants in Chicago. One participant raised his hand and asked the following question: "I am from Malaysia and have a family business founder as a client who has four wives and thirty-six children. How do I help him plan for succession?" I admit I was stumped by the question. In some parts of the world, polygamy is common thus family business succession is more problematic. In terms of birthrates, Africans, by and large, still value large families and thus their birthrates are fairly high, whereas in China, Japan, Korea, Singapore, and many other Asian countries, having children has not been a priority for many young couples. Work and economic prosperity seem to be more important. In Latin America birthrates are close to replacement rate, but out-of-wedlock births are the norm as is cohabitation. Given such differences, it is difficult to give a general description of what is happening to the family worldwide. A host of factors comes into play that influence family structure, size, and stability.

## 4. Social Narratives Regarding the Family

As I have tried to understand the reasons behind these dramatic changes regarding the family during my lifetime, I have concluded that there are several social narratives, primarily in Western cultures, that are carried in people's heads that seem to be influencing family formation (Dyer, 2019). I have heard these narratives from students at the universities where I have taught, and they are also found in various media sources. Here are a few of them: 1) "*I don't think I would be a good wife/husband or mother/father, so marriage and parenthood are not for me.*" 2) "*Marriage is a risky proposition since many marriages fail and it imposes constraints upon my freedom.*" 3) "*I should wait until I'm settled in my career and financially stable before considering marriage and having children.*" 4) "*Raising children is time consuming, costly, and boring. Moreover, children may curtail my career options, and my career is more important and meaningful than having children.*" 5) "*Cohabiting and relationships outside of marriage can be as meaningful, if not more meaningful, than a marriage relationship. Cohabitation is a good stepping-stone to marriage, and if we do end our relationship, undoing our partnership will be easier than if we were married.*" 6) *"Having a child out-of-wedlock is something that is condoned, if not supported, by my social group. If I were to have a child, I'd have someone to love and who loves me. That would make my life more meaningful."*

Such narratives, when acted upon, lead to the fewer families being created, smaller families, and families that are less stable.

## 5. Questions Regarding the Family and Family Business

The statistics and trends regarding today's families suggest several questions to be explored empirically by those of us who are interested in studying and helping family businesses. They are as follows:

1) How do marriage, fertility, and cohabitation rates in a community affect the formation and continuity of family businesses?
2) How does family size affect both the formation of family businesses and the transfer of family businesses to the next generation?
3) How do out-of-wedlock birthrates in a community affect the formation and continuity of family businesses?
4) What type of family structure is most amenable to the formation of family businesses (e.g., nuclear family, extended family, blended family, same-sex, etc.)?
5) How do divorce rates (or separation rates between partners) influence the formation and continuity of family businesses?

By answering these questions, we may be able to better understand the impact of the various family trends on family business formation and continuity.

## 6. What Might we Do to Encourage the Formation of Stable Families?

While the trends regarding the family suggest that there will be fewer families in the future, there are certain activities and policies that might reverse this trend. These are as follows:

1) Eliminate marriage penalties in the tax codes.
2) Continue to provide government support for those cohabiting couples with children who get married. Some government policies create incentives for people not to marry because they will receive reduced government support if they marry.
3) Encourage couples before being married to take preparation for marriage training and en-

courage follow-up training for married couples. Hawkins (2015) describes many of the benefits of such training in his research.

4) Encourage childbearing by providing generous parental leave supported by the government and business. Many countries in Scandinavia already do this. Early bonding between parents and children is critical in child development. Moreover, government child support payments and access to quality childcare are also important to encourage childbearing and producing strong families.
5) Reduce out-of-wedlock births by encouraging well-developed sex education programs for youth. Research has shown that this can be an effective tool to reduce out-of-wedlock births (Dyer, 2019).
6) Encourage adoption by making it easier and less costly. In the United States alone there are tens of thousands of children waiting to be adopted. Through adoption, many children will have the opportunity to contribute to creating or building a family business.
7) Change the narratives. While family life has its challenges, the research findings regarding those in stable families is clear: they, on average, lead happier and more productive lives. We should extol the virtues of family life and suggest ways to strengthen families rather than focusing on the negative.

These are just a few suggestions. There are others as well. As someone who sees family business as the backbone of the economies of the world, I would like to see the family, and family businesses, flourish in the future. This essay will hopefully encourage those in the field to do additional research on the impact of family structure and size on family business formation and continuity as well as encourage consultants to family businesses to better understand how to help families in these turbulent times.

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