Handbook of Research on

The Strategic Management of Family Businesses

Jesús Manuel Palma-Ruiz, Ismael Barros-Contreras, and Luca Gnan

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Family capital is all social, human, and financial capital a family has at their disposal in the family to advance the business. Family capital is the pool of resources unique to family business and it has the potential for family businesses to gain competitive advantage over nonfamily businesses in today's competitive landscape. To advance the knowledge about strategic management in family businesses, this chapter reviews quantitative empirical work on each dimension of family capital and concludes that the field is still in its infancy. Most studies concentrate on (a part of) social capital, a few on human capital, and very few on all three dimensions. The review of the literature describes avenues for further research on family capital.

Knowledge transfer is essential to managing a family firm's succession. Given the importance of knowledge in family firms, this chapter identifies, through an empirical approach, which are the main organizational strategies used for sharing, disseminating, and using the knowledge available as fundamental elements for survival and the development of companies in the phase of generational succession. The authors investigate the phenomenon and verify the evidence in some private health organizations interested in the generational change located in South Italy, given the lack of previous case studies. This chapter deepens the phenomenon and its recognizability by examining with a qualitative analysis of the problems existing in those who are currently living or have experienced this particular moment of business life.

This chapter investigates if and how the knowledge sharing process between the generations involved in business succession is actually accomplished. Furthermore, this chapter addresses if the next-generation family members are (adequately) trained to develop the proper knowledge and skills for their future role as entrepreneurs. Findings suggest that, even in SMEs, the entrepreneurs and their children often perform different jobs, developing different skills, and undermining the knowledge sharing process. Moreover, the training/learning (both formal and informal) process of the next generation does not appear to help in the development of entrepreneurial skills. Finally, it is suggested that the knowledge sharing process faces major criticism when a daughter of the business family is involved.

The chapter analyzes female involvement in medium-sized family businesses in Central Italy. The empirical analysis focuses on 233 firms over the period 2007-2014, to understand how female representation in corporate governance has evolved in recent years, and to pinpoint the factors tending to encourage/discourage female involvement in the board of directors. A descriptive analysis was conducted, enabling a fuller understanding of how female involvement in governance roles has evolved over the years. A regression analysis was performed to determine if and how specific governance characteristics – such as family ownership and generational stage – may have a bearing on the female presence on the board. The results confirm that female representation is favorably influenced by a strong family presence in the ownership of the business, while family firms under first-generation control exert a negative influence on female involvement.

Leadership succession is inevitable for most family businesses. To effectively face this challenging transition, next-generation leaders need to have the ability to gain their employees' trust which is typically very challenging due to previous generation' influence on the business. The chapter explores how trust in family leaders can impact succession when a business is passed from one generation to the next. This chapter presents two comparative examples of family business cases operating in the transportation

and branding to generate value, the strategic and operational phase within business management, and consumer behavior along with the performance of the Company based on the rational or emotional. With these elements and through an exploratory theoretical method, authors present in a first phase the SOFT model as a starting point for understanding the decision making within the FB. Subsequently, the chapter defines that the client's decisions exposed to the marketing and branding actions are given through his triune brain, in which there are intellectual, limbic, and reptilian decisions. Authors propose through these two perspectives the relational concept between FB and client that they have called MindKeting as an exploratory proposal that helps to understand the types of decisions and actions that must be taken at the time of marketing management and brand of FB.

Company decision making tends to center on Millennials, particularly because they represent a significantly large market with many behavioral characteristics and patterns that elude organizational leaders. Family business scholars have not yet delved into this contemporary phenomenon, which is relevant due to shared similarities between millennials and family businesses' values/beliefs. That said, are family business firm (FBF) branding efforts influencing Millennial consumers' behavior? If so, what FBF branding attributes drive Millennial purchase decision-making? This chapter provides insights on FBF branding, with a global presence, and the attributes driving millennials to patronize these firms, and includes quantitative and qualitative analysis and discussion on a conceptual model.

The growing proliferation of data in firms around the world have made analytics a success factor for business growth, and by default, achieving greater performance. This research proposes a data analytics model for marketing decision making. Literature was reviewed, and several key factors for the growth of the family business were identified. In addition, 140 marketing managers from family and non-family firms in Spain were surveyed. Four key factors were identified to implement a data analytics project. An empirical model is presented, which allows visualizing the relationships that generate quality information. Data analytics is a competitive advantage for recognized firms in the world; however, there is an underutilization of information by the family business. This chapter allows reducing the gap between competitors, regardless of their ownership structure. Therefore, it declares a challenge and an opportunity for the family firm.

Foreword

I take much pleasure in contributing to the Foreword of this *Handbook of Research on the Strategic Management of Family Businesses.* I believe this is a valuable asset for students, scholars, and practitioners interested in increasing their knowledge of strategic management linked to the latest issues on family businesses around the world. Forty-nine specialists from academic and research institutions from the Americas and the Caribbean, Africa, Asia, and Europe collaborate in this volume while providing enriched conceptual and empirical contents and experiences to authenticate the relevance of family businesses worldwide.

Family businesses are dominant around the world and represent the cornerstone of the economic structures of the majority of nations. As a result, the study of the family business must be inter-disciplinary, yet challenging and demanding to contribute with solutions and recommendations towards the strategic management to be applied in the firm. In this volume, different authors combine several fields of study, such as finance, management, organizational behavior, psychology, innovation, sustainability, marketing, data analytics, and ethics, to name a few.

The editors have gathered a selection of outstanding studies from authors researching in 13 nations across four continents, all double-blind peer-reviewed. The organization of this book into three sections allows the reader, firstly, to analyze the importance of family capital and organizational knowledge, and generational issues for the strategic management of family businesses. Secondly, to review several strategic formulation and implementation matters in family businesses; and thirdly, to assess different contextual experiences and cases about strategic orientation and conflict management across nations.

As a senior scholar of this area of knowledge, this *Handbook of Research on the Strategic Management of Family Businesses* contributes noticeably to furthering this field of study, while providing a global vision on the topics analyzed. Consequently, I warmly invite the prospective readers of this Handbook of Research to carefully internalize and assimilate all the information contained in this outstanding and varied compilation of ideas, strategies, and descriptions of different socio-economic realities.

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Preface

Strategy consists of competitive moves and business approaches to produce successful performance. Thus, strategic management is the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives. Strategic management focuses on integrating management, marketing, finance/accounting, production, R&D, and computer information systems to achieve organizational success. In family firms, these business' processes and activities are influenced by the family's involvement in the firm, affecting the behavior and strategic decision-making process in this type of organization. Family businesses are a form of organization that represents an important portion of the business. It is estimated that between 60 percent and 90 percent of firms are family businesses, a portion that varies depending on the different regions in the world. A family business can be recognized theoretically, as a governed and/or managed organization with the intention of shaping and pursuing the business vision in the hands of a dominant coalition controlled by members of the same family or a small number of families in a way that is potentially sustainable between generations of the family or families. Given the complexities of the family business, there is no single definition, which has hindered the study and development of research in this field. In fact, in the development of empirical studies, the researchers adopt an operational definition that covers a wide scope regarding ownership considerations in the hands of the family, or aspects that relate to the intentions of the generational transfer of the firm to the following family generations.

However, the development of the literature in family business as a field of research has grown considerably, especially in the context of strategic management. Undoubtedly, what distinguishes family businesses is the influence of the family in the decision-making processes. This familiarity is configured through the unique set of resources and capabilities generated from the interaction of family and business systems. The overlap of family and business systems in the strategic decision-making process would be responsible for the characteristic behavior of these organizations.

Research in the field of strategic management in family businesses was initially devoted to studying the differences in behavior between family and nonfamily businesses. However, given the systematic progress of this field of study, in recent times, research has been oriented to the analysis of behavioral differences between family businesses. This has allowed recognizing the heterogeneity of behavior of this type of organization.

Specifically, previous research provides evidence that family involvement and influence can affect the firm's performance, signaling the emergence of agency theory and resource-based vision as primary theoretical approaches. Similarly, recent findings suggest that corporate governance, succession, and competitive resources/advantage are the topics that have focused attention on the context of the strategic management of the family business. In this context, new theoretical frameworks have emerged based on the recognition that the distinctive characteristics of family businesses seem to be included in differences in goals, governance systems, and strategic resources. Particularly concerning the objectives of the family business, which include non-economic family-centered objectives that create socioemotional family wealth. The achievement of such objectives will likely result in the accumulation of non-financial reserves of socioemotional wealth, which represents an affective endowment of benefits that are related to trans-generational participation, family control, and family identity.

Therefore, it is necessary to deepen the aspects that condition the strategic behavior of the family business about its evolution and dynamics. Family dynamics also make family businesses different from nonfamily businesses and between family businesses, affecting how the strategy is built and implemented in the firm. Among the many distinctive features that can affect and alter the strategic process are long-term family relationships that build trust, commitment, and responsibility. The families are different, and so are their dynamics, resulting in different implications for the strategy and behavior of the firm, and, thus, for the continuity of the family business.

ORGANIZATION OF THE BOOK

This Handbook of Research brings together a selection of studies developed by 49 specialists in strategic management of family businesses from 13 different nations on four continents. This book is divided into three sections. Section 1 contains the chapters related to family capital, organizational knowledge, and generational issues that affect the strategic management of family firms (Chapters 1 to 6). Section 2 encloses those chapters related to the challenges and opportunities in strategy formulation and implementation in family businesses (Chapters 7 to 16). Finally, Section 3 includes contextual experiences on strategic management in family businesses (chapters 17 to 20). In each of these sections, several aspects that represent both challenges and opportunities for the strategic management of the family business are studied and given appropriate theoretical and empirical emphasis.

To begin Section 1, Chapter 1, entitled "Family Capital in Family Businesses: Complementarities of Human and Social Capital," and written by Astrid Kramer, and Brigitte Kroon, both from Tilburg University (Netherlands) examines the importance of family capital in the family business. Family capital is all social, human, and financial capital a family has at their disposal in the family to advance the business. Family capital is the pool of resources unique to the family business. It has the potential for family businesses to gain a competitive advantage over nonfamily businesses in today's competitive landscape. Most studies concentrate on (a part of) social capital, a few on human capital, and a minimal number on all three dimensions. This chapter reviews quantitative empirical work on each dimension of family capital. The review of the literature allows us to identify avenues for further research on family capital. This chapter highlights the challenge and the need to deepen the study of family capital as a source of competitive advantage for the family business.

An important topic of analysis relates to the study of generational succession and organizational knowledge. Chapter 2 is called "The Generational Succession in Family Firms: the Role of Organizational Knowledge," written by Anna Maria Melina, Concetta Lucia Cristofaro, and Rocco Reina, all from the University Magna Græcia of Catanzaro (Italy). These authors aim to identify through an empirical approach, which are the main organizational strategies used for sharing, disseminating, and using the knowledge available as fundamental elements for survival and the development of companies in the phase of generational succession. The evidence will be verified in some empirical firms like private health organizations interested in the generational change in the South of Italy. The chapter proposes to deepen the phenomenon and its recognizability for which the literature does not offer adequate analysis.

In this same topic, Chapter 3, called "Organizational and Socio-Relational Factors Undermining Knowledge Sharing in Family SMEs: An Empirical Investigation in the Italian Context," and written by Filippo Ferrari, University of Bologna (Italy), investigates if and how the knowledge sharing process between the generations involved in business succession is accomplished. Furthermore, this chapter addresses if the next-generation family members are (adequately) trained in order to develop the proper knowledge and skills for their future role as entrepreneurs. The author highlight that, even in SMEs, the entrepreneurs and their children often perform different jobs, developing different skills, and undermining the knowledge sharing process. Moreover, the training/learning (both formal and informal) process of the next generation does not appear to help in the development of entrepreneurial skills. Finally, this chapter suggests that the knowledge sharing process faces major criticism when a daughter is involved.

To deepen the study on women involvement in the government of the family business, Chapter 4, with the title "Factors Affecting Women´s Involvement in the Governance of Family Firms: The Role of the Generational Stage," and developed by Annalisa Sentuti, Gail Denisse Chamochumbi Diaz, and Francesca Maria Cesaroni, all from University of Urbino Carlo Bo (Italy), analyzes female involvement in medium-sized family businesses in Central Italy. The empirical analysis focuses on 233 firms over the period 2007-2014, intending to understand how female representation in corporate governance has evolved in recent years and pinpointing the factors tending to encourage/discourage female involvement in the board of directors. The authors performed a descriptive analysis was first conducted, enabling a fuller understanding of how female involvement in governance roles has evolved over the years. This chapter highlights that female representation is favorably influenced by a strong family presence in the ownership of the business, while family firms under first-generation control exert a negative influence on female involvement.

Leadership succession is inevitable for most family businesses. Consequently, trust in family leaders can impact on succession when a business is passed from one generation to the next. The authors in Chapter 5, entitled "I'm your leader now, but do you trust me?: Analysis of Leadership and Trust in Family Firms," and developed by Simona Leonelli, University of Padova (Italy), Francesca Masciarelli, University G. d'Annunzio Chieti-Pescara (Italy), and Alessandra Tognazzo, University of Padova (Italy), pose that to face the succession transition effectively, next-generation leaders need to have the ability to gain the trust and respect of their employees. However, the impact of employees´ trust during a change in family leadership is challenging, given the incumbent's shadow. This chapter presents two comparative examples of family business cases operating in the transportation sector in Italy. In the first business, the succession already took place, and the next-generation leader is currently running the firm, while in the other firm, the incumbent generation is still in charge of the company and is not passing the baton. The results of this study show that the incumbent and next-generation leader´s perceptions of their leadership style correspond to nonfamily employees´ perceptions. However, employees´ trust in the incumbent is higher than the trust in the successor.

Organizational resilience is an essential challenge for businesses in general and particularly for family businesses. To finalize Section 1, Chapter 6, entitled "The Organizational Resilience in Family Firms Studies: Role and Impact in Generational Succession," and written by Marzia Ventura, University Magna Græcia of Catanzaro (Italy), Anna Maria Melina, University Magna Græcia of Catanzaro (Italy), Walter Vesperi, University of Messina (Italy), and Rocco Reina, University Magna Græcia of Catanzaro (Italy), analyses how strategic planning impacts organizational resilience in the family firm.

Several contributions show that succession planning in family firms has become a particularly sensitive topic over time, where the actors involved had to redefine roles and relations, especially during their generational succession like the moment of the greatest crisis in a firm's life. The authors emphasize that the continuity of businesses from one generation to the next depends highly on succession planning and the significance and impact of resilience during this phase.

Section 2 corresponds to the strategic formulation and implementation in family businesses. In strategic management, innovation represents an important challenge. Chapter 7 is entitled "How Family Involvement in Management Affects the Innovative Behavior of Private Firms: The Moderating Role of Technological Collaboration with External Partners," and developed by Rubén Martínez-Alonso, Maria J. Martinez-Romero, Alfonso A. Rojo-Ramírez, from Universidad de Almería (Spain), and Julio Diéguez-Soto, Universidad de Málaga (Spain). The authors investigate the effect of family involvement in management on firms' innovative behavior, namely on their innovative effort. Furthermore, this study analyses whether firms are more willing to develop innovative efforts when they are engaged in technological collaborations with external partners, such as suppliers or customers. The authors explain that a negative incidence of family managers on firms' innovative efforts. The empirical findings also reveal that while technological collaborations with suppliers weaken the negative effect that family involvement in management excerpts on innovative effort, collaborations with customers do not affect such a relationship.

In this same line of research on innovation, Chapter 8, entitled "Reading Between the Lines: Innovation Strategies in Small and Medium-Sized Family Firms. An Exploratory Study," and written by Francesca Cabiddu, Cinzia Dessì, and Michela Floris, all from the University of Cagliari (Italy), aims to contribute to strategic management studies in family firms by focusing on innovation strategies as drivers to guarantee firm survival across generations. Specifically, built on the construct of family business innovation posture and based on the content analysis of 10 small and medium family firm narratives. This chapter identifies the figure of the father as the cornerstone in whom innovation strategies have their origin and their evolution as firm-driven, family-driven, and market-driven. The chapter proposes a model that highlights the dimensions of family heterogeneity and provides new insights into the relationship between the role of the father figure and three drivers related to family business innovation: product and production quality, prior knowledge, and risk-taking propensity.

Chapter 9, called "Structural, Psychological, and Socioemotional Factors that Determine Innovation Decisions in Family Firms," and written by Jessica Mendoza Moheno, Martín Aubert Hernández Calzada, and Blanca Cecilia Salazar Hernández, all from Universidad Autónoma del Estado de Hidalgo (UAEH) (Mexico), examines socioemotional wealth through the FIBER dimensions and the stage in the innovation process through the Readiness for Innovation in Family Firms (RIFF) framework. Their findings suggest that socioemotional wealth has not allowed the implementation of governmental bodies. The existence of two generations in management has allowed the firm to take advantage of the knowledge and experience of the old generation and the skills of the young generation in order to continue innovating in products, processes, and services, although SEW has limited the expansion of the business to other states. The firm has the willingness, as well as the ability to adopt innovation, although SEW's accumulated endowment has limited long-term innovations. This chapter addresses the Arriaga Group case study, a well-known family business in Hidalgo, Mexico.

In addition to the importance of SEW for innovation, as discussed in the previous chapter, its relation to family firm performance is addressed in Chapter 10, called "Socioemotional Wealth and its Effect on Family Firm Performance," and developed by Juili Milind Ballal and Varadraj Bapat, both from the

Indian Institute of Technology Bombay (India). The authors outline the different scales used to measure SEW, check the reliability and internal consistency of the existing REI scale in the Indian context, and investigate the heterogeneity of family firms to understand the effect of different SEW dimensions on firm performance. Their findings confirm that SEW has a significant positive effect on family firm performance.

Preference reversal is a concept largely used in behavioral economics and has been recently adopted in family business research. Chapter 11 is entitled "Preference Reversal under Vulnerability: An Application of Neural Networks in Mexican Family Firms," and developed by Aurora Correa, Tecnologico de Monterrey (Mexico). Preference reversal, based on behavioral agency theory, explains that in the presence of vulnerability, family firms are willing to change their most critical point of reference: socioemotional wealth and that they are willing to focus on financial wealth. The aim of this chapter is twofold, first to introduce the concept of preference reversal and explain the application of preference reversal in family firms. Second, make an empirical exploration of the presence of preference reversal. The study is exploratory, and it investigates one of the cases of firm vulnerability: a low financial performance by applying neural networks. The study applies to Mexican family firms and finds indications of preference reversal.

Divestments have received little attention in family business research, although they represent one of the most critical strategic and financial decisions. Additionally, they have been insufficiently studied from the owning family´s emotional perspective. Chapter 12, called "The Strategic Divestment Decision in the Family Business Through the Real Options and Emotional Lenses," and written by Rania Labaki, EDHEC Business School (France), and Gérard Hirigoyen, University of Bordeaux (France), aims to contribute to filling these gaps by focusing on the core entity of the family business as an object of divestment from the Real Options and Regret theoretical lenses. The authors suggest a characterization of the family business divestment decision and a series of propositions with case vignettes on the valuation of divestment options concerning the emotion of regret in different family business emotional archetypes.

Opportunities and risks are central for every business to stay successful in the long-run and a mandatory capability to create realistic management strategies. Recent literature argues that strategic planning is sustainable in the long run. Chapter 13, with the title "Sustainability Attitudes of Tourism Family Firms in Alpine Tourism Regions," and written by Robert Eller, University of Innsbruck (Austria), Gundula Glowka and Anita Zehrer, both from MCI - Management Center Innsbruck (Austria), and Mike Peters, University of Innsbruck (Austria), reviews the owner-managers´ attitudes and perceptions of challenges and opportunities of family businesses. This chapter shows the results of a qualitative inquiry identifying attitudes on the sustainability of owner-managers in tourism family firms. Furthermore, attitudes towards the three dimensions of sustainability are further analyzed. The results reveal an awareness of economic and social sustainability attitudes, while the environmental dimension seems to be less prominent.

The marketing management in the business family is presented in Chapter 14, entitled "Marketing Management Inside Business Family: The Family Mindketing," written by Danny C. Barbery-Montoya, Universidad Espíritu Santo (Ecuador), and Patricio J. Toro-Orellana, Universidad Ecotec (Ecuador). The chapter aims to show the forms of relationship between the family business and its customers through marketing and branding management. By reviewing literature, the authors address three concepts: marketing and branding to generate value, the strategic and operational phase within business management, and consumer behavior along with the performance of the company based on the rational or emotional. With these elements and through an exploratory theoretical method, the study present in the first phase, the SOFT model as a starting point for understanding the decision making within the family business. Subsequently, define that the client's decisions exposed to the marketing and branding actions are given through his triune brain, in which there are intellectual, limbic, and reptilian decisions. Finally, propose through these two perspectives, the relational concept between family business and client that we have called MindKeting as an exploratory proposal that helps to understand the types of decisions and actions that must be taken at the time of marketing management and brand of the family business.

The importance of branding management is deepened in Chapter 15, entitled “Family Business Firm’s Branding: Managing Strategic Attributes that Influence Millennial Consumer Behavior,” written by Connie Atristain-Suárez, Universidad Panamericana (Mexico), the author expose that the company decision making tends to center on Millennials, particularly because they represent a significantly large market with many behavioral characteristics and patterns that elude organizational leaders. Family business scholars have not yet delved into this contemporary phenomenon, which is relevant due to shared similarities between millennials and family businesses’ values/beliefs. The chapter is oriented to answer the following two questions: Are family business firm (FBF) branding efforts influencing Millennial consumers’ behavior?, and What FBF branding attributes drive Millennial purchase decision-making? This chapter provides insights on FBF branding, with a global presence, and the attributes driving millennials to patronize these firms and include quantitative and qualitative analysis and discussion on a conceptual model.

The growing proliferation of data in firms around the world has made data analytics a success factor for business growth and greater performance. To conclude Section 2, Chapter 16 incorporates the discussion of data analytics into family business research. This chapter is entitled “Data analytics, Challenges, and Opportunities for the Family Business,” and written by Manuel Alejandro Morales-Serazzi, Universidad Austral de Chile (Chile), Oscar González-Benito Universidad de Salamanca (Spain), and María Martos-Partal, Universidad de Salamanca (Spain). This chapter proposes a data analytics model for marketing decision-making and several key factors for the growth of the family business. The authors performed an empirical model, which allows visualizing the relationships that generate quality information. This chapter allows reducing the gap between competitors, regardless of their ownership structure. Therefore, it declares a challenge and an opportunity for the family firm.

Section 3 of this book includes contextual experiences on strategic management in family businesses cases in four different nations and continents. This section begins with a study in the Commonwealth of Puerto Rico, in Chapter 17, entitled “The 3D IFB SWOT Analysis as a Strategic Tool to Develop Entrepreneurial Plans for Family Businesses,” and written by Luz Leyda Vega-Rosado, the Inter American University of Puerto Rico at San Germán (Puerto Rico). This chapter provides a framework that the family business members could use to strategically and entrepreneurially evaluate themselves before they prepare the final strategic plan of the family firm. The tool consists of four phases. The first phase is the Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis of the Individuals that are members of the family business. The second phase is the SWOT analysis of the family’s generational groups. Each generation in the family business will work in groups considering their year of birth. The third phase is the SWOT analysis of the Business. The fourth and most important phase is the integration called 3D IFB SWOT Analysis. Three-D because it is three dimensional integrating the Individual, the Family’s generations, and the Business.

Chapter 18 is called “Strategic Orientation of the Managers of a Tunisian Family Group Before and After the Revolution,” and elaborated by Henda Ellouze Karray, and Souhaila Kammoun, both from IHEC, University of Sfax (Tunisia). This chapter aims to study the strategic orientations of a leader of a group of Tunisian family businesses in a context of uncertainty and transition after the revolution in Tunisia. The specific nature of the family business is that they perform significantly better in terms of sustainability, profitability, and growth when compared to nonfamily businesses, especially since a majority of Tunisian companies are family businesses. The authors intend to study the strategic orientations that can ensure the sustainability of family companies through cognitive mapping. The analysis of the cognitive map of the general manager of a group of Tunisian family businesses will help to compare its entrepreneurial orientations adopted before the revolution and its current orientations, allowing the long-term growth of family businesses after the revolution.

Conflict management in the family business is studied in the last two chapters (experiences in Turkey and The Philippines). Chapter 19, entitled "Conflict Management in Family Businesses: A Case Study from Turkey," and written by Meral Erdirençelebi, and Ebru Ertürk, both from Necmettin Erbakan University (Turkey), reveals how conflicts in family businesses can have devastating effects if they cannot be turned into functional conflicts and managed effectively. Institutionalization is the most effective solution in this process. Managing conflicts in family businesses where specific rules bind business and family relationships. However, conflicts can be managed effectively with methods such as: producing solutions before a conflict arises, effective communication between family members and nonfamily member employees before and during the conflict, separation of work and family from each other, prevention of nepotism, successful and effective planning, fair and performance-based reward system, determining the roles precisely and bringing them to a written form, receiving support from experienced nonfamily member employees and bringing professional managers to work. This chapter addresses the Sabanci Holding case study, a well-known and influential business family in Turkey.

To conclude Section 3, Chapter 20, called "Tracing the Root of Conflict: When Good Intentions Turn Bad," and written by Kristine Gail C. Lobo, Kenneth Metrado, and Allanne Mae I. Tiongco, all from the Asian Institute of Management (Philippines), addresses a 60-year-old Filipino family business as a case study to explain the intergenerational conflict in family business. The evolution of the family and tracing the root of conflict were explained using the family power framework. Through this perspective, different lenses were unraveled to understand the conflict and nature of the family business dyad. It aims to understand generational conflict (first, second, and third generations) using the family power framework. Sources of conflict were identified, such as misappropriation of funds, embezzlement, and succession problems. Sources of power involved parental power, sibling power, and kinship power. In a family business, conflict is a genetic makeup of the dyad, and it is inevitable but can be mitigated and managed. The case is a struggle within a family system that interplays with forces of power, authority, influence, and generations.

This Handbook of Research emphasizes the challenges and opportunities that strategic management must face in the family business. Besides, it covers familiar aspects that influence the strategic behavior, planning, and execution of the strategy. It also compiles a series of experiences and cases from different regions around the world in the field of strategic management. Hence, we expect that this book will be of your interest, and you find it valuable and applicable to your professional and personal life.

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Section 1

Family Capital, Organizational Knowledge, and Generational Issues on Strategic Management in Family Businesses

Chapter 1
Family Capital in Family Businesses:
Complementarities of Human and Social Capital

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ABSTRACT

Family capital is all social, human, and financial capital a family has at their disposal in the family to advance the business. Family capital is the pool of resources unique to family business and it has the potential for family businesses to gain competitive advantage over nonfamily businesses in today's competitive landscape. To advance the knowledge about strategic management in family businesses, this chapter reviews quantitative empirical work on each dimension of family capital and concludes that the field is still in its infancy. Most studies concentrate on (a part of) social capital, a few on human capital, and very few on all three dimensions. The review of the literature describes avenues for further research on family capital.

INTRODUCTION

Resource-based theories are prominent in the strategic management literature and starting to find their way into family business research (Habbershon & Williams, 1999). The resource-based view proposes that organizations flourish when they have a set of indispensable features at their availability to create and realize competitive strategies and increase efficiency and effectiveness (Barney, 1991; Barney, Wright, & Ketchen, 2001; Grant, 1991). Intangible resources related to social and human capital such as reputation, trust-based relationships, knowledge, skills, and motivation have a far greater potential of making a valuable contribution to competitive advantage than tangible resources such as technology and

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finance (Wright, McMahan, & McWilliams, 1994). This makes social and human capital the centerpiece of the resource-based view. Social capital can be achieved through a well-knotted social configuration that ties together information, influence, and solidarity within organizations and benefits organizational performance and innovation (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998; Westlund & Adam, 2010). Also, the sum of all human capital in an organization forms a significant asset to organizational performance (Becker, 1962; Chandler, 1962; Crook, Todd, Combs, Woehr, & Ketchen, 2011).

In family businesses, the overlapping systems of business, family, and ownership create the potential for unique configurations of social and human capital (Chrisman, Kellermanns, Chan, & Liano, 2010). Family relationships are different from business relationships: they are more intense, more enduring, and stretch across generations. The family social network can provide family members with unique tacit knowledge about the family business, it's legacy, and its wider business context, which can be put into use to advance the business (Arregle, Hitt, Sirmon, & Very, 2007; Coleman, 1988). However, whether these family relationships provide such positive assets to the business system may depend on the possession of certain family characteristics. The need to examine family characteristics as a potential source of competitive advantage has been put forward in several important review articles and special issues on family capital (Danes, Stafford, Haynes, & Amarapurkar, 2009; Dyer, Nenque, & Hill, 2014; Sorenson & Bierman, 2009). Family capital is the social, human, and financial capital that a family has at its disposal for advancing the business (Danes et al., 2009). Even though family capital theory builds on well-grounded research traditions in the domains of social and human capital theory and fits with the established perspective of the resource-based view, the amount of available empirical research on it has been limited to date.

This chapter aims to provide a review of the quantitative empirical studies on family capital and its social and human capital dimensions in order to evaluate the empirical evidence for family capital as a source of competitive advantage for family businesses. The contributions of this chapter are threefold. First, it answers the call for understanding this theory's assumptions, propositions, and boundaries, as well as addressing the need to contextualize its arguments, findings, and interpretations in the context of family businesses (Saiz-Álvarez, Leitão, & Palma-Ruiz, 2019; Saiz-Álvarez & Palma-Ruiz, 2019; Zahra, 2016). Besides, the assumption that family businesses are a homogeneous type of organization has recently been challenged (Chua, Chrisman, Steier, & Rau, 2012). By reviewing the empirical contributions on differences in "stocks and flows" of social and human capital in family businesses (Sharma, 2008), this chapter aims to contribute to this debate. Finally, the review aims to indicate where the potential and challenges lie in advancing social and human capital as a unique resource for strategic family business management. Before presenting the findings of the literature review, the next section presents the theoretical background of the family capital theory.

THEORETICAL BACKGROUND

In this chapter, a family business is defined as a business in which one particular family has majority ownership and actively participates on the board and/or in the management of the organization (Astrachan, Klein, & Smyrnios, 2002). The family can provide unique resources to enable the organization to obtain its strategic goals (Hoffman, Hoelscher, & Sorenson, 2006). This section starts by describing the concepts of social and human capital in the context of the resource-based view, followed by their application to the family business context, producing a heuristic model that integrates the theoretical concepts into a model of family capital (see Figure 1).

Human and Social Capital

Human and social capital has played an important role in resource-based theories of strategic management since Edith Penrose proposed in 1959 that organizations need the right resources to be able to act upon strategic business opportunities. The resource-based view (Barney, 1991; Grant, 1991) extended the role of resources as a means for strategic advantage. The amount and nature of resources an organization has at its disposal can limit its ability to take advantage of opportunities or allow for growth through seizing on opportunities when they come along. In particular, resources that are difficult to copy, replace, or transfer to other organizations provide organizations with non-elastic capabilities for seizing business opportunities (Barney et al., 2001). Three categories of resources, namely financial capital, organizational capital, and human capital (Barney, 1991), each have different strategic value for organizations.

Financial capital refers to tangible assets, such as finances, goods, and buildings, and is an essential nutrient for doing business. However, it does not generally provide a unique identity for strategy formulation. In the resource-based view, organizational and human capital meet the requirements for being considered unique capabilities better than financial capital does. Organizational capital consists of the procedures, strategies, and social layout of an organization. In contrast, human capital is the sum of all the knowledge and skills of all the people working in an organization. Organizational capital can be further broken down into structural and social organizational capital. Structural, organizational capital concerns the culture, routines, and processes in an organization (IT, strategy, policies, management processes, etc.). Social organizational capital concerns all the internal and external relationships an organization has with employees, teams, customers, suppliers, the community, and the government. As compared to physical resources, resources in the form of firm-specific knowledge stored in organizational members and their relationships within the organization and with buyers, suppliers, and governments provide organizations with unique capabilities. Managed well, social, organizational capital, and human capital can provide a stable basis for identity and strategize (Wright et al., 1994). This idea has found fertile ground in reviews on family business strategy, due to the uniquely intertwined configurations of family business dynamics and social, human, and financial capital (e.g., Arregle et al., 2007; Danes et al., 2009; Dawson, 2012).

Social capital is broadly defined as the sum of all actual and potential resources embedded within, available through, and derived from the network of relationships of an organization (Nahapiet & Ghoshal, 1998). It derives from and depends on the interactions and exchanges between multiple social actors (Bourdieu, 1985; Nahapiet & Ghoshal, 1998) that occur in relationships and social networks (Putnam, 1995) and are exploitable for business outcomes (Adler & Kwon, 2002). A social network can be characterized by the number of connections in it and the potential for creating new linkages (bridging), as well as by the quality of the relationships within the network (bonding). Both are required to build social capital (Adler & Kwon, 2002). Nahapiet and Ghoshal (1998) identified three dimensions of social capital: namely, structural, relational, and cognitive. Structural social capital concerns the quantity and patterns of connections among individuals. Relational social capital is the quality of the social ties expressed in terms of the level of trust, tie strength, obligations, expectations, and reciprocity in the relationship. Cognitive social capital refers to the shared language, culture, and norms and the institutional context defining how relationships evolve (Eddleston, Chrisman, Steier, & Chua, 2010; Zahra, Sapienza, & Davidsson, 2006). Social capital is valuable for the unique access it provides to a variety of resources like finance, knowledge, and people. Social capital is also inimitable because relationships in networks rely on personal connections.

Human capital is the collective experience, tacit and general knowledge, and skills and abilities represented by all the members of an organization (Becker, 1964; Crook et al., 2011). Essentially, human capital rests in individuals, who have their ambitions, reasons, and desires for putting that capital into action (Coff & Kryscynski, 2011). While on the one hand, social capital is required to facilitate the exchange of knowledge needed to develop human capital (Coleman, 1988), the motivation and capabilities for engaging in the exchange are mostly individual (Coff & Kryscynski, 2011). Human capital is valuable because of the unique abilities individuals can bring, and it can be rare, especially when individuals possess specific or tacit knowledge.

Social and human capital in family businesses resides in the overlapping systems of family and business. Definitions of these two forms of capital have been applied to the family in an attempt to understand the contribution of the family to the nature of social and human capital in family businesses. Arregle et al. (2007), for example, introduced family social capital, which they defined as "social capital developed among family members" (p. 76). Dawson (2012) introduced the concept of family human capital, arguing that family human capital covers family members' knowledge, skills, abilities, and attitudes, which eventually fuel work performance. This idea has also been further developed in papers on strategic human resource management in family businesses (e.g., Combs, Jaskiewicz, Shanine, & Balkin, 2018) and forms a defining element in family capital theory.

Family Capital

Family capital is composed of social and human resources, as well as financial and other tangible assets that can be made available to individuals or groups in organizations that derive from family affiliations (Danes et al., 2009). Because family capital is quickly available to the owning family and nearly impossible to imitate or transfer beyond it, it provides family businesses with unique capabilities for competitive advantage, as proposed in the resource-based view of the firm (Barney, 1991). The following subsections define and explain each of the three dimensions of family capital: social, human, and financial capital.

Family Social Capital

Family social capital refers to the structural, relational, and cognitive actual and potential resources embedded in the network of the family (Arregle et al., 2007). Structural relationships that relate to the family include patterns defined by marriage, parent-child relationships, family generations, and family branches. The quality of relationships might be expressed, for example, in family members' beliefs about themselves and how family members should relate to one another and the larger community (Sorenson & Bierman, 2009). The cognitive dimension of social family capital refers to the shared beliefs about how the family relates to the business. In larger family businesses, such beliefs are often documented in governance structures (e.g., documents and meetings). Family social capital can further be grouped into relationships between family members, relationships between the family and stakeholders in the organization like nonfamily managers and employees, and relationships with the broader business world. Since family social capital nests in individual family members, it is a nontransferable resource unique to the family (Hoffman et al., 2006). Some review articles advocating family capital concentrate primarily on its first dimension, social capital (e.g., Hoffman et al., 2006; Pearson, Carr, & Shaw, 2008). This may not come as a surprise since family relationships are at the core of what a family is: relationships defined by blood ties. In a similar vein, Habbershon and Williams (1999) introduced the concept of "familiness," which they define as an idiosyncratic firm-level bundle of resources and capabilities resulting from the *interactions* between the family, its members, and the business (Habbershon & Williams, 1999; Sharma, 2008). This literature also builds primarily on family relationships and fits best with family social capital. However, these conceptualizations of family capital as the social capital created by family interactions fail to explicate the family human and financial capital that each provide additional assets for family businesses.

Family Human Capital

Family human capital is the sum of all knowledge, experience, skills, abilities, and motivation held by individual family members and available to the business (Sorenson & Bierman, 2009). Human capital provided by family members is unique for knowledge development and concerning motivational processes (Dawson, 2012). First, knowledge development concerns the acquisition and skillful use of facts, procedures, behavior, and interpersonal relationships. Grant (1996) proposes that organizations are social groups that function because they allow individuals to put their knowledge into action in line with the goals of the organization. A large proportion of knowledge is tacit; it is implicit and specific to certain contexts. The transfer of tacit knowledge is a social process that is facilitated if individuals get to work together, share ideas, and observe for longer periods (Grant, 1996). In the case of family human capital, tacit knowledge is rich, because it can be developed and shared over long periods of a close association between family members and across generations (Dyer et al., 2014). Family businesses are often found in context-rich industries where such tacit knowledge is crucial, such as traditional products (e.g., wineries and olive oil) and finance and services (Dyer et al., 2014). Second, motivation is the energy and endurance with which individuals are willing to contribute to a purpose. Through socialization processes from childhood, family members identify with their family group's norms, values, and symbols, as these define who they are as a person. The family business is symbolic of the being of an owning family (Gomez-Mejia, Cruz, Berrone, & de Castro, 2011). Through processes of social identification, family members are likely to align their behavior with the norms and values of the family group to maintain their own identity, which contributes to their intrinsic motivation (Dawson, 2012).

Family Financial Capital

Family financial capital consists of the financial wealth of the family and other tangible assets, such as the family house, business location, vehicles, or production facilities, that can be used to advance the business (Dyer et al., 2014). Access to financial capital is easier within the family than through a bank that may require more extensive business plans, interest schemes, or collateral before granting a loan. Individuals may give gifts or personal loans to family members for various purposes, including running a business (Sorenson & Bierman, 2009). The availability of financial capital may even extend beyond the family to the family network, for example, into an ethnic community. Moreover, the reputation of a family name alone can open doors to financing that would otherwise remain closed to other individuals.

Summarizing the findings in resource-based inspired publications about the competitive advantage of family businesses, it appears that social capital is the resource most widely adopted as being at the core of competitive advantage. A smaller number of authors separately concentrate on human capital in family

Table 1. Search strategy in Web of Science and results

Keywords in Title	Records	Included in Chapter
Family capital AND family business	27	5
Family capital AND family firm	55	11
Human capital AND family business	4	2
Human capital AND family firm	8	3
Social capital AND family business	13	3
Social capital AND family firm	18	11
Total	156	33*

* Together, the 33 hits contain 19 unique articles
Source: Own elaboration

businesses. However, none of the reviews concentrates on family financial wealth as the core resource for family businesses. It could be argued that the use of financial resources strongly relates to both family social and family human capital. Therefore, the remainder of this chapter concentrates on reviewing the quantitative empirical research on family capital, family social capital, and family human capital.

LITERATURE RESEARCH

The last 15 years have fueled a large array of research exploring the potential of social and human capital in family business strategy and competitive advantage. This area of research started to emerge around the beginning of this century and has enjoyed renewed attention in the last five years. A literature search was conducted in the Web of Science to retrieve empirical articles about social and human capital in family businesses. The search concentrated on combinations of keywords that appeared in the title of a paper. The keywords "family capital," "human capital," and "social capital" were used in combination with "family firm," and "family business." These keywords were used because they reflect the core of this chapter. Table 1 gives an overview of the number of papers found in the search and how many are included in this chapter. It shows the combinations of keywords used, how many records were found, and how many papers found with the specific combination are included in this chapter. It can be concluded based on this table that research on human capital in the family business is rare. Only twelve sources with the keywords "human capital" and "family business" or "family firm" were found in the search. Most of the sources were found using the keywords "family capital" and "family business" or "family firm."

The search produced 156 hits, including book chapters, commentaries, editorials, and papers. However, due to some overlap, only 63 of these were unique documents. During the second step in the process, the summary of each paper was read to determine whether the content was indeed about human and social capital in family businesses and whether the source was an empirical study. The search on "human capital" AND "family capital" also yielded papers about human resource management in family businesses, for example. However, human capital is distinct from human resource management. Human resource management concerns managerial practices aimed at aligning human and social capital with the strategic goals of the organization. Social and human capital are the outcomes of human resource management. Papers that only focus on human resource management were therefore excluded from the selection. Twenty-six papers were either quantitative or qualitative empirical studies. After careful reading, it was further decided to only concentrate on quantitative studies, because quantitative studies contribute more to refining theory than qualitative studies.

All told then, a total of 19 empirical papers were included in this chapter's review. Each paper was carefully read and analyzed by the two authors. The papers about social and human capital were published in 12 different peer-reviewed journals having impact factors ranging from 1.727 to 5.329. All of these journals are related to management. Eight of the papers were published in journals that exclusively focus on family businesses, namely *Family Business Review* (6) and the *Journal of Family Business Strategy* (2). The papers were published between 2007 and 2019. The majority of them adopted a cross-sectional research design, and only four papers used longitudinal data. In almost all papers, survey data from small and medium-sized enterprises were used. Three papers used data from the SABI database, which contains information on companies in Spain and Portugal (Blanco-Mazagatos, de Quevedo-Puente, & Bautista Delgado-García, 2018; Herrero, 2018; Herrero & Hughes, 2019). Also, two studies used data from the National Family Business Survey in the United States (Danes et al., 2009; Gudmunson & Danes, 2013).

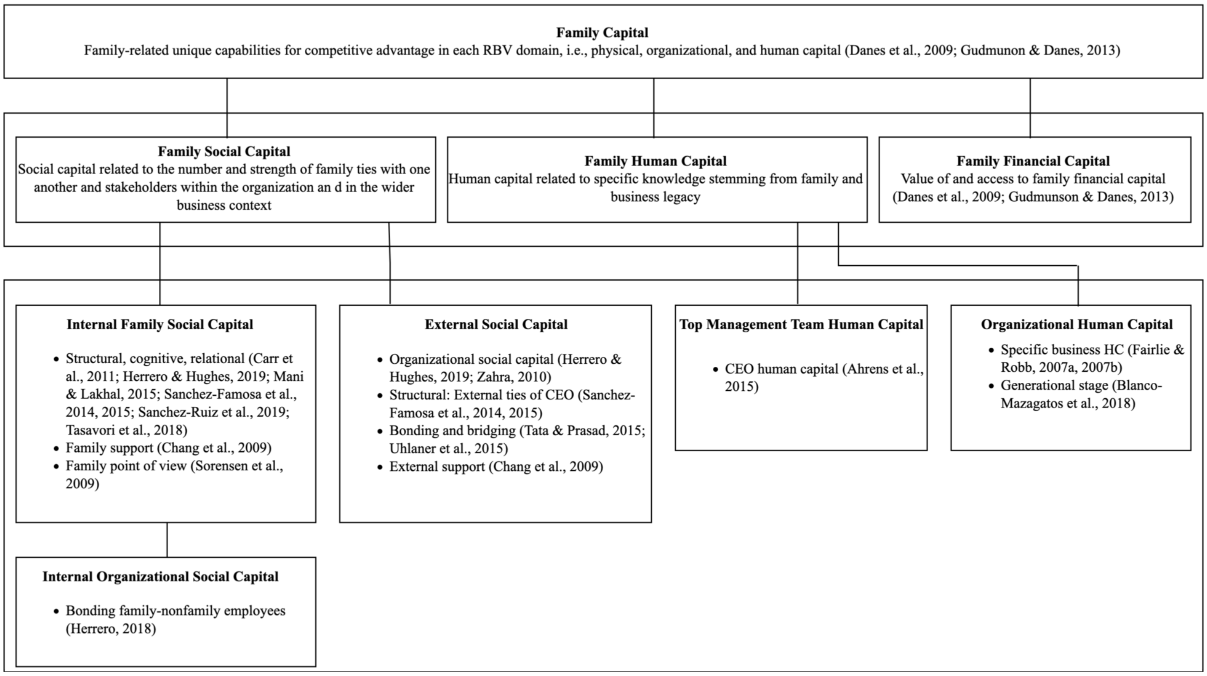
The findings of the review are grouped according to the dimensions of the overarching concept of family capital and visually represented in Figure 1. The search did not explicitly include physical capital. However, since it is a whole dimension of family capital, it will be discussed in the findings section for those papers that refer to it in addition to human and/or social capital.

Dimensions of Family Capital

The papers from Danes et al. (2009) and Gudmunson and Danes (2013) measured family capital as a composite of social, human, and financial capital. Taking an open systems approach, the authors reason that family business viability is a function of both a healthy firm and a functional family. They examined how family members exchanged resources across the family and business system. Data for the studies were gathered in a two-wave panel study on business owners and their families. In total, 311 small and medium-sized family businesses participated in the two waves. The data distinguish between the state of the type of capital (stocks) and the processes in place to facilitate the use of each capital type (flows). Family capital stocks can comprise such things as business experience and the number of family employees (family human capital), owner family identification with the business (social capital), and the logs of family and business net worth (financial capital). Examples of flows include intermingling (crossover of activities between the work and home domains), adjustment strategies (reaching out for help from other family members, external support), and harmonious family functioning. Controlling for business and family structure (size, financial goal), Danes et al. (2009) found that in the short term (first wave), a firm's net worth was the first most important predictor of firm financial success, followed by family human capital. In the longer term (second wave), family social capital related more to business success than family human and financial capital combined.

The research is a valuable first attempt to investigate family capital as a composite of family social, human, and financial capital. However, the authors acknowledged that not all of their measures were adequate for the concepts they aimed to measure. For an understanding of the relative value of each of the dimensions of family capital, the findings of the research focused on single dimensions are presented in the following paragraphs. Following Figure 1, findings are grouped along the sub-dimensions of social and human capital.

Figure 1. A heuristic framework of social and human capital in family businesses
Source: Own elaboration



Family Social Capital

Internal Family Social Capital

Family social capital could be seen as a special form of social capital among family members. It concerns the structure and quality of the network of relationships held by family members. In the literature research findings on this topic, there are three categories in terms of how family social capital is treated: papers with an internal family capital focus (bonding), papers that focus on the relationships of the family with other stakeholders in the organization (e.g., employees), and papers that include family relationships that extend beyond the business (external social capital or "bridging"). Following Figure 1, findings are grouped along the sub-dimensions of social and human capital.

Internal family social capital is about bonding among family members. Of the eight empirical papers on this topic, seven focused explicitly on the dimensions of structural, cognitive, and relational social capital as proposed by Arregle et al. (2007). Other studies developed different taxonomies of internal social capital tailored to the family business context (Gudmunson & Danes, 2013; Chang, Memili, Chrisman, Kellermanns, & Chua, 2009). Carr, Cole, Ring, and Blettner (2011) were the first to develop a measure to assess all three dimensions of family internal social capital in family businesses (structural, cognitive, and relational). The strength of their study lies in its development and validation of this measure for each dimension, based on a sample of family businesses. The structural dimension of the measure focuses on the relationships between family members who work in the family business. Questions are related to their communication style and willingness to share information. The relational dimension is about confidence and trust in the other family members, and the cognitive dimension focuses on commitment towards one another and pursuing the shared vision. One of the goals of the study by Carr et al. (2011) was to contribute to future research about social capital among family members.

That goal was indeed achieved, given that several subsequent studies have used the measure to research internal family social capital in relation to firm performance (Herrero & Hughes, 2019; Mani & Lakhal, 2015; Sanchez-Famoso, Akhter, Iturralde, Chirico, & Maseda, 2015; Tasavori, Zaefarian, & Eng, 2018) and innovation (Sanchez-Famoso, Maseda, & Iturralde, 2014). Mani and Lakhal (2015) concluded that all three dimensions of family social capital have a positive association with financial performance. Herrero and Hughes (2019) hypothesized an inverted U-shape relationship between the structural dimension of family social capital and performance but found only partial support for that. In the research from Mani and Lakhal (2015), the structural and relational dimensions of family social capital were positively related to non-financial firm performance. Tasavori et al. (2018) focused on the international performance of family businesses and concluded, based on a sample of 192 Turkish SMEs, that internal social capital does indeed increase international performance. Participative governance mediates the relationship, meaning that if family and board members can contribute to strategic decision-making, it improves international performance.

Sanchez-Famoso et al. (2014, 2015) differentiated between family social capital (between family members) and nonfamily social capital (between nonfamily members) because both types are important for performance and innovation. Results showed that nonfamily social capital had a stronger effect on firm performance than family social capital (Sanchez-Famoso et al., 2015). Besides, Sanchez-Famoso et al. (2014) concluded that both family social capital and nonfamily social capital had a direct and positive effect on innovation and that they were equally effective. Although most of the results in the studies investigated point to a positive effect for family social capital, it should be noted that social capital is a complex construct with three dimensions and that it is difficult to capture family social capital in the 15 items proposed by Carr et al. (2011). Sanchez-Ruiz, Daspit, Holt, and Rutherford (2019) also focused on all three dimensions of social capital and developed a classification of types of it in family businesses. Outcomes for firms having the highest levels of family social capital were reduced growth, enhanced firm optimism, and a desire to pass the baton to the next generation. According to Sanchez-Ruiz et al. (2019), lower levels of family social capital lead to growth, fewer family meetings, and less identification with the community. While Sanchez-Ruiz et al. (2019) still used the measure devised by Carr et al. (2011) in their taxonomy, they also advanced the field because they focused on family business heterogeneity by introducing the three distinct types of family social capital in the business context.

Arregle et al. (2007) argued that access to social capital facilitates entrepreneurship. Central to that social capital is a network of relationships. The study by Chang et al. (2009) empirically tested the influence of family social capital on venture creation through the mechanism of family support. Results showed that entrepreneurs who were supported by family members were better prepared to launch new ventures successfully. Despite the conceptual appeal of Chang's work, the validity of the measures used seems limited. The items in the questionnaire measuring family support were rather broad, with only one item operationalized as "volunteering." Items on other forms of support, such as financial help, were lacking. Also, the article did not include all dimensions of social capital.

Sorenson, Goodpaster, Hedberg, and Yu (2009) introduced the concept of "the family point of view," which emerges from collaborative dialogue and facilitates the development of social capital among family members, ultimately increasing performance. Their study consisted of a sample of 405 small family businesses, and the results did indeed show that collaborative dialogue may positively affect family business performance.

Internal Organizational Social Capital

Internal organizational social capital is defined as the relationship and interaction of family members with internal stakeholders like employees. Taking employees into consideration is important because they have a large pool of social capital, as well. However, articles about family social capital mostly focus on family members. Only one article explicitly addressed the social capital held by nonfamily members of family businesses. Herrero (2018) analyzed three types of social capital, namely that of staff members in nonfamily businesses and both family members and nonfamily members in family businesses. She used the measure developed by Carr et al. (2011) to measure family social capital, and the results showed that it was stronger than social capital developed by nonfamily members, although the bonding social capital of employees in both family and nonfamily businesses should not be underestimated.

External Family Social Capital

External social capital is about the external relationships of the family in a wider business context and is a bridging form of social capital (Adler & Kwon, 2002). Bridging family social capital has been less researched than bonding family social capital. Concerning strategic management, external family social capital is important, because strategic management is about the fit of an organization with its environment. This fit is important for not only gaining a competitive advantage but also for innovation. Zahra (2010) focused on the organizational social capital of family and nonfamily businesses with new venture creation. Organizational social capital is the goodwill and resources that organizations gain from interacting with other firms (Zahra, 2010). It was measured with questions related to the firms' reputation and connections in their industry and other industries. Zahra (2010) concluded that family businesses with high levels of organizational social capital invest in ventures by nonrelatives and former employees. If they appropriately use their organizational capital, it creates business and alliance experience, which ultimately have a reinforcing effect because alliance experiences increase social capital. Herrero and Hughes (2019) used the measure of organizational social capital developed by Zahra (2010) to test whether organizational social capital moderates the relationship between family social capital and financial performance in family businesses but found only a weak significant effect.

Two other studies measured the three sub-dimensions of family social capital in combination with bonding and bridging of social capital. Sanchez-Famoso et al. (2014, 2015) tested whether nonfamily social capital influenced innovation and performance and, if so, whether the effect was stronger than for family social capital. Their results were in line with the general assumption that family social capital and social capital are important for innovation and performance. Sanchez-Famoso et al. (2015) concluded that compared to family social capital, nonfamily social capital had a stronger effect on performance. Moreover, nonfamily social capital mediated the effect of family social capital on firm performance. Overall, Sanchez-Famoso et al. (2014) found that family social capital and nonfamily social capital were both important for innovation. However, nonfamily social capital was somewhat more important than family social capital. Although both studies advanced the knowledge on the complex interactions between family and non-family social capital, it should be noted that the measures used were limited to two items per dimension, which focused on relationships outside the organization (structural), reliance on fellow members of a group (relational), and shared ambitions, vision, and values (cognitive).

Two studies combined bonding with bridging social capital in family businesses. Uhlaner, Matser, Berent-Braun, and Flören (2015) examined whether the quality of relationships and a shared vision among owners (bonding ownership social capital) influences network mobilization (bridging ownership social capital) and how this might be moderated by family firm identity and ownership–management overlap. Their results showed that bonding ownership of social capital led to increased network mobilization. Tata and Prasad (2015) using a sample of 170 immigrant business owners to examine how social capital among immigrant family business owners helps them obtain network benefits and improve business performance. Results showed that relational and structural social capital positively influenced access to resources. Relational social capital also influenced access to information, while structural social capital influenced access to resources. These results, taken together, indicate that it improves business performance. This study did not include the cognitive dimension of social capital, however, and therefore did not measure the full concept of social capital.

Finally, Chang et al. (2009) examined the influence of family and external support. External support is defined as "the knowledge resources that entrepreneurs obtain from individuals outside the family" (p 283). Knowledge resources were measured with questions related to discussing ideas with and receiving feedback from people outside the family. Results showed that external support contributed to entrepreneurs being prepared to start a business, but it should be noted that not all dimensions of bonding social capital were included.

Family Human Capital

Top Management Team Social Capital

The search for empirical studies on family human capital resulted in only five unique, relevant hits. Two of these studies concentrated on the human capital of family members in the top management of family businesses (Ahrens, Landmann, & Woywode, 2015; Gudmunson & Danes, 2013). An initial observation in examining the measures used in them is that human capital was largely measured with demographic variables such as gender, age, experience, years at the company, and level of education. Ahrens et al. (2015), for example, investigated the importance of the human capital of a successor owner in a sample of 787 succession cases in German, all non-publicly traded family businesses. The focus was on a mixture of generic and industry-/firm-specific human capital in the successor: overall experience, industry-specific experience, leadership experience, and business education. They found that successors were predominantly sons and not daughters, although human capital was higher, on average, in female successors (daughters) than in male successors (sons). They, therefore, reasoned that human capital plays a subordinate role in successor decisions.

Organizational Human Capital

Three other studies looked into family-related human capital as a predictor of family member commitment to new or established business advancement (Blanco-Mazagatos et al., 2018; Fairlie & Robb, 2007a, 2007b). Fairlie and Robb (2007a; 2007b) demonstrated that entrepreneurs who grew up in an enterprising family were more successful than those lacking such a history. They argue that the tacit knowledge that children of enterprising families develop by listening to and participating in conversations about the family business at the dinner table helps them develop a specific experience that puts them in an advantageous position once they decide to become entrepreneurs themselves. This finding aligns with Dyer et al.'s (2014) notion that entrepreneurs prosper when they come from an enterprising family. Note here that the stock of human capital developed in a business family feeds into the success of another organization through the tacit knowledge the entrepreneur developed in childhood. Blanco-Mazagatos et al. (2018) differentiate between general organizational human capital and generational human capital in their study. The reason that in later generations, the initial levels of commitment of the new generations become watered down. Their study demonstrated that family member commitment to the family business required specific managerial attention to maintain the same alignment of interests felt by previous generations. While the above findings may appear contradictory, they align in the fact that they emphasize the importance of family member exposure to the entrepreneurial side of the business. The talk at the dinner table of an entrepreneurial business family may transfer implicit knowledge about doing business, while in later generations in which none of the parents is actively involved in the family business, such talk may address wealth preservation rather than entrepreneurship. This underlines the fact that measuring human capital by experience in a family business alone may not be sufficient.

Family Financial Capital

Two studies in the search for research on human and social capital in family businesses included financial capital, thereby recognizing the original theoretical pillars proposed in the resource-based view (Barney, 1991). Here, financial capital is part of family capital, alongside human and social capital (Danes et al., 2009; Gudmunson & Danes, 2013). According to Danes et al. (2009), financial capital is composed of the financial and physical assets owned by a family or by individual members of a family. The sustainability of the family business is conditional upon having that financial capital, in terms of both total worth and access to family financial capital (Danes et al., 2009; Gudmunson & Danes, 2013). These findings indicate that family financial capital matters for business performance outcomes (Danes et al., 2009), but also that the use of family financial capital to advance the business is dependent upon the social and human capital of the family (Gudmunson & Danes, 2013).

DISCUSSION

The resource-based view is gaining attention from family business scholars interested in strategic management because business families' characteristics have the potential to contribute to a firm's unique capabilities for competitive advantage. According to the literature review, social, human, and financial capital are the cornerstones of "family capital." This chapter presented an overview of the quantitative empirical research on family capital to date in order to understand the state of knowledge on family-specific resources for advancing competitive advantage in family businesses.

The literature review revealed that although the family business literature frequently cites the resource-based view, only a limited number of empirical studies have tested the theoretical propositions about the family as a unique resource for family businesses. There is only one study that combines social, human, and financial capital in a single study (Danes et al., 2009). The others included in the review examined either the social or the human capital of family businesses. Some discussion points arise from the literature review.

The first point concerns the narrow focus on only certain dimensions of social and human capital. For instance, the majority of the empirical papers focused on internal social capital, or, more precisely, the bonding between family members, which is internal family social capital. Familial bonding depends on the structure and quality of the network of relationships among family members. What is striking is that the internal family social capital is largely assumed to be stable and harmonious. More attention should be paid to the dynamic aspects of social capital, given that family businesses are continuously creating and destroying that capital. Family dynamics involve conflicts and cooperation, shared and divergent goals, altruism, and selfishness – all happening within familial relationships. This implies that the mere existence of familial relationships does not automatically guarantee that this resource will benefit the organization. To understand internal family social capital as a resource, research should use evaluative rather than objective measures (Salvato & Melin, 2008). Evaluative measures ask about the quality of the relationships among family members, while objective measures examine the number of relationships.

Concerning strategic management, the dominance of internal family social capital in the research falls short as a conceptualization of family capital. Although this dominant focus is plausible, pointing as it does to the main distinction between family and nonfamily businesses, families can and should also create social capital beyond their own family. Families also build social capital through relationships with stakeholders outside the organization and with nonfamily employees in the organization. This wider network of relationships is of particular importance for strategic management because it contributes to realizing a fit between the internal and external environment. A sole focus on internal social capital hinders the bridging of internal and external social capital, which is essential for creating a competitive advantage (Oliver, 1991). Little is known about the ability of family businesses to create, maintain, and sustain relationships with nonfamily employees in the organization or stakeholders in their external environment (Dyer, Nenque, & Hill, 2014). A conclusion from the review is that research examining the social capital of family firms is scattered, focusing too much on bonding within the family and largely neglecting the other levels and dynamic nature of social capital.

A similar concern pertains to the state of research on the human capital dimension of RBV-inspired research in family firms. Family firm human capital theoretically comprises all the knowledge, skills, and abilities available to the organization. However, the majority of the papers on human capital have a narrow focus on the human capital of successors. In addition, human capital is mostly approached using proxy variables such as age or gender. This limits any elucidation on the relative importance of family members' capacity to perform (knowledge transfer, psychological capital) (Memili, Welsh, & Luthans, 2013) and willingness to perform (through the process of identification with the family) (Dawson, 2012).

Like social capital, human capital develops over time and in exchange for other factors. There is a natural connection between social and human capital, as was proposed by Sharma (2008). Sharma proposed that family firms' unique capabilities are the outcome of "stocks and flows" of family capital. Here, human capital is the "stock" of family capital, consisting of all the tacit knowledge about the family and the business, the identification of family members, their willingness to contribute, their resilience, and the family system for overcoming hindrances. The use of these stocks is appropriable through social capital, which enables the transfer of tacit knowledge, the sparking of family identification and motivation, and the provision of support in hard times. As the stock of family capital, human capital describes "what is," while social capital is the flow of human capital and addresses the mobilization of family stock resources.

An emphasis on the stocks and flows of family capital would answer the call to pay greater attention to the dynamics of human capital (Gudmunson & Danes, 2013). The stock and flow view of family capital fits with several capability-building theories in the strategic management literature. First, Coleman (1988) points out that social capital is a condition for the development of human capital. Applied to family capital, this would imply that families with a large network of good-quality relationships within the family, with employees, and with stakeholders and the wider community will have better resilience and more capacity for developing human capital than those with smaller networks. Second, dynamic resource-building theories such as Nonaka and Takeuchi's (1995) theory on knowledge development in organizations point to the social exchange processes needed to further knowledge stocks. Finally, Hobfoll's (1989) conservation of resources theory can be used to understand dynamic capability building as a prerequisite for family and business resilience. Each of these theories builds on the notion that flows of information and support from social capital provide the input for increasing stocks of human and financial capital.

The resource-based view provides a promising perspective for understanding variation between family firms. Frequently, family firms are compared with non-family firms, with the underlying assumption being that all family firms are alike. However, family capital consists of multiple dimensions and can vary between firms. Research that takes the resource-based view could serve as a starting point for addressing the diversity among family businesses.

The review presented in this chapter indicates that family capital research is still in its infancy. Resources tend to be studied in isolation, limiting the ability to grasp the full potential of family capital as a multidimensional, even dynamic concept. Several common limitations were noted in the studies reviewed above. First, most of the papers sample small and medium-sized enterprises. This may not come as a surprise, given that the majority of family businesses are SMEs. However, since the influence of the family is relatively greater for SMEs than for larger enterprises (Hambrick, 2007; Hambrick & Mason, 1984), family capital may be a more crucial resource in SMEs than in larger organizations. Second, as most studies are cross-sectional, one must be careful about drawing causal inferences. Third, many data on family characteristics may be unreliable since they rely on single respondents rather than multiple family members. It would be more appropriate to ask multiple family members to fill out a questionnaire because different opinions about human and social capital are combined into one measure. Fourth, the variation in definitions of the family business used in the papers presented complicates the interpretation of the findings. Although there is some discussion about the exact definition, most studies on social capital in families focus on ownership and management. Firms are labeled a family firm if one family owns 50% of their shares, and members of the family are represented in management. However, most studies do not include the transgenerational aspect of family businesses in their definition. Finally, measures for family social capital are developed for one purpose (Carr et al., 2011; Zahra, 2010) and then adopted by other researchers to other contexts. Given the discussions about definitions and construct validity, citing research should carefully evaluate the appropriateness of each measure for the study.

FUTURE RESEARCH DIRECTIONS

Family capital is a multidimensional and dynamic construct, for which definitions and measurements are still under development. Future research should further refine the theory and its measurement. Several suggestions for extending the current research are presented below. First, the measurement of family capital is still young, as apparent from the lack of coherence in the measures used. To allow for a comparison of findings, some unification in the measurement of family capital is deemed necessary. However, this should not be at the expense of measurement quality. The measure of Danes et al. (2009) could be refined to include more evaluative qualities of the three dimensions of family capital.

The next suggestion is to refine the research designs on family capital. Since family capital is a system-level quality, understanding it means involving multiple stakeholders in its evaluation. Multilevel questionnaire designs, qualitative case study designs, or network analyses are methodological means for addressing family capital as a system-level phenomenon. Alternatively, existing data like that of Danes et al. (2009) could be analyzed using cluster analysis techniques to find configurations of family capital and their relative effectiveness for business performance.

Furthermore, the review shows that in the existing research, the dimensions of family capital were either studied in isolation or tandem. Future studies could examine dynamic patterns of how, for example, constellations of internal, organizational, and external family social capital contributes to stocks of human capital in the family (e.g., successors) and in the organization (e.g., nonfamily managers) (Coleman, 1988).

Another direction for future research concerns understanding the factors influencing access to family capital. Dyer et al. (2014) suggested examining "family pattern" variables, such as opportunities for family members to gain skills and experience, to share knowledge, and to work with other family members, as well as family size, the opportunity to engage in activities that foster reciprocity and obligation, and the ability to generate and share wealth. In addition to these family pattern variables, family capital likely prospers when it is well managed. Memili et al. (2013) suggest examining the leadership in family businesses. Family leaders who engage in high-quality relationships with their family members, their employees, and their business relations will facilitate trust, mutual understanding, and shared vision and values. Also, human resource management could contribute to fostering family capital.

RECOMMENDATIONS

Here follow some practical recommendations based on the review for fostering the quality and impact of family capital so that organizations flourish and gain a competitive advantage. These involve the active management of family capital nutriments and the importance of bridging and bonding beyond the family itself. Active management of family capital can involve human resource management, mentoring, family governance, and relationship-oriented leadership. Importantly, family capital is a characteristic of not only the family itself but also how the family is embedded in its wider business context and social community. Strategic management is effective only when it can connect the organization and the family to the outside world, where ideas for innovation and information about competitors are available. Entrepreneurial families can use the resources deriving from their family capital to seize opportunities as they come along in the outside world.

CONCLUSION

Family capital – a three-dimensional construct comprising all the social, human, and financial capital available to a family business – was shown to relate to business performance outcomes and can, therefore, add to the strategic management of family businesses. However, due to the lack of coherence among studies for definitions and measures, the concept appears to still be in its infancy. It is expected that future research, inspired by well-researched theories such as the resource-based view and family resilience, will facilitate the maturation of the concept.

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KEY TERMS AND DEFINITIONS

External Social Capital: Structure and quality of external relationships of the family in a wider business context.

Family Business System: Overlap between the family system and the business system.

Family Capital: All the social, human, and financial capital available to a family business.

Family Financial Capital: Value of and access to economic resources provided by the family.

Family Human Capital: Human capital related to specific knowledge stemming from family business legacy.

Family Social Capital: The number and strength of family ties with one another and stakeholders within the family business and in the wider context.

Internal Family Social Capital: Structure and quality of the network of relationships held by family members.

Internal Organizational Capital: Human capital related to specific knowledge stemming from all employees in the family business.

Organizational Human Capital: collective experience, tacit and general knowledge, and skills and abilities represented by all the members of an organization.

Top Management Human Capital: Human capital related to specific knowledge stemming from the members of the top management team.

Chapter 2
The Generational Succession in Family Firms:
The Role of Organizational Knowledge

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ABSTRACT

Knowledge transfer is essential to managing a family firm's succession. Given the importance of knowledge in family firms, this chapter identifies, through an empirical approach, which are the main organizational strategies used for sharing, disseminating, and using the knowledge available as fundamental elements for survival and the development of companies in the phase of generational succession. The authors investigate the phenomenon and verify the evidence in some private health organizations interested in the generational change located in South Italy, given the lack of previous case studies. This chapter deepens the phenomenon and its recognizability by examining with a qualitative analysis of the problems existing in those who are currently living or have experienced this particular moment of business life.

INTRODUCTION

Family firms are the dominant form of business organizations with an estimated range from 60 to 98 percent of firms all over the world (e.g., Miller & Le-Breton Miller, 2005; Daspit et al., 2017). Calder's studies (1953) on management problems in family firms represent the first scientifically documented study in this field. Although the strategic approach for family firms was present in classic management books, the studies until the 80s remained for decades underestimated. However, in recent years, inter-

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est in this topic has been growing from different points of view. The most widespread business model in family firms has two main characteristics: the small size and the role of the family in management (Corbetta, 1995; Montemerlo & Preti, 2006). These are characteristics that represent, at the same time, elements of strength and competitive advantage for the company, but also situations to which attention must be paid, especially at the time of generational succession.

The generational succession represents a critical phase in the life cycle of family-run businesses, where, in most cases, the entrepreneur-founder is the pivot around which the company's success was built. It is widely recognized that generational succession is one of the main problems to be faced by family firms (Ward, 2004) with important implications for their long-term survival. Empirical studies show that this phase is the most delicate, with a large percentage of companies facing serious difficulties in this process of change so that they compromise the same "state of health" of the firm. Several aspects contribute to this process, the disparity of vision and the objectives (Chua et al., 2003, 2018), professionalization (Gnan & Songini, 2003), size and financial structure (Romano et al., 2001), corporate governance (Gnan et al., 2013, 2015) or resources and capabilities (Chua et al., 2003) more intangible aspects linked to the wealth of knowledge and skills of the entrepreneur, on which perhaps during the time the family firm has built its competitive advantage (Wong & Aspinwall, 2004). One of the major obstacles to be faced in the generational succession is inherent with the difficulty of preserving, developing, and transferring knowledge from the entrepreneur to the successor.

Entrepreneurs play a decisive role in the creation of corporate culture (Schein, 1983), given their prolonged stay in the company, so that the centrality of the entrepreneur is considered one of the major causes of conclusion in generational change (Feltham, Feltham, & Barnett, 2005). The close link between the company and the entrepreneur makes the maximum commitment. It guarantees the total availability of the latter, ready for great sacrifice in order to achieve success since the company is not only a source of economic wellbeing and social prestige but also an instrument of self-realization. Thus, in many cases, the name of the entrepreneur is equal to the company's name. However, the exclusive dependence of the firm by the propulsive force of the founder risks to affect the survival of the company; so that over time it can happen that the entrepreneur - having exhausted his initial intuition - can enter in a phase of immobilism by replicating the solutions used for the past (Nazzaro & Ugolini, 2003). It may also happen that the subject restricts his field of activity to a purely operational viewpoint, without a broad vision and is limited to dealing with emergencies when they have already appeared. Even if these scenarios should not occur, in any case this situation could create a dangerous "power vacuum" behind the one of the few subjects that constitute the entrepreneurial nucleus, so that any absence of the entrepreneur, inexorable with the passage of time, tends to provoke a management paralysis, with considerable damage to the company's balance in the long run (Nazzaro & Ugolini, 2003).

Studies have observed how the presence of the family (concerning its values, traditions, and priorities) in the company affects the choice of strategies (Chrisman, Chua, & Kellermanns, 2009; Gnan & Montemerlo, 2001). It is argued that the resources that the family firms own are due to the interaction of the family, its individual members and the company (Habbershon & Williams, 1999), which can lead to advantages based on the family, which is the means by which family firms achieve the goal of creating transgenerational wealth (Habbershon, Williams, & McMillan, 2003). So, the objective of this work is to identify, through an empirical approach, which are the main organizational strategies used for sharing, disseminating and using the knowledge available as fundamental elements for survival and the development of companies (Durst & Edvardsson, 2012; Chirico & Salvato, 2016) in the phase of generational succession. Knowledge transfer is essential to managing a family firm's succession. Durst and Wilhelm

(2012) concluded that when small firms 'fail to tackle the problem of knowledge attrition, it may strongly affect their survivability. Knowledge transfer is the firm's ability to exchange knowledge. It is essential for family firm continuity after succession. According to Muskat and Zehrer (2017), knowledge transfer is 'a process that covers several stages starting from identifying the knowledge over the actual process of transferring the knowledge to its final utilization by the receiving unit'. Knowledge transfer has been identified as the one issue in family succession.

Given the importance of knowledge in family firms, the work aims to investigate the phenomenon and verify the evidence in some private health organizations interested in the generational change located in South Italy. The objective of this chapter is to deepen the phenomenon and its recognizability, by examining with a qualitative analysis of the problems existing in those who are currently living or have experienced this particular moment of business life.

FAMILY FIRM AND GENERATIONAL SUCCESSION

Family firms represent the most ancient form of organizational structure and play an essential role in modern economic life. Family firms' research has grown exponentially in the years (Williams et al., 2018). The goals are often cited as constitutive elements of the definitions of family firms (Chua, Chrisman, & Sharma, 1999; De Massis, Chua, & Chrisman, 2008), and they are seen to have a significant effect on strategic decisions and behavior in family firms (Chrisman, Chua, & Litz, 2004; Mazzelli & De Massis, 2017; Sciascia & Mazzola, 2008). As widely documented in academic literature, family firms perform better and enjoy a sounder financial structure than non-family firms (Allouche et al., 2008). In recent decades, the phenomenon of FF has been the focus of scholars and policymakers. The first consideration on this topic is that a family's involvement in the business makes the family firm unique and becomes the key defining issue that differentiates the family firm from the non-family firm (Chua et al., 1999). The contemporary presence of business and family dimension has generated extensive literature. Table 1 explicates and summarizes a selection of possible definitions of a family firm over time.

The different definitions show that family firms have one objective: to achieve the continuity of the firm in the future with members of the same family in ownership and control. When the authors talk about family firms, they do not refer to a homogeneous group of companies. Although similar traits can be identified, family firms have several differences that involve some characteristic elements such as size, structure, management, and governance. The heterogeneity that characterizes them makes difficult any form of classification (Dagnino & Pinna, 2017; Baschieri, 2014). Every family firm is affected by a succession of generations as part of its natural company life.

The different contributions that have followed over time show that family firms became a particularly sensitive topic, where the actors involved have to redefine roles and relations, especially during their moment of greatest crisis that is the generational change. This is a case where two or more generations are involved in the firm as the interplay of family dynamics impact on decision-making (Hess, 2006). The definitions take into account many aspects, such as family ownership, the involvement of the management, business, and intergenerational transfers. According to Gersick et al. (1997), decision making is inevitably influenced by the considerations of business, family, owners, and impacts directly on strategic direction. Chrisman et al. (2004), and Chua et al. (1999) suggested that researchers in Family Firm consider the key topics as ownership, organization evolution, management in generational change. In Brockhaus' research (2004), the generational change is a significant moment in a family firm's life. This

Table 1. Definitions of the family firm

Author	Definitions
Ward (1997)	FF is a firm where the management and control will be passed on to new generations of the family.
Chua et al. (1999)	FF is a business governed and managed to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.
Miller and Le Breton-Miller (2003)	FF is one in which a family has enough ownership to determine the composition of the board, where the CEO and at least one other executive is a family member, and where the intent is to pass the firm on the next generation.
Villalonga and Amit (2004), Allouche et al. (2008)	FF as one in which family members hold top management positions, such as chief executive officer, or sit on the board of directors, and are among the principal shareholders.
Rouvinez and Ward (2005)	A FF is a company that is substantially affected by one or more family members. The family includes a group of people descended from a couple, their related, and the couple itself. The influence of the family is generated by the ownership of the entire capital or in their absence, and it is balanced by the influence of the governing body and management.
Miller et al. (2007)	FF are those in which multiple members of the same family are involved as significant owners or managers, either contemporaneously or overtime.
Sciascia and Mazzola (2008)	FF are those in which the family controls the business through involvement in ownership and management positions. Family involvement in ownership (FIO) and family involvement in management (FIM) is measured as the percentage of equity held by family members and the percentage of a firm's managers who are also family members.
Barroso, Sanguino, and Bañegil (2012)	FF is one in which property and direction of the company are held by a family that has the desire of continuity since it wants the company to continue in the future in the hands of their descendants.
Cheng (2014)	FF is a firm in which the founders or descendants of the founding family continue to hold positions in the top management or serve on the board.
Dagnino and Pinna (2017)	FF is one in which the descendants not only inherit ownership and, in many cases, the possibility of working in the company, but also acquire the necessary capacities so that they can replicate what the founders did.
Sageder, Mitter, and Durstmuller (2018)	…In FF, Family firm owners are often actively involved in the management of their firms, or they select and control the management

Source: The Authors

stage requires analysis from the perspectives of ownership systems, management, and family in order to understand the perspectives and needs of the actors involved. Generational succession is a pivotal phase to the firm's existence that Ward (1997) chooses to define as follows: "*we define a family firm as one that will be passed on for the family's next generation to manage and control*".

Theorists and researchers also agree that the continuity of businesses from one generation to the next depends highly on succession planning (Christensen, 1953; Dyer, 1986; Handler, 1989, 1994; Lansberg, 1988; Rosenblatt et al., 1985; Tashakori, 1977; Ward, 1997). In recent years, the issue of succession planning in businesses constantly remained a specific topic in management studies. Kets de Vries (1993) pointed out that the founder of the family firm tends to ignore succession planning, resulting in conflicting relationships with the potential successor in an unfinished sequence that puts at risk the same survival of the firm. However, despite the importance of planning (Handler, 1994), researchers have found that family firms often not prepare succession planning.

The process of generational succession in family firms is often both lengthy and complex. It is influenced by factors such as the personal goals of the owner-manager, family structure, ability, and ambitions of potential successors, and legal and financial issues (Miller & Le Breton-Miller, 2003). Researchers emphasize what determines successful ownership and generational management change involving family members and non-family stakeholders, alongside the general characteristics of this effective process (Handler, 1994; Le Breton-Miller, Miller, & Steier, 2004; Sharma, Chrisman, & Chua, 2003). The study of Baù, Hellerstedt, Nordqvist, and Wennberg (2013) stated that there is a need to study the conditions surrounding successful generational change on family firms and the implications of this process in the survival of the firm. Different authors like Wortman (1994), Heck and Trent (1999), Rogoff and Heck (2003) agree that precise definitions of the family firm are debated and most focus on kinship ties between family members who own and run a venture. It is the intersecting relationship between family members, the family unit, and the business that is believed to form the unique set of features that explains performance differences between family and no family firms, as said by Habbershon et al., (2003), Dewi and Dhewanto (2012). This intersection became a source of conflict within families and businesses (Daily & Dollinger, 1992; Harvey & Evans, 1994; Kellermanns & Eddleston, 2006). According to Ghee, Ibrahim, & Abdul-Halim (2015), family, conflicts may arise due to disagreements over growth targets, succession decisions, but may also be driven by family issues relating to time spent away from home, marital differences, or inattention to important family events. In any case, such conflicts are often a direct result of close and repeated interactions between family members, the family unit, and the business. The interdependence between the three sub-systems identifies how each one has its own identity and strength, as well as the objectives and rules of action. However, at the same time, it relates to and interfaces with others by contributing to the success in the transition from one generation to the next.

KNOWLEDGE: A KEY RESOURCE FOR GENERATIONAL SUCCESSION. WHY IS KNOWLEDGE IMPORTANT?

In an era in which the only certainty is uncertainty, knowledge is considered the main distinguishing factor of economic success (Nonaka, 1994). It is conceived as one of the main strategic resources that allow an organization to generate a competitive advantage over time (Spender, 1996).

Knowledge is not to be understood only as information and data but can be described as a "fluid combination of experience, values, contextual information, and specialized competence" (Davenport & Prusak, 1998). It, therefore, becomes the result of a dynamic human process and can be seen as information combined with experience, interpretation, and reflection (Nonaka, 1994; Brown & Duguid, 2001).

Paying attention to organizational knowledge is fundamental for the survival and growth of any company, but above all, for family businesses, where knowledge is often incorporated into the entrepreneur figure, and during the succession process, the very survival of the company may appear threatening.

The concept of knowledge has long been a field of comparison and interpretation within the scientific community: from the classical distinction tacit-explicit (Polanyi, 1988; Nonaka, 1994), to that Resource Process (Swan et al., 1999), up to the most recent leaky-sticky (Brown & Duguid, 2001).

Any classification or cataloging of the concept of knowledge indeed resumes a comparison with the first distinction made by the philosopher and economist Polanyi between explicit knowledge and tacit knowledge, according to which human beings acquire knowledge by actively creating and organizing their experiences through interaction with objects or through involvement and self-commitment.

Explicit knowledge is a type of knowledge that can be easily codified, transferred, and used collectively. It can be distinguished in explicit knowledge based on objects, and explicit knowledge based on rules. In the first case, it is expressed through symbols (words, metaphors) or physical objects (books, photographs, maps). In the second case, knowledge is included in standard operating rules and procedures such as laws, regulations, and circulars.

Tacit knowledge, on the other hand, is more difficult to translate into written or codified form, cannot be easily transmitted by instructions, and is not easily verbalized. Tacit knowledge is, above all personal, has the personality as a fundamental characteristic; in fact, it is so tied to the behavior of the person that it cannot be entirely shared and difficult to replicate.

According to Polany (1988) knowledge is not an entity that can be split into two parts, it is composed both of a tacit and an explicit part, which are not sharply divided or indeed while tacit knowledge can be possessed by for itself, explicit knowledge must be based on being tacitly understood and applied. Therefore all knowledge is tacit or rooted in tacit knowledge. Wholly explicit knowledge is unthinkable (Polany, 1988).

Therefore, Polany maintains that the knowledge used to carry out any activity can be distinguished in two ways:

1. Focal knowledge understood as the knowledge inherent in the object or phenomenon on which it is concentrated.
2. Tacit knowledge, or the component that is used functionally concerning the object of attention.

Tacit knowledge is considered a fundamental resource, especially for the creation of knowledge in companies, as it can create a fabric that makes the company unique and competitive on the global market.

The knowledge that comes from experience tends to be tacit, it arises in a specific and concrete context, and its sharing among individuals requires a simultaneous elaboration of the complex aspects shared by them. Differently, explicit knowledge derives from reason, is interested in past objects and events, and aims at the elaboration of a decontextualized theory.

In 2001, Brown and Duguid affirmed that knowledge is generally conceived according to two perspectives: leaky and sticky, which represent the two opposite ways of seeing knowledge management. The leaky dimension refers to the problem of the possibility of managing knowledge within the organization and of the effort required to increase, create, and disseminate knowledge within its reference system. The sticky dimension, on the other hand, is connected to the opposite problem, that is, how to avoid knowledge being transferred or even transferable to subjects that could benefit from it.

The instrumental knowledge that is investigated for its ability to support and influence other organizational processes (such as decisions) becomes a resource to be managed in order to be exploited.

In light of the above, it is possible to highlight how, in the generational turnover phase, from knowledge management, the child holds a privileged position in finding strategic information.

In fact, considering the distinction between explicit knowledge (which can be codified by words or figures) and tacit knowledge (system of thought, of logical and behavioral cognitions of each individual), it is possible to affirm that the "privileged" position of the child, deriving from his family relationships, guarantees these the possibility of being in the ideal condition for the sharing of tacit knowledge, more difficult to communicate because it cannot be formalized, in fact in general, the more tacit knowledge, the more challenging to transfer, this phenomenon is known as "sticky knowledge". The "tacitness" of knowledge is difficult to estimate precisely because of its extraordinarily subjective and transparent form, given that it is individuals who are the central "repositories" of this form of knowledge that is difficult to communicate due to its transparent characteristics.

KNOWLEDGE IN FAMILY FIRMS

Among the various factors that influence generational succession, there are those attributable to the study of the capacity with which the entrepreneur and his successor plan and manage this complex process (Matthews et al., 1999). Among these, a particularly critical aspect concerns the transfer of intangible factors, such as the skills, abilities, and knowledge on which over the years the family firms has built its competitive advantage (Wong & Aspinwall, 2004), hence the source of his success (Vagnoni, 2013). In the generational succession, one of the major obstacles to face is inherent to the difficulty of preserving, developing, and transferring knowledge from the entrepreneur to the successor. Entrepreneurs play a decisive role in the creation of the corporate culture, given their prolonged permanence within the firm (Schein, 1983), so that the centrality of the entrepreneur is considered, in fact, one of the main reasons for the cessation and failure of the generational changes (Feltham et al., 2005). As emphasized by Ampò & Tracogna (2008), "generational succession is not an instantaneous occurrence, but a process that can take place over a rather long period, during which the handing over between the outgoing entrepreneur and his successor is gradually realized". This is a process marked by a progressive redefinition of the reciprocal roles of these two subjects, as well as by some latent factors of difficulty and conflict. Furthermore, it is during this phase of cohabitation between an outgoing entrepreneur and successor that a crucial transfer of tacit and explicit knowledge is realized between them. In this perspective, generational succession can be considered as a process of transfer and creation of knowledge through the synergistic interaction between entrepreneur, successor, and organization. From this point of view, especially for family firms, knowledge becomes fundamental for the survival and growth of companies, where knowledge is incorporated into the figure of the entrepreneur (father-founder) and, therefore, potentially "lost" during the process of generational change. When the founding fathers leave the company, they take away with them "critical/vital knowledge". So, without adequate and effective methods that can acquire and capture knowledge and then transfer them to their successors, it is lost forever (Urbancová, 2012). Moreover, unlike tangible assets that tend to lose value over time, knowledge instead becomes stronger when it becomes an object of sharing and use (Potì, 2013). For these reasons, its maintenance (knowledge retention) within the same family firms becomes of vital importance for the general functioning because it is of fundamental importance to know how to preserve the knowledge accumulated over time but also to be able to share it and spread it (Annasingh, 2012; Botti & Ferrari, 2006). Thus, the maintenance of knowledge - in combination with its transfer - can help organizations to reduce the risk of "leakage" of knowledge, especially in the phase of generational succession (Durst & Ferenhof, 2014). Therefore, with reference to the "organizational memory", there is a double need: analyze the know-how and choose what should be maintained over time and in the takeover of the emerging generation; and managing the conservation and sharing of know-how, so that the knowledge heritage of each component becomes the common heritage of the whole organization

It will, therefore, be possible to identify different forms of knowledge, which can be differently coded and transmitted within the organization because they can be differently explained. In some cases it will be possible to use documents and archives, both in paper and digital format, able to guarantee a quick and simple access to information; in others it will be necessary to use the experiences present in the members

Table 2. Main organizational strategies used for sharing, disseminating and using the knowledge

Tools	Definition	Author
MENTORING	• The dynamic process through which mentors provide advice or support to those who have limited experience or skills; it is defined by a development relationship that enhances both proteges growth and advancement. • A mentor is someone with the most experience who shares his knowledge with someone less experienced within a relationship of mutual trust. A combination of parent and child, the primary function of the mentor is to be a figure "transitional" in the development of a person.	Kram (1985) Clutterbuck (1991)
COACHING	• Coaching has a wide variety of manifestations. At one end of the spectrum are programs of personal growth and development. At the other extreme, coaching can be very specifically skills-oriented. It is one manifestation, where senior executives are assigned a person who can clarify and work on their strengths, weaknesses, and goals. It provides them with a fair and insightful means of support, tailored to their specific needs. • It is a process which aims to enhance learning and development and thus to improve the performance. To be successful, a coach must know and understand the process as well as styles, skills, and techniques appropriate to the context in which the coaching takes place.	Martin (2006) Parsloe (2000)
OBSERVATION, PARTICIPATION	• Observation intended as the ability to look and listen. A technique that involves personal contact between the two parties and intense, prolonged interaction with direct involvement (participation). The aim is to be able to see the world through the eyes of those being observed.	Corbetta (1999)
RETENTION	• Knowledge retention can be defined as "maintaining, not losing, the knowledge that exists in the minds of people (tacit, not easily documented) and knowing (experiential action manifesting in behavior) that is vital to the organization's overall functioning	Martins and Meyer (2012)

Source: Own elaboration

of the organization, through observation, participation or work done together with experts or coaches (Durst & Ferenhof, 2014). As also suggested by Aiman-Smith et al. (2006), it is possible to reduce the loss of knowledge by making effective use of the members of the organization both before and after their retirement. So the continuity of family firms is the sum of the transfer of knowledge, willingness to give in and desire to share a propensity to act as a mentor to their children before the children learn to manage themselves independently, the longer it will take so that the parent can exercise his role of guide or mentor. By including children of a family in the daily management activities through a system of delegations with the possibility of sharing decisions, it will facilitate the process of generational succession in the future. Therefore, during the generational succession, the leakage of knowledge results is one of the problems to be faced to ensure the survival of the firm itself. Its maintenance could be considered a useful solution through the use of organizational strategies capable of recognizing fundamental and critical knowledge for the organization itself. Table 2 shows the possible organizational strategies that can be used to manage the transfer of knowledge, thus avoiding the "leakage" in the generational succession (Martins & Meyer, 2012).

Making use of mentoring or coaching allows the sharing of knowledge precisely because "Coach" is who works with an employee in order to motivate him and help him to develop skills, providing support and feedback. He is the one who demonstrates mastery in the professional areas, guides people towards high performance, supports, criticizes, and expands the organizational culture, facilitates professional and organizational development. One way to do this is one to one coaching; this mode involves a series of individual meetings of about one/two hours a week or a month for a variable period. Usually, the total duration varies from three to six months as it is a process that tends to look deeply into people's lives, and that moves a powerful set of emotions, even contrasting: anger, sadness, and joy. Another method used for the dissemination of knowledge is mentoring. A mentor is a sort of teacher or guide. Mentoring is defined as the process of building and maintaining intense and lasting relationships between one or more persons who are mentors (offering professional and psychological support) and a young person (mentee). Mentoring can be useful for rooting the culture for two reasons: contributes to creating a sense of unity, promoting acceptance of the fundamental values of the organization at all levels, and the aspect of socialization typical to mentoring also promotes a sense of belonging.

Mentoring is not only important as a strategy for the rooting of the organizational culture; research shows that it can significantly affect the careers of the mentee. The collaborators who have been followed by a mentor, in fact, have better performances on the job and make career progress much faster than the other colleagues; moreover, they declare themselves more satisfied with the work. They are able to perform more complex tasks. However, the loss and preservation of knowledge are not exactly opposite, since an organization cannot maintain all available knowledge over time. Moreover, if knowledge is not maintained, companies will not be able to learn from past experiences and will have to continually "reinvent everything" and "start from scratch"; this is why it becomes useful that adequate knowledge resides within the organization and can be accessible to allow the development of business activities (Martins & Meyer, 2012). In the meantime, however, it should not be forgotten that often relevant knowledge in the past tends to become obsolete or to be forgotten for the time elapsed. Therefore, knowledge turns out to be in a state of constant change and will have to be continuously updated in order to continue to be a competitive resource for the company (Delong, 2004). In this way, prior knowledge integrated with developing ones will represent the resources to rely on for the growth and development of the company. So, generational succession represents a significant challenge for the family business; it is up to the ability of the entrepreneur and his successor to work and make the succession a process of success, improving its organizational performance. On one hand, knowing how to transfer and, on the other, to adequately acquire the knowledge and key skills for the success and survival of the family business, becomes or should therefore become a real interest and goal of every business generation, in order to avoid lose and disperse sweaty and built wealth.

METHODOLOGY

The objective of the research is to deepen the role of organizational knowledge and its recognizability in generational succession, with particular reference to the accredited private health sector, in a territorial district of the Calabria Region. In this case, the literature does not offer adequate analysis by bringing out and examining with a qualitative analysis of the problems existing in those who are currently living or have experienced this particular moment of business life. The research approach has an exploratory nature since the intention is to become familiar with a phenomenon that is a little known in healthcare. In detail, the work was developed in three phases described as follows:

- Theoretical and conceptual reflections characterized a first phase of the work through the study of literature (monographs, articles, and research on sites) as well as by the analysis of the documents relating to the issue of generational change in family firms and knowledge management in this delicate phase of generational turnover.

- The second phase of analysis provided for an empirical verification that resulted in the examination of the four accredited private health organizations. The data collection took place through composite research, that is, referring both to the elaboration of the interviews administered and through the analysis of the institutional documents.
- The last part of the work consists of the feedback, aimed at the critical analysis of the evidence found, that will find a synthesis in the conclusions of the work.

Furthermore, considering that the purpose of the research work is to provide possible representations of reality, the study, as described, has allowed us to investigate the phenomena in-depth, allowing us to grasp different related aspects.

Sample

The selection of organizations within our case study was based on analyzing the private health organizations that experienced the generational succession and the impact on corporate strategies. On this basis, a mapping was made of the private accredited health and social-health organizations within the existing database on the site of the Department of Health Protection and Health Policies of Calabria Region. This identification followed a process of systematic selection and subsequent steps, which identified a sample of analysis based on the following characteristics:

- The Health Organizations involved are all private accredited structures.
- All organizations belong to the "Care Homes" type.
- Organizations are all Family Firms.
- All involved organizations have experienced the moment of generational succession.

From this first step, the following Home Care have been identified: A, B, C, D.

METHOD

The research developed has proposed an exploratory approach through the "case study" method. This is a comprehensive study in organizational and management research, which is adapted to all those circumstances in which the verification of phenomena is mainly linked to the organizational conditions of the context. The case study stems from the desire to analyze and understand the Calabrian territorial reality based on the choice of some accredited private health organizations that have experienced or are experiencing the phase of generational succession. Through this method, it was possible to "learn lessons" from phenomena described systematically and comparatively in one particular context represented by accredited private health organizations.

After identifying the accredited private health organizations of the Province of Catanzaro, the survey method used - as the best tool for the study of knowledge transfer in the generational succession - the qualitative interview. Specifically, in this study, the tool for collecting the necessary information is represented by the semi-structured interview, this use has been prepared in order to propose a framework of common reference to all the subjects interviewed in order to read comparatively the perception of the phenomenon and to reduce and concentrate the variability of the answers. The interview proposed for this analysis, examines the transfer of knowledge between father and son during the generational succession, intending to measure and verify which organizational and behavioral factors influence the maintenance of knowledge in family firms and the impact on strategies business. The interview was used to bring out three distinctive features of the research in question: The family nature of the business, the moment of generational succession, and the role of knowledge in this delicate phase.

The respondents were contacted by telephone to make an appointment and start face-to-face interviews. The "face to face" interview was used to give more freedom to the interlocutor, which lasted about 60 minutes. So, in our analysis, there were two figures of interlocution subject to interview in two different moments: outgoing generation, that is, father; incoming generation, son. The interview submitted to the outgoing generation - father - focused on understanding the company's history (defined in the interview section "registry") from its origins and the concern of not being able to transfer its knowledge to his successor. Instead, the interview submitted to the incoming generation – specifical son - has set itself the goal of understanding the different forms of knowledge involved in generational succession, identifying those with greater risk of dispersion and more difficult to transmit. Both interviews are structured in two parts. The first relates to "the family firms and the generational succession": in which we want to investigate the issue of generational succession in family firms. The second deals with "the role of knowledge in the process of generational succession": in which we try to identify the existing relationship between knowledge and generational succession and understand if and how knowledge can be strong support in the father-son transition process.

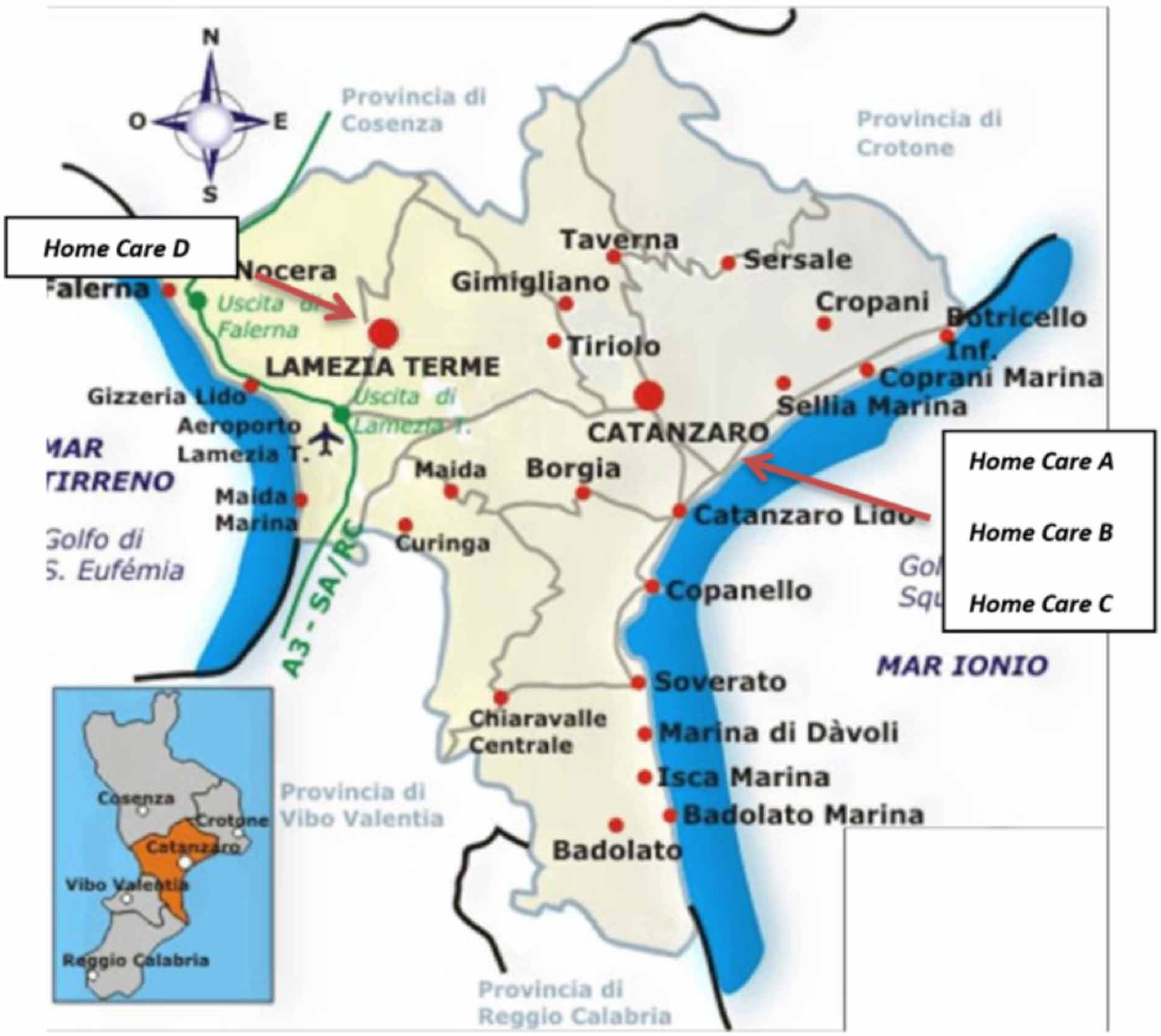
Through this tool we study the impact and ways in which private family health organizations manage knowledge transfer and try to avoid "leakage" dispersion between generations, collecting suggestions or strategies put into practice by entrepreneurs to avoid the phenomenon or in any case to reduce its impact on its organizations and the impact that this phenomenon has on corporate strategies.

RESULTS

The empirical analysis conducted through the semi-structured interview focuses on the private accredited homes care of the Province of Catanzaro. Figure 1 shows the location of homes care in the Province of Catanzaro. All the detected care homes (Care Homes A, B, C, D) have had a face-to-face interview. The structured interviews have interpreted all the top functions involved in the management and governance of health organizations. So, in two of the home care, it was possible to submit the interview only to the incoming generation as the only figure present within the organization. In the others, there was the opportunity to meet the incoming generation and outgoing generation because the latter is still in office.

The information collected in the first part of our interview, in which a series of questions were submitted on the topic of family successions and generational succession, allows us to detect a homogeneity in the responses regarding the theme of entrepreneurship in family firms. Specifically, regarding the question "which are, in your opinion, the fundamental qualities that an entrepreneur should possess?" all respondents agreed on two important points: vocational training; the managerial spirit. In fact, for the coverage of an apical role, we need to have a high educational background because when we talk about the training we refer to a set of planned activities to facilitate the learning of the role competencies that include knowledge, skills, and behaviors required by the job that takes place.

Figure 1. Map of accredited private Homes Care in Catanzaro Province
Source: Own elaboration



From a strategic point of view, training is a tool that contributes to the construction of human capital that includes necessary skills, advanced skills, and general skills. To perform the functions of a manager one must not only have an ante training, such as to be able to allow a subject to be able to cover this task, but also post through a continuous learning that allows to understand the whole work system and to acquire new skills to put into practice in the performance of the assigned objectives. Given the different theories on the subject of family firms, we then had the curiosity to understand what the interviewees meant by the concept of "family firms" and even here the answers obtained were not detached from each other, in fact the interviewees saw the family firms as "a company made up of family members, with the presence of family members both in the board of directors and in the various sectors in which the company operates".

The above is consistent with the different theories that identify family firms as a company in which a family, for at least two generations, holds a significative percentage of the capital and is part of the top management (Alcorn, 1982; Barnes & Hershon, 1976; Chua et al., 1999; Davis & Tagiuri, 1992; Ward, 1997). A further focus of our interview with the different professional figures was concentrated in the last part of the interview - dealing with the theme of the role of knowledge in the process of generational succession - on one of the critical points of the generational passage, that is on the need to transfer to the new entrepreneur the heritage of knowledge of the previous entrepreneurial generation. This focus arises precisely from the desire to investigate the role of knowledge and organizational tools used in companies during the phase of generational succession to bring out and examine the main existing problems with those who are currently facing, or in any case faced, this particular moment in business life. In this regard, the interviewees were asked if the knowledge, understood as "the power to organize, select, learn and judge the information available and the beliefs, experiences, values , and rules already possessed by people" (Davenport & Prusak, 1998), can be considered a valid support in the process of generational succession.

Consistent with the relevant literature, which has placed at the center of attention and analysis of entrepreneurial succession the ability to transfer the intangible elements that constitute the company's intellectual capital (Cabrera-Suarez, De Saà Pérez, & García-Almeida, 2001; Lee, Lim, & Lim, 2003; Sharma, 2004; Cesaroni & Sentuti, 2010), all the interviewees recognize the importance of knowledge during the generational succession phase, identifying in effect "the passage of the witness" in the company "as a moment that must represent and guarantee continuity over time, understood as the transmission of the business culture and as a transfer of knowledge from the founder to the future successor".

The knowledge possessed by the entrepreneur, the skills and attitudes developed by the entrepreneur during the long period of activity carried out in the company often do not find a form of explanation in the company information systems and remain held by the same. Consequently, the transition to the successor of the value system and the distinctive competencies underlying the management of the company is particularly complex, but also of that set of information that has never been explicit in the corporate information systems, although they are crucial in the decision-making processes of the company. During the generational successions, if the loss of knowledge turns out to be one of the problems to be faced to ensure the survival of the company itself, then the maintenance of the same could be considered a useful solution, through the use of practices able to recognize the fundamental and critical knowledge to the organization itself.

The interviewees identified as possible organizational strategies necessary for the transfer and sharing of knowledge "mentoring, observation, participation, written documentation, periodic meetings", which are all modalities that can allow the maintenance of knowledge over time, avoiding the loss during the generational changeover phase. This allows us to find out what in recent times the little literature has devoted to the topic of dispersion/loss of knowledge during the phase of generational change (Durst & Ferenhof, 2014; Martins & Meyer, 2012; Aiman-Smith et al., 2006; Annansingh, 2012). The process of generational turnover does not appear to be; therefore, only a problem of change in the organizational and proprietary structure. However, it also becomes a problem of maintaining and developing the level of knowledge over time. Therefore, family firms that can effectively manage the transfer of knowledge and skills from the entrepreneur to the successor have a higher chance of surviving.

MANAGERIAL IMPLICATIONS AND CONCLUSIONS

The outcome of this study provides implications for future research on the role and the impact of organizational knowledge in the growth of family firms, linked explicitly to the generational succession. The study was concerned with exploring individual and intra-organizational knowledge sharing, more especially in the succession process in family firms. The results enable the analysis of individual activities and knowledge sharing among the succession process. The research focuses on two key points. The first is the time when a company is facing a real prospect of development and the time of generational succession. The second crucial moment comes when the owner runs his hand because of advancing age.

During generational succession, if knowledge loss is the problem, then the knowledge retention could be regarded as the organizational strategy to combat the knowledge loss, by keeping the usage of practices able to recognize knowledge that could be lost to the organization. According to DeLong, the terms knowledge loss and knowledge retention are not exact opposites because it is not possible for an organization to ever retain all of the knowledge that it could lose (DeLong 2004). However, if knowledge is not retained, organizations will not be able to learn from past experiences. They will have to continually "*begin from zero*", unless appropriate knowledge resides within the organization and is easily accessible for the jobs (Martins & Meyer, 2012). Often the knowledge that has been relevant in the past may become obsolete over time, or it has been forgotten because of time elapses (Tam & Jurin, 2007). Therefore, knowledge is in a constant state of change and should be continuously updated. The developed research showed the importance of knowledge transfer for the growth and development of family firms over time.

From the research on field all the involved health organizations, and from the interviews developed with the various figures who currently hold top positions in strategic health directions, the authors found that respondents are aware of the importance of the role of knowledge in its various phases (acquisition, conservation, dissemination, and application) in order to face the challenge of growth and productivity in family businesses.

Furthermore, the analysis found that all the companies investigated understood the role that knowledge plays in the process of generational succession; they also highlighted the relevance of some possible and appropriate strategies, aimed at preserving and maintaining the knowledge and skills of the previous generation, for the growth and survival of companies in the future. The research carried out wants to be a starting point for reflection and a stimulus for future insights on the topic, focusing in particular on the analysis of further fundamental elements for the success and survival of private healthcare organizations in the regional context. The results obtained may be used for future cross-country comparisons concerning the analysis of other regional or extranational, healthcare systems, to verify starting positions and organizational methods.

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KEY TERMS AND DEFINITIONS

Accredited Private Organizations: They indicate the dedication and commitment of a healthcare organization to meeting well-defined regulatory standards demonstrating a higher level of patient performance and care.

Family Firm (FF): A firm governed and managed and controlled by members of the same family.

Generational Succession: One of the most delicate and critical moments in the life of family business because it involves the transfer from one generation to another of a real heritage of know-how and skills acquired over years of experience.

Health Organizations: They are social entities with specific objectives, involved in the process through which health care services are produced and delivered to healthy and sick individuals.

Home Care: Hospitals are often overcrowded, and those who need immediate care cannot afford to wait for places to free up. The request is much broader than the actual availability, and weeks or months may pass to get a visit or a bed. This is not the case in private home care, where the patients can request tailor-made treatments and dedicated therapies that are not usually carried out in public facilities. Private home care is subject to a fee. This means that, despite having significant advantages compared to public facilities, they must still be evaluated based on their economic availability.

Knowledge: The main distinguishing factor of economic success in a family firm. It can be seen as information combined with experience, interpretation, and reflection. It is often incorporated into the entrepreneur figure, and during the succession process, the very survival of the firm may appear threatening.

Organizational Strategies: During the generational succession, the leakage of knowledge results in one of the problems to be faced to ensure the survival of the firm itself, then its maintenance could be considered a useful solution, through the use of organizational strategies capable of recognizing fundamental and critical knowledge for the firm itself.

South Italy: From the geographical point of view, it is the part of the Italian peninsula located to the south.

Chapter 3
Organizational and Socio-Relational Factors Undermining Knowledge Sharing in Family SMEs:
An Empirical Investigation in the Italian Context

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ABSTRACT

This chapter investigates if and how the knowledge sharing process between the generations involved in business succession is actually accomplished. Furthermore, this chapter addresses if the next-generation family members are (adequately) trained to develop the proper knowledge and skills for their future role as entrepreneurs. Findings suggest that, even in SMEs, the entrepreneurs and their children often perform different jobs, developing different skills, and undermining the knowledge sharing process. Moreover, the training/learning (both formal and informal) process of the next generation does not appear to help in the development of entrepreneurial skills. Finally, it is suggested that the knowledge sharing process faces major criticism when a daughter of the business family is involved.

INTRODUCTION

Family firms are likely the most widespread type of business around the world (Miller, Le Breton-Miller, & Scholnick, 2008), receiving increasing attention from scholars. A very notable feature is that family firms also have non-economic goals: this is a well-established fact in family business literature (e.g., Astrachan & Jaskiewicz, 2008; Berrone et al., 2012; Chua, Chrisman, & Sharma, 1999; Zellweger &

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Astrachan, 2008). By definition (Chua et al., 1999), one of the most important non-economic goals is business sustainability across generations. During business succession, the senior slowly hand over the management of the business to the successor, who gradually becomes an entrepreneur (Chirico, 2008). Transferring, sharing and creating knowledge between people who are involved in succession plays a fundamental role in this delicate and uncertain process (Cabrera-Suárez, Saá-Pérez, & García-Almeida, 2001; Cope, 2005; Koiranen & Chirico, 2006; Le Breton-Miller, Miller, & Steier, 2004), but this knowledge transfer does not occur automatically (Del Giudice, 2011; Konopaski, Jack, & Hamilton, 2015). Organizational Learning Theories applied to the family business (Moores, 2009) asserts that knowledge is a fundamental asset in ensuring a firm´s development and survival (Durst & Runar Edvardsson, 2012; Grant, 1996; Wang & Noe, 2010). In order to fully achieve a business succession process, it is, therefore, necessary for knowledge to be correctly shared among the generations involved in the organizational processes. Although business transmission has been investigated in almost all its aspects, to date, the process through which knowledge is shared and transferred among generations has not been comprehensively examined (Boyd, Royer, Pei, & Zhang, 2015; Chirico, 2008). As highlighted by Konopaski et al. (2015), there is a paucity of conceptual and empirical work targeted at understanding learning in family firms. Hence, due to its strategic relevance for business continuity, and current literature gap, this paper aims to explore the knowledge sharing process in small family firms.

Literature suggests that family firms show several advantages in organizational learning processes. For instance, Cognitive Social Capital Theory highlights the central importance of networks of strong, cross-generational personal relationships developed over time that provide the basis for trust (Nahapiet & Ghoshal, 1998). Hoelscher (2002) described family capital as a special instance of social capital, more intense, enduring, and immediately available. Furthermore, sharing knowledge internally sets the basis for innovating and improving efficiency, thus realizing the potential, the specific value of that knowledge (Davenport & Prusak, 1998). Regarding the knowledge sharing process, small family firms seem to be in a favorable position, due to their size and strong everyday relationships among family members (Bjuggren & Sund, 2001; Kogut & Zander, 1992). Therefore knowledge transfer is favored in family firms (Sirmon & Hitt, 2003). However, some tacit knowledge is difficult to transfer (Cabrera-Suárez et al., 2001; Nonaka & Takeuchi, 1995) and takes a long time. Firm-specific knowledge can be the result of this tacit knowledge (Williamson, 1989) and, as suggested by Boyd et al. (2015), is at the same time a reason to prefer intra-family succession. This is due to the increased chances of getting better and more firm-specific learning processes as early as the young age of the next generation (Bjuggren & Sund, 2001; Royer et al., 2008).

Despite this favorable situation of family firms, statistics show (Cabrera-Suarez et al., 2001; Koiranen & Chirico, 2006; Le Breton-Miller et al., 2004) that organizational failure can be explained by the limited knowledge and skill levels of people involved in organizational processes. Often, family firm failures could be due also to the involved generations' lack of capacity and willingness to create, share, transfer and acquire the appropriate knowledge from generation to generation (Hatak & Roessl, 2015; Kellermanns & Eddleston, 2004; Szulanski, 1996). Given the relevance of knowledge sharing for business survival, it cannot be left to chance but must be properly planned and managed. Literature also suggests that knowledge sharing is largely in the control of the incumbent leader of the family firm (Rubenson & Gupta, 1996). In SMEs, in particular, seniors, often tacitly (Cardon & Stevens, 2004), share their knowledge and expertise with other people (e.g., juniors) day-by-day. However, the knowledge sharing process – as a collective process aimed at increasing the available knowledge - is not in the control of the incumbent leader exclusively, but also involves the next generation. Literature (Lave & Wenger, 1991; Gherardi & Nicolini, 2004) highlights that the 'peripheral legitimated participation' of the junior ensures the best outcomes in terms of knowledge sharing and development, due to the Situated Learning process (Hamilton, 2011; Lave, 1993). From this point of view, it becomes necessary that the next generation play an active role in the knowledge sharing process. Thus, both generations must cooperate in the knowledge sharing process. However, until now, the literature has mainly investigated knowledge sharing on an individual level (the involved people), neglecting the systemic aspects underlying the process

A systemic approach leads to considering the multiple levels and corporate roles that impact on organizational processes. Pervasive scientific literature (Poza, 2007; Reid, Dunn, Cromie, & Adams, 1999; Ward, 1987) shows that, in family businesses, institutional overlap suggests the adoption of a systemically focused approach on both family and business dynamics. The specific context acts actively in favoring or hindering the knowledge sharing process. Therefore, drawing on a dynamic and situated learning perspective applied to the family business (Boyd et al., 2015; Cope, 2005; Hamilton, 2011), the purpose of this paper is to explore organizational and socio-relational factors undermining knowledge sharing during business transmission. The focus is on the factors that impact negatively on the process, because these aspects hinder the generational shift and, consequently, business continuity. A failure in the knowledge sharing process is, therefore, an undesirable event for a family business. For this reason, it deserves specific attention. Given these theoretical motivations, and in order to specifically explore how knowledge sharing happens in small family firms, it is possible to formalize the research question: How organizational and socio-relational dynamics affect knowledge sharing in family firms?

BACKGROUND: ORGANIZATIONAL AND SOCIO-RELATIONAL DYNAMICS INFLUENCING KNOWLEDGE SHARING

Intangible resources such as knowledge are highly relevant for competitive advantages realization (Black & Boal, 1994; Rao, 1994), and in long-lived family businesses, they are transferred from one generation to the next. Family Capital Theory (Moores, 2009; Hoffman, Hoelscher, & Sorenson, 2006; Danes, Stafford, Haynes, & Amarapurkar, 2009), and the Knowledge-Based View (Cabrera-Suárez et al., 2001; Hatak & Roessl, 2015) offer copious suggestions regarding how to share and transmit firm-specific knowledge in organizations. Both approaches provide useful insights into assessing and explaining the strengths and weaknesses of the knowledge sharing process and are very suitable for investigating business transmission processes. However, in order to ensure a positive outcome of business transmission, the succession process should ensure that specific knowledge and expertise areas are transferred to the next generation. Furthermore, transferring knowledge internally sets the basis for organizational learning, innovating business, and improving efficiency, thus realizing the potential value of that knowledge (Davenport & Prusak, 1998).

Örtenblad (2001) indicated that organizational learning refers to the activity of the learning process within organizations. Learning integrates new individual knowledge and combines existing knowledge in different ways, leading to innovation and fostering long-term organizational reliability. This leads to a double approach in the study of organizational learning: an *individual* one – focused on exploring organizational learning as individual learning in an organizational context - and an *organizational* approach – seen as more than the sum of individual learning experiences (Örtenblad, 2001; Antonacopoulou & Chiva, 2007). Similarly, from a *Cognitive Social Capital* point of view (Nahapiet & Goshal, 1998), weaknesses in organizational learning could be due to both personal characteristics of involved people (e.g., see Barnes & Hershon, 1976) and contextual/environmental influence. In the field of organizational literature, *knowledge sharing* (KS) refers to the provision of task information and know-how to help others and to collaborate with others to solve problems, develop new ideas, or implement policies or procedures (Cummings, 2004; Pulakos, Dorsey, & Borman, 2003).

Organizational literature emphasizes that not only knowledge sharing but *every* learning process, including the development of professional skills, is a social process. This approach is rooted in cultural psychology (Vigotskji, 1990), and continues to provide a fundamental model of design and intervention in organizational contexts. More recently, the theoretical roots are from the field of Situated Learning (Lave, 1993; Lave & Wenger, 2006). This approach identifies the so-called Peripheral Legitimate Participation as a way to develop the junior´s skills in a specific organizational context. It is the junior´s active participation in a *community of practice* (i.e., a formal/informal enduring group sharing interests, practices, values: Lave & Wenger, 1991), made up of family and non-family members that fosters knowledge sharing and the improvement of contextual skills. Cope (2005), in his theoretical contribution, suggested a dynamic learning perspective at least partially overlapping with a situated learning approach. At the base of his model, there are three key-concepts: *temporal* phases, *critical* learning events, and *social* characteristics. A temporal perspective is well suited for investigating a process such as business transfer, which provides for a path of growing legitimization (Salvato & Corbetta, 2013).

Moreover, critical experiences and social participation allow the successor to develop job autonomy and proactive and adaptive competences (Cope, 2005), with the logic of situated learning. The literature on knowledge management in SMEs is broad and articulated (Chirico, 2008; Durst & Edvardsson, 2012; Konopasky et al., 2015), and highlights that the KS process does not happen automatically, and the positive outcome is not obvious. Durst and Edvardsson (2012) suggested in many SMEs. Systematic knowledge management is absent (McAdam & Reid, 2001; Wong & Aspinwall, 2004). The small business size in itself does not guarantee that the knowledge is managed and transferred. For example, Boyd et al. (2015) highlighted that a certain “transactional atmosphere” (family cohesiveness, commitment, traditions, and underlying values) is needed so that the knowledge transfer is realized.

Literature, highlighting that knowledge sharing often fails, suggests an important reason for this failure is the lack of consideration for the organizational and interpersonal context influences (Carter & Scarbrough, 2001; Voelpel, Dous, & Davenport, 2005). In the same way, Cunningham, Seaman, & McGuire, 2017) suggested that knowledge sharing is not something that happens organically, but instead relies on careful leadership approaches in order to foster a culture of sharing and training (Srivastava, Bartol, & Locke, 2006). Family business literature has until now analyzed many dynamics concerning knowledge transfer (see Barroso-Martinez et al., 2013 for a review), but at an individual level mainly. The contextual dynamics are still under-investigated today, especially in the family business knowledge management. Boyd et al. (2012), for example, have shown that the heterogeneity between companies in facing the KS during the business succession is due at least in part to the transactional atmosphere´, which can facilitate the KS process. In this sense, the authors show that high transaction costs can discourage the KS, postponing it indefinitely.

In order to explore the knowledge sharing process, literature analysis suggests several critical dynamics should be considered. In the absence of planned formal/structural knowledge sharing processes (Cabrera-Suarez et al., 2001; De Massis, Chua, & Chrisman, 2008), the knowledge management process does not activate. To facilitate effective social interactions among individuals, organizations need to have *effective systems for knowledge sharing* (Jones & Macpherson, 2006). Furthermore, dynamics as *conflicts/rivalries/competition in parent-child relationships* (Ferrari, 2019a) can hinder entrepreneurial knowledge sharing between family members. Authors also highlights *hazards associated with the strong need for consensus* among family members or to a lack of successor(s)´s legitimization can lead the junior to exclusion from the knowledge management process (Ward, 1987). Empirical evidence also suggests *not clearing the role* of the incumbent and potential successor(s) may hamper the focus of the entrepreneurial learning on the knowledge to be developed (Le Breton-Miller et al., 2004). Also, there may be negative consequences in overseeing networking with important stakeholders by the junior.

Literature also considered further socio-relational dynamics. For instance, *lack of trust* of the potential successor(s) by non-family members, or *conflicts* between incumbent/potential successor(s) and non-family members can create problems in the legitimization process (Cespedes & Galford, 2004).

Regarding the specific process of entrepreneurial knowledge development, Politis (2005) emphasized that entrepreneurial knowledge is based on the ability to transform experiences into knowledge. Therefore, a lack of the next generation´s *career planning*, or late or insufficient exposure of the potential successor(s) to the business (Cabrera-Suárez et al., 2001) may delay or prevent the knowledge management process. Moreover, *failure to train* potential successor(s), not giving the potential successor(s) sufficient feedback about the succession progress and *incorrectly evaluating the gaps* between the potential successor´s needs and abilities, can undermine the knowledge management process (Le Breton-Miller et al., 2004).

METHODOLOGY

This explorative research adopts a qualitative protocol: this approach is relevant for explaining social phenomena ‘from the inside’ (Gibbs, 2007) rather than describing them, thus providing a rich and in-depth examination of the organizational context in which knowledge sharing occurs. This methodological option was also selected because of available literature reviews highlight that quantitative research about knowledge sharing suffers from several significant limitations (Cabrera, Collins, & Salgado, 2006; Lee, Kim, & Kim, 2006; Wang & Noe, 2010). The process of analysis began simultaneously with the process of data collection. This procedure is in line with grounded theory procedures (Charmaz, 1995), which advocate data collection and analysis as interrelated processes. As each participant was interviewed, these interviews guided the next interview. The principle of constant comparison was also adhered to as each participant has lived experience as told by them as compared to the previous and following participants (see also Murphy & Lambrechts, 2015). Each factor was investigated, comparing recursively, the founder´s, and the successor´s points of view. All interviews were recorded (using audio equipment), and the contents were integrated into the researcher´s notes.

This paper aimed to overcome the limitations shown by the available literature, as underlined by current literature (Wang & Chugh, 2014). First, most of the previous research concerns the ‘what’ and the ‘how’ of the individual entrepreneurial learning. This research has, therefore, chosen to widen the focus to the exploration of the collective level. Secondly, almost all literature focuses on experiential learning: hence, this research has also considered complementary theoretical models, also related to cognitive and organizational learning. Third, from the methodological point of view, the analysis carried out so far at the enterprise level has been quantitative.

Empirical Setting

The research was conducted on a group of Italian family SMEs. All participants were family members who worked in the family business, at some stage in their lives, based in Italy. Eisenhardt (1989) claims that with fewer than four cases, it can be difficult to generate theory: the setting of this research (N=10) satisfies this theoretical demand.

In order to select the participants, the research was carried out with the help of a young entrepreneurs association (Gruppo Giovani Confindustria). Starting from the association´s database, an exploratory mailing list was formed, and communication sent out in order to collect the consensus from participating in the research.

Following this, a second more specific mailing list was constructed and mail sent in order to find the firms with three specific characteristics:

1. A single-family must share at least 50 percent of the ownership.
2. The family must manage strategic decisions.
3. At least two generations belonging to the same family must be present/involved directly in the firm.

The final group was made up of 10 firms of different sizes (no. of employees: Min =7, Max =35), belonging to different sectors (chemical, mechanical, fashion, IT, and food). Literature suggests that it is important to collect data from different family members (Yin, 1994) in order to analyze the research issue from multiple perspectives. The use of multiple sources of data allows the triangulation of evidence, so that construct validity is ensured. Therefore, interviews were administered to all involved generations. See Table 1 below for a full profile of the involved firms.

Data Collection

In-depth qualitative interviewing was the main data collection method employed by the researcher in this study. In order to collect data, the face-to-face interviews were carried out using a semi-structured questionnaire. Each interview lasted from 2 to 4 hours in total and involved the founder (mother or father) and the second generation of children already working in the firm (interviews conducted separately).

In line with current literature (e.g., Gupta & Govindarajan, 2000; Kim & Mauborgne, 1998; Szulanski, 1996), the research operationalized and investigated the above described organizational dynamics (Barroso- Martinez et al., 2013; De Massis et al., 2008). By adopting a semi-structured interview grid, the following attention points were, therefore, at the base of qualitative interviews:

- If and how existing formal/structural knowledge sharing processes are focused on aspects of entrepreneurship, such as the analysis of opportunities, and the dynamics of the market.
- If and how possible conflicts/rivalries/competition in parent-child relationships hinder the growth of the junior as a future entrepreneur
- If and how possible risks associated with the need for consensus among family members have an impact on the successor(s)´s legitimization, that is to be recognized as a future entrepreneur by the stakeholders.
- If and how there is a clear role definition of the incumbent and potential successor(s) in terms of overseeing strategic entrepreneurial activities

Table 1. Profile of family firms in the study

Company	Size (No. of employees)	Year Established	Generation	Sector	Participants
A	7	1981	1	Mechanical	Father (founder), 2 Sons
B	25	1983	1	Chemical	Father (founder), Son, Daughter
C	18	1969	2	Food	Mother (owner), 2 Sons, 1 Daughter
D	12	2006	1	IT	Father (founder), Son
E	35	1934	5	Mechanical	Father (owner), 2 Sons, 2 Daughters
F	30	1971	2	Fashion	Father (owner), 1 Daughter
G	19	1968	1	Mechanical	Father (founder), 2 Sons
H	5	2001	1	Healthcare service	Mother (founder), Daughter
I	23	1988	1	Electronics	Father and Mother (co-founders) 1 Son, 1 Daughter
J	15	1953	3	Agriculture (Wine)	Mother (owner), 3 Daughters

- If there are conflicts or lack of trust between incumbent / potential successor(s) and non-family members that hinder the legitimization process of the junior.
- If the process of developing entrepreneurial skills is monitored and, if so, what are the results
- How was the career, and what experience did the junior have before joining the company (in order to evaluate a possible late or insufficient exposure of the potential successor(s) to the business)?
- Which was the educational path of the junior, as such a path will lead to the future role of the entrepreneur (in order to investigate the lack of the next generation of career planning)?
- If exists and how it is shared the assessment of the strengths and weaknesses of the successor in the perception of the involved people (in order to investigate the correct/incorrect evaluation of the gaps between the potential successor´s needs and abilities).

Data Analysis

Each factor was investigated, comparing recursively, the founder´s, and the successor´s points of view. All interviews were recorded (using audio equipment), and the contents were integrated into the researcher´s notes. The data collected during the interview were cataloged using the categories identified by the literature analysis. Then, in order to go beyond mere description, collected data was interpreted and clustered conforming to the key-factors at the base of the adopted theoretical options (*second-order analysi*s): information necessary to identify opportunities, networking with stakeholders, career experiences, and legitimization/recognition as a businessperson.

For instance, an interviewed commented: 1) "When I went to the bank, they asked me why my father was not there, they were worried! I think that my role in the business is not acknowledged by clients or providers" (company G). It is, therefore, possible 2) to link this and other similar statements to a specific organizational dynamic highlighted in the literature: lack of successor(s)´s legitimization. Then 3) this identified specific organizational dynamic has been linked to the possible consequences on the EKS process: in this example, the legitimization/recognition as a businessperson in stakeholders´ perception.

RESULTS

In this group of SMEs, the knowledge sharing process during business transmission shows some weaknesses at the organizational and relational level, and evokes different areas of criticism, summarized as follows (see Table 2 for findings details and Table 3 for the most notable quotes from interviews).

Not surprisingly (due to the small size of the firms), official knowledge management procedures usually do not exist. Knowledge sharing occurs during everyday discussions and informal meetings. Despite the small firm dimension, this approach makes effective knowledge sharing difficult: the distance (especially physical, but also ‘logical’ and hierarchical) between a senior´s and a son/daughter´s job was almost always notable. Senior and Junior usually carry out substantially different jobs, and non-family members often provide on-the-job training. This data suggests that even in SMEs, knowledge sharing does not happen spontaneously, and that small business sizes are not an advantage.

Findings show a high level of centralization in decision processes. Juniors show great difficulty in being legitimated in stakeholders´ opinions, and consequently access to external knowledge. Moreover, there is a great deal of/significant junior´s autonomy in carrying out his/her job, but not in strategic decision-making. Usually, the junior perceived himself/herself as ‘the son/daughter of...’ The process of the next generation´s legitimization is often difficult, concerning both the previous generation and the non-family members. Findings suggest, although knowledge is not perceived as a power source in intergenerational turnover, juniors find it hard to participate in the knowledge sharing process.

Seniors show a lack of trust in successors´ entrepreneurial rather than managerial attitudes to technical skills, especially when the junior is the daughter. Moreover, junior training is consistent with senior experience: nevertheless, it does not transmit core competencies. In the founders´ opinion, the daughters almost always/usually present a lack of entrepreneurial attitude and skills, nevertheless training is not provided. University background and early experience are the basis of the male juniors´ activities. The daughters show a skill mismatch due to their educational path. The daughters usually join the family firm later, after work experience in a different sector. Findings highlight a difficulty for the next generation to generate and share their specific skills, and it is confirmed that the greater difficulty concerns the daughters

Finally, almost all the juniors in the sample completely ignored their future in terms of career path. The daughters had often carried out a job in a different sector before joining the family firm. Thus their future career is often perceived as more problematic due to the lack of firm-specific competence. A feeling of frustration often arises among the second generation because they attended university. Thus their theoretical background is more up-to-date. However, they struggle to exploit it at work. These findings suggest that the university background, even when it is consistent with the task performed, does not help legitimate participation in the creation of knowledge.

Second-Order Analysis

Starting from this evidence, it is possible to proceed to a *second-order analysis:* by applying the dynamic situated learning theoretical model as a lens, findings have been analyzed searching for similar constructs emerging from the data, building on common themes, and aggregate dimensions (Miles & Huberman, 1994). In order to go beyond mere description, collected data was therefore interpreted and clustered conforming to the key-factors at the base of the situated learning theoretical model:

Table 2. Intergenerational knowledge sharing and transmission – Synoptic representation of the Case Study Evidence

Investigated features	Main findings	Companies presenting this evidence (companies listed by letter references defined in Table 1)
Existing formal/structural knowledge sharing processes.	Official knowledge management procedures usually do not exist; knowledge sharing happens/occurs during everyday discussions and informal meetings.	All except for B and (partially) D
Conflicts/rivalries/competition in parent-child relationships.	Knowledge is not a power source in intergenerational turnover	None
Hazards associated with the strong need for consensus among family members or to a lack of successor(s)´s legitimization.	● High level of centralization in the decision process ● Juniors show great difficulty in being legitimated in stakeholders´ opinion, and consequently to access to external knowledge ● Seniors manage directly (without substantial delegation) the relationships with the most important stakeholders	● All except for J ● All except for F and J ● All except for H
Lack of clear role definition of the incumbent and the potential successor(s).	● The distance (especially physical, but also 'logical' and hierarchical) between a senior´s and a son/daughter´s job was almost always notable. Senior and Junior usually carry out different jobs substantially ● Ample junior autonomy in carrying out his/her job, but not in decision-making	● All except for F and J ● All except for A (one son)
Conflicts between incumbent/potential successor(s) and non-family members (e.g., lack of trust).	● The junior perceived him./herself as 'the son/daughter of...' ● In order to appear fair, the seniors often treat the juniors more strictly than non-family members ● Non-family members often provide on-the-job training	● All except for H and J ● C, E, G, H ● All companies in which a non-family member is involved in junior´s induction, except for the company I
Lack of trust in the potential successor(s).	● Senior shows a lack of trust in the successor´s entrepreneurial rather than managerial attitude, especially when the junior is the daughter.	● B, E F and I
Failure to train potential successor(s).	● Junior training is consistent with senior experience: nevertheless, it does not transmit entrepreneurial competencies ● In the founders´ opinion, the daughters almost always present a lack of entrepreneurial attitude and skills; nevertheless, training is not provided.	● All except for H, J ● B, E, I,
Late or insufficient exposure of the potential successor(s) to the business.	● University background and early experiences are the basis of the male juniors´ activities. ● The daughters show a skill mismatch due to their educational path ● The daughters had often carried out a job in a different sector before joining the family firm. Thus their future career is perceived as more problematic.	● All companies involving a son except for E ● B, C, E, I ● All companies involving a daughter except for C and H
Lack of next generation´s career planning.	● Almost all the juniors in the sample completely ignored their future in terms of career path.	● All companies except for A and F
Not giving the potential successor(s) sufficient feedback about the succession progress.	● A feeling of frustration often arises among the second generation, because they attended university. Thus their theoretical background is more up-to-date.	● A, B, H, J
Incorrectly evaluation of the gaps between the potential successor´s needs and abilities.	● The sample consider their current job consistent with the type of university course they attended, but with notable differences between males and females.	● All companies involving a daughter except for C and H

- Temporal phases (e.g., business succession planning, and learning path).
- Social characteristics of the specific organizational context (e.g., the community of practice)
- Peripheral legitimated participation of the next generation (e.g., the involvement level in everyday activities and strategic decisions)

Regarding the *temporal phases* of a knowledge-sharing process (from business succession planning to design learning paths, until the full legitimization of the successor), this study highlights a static learning path and, at the same time, confused, improvised, and lacking in strategy. The sample shows that the first generations of entrepreneurs are strongly focused on the business, and their children seem quite disheartened and confused, and often with a distinct lack of future orientation. In brief, the overall evidence shows a sample of firms that are scarcely future-oriented, and this lack of strategy seems to affect the knowledge sharing policies negatively. From the entrepreneurs´ point of view, passing the torch is an unpredictable future event. As reported by a son:

“When we argue about a future, hypothetical business transmission, my father (an 83-year-old grandfather) always says: I am still not ready for the playground with my grandchildren…!”

At the same time, the s*ocial characteristics* of the specific organizational context (e.g., the community of practice) do not help to learn dynamics. Juniors (daughters especially) constantly feel under examination, they have difficulties in the legitimization process, and the senior does not help them, because they do not want to create suspected favoritism. Luigi, 31, employed as a clerk in Family Firm D (a small enterprise of which his father is the owner) commented:

“With the excuse of not showing favoritism, my father treats me worse than other employees … I must be ‘the first to arrive and the last to leave…”

Moreover, the second generation (in particular the daughters) show a low level of entrepreneurial skills, especially in the core business of the firm, and especially if this core business operates in an industrial sector, such as mechanics or electronics. Daughters often show a mismatch between their carried out educational path and current job. Training/learning strategies do not help the transmission of strategic knowledge between generations in order to fill this skill gap.

Finally, the *peripheral legitimated participation* of the next generation (e.g., the involvement level in everyday activities and strategic decisions) is very often *too* peripheral, not very participatory, and, in the end, does not lead to the full legitimization of the next generation. The distance between a senior´s and a son/daughter´s job is consistently notable. Furthermore, seniors look after the most important clients and providers directly, showing low delegation orientation, except for the daily routines. The junior´s training is often entrusted to non-family members, thus generating difficulties in sharing senior-junior entrepreneurial skills. Finally, the unique skills of the juniors are not systematically applied and are often not exploited in the process of creating new knowledge and innovation.

Table 3. Intergenerational knowledge sharing and transmission: most notable quotes

Investigated feature	Senior´s most significant statement	Junior´s most significant statement
Existing formal/structural knowledge sharing processes	"Our strength is flexibility; we cannot have a precise plan of meetings or training ... every moment is the right one to talk about business problems." (company E)	"Usually we all have lunch together, with my brothers and parents, and it´s there that we discuss the most urgent problems... however my father is rarely there, he looks after the customers... we call on him when a big problem arises, at the same time we know almost nothing about his problems, with the exception of only the administrative problems which arise with his customers!" (company E)
Conflicts/rivalries/competition in parent-child relationships	"I am often abroad... Luisa [the daughter] works every day under the supervision of a manager... however, I think her skills development s is too slow … I try to stimulate her, sometimes even roughly, but she refuses my advice." (company I)	"Fortunately, we do different jobs. Otherwise, we would quarrel all day ... I do not know how my mother would bear it..." (company I)
Lack of clear role definition of the incumbent and the potential successor(s) or to a lack of successor (s)´s legitimization	"My sons follow different aspects of the job; it´s obvious that some things keep on occupying me..." (company G)	"When I went to the bank, they asked me why my father was not there, they were worried! I think that my role in the business is not acknowledged by clients or providers." (company G)
Hazards/risks associated with the strong need for consensus among family members	"Innovation must always be followed in all aspects: product, process, materials ... my son has studied, he knows more than me about these issues." (company B) "My son is capable and enthusiastic about the mission of the company but does not have a 'crazy head' like me... he is not capable of risking more than the necessary." (company A)	"My father [and his brother, not involved in this research directly] are not elderly, they are slightly over 60, but I experience many difficulties in trying to change their habits. It is not a money problem, they are happy to invest in new technology, but for example... problems arise when I try to change a procedure or improve a monitoring system." (company B)
Conflicts between incumbent/potential successor(s) and non-family members (e.g., lack of trust)	"I think that it is better if my children are trained by a non-family member." (company E)	"At the moment I should be working side-by-side with the Chief Trade Officer [not belonging to the family], but I work as a clerk, a secretary... it is frustrating." (company E, son)
Lack of trust in the potential successor(s)	"She lacks technical skills... I do not know which future job she will be able to carry out..." (company I)	"I joined the family firm after some experiences in a different sector... now I face everyday problems in gaining my father's trust." (company I)
Failure to train potential successor(s)	"There is no training to become an entrepreneur, [this job] is a mix of talent and perseverance ... my son will be a good manager, but I do not know if he will be able to replace me technically and commercially." (company I)	"I do not know if in the future, I will be the CEO or if I will follow operations as my father does... nobody has been clear with me in this matter. Moreover, I guess that nobody has (even) thought about it yet!" (company I, daughter)
Late or insufficient exposure of potential successor(s) to the business;	"My daughter does not show entrepreneurial aptitudes... and (she) lacks technical skills.. she will be a general manager rather than an entrepreneur." (company I)	"I joined the family when I was 30 when I was fired due to a downsizing… before I worked in a different sector..." (company I)
Lack of next generation´s career planning	"One day, she will be her own if she wants ... However, she needs to understand that the markets are unpredictable; they require constant attention; these days, strategies are worth little..." (company B)	"I am almost 40, my father is going to be 70, luckily the business is going well... but in which direction? Nobody knows, we sail according to the wind. For a couple of years, in order to face the economic crisis, we have improved our sales workforce, and our market share is increasing, at the moment everything is going well." (company B)
Not giving the potential successor(s) sufficient feedback about the succession progress.	"I try to help my sons... but they refuse every suggestion, they are skilled but not from an entrepreneurial and managerial point of view..." (company A)	"My father does not help us; he only criticizes and highlights our incompetence... it is very annoying!" (company A)
Incorrectly evaluation of the gaps between the potential successor´s needs and abilities	"I have never helped my daughter; I wanted her to manage/cope alone ... any help would be perceived as favoritism by other employees. Now she is well- accepted, I think." (company I)	"The initial impact was traumatic because I felt under scrutiny by the whole staff. If I was wrong or made a mistake, I knew that everyone would know, and it would be difficult to regain the trust of everyone. However, I was not discouraged: I wanted to prove I was in the company because I had the skills not because I was my father´s son." (company I)

DISCUSSION

Bjuggren and Sund (2001) pointed out that there is a form of personal family knowledge (and loyalty) that makes intergenerational succession within the family more profitable than other types of succession. Repeated (and frequent) interactions make the development of bilateral knowledge transfer easier, and it is intensified through "close-knit groups" whose members identify themselves with a larger collective (Kogut & Zander, 1992). Therefore knowledge transfer is favored in family firms (Sirmon & Hitt, 2003). Despite these theoretical suggestions, this study highlighted that the first area of criticism is the *lack of planning* and both formal and informal processes aimed at helping with knowledge sharing. Moreover, differently than suggested by literature (e.g., De Massis et al., 2008; Gupta & Govindarajan, 2000; Kim & Mauborgne, 1998; Szulanski, 1996), this paper suggests that knowledge is not considered a source of power and superiority, thus it doesn´t trigger conflicts/rivalries in senior-junior relationships. More simply, in the absence of formal/informal procedures (e.g., succession planning, next-generation induction), and in order to foster knowledge sharing, day-to-day interactions are not enough.

The second area of criticism is the next generation´s *lack of legitimization* as a consequence of poor participation in knowledge sharing activities. Hamilton 2011 highlights that the founder should accumulate knowledge in exchange with other people who make up his community of practice. The next generation, for its part, should become a member of this and other communities in a cycle of reproduction and transformation of knowledge. Leaving a community is just as important as joining it. The founder progressively leaves the community of practice, and it is the next generation that leads the business, modifying it. Finally, according to the author, the generation of knowledge would occur when the next generation enters the community and introduces new practices. This paper suggests that all this does not emerge in Italy: the next generation shows significant difficulty in legitimizing itself. This article introduces the theme of power, conflict, and lack of trust (for example, based on gender stereotypes) as obstacles to legitimate peripheral participation. Moreover, in Italy, social participation and daily learning for trial and error are limited: it seems that the junior either does not have the opportunity to make mistakes because they only perform routine tasks, or exists in a context that is over-protective, especially if they are a daughter.

As a third area of criticism, this study highlights that not only is learning common and situated, but also *obstacles to learning* are situated collectively. From this point of view, it emerges that entrepreneurial learning is not only a problem of the personal skills or characteristics of the successor but also of guaranteeing adequate relationships and appropriate context.

Finally, this paper highlights that the process of knowledge sharing can be influenced by cultural elements, as suggested by some authors (Cope, 2005). For example, in this study, it emerges that gender differences impact on EL dynamics: the stereotyping of career paths and the lack of trust in daughters make EL more critical when a daughter is involved.

This scarce trust could be due to the complexity of gender norms and vision that can influence education, career, and other environmental factors that may influence the daughter´s *peripheral legitimated participation* during succession (Ferrari, 2017; 2019b; 2019c). Simona, 44, Chief Financial Officer in a medium-sized enterprise (participant I), where her brother is an accountant, comments:

"My father and Max (the younger brother) often discuss what to improve in the Quality system, my father confronts him ... he talks much less with me, even if in theory I am hierarchically superior to Max ... I confess that sometimes I feel a little jealous, I am ashamed to say it, but it is so..."

CONCLUSION

This study shows that focusing on the collective level of knowledge sharing adds value compared to an investigation only at the individual level. The difficulties that family SMEs face in the knowledge sharing process seem equally distributed among all the involved people. However, it seems that often, the junior(s) is perceived as the only one accountable for the knowledge sharing process ("You have to earn it"... see below). In this group of family SMEs, there is no awareness that the firm-specific knowledge is also the result of a collective process, and that therefore the knowledge sharing is a task for the whole enterprise, not just the entrepreneur or the junior(s) individually. Franco, 33, Quality Assurance Operator (participant A), comments:

"I always feel under scrutiny ... everything I can learn depends on me; I have to earn it, almost alone... my father always puts me to the test, [this situation] is very tiring and discouraging."

Indeed, the high failure rate in business transmission suggests that knowledge is intimately linked to its founder, and difficult to transmit to the next generation, especially when the junior is the daughter. The daughters, who are often penalized from the technical point of view, could bring an entrepreneurial contribution, suggesting new markets or launching new products. However, this rarely happens: the collectively shared lack of legitimacy penalizes them. This study seems to suggest that, in the senior´s perception, legitimacy as an entrepreneur is based on technical skills rather than specific entrepreneurial skills. Ezio, 66, CEO in a medium-sized enterprise (participant F), asserts:

"My daughter could be a good manager, but not an entrepreneur ... she lacks technical skills related to the core business ... I am afraid she will never be able to legitimize herself with customers and suppliers, or even with colleagues."

PRACTICAL IMPLICATIONS

Due to the fact that knowledge has become recognized as a significant contributor to firm competitiveness (Argote, 1999; Grant, 1996; Kogut & Zander, 1992), this paper suggests that family firms could experience some negative outcomes, such as low innovation rate, low competitive advantage, and high obsolescence rate of organizational knowledge (Hoffman et al., 2006; Danes et al., 2009). In particular, the scarce attention to knowledge sharing between generations has at least two practical implications for family firms, summarized as follows.

Next-Generation Lack of Competence

Cunningham et al. (2017) showed that a perceived shared and the current organizational environment is a pre-requisite for triggering a knowledge sharing process. As is well known by scholars (Chirico, 2008; Cabrera-Suarez et al., 2001; Chirico & Salvato, 2008), tacit knowledge, in particular, is related to everyday experiences and is grounded on practical skills rather than theoretical ones. Hence, the next generations´ careers should be carried out side-by-side with the first generation, in order to develop entrepreneurial and managerial skills. If this does not happen, the second generations´ careers could easily result in a skill shortage/mismatch.

Knowledge Sharing Process Based on a Systemic Approach

The relative isolation of the seniors in their activities and the difficulties experienced by juniors in knowledge creation testify to the solitude of the next generation in enriching the process of creating and transmitting knowledge. Therefore, it becomes necessary (Ferrari, 2005, Scabini & Iafrate, 2003) to make it clear to the involved generations that the ability to cope with the transmission process arises from the *collective* ability to see the resources available and to organize and use them for the desired purposes.

LIMITATIONS, SOCIAL IMPLICATIONS, AND FUTURE RESEARCH DIRECTIONS

Even though literature guidelines were scrupulously followed (Chenail, 2009; McCollom, 1990), a problem of data generalizability can, of course, arise. Future research should investigate, quantitatively, the same issues considered in this research in order to assess the reliability and validity of the evidence here discussed.

Furthermore, findings could be due to specific characteristics of the Italian context. Therefore, future research could contribute in order to understand business transmission in the Italian context from an institutional point of view, answering the following question: *Do geographical, cultural, and even religious factors affect strategic decisions about business succession and the related managerial practices, like entrepreneurial knowledge sharing?*

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KEY TERMS AND DEFINITIONS

Family Business: This chapter follows Chua et al. (1999, p. 25), by defining a family business as: “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is *potentially sustainable across generations* of the family or families”.

Knowledge Sharing: In the field of organizational literature, *knowledge sharing* refers to the provision of task information and know-how to help others and to collaborate with others to solve problems, develop new ideas, or implement policies or procedures.

Organizational Knowledge: *Knowledge* is defined as information processed by individuals including ideas, facts, expertise, and judgements relevant for individual, team, and organizational performance.

Peripheral Legitimated Participation: Describes how newcomers become experienced members and eventually old-timers of a community of practice or collaborative project. LPP identifies learning as a contextual social phenomenon, achieved through **participation** in community practice.

Situated Learning: It is a theory on how individuals acquire professional skills, extending research on apprenticeship into how legitimate peripheral participation leads to membership in a community of practice.

The Community of Practice: A formal/informal enduring group sharing interests, practices, values.

Transactional Atmosphere: In a family firm, transactional atmosphere is related to family cohesiveness, commitment, traditions and underlying values which facilitate business succession.

Chapter 4
Factors Affecting Women´s Involvement in the Governance of Family Firms:
The Role of the Generational Stage

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ABSTRACT

The chapter analyzes female involvement in medium-sized family businesses in Central Italy. The empirical analysis focuses on 233 firms over the period 2007-2014, to understand how female representation in corporate governance has evolved in recent years, and to pinpoint the factors tending to encourage/discourage female involvement in the board of directors. A descriptive analysis was conducted, enabling a fuller understanding of how female involvement in governance roles has evolved over the years. A regression analysis was performed to determine if and how specific governance characteristics – such as family ownership and generational stage – may have a bearing on the female presence on the board. The results confirm that female representation is favorably influenced by a strong family presence in the ownership of the business, while family firms under first-generation control exert a negative influence on female involvement.

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INTRODUCTION

This chapter investigates women's participation in family firms' governance and namely, on factors that may affect women's involvement in family-owned businesses' board of directors.

In Europe, women's participation in corporate governance is a key issue. The European Commission published the European Strategy for gender equality, the European Pact for equality between women and men, and 2016-2019 Strategic engagement for gender equality aims to promote and increase women's representation and participation in politics and economics. Moreover, in 2012, the European Commission encouraged listed companies to reach the goal of 40 percent women board members by the year 2020 (European Commission, 2012).

Several European countries decided to implement gender quota legislation introducing mandatory quotas to promote the presence of women on corporate boards of directors. Norway was the first country to impose gender quotas in 2003, followed by Finland in 2010, Belgium, France and Italy in 2011, and other countries in the following years. In Italy, the Law 120/2011 introduced mandatory quotas in listed companies and government-owned corporations. This law establishes that by 2015, at least one-third of the seats on the board of directors must be held by the underrepresented gender. This law was renamed "pink quotas," as so far, women have been underrepresented.

All over the world, several countries decided to implement mandatory rules to support gender board diversity (e.g., California, Colombia, Québec, Panama, and Taiwan) and often resulted in greater board gender diversity. The participation of women on corporate boards of directors has been increasing in many economies, and board gender diversity in family firms has been enhancing too.

Findings from a survey involving 525 of the world's largest family businesses (located in Australia, Belgium, Brazil, Canada, China, France, Germany, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates, India, Indonesia, Italy, Japan, Mexico, the Netherlands, Russia, South Korea, Spain, Switzerland, Turkey, UK and USA), show that 55% of companies have at least one woman on their board; 16% of their board members are women (on average, more than one woman per board); 8% of their boards have women as at least half of the members (Ernst & Young, 2015). Additionally, "70% of family businesses are considering a woman for their next CEO, and 30% are strongly considering a woman for the top spot."

However, in Italy, the presence of women in the governance of family businesses has grown much more slowly and with different rhythms and intensities depending on the time frame considered. For example, between 2000 and 2008, the percentage of women on the boards of larger family businesses remained almost unchanged (Corbetta & Minichilli, 2010). On the other hand, a very different trend has been observed in more recent years. In listed family companies, the percentage of boards with at least one woman as a director has increased from 53.3% in 2007 to 92.7% in 2016. However, in this case, it was not a spontaneous change, but the consequence of the introduction of the Law n. 120/2011. This is confirmed by the fact that in unlisted family businesses, which are not liable to this law, the percentage of boards with at least one woman has remained almost unaltered in the last ten years (from 51.5% in 2007 to 55, 5% of 2016) (Corbetta & Quarato, 2016). Although available data show that the amount of women involved in governance is higher in family businesses than in non-family businesses (Gnan & Montemerlo, 2008), the presence of women in these businesses has been increasing slower (Corbetta, Minichilli, & Quarato, 2011), especially in non-listed companies. The latter are not liable to Law n. 120/2011.

This situation is not surprising considering that Italy is one of the European countries with a much lower number of women on boards (around 6%), markedly worse than Norway (42%), Sweden (28%), Finland (27.2%) and France (22%) (Terjesen, Aguilera, & Lorenz, 2015). Italy is still a typically "male" country with a high level of masculinity (Hofstede & Hofstede, 2005) and a low level of gender egalitarianism societal values (House, Hanges, Javidan, Dorfman, & Gupta, 2004).

Cultural factors can significantly influence women's participation in businesses, and this fact is well documented by the Global Gender Gap Report 2018 (WEF, 2018), ranking Italy as 118th out of a total of 149 countries, considering women's economic participation and opportunity. Italy is amongst the worst countries in Europe, especially in comparison with the Nord European countries, which are positioned at the top of the ranking (Sweden 9th, Norway 11th, Iceland 16th, Finland 17th). Only 31 countries ranked worse than Italy, namely Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), some Latin American (e.g., Chile, El Salvador, Mexico), African (e.g., Senegal, Egypt, Morocco) and Asian countries (e.g. India, Yemen). Moreover, Italy's position worsened significantly compared to 2006—the first reporting year—in which it ranked 77th.

Beyond the cultural context, what are the factors responsible for this situation? Regarding the presence of women on the boards of directors, several studies have been conducted in Italy and abroad. Various analyses have identified factors that can affect women's participation, including ownership concentration and the family nature of the company (Gnan & Montemerlo, 2008; Songini & Gnan, 2009; Corbetta et al., 2011; Bianco, Ciavarella, & Signoretti, 2015; Campbell & Minguez-Vera, 2008; Ruigrok, Peck, & Tacheva, 2007; Nekhili & Gatfaoui, 2013).

Studies concerning the presence of women on the boards have mainly considered listed and large companies. In Italy, however, the latter represents only a small percentage of existing companies (KPMG, 2017). For this reason, this chapter focuses on medium-sized businesses that have been playing a leading role in the Italian economic system in the last few years (Turani, 1996), thanks to their ability to contribute to innovation, job creation, exports, and growth. Furthermore, we believe that it is important to analyze medium-sized family firms because they are not forced by law to involve women in their boards and so it is interesting to understand whether they are more or less oriented to involve women as board members.

In studies concerning such companies, the issue of female participation in governance roles has been decidedly neglected. Nevertheless, the authors are committed to investigating this topic and speculating about the dynamics that have characterized medium-sized family businesses in recent years, considering that Italy does not represent a very favorable national context for women's participation in economic life. At the same time, it was decided to focus attention on the characteristics of family firms with particular regard to governance arrangements. Previous research has mainly investigated women's profiles in order to understand how individual characteristics −gender, age, education, prior experience, family ties etc.−may affect their involvement on the board of directors. Other research focuses on board composition, company size, and structure or sector, and external environments (Terjesen, Sealy, & Singh, 2009).

Attention is focused on factors related to the business context: family ownership and generational stage. The latter has not been investigated by previous research on this topic, but several authors considered the generational stage the primary source of heterogeneity in family businesses (Cruz & Nordqvist, 2012; Lopez-Delgado & Dieguez-Soto, 2015), suggesting it may influence firms' behaviors and decision-making processes. Thus, the aim is to verify if and how this driver could also affect the presence of women on boards of directors.

Starting from these premises, this study analyses the data relating to a sample of medium-sized Italian family businesses located in Central Italy from 2007 to 2014. This period was characterized by a deep recession with great impact and duration in Italy. Namely, according to the Bank of Italy Reports (Bank of Italy, 2009), the economy of Central Italy was severely affected in all sectors, with substantial losses in terms of industrial value-added from 2007 to 2013, amounting to -20.4%. Thus, this period is particularly interesting because the crisis may have influenced family firms' behavior, including their willingness to involve women on their boards.

The analysis of the data has a dual objective: understand how the presence of women in the governance of medium-sized companies has evolved in recent years and investigate if and how family ownership and the generational stage can influence women's participation in the board of these companies.

The chapter is structured as follows: the next section presents an analysis of the literature on the issue of women's participation in the governance of family businesses and defines research hypotheses. Subsequently, the research methodology and the main results emerging from the data analysis are presented. Finally, the conclusions, limitations, and implications of the study are illustrated.

PARTICIPATION OF WOMEN IN THE BOARDS OF DIRECTORS OF FAMILY BUSINESSES

Existing Studies and Hypothesis Development

In the last two decades, women's participation in the board of directors has been the subject of various investigations, attributable to two main research areas: The first is aimed at exploring the relationship between the presence of women on the board of directors and the business performance. The second analyses the factors that can encourage/discourage the involvement of women.

Concerning the first research area, numerous scholars have demonstrated the emergence of a series of advantages associated with the board of directors' gender diversity (Conyon & He, 2017), including, for example, enhancing family firms' entrepreneurial orientation (Arzubiaga et al., 2018) or reducing their bankruptcy risk (Wilson, Wright, & Scholes, 2013). Such advantages would be the consequence of the different human capital endowment of men and women and the different ways of dealing with the decision-making process (Burgess & Tharenou, 2002; Simpson, Carter, & D'Souza, 2010; Terjesen et al., 2015). Regarding the considered benefits, some scholars have assessed the impact of gender diversity on the economic-competitive performance of companies. From this point of view, however, the results are not homogeneous. Positive, negative, and null associations have been found between the gender diversity of the board and business performance (Carter, Simkins, & Simpson, 2003; Campbell & Minguez-Vera, 2008; Adams & Ferreira, 2009; Terjesen et al., 2009; Carter, D'Souza, Simkins, & Simpson, 2010; Larcker & Tayan, 2011; Jurkus, Park, & Woodard, 2011; Ahern & Dittmar, 2012; Cruz, Justo, & De Castro, 2012; Matsa & Miller, 2013; Amore, Garofalo, & Minichilli, 2014; Ferreira, 2015; Post & Byron, 2015; Unite, Sullivan, & Shi, 2019), and this precludes drawing firm conclusions.

Other scholars have analyzed how the board of directors' gender diversity impacts non-economic-financial performances, such as those related to corporate governance. A positive relationship has been identified regarding the number of meetings (Bianco et al., 2015), the quality of decision-making processes (Milliken & Martins, 1996; Torchia, Calabró, & Morner, 2015), the capacity of the board to exercise the functions of monitoring and control more effectively (Adams & Ferreira, 2009), the reduction of agency conflicts (Arfken, Bellar, & Helms, 2004) and transparency towards investors (Gul, Srinidhi, & Ng, 2011).

As regards the second line of research, some authors have investigated the factors that may favor the presence of women on the board of directors. In this regard, Terjesen et al. (2009) provide an exhaustive analysis of the relevant literature, classifying the different factors into four levels: individual, board, firm, and industry/environment. The individual-level relates to the personal characteristics of women counselors in terms of human capital, status, and social capital. Particular attention has been paid to specific demographic attributes such as age, education, networking, and previous work experiences (Terjesen et al., 2009). The board-level refers to the composition of the board and the processes and interactions that occur within the team (Terjesen et al., 2009). It is widely recognized that the size of the board is a relevant factor: the greater the size of the collegiate body, the greater the number of women involved in it (Sealy, Singh, & Vinnicombe, 2007; Hyland, McCormick & Marcellino, 2002; Brammer, Millington, & Rayton, 2007; Singh, 2008). Numerous studies have also verified the existence of a towing effect, i.e., whether the presence of women directors may favor the inclusion of other women on the board. Farrell & Hersch (2005), analyzing Fortune 500 companies in the 1990s, showed that the likelihood of a company allowing another woman to join the board of directors is negatively affected by the percentage of female executives from the previous year.

Nevertheless, if a woman leaves the board, there is a higher probability that the company will replace her with another female presence. The firm-level concerns the characteristics of the company, such as size and structure. Terjesen et al. (2009) point out that in numerous studies, a positive correlation between the company size and the number of women present on the board of directors was identified, although, on the whole, the results are not univocal.

The industry/environment level includes the influence of the sector and the external environment. In this regard, scholars say that gender diversity is linked to the organizational dimension, the sector, and the strategy of diversification (Hillman, Shropshire, & Cannella, 2007). Various analyses find a correlation between the sector in which the company operates and the increase in gender diversity in the board of directors (Hyland, McCormick, & Marcellino, 2002; Brammer et al., 2007; Hillman et al., 2007; Fryxell & Lerner, 1989; Joy, 2008; Sealy et al., 2007). Even in this case, however, there are no unambiguous or shared results. As regards the external environment, aspects relating to social, political and economic structures, as well as to sexual discrimination in the workplace and gender stereotypes have been investigated (Terjesen et al., 2009).

Research that has studied and analyzed the relationship between the family nature of the company and the board of directors' gender diversity still represents a poorly developed trend. Although it is a shared opinion that considers the characteristics of the company as a relevant factor, the investigations on specific attributes of family businesses are still limited.

The available empirical evidence confirms that the family nature of companies favors the presence of women on the board of directors (Campbell & Minguez-Vera, 2008; Ruigrok et al., 2007) and, in particular, that it is the larger boards that promote gender diversity (Nekhili & Gatfaoui, 2013). However, women's involvement remains limited. A recent investigation on large family firms in the UK, for example, underlined that the average female representation on the board is about 12.5%, and the majority of family firms have no female directors at all (Kotlar, Cuomo, Gaia, & Zattoni, 2019). Lastly, as pointed out by Claessens, Djankov, and Lang (2000), if the link with the owner family constitutes the prevailing selection criterion, the risk is that women belonging to the family and involved in the board of directors might have inadequate skills and lack professionalism.

In Italy, several studies have verified that the presence of women is more pronounced in family businesses than in non-family businesses (Gnan & Montemerlo, 2008; Songini & Gnan, 2009). Namely, SMEs seem to represent more open contexts towards women, as they are more favorable to their involvement in the board of directors (Songini & Gnan, 2009). The results of Corbetta et al. (2011), and Bianco et al. (2015) followed the same direction, which, regarding large listed companies, confirm that the presence of women on the board of directors is favored by the existence of a family relationship with the controlling shareholder. Moreover, family-affiliated women are more present in smaller enterprises, with concentrated ownership and larger boards (Bianco et al., 2015).

Most of the studies aimed at analyzing the factors that can favor the participation of women in the governance of family businesses have had listed and/or large companies as their object. The empirical investigations aimed at smaller companies are more often neglected, also due to the greater difficulty in finding data available for analysis. This chapter seeks to contribute to filling this gap, focusing on medium-sized Italian companies.

Medium-sized enterprises have significantly different characteristics from the larger ones, and in particular from listed companies, in terms of ownership structure, the involvement of members not belonging to the owner family nucleus, degree of managerialization and presence of external, non-family managers (Palazzi, 2012; Ciambotti & Palazzi, 2015). All these aspects contribute to forming a very different institutional set-up from that of large companies, with repercussions that can also manifest themselves in terms of greater or less openness towards women's participation in governance. It is precisely an awareness of this specificity that argues the need to assess the possibility of extending the results obtained from the analysis of large companies to medium-sized companies and suggests the desirability of conducting specific researches in this area.

Based on these premises, and focusing attention on Central Italy, the intention is to investigate whether the family nature of the company in medium-sized family businesses—measured by the involvement of the family in the ownership of the business—positively influences gender diversity in the board of directors. In this sense, the following research hypothesis has been formulated:

Hypothesis One: The greater presence of the family in the ownership structure of medium-sized family businesses positively influences gender diversity in the board of directors.

In addition to the impact of family ownership, recent studies point out the relevance of family business heterogeneity. In fact, within the field of family business studies, numerous authors stress that the world of family businesses does not constitute a homogeneous group (Chua, Chrisman, Steier, & Rau, 2012). Objectives pursued, available resources, and corporate governance are the most important sources of heterogeneity that distinguish them (De Massis, Wang, & Chua, 2018).

Among the various factors attributable to governance, a distinction has been based on the generational stage of the company, indicated by the generation to drive it, thus distinguishing between first or subsequent generation companies. Indeed, family businesses can manifest significant differences in terms of objectives, decision-making processes, and behaviors according to the generation in control (Gómez-Mejía, Makri, Larraza-Kintana, 2010; Berrone, Cruz, Gómez-Mejía, 2012; Sciascia, Mazzola, & Kellermanns, 2014; Arrondo-García, Fernández-Méndez, & Menéndez-Requejo, 2016).

Regarding the board of directors' gender diversity, it is assumed that there is a difference between the first and subsequent generations. The involvement of women in family businesses is held to be a relatively recent phenomenon (Heinonen & Vainio-Korhonen, 2018). In fact, women's participation in ownership, governance and corporate management has gradually increased only in recent years (Ernst & Young, 2015), also in sectors traditionally dominated by the male figure (Barret & Moores, 2009), and women are mostly represented in governance bodies, such as the board of directors (Bianco et al., 2015). The results of the Ernst Young report (2015) confirm the hypothesis that the larger the company and its longevity, the greater the number of women involved in the governing body (16% of the variance in the number of women on the board of directors is explained by the size and age of the company).

Finally, numerous studies have paid attention to the succession process in family businesses (Jimenez, 2009; Wang, 2010; Daspit et al., 2017). Although "the role of the successor is deeply imbued with a male-dominated logic," and this hinders the possibility for daughters to be involved as protagonists in the succession process (Byrne, Fattoum, & Trébaud, 2018), women have become extremely relevant to family businesses, playing a crucial role in business continuity strategies and assuming leadership in specific contexts (Wang, 2010; Cesaroni & Sentuti, 2018).

In light of what has been discussed above, we expect that first-generation family firm is more conservative and less opened towards gender equality. Additionally, we postulate that the mindset of family businesses and their willingness towards women's involvement in corporate governance can change from the first generation to subsequent generations. Based on these considerations, and always regarding the medium-sized family businesses of Central Italy, the present work intends to analyze the effect of the generational stage by formulating the following research hypothesis:

Hypothesis Two: Being a first-generation family firm negatively affects gender diversity in the board of directors of medium-sized family businesses.

METHODOLOGY

In keeping with the aims of the research, this empirical study is based on a quantitative approach, and analyses the data on medium-sized family businesses in Central Italy, monitored over the period 2007-2014. The location of the businesses is of particular interest, firstly because family capitalism accounts for 68% of companies in Central Italy, and secondly because this is the geographical area with the highest concentration of medium-sized businesses: 49% of all businesses, as opposed to 41% in the North-West and 9% in the Centre-South and Islands (Mediobanca & Unioncamere, 2016).

The data used for the analyses were obtained from the AIDA database (Italian Bureau van Dijk database) and previous company registration reports. The sample was extracted from AIDA, selecting the businesses, which met all of the following criteria:

- Medium size: defined according to the number of employees (50-249) and total annual revenue (10-50 million euros), in line with the European Recommendation n. 2003/361/EC. The latter is a document of the European Commission, aimed to encourage member states to ensure that support measures are granted only to enterprises that genuinely need them. In this vein European Commission provided a specific definition of a small, medium and large firms;
- Location in Central Italy: to identify the geographical area under study, reference was made to the ISTAT (The Italian National Institute of Statistics) definition of Central Italy as comprising Lazio, Tuscany, the Marches, and Umbria;

- Active in the period 2007-2014: the medium-sized Central Italian businesses extracted from AIDA were all ones that had been active over the entire period (thus excluding business which failed to cover the full eight years).

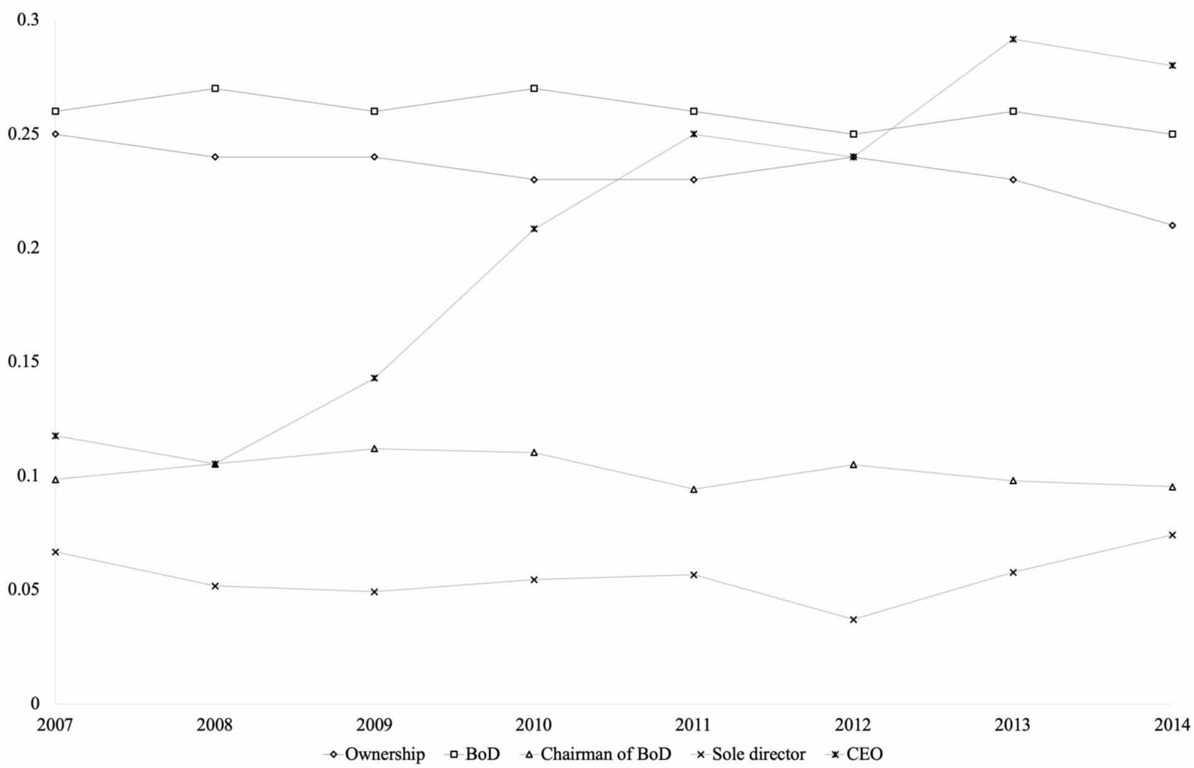
For each of the years in question, the family nature of the businesses was verified. To this purpose, we considered the ownership share being held by the family (Minichilli, Corbetta, & MacMillan, 2010; Naldi et al., 2013), using data from previous Chamber of Commerce company registration reports in the Telemaco database (a service offered by the Chambers of Commerce, allowing anyone to consult and remove official documents from the Commercial Register). Specifically, those businesses were described as family-run in which a single individual or a family holds more than 50% of the capital. The same surname shared by the owner was deemed to be proof of the family relationship (Corbetta, Minichilli, & Quarato, 2015). This criterion - widely accepted and applied in research into the family business - was adopted in full awareness that it might lead to samples which are slightly underestimated. To restrict errors of measurement, information from various sources was drawn on: company websites, information from social media (e.g., Facebook), local online newspapers. The existence of family ties was further confirmed by certifying, through the company registration reports, that several people shared the same address.

As a result of applying these selection criteria, the number of family businesses examined does not remain constant; it varies slightly, from a minimum of 214 in 2009 to a maximum of 233 in 2014. This is because, over the period in question, some businesses changed from being family to non-family and vice versa.

The data made available through the company registration reports were initially used to carry out a descriptive analysis of the presence of females in governance and how this representation evolved over the period in question. Subsequently, a linear regression analysis was carried out (OLS, ordinary least squares) in order to test the research hypothesis. With that aim in mind, the dependent variable "FEMALE_DIRECTORS" was identified, measured as the ratio between the total number of females present on the board of directors and the total number of directors. This measure has been used in prior studies on board gender diversity (Conyon & He, 2017; Post & Byron, 2015; Adams & Ferreira, 2009). The independent variables relevant to the governance of family businesses included the following:

- The degree of family involvement in the ownership of the business (FAMILY_OWN), calculated as the ratio between the number of shareholders belonging to the family and the total number of shareholders. This measure has been applied in other empirical analysis (De Massis et al., 2013; Arosa, Iturralde, & Maseda, 2010);
- The generational stage of the business (GENERATION_CONTROL), measured through a variable dummy, with a value of 1 for the first generation and 0 in other cases (i.e., multigenerational businesses, or second or subsequent generations). The generations were distinguished based on the longevity of the business, taking the 25th year since foundation as the threshold. In line with previous research (Gottardo & Moisello, 2017; Blanco-Mazagatos, De Quevedo-Puente, & Delgado-García, 2016; Gersick et al., 1997), if the business is less than 25 years old, it is considered exclusively or predominantly in the hands of the first generation. Applying this criterion, the sample is composed of 95 first-generation family businesses and 122 family firms in the subsequent generation.

Figure 1. Female presence in governance in medium-sized Italian family businesses
Source: Authors´ elaboration



Some control variables were also taken into account, including:

- "AGE DIRECTORS": i.e., the average age of the board members, calculated as the natural logarithm of the mean;
- "ASSETS": the scale of the assets is measured in terms of the natural logarithm of total assets;
- "INDUSTRY": identifying the business sector utilizing a variable dummy with a value of 1 if the firm belongs to the manufacturing sector, otherwise 0.

FINDINGS

The quantitative analysis was designed to fulfill the twofold aim of the present research: first, to understand the evolution over recent years of women in governance roles; second, to investigate whether, and in what ways, specific governance factors may affect the participation of women on the board. The main findings to emerge from the research are outlined below.

The descriptive analysis made it possible to trace the evolution of the phenomenon over the eight years under investigation. The overall picture shows a shallow presence of women in the top management positions of family businesses in Central Italy. An exception is the involvement of women in the position of CEO, as our results show a significant increase over time, even though it remains low in absolute terms (Figure 1).

The first aspect of being analyzed is the ownership structure. During the reference period, the corporate structure remained stable and concentrated, with an average number of four shareholder-owners, about 80% of whom are family members with a majority share of the capital. The percentage of businesses with at least one female owner fell slightly, from 52% in 2007 to 48% in 2014.

The percentage of women *vis-à-vis* the total number of shareholder-owners fluctuates between 25% (2007) and 21% (2014). More precisely, those belonging to the controlling family represent 21% (2007) and 25% (2014); on the other hand, those unrelated to the controlling family are 4% in 2007 and 3% in 2014.

The second subject of analysis is the board of directors, where the structure remained stable throughout the reference period. The average number of directors was 4. The percentage of family-directors, though registering a slight decrease, remained very high throughout the period, touching 79% in 2007 and 75% in 2014. Over half the businesses feature at least one female on the board of directors: in 2007, this was true of 62% of the sample of firms, and 64% in 2014.

In terms of board membership, female representation fluctuates between 25% (2012, 2014) and 27% (2008, 2010). When these data are differentiated on the basis of affiliation with the controlling family, there is a noticeable preference for females belonging to the family over those who do not: out of every 100 women on the board, family members accounted for 76% (2012, 2014) and 74% (2008, 2010), while the remaining 24% and 26% were non-family members.

The analysis also took account of the chairman of the board. In the vast majority of the sample (about 89%), a family member was in charge of this role. Furthermore, the position is practically monopolized by men, to the point that only a meager 10% are women. Even in the few cases in which the office is held by someone outside the family (in between 11% and 13% of businesses), female participation is confined within a range from 19% (2007, 2008, 2014) to 28% (in 2010 alone).

Also, in the case of a sole director, the situation proves not dissimilar, with the position generally being held by a family member in well over 80% of sample businesses throughout the reference period (2007-2014). In this case, too, female representation is noticeably limited, varying between 4% (2012) and 7% (2007, 2014). Where the sole director is not a family member, the position is an exclusively male preserve.

Finally, as regards the CEO, it emerges that the position is mainly entrusted to individuals with kinship ties to the controlling family: the percentages vary between 61% and 69% of the sample. The female presence evinces significant growth over this period, from 12% in 2007 to 28% in 2014, even though it remains low in absolute terms. Also, when someone outside the family holds the position of CEO, female involvement is limited, rarely struggling above 10%, except for the year 2010 when it reached 14%.

In the second part of this analysis, a regression analysis was conducted to identify the corporate factors affecting the presence of females on the board and supplying answers to the previously formulated research hypotheses.

The initial stage consists of analyzing the existence of correlation relationships between the variables. Namely, we assess a possible association between the two variables. Table 1 shows the independent variables correlation matrix. The correlation analysis is preparatory to the regression analysis in enabling an initial check to ensure the absence of multicollinearity among the independent variables examined and thus guarantee that the regression models are appropriately constructed. The absence of collinearity problems emerges from a reading of the respective coefficients.

Table 1. Descriptive analysis and correlation matrix

	Mean	St. Dev.	Min.	Max.	(A)	(B)	(C)	(D)	(E)	(F)
(A) FEMALE _DIRECTORS	0.197	0.250	0	1						
(B) FAMILY_OWN	0.798	0.255	0	1	0.108*					
(C) AGE _DIRECTORS	55,793	9.104	24	91	-0.191*	0.020				
(D) ASSETS	22704.58	12641.85	2543.48	106735.7	-0.026	-0.044	0.031			
(E) GENERATION _CONTROL	.	.	0	1	-0.063*	-0.002	-0.174*	-0.178*		
(F) INDUSTRY	.	.	0	1	-0.059*	0.050*	-0.018	0.087*	-0.077*	.

* significant level at 5%. (E) and (F) dummy variables.

Furthermore, the results obtained from the estimate for every single VIF (Variance Inflation Factor) model are in all cases very close to 1, a reading which falls within the recommended standards (between 1 and 2). This conclusively demonstrates that multicollinearity is not a problem for the estimated models. In other words, an association between independent variables (e.g., FAMILY_OWN, GENERATION_CONTROL, and AGE DIRECTORS) does not exist. Thus no problems occur for the results from the regression analysis.

Furthermore, some initial points emerge in terms of positive and negative correlations between the dependent variable (FEMALE_DIRECTORS) and the independent variables. There is a positive and significant correlation between the weight of the family in terms of ownership and the female component of the board. This variable turns out, however, to be negatively correlated to the variables regarding the average age of board members, the generational stage, and the business sector. There is no evidence of significant correlations between the sector of activity and female participation on the board.

Table 2 displays the results of the linear regression model. Data processing takes account of heteroscedasticity checks carried out by subjecting each model to the Breusch-Pagan test. These tests were shown to be significant, providing evidence of heteroscedasticity errors, which is why the estimates were calculated with Huber White Sandwich's robust errors. This statistical aspect allows us to obtain more robust results ensuring an adequate and correct interpretation of the regression coefficients.

What emerges from an overall reading of the data are significant signals pointing to the influence which certain corporate factors may exercise on female representation on the board of directors of medium-sized businesses located in the Central Italian regions.

An initial signal can be gleaned from the positive, statistically significant relationship between the weight of the family in the corporate ownership structure ("FAMILY_OWN") and the dependent variable "FEMALE_DIRECTORS" in the period 2010-2014. This demonstrates that the higher the presence of the controlling family in the ownership structure, the greater the female participation on the board. Consequently, ownership structure represents an important factor that positively influences gender diversity on the board.

Table 2. Regression analysis (Ordinary least squares)

FEMALE DIRECTORS	2007	2008	2009	2010	2011	2012	2013	2014
FAMILY_OWN	0.077	0.093	0.073	0.136**	0.113*	0 .115**	0.140**	0.140**
	(0.068)	(0.065)	(0.066)	(0.060)	(0.061)	(0.056)	(0.057)	(0.059)
GENERATION _CONTROL	-0.056	-0.062*	-0.046	-0.033	-0.038	-0.066*	-0.065*	-0.056
	(0.037)	(0.036)	(0.035)	(0.036)	(0.036)	(0.034)	(0.035)	(0.040)
AGE _ DIRECTORS	-0.247***	-0.319***	-0.250***	-0.207*	-0.288***	-0.327***	-0.418***	-0.409***
	(0.093)	(0.102)	(0.096)	(0.108)	(0.110)	(0.105)	(0.101)	(0.103)
ASSETS	0.027	0.004	0.005	-0.004	-0.005	0 .001	-0.006	-0.001
	(0.033)	(0.029)	(0.029)	(0.028)	(0.029)	(0.030)	(0.031)	(0.030)
INDUSTRY	-0.049	-0.061	-0.049	-0.021	-0.027	-0.037	-0.047	-0.062*
	(0.040)	(0.040)	(0.041)	(0.038)	(0.038)	(0.036)	(0.037)	(0.038)
R-squared	0.046	0.069	0.044	0.041	0.049	0.075	0.097	0.083
F statistic	2.54**	3.40***	2.38**	2.05*	2.23**	3.60***	5.52***	5.19***
VIF	1.05	1.03	1.05	1.05	1.05	1.07	1.07	1.07
Firms	217	218	214	221	223	227	226	233

Note: ***, ** and * indicate significance at the 1%, 5%, and 10% levels, respectively. Robust standard errors in parentheses.

Another signal, though pointing in the opposite direction, relates to the generation controlling the business. In the years 2008, 2012, 2013, the “GENERATION_CONTROL” variable has a negative impact on the presence of females in the governance body. From this, it is possible to deduce that first-generation family businesses are less favorable to the involvement of women on the board than those of subsequent generations, which tend instead encourage female representation. Namely, while the first generation seems to be less prone to engage women on the board, subsequent generations appear to be more likely to involve women in business governance.

Again, the control variable “AGE_DIRECTORS” - which reflects the average age of board members – is shown to have a negative influence on female participation on the board. It follows that boards made up in the main of elderly members will be less inclined to involve women. Conversely, younger boards will tend to favor female participation. This finding emerges loud and clear throughout the reference period (2007-2014).

Finally, as regards the other control variables included in the estimation models, the results fail to highlight a relation with the dependent variable “FEMALE_DIRECTORS.” In other words, for the sample in question, there is no evidence of a “SIZE” effect (stemming from the greater or smaller dimensions of the business) able to influence the percentage of women on the board. Thus firms’ size does not generate any impact on the board gender diversity, nor is there evidence of any relationship between the business sector – manufacturing or non-manufacturing – and the extent of the female presence on the board of directors. Namely, business sectors do not exert any kind of influence on board gender diversity.

CONCLUSION

The present work supplements study on the governance of listed family businesses and /or large businesses. In fact, the study focuses on medium-sized family businesses in Central Italy, and its aim was: 1) understand how the presence of women in the governance of these companies has evolved between 2007 and 2014; 2) investigate whether and how family ownership (Hypothesis 1) and the generational stage (Hypothesis 2) can influence women's participation in the board of these companies. In line with our research aims, a quantitative analysis was carried out. The main findings of our analysis are as follows:

- In our sample the presence of women in family firms' corporate governance is deficient;
- The greater the presence of the controlling family in the family business ownership, the higher women's participation on board (Hypothesis 1 is confirmed);
- Being a first-generation family firm has a negative impact on the presence of women on the board of directors (Hypothesis 2 is confirmed).

More in detail, our empirical findings contribute to improving our understanding of female participation in family firms' corporate governance, as explained in the following.

Firstly, the descriptive analysis has made it possible to chart how the female presence in the governance of Central Italian medium-sized businesses has evolved in recent years. As regards ownership, the results are rather discouraging. Over the period under study, 1) there was a 4% reduction in the number of firms with at least one female with ownership involvement (from 52% to 48%); 2) the female proportion of all owners decreased by 4% (from 25% to 21%).

Turning to the issue of female involvement on the board of directors, there is a slight improvement. The percentage of businesses with at least one female board member rose from 62% to 64%. It is a modest increase. However, the percentage is higher than both the 55.5% measured by the Corbetta and Quarato (2016) for Italian large family businesses and the 55% resulted from Ernst & Young's survey (2015) on the world's largest family businesses.

However, female involvement on the board of directors remains limited. During the period under investigation, women account on average for 26% of board members. This percentage is not so far from the 33% envisaged by the current law on "pink quotas." However, it needs bearing in mind that the size of the boards in the businesses under review is fairly small (four members, on average), so that even the presence of a single female will raise the percentage significantly. Furthermore, it is almost always a case of women belonging to the family, with the risk that they may represent a mere token presence.

All in all, in terms of evolutionary progress towards the achievement of the desired gender balance, there is still a considerable way to go. Indeed, where the businesses analyzed are concerned, the trend is negative, with the percentage slipping from 27% in 2008 to 25% in 2014. Hence, the results for medium-sized Central Italian firms bear out the fact that little or nothing has changed as regards female representation on the board of directors in those businesses, which are not legally required to apply the "pink quotas."

Moreover, the results confirm the importance of family ties since, in the vast majority of cases, the women who sit on the board of directors are members of the owner family. In this sense, the data corroborate the findings of previous research conducted in Italy (Gnan & Montemerlo, 2008; Songini & Gnan, 2009). Finally, with regard to top management positions, the data point to opposing trends: if, on the one hand, there are posts which remain virtually off-limits, like sole director and chairman where women are thin on the ground, on the other there is evidence of a significant increase in female CEOs whose numbers have more than doubled in the space of a few years, from 12% to 28%.

Secondly, analyzing corporate factors that may affect the presence of women on the board of directors of family businesses, our analysis has confirmed the first research hypothesis. As previous studies had already highlighted in the case of Italian (Corbetta et al., 2011; Bianco et al., 2015) and French (Nekhili & Gatfaoui, 2013) large family businesses, medium-sized family businesses also show that a greater family presence in the ownership structure encourages greater female participation on the board of directors. In this respect, it is important to stress that if, in one sense, this offers women an opportunity by increasing their chances of holding key positions on the boards of family businesses, in another sense there is the risk that this advantage will remain merely nominal if the official position – held by virtue of family ties – fails to allow real, active participation in the strategic and decision-making processes of the business. However, as pointed out by Claessens et al. (2000), the preference for family ties risks distorting the selection criteria if it leads to the appointment of females who, though family members, are devoid of the skills needed to perform their role effectively. Such a *modus operandi* would radically undermine the benefits, which, according to previous studies, gender diversity can have for the economic competitiveness and efficient governance of the business. Female involvement *per se* is a necessary component, but it is not enough by itself to make the difference. In other words, it needs to be coupled with real abilities and the opportunity to use them to the full in the performance of one's role.

Thirdly, this study has the additional merit of considering the influence of the generational stage, a variable, which – as far as the researchers are aware – has hitherto been neglected in previous studies on the corporate factors influencing the involvement of women in the board of directors. The results, confirming the second research hypothesis, have shown that the generational stage is a variable, which has a significant bearing on gender diversity. Specifically, it emerged that first-generation medium-sized businesses are less inclined to involve females in their boards. These findings highlight the importance of the generational factor when tackling the question of gender diversity in family businesses. As has already been argued, family businesses exhibit aims, values, decision-making processes and approaches to governance which vary over time (Gómez-Mejía et al., 2010; Berrone et al., 2012; Sciascia et al., 2014; Arrondo-Garcia et al., 2016), and it is reasonable to expect that their mind-sets and attitude to gender diversity will also change with the years.

Fourthly, the average age of board members also exerts a negative influence on female representation. Evolution towards gender diversity seems, therefore, to progress thanks to succession processes, which can favor female participation on two fronts. Firstly, as demonstrated by previous studies (Cesaroni & Sentuti, 2018), it is undeniable that generational change is less and less bent on excluding women, and that the female component of subsequent generations finds itself increasingly involved in the new governance structures resulting from the succession. Secondly, the new and younger generations are likely to be more open to female involvement.

Why are these results important? Because "having women in leadership and strategic roles makes economic sense for businesses" (Ernst & Young, 2015). Thus, it is not only a gender issue but also an economic one. The opportunities related to women's participation in leadership and decision-making processes in family businesses have been highlighted by several empirical research. Even if unequivocal evidence does not yet exist, some research pointed out positive changes generated by an increased presence of women in family firms. For instance, Amore et al. (2014) found that women-led family firms perform significantly better at high levels of percentage of female directors, especially when women directors do not belong to the controlling family.

Similarly, Cruz et al. (2012) showed that women managers know how to manage conflicts between socioemotional and financial goals better than men, thus improving firm performance. Other studies found that the presence of women directors increased focus on corporate governance quality and efficacy (Milliken & Martins, 1996; Arfken et al., 2004; Adams & Ferreira, 2009; Gul et al., 2011 Bianco et al., 2015; Torchia, Calabró, & Huse, 2015), and corporates social responsibility (Sundarasen, Je-Yen, & Rajangam, 2016; Peake et al. 2017). It also enhances family firms' entrepreneurial orientation (Arzubiaga et al., 2018) or reduces their bankruptcy risk (Wilson et al., 2013).

Therefore, why our findings are significant? What can we get from these results? Our findings are meaningful because they provide an important overview of Italian medium-sized family firms about women's involvement in corporate governance, suggesting several practical implications. From a managerial point of view, the analysis of the effects onboard gender diversity of different types of family governance helps to raise awareness of the corporate factors that can encourage/discourage female involvement in the governing body. Top management ought to promote female involvement, also looking beyond the confines of the family, as well as guaranteeing selection processes designed to assess the real skills and experience of the prospective candidates. In this way, there would be far less risk of coming up against selection criteria based exclusively on ties of kinship with the owner family and of failing to seize the opportunities extended by gender diversity on the board of directors. With this in mind, the founders' trusted consultants might also play an important part in promoting appropriate selection procedures and greater women's participation.

Furthermore, in light of the key role attributed to medium-sized family businesses in the current economic and social context, the analysis of these corporate factors can contribute to raising awareness among policymakers and institutions of the importance of gender diversity in the governing bodies. That, in turn, would help identify and develop policies designed to encourage greater female participation in business governance. Although confined to Central Italy, the results suggest that efforts to promote board gender diversity should be directed not just towards large and listed businesses, but also medium-sized firms where the female presence is still limited and gender balance still some way from being achieved.

The study presents some limitations, which may be taken as a starting point for further research. The analysis focuses on Central Italy: it could be extended nationally to arrive at a complete picture of the situation. Moreover, as explained in the Introduction, Italy is a country characterized by a high level of masculinity (House et al., 2004; Hofstede & Hofstede, 2005) and a high gender gap. Italian cultural context is less open towards economic participation and opportunity than other European and extra-European countries (WEF, 2018). Thus, further research might be carried out in other settings, enabling an assessment to be conducted as to whether, and in what ways, certain social and cultural attributes can affect the gender balance in question. In particular, starting from the Hofstede and Hofstede's model (2005), that shows the importance of considering cultural dimensions, such as power distance, uncertainty avoidance, individualism vs. collectivism, and masculinity vs. femininity, scholars could offer insights on the drivers of women's involvement in family firms across different geographic and cultural contexts. We also analyzed a peculiar period characterized by a deep recession. Other research should be carried out considering other periods to investigate whether the economic crisis can shape women's participation in family firms' corporate governance. Again, as regards the independent variables, the age of the business was used as a proxy for the generational stage in order to distinguish the first-generation businesses from the others. This aspect could be measured more accurately using surveys, which are also useful for collecting data to investigate the part played by certain specific characteristics of board members (such as education, experience, independence). Moreover, female involvement in corporate governance could be researched by checking the presence of women in top management positions (e.g., CEO and managers). Finally, in terms of methodology, future research might adopt more sophisticated statistical methods (e.g., Panel data analysis with fixed effects), suitable for carrying out longitudinal analyses and thus detecting the overall trend throughout the period in question.

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KEY TERMS AND DEFINITIONS

Board of Directors: The main corporate governance mechanism. It consists of a group of individuals elected by shareholders to govern the company and monitor the company's managers.

Central Italy: According to ISTAT (Italian National Institute of Statistics), a geographical area corresponding to the Italian regions Lazio, Tuscany, the Marches, and Umbria.

Corporate Governance: Set of organizational rules and mechanisms through which companies are governed and managed.

Family Business (or Family firm): A business owned and/or governed and/or managed by members of the same family, to shape the vision of the business and transmit it to subsequent generations.

Gender Diversity: Equal or balanced representation of people of different genders in the workplace or other contexts and/or organizations.

Generational Stage: The generation that controls the family business. According to this variable, family firms of first, second, or successive generations can be identified.

Pink quotas: The percentage of positions reserved by law for women in public and private organizations: companies, educational institutions, decision-making, and government bodies.

Chapter 5
"I'm Your Leader Now, but Do You Trust Me?": Analysis of Leadership and Trust in Family Firms

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ABSTRACT

Leadership succession is inevitable for most family businesses. To effectively face this challenging transition, next-generation leaders need to have the ability to gain their employees' trust which is typically very challenging due to previous generation' influence on the business. The chapter explores how trust in family leaders can impact succession when a business is passed from one generation to the next. This chapter presents two comparative examples of family business cases operating in the transportation sector in Italy. In the first business, the succession already took place and the next-generation leader is running the firm, while in the other firm, the incumbent generation is still in charge of the company and is not passing the baton. Results show that the incumbent and next-generation leader's perception of their leadership style correspond to non-family employees' perceptions. However, employees' trust in the incumbent is higher than the trust in the successor.

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INTRODUCTION

Leadership styles have a significant effect on firm performance (Avolio & Bass, 1990; Sahaya, 2012) because leaders influence their followers (Sahaya, 2012). This chapter focuses on the leadership styles of family firms’ leaders. Family firms are the dominant form of enterprise worldwide since more than two of every three companies can be classified as family businesses (Gersick et al., 1997). Scholars are paying more attention to these firms’ peculiar theoretical and practical problems (Dyer, 2003). The quality of leadership and strategy is widely viewed as instrumental in maintaining and improving competitive performance. Leadership has a vital role to play in strategic effectiveness. One of the biggest challenges that these firms face is the management of nonfamily employees, which has been acknowledged as keenly important to family businesses (Chua, Chrisman, & Sharma, 2003). Although family members often hold executive positions in family firms, many family firms employ nonfamily managers. Thus, securing the cooperation and commitment of nonfamily employees can be a major element for the strategy of family firms, which may determine its success or failure (Chrisman, Chua, & Litz, 2003).

Weak next-generation leadership is often cited as one of the leading reasons for the failure of family firms to successfully transition from one generation of family ownership to the next. Non-family employees’ trust in family leaders is especially important during the succession phase. The employees’ perception of the leader may change before and after succession, and in particular, employees may trust the new leader more or less than the incumbent one (Le Breton-Miller, Miller, & Steier, 2004). Furthermore, family firms may suffer from the incumbent’s shadow, which consists of the prior generation’s excessive and inappropriate involvement in an organization, which may cause social disruptions in the organization and create dysfunctional effects on the strategy and the performance of the firm (Lussier & Sonfield, 2009). Indeed, a change in leadership may represent either a period in which the future looks uncertain and frightening or an opening to new opportunities.

Extant research has shown that leadership styles are an important driver of business success since they impact on employees’ satisfaction and commitment (Gao & Bai, 2011; Sorenson, 2000). This is particularly relevant in family businesses where founders act as leaders and provide imprinting to the firm that will last even beyond the first-generation (Kellermanns et al., 2008).

Literature considers three main leadership styles: (i) transactional, when leaders promote social exchange, focus on reaching goals and give rewards for good performance; (ii) transformational, when leaders stimulate and inspire followers to achieve extraordinary outcomes by raising the level of motivation and morality; (iii) and laissez-faire, when leaders avoid responsibilities in making decisions and exhibits a lack of involvement in business life (Bass, 1985; Burns, 1978).

The stewardship theory posits that trust is a valuable asset that is available to leaders in family firms (Davis, Schoorman, & Donaldson, 1997). Family businesses generate trust bonds because of pre-existing relationships between family members (Davis, Allen, & Hayes, 2010; Pearson & Marler, 2010). However, when trust breaks down in the family, the distrust majorly impacts the profitability of the business (Stanley & McDowell, 2014). Lack of trust among family members creates emotional distress and creates costly detours. However, non-family members’ trust in the leader is also essential in the organization. Trust is an individual predisposition versus another person and refers to the expectation that the other person will not act opportunistically (Mayer, Davis, & Schoorman, 1995). Employees’ trust in their leaders produces positive consequences for the organization since they focus on value-producing activities and display greater organizational citizenship behaviors (Mayer & Gavin, 2005). Generally, high-quality exchange relationships are characterized by mutual trust, respect, and obligation between leaders and subordinates (Eddleston et al., 2010).

The chapter aims to review the literature about employees' trust in incumbent and next-generation leaders in family businesses and analyze employees' trust in the incumbent and the successor (e.g., Matthews, Moore, & Fialko, 1999; Venter, Boshoff, & Maas, 2005).

Our research question is whether and how do differences in leadership styles between two generations of leaders affect the employees' trust in the leader? In particular, the authors explore how leadership styles of family firms' leaders are related to the level employees' trust in the leader and how this relationship affects the succession process in a family business and whether the decision of younger leaders to mimic the senior leader's leadership style will increase employees' trust in the successor.

To address this research question, the authors selected two exemplary family firms, which are similar under many relevant dimensions, but with a different succession outcome. In one case, the incumbent generation was still in charge of the company, while in the other case, the next-generation leader was running the firm, and the founder passed the baton.

This chapter provides useful contributions to the literature on leadership and family firms, by empirically exploring the role of leadership style in family businesses during the succession process. It also discusses the practical importance of the perceptions of non-family employees in family firms regarding family leaders. Finally, by presenting two exemplary and typical cases of small family enterprises in a mature industry, it helps family business practitioners reflect on the importance of intergenerational leadership, which is a process that needs to be constructed in time by promoting and supporting next-generation leaders' self-differentiation, which is a key for gaining organizational members' trust.

THEORETICAL BACKGROUND

Family firms' economic relevance impacts more than half of the gross national product (GDP) of several countries, and those companies are an essential source of employment. In Italy, most family companies are micro, while, only a little part, are relatively large or giants in their respective industries. They contribute to about 40 percent of the national GDP and over half of the total national employment. Moreover, Italian family businesses are more long-lived than businesses based on other countries, and there is a stronger presence of the family members' respect for non-family ones.

Leadership Styles in Family Firms

Leading a family firm is a double challenge, because very often it represents the leading of a company, but also of what it represents for the family: A family business can be the primary source of income and stability for the family, very often it is what defines roles, expectations, ambitions, intentions, decisions, and actions of family members, it is their closest relational and affective network.

Here the authors define leadership as a process of social influence through a communication process in which a person can obtain the help and support of others for the realization of the achieving pre-established goals (Chemers, 2000; Hollander, 1985). Full-range leadership theory includes transformational, transactional, and laissez-faire leadership (Anderson & Sun, 2017; Antonakis, Avolio, & Sivasubramaniam, 2003; Bass & Avolio, 1990; Judge & Piccolo, 2004). Originally transformational and transactional leadership styles were defined opposites, but, in this chapter, the authors consider them as alternative or complementary as they do share some similarities. For instance, both transformational and transactional leaders are visionary, communicative, empathic, delegate responsibilities, and influence followers (Stone, Russell, & Patterson, 2004). What is different is how they relate to their followers.

Leaders with a transformational concentrate their efforts on longer-term goals; place value and emphasis on developing a vision and inspiring followers to pursue this vision. They stimulate followers to challenge their motivations, beliefs, and values to contribute to their personal growth and advancement (Bass, 1985). They change systems to accommodate followers' vision and coach them to take on greater responsibility for their development; Followers often describe these leaders as inspirational. Transformational leaders seek followers' opinions and let them regularly participate in decision-making processes. In turn, this increases employees' belonging and strengthen their role within the organization (Stone et al., 2004).

According to Bass and Avolio (1994), transformational leadership is made by four factors, namely, idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. Idealized influence is typical of those leaders who communicate values, purpose, and the importance of the organization's mission; they motivate followers to respect and being proud of the firm. Inspirational motivation means that leaders exhibit optimism and excitement about goals and future states. Intellectual stimulation refers to the examination of new perspectives for solving problems and completing tasks. Finally, individualized consideration focuses on the propensity of the leader to develop, mentor, and attend followers' individual needs.

According to the transactional leadership style, the leader-follower relationship is based on a sequence of exchanges or negotiations between leaders and followers (Howell & Avolio, 1993). A transactional approach provides attention to the motivation of the employees through rewards (i.e., contingent reward) or punishments (i.e., management by exception) if respectively results are reached or not (Eagly, Johannesen-Schmidt, & Van Engen, 2003). Management by exception can be active or passive: in the first case, leaders waiting for followers' mistakes and failures to meet standards, while in the second case, leaders wait until problems become severe before intervening (Stone et al., 2004).

While transformational and transactional leaders are active, laissez-faire leaders abdicate responsibilities, avoid making decisions, and exhibit a lack of involvement during critical junctures. Important decision making gets postponed, and their tendency to be reactive can lead to employee disinterest and low involvement with their organizational role. They tend to delay providing goals to employees and guidance on how to accomplish them. Finally, laissez-faire leaders tend not to function as motivators and role models, and this promotes passive laissez-faire behavior from employees (Bernhard & O'Driscoll, 2011).

Leaders do not exist without followers, and their two roles are complementary. In family firms, this is typically affected by family membership, where leaders are family members, and followers are non-family employees (Sharma, 2004). The leadership styles adopted by family leaders are largely coherent with the family organizational culture, which can be paternalistic, participative, laissez-faire, and professional (Dyer, 1986). In a paternalistic culture, relationships are arranged hierarchically, and family leaders detain all the key information and decision-making authority. Managers closely supervise employees, giving subordinates little discretion in how they perform their jobs. Leaders are autocratic and decide without consultation and are highly concerned about structure and performance (Sorenson, 2000). In a participative culture, trust, equality, and group-oriented view are the main characteristics that explain the relationships between the owner and employees. All employees are viewed as resources for information and problem solving, and their growth and development are important. In a laissez-faire culture, the family leaders define the mission and goals for employees and expect employees, with very freedom

Table 1. Family business organizational culture and leadership styles

Family business organizational culture	Leadership styles
• Paternalistic and professional family business organizational culture	• Participative family business organizational culture
• Relationships based on hierarchy • Family leaders' authority • Low participation of non-family organization members to decision-making	• Trust between family and non-family members • Equality and group orientation promoted in the whole organization • Decentralized decision-making to non-family members
• Transactional	• Transformational
• Leaders are responsive	• Leaders are proactive
• Works within the existing organizational culture	• Works to change the organizational culture by implementing new ideas
• Employees achieve objectives through rewards and punishments set by the leader	• Employees achieve objectives through higher ideals and moral values
• Motivates followers by appealing to their self-interest	• Motivates followers by encouraging them to put group interests first
• Management-by-exception: maintain the status quo; stress correct actions to improve performance.	• Individualized consideration: Each behavior is directed to each individual to express consideration and support. Intellectual stimulation: Promote creative and innovative ideas to solve problems.

Source: Own elaboration

of action, should pursue them. Mission leaders (Sorenson, 2000) establish a broad mission, which may not be specific enough to define expectations clearly, so they allow employees considerable freedom in decision-making. Employees are given wide latitude to be proactive in pursuing the "broad" mission. High levels of trust characterize this culture, and authority is delegated to lower-level decision-makers. Finally, in a professional culture, individual motivation and achievement are fundamental because decision making is oriented to achieve high rewards and to rise to top positions. Judging by the above, the closest to the characteristics of the paternalistic and professional culture is the transactional leadership style, the participative culture can be reconducted to transformational leadership style, and the laissez-faire culture to the laissez-faire leadership style. Table 1 summarizes the differences between the family organizational culture and the two active leadership styles.

The literature shows that effective leadership is central to the strategy and success of any business, family-controlled or not. The management literature supports the notion that the transformational leadership style in family firms produces superior outcomes and contributes to financial success (Sorenson, 2000) as it gives a group-oriented view and involves individuals in a way that is easy to reach the common goal and thus being satisfied. Furthermore, the participation of employees in the decisions making process generates commitment (Bass, 1990). While the laissez-faire style in family firms may bring to low productivity, satisfaction, and low commitment due to employees' complete freedom of action (Skogstad et al., 2007). Moreover, a congruous number of characteristics of transformational leadership lead to think that the use of this leadership style is prevalent in family firms. First, because the owners and employees in family businesses shared vision, values, and beliefs (Gao & Bai, 2011). Having a shared vision for the family business contributes to the sense of fulfillment, energy, and enthusiasm experienced by employees and next-generation leaders (Miller, 2014). Second, because the leader knows the business, inspires loyalty and trust, and makes employees proud to be associated with him or her

(Sorenson, 2000). Third, because this sort of protection exerted by the leader and his/her commitment make employees satisfied (Bass, 1990).

However, in family firms, perceptions are the reality (De Vries, Carlock, & Florent-Treacy, 2007), which means that organizational actors tendentially behave according to their perceptions rather than objectively considering the different obstacles and opportunities. Perceptions shape feelings, beliefs, and decision-making. Self-perceptions of leadership and followers' perceptions are determinants for making someone "a leader" (Spence Laschinger et al., 2009). In the following paragraphs, the authors will try to analyze the different perceptions of family leaders' leadership style.

Trusting Family Business Leaders

The role of the leader generally involves a series of activities related to team performance, such as determining the roles of team members and the strategies to achieve the firm's goals and to improve employee motivation. Scholars showed that trust in the leader might be impacted directly by a leader's behavior and personality traits (Dirks & Ferrin, 2002). Integrity and reliability are important traits of leaders and allow them to generate trust in followers (Kannan-Narasimhan & Lawrence, 2012; Newman et al., 2014). Also, trust is a fundamental basis for effective leadership because it is central for employees to perceive direction (Gao, Janssen, & Shi, 2011). Thus, trust in the leader is crucial as it allows the team to be willing to accept the leader's goals and decisions and work hard to achieve them (Zhu et al., 2013).

Strong family bonds are characterized as being based on trust, and family firms are usually depicted as relying on mutual trust in their governance (i. e. Corbetta & Salvato, 2004; Eddleston et al., 2010). Sundaramurthy and Kreiner (2008) explain that family businesses are not purely based on economic considerations, making the trust of central importance. Indeed, research suggests that family firms may be particularly capable of capitalizing on trust. Trust is defined as the willingness of an individual to confide into the actions of another individual without any control (Mayer et al., 1995), which is opposite with the idea of control and authority on which the traditional myth of the "family business founder-man" is based on. High levels of trust or a willingness to become vulnerable on the part of employers imply the involvement of employees rather than tight control (Davis & Harveston, 1999). Another common definition of trust reports that "Trust in a team context is the belief that team members have good intentions as well as having confidence in the capability and character of team members" (Boies, Fiset, & Gill, 2015, p. 1084). Previous studies show that trust in the leader is important to get effective results in team-work and organizational success (Boies et al., 2015; Koohang, Paliszkiewicz, & Goluchowski, 2017). Indeed, all firms can attain corporate goals thanks to employees' faith, and increased trust enhances performance and contributes to organizational profitability (Koohang et al., 2017).

Tagiuri and Davis (1996) argued that trust could be higher in family businesses because of the creation of a sort of "family language" that comes with tight family relationships, where there is less informational asymmetry than in nonfamily relationships. Because of the efficiency and effectiveness of information exchange in family relationships, family members are more open and willing to be vulnerable to one another: they trust each other. Daily and Dollinger (1992) argue that these trusting relationships in family businesses require less organizational structure and lower monitoring and control costs than are typically found with self-serving, agent-like behaviors. Accordingly, a high level of trust in management among employees should be associated with a sense of stewardship among family businesses from which all the employees involved in the business may benefit. This could extend across family and nonfamily employees alike.

Most importantly, trust in the successor's ability is an important determinant of effective successions. According to Lansberg (1988), the willingness of a family leader to step aside and leave the family business to a successor may be eroded by feelings of rivalry and jealousy toward the potential successor, which could become evident in a persistent distrust of the latter's competence and ability. Goldberg and Wooldridge (1993) contend that effective succession is largely determined by the incumbent's perception of the potential successor's likely performance. Matthews et al. (1999) suggest that the parent/leader's categorization of the child/successor is important because the former's view of the latter as a leader enhances the latter's ability to lead. A parent who categorizes the successor as a rival ("monarch") or as a novice ("general") is unlikely to view him or her as capable of carrying out the leadership function. In other studies, a positive relationship emerged between the trust that the founder had in the successor's capabilities and the propensity of the successor to take over the business (Venter et al., 2005).

Also, the credibility of the successor is crucial to his or her successful integration into the business, because, without employees' credibility, the successor cannot attain legitimacy. When employees trust their leaders, they focus more considerable attention on value-producing activities and display more significant organizational citizenship behaviors (Mayer & Gavin, 2005). High-quality exchange relationships are characterized by mutual trust, respect, and obligation between leaders and subordinates (Pearson & Marler, 2010). Family firms have a potential advantage in generating reciprocal stewardship because of pre-existing relationships with family members, behavioral norms, and social capital.

However, that special treatment of family members may damage the trust of nonfamily employees. Trust is a fragile commodity that is often easier to breach than to build (Gulati & Sytch, 2008). It is also a "dyadic construct, where parties may hold diverging perceptions of the level of trust in the relationship" (Gulati & Sytch, 2008, p. 277). Some family leaders view non-family employees as outsiders and believe that they cannot share the same concerns and loyalty for the firm as family members (Van der Heyden, Blondel, & Carlock, 2005). When family members receive preferential treatment, nonfamily employees are likely to view the firm's leadership as unfair, which can damage trust and trigger negative behaviors such as withdrawal, hostility, or shirking (Chua, Chrisman, & Bergiel, 2009; Eddleston et al., 2010).

Leadership Styles and Trust Across Generations

While many styles of leadership have been examined concerning trust in leadership, perhaps the most prevalent is that of transformational leadership. Dirks and Ferrin (2002) conducted a meta-analysis and found empirical support for the relationship between specific transformational behaviors and trust in leadership. As the authors previously described, this type of leadership adopts an approach, whereby leaders facilitate followers' efforts to solve complex problems while concurrently developing subordinates, so they are more prepared to address future problems (Bass et al., 2003). These leaders focus on transforming followers' motivational states to higher-level needs, such as self-actualization. Therefore, it should come as no surprise that followers may view the behaviors that fall within this style of leadership (e.g., charisma, intellectual stimulation, inspiration, individualized consideration) as indicators of how much leaders show respect and concern for them, by understanding individual strengths and weaknesses. The literature seems to agree that leaders that adopt a transformational leadership style are viewed as trustworthy (Conger, Kanungo, & Menon, 2000; Gillespie & Mann, 2004).

Several researchers have also found positive relationships between transactional leadership behavior and trust in leadership (see Burke et al., 2007; MacKenzie, Podsakoff, & Rich, 2001). Transactional leadership style and the behaviors contained within are built on dyadic exchanges with a clear focus on consistent fulfillment of reward contingencies and exchange relationships (Burns, 1978). When followers perceive justice exists within the transactional nature of the leadership behaviors which are subsumed within this class (i.e., contingent reward, active management by exception, and passive management by exception), this leadership style may be viewed as enhancing employees’ trust in the leader. Indeed, the provision of recognition and reinforcement that is contingent on performance demonstrates caring. Despite the support for the influence of transactional leadership style on the development of trust in leadership, there has been mixed support for these assertions (e.g., Jung & Avolio, 2000; Pillai, Schriesheim, & Williams, 1999). Some suggest that transactional leadership behaviors do not inspire levels of trust in the leader. It may be that while transactional leadership styles promote consistency, perceptions of justice, and reduce ambiguity within the leader-member relationship needed to develop trust, it does not inspire the subordinate to go above and beyond the tasks laid out by the leader.

Typically the protagonists of the intra-family generational succession are the householder (or founder), who manages the transition and directly undergoes the consequences, and the successor, who is typically chosen by the family (Le Breton-Miller et al., 2004). According to Corbetta (1995), the generational turnover starts when the householders pass the firm to another member of the family (typically, sons or daughters), and the passing down of the business to the next-generation invests the whole organization. Given that the literature shows that employees’ trust may vary according to the leadership style adopted by the leader if the incumbent and the next generation leaders have different leadership styles, employees’ trust in them may vary accordingly. Indeed, the “generational turnover” can represent a double-edged sword as it may lead to a new phase of positive development and business prosperity, but also it may conduct the business into a crisis or failure

In sum, the literature points to the fact that family leaders’ leadership styles (transformational or transactional) and employees’ trust in the leader are fundamental for the strategic effectiveness of a family company and especially for the succession process.

METHODOLOGY

Procedures: Case Selection and Data Collection

By examining two real-life family business cases, the authors explore how succession can be affected by family leaders’ leadership styles and employees’ trust in the senior and next-generation leaders. Adopting the logic of a comparative case study analysis (Yin, 2003), the authors examine each case and then try to identify what distinguishes the first case from the second.

In this chapter, two exemplary cases that were homogeneous under three relevant dimensions were selected. First, both the firms were family-owned and run, and all started as small/medium companies. Second, in both cases, the incumbent and the next generation leaders were working together in the firm. Third, they all operated in the same sector and in the same regional area to control for possible different regulations and normative constraints, which may impact the business conduct.

Besides these similarities, the firms were characterized by different features in terms of succession outcomes and growth paths. In Firm A, the succession already took place, and the next-generation leader is currently running the firm, while in Firm B, the incumbent generation is still in charge of the company and is not passing the baton. As the authors will explain later, Firm B experienced a higher growth as compared to Firm A (see Table 2 below).

Table 2. Main characteristics of two family firms

Company	Industry	Geographical Location	Founding Year of establishment	No. of Employees (2018)	Turnover in 2018 (€ Million)	Generation of Ownership	Top leader's Generation
Firm A	Transport sector	Chieti Province (Italy)	1968	13	<0.5	2nd and 3rd	3rd
Firm B	Transport sector	Chieti Province (Italy)	1985	75	11	1st	1st

Source: Own elaboration

About data collection, the authors gathered information through direct interviews, the firm's website, online articles, and one survey undertaken by family leaders and family business employees between January 2018 and March 2018. When the authors contacted the current firm top leaders, they were briefed about the research project through a written project summary sent by e-mail. Then, the authors organized a Skype interview and asked about the story of the firm and their role in the business and the relationship with employees. The leaders provided us access to the other leader and firm employees. Afterward, the authors personally interviewed the second and third-generation leaders in Firm A and B, respectively. The authors used a semi-structured interview protocol that comprised a set of open questions about the main characteristic of the firm and the relationship between the family firm members and employees. Each interview lasted, on average, 45 minutes. All interviews were tape-recorded and transcribed; generally, at this stage, a telephone follow-up with the respondents was conducted in order to gather any relevant missing data. The authors administered a survey to the two main generations working in the business and to the main strictly collaborators.

The survey included questions about:

1. the interviewee's personal information (age, gender, and education),
2. the leadership styles of the two main leading generations involved,
3. and the level of trust that the employees have toward them.

To investigate the leadership style, the Multifactor Leadership Questionnaire (MLQ) was used (Bass & Avolio, 1990). The MLQ evaluates three different leadership styles: transformational, transactional, and laissez-faire. It allows individuals to measure how they perceive themselves concerning specific leadership behaviors (using the Leader/Self-form). However, it also includes the other feedback form, which was filled in by the non-family employees (the closer) and the other family member involved in the firm. To measure the trust in the leader, a scale ideated by Dirks (2000) was used. Both the scales follow a 5-Likert point answer, and the values go from 1 (strongly disagree) to 5 (strongly agree). In particular, two different surveys were constructed. The first that was administered only to the two main generations of manager that are inside the firm, and the second was administered only to the employees. Thus, the first includes only the MLQ in the self-form, while the second includes the MLQ in the other feedback form and the scale to measure trust in the leader, and these scales are replicated both for the incumbent and the successor. Finally, secondary information was collected, consulting online interviews released to the regional journals and the web site and social media channels of the two firms.

TWO FAMILY BUSINESS STORIES IN THE TRANSPORT SECTOR

Two Families, Same Industry, but Different Results

Firm A

Angelo founded Firm A, a transport company, in 1968 in Chieti province in Italy. Angelo started purchasing two Alfa 1000 trucks to carry building materials for third parties. Today they are kept in the new building of the firm as a memory of the past. Angelo's motto was "aim to deliver your cargo quickly and securely."

The firm started as a sole proprietorship and remained very small until when Carmine, Angelo's son, took over the company in 1973. In that year, Angelo retired and decided to pass the reins off to Carmine. During the following years, Carmine worked hard, facing numerous difficulties, but he also obtained many gratifications.

In 1991, Carmine decided to differentiate the business integrating the core business of the firm with the transport of prefabricated, manufactured goods, ferrous materials, and out of shape. The clients needed to ship all manner of goods and equipment, so the firm tried to accommodate their needs by expanding its fleet. In 2012 Carmine won a local award for small firms that were active in the territory for more than 30 years.

In 2013, Marco, Carmine's second-born, started to work in the company. He did not have in mind to take the reins of the company and to continue the business. He did not think about his position in the firm and this because he was very young and very safe in the presence of the father. However, his arrival brought some new energy into the firm. First of all, Marco pushed to continue to differentiate the core business by extending the services offered and increasing the customer portfolio. The firm started to operate in the container and sea transport sectors. These steps allowed the firm to grow and expand its services around Europe.

In 2014, after graduating, Samuele, Carmine's first-born son, started to work in the firm too. He supported Marco in the operational and commercial tasks, increasing the specialization of the company in exceptional transports. However, when Samuele arrived in the firm, Marco started to think about the idea of continuing the business in the future with him. They are well known in the firm because, when they are young, they often went to the office. However, in the first years they arrived, they state they needed a process of involvement and familiarization with the business and with the employees. In particular, Carmine was always present, sharing his know-how and consulting them in case of decision-making choices. Carmine remembers, "*I was pleased to consult them before making some business decisions*," and also "*the employees understood that something was happening and began to foresee a change of guard in the next 3/4 years*". The first months of 2015 have been hectic; Carmine decided to allow Marco and Samuele the opportunity to make the first crucial decisions, this is a phase of consolidation of the roles of the founder and successor, in which there is a visible transfer of responsibilities. At the end of 2015, Carmine announced his retirement and the decision to pass the baton to his sons. The older employees initially were scared about this decision, even if they were reassured by the fact that Carmine, also in the future, would have helped his sons.

Marco and Samuele's entrance in the top management position has brought a breath of freshness to the company. In 2016, they decided to move the headquarters in a strategical position, near the industrial area in Chieti, to stay very close to the motorway. Also, they decided to redesign the logo and the entire corporate image to give an air of novelty to the firm, but in their advertising, they still stress the idea that “*Firm A is a family firm*.” Samuele and Marco, now, are the owners of the firm. Carmine covers the role of consultant and President emeritus; Samuele is the CEO and is in charge of the day-by-day operations; Marco is in charge of operative and commercial activities. Angelo, Carmine’s nephew, works in the administrative department of the firm.

Today, the company has got a flexible vehicle fleet (i.e., road tractors and semi-trailers) suited to the needs of customers, and it continuously ensures scheduled maintenance, which is particularly important for safety reasons in the transport sector. Firm A can satisfy all types of transport, logistics, and handling needs of any manufactured product, even those which exceptional size and weight, like aggregates, clays, and hazardous and non-hazardous waste.

In all these years of growth, innovation has been the central idea to be reached and improved; all the vehicles have been equipped with instant tracking and load transport; also, new software has been installed for accounting and cost control. Thanks to this innovation since 2012, the firm has doubled its turnover and the number of employees. The customer portfolio has been quadrupled, and transport services have been increased to offer 360-degree transport services.

The main goals for the future are the desire to continue the growth and ensure the maximum satisfaction to customers in terms of service quality, reliability, accuracy, and modernity. The quality of the services offered to their customers and suppliers is especially important to maintain good relationships, and this can be reached only by having good internal relationships with the employees

The family aims to develop a high degree of cohesion in the company by facilitating the sharing of corporate objectives. Indeed, employees are always encouraged to collaborate to provide the best possible service to clients.

Firm B

Valerio founded Firm B in 1985 in the province of Chieti in Italy. Also, Firm B was a transport company, and Valerio is the current family business owner and manager. He ran the firm over the years and made the firm grow. When asked about his first steps into the business, he said: “*the first truck that I bought was a Fiat OM 80 [...] initially we were just a small shop, and then in 1991 we moved to a real office*”.

Fortunately, the work quantity increased during the years, and thus, the firm expanded its road freight fleet. Given this growth, in 1998, Valerio decided to move the headquarter to an industrial area near Chieti, just a few kilometers from the motorway and the rail freight terminal. This would have enhanced the connections and, thus, the growth possibilities of the business. Now they have almost 40.000 square meters of surface available that includes offices, warehouses, a large square, large gas tanks, a car wash facility, and a new mechanical workshop for the maintenance of vehicles and tires.

By combining tradition, innovation, and professionalism, Firm B offers national and international transport services on the road, intermodal (i.e., combined road-rail) and by the sea. Moreover, it provides integrated logistics and transport services such as storage of goods, services, picking, packing, porterage, containerization, shipping and distribution of goods, and the service of VAT warehouse and light fiscal representation. The combination of road-rail-sea transportation is one of the best methods to recover long distance, because it guarantees a relatively short delivery time and reduced risks, compared to road transportation. The merchandise is picked up from the customer in a specific container (Intermodal Transport Units – ITU), where it will remain until the final destination is reached. The fact there is no loading and unloading in the intermediate stages evidently guarantees a lower risk of damage to the contents, lower costs for transferal between different types of vehicles, and also often provides greater speed.

Furthermore, intermodal transportation reduces energy consumption by 30% and CO_2 emissions by 55%, compared to road transport. Firm B strives to offer punctuality in the deliveries and the highest safety standards in goods handling. It continuously monitors customer needs and employs highly qualified and trained personnel. International customers are mainly located within the European Union but also in Tunisia. Firm B invests in the adaptation and implementation of quality systems, occupational safety, environmental sustainability, and energy-saving policies. Valerio’s focus is not only on the kind of service offered but also on the types of vehicles. The firm has grown very fast in these years and currently has 200 typologies of tractors, trailers, and semi-trailers and others, as Valerio explains, “*We believe in combined transportations that exploit the synergy of traditional trucks with train and ship (…) This is the future of our profession*”. Moreover, thanks to the satellite tracking systems integrated into the vehicles, it is always possible to know where the goods are.

The firm also pays attention to the environment; indeed, their innovation also focuses on reducing carbon dioxide emissions. Valerio aims to pursue a healthy growth “*in the first 2019 quarter, we bought ten new vehicles, and we have many projects, among which we have the attainment of Etica Sa8000 certifications*” and other health and environmental ones.

Firm B is a family business as all the members of Valerio’s family work in the company. Valerio is the only owner and also the CEO of the company. His wife, Sonia, is in charge of the storage and distribution, and their young children Manuela and Davide, are responsible for the finance and logistics areas. In particular, Davide joined the company in 2013 while Manuela arrived in 2017.

Today the firm employs 75 people. It has offices in Italy, Romania, and Tunisia. “Since 2012, we are present in Tunisia, with an office and a warehouse in the harbor area of Radès, and in 2015 in Romania, in Bucarest, we have employees and dedicated vehicles. Some strategic commercial hubs are also in (Italian cities) like Salerno, Civitavecchia, Bologna, and Livorno, where we acquired a historical player in the marine shipment sector, and very soon also in Pescara” explains Valerio.

Results

The authors interviewed Carmine (Firm A) and Valerio (Firm B). After they surveyed Marco, the successor (Firm A) and Davide, the potential successor of Firm B. The authors observed that in both companies, both the incumbent and the successor are males. The patriarchal family structure of the Greek (οἶκος) and Roman family (*pater familias*) still influences today’s way of running businesses. The incumbents are 70 and 51 years old, while their two sons are 25 and 26 years old, respectively.

Regarding the level of education, the incumbent of Firm A has a Junior certificate, and the successor has a bachelor’s degree, while in Firm B, both have a high school degree. Still, Carmine passed the business to his son, when he was 67 years old, while Valerio does not even envision this possibility now, even if he sees Davide as the predestinated son who will succeed him. A summary of the main information is presented in Table 3.

The information about the main closer employees is reported in Table 4. There is a higher percentage of males, they are between 41-50 years old, and they principally hold a high school degree.

Table 5 shows the comparison of the employees’ perception of the leadership styles of the incumbents and the successors; t-test statistics are used to underline the significant differences. In the case of Firm A, employees perceive the incumbent’s leadership style as transactional, while the successor’s leader-

Table 3. Primary information of incumbent and next-generation

		Firm A	Firm B
Gender	Incumbent Next-generation	Male Male	Male Male
Age	Incumbent Next-generation	70 25	51 26
Education	Incumbent Next-generation	Junior certificate Bachelor's degree	High school degree High school degree
Leadership style	Incumbent Next-generation	Transactional Transactional	Transactional Transactional
Top leader		Next-generation	Incumbent

Source: Own elaboration

Table 4. Descriptive statistics of employees.

Employees	Frequency distribution		
	Total	Firm A	Firm B
Sex			
Male	9 (60%)	6 (86%)	3 (37.5%)
Female	6 (40%)	1 (14%)	5 (62.5%)
Age			
Below 30 years old	2 (13.3%)	1 (14%)	1 (12.5%)
31-40 years old	4 (26.7%)	1 (14%)	3 (37.5%)
41-50 years old	5 (33.3%)	1 (14%)	4 (50%)
More than 50 years old	4 (26.7%)	4 (68%)	-
Education			
Junior certificate	1 (6.7%)	1 (14%)	-
High school degree	9 (60%)	4 (68%)	5 (62.5%)
Bachelor's degree	2 (13.3%)	1 (14%)	1 (12.5%)
Master's degree	3 (20%)	1 (14%)	2 (25%)

Source: Own elaboration

ship style as transformational. In particular, employees perceive significant differences in the leadership styles used by the incumbent and successors, mainly regarding the transformational ($p<0.01$) and laissez-faire ($p<0.02$) leadership styles. In the case of Firm B, employees perceive the leadership style of the incumbent and the successor's as transactional. However, they perceive significant differences between the incumbent and successors ($p<0.01$). In particular, Firm A's employees perceive that the father uses a transactional leadership style, and the son uses a transformational leadership style. This means that there is a wrong perception of the style used by the son because the survey results about his leadership style show that the style he adopts is the transactional one. Instead, in Firm B, employees perceive the transactional style as the leadership style that both father and son use. Thus, confirming the right perception of employees.

Finally, Table 6 shows the employees' trust in the incumbent and the successor. As it can be seen below, Firm A's employees have more trust in the incumbent and successor then employees of Firm B. However, in both firms, employees trust more the incumbent than the successor, even if only in Firm

Table 5. Leadership style of the top leaders perceived by employees

Employees	Total	Firm A		Firm B	
		Mean (σ)	p-value	Mean (σ)	p-value
Transformational Leadership perceived	3.57 (0.58)	4.02 (0.40)		3.13 (0.23)	
Father Son		3.74 (0.73) 4.30 (0.21)	0.01	3.29 (0.43) 2.96 (0.63)	0.53
Transactional Leadership perceived	3.73 (0.50)	4.13 (0.02)		3.32 (0.31)	
Father Son		4.12 (0.74) 4.14 (0.48)	0.06	3.54 (0.41) 3.10 (0.47)	0.01
Laissez-faire Leadership perceived	2.26 (0.53)	2.71 (0.14)		1.81 (0.03)	
Father Son		2.81 (0.79) 2.62 (0.76)	0.02	1.79 (0.71) 1.83 (0.62)	0.09

Source: Own elaboration

Table 6. Employees trust vs. incumbent and successor

Employees	Total	Firm A	p-value	Firm B	p-value
		Mean (σ)		Mean (σ)	
Trust	4.03 (0.35)	4.28 (0.22)		3.77 (0.25)	
Father **Son**		4.43 (0.46) 4.13 (0.67)	0.00	3.95 (0.54) 3.59 (0.84)	0.89

Source: Own elaboration

A this relation is significant ($p<0.00$). This is an important result because it shows that also in case of succession (i.e., in Firm A), employees trust more the father than the next generation leaders.

The results allow us to conclude that the leadership styles of family firms' leaders do not appear to be related to the employees' level of trust, and the succession process in family businesses is not influenced by the leader behavior. However, it seems to be affected by employees' trust.

Three points are very relevant at this stage. The first is related to Firm A. Carmine; the father states that the period in which both Marco and Samuele arrived in the firm was a period characterized by a continuing exchange between the two generations. In particular, he affirms, "*I was transmitting my knowledge of the business world, sharing my experiences, and guiding my sons, while at the same time, they were learning a lot from me. Their academic knowledge and their perspective of the business world gave me tranquility and awareness of being the right choice*". Thus, playing their respective roles, father and sons were both in a learning period. Each of them contributing to their knowledge, helping in solve their doubts, and improving their way of managing a firm. Also, the second point is mainly evident by analyzing Firm A. As our results confirm, the son's leadership style is not perceived by employees. To inspire employees' confidence, he smoothed out the traits typical of the transactional leadership style and acted in a less authoritarian way to be welcomed, respected, and accepted. Finally, the third point is linked to both Firm A and Firm B. Both sons did not have any prior work experience outside the family firm. Thus, fathers consider that the training on the job done inside the family firm is the most useful preparation for their successors.

SOLUTIONS AND RECOMMENDATIONS

Leaders have been argued to play a key role in determining strategy and organizational effectiveness. A key component in a leader's ability to be effective within such environments is the degree to which subordinates and co-workers trust him/her. Our results show that leadership styles are perceived consistently among family and non-family members. Also, the authors find that successors tend to adopt the previous generation leader's leadership style. However, despite this similarity, results show that employees' trust in the incumbent is higher than their trust in the successor, independently of the fact that the business was passed from one generation to the next. Also, effective next-generation leaders are crucial for business long-term survival and success (Miller & Le Breton-Miller, 2006). However, it appears that mimicking the senior leader's leadership style does not increase employees' trust in the successor.

The findings of this chapter may add to our understanding of leadership styles and employees' trust in their leader during the succession process, which is a key strategic process in family businesses, where strategy is more emergent, rather than planned. Indeed, the process of making strategy through a new process involves creating solutions that react to present problems, and decisions made are done so on an incremental basis so that the firm can learn in time. Progress is made towards a goal through many small steps, and strategy can be shaped, influenced, driven, and determined by a range of stakeholders as much as by small management elites in the enterprise. This process is, in essence, opposing to the more rational, structured, top-down approach to strategy that we often think about and makes the irrational components even more evident.

"Like father, like son"

This folk phrase succinctly sums up family characterizations. It blames that parents are responsible for how children turn out. In the two-family companies, the successor maintains the same leadership style as the incumbent. Our results show that leadership styles are perceived consistently among family and non-family members. Two main reasons can justify this behavior in family firms. First, successor and incumbent are not only working in the same business environment, but they are also members of the same family, and therefore, it is likely that the previous leader's behavior might influence the successor. We all know that parents are role models for children; thus, their occupations are certainly antecedents of their children's behavior. Moreover, the successor tends to adopt the leadership style of the incumbent to gain credibility and, consequently, trust from the employees. Mimicking the leadership style of the father might be seen as a strategy to gain trust.

… but "the old bull knows best"

The two exemplary cases show that the leadership styles of family firms' leaders do not always affect employees' trust in the leader. Our results show that employees' trust in the incumbent is higher than their trust in the successor, independently of the fact that the business was passed from one generation to the next. Indeed, leadership may be considered as something "magic" (Young, Morris, & Scherwin, 2013).

When people see that a leader is successful, but they do not know how that success was achieved, they are likely to say that the leader is charismatic and visionary, rather than just hardworking. Indeed, family and founders’ stories pervade family business storytelling and shape the way reality is perceived and, thus, actions. That is why imitating the previous generation leader is not enough to gain employees’ trust.

What can family business leaders do then?

This chapter aims to stimulate reflections about the practical implications of being perceived as a trustworthy leader as a key element for the strategic success of the company, especially in small companies that aim to grow. Self-differentiation should not only be promoted at the individual level by both the incumbent and the next-generation family members, but it should be extended to the organizational level. A change in the leadership should bring not only to a new formal top leader but also to a change in the intangible dynamics that take place in the family organization. The results of this chapter can be used as guidelines for consultants and advisors who are looking for effective leadership in every different generation who runs the family firm.

This study also has limitations that pave the way for future research. First, our study considers family firms located in one single country. However, both leaders’ and employees’ expectations, behavior, and performance may vary across different national cultures (Redding, 2013). The influence of national culture on individual behavior is well established (Hofstede, 2001) and is reflected in how firms are managed (Hofstede, Hofstede, & Minkov, 2005). Other studies, which have been conducted in different countries, showed that the firms’ country deeply influences leadership style. In Asian firms, leadership tends to be based on position, authority, and seniority. In China, for instance, commitment is associated with loyalty to the top boss (Chen & Francesco, 2000). Replicating this study in different countries using the same methodology would increase generalizability and allow researchers to determine whether our results are due to specific contingencies of the empirical context. Other limitations of this study arise from the case study methodology (Yin, 2003). This research presents only two case studies, which limits the generalizability of the findings. Related to this, another limit of the study is the sample size in the quantitative part. Future research could replicate the study considering a larger sample of family firms and involving a higher number of participants or using different methodologies. Still, this chapter is valuable in that it introduces and discusses some original ideas with practical importance.

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KEY TERMS AND DEFINITIONS

Laissez-faire (Leadership Style): Leadership style in which leaders are neutral and allow group members to make the decisions.

Leadership Styles: The approach by which the leader provides direction, implement plans, and motivate people inside the firm.

Mimicking: A typical way to behave related to the imitation of the behaviors of others; generally, it is used to achieve social legitimacy.

Stewardship Theory: Related to employees caring and loyal devotion to an organization. They are intrinsically motivated to work for firms to accomplish the tasks and responsibilities they have been entrusted.

Transactional (Leadership Style): Leadership style that focuses on results and measures organizational success with a system of rewards and penalties.

Transformational (Leadership Style): Leadership style in which leaders encourage, inspire, and motivate employees to innovate and create a new idea that helps firm growth and success.

Trust: Related to the belief in the reliability, truth, or ability of someone. Thus, people tend to entrust themselves to someone whom they trust.

Chapter 6
The Organizational Resilience in Family Firms Studies:
Role and Impact in Generational Succession

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ABSTRACT

This research analyses how Strategic Planning impacts the organizational resilience in Family Firm. Several contributions show that succession planning in FF has become a particularly sensitive topic over time, where the actors involved had to redefine roles and relations, especially during their generational succession like the moment of the greatest crisis in a firm's life. Theorists and researchers agree that the continuity of businesses from one generation to the next depends highly on succession planning. To achieve this aim, the significance and impact of resilience during this phase is analyzed and discussed in this chapter to offer new insight and perspective to the studies of resilience in FFs.

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INTRODUCTION

Family Firm (FF) identifies many types of firms in the world's economy. One distinctive characteristic of FF is firm ownership centered on the entrepreneur's family. It is estimated that FF is widely present in all the countries of the world (Miller & Le-Breton Miller, 2003). History is full of examples of spectacular ascents of family firms, and even today, a large fraction of companies across the world are organized around families (Bertrand & Schoar, 2006). However, the relationship between business and family is a particularly tight bond, especially regarding the characteristics of the economic system with a lot of small and medium-sized enterprises (SMEs). Recent economic recessions created challenges for SMEs, requiring them to be resilient (Pal, Torstensson, & Mattila, 2014). During this economic recession, in the social sciences field, resilience has become a hot topic in academic literature. In fact, in the last decade, many studies have analyzed the phenomenon of resilience with different definitions and perspectives of analysis.

The complexity and uncertainty of the socio-economic context require flexible organizations able to respond to the constant drive for change quickly. For this reason, understanding the different aspects of resilience can be decisive for the strategic planning and survival of organizations. A common definition of resilience is "a deliberate effort to become better able to cope with surprise" (Wildavsky, 1988, p. 98). Resilience is more than mere survival; it involves identifying potential risks and taking proactive steps to ensure that an organization thrives in the face of adversity. The objective is to build resilience by maximizing the capacity of the organization to adapt to complex situations (Lengnick-Hall & Beck, 2005; Wildavsky, 1988). Lengnick-Hall and Beck (2005) believed that "organizational resilience is a complex blend of behaviors, perspectives, and interactions that can be developed, measured and managed" (p. 10). It is important to consider whether certain elements of the planned activities can lead to an effective response by building an organizational resilience potential that, once implemented, enables adaptive behaviors and increases the possibility of gaining benefits. Generational succession is a particular crisis that Family firms face.

Starting from the definition that several authors in the literature give of FF "governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua, Chrisman, & Sharma, 1999, p. 25) it is clear how the generational succession opens a moment of strong organizational crisis. For this reason, organizational resilience plays an important role in the strategic planning and survival of the organization. This moment is considered as an important problem that the FF must face. Indeed, it must be considered that, as reported by the data of AIDAF (Associazione Italiana delle Imprese Familiari), only 31 percent of FFs survive the transition from the first to the second generation and only 15 percent reach the third generation (Panato, 2014).

The generational succession is, above all, a moment of crisis that brings the FFs to fail or to survive. Traditional principles and guidelines to manage organizational crises are spread in several disciplines and corporate processes, including risk management, crisis management, crisis communications, generational continuity, strategic planning, most often handled in a siloed and poorly coordinated fashion (Koronis & Ponis, 2018). In order to guarantee the continuity of the company, it is, therefore, necessary to plan the passage among entrepreneurs and the heirs in a strategic and timely manner, carefully assessing the main risks and potential opportunities. Planning as an outcome of a process is to be utilized in a step-by-step mode during a crisis; perhaps it is best to consider whether certain elements of planning activities can lead to effective response through the building of potential organizational resilience that, when realized, enables adaptive behaviors and takes advantage of improvisation and creativity (Somers, 2009).

According to the authors such as Lengnick-Hall and Beck (2005), and Wildavsky (1988), the ability of an organization to adapt and respond to complex situations is due to a high degree of resilience. Bauwerarts and Colot (2016) stated that the involvement of the family in a firm could lead to a greater degree of resilience. However, according to Pal et al. (2014), resilience requires knowledge retention through the flexible workforce, strategic thinking, and top management support (Vesperi, Reina, & Gentile, 2016; Pal et al. 2014). However, both theory and practice, with few notable exceptions analyzed later in this paper, often fail to understand the dynamics of crisis management and explain why some organizations survive and prosper. In contrast, others suffer severe damages from crises and never recover. This study aims to analyze how strategic planning impacts organizational resilience in FF. To achieve this objective, the study analyses the role of organizational resilience in the phases of strategic planning in FF. The study contributes to developing a new organizational approach in FF, which is part of the crisis management theory. The remainder of the paper is organized as follows: the Theoretical framework; Methodology; Analysis; and finally, the main conclusions and suggestions for future research.

THEORETICAL FRAMEWORK

The Paradigm of Resilience and Organizational Resilience

The term "resilience" derives from ancient origins, from the Latin word "resilio," which means "to jump back" (Klein, Nicholls, & Thomalla, 2003; Manyena, 2006), by having its origins in distinct bodies of literature (Holling & Gunderson, 2002). Generally, resilience is demonstrated after an event or crisis has occurred (Wildavsky, 1988). Resilience has also been conceptualized at the organizational level as the power of organizational units to resume, bounce back, or positively adjust to untoward events, disruptions, and external shocks (Sutcliffe & Vogus, 2003; Gittell, Cameron, Lim, & Rivas, 2006; Powley, 2009).

Disruptions result from increased global competition, change strategic apex, succession management, expectations, complex supply chains, shorter product life cycles, natural disasters, and catastrophic incidents. Indeed, examining what measures enhance resilience in organizations is becoming an emerging concept for understanding and efficaciously responding to disruptions. This is important because developing resilience should be conceived as a strategic initiative aimed at reducing the vulnerabilities brought about by the changes in the environment (Sheffi & Rice, 2005) to ensure the operational continuity during disruptions. This requires the ability to measure latent resilience in organizations; that is, the resilience that is not presently evident or realized (Somers, 2009).

Recent research has that that family and nonfamily firms differ in terms of their entrepreneurial orientation, risk-taking, innovation propensity, organizational structures and access to capital (Schulze, Lubatkin, & Dino 2003; Naldi, Nordqvist, Sjoberg, & Wiklund, 2007; Anderson & Reeb 2003, Villalonga & Amit, 2006) and their competitive strategies may also be different. Business executives need to explore further their capacity to absorb and adapt to a changing environment full of strategic challenges, emerging disruptions, and sudden and unexpected accidents and disasters. So, organizations are better able to develop resilience capabilities when they have business models that fit the needs of the competitive environment (Gittell et al., 2006). All these challenges should be viewed as complex phenomena, which require the organization to develop specific organizational resilience, strategic capabilities, and inherent disruptions management skills. Such organizational competences may be captured under the term of organizational resilience. A term is drawn from engineering and ecology to describe how fast a system under pressure returns to equilibrium following a perturbation.

The concept of organizational resilience is a generalization of the concept of resilience from psychology. It refers to a fundamental quality in people, groups, organizations, or systems to respond to a significant change that disrupts the expected pattern of events without engaging in an extended period of regressive behavior (Horne & Orr, 1998). Resilience emerged as an important and multidimensional topic defined and described in different ways in literature and linked to adaptability, well-being, and organizational performance. Resilient organizations are those able to undertake and maintain positive adjustment under challenging conditions (Sutcliffe & Vogus, 2003). Fiksel (2003) considered that a 'resilient system could function across a broad spectrum of possible states and gradually tends to return to its equilibrium state. Through adaptation and evolution, it is capable of surviving large perturbations' (p. 5332). The resilience is the ability to "bounce back" after dealing with unanticipated events with adverse effects on the organization (Lengnick-Hall & Beck, 2005, p. 750). According to Gittel et al. (2006), this involves the ability to bounce back from untoward events and the capacity to maintain a desirable level of functioning. Therefore, to be a resilient organization is considered a major strategic advantage (Low Kim Cheng, 2007).

For other authors, the phenomenon of resilience depends on the existence in a territory, of a large number of small innovative companies that are part of networks. According to Pike, Dawley, and Tomaney (2010, p.1), the concept of resilience can capture the differential ability of organizations and places to react and respond to uncertain and rapid change. These approaches contribute to understanding better factors and processes that allow firms to overcome bad periods and become stronger by allowing analyzing how resilience capacity is built and perpetuated over time (Hollnagel, Journé, & Laroche, 2009). Therefore, different studies consider organizational resilience to be a double capacity of resistance and adaptation, opening the way for new pathways. These pathways indicate the capacity of an organization to find new responses to new questions and not simply to reproduce previously – used organizational responses. In this way, resilience relies upon prior learning and fosters future learning but exists independently from learning activities that resilience represents a broader store of capabilities. Therefore, over time, there are several definitions of organizational resilience, but its importance increases, especially when it is considered as a lever for the survival and growth of firms.

The Resilience in Family Firm (FF)

There is no single accepted definition of a FF in the literature. In defining a FF, most researchers have focused on characteristics such as motivation to pursue family vision; family employment; family control for inter-generational sustainability; and family involvement in ownership and management (Shanker & Astrachan, 1996, Chua et al. 1999, Anderson & Reeb 2003, Chrisman, Chua & Litz, 2004). The two main underlying characteristics of FFs are family ownership and control of the firm and family members' involvement in the decision-making process. The family is a key part of the firm, and the firm is also important to the family (Pieper & Klein, 2007).

The overlap of the family and the business sphere is a distinctive characteristic of the family firm. Thus, value creation in the family firm is seen as a sum of both economic and noneconomic goals (Gómez-Mejía, Núñez-Nickel, & Gutiérrez, 2001; Gómez-Mejía, Haynes, Nuñez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Klein & Kellermanns, 2008). Distelberg and Sorenson (2009) argue that the

FF pursues goals linked to the business (economic) and others related to the family (emotional). The underlining goals determine the way the founder (and management teams) make the decision. These two characteristics of ownership and involvement significantly shape the formulation of strategy. Furthermore, the FF, have a limited approach to resources (Vossen, 1998), which makes them open and vulnerable to the external environment also, Acquaah, Amoako-Gyampah, and Jayaram, (2011) argue that FF will have different abilities and resource to implement the appropriate strategy to build resiliency. So, organizational resilience can be developed and managed through a business strategy.

Defining the business strategy, aligned with strengthening resilience, may influence the sustainability of an organization, and have an impact on long-term business performance (Lengnick-Hall, Beck, & Lengnick-Hall, 2011). FFS has long been a prominent feature of the organizational landscape, and researchers have found some variations of this organizational form to be more resilient than others (Chrisman, Chua, & Steier, 2011). FFs are expected to be more agile in adapting to changes and making decisions quickly (Acquaah et al., 2011). Therefore, conventional wisdom suggests that FFs should recover better or more easily from disruptions and persist in their stronger performance (Amann, Jaussaud, & Martínez, 2012). This is also consistent with Sheffi and Rice's (2005) argument that a firm can bolster its resilience by building in flexibility in its resources.

The presence of family members who will inherit the business can facilitate the maintenance of deep organizational culture, including the founder's philosophy, vision, and knowledge, as well as the shared experiences of employees, which can help the long-term development of FFs. This cultural advantage is considered a "family special asset," which family members own through retention and sharing (Yeh, Morten, Joseph, & Fan, 2015). The successors to founders are likely to transform or expand their businesses either through advancing the firm to a later stage of the business life cycle or by facing changes environment. As Paiva, Roth, and Fensterseifer (2008) point out that 'know-what' (where to find the needed information) and 'know-how' (how to run operations smoothly) are key components of organizational knowledge which could be embedded in routines in a firm and thus help in strategy formulation, and build resilience in the organization. In particular, when a firm is facing economic disruptions, know-what and know-how strategies are even more pertinent in making timely decisions to cope with these disruptive events, thereby enhancing the firm's resiliency profile.

Resilience, as the capacity to endure and withstand challenges through the cultivation of individual, team and organizational capacities, has become an important and prevalent organizational issue in the twenty-first century (Bardoel, Pettit, De Cieri, & McMillan, 2014; Branicki, Steyer, & Sullivan-Taylor, 2016; Kossek et al., 2018; Kostopoulos & Bozionelos, 2011; Luthans, 2002; Stokes et al., 2018). Sutcliffe and Vogus (2003) argue that a resilient response includes broader information processing, loosening of control, and utilization of slack capabilities. These mechanisms provide the firm with the decision-making ability to respond quickly to the new context. To be resilient is to be vitally prepared for adversity (Wildavsky, 1991); in this way, resilience relies upon prior learning. It fosters future learning, but it exists independently of learning activities where resilience represents a broader store of capabilities. As argued by Chang, Chrisman, Chua, and Kellermanns (2008), a FF's formation and continued existence, as well as its scale and scope, are likely to be influenced by its external environment. Bertrand and Schoar (2006) showed that FF can survive and thrive for very long periods and that some firms even become FF later in their life cycle as part of a natural evolutionary progression, because ownership and management are in the same hands in FF, managers have the freedom, opportunity, and motivation to pursue bold strategic initiatives that are devised with long-term capabilities development, investment horizons, performance and reputation of the business in mind (Le Breton-Miller, Miller, & Steier, 2004). Consequently, it appears that there are strong reasons to believe that at least some FF are resilient.

The study of Patel and Fiet (2011) and the commentary of Sharma and Salvato (2011) contribute to create a general framework of resilience in FF by explaining how some fundamental characteristics associated with some FF (non-economic goals, intentions for intra family succession, reciprocal altruism, and social capital) lead governance systems to create advantages in the processes associated with the search, identification, and exploitation of opportunities. The resilience in FF is a specific topic in the research area of management studies. The resilience of FF appears to be a function of how they respond to the need to infuse managerial talent in the firm without losing control, to balance economic and non-economic goals over varying time frames, to use their unique governance systems to innovate and to extract maximum value from the social capital that exists among family members. Only when there is a threat to the system, we can be sure that the organization has exerted the necessary forces, resources, and capabilities that require flexible and long-term adaptation and growth. This situation also affects FF, which faces different challenges (Ward, 1987), such as generational succession, which represents a crucial phase for the very survival of FF. In this phase, the organizations are fragile, chaotic, and without strategic apex. This drive for change is reflected in Human Resource Management practices and decision-making. The attention in this study will be on generational change – in the succession planning- that characterizes the FF.

Generational Succession and Succession Planning in Family Firm (FF)

The choice of a successor is a key strategic decision. When making this choice the founder takes into consideration potential successor's interpersonal skills (Motwani, Levenburg, Schwarz, & Blanson, 2006); strategic thinking (Cater & Justis, 2009); capabilities in fields of accounting, human resource management, operational management (DeNoble, Ehrlich, & Singh, 2007); communication skills and the power to motivate, influence and inspire people (Waldman, Siegel, & Javidan, 2006).

Handing a FF to the next generation is a major process, from selecting and developing the successors, retaining knowledge. However, the effort is crucial to develop a sustainable organization for years to come. Every FF is affected by the succession of generations as part of its natural company life. The different contributions show that the FF has become a particularly sensitive topic over time, where the actors involved had to redefine roles and relations, especially during their moment of greatest crisis that is the generational succession. The definitions take into account many aspects, such as family ownership, the involvement of the management, generational change (Chrisman et al., 2004; Chua et al., 1999). In Brockhaus' research (2004), generational succession is a significant moment in an FF's life. According to Masciarelli and Príncipe (2010), generational succession is a rather complex and risky process of change. This stage requires analysis from the perspectives of ownership systems, management, and family in order to understand the perspectives and needs of the actors involved.

Generational succession is a pivotal phase to the firm's existence that Ward (1987) chooses to define FFs in terms of the potential for succession: "[...] will be passed on for the family's next generation to manage and control" (p. 252). Theorists and researchers also agree that the continuity of businesses from one generation to the next depends highly on succession planning process (Christensen, 1953; Dyer, 1986; Handler, 1989-1994; Lansberg, 1988; Rosenblatt, de Mik, Anderson, & Johnson, 1985; Ward, 1987). In recent years, the issue of succession planning in businesses has continuously remained a specific topic in management studies. Kets de Vries (1993) pointed out the founder of the FF tends to ignore succession planning, resulting in a conflicting relationship with the potential successor in an unfinished sequence that puts at risk the same survival of the firm. However, as Handler (2009) points out, despite the importance of planning, research has found that FF does not often do succession planning. To ensure the competitiveness of the firm, it is necessary to plan the passage of time between the entrepreneur and the heir in a strategic and timely manner, carefully assessing the main risks and potential opportunities.

Strategic planning must be based on clearly defined objectives and shared among the generations that follow one another: the alignment between those who leave the company and those who are about to take the situation in hand is fundamental. The term "strategic planning" means the process of formalized analysis (Mintzberg, 1994). Strategic planning attempts to forecast organizational outcomes, which is a combination of strategies (Darvish & Temelie, 2014). Strategic planning makes it possible to replace an uncertain scenario with a series of concrete decisions and actions. Among the great challenges faced by the family business, the one relating to the generational shift appears to be of great importance due to its diffusion and criticality. For FFs with continuous goals, strategic planning is the most significant activity. Strategic planning is critical for FF success and growth (Ward, 1987). Resuming the large number of study, which considers the succession as a process articulated on a multi-year time horizon and planned in advance of the moment when the actual passage of the witness will take place, (Alcorn, 1982; Corbetta, 1995; Dyck, Mauws, Starke, & Mischke, 2002; Erven, 2004; Handler, 1989, 1994; Kets de Vries, 1993), it is possible to underline how in a FF, succession planning represents one of the success factors of the generational transition although a lot of FFs arrive unprepared to this moment. This happens both because of the reticence of the founder to give way to his heirs and because of objective difficulties in managing the context in which the passage can take place. So, it is possible to identify some of the possible causes of this reticence that lead to a sort of "conspiracy of silence" (Kets de Vrie, 1993), thus refusing to deal with succession planning:

- Fear of death: talking about one's death is a taboo as if the event interested everyone except the founder;
- Personal identification with the company: for many founders/owners the company becomes a part and symbol of its own identity, as well as a measure of consideration and self-esteem;
- The dilemma of the choice of the successor;
- Generational envy: a phenomenon not to be underestimated. It is the father's fear of confronting himself with the knowledge and managerial skills emerging in the son/heir. Awareness of the qualities of the heir can delay the decision to abandon his office for fear of losing the power, the role, and the esteem derived from it.

As regards, instead, the objective difficulties in managing the context within which the generational succession takes place are:

- The cohabitation within the family nucleus of strongly motivated and prepared potential heirs to take over the family activity, intending to benefit from a position income through the mere possession of a part of the capital and heirs with projects completely unrelated to the enterprise of family intending to sell their shares;
- Situations in which all the heirs have the will to continue the entrepreneurial activity;
- Cases in which no heir intends to continue in the FF or cases in which there are no heirs.

The joint action of some of these phenomena can delay the awareness of how it is necessary to plan the generational passage in the times and the ways of opportunity (Schell, de Groote, Moog, & Hack, 2019). First and foremost, planning must precede the time of the predecessor's withdrawal and start before the potential heir enters the company and is integrated into strategic and operational planning (Davis, Haltiwanger, & Schuh, 1998).

Strategic Planning is considered by academic literature to be one of the most important tools available to the FF for managing inheritance risks. It is believed, in fact, that to anticipate its effects by artificially recreating the scenarios following the departure of the current generation, allows to channel the course of events into a river of greater rationality and awareness, allowing to harmonize, in a unitary vision, the needs of the family, business and heritage (Montanari, 2003). Although the possibility of degenerations and conflicts cannot be excluded, the only process of defining and implementing the objectives can represent for the FF the decisive passage from the condition of randomness, in which most of them are, to that intentionality and the will is of the parts, it is not the case to determine the course of events (Tomaselli, 1996). The themes generally present within the succession planning project can be included in the definition of the following points (Saan, Enu-Kwesi, & Nyewie, 2018):

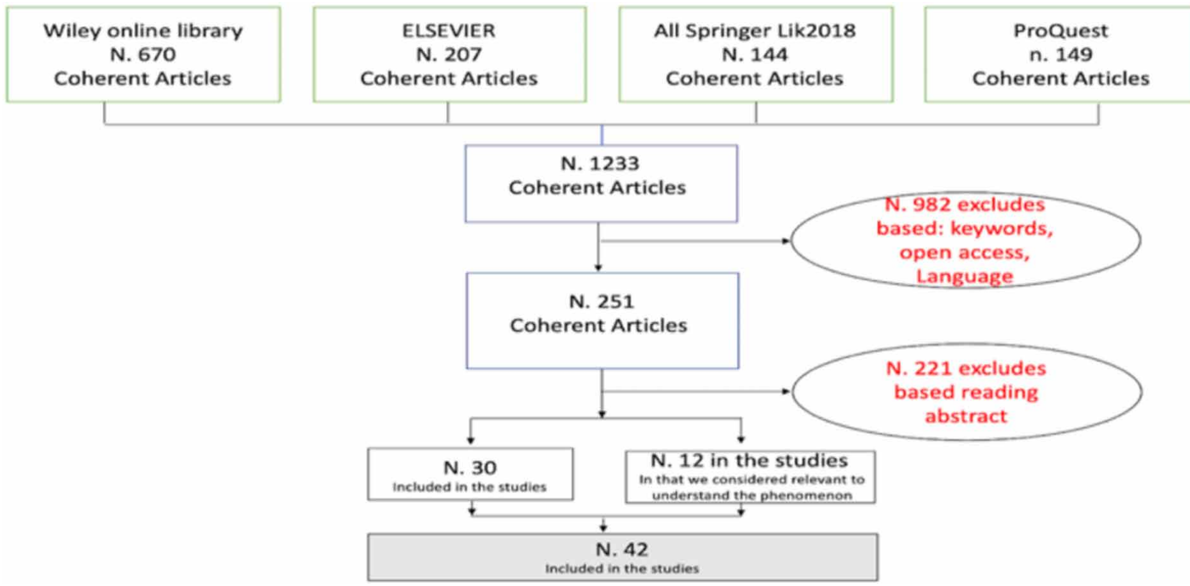
- The training and selection process for candidates,
- The path of progressive handover between the outgoing and the incoming leadership,
- The development of the withdrawal plan for the outgoing entrepreneur,
- The definition of the times and ways in which to control the implementation of the plan and the identification of how to bring it to the attention of the interested parties.

Naturally, the elaboration of a plan can bring about hidden needs or elements of bad temper; however, this allows for awareness and a subsequent attempt to reorganize and resolve issues that, in other cases, could emerge in much more delicate situations than business life. Therefore, succession planning should:

- Make new information available,
- Reduce uncertainties,
- Increase awareness of one's potential and limits,
- Increase the ability to achieve goals,
- Allow the entrepreneur to anticipate the identification of harmful events,
- Favor the comparison and the preparation of a common action line,
- Increase the ability to react to changes in the environment.

Planning will lead FF to be resilient, thus increasing their adaptive capacity to change and thus overcoming their moment of greatest crisis, the generational succession (Martinelli & Tagliazucchi, 2018). Planning should represent a critical success factor for family-controlled companies that face greater difficulties due to the coexistence of two institutions, as it allows them to always have a look to the future. Planning is not unprepared for the moment of succession, an eventuality that, in most cases, generates a slowdown or a block of business activity, with the consequence of a worsening of relations with the various stakeholders (Schlepphorst & Moog, 2014). In this regard, it is important to underline how a careful planning activity can support fundamental strategic decisions and how it is connected with the subjects called upon to make decisions. For good functioning, it must imply certain flexibility, also

Figure 1. The funnel research methodology
Source: Own elaboration



from the organizational point of view, as well as a parallel activity of monitoring and evaluation of the deviations that allow making adequate corrections to the process (Potì, 2013).

METHODOLOGY

Following our aim of this research, the approach adopted is similar to the studies with same aim to analyze the conceptual aspect of the phenomenon (Dooley, 2002; Cassell & Symon, 2004); so according to these authors, we have thus developed an overview of the existing academic literature related to organizational resilience and strategic planning in FF. We examined some databases (Wiley-Blackwell-Elsevier, All Springer Link 2018, and ProQuest Social Science Journals) in order to find and analyze specific academic literature about the phenomenon. So, we created a search string related to the phenomenon under investigation using keywords as "organizational resilience," "family firms," "strategic planning," "Crisis management," and "Generational succession." In this way we collected about 1,233 academic documents, regarding an extensive analysis into social, economic and management science research; in particular, we seek to identify the underlying theoretical perspectives applied in academic journals with the aim to identify and explore the potential of resilience in FFs during generational succession, and "to provide collective insights through theoretical synthesis into fields and sub-fields" (Tranfield, Denyer & Smart, 2003). Subsequently, we selected the most coherent documents by keywords, open access, language, and identified 251 documents. Finally, we made another selection by abstract reading; we collected 42 documents in line with our aim of the research. About these selections, we added the other 12 documents that we considered coherent with the research.

At the end of the selection process, we reviewed 42 academic documents. The attempt would be a synthesis of a rapidly growing field of organizational resilience.

RESULTS AND DISCUSSION

Resistant, Vulnerability, and Resilience During Generational Succession

The generational succession is a source of crisis in the FF. The moments of crisis within the FF involve both personal goals and work objectives. An effective solution to define and align the objectives of the FF is to prepare a strategic planning process. Strategic planning is a process that is based on the analysis of the organization, of the organizational structure, of the company knowledge and skills. This activity consists in the realization of an integrated plan able to define the organizational development of the FF and the rules of behavior of the family members involved in the business activity. This process starts with the evaluation of the internal activities and, subsequently, the external reference environment. The process of strategic planning, during the generational succession, must be able to manage a moment of the crisis, taking into consideration also the concepts of resilience, resistance, and vulnerability.

The concept of organizational resilience has been the object of a systematic review of the literature and various empirical observations (Sutcliffe & Vogus, 2003; Linnenluecke, 2017). The main consequence is that literature underlines the role of organizational resilience but neglects the other elements (such as resistant and vulnerability) that influence the survival in a turbulent and dynamic context. The results of these studies, the results of this study have theoretical and practical implications. Under the theoretical perspective, the concept of Organizational Resilience (OR) is both multidisciplinary and multifaceted. A large part of the literature discusses the definition of organizational resilience and the consequences in the process of survival of firms. Considering the various definitions of "organizational resilience" in the literature, it emerges that the term is often used as a synonym or accompanied by other terms. Consequently, some scholars use the term resilience to indicate other phenomena.

Many studies on the phenomenon of organizational resilience appear to be overestimated, while several gaps emerge regarding other phenomena often confused with resilience. From our analysis, we identified that there is a gap in organizational resilience in FF with particular focus on the period of generational succession. Besides, the concepts of vulnerability and resistant are mostly used as a synonym of organizational resilience. Several authors (Erol, Sauser, & Mansouri, 2010; Lee, Vargo, & Seville, 2013) to understand the impact of organizational resilience, emphasize the concepts of vulnerability and resistance. Despite these studies, the relation between the concepts of organizational resilience, vulnerability, and resistance is more unclear because of the diversity of perspective. Furthermore, studies on FF appear to be scarce. The bottom line is that there is not a clear-cut definition and separation between the three phenomena: organizational resilience, vulnerability, and resistance.

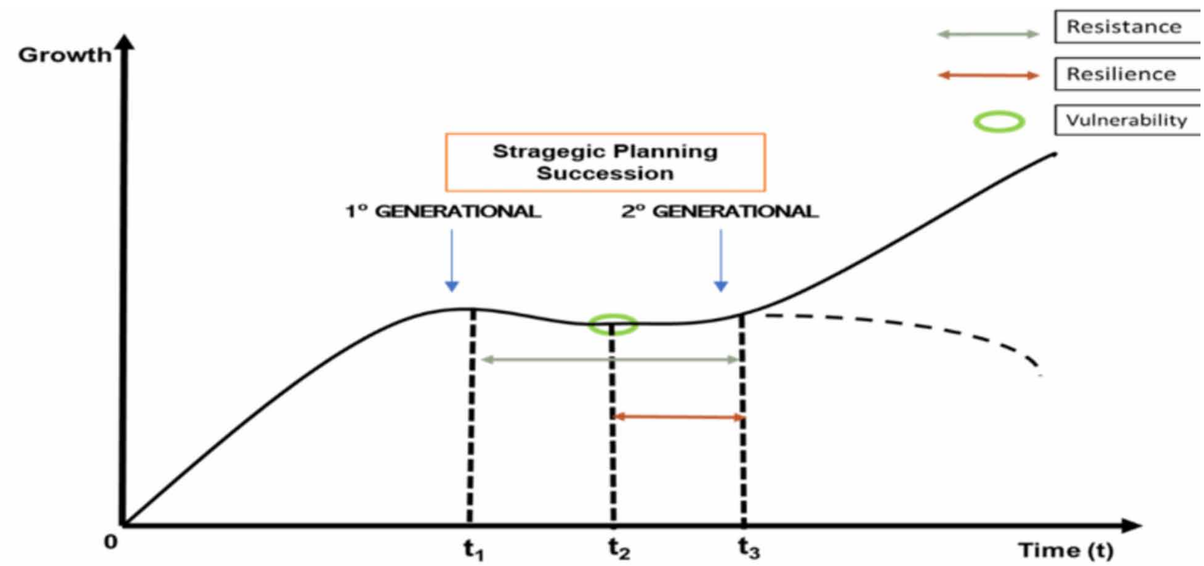
Starting from the analysis of the literature on the concept of vulnerability, it emerges that this concept is mostly used in ecological study. Resilience is a core concept used by ecologists in their analysis of population ecology of plants and animals and the study of managing ecosystems. In this field of study, the concept of vulnerability has its roots in the study of natural hazards and poverty. In other words, vulnerability is defined in different ways. However, it generally includes the attributes of people or groups that enable them to cope with the impact of disturbances, like natural hazards. In the 1990s, natural hazard scholars started to focus on the vulnerability of people to the impacts of environmental change, especially climate change. Holling (1973) states that "resilience determines the persistence of relationships within a system and it is a measure of the ability of these systems to absorb changes of state variables, driving variables, and parameters, and persist" (p. 17).

Ecologists have developed a strong body of theoretical and mathematical models to analyze resilience and other connected phenomena. Since the late 1980s, the concept has increasingly been used in the analysis of human-environment interactions, mainly to describe and understand how humans affect the resilience of ecosystems. Continuing the analysis of the literature around the concept of vulnerability, several empirical studies emerge that highlight how territory has its moment of maximum vulnerability when the disaster occurs (Adger, 2006; Gallopìn, 2006). From the twentieth century, the concepts of resilience, vulnerability, and resistance have been translated into the study of organizational behavior. By focusing on managerial studies, the concept of vulnerability is defined differently. According to several authors (Aldrich, 2008; Scott & Davis, 2015) the vulnerability can be defined as the acceptance of crisis and therefore represents susceptibility of people and organizations to suffer and subsequently transform minor incidents into disasters. The second term that is often used as a synonym for organizational resilience is the concept of "resistance." In organizational studies, the term resistance was analyzed under the perspective of the power of organization in opposition to the worker's motivation (Fleming, 2016). The organization is resistant if, during the crisis, period demonstrates its ability to adapt - directly or indirectly - to changing conditions in order to achieve a desirable or unstable status. The results of Holling and Gunderson (2002) and Fiksel (2006) appear very interesting because the authors introduce a concept of dynamic evolution between the states of the crisis. According to this, a resilient system gradually tends towards equilibrium; it can continue its functionality across several states.

Furthermore, the organization's behavior during the crisis phase adapts itself to internal and external conditions. According to this, several authors in the literature define the phenomenon of adaptive behavior. In this way, every FF needs to find and use the elements related to organizational resilience in order to ensure its development and growth, especially during the succession plan. In fact, without the force generated by the values rooted in the culture of family ownership, the process of continuity and growth of the company would stop. The new generation is oriented to organizational structure redesign, reconstructed routines, a new culture, and a new climate. Organizational resilience develops new capabilities and creates new economic opportunities (Jamrog, Vickers, & Bear, 2006). In a different view, organizational resilience was seen as the ability to capitalize on expected challenges and changes. On this basis, through the succession planning and the adaption to the change, the new generation overcomes the crisis. So, FFs must find and use the elements related to organizational resilience in order to ensure their development and growth, especially during a succession plan. At this point, the survey of the literature review permits to highlight the evolution of FFs during the generational succession (see Figure 2). The Figure develops on two dimensions - Time (t) and Growth (in a broad decline or innovation) - the main phases of the generational succession process in FFs under the perspective of organizational resilience. Otherwise, if the strategy has not been corrected, the organization starts with its decline.

In Figure 2, the bottom line represents generational succession divided into four different phases linked to each other. In this phase, the OR manifests itself, and succession planning can overcome crisis and change. The OR represents the rapid response to change and the capacity to maintain desirable functions and outcomes amid strain (Edmondson, 1999; Bunderson & Sutcliffe, 2002).

Figure 2. The evolutionary cycle of organizational resilience
Source: Own elaboration



CONCLUSION

The study has highlighted the role of strategic planning during the generational succession. In FF, in order to successfully overcome the crisis of generational succession, a strategic planning process must be implemented. Our research results have filled the literary gap of the relationship between strategic planning, generational change, and resilience

This research-based on an overview of the literature review. The study offers results from both the theoretical and practical levels. From the theoretical point of view, the concepts of resilience, resistance, and vulnerability are often treated by literature as synonyms creating conceptual confusion. Most of the documents that emerged from the literature review treated the three concepts with ambiguity, often unifying them. First, this conceptual ambiguity has generated a strategic vision blurry, especially in the FF.

The authors have tried to identify and define the differences between the different concepts. From the literature review, several definitions of resilience, resistance, and vulnerability emerge.

The study, therefore, proposed an operational definition and a conceptual framework (Figure 2) of the concepts of resilience, vulnerability, and resistance.

By offering a clear distinction between the three moments of the crisis, it was possible to identify how they influence strategic planning within the generational shift in the FF.

From a practical point of view, the study highlighted how to manage the crisis of generational change in the FF. In fact, in the family business, in order to successfully overcome the crisis of generational succession, a strategic planning process must be implemented. According to the selected literature, the evolution of generational succession in FF is a complex process, in which organizational resilience is manifested only in a specific phase of the crisis (t2-t3). Initially (0 - t1), the organization has a consolidated structure, with defined routines and a single generation (first generation). During the crisis, the

FF shows its resistance. The time interval (t1-t2) is a latent period of the crisis. The coexistence between the two generations creates conflicts and decision-making confusion.

The organization lacks the uniqueness of the command principle. In this phase, the adaptive capacity of the organization emerges. The manifestation of the crisis (t2) - defined as vulnerability - in which the organization becomes aware of the crisis, is the most critical moment. At this stage, there is an end to the coexistence of the two generations in the strategic apex. It is the final phase of the generational transition when the organization becomes aware of the crisis. On this basis, organizational resilience is a company's ability to absorb complexity and emerge from difficult situations. If the effective generational transition strategy ends without a strong trauma for the organization, the FF continues its life cycle with the new generation at the strategic peak. Otherwise, if the strategy has not been correct, the organization begins to decline. Some studies have focused on the role of resilience in strategic planning in generational succession. During the process of generational succession, it is necessary to consider the resilience, resistance, and vulnerability of the organization. From this point of view, the FFs are subject to pressure both from the external environment and from the internal environment. At this stage, the organization is fragile and risks organizational decline.

For this reason, we have identified how the concept of resilience is linked to the terms of resistance and vulnerability. Resilience, resistance, and vulnerability are particularly clear in FF, and a systemic perspective in the context of generational succession in FF shows that they are closely related and must be identified to manage organizational change. In this way, we proposed differences between resilience, resistance, and vulnerability. The implications of this study provide interesting aspects for future research on the role and impact of resilience in FF during generational succession and the strategic planning process. The implications of this study provide interesting aspects for future research on the role and impact of resilience in FF during generational succession and strategic planning process.

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KEY TERMS AND DEFINITIONS

Family Firm (FF): A firm governed and managed and controlled by members of the same family.

Generational Succession: One of the most delicate and critical moments in the life of family business because it involves the transfer from one generation to another of a real heritage of know-how and skills acquired over years of experience.

Organizational Resilience: The ability of an organization to anticipate, prepare, respond, and adapt to change and to unexpected problems in order to survive.

Resistant: The organization is resistant if, during the crisis, period demonstrates its ability to adapt - directly or indirectly - to changing conditions in order to achieve a desirable or unstable status.

Strategic Planning: This activity consists in the realization of an integrated plan able to define the organizational development of the FF and the rules of behavior of the family members involved in the business activity.

Succession Planning: Identification and development of potential successors among the different family generations for key positions within an organization.

Vulnerability: It is the acceptance of the crisis (e.g., generational succession in FF), and it includes the attributes of people and organizations to suffer and subsequently transform small accidents into disasters.

Section 2

Strategy Formulation and Implementation in Family Businesses

Chapter 7
How Family Involvement in Management Affects the Innovative Behavior of Private Firms:
The Moderating Role of Technological Collaboration with External Partners

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ABSTRACT

By taking insights from the Socioemotional Wealth theory, this chapter investigates the effect of family involvement in management on firms' innovative behavior, namely on their innovation effort. Furthermore, this research analyses whether firms are more willing to develop innovative efforts when they are engaged in technological collaborations with external partners, such as suppliers or customers. Authors used a panel dataset on 3,060 observations of Spanish manufacturing firms for the 2000–2012 period. The findings show a negative incidence of family managers on firms' innovative efforts. The empirical findings also reveal that technological collaborations with suppliers weaken the negative effect of family involvement in management on innovative effort.

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INTRODUCTION

In recent years, scholars are paying increasing attention to innovation management in family firms (Arzubiaga, Kotlar, De Massis, Maseda, & Iturralde, 2018; Calabrò et al., 2018; Diéguez-Soto, Garrido-Moreno, & Manzaneque, 2018). Specifically, some authors have centered their attention on the innovative character of family firms (Gomez-Mejia et al., 2014; Llach & Nordqvist, 2010; Martínez-Alonso, Martínez-Romero, & Rojo-Ramírez, 2018). In this regard, it has been argued, based on a Socioemotional Wealth (SEW) perspective (Berrone, Cruz, & Gómez-Mejía, 2012; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007), that family firms are less willing to invest in innovation than their non-family counterparts (Chen & Hsu, 2009; Chrisman & Patel, 2012; Munari, Oriani, & Sobrero, 2010). Therefore, up to now, most prior research has focused on how family firms handle their innovation investments (Duran, Kammerlander, van Essen, & Zellweger, 2016; Röd, 2016).

However, family firms represent a highly heterogeneous group (Berrone et al., 2012; Carney, Van Essen, Gedajlovic, & Heugens, 2015; Samara, Jamali, Sierra, & Parada, 2018). In this vein, family involvement in management can be considered a source of heterogeneity within family firms (Casillas, Moreno, & Barbero, 2010; Detienne & Chirico, 2013; Rojo-Ramírez & Martínez-Romero, 2018), which has been underexplored with respect to their innovative behavior. Thus, our study covers this research gap by theoretically and empirically investigating how such family involvement in management is related to private firms' innovative behavior, i.e., their innovation effort. The examination of this issue is of paramount importance, as innovation is increasingly considered as the engine that allows family firms to obtain sustained competitive advantages in the market, ensuring their long-term survival (Hauck & Prügl, 2015; Manzaneque, Diéguez-Soto, & Garrido-Moreno, 2018).

Moreover, our study goes a step further and analyses two specific factors that might moderate the relationship between family involvement in management and innovative effort. In this regard, the effects of technological collaborations with external partners, namely customers and suppliers, were included as additional elements that might influence the relationship mentioned above. We contend that such collaborations may reduce family managers' unwillingness to develop innovative efforts.

To test the proposed relationships, we developed an empirical study with different econometric models using a panel data sample of 3,060 observations about Spanish manufacturing firms for the 2000-2012 period. The data were obtained from the Spanish Survey on Business Strategies.

The findings reveal that as family involvement in management increases, firms develop fewer innovative efforts. Moreover, our findings also show that technological collaborations with suppliers diminish the negative effect that family management has on innovative effort. Meanwhile, technological collaborations with customers do not have a significant impact on such a relationship.

This research makes multiple contributions to the family and the innovative research fields. First, it examines the underexplored relationship between family involvement in management and innovation effort. Second, it answers the call for further research on how private firms take advance of technological collaborations with external partners to drive their innovative behavior. Finally, it reveals that family managers develop more innovative efforts when they carry out technological collaborations with suppliers.

This chapter proceeds as follows. The next section presents the theoretical framework and hypotheses. The methods, sample, data, and variable measurements are then described. Subsequently, we display the empirical results. Finally, we present the discussion and conclusions section, in which some managerial and practical implications are included.

THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

The Influence of Family Managers on Firms' Innovative Effort

It is well known that R&D investments are essential for the improvement of profitability, productivity, growth, competitiveness and the development of any economy in the world (Deng, Lev, & Narin, 1999; Lee, Smith, Grimm, & Schomburg, 2000; Wakelin, 2001; Zahra, Ireland, & Hitt, 2000). Attempts to develop inventions, new products and innovations would be completely unsuccessful without the appropriate R&D investments (Block, 2012; Lee, Wu, & Pao, 2014).

However, family firms do not only attend to the economic rationality that normally underlies business decisions. On the contrary, family firms often prioritize emotional and social objectives over purely financial goals, trying to preserve their Socioemotional Wealth (SEW) (Gómez-Mejía et al., 2007). SEW is conceived as the set of specific, unique, and intrinsic features that make family firms behave differently than their non-family counterparts (Berrone et al., 2012; Martínez-Alonso et al., 2018; Rojo-Ramírez & Martínez-Romero, 2018). In this regard, having family managers running the family firm is a common source of SEW, to the extent that they have a direct influence on the firm´s strategic decision-making (Block, Miller, Jaskiewicz, & Spiegel, 2013; Diéguez-Soto, Manzaneque, & Rojo-Ramírez, 2016). Particularly, family managers will assess their strategic decisions, such as R&D investments, taking into consideration not only the positive economic consequences that could undoubtedly be derived from such investments but besides all the investments' effects on the family firm SEW.

In this sense, business executives in general, and family managers, in particular, are conscious of the high level of uncertainty, both technical and commercial, associated with R&D investments (Kline & Rosenberg, 1986). Also, family managers are aware that these types of investments usually require an increase in corporate debt or equity, through the entry of non-family partners, which can dilute their family control (Piga & Vivarelli, 2004). Erroneous R&D investments that do not achieve the expected outcomes might have disastrous consequences for the survival of the family firm (Chrisman & Patel, 2012). Likewise, the loss of control associated with the obtaining of the required financial resources for innovative efforts may jeopardize the family firm SEW (Duran et al., 2016; Pérez-González, 2006). Thus, it can be expected that, as the presence of family managers increases, the importance given to SEW preservation, as a frame of reference in the decision-making related to R&D investments, will be more significant.

Moreover, as the number of family managers increases, the likelihood of dissension between them will arise concerning the number of innovation efforts that should be undertaken, given the brutal consequences, both positive and negative, that they may have for the family firm SEW (Dyer, 2006). Consequently, family managers will tend, as far as possible, to avoid conflicts (Kellermanns & Eddleston, 2004), although this implies lower levels of R&D investments.

In short, and from a theoretical perspective, as family involvement in management increases, their risk aversion in decision-making will be higher in an attempt to protect their SEW (Gómez-Mejía et al., 2007; Huybrechts, Voordeckers, & Lybaert, 2013), and therefore, their innovative efforts will be lower (Classen, Carree, Van Gils, & Peters, 2014).

Furthermore, previous empirical evidence has suggested that R&D investments depend on the degree of family involvement in the firm (Calabrò et al., 2018; Röd, 2016; Sciascia, Nordqvist, Mazzola, & De Massis, 2015). For example, Block (2012) established a negative relationship between family involvement in ownership and R&D intensity due to the agency costs associated with family ownership. On the other hand, Sciascia et al. (2015) came to the same conclusion but justified their results through the family owners' desire to protect their firms' SEW. Additionally, Sciascia and colleagues confirmed that this interplay depends on the overlap between family wealth and the firm´s equity. Likewise, Nieto, Santamaria, and Fernandez (2015), using the agency theory as the main theoretical framework, confirmed that family managed firms present lower levels of R&D investments.

Summarizing, based on both the theoretical arguments presented above and the previous empirical literature, we establish that:

Hypothesis 1 (H1): As family involvement in management increases, firms perform fewer innovative efforts.

The Moderating Role of Collaboration with External Partners

Despite hypothesizing a negative impact of family involvement in management on innovative efforts, we argue that this relationship might be weakened when firms develop collaborative innovations.

Collaborative innovation is defined as a form of inter-firm relationship that involves the exchange and sharing of resources such as financial capital, information, knowledge, and technology with external parties in order to achieve innovation (Feranita, Kotlar, & De Massis, 2017, p. 138). Previous research (e.g., Hoang & Rothaermel, 2005) has shown that collaborations with external partners are important strategic tools for improving firms' value and competitiveness, to the extent that technological activities, networks, and alliances are significant sources of innovation (Von Hippel, 1988). In this sense, collaborations with external partners enable businesses to get the critical resources and technological capabilities they lack, to amplify their base of technological knowledge as well as to make effective use of complementarities (Kogut, 1988; Manzaneque et al., 2018). Hence, firms are increasingly searching for collaborative innovation processes to have access to new knowledge and capabilities from outside the organization (De Massis, Frattini, & Lichtenthaler, 2013).

Family firms, and specifically family-managed firms, are an exceptional context for analysing technological collaborations with external partners because they may accumulate substantial SEW and social capital (Arregle, Hitt, Sirmon, & Very, 2007; Berrone, Cruz, Gómez-Mejia, & Larraza-Kintana, 2010; Gómez-Mejía et al., 2007), which make them unique in establishing quality and long-standing relationships in the community where they are located. This closeness with the community facilitates the development of strong ties across generations with reliable partners (Miller & Le Breton-Miller, 2005a). It favors the development of different technological collaborations that can foster the innovative efforts of these firms.

Hence, family-managed firms by effectively managing their social capital, develop their collaboration capability, strengthening efficient alliances that allow them to access external resources (Sirmon & Hitt, 2003). This improved collaboration capability would enable family managers to attract external partners (Miller & Le Breton-Miller, 2005b), which are usually aware of the family managed firms' innovative potential and therefore, are keen on establishing long-standing and prosperous relationships with them (Martínez-Romero, Martínez-Alonso, Casado-Belmonte, & Diéguez-Soto, 2019). Thus, although family-managed firms might initially be reluctant to establish collaboration agreements (Nieto et al., 2015), in subsequent stages, they may be willing to develop collaborative innovation (Pittino, Visintin, Bau, & Mazzurana, 2013). Specifically, whether family managers do not perceive a threat over their firm control and their SEW, they will promote the establishment of such collaborative innovation ties in an attempt to improve their innovation performance (Feranita et al., 2017; Martínez-Romero et al., 2019).

Prior literature (e.g., Classen, Van Gils, Bammens, & Carree, 2012) has noted that family managed firms prefer a less diversified pool of external partners, given their emphasis on preserving SEW. Thus, these firms may carefully decide with which external partners they will collaborate in order to develop their innovative efforts. Among the most usual technological collaborations undertaken by family-managed firms, are the vertical ones, that is, with customers and suppliers (Classen et al., 2012; Manzaneque et al., 2018). The development of strong innovation ties with these external partners will allow family-managed firms to achieve considerable knowledge about new technologies, markets, and process improvements (Cassia, De Massis, & Pizzurno, 2011; Classen et al., 2014).

Technological collaborations with suppliers aim to improve the quality of the different innovation resources as well as to reduce the cost of carrying out R&D processes (Hagedoorn, 1993). As we above-mentioned, family-managed firms are excellent at developing long-standing relationships with different partners, including their suppliers. These long-term relationships allow family-managed firms to reduce the risks and development periods of R&D processes while improving flexibility, outcomes quality, and market adaptability (Chung & Kim, 2003; Feranita et al., 2017). Moreover, a strong mutual commitment of family-managed firms to their suppliers through an enhanced social capital makes it possible to identify and promote faster innovation opportunities (Zellweger, Kellermanns, Chrisman, & Chua, 2012). Therefore, whether family managers do not perceive such collaborations as a threat to their socioemotional endowment, it will be fundamental to reinforce the firms' innovative effort. Hence, we posit the following hypothesis:

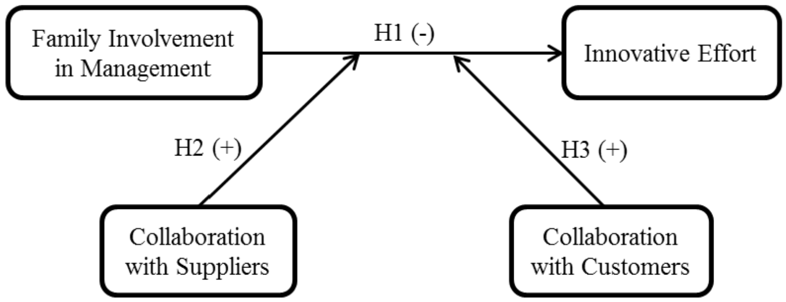
Hypothesis 2 (H2): Collaboration with suppliers diminishes the negative influence of family involvement in management on innovative effort.

On the other hand, technological collaborations with customers will allow family-managed firms to develop new ideas or ways to reduce technical and commercial uncertainty related to the introduction of innovations in the market (Classen et al., 2012; Von Hippel, 1988). In this way, family-managed firms that can establish close ties with their customers will be able to develop R&D projects with a lower risk of failure (Diéguez-Soto, Manzaneque, González-García, & Galache-Laza, 2019). As a result, family managers will perceive that those investments resulting from such collaborations do not jeopardize their firm's emotional endowment and their survival. Thus, collaboration with customers is postulated as a fundamental element to reinforce the innovative effort of family-managed firms. Based on the preceding arguments, we propose the next hypothesis:

Hypothesis 3 (H3): Collaboration with customers diminishes the negative influence of family involvement in management on innovative effort.

Figure 1 provides a graphical representation of our research model and the hypotheses under analysis.

Figure 1. Research Model
Source: Own elaboration



METHODS

Sample and Data Sources

The hypotheses proposed in this chapter are tested on a representative sample of Spanish firms from the Survey on Business Strategies (ESEE), elaborated by a public institution on behalf of the Spanish Ministry of Industry. This survey has been conducted year by year since 1990, comprises a large number of firms (approximately 1,800 each year), and compiles unbalanced data covering a broad spectrum of information related to firms' strategic decisions and behavior. Throughout the years, those firms that leave the sample are replaced by other businesses of a similar size operating in the same industry. Therefore, the ESEE sampling procedure guarantees the representativeness of the Spanish manufacturing industry. Mainly, the data include the entire population of Spanish manufacturing firms with 200 or more employees and a stratified random sample of 5% of the population of firms with at least 10, but less than 200 employees. Furthermore, the overall response rate fluctuates over the years, oscillating approximately from 81 to 95%; thus, non-response bias is not a major concern. Indeed, this database has been widely utilized in prior management, innovation and family firm studies (Cruz-Cázares, Bayona-Sáez, & García-Marco, 2013; Gargallo-Castel & Galve-Górriz, 2017; Mazzelli, Kotlar, & De Massis, 2018).

As we are interested in examining the innovative effort of family firms, the emphasis on the Spanish manufacturing industry is appropriate, as these firms experience a high degree of obsolescence in their products that makes them disposed to embrace innovation (Kotlar, De Massis, Frattini, Bianchi, & Fang, 2013; Martínez-Alonso, Martínez-Romero, & Rojo-Ramírez, 2020). Moreover, although families operate in businesses belonging to different industries activities, family firms have a significant presence in the manufacturing industry (Diéguez-Soto & Martínez-Romero, 2019; IEF & Red de Cátedras de Empresa Familiar, 2015). After discarding firms with missing data and outliers for the examined variables, the final sample constitutes an unbalanced panel of 3,060 observations about 339 firms for the period 2000-2012.

As shown in Table 1, in terms of size, slightly more than half of the sample firms were small and medium, 24.31% and 27.45%, respectively, while the 48.24% were categorized as large firms. Table 1 also illustrates the distribution of the sample firms in the different manufacturing sub-industries, most of them belonging to the "Chemical and pharmaceutical" (12.39%) and the "Metal products" (10.82%) sub-industries.

Table 1. Sample characteristics

	N	%
Sample composition by size		
Large-size firms	1,476	48.24
Medium-size firms	840	27.45
Small-size firms	744	24.31
Total	3,060	100.00
Sample composition by industry		
1. Meat industry	58	1.90
2. Foodstuffs and snuff	253	8.27
3. Drinks	83	2.71
4. Textiles and clothing	169	5.52
5. Leather and footwear	45	1.47
6. Timber industry	38	1.24
7. Paper Industry	74	2.42
8. Graphics	16	0.52
9. Chemical and pharmaceutical products	379	12.39
10. Rubber and plastic	172	5.62
11. Non-metallic mineral products	150	4.90
12. Ferrous and non-ferrous metals	212	6.93
13. Metal products	331	10.82
14. Agricultural and industrial machinery	259	8.46
15. Computer, electronic and optical products	97	3.17
16. Electrical machinery and material	185	6.05
17. Motor vehicles	286	9.35
18. Other transport equipment	107	3.50
19. Furniture industry	127	4.15
20. Other manufacturing	19	0.62
Total	3,060	100.00
Note: Small, medium, and large firms have been classified according to the criteria of the European Commission (2003/361/EC. 6th May). In particular, small-size firms are classified as those with a volume of total assets lower or equal to 10 millions of euros and a turnover lower or equal to 10 millions of euros; medium-size firms are those with a volume of total assets lower or equal to 43 millions of euros and a turnover lower or equal to 50 millions of euros; large-size firms are those with a volume of total assets higher than 43 millions of euros and a turnover higher than 50 millions of euros.		

Source: Own elaboration

Measures

Dependent Variable

In this chapter, *the innovative effort* is measured as the ratio of the firm's R&D expenditures over total sales, multiplied by 100. This is a commonly used indicator when studying innovation in the family firm context and allows capturing the innovation effort developed by a firm (e.g., Nieto et al., 2015).

Independent Variable

Family managed firms present certain particularities such as the pursuit of non-economic goals over purely financial ones (Berrone et al., 2010; Martínez-Romero, Martínez-Alonso, & Casado-Belmonte, 2018), which might condition their willingness to undertake efforts in the promotion of innovations (Duran et al., 2016; Matzler, Veider, Hautz, & Stadler, 2015). Following previous studies that identify both family ownership and family management as factors affecting the family firms' decision-making processes (Kotlar, Fang, De Massis, & Frattini, 2014; Martínez-Alonso et al., 2020), we employ a direct and objective measure of family involvement in management. For all family firms, the database offers the number of owners and their immediate relatives who occupy positions in the top management team. Hence, we conceptualized *family involvement in management* as a continuous variable, including the number of family members actively involved in top managerial positions (Cruz, Gómez-Mejia, & Becerra, 2010; Kotlar et al., 2013).

Moderating Variables

To measure the technological collaboration of the sample firms with their suppliers and customers, the ESEE provides information on whether or not they have engaged in technological collaborations with these external partners (Manzaneque et al., 2018; Nieto & Santamaría, 2007). In this sense and line with Ganotakis and Love (2012), we build the categorical variable *collaboration with suppliers* that takes the value 1 whether the firm has developed technological collaboration with suppliers, and 0 otherwise. Similarly, we create the variable *collaboration with customers* operationalized as 1 if the firm has performed technological collaboration with customers, and 0 otherwise. Hence, we focus on suppliers and customers separately intending to capture more clearly the impact of each type of collaboration on the family firms' innovative effort.

Control Variables

Drawing on previous studies, we control for factors that may impact the firms' innovative effort. Since past profitability is a factor that might increase managers' willingness to invest in innovation, we control for *firm profitability* computed as the difference between total sales and the cost of goods sold scaled by total sales (De Massis, Kotlar, Mazzola, Minola, & Sciascia, 2018). Following previous studies, we use a lagged expression of the variable (*profitability*$_{-1}$; *e.g.,* Chen, Tsao, & Chen, 2013). Due to younger firms are more likely to be involved in the development and execution of innovation projects than more mature firms, we control for *firm age* (Berent-Braun, Flören, & Ouden, 2018). Firm age is measured as the natural logarithm of the number of years since a firm's inception (Chrisman, Chua, Pearson, &

Barnett, 2012). Given that larger firms may be favored in their innovation effort by economies of scale and scope over the efforts of small and medium firms, we control for *firm size* (Block et al., 2013). Firm size is measured as the natural logarithm of total sales (Lodh, Nandy, & Chen, 2014). Moreover, because of businesses with higher financial resources can boost their innovative effort, we control for *leverage*, calculated as the ratio of debt over total assets (Revilla & Fernández, 2012). We also control for the subsidies for innovation obtained by businesses due to their impact on innovation investments (Martínez-Romero, Martínez-Alonso, Casado-Belmonte, & Rojo-Ramírez, 2019). *Subsidies* are measured with a dummy variable that is coded 1 whether the firm reports that it has received subsidies for innovation, and 0 otherwise (Raymond, Mohnen, Palm, & van der Loeff, 2010). Additionally, we control for territorial specificities or context conditions by adding a set of dummy variables on the effect of geographic localization (Camagni & Capello, 2013). Particularly, we introduce in our models dummy variables that represent seven Spanish territorial subdivisions (NUTS1, Nomenclature des Unités Territoriales Statistiques) differentiating 7 areas: 1. Northwest; 2. Northeastern; 3. Madrid; 4. Center; 5. East; 6. South; and, 7. Canarias. Finally, as a further control, a group of dummy variables related to specific sub-industries was included in all models.

METHODOLOGY

This research explores whether firms develop fewer innovative efforts as the level of family involvement in management increases. Moreover, this study also investigates when and to what extent collaborations with suppliers and with customers influence the relationship between family involvement in management and innovative effort. With this aim, we employed a panel data methodology that offers greater consistency and explanatory power than cross-sectional designs. Moreover, this statistical technique enabled us to control for unobservable heterogeneity or individual effects, which refers to the specific behaviors and features of each firm within the sample. The panel data presents a structure in which i indexed all variables for the businesses (i = 1, . . ., N) and t for the period (t = 1, . . ., N).

Specifically, to test the proposed hypotheses, we utilized random effects models due to the time-invariant character of sub-industries and territorial specificities dummies impedes the use of fixed effects models (Diéguez-Soto & López-Delgado, 2018; González, Guzmán, Pombo, & Trujillo, 2013). In this vein, different models were estimated based on the following equation:

$$\text{Innovative effort} = \beta_0 + \beta_1\text{Family management}_{t,i} + \beta_2\text{Collab.suppliers}_{t,i} + \beta_3\text{Collab.customers}_{t,i} + \beta_{12}\text{Family management} \times \text{Collab.suppliers}_{t,i} + \beta_{13}\text{Family management} \times \text{Collab.customers}_{t,i} + \Sigma\beta_j \times \text{controls} + \varepsilon$$

RESULTS

The means, standard deviations, and other descriptive statistics for the continuous variables, as well as the frequencies for the categorical variables, are depicted in Table 2. The mean value of innovative effort is 2.147, and the mean value of family involvement in management is 0.504. It is also shown

Table 2. Descriptive statistics

Continuous variables	Mean	25th percentile	75th percentile	Std. Dev.
Innovative effort	2.147	0.276	2.352	2.076
Profitability$_{t-1}$	0.292	0.207	0.375	0.202
Firm age	3.375	2.890	3.892	0.753
Firm size	17.577	16.376	18.698	1.787
Leverage	0.507	0.355	0.662	0.208
Family involvement in management	0.504	0.000	1.000	0.917
Categorical variables	**N**		**%**	
Subsidies				
Subsidized credits	804		26.27	
Non-subsidized credits	2,256		73.73	
Total	3,060		100.00	
Collaboration with suppliers				
Collaboration	1,813		59.25	
Non-collaboration	1,247		40.75	
Total	3,060		100.00	
Collaboration with customers				
Collaboration	1,557		50.88	
Non-collaboration	1,503		49.12	
Total	3,060		100.00	
Geographical localization				
Northwest	372		12.16	
Northeastern	438		14.31	
Madrid	161		5.26	
Center	543		17.75	
East	1,246		40.72	
South	229		7.48	
Canarias	71		2.32	
Total	3,060		100.00	

Source: Own elaboration

that 59.25% of the sample firms are engaged in technological collaborations with their suppliers, while 50.88% perform collaborations with their customers.

Table 3 shows the results of the bivariate correlations and multicollinearity analysis. Although the findings reveal modest levels of correlation between the various items, we analyze the variance inflation factors and the condition index to reduce multicollinearity concerns. All variance inflation factors and condition indexes were lower than 2.5 (Table 3); thus, they were below the suggested threshold proposed in prior literature (Belsley, Kuh, & Welsch, 1980; Hair, Anderson, Tatham, & Black, 1998),

Table 3. Correlation matrix and multicollinearity analysis

	1	2	3	4	5	6	7	8	9
1. Innovative effort									
2. Profitability$_{t-1}$	0.005								
3. Firm age	0.092***	-0.068***							
4. Firm size	0.127***	-0.395***	0.315***						
5. Leverage	0.057***	-0.195***	-0.111***	0.041***					
6. Subsidies	0.291***	-0.045***	0.100***	0.295***	0.028**				
7. Family involvement in management	-0.050***	0.080***	-0.034***	-0.298***	0.048***	-0.073***			
8. Collaboration with suppliers	0.300***	-0.072***	0.167***	0.411***	0.022*	0.418***	-0.116***		
9. Collaboration with customers	0.303***	-0.041***	0.147***	0.336***	0.036***	0.367***	-0.134***	0.471***	
Variance Inflation Factor		1.26	1.14	1.73	1.07	1.32	1.11	1.79	1.71
Condition Index		1.42	1.52	1.67	1.87	1.93	2.03	2.13	2.02
Note: '***', '**' and '*' denote significance at the 1%, 5% and 10% level, respectively.									

Source: Own elaboration

above which multicollinearity problems could arise. Consequently, there is strong evidence to rule out multicollinearity in the data.

Table 4 presents the results of the random effects regression models. We started the regression analyses by building model 1 that only includes control variables. Model 2 is a variant of model 1 in which the variable *family involvement in management* is added. As can be observed, the effect of family involvement in management is negative and statistically significant regarding innovative effort (β_1 = -0.152, $\rho < 0.05$), which supports Hypothesis 1.

To check the hypothesized moderation effects, we first include both moderators' *collaboration with suppliers* and *collaboration with customers* independently in model 3. The coefficients of these two variables were no statistically significant (β_2 = 0.008, n.s., and β_3 = 0.103, n.s.); however, the direct effect of moderators is not relevant for testing the moderating effects (Martínez-Alonso et al., 2019; Michiels, Voordeckers, Lybaert, & Steijvers, 2014), and therefore, it is only necessary to consider the interaction effects (Models 4-6). The interaction effect of *Family involvement in management x Collaboration with suppliers* is positive and statistically significant (β_{12} = 0.291, $\rho < 0.05$), showing that, as stated in Hypothesis 2, collaboration with suppliers is an essential factor in reducing the negative effect that family involvement in management has on innovative effort. The interaction *Family involvement in management x Collaboration with customers*, on the other hand, is non-significant (β_{13} = -0.016, n.s.), and thus, we did not find support for hypothesis 3. Finally, Model 6 presents the full model with both potential moderators, which corroborates the obtained results in previous models.

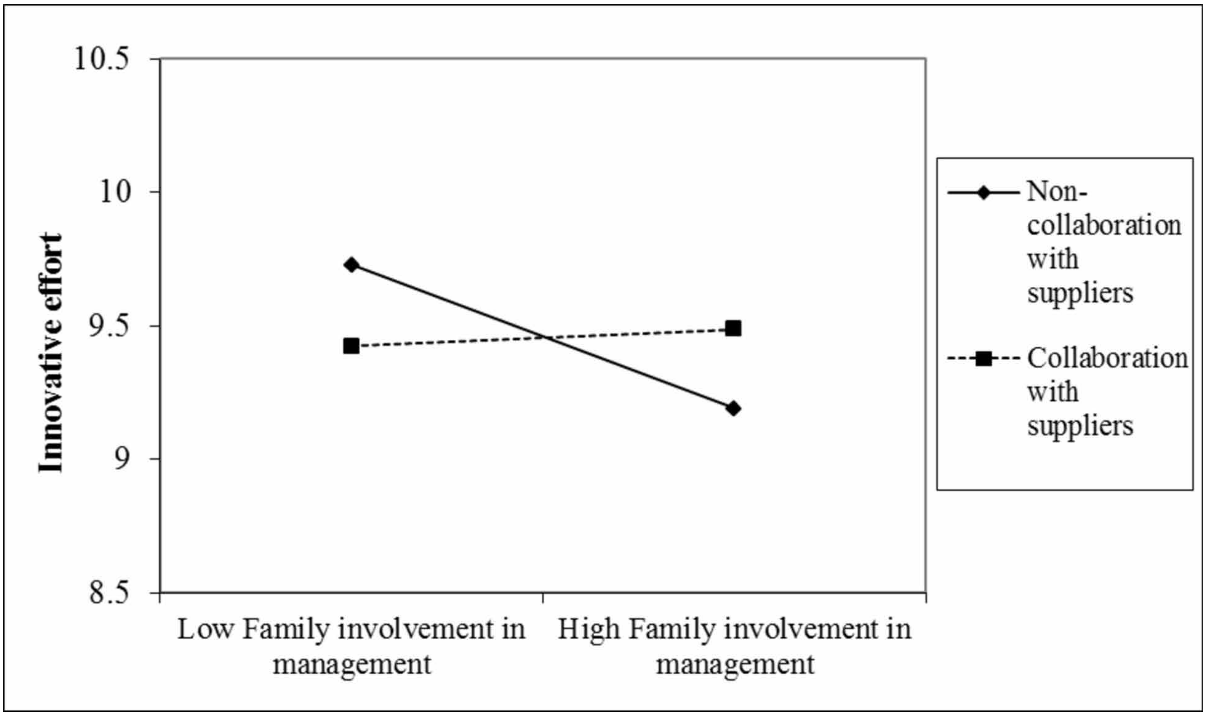
To show a more fine-grained picture of the moderating effect of collaboration with suppliers in the family involvement in the management-innovative effort relationship, we plot such interaction in Figure 2. This figure shows that when there are collaborations with suppliers, greater involvement of the family in management is translated into slightly increased firms' innovative effort. However, when these collaborations are not undertaken, an increase in family participation in management results in a substantial reduction of the innovative effort developed by these firms. Hence, Figure 2 strongly supports the findings of this study.

Table 4. Random effects regressions: Dependent Variable - Innovative effort

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Main effect						
Family involvement in management (β_1)		-0.152** (0.072)	-0.153** (0.072)	-0.325*** (0.100)	-0.145 (0.090)	-0.293*** (0.105)
Moderators						
Collaboration with suppliers (β_2)			0.008 (0.131)	-0.144 (0.144)	0.007 (0.131)	-0.167 (0.146)
Collaboration with customers (β_3)			0.103 (0.135)	0.116 (0.135)	0.112 (0.149)	0.180 (0.151)
Interaction effects						
Family involvement in management x Collaboration with suppliers (β_{12})				0.291** (0.117)		0.327*** (0.123)
Family involvement in management x Collaboration with customers (β_{13})					-0.016 (0.118)	-0.119 (0.124)
Controls						
$\text{Profitability}_{t-1}$	-0.152 (0.112)	-0.143 (0.112)	-0.143 (0.112)	-0.144 (0.112)	-0.142 (0.112)	-0.143 (0.112)
Firm age	0.317** (0.141)	0.326** (0.141)	0.327** (0.141)	0.325** (0.141)	0.327** (0.141)	0.326** (0.141)
Firm size	-0.494*** (0.075)	-0.511*** (0.075)	-0.512*** (0.076)	-0.510*** (0.076)	-0.512*** (0.076)	-0.510*** (0.076)
Leverage	0.080 (0.342)	0.107 (0.342)	0.106 (0.342)	0.094 (0.342)	0.106 (0.342)	0.088 (0.342)
Subsidies	0.598*** (0.126)	0.593*** (0.126)	0.588*** (0.127)	0.587*** (0.127)	0.587*** (0.127)	0.583*** (0.127)
Territorial subdivisions	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
Constant	9.191*** (1.729)	9.624*** (1.741)	9.610*** (1.744)	9.640*** (1.745)	9.065*** (1.744)	9.606*** (1.744)
Number of observations	3,060	3,060	3,060	3,060	3,060	3,060
Hausman Test						
Wald's X^2	164.91*** (31)	169.28*** (32)	169.70*** (34)	175.80*** (35)	169.64*** (35)	176.53*** (36)
R^2						
Within	0.0193	0.0219	0.0218	0.0241	0.0218	0.0246
Between	0.2452	0.2399	0.2419	0.2412	0.2418	0.2408
Overall	0.1873	0.1855	0.1864	0.1888	0.1862	0.1878
Note: Standard errors are reported in parentheses. '***' and '**' denote significance at the 1% and 5% level, respectively.						

Source: Own elaboration

Figure 2. Moderating effect of collaboration with suppliers on the relationship between family involvement in management and innovative effort
Source: Own elaboration based on the two-way interactions method of Dawson (2014)



Robustness Test

To reinforce the obtained findings, we conducted some robustness tests by using an alternative measure of family management. Thus, in this case, family involvement in management is conceptualized as a categorical variable that takes the value 1 if there is a family with majority ownership in the firm and at least one member of that family is actively involved in top management teams, and 0 otherwise (Diéguez-Soto et al., 2018; Kotlar et al., 2014).

The results of the robustness test (Table 5) are very similar to those obtained in the main analyses (Table 4). Model 8 shows that family management negatively influences innovative behavior. Furthermore, Models 10 and 12 reveal that the interaction of family involvement in management and collaboration with suppliers is positive and significant with regards to innovative effort.

Hence, these tests enable us to guarantee the consistency of our findings.

CONCLUSION

The analysis of how family involvement impacts on the innovative behavior of private firms has received increased attention in recent years (De Massis & Rovelli, 2018; Li & Daspit, 2016; Padilla-Meléndez, Diéguez-Soto, & Garrido-Moreno, 2015). Most of the prior research has revealed a negative relationship

Table 5. Robustness test: Dependent Variable - Innovative effort

	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
Main effect						
Family involvement in management (β_1)		-0.267* (0.161)	-0.270* (0.161)	-0.584*** (0.213)	-0.332* (0.192)	-0.566** (0.219)
Moderators						
Collaboration with suppliers (β_2)			0.011 (0.131)	-0.142 (0.147)	0.014 (0.131)	-0.152 (0.151)
Collaboration with customers (β_3)			0.100 (0.135)	0.105 (0.135)	0.056 (0.154)	0.130 (0.157)
Interaction effects						
Family involvement in management x Collaboration with suppliers (β_{12})				0.548** (0.243)		0.581** (0.265)
Family involvement in management x Collaboration with customers (β_{13})					0.147 (0.243)	-0.083 (0.265)
Controls						
Profitability$_{t-1}$	-0.152 (0.112)	-0.150 (0.112)	-0.146 (0.112)	-0.149 (0.112)	-0.146 (0.112)	-0.148 (0.112)
Firm age	0.317** (0.141)	0.326** (0.141)	0.329** (0.141)	0.329** (0.141)	0.327** (0.140)	0.329** (0.141)
Firm size	-0.494*** (0.075)	-0.512*** (0.711)	-0.514*** (0.076)	-0.515*** (0.076)	-0.513*** (0.076)	-0.514*** (0.076)
Leverage	0.080 (0.342)	0.010 (0.130)	0.094 (0.342)	0.088 (0.342)	0.101 (0.342)	0.085 (0.342)
Subsidies	0.598*** (0.126)	0.595*** (0.126)	0.590*** (0.127)	0.596*** (0.127)	0.593*** (0.127)	0.596*** (0.127)
Territorial subdivisions	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
Constant	9.191*** (1.729)	9.705*** (1.762)	9.638*** (1.752)	9.702*** (1.751)	9.641*** (1.747)	9.682*** (1.749)
Number of observations	3,060	3,060	3,060	3,060	3,060	3,060
Hausman Test						
Wald's X^2	164.91*** (31)	167.55*** (32)	168.29*** (34)	173.51*** (35)	169.53*** (35)	174.04*** (36)
R^2						
Within	0.0193	0.0214	0.0212	0.0226	0.0209	0.0227
Between	0.2452	0.2395	0.2420	0.2433	0.2433	0.2429
Overall	0.1873	0.1844	0.1857	0.1890	0.1873	0.1885
Note: Standard errors are reported in parentheses. '***', '**' and '*' denote significance at the 1%, 5% and 10% level, respectively.						

Source: Own elaboration

between family involvement and innovation activities (Chen & Hsu, 2009; Chrisman & Patel, 2012; Munari et al., 2010). However, there is a lack of consensus regarding the specific effect that family involvement *in management* has on innovative efforts (Martínez-Alonso et al., 2018). In this regard, prior literature has mainly focused on analyzing family management as a moderating variable in the innovation field

(Ashwin, Krishnan, & George, 2015; Diéguez-Soto et al., 2016; Manzaneque, Ramírez, & Diéguez-Soto, 2017). Notwithstanding the significance of this topic, few studies up to now have investigated how such an increase of family presence in the firm management affects decisions related to innovation attempts (a noteworthy exception is Diéguez-Soto & Martínez-Romero, 2019). Additionally, to the best of the authors' knowledge, no previous studies have examined how the past relationship might be affected by technological collaborations with external partners, such as suppliers and customers.

Our findings, in line with previous research in the family firm and innovation fields (e.g., Chen & Hsu, 2009), highlight that firms develop fewer innovative efforts as the degree of family involvement in management increases. This aversion to developing innovation efforts is reduced when the firms are engaged in technological collaborations with suppliers. However, our findings reveal that collaborations with customers do not affect the family management-innovative effort relationship.

On the one hand, although it is widely acknowledged that R&D investments are an essential antecedent of economic growth, family-managed firms are cautious regarding the execution of innovative efforts. In this sense, these investments present a set of particular characteristics, such as, for example, high levels of uncertainty, which may collide with the desire to preserve family members' SEW. Thus, when facing R&D investment decisions, whether family managers consider that such investments may dilute their control over the firm, generate conflicts, and, most importantly, jeopardize their SEW, they will avoid them. Moreover, this aversion towards R&D investments becomes more significant as the number of family members in management increases, given their stronger desire for SEW preservation.

On the other hand, the results also suggest that collaboration with suppliers is a critical element in diminishing the family managed firms' aversion to undertaking innovative efforts. Although family managers tend to be reluctant to open innovation approaches, they are also aware that not establishing close relationships with external partners might endanger their competitiveness, to the extent that they may be incapable of getting the required resources and capabilities for innovation, which ultimately damage their SEW. In this vein, family-managed firms can make the most of the firm's social capital and develop strong innovation ties with suppliers in the community where they are located. The establishment of trusting and long-standing relationships with these external partners will allow family-managed firms enhancing the quality and diminish the cost and risks of developing R&D projects as well as stimulate innovation chances over their competitors. Hence, through an open innovation approach and the achievement of an appropriate balance between economic and emotional goals, the negative effect that family involvement in management has on innovation effort can be reduced.

Therefore, this chapter makes several contributions to the literature on family businesses and innovation. First, as we previously anticipated, this study is especially intriguing since it analyses the direct impact of family involvement in management, measured by a continuous variable, on the innovative effort of private firms. Up to now, prior research has focused on whether family firms develop greater or lower R&D investments than their nonfamily counterparts (Chen & Hsu, 2009; Chrisman & Patel, 2012; Nieto et al., 2015) or on the moderating effect that family management has on innovation activities (Gargallo-Castel & Galve-Górriz, 2017; Manzaneque et al., 2018; Martínez-Romero, Martínez-Alonso, Casado-Belmonte, & Rojo-Ramírez, 2019). However, to the best of the authors' knowledge, this is one of the pioneer studies analyzing the impact of family managers on innovative efforts in private firms. Furthermore, the use of a continuous measure of family management allows us to investigate heterogeneity across family firms (Casillas et al., 2010; Detienne & Chirico, 2013).

Second, this chapter answers the call for more investigation on how private firms embrace open approaches to collaboration with partners in order to boost their innovative investments (De Massis et al., 2013; Feranita et al., 2017; Kellermanns & Hoy, 2016). In this regard, more insights regarding how technological collaborations with external partners might change family managers' attitudes towards innovative efforts are required in the context of private firms.

Finally, and in line with the previous contribution, our study theoretically introduces and empirically examines two moderating variables in the family involvement in management-innovative effort relationship: technological collaborations with customers and technological collaborations with suppliers, contributing to both theory building and theory testing (Colquitt & Zapata-Phelan, 2007). That is, our study is not limited to analyze the unexplored relationship between family management and innovative effort, but also analyses two significant moderating factors, by investigating how family managers develop innovative efforts depending on whether they embrace in or not technological collaborations with external partners.

Managerial and Practical Implications

Several managerial implications flow from our findings. First, based on the obtained results, it can be stated that as family managers increase, in an attempt to protect their SEW, they are less willing to develop innovative efforts. The first lesson for family managers to learn is that the inclusion of non-family members in their firms' management could be a counterbalance that might allow equating family and firms' goals. That is, the incorporation of external directors on the board can be an antidote to prevent family-managed firms from letting purely emotional objectives over rational innovation decisions (Vandekerkhof, Steijvers, Hendriks, & Voordeckers, 2015). Consequently, family-managed firms should bear in mind the fact of hiring external managers with the final goal of implementing an innovative culture that persists in the long-term (Diéguez-Soto, Duréndez, García-Pérez-de-Lema, & Ruiz-Palomo, 2016). In any case, our study highlights that family managers need to appoint academic and industry experts to cope with potential collisions between economic and emotional goals (Manzaneque, Rojo-Ramírez, Diéguez-Soto, & Martínez-Romero, 2018).

Furthermore, whether technological collaborations with suppliers reduce the negative attitude of family managers toward innovation investments, these relationships should be encouraged. Therefore, governments and policymakers should develop policies that support innovative collaborations, such as public programs promoting networking with other companies (Antolín-López, Céspedes-Lorente, García-De-Frutos, Martínez-Del-Río, & Pérez-Valls, 2015). Finally, the favorable effect of collaborations with externals could even be improved by creating trusting and long-standing relationships with such partners (Berrone et al., 2012; Miller & Le-Breton-Miller, 2005a).

Limitations and Future Research

This study is not free from limitations, some of which might provide directions for future research avenues.

First, we have focused on how the level of family management impacts on private firms' innovation effort, understood as a specific aspect of innovative behavior. However, innovation is a multidimensional construct, which is difficult to summarize in a single indicator (Sanchez-Famoso, Pittino, Chirico, Maseda, & Iturralde, 2019; Subramaniam & Youndt, 2005). Therefore, future studies should investigate how family involvement in management affects different innovation types, such as product innovation, process innovation, marketing innovation, or organizational innovation (OECD, 2005).

Second, concerning collaborative networks, future research should try to identify the ownership type of partners (Nieto et al., 2015). This would permit recognizing whether firms with higher levels of family involvement in management prefer to collaborate with other family firms or on the contrary, prefer to engage in collaborations with non-family firms. Moreover, by qualitative investigations, future research could examine the drivers that lead family-managed firms to collaborate with external partners when developing innovation activities.

Furthermore, another limitation is related to the measurement of our variables. Although we employed the same measurements that have been utilized in prior studies, since we have based our study on secondary data, we had to use and adapt the available measurements in the ESEE database. In this regard, technological collaborations with both suppliers and customers are measured by dichotomous variables, a fact that limits our ability to explain the interaction effects of such variables on the relationship between family management and innovative effort. More fine-grained measurements would provide the possibility of advancing the scope of our study.

Finally, the present study is also limited by choice of the sample used. Our sample was centered on Spanish manufacturing firms. Thus, future studies should be developed in alternative industries and countries to extend the generalizability of the findings obtained here. Moreover, future research might extend our investigation by deepening in how different types of family firms (Diéguez-Soto, López-Delgado, & Rojo-Ramírez, 2015; Rojo-Ramírez & Martínez-Romero, 2018) develop their innovative efforts.

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KEY TERMS AND DEFINITIONS

Customers: People or firms that buy the products or services produced by a firm.

External Partners: Organizations that are not part of a firm itself, but are concerned or affected by its performance.

Family Managed Firms: Family firms whose management is in the hands of the family.

Family Managers: Family members of a family-owned firm who occupy management positions.

Innovation Investments: Spending a certain amount of money on acquiring a bundle of resources to obtain innovation.

Innovative Behavior: Intentional introduction of a person into the application of new ideas, products, processes, and procedures at the workplace or in the firm.

Innovative Effort: How a firm fosters investments in research and development to obtain innovation results.

Socioemotional Wealth: Nascent theory in the family business field that refers to non-economic aspects that meet the diverse emotional needs of the owned family.

Suppliers: People or firms that provide products or services that are necessary for other people or firms.

Technological Collaborations: A joint technological effort of two or more firms to obtain technological advantages.

Chapter 8
Reading Between the Lines:
Innovation Strategies in Small and Medium-Sized Family Firms – An Exploratory Study

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ABSTRACT

This chapter contributes to strategic management studies in family firms by focusing on innovation strategies as drivers to guarantee firm survival across generations. Specifically, built on the construct of family business innovation posture and based on the content analysis of 10 small and medium family firm narratives, this chapter identifies the figure of the father as the cornerstone in whom innovation strategies have their origin and their evolution as firm-driven, family-driven, and/or market-driven. The chapter proposes a model that highlights the dimensions of family heterogeneity and provides new insights into the relationship between the role of the father figure and three drivers related to family business innovation: product and production quality, past knowledge, and risk-taking propensity.

INTRODUCTION

Family businesses approach strategic management differently from other types of firms (Chrisman, Chua, & Sharma, 2005; Sharma, Chrisman, & Chua, 1997), as the controlling family's influence, interests, and values play a dominant role in making strategic decisions (Aldrich & Cliff, 2003; Sirmon, Arregle, Hitt, & Webb, 2008). This is particularly true for innovation strategies that help family firms to "renew

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companies, enhance their competitive advantage, spur growth, create new employment opportunities and generate wealth" (Hayton & Kelley, 2006, p. 407). The actual context in which firms operate and where they must survive is highly competitive, characterized by uncertainty and risk (Obradovic & Obradovic, 2016); for this reason, firms that want to create value and sustain their competitive advantage must approach innovation strategically (Dogan, 2017; Frow, Nenonen, Payne, & Storbacka, 2015).

In this scenario, the implementation of innovation strategies is a key factor, essential to the survival of long-term enterprises (Serrano-Bedia, Palma-Ruiz, & Flores-Rivera, 2019; Hult, Hurley, & Knight, 2004). This is particularly true for family-owned businesses, which can exist for several generations (Saiz-Álvarez & Palma-Ruiz, 2019; Jaskiewicz, Combs, & Rau, 2015). This long-term perspective, which is necessary to assure family firms' continuity, considers several capabilities, including innovativeness (i.e., the ability or capacity to innovate) (Craig & Dibrell, 2006; Mairesse & Mohnen, 2002). It is particularly relevant for small- and medium-sized family-owned businesses (De Massis, Frattini, & Lichtenthaler, 2013) because, as recently suggested, they represent "everyday entrepreneurship" (Saiz-Álvarez, Leitão, & Palma-Ruiz, 2019; Welter, Baker, Audretsch, & Gartner, 2017). Also, as these enterprises are the most common type of business organization in many different regions of the world (Miller & Le Breton-Miller, 2005a), innovativeness symbolizes the will to survive in a market.

Although some scholars believe that more attention should be paid to how innovativeness impacts the strategies of family firms, steps should be taken to understand their innovation strategies (Chrisman, Chua, Le Breton-Miller, Miller, & Steier, 2018; Diaz-Moriana, Clinton, Kammerlander, Lumpkin, & Craig, 2018; Duran, Kammerlander, Van Essen, & Zellweger, 2016; Filser, Brem, Gast, Kraus, & Calabrò, 2016). In this sense, goals, governance, and resources provide useful insights into family firms' strategic factors (Daspit, Chrisman, Sharma, Pearson, & Long, 2017), and investigating them can promote understanding of the contradictory ongoing debate over innovation in family firms (Zahra, 2012). The literature shows an ambiguous and discontinuous framework underlying family firms' resistance to change (Sharma & Manikutty, 2005) or, in other cases, innovativeness (Llach & Nordqvist, 2010), as well as how they adopt different levels and types of innovation during their lifecycles (De Massis, Chirico, Kotlar, & Naldi, 2014; Duran et al., 2016). Examining strategic innovation postures, scholars have developed constructs for family business innovation posture, and have identified four ideal types: seasoner, re-enactor, digger, and adventurer (Rondi et al., 2018). Other researchers have argued that the founder's imprinting influences the innovation propensity, and this aspect tends to emerge clearly from stories in this type of family that are narrated about past generations, focused on actors and events that affect innovativeness and strategic management (Kammerlander, Dessì, Bird, Floris, & Murru, 2015).

This chapter, inspired by this stimulating debate, contributes to strategic management studies within the family business domain, challenging the topic of innovation strategies, by giving a close reading, somewhat between the lines, to the accounts of ten (10) family firms. Specifically, following the problematization perspective suggested by Alvesson and Sandsberg (2011), this work, based on the awareness that heterogeneity in family firms affects innovation strategies, disentangles this intertwined situation by addressing the following questions: *"Is there a main driver that influences innovation strategies in small family firms?"* If so, *"What is the driver, and how does it act?"*

In this chapter, according to the construct of the innovation posture of the family firm, defined as the strategic orientation of the owning family imprints on the family business, shaping the firm's innovation climate, philosophy, and practices (Calantone & Rubera, 2012; Erdogan, Rondi & De Massis, 2019), we focus on the role played by family business narratives in uncovering the mentioned attitude. By examining the variety of innovation postures of family businesses in relation to different levels of risk-taking propensity, product and production quality, and past knowledge, we develop a typology of three ideal types of family innovator: mentor, leader, and bridge, which have connected with three different sources of innovation strategies: firm-driven, family-driven, and market-driven, respectively.

To achieve this result, a multiple case analysis of ten family firms' histories was conducted through NVivo 10 software to isolate the main aspects that characterize a given firm's approach to innovation strategies. This chapter makes three main contributions. First, it extends previous studies by focusing on the role played by narratives in family firms and in understanding how and why these firms adopt different innovation strategies. Second, using the construct of the family business innovation posture and developing related typologies, this chapter contributes to innovation literature by identifying the father figure as the cornerstone in whom innovation strategies have their origin and whence they develop their form, showing that his attitude and behavior act as the main leverage to incentive or disincentive innovation strategies in family firms. The third original contribution of the chapter is the proposed model that highlights the dimensions of family heterogeneity and provides new insights into the relationship between the role of the father figure and three drivers related to family business innovation: product and production quality, prior knowledge, and risk-taking propensity.

The chapter is divided into the following main sections:

Literature Background: In this section, innovation in general management and family business studies is analyzed, underscoring the relevance it plays in finding opportunities, capturing market dynamics, and outdoing competitors. Specific attention has been paid to an equilibrium between innovation and tradition that is present in family-owned firms (Presenza, Petruzzelli, & Sheehan, 2019). In addition, based on scholars' definition of the term "heterogeneity," it focuses on how goals, governance, and resources can affect innovativeness and, consequentially, produce effective, new strategies. Finally, the role of the firm's stories and narratives is analyzed to unpack the firm behavior and the proclivity toward innovation.

The Exploratory Study: This section, which represents the heart of the chapter, provides a step-by-step explanation of the chosen method. Specifically, by focusing on the accounts of 10 exemplary small- and medium-sized family firms, relevant common and divergent concepts that summarize the results are extrapolated in a conceptual model.

Discussion: This section underlines the newness of this study, which relies on "reading between the lines." Innovation strategies, implemented implicitly by family owners, focus on different elements that affect a firm's strategy, and produce diverse effects. This section also notes the principal limitations for new research, which will impact scholars looking to develop conceptual models.

Conclusion: The concluding section resumes the research by delineating its essential traits.

LITERATURE BACKGROUND

Innovation: Perspectives and Opportunities

Innovation is important for firms' survival and their success in competitive arenas (Francis & Bessant, 2005), and it depends on the firm's ability to generate business elements, such as new or better-quality products, new production methods, new markets, new sources of raw materials or partially manufactured goods, and new organizational structures (Hill & Jones, 1998). Thus, as Johannessen, Olsen, and Lumpkin (2001) stated, "innovation implies newness." Innovation can involve the entire firm and is "an idea, practice, or object perceived as new by an individual or another unit of adoption" (Rogers, 1995, p. 35). Such innovation can improve or sustain (Diaz-Moriana et al., 2018) long-term competitive advantages. Being innovative throughout a product's life cycle helps firms survive in an increasingly competitive world (Autio, Kenney, Mustar, Siegel, & Wright, 2014).

Many studies have underlined that firm product innovation is not simply linked to the firm's knowledge (Bierly III, Kessler, & Christensen, 2000; Rowley, 2006) but to their ability to introduce their product to the market in a timely fashion (Wang, Lo, & Yang, 2004) and use what they know and what is strategically most important to a product's success (Bierly III et al., 2000) to achieve product innovation (Akgün & Yücebilgilli Kırçovalı, 2015). In this sense, the firm's wisdom represents an important factor for firm innovation and its application to product context remains unclear (Kessler, 2006) deserving further study.

Addressing the intricacies of innovation, however, remains a challenge. Since March's (1991) seminal work, which describes the tension between exploration and exploitation, the topic continues to provide an interesting area for further studies, especially related to family-owned businesses, where the existence of a strong culture (Dyer, 1986; Nicholson, 2008), specific values (Aronoff & Ward, 2011), and longevity represent the search for a balance between stability and evolution (Chua, Chrisman, & Sharma, 1999; Dyer, 1988). Innovation, in this view, "captures the family firm's readiness to change time-honored procedures and products and to deviate from how activities have been conducted in the past" (Kammerlander et al., 2015, p. 333). This is in line with what Hage (1999) depicts as "new-to-the-firm," particularly appropriate for family firms, which are often attached to tradition and organizational patterns (De Massis et al., 2014) and are reluctant to innovate (Sharma & Manikutty, 2005).

Scholars have studied whether family firms are more embedded in the past or open to innovation (Serrano-Bedia, Palma-Ruiz, & Flores-Rivera, 2019). Their findings show that family firms, in general, are either conservative, inflexible, and risk-averse, or innovative (Zahra, 2012). This distinction and the elements of families´ innovation strategies requires more in-depth analysis. Duran et al. (2016) showed that family-owned businesses, owing to their lower proactiveness, tend to adopt incremental, rather than radical, innovations. Other studies have identified stories told across generations as a way to either encourage or discourage innovation and innovativeness (Kammerlander et al., 2015). Such historical accounts, often related to the founder of a firm, can inhibit change because it is perceived as a threat to a company's identity, history, and traditions (Erdogan et al., 2019). In essence, the story of the firm is the story of the family (García-Álvarez, López-Sintas, & Saldaña Gonzalvo, 2002).

Moreover, most small family firms are founder-centric (Kelly, Athanassiou, & Crittenden, 2000; Schein, 1983) and focused on transmitting historical values. Hall, Melin, & Nordqvist (2008) found that family values, goals, and relationships impact a family firm's strategy about moving from the firm's past to its future.

Several recent studies that have investigated factors affecting innovation in family firms noted that resources (König, Kammerlander, & Enders, 2013), employee loyalty (Duran et al., 2016), the competency of successors (Litz & Kleysen, 2001), organizational flexibility (Craig, Dibrell, & Davis, 2008), professionalism (De Massis et al., 2014), and the use of strategic behavioral controls (Hsu & Chang, 2011) each either positively or negatively influence the level of innovation.

For family firms, innovation abets their chance of flourishing across generations (Jaskiewicz et al., 2015). By contrast, non-innovative small- and medium-family firms that are excessively dependent on the past can have difficulty competing (De Massis, Wang, & Chua, 2019; Jaskiewicz et al., 2015;

Weismeier-Sammer, 2014; Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008), underlining a plethora of different kind of firms. The following section further discusses this situation.

Heterogeneity and Innovation Strategies in Family Firms

The heterogeneity of family businesses remains one of the most challenging aspects in understanding how and why family firms differ from the other types of firms (Brune, Thomsen, & Watrin, 2019), among others. This makes it difficult to categorize and draw theories about family firms.

An existing rich and interesting literature, with many recently revised studies, provides a better understanding of this heterogeneity and how it might be linked to business goals and behaviors (Aldrich & Cliff, 2003; Dyer, 2006; Rogoff & Heck, 2003) or important organizational outcomes (Neubaum, Kammerlander, & Brigham, 2019). Different authors emphasize different family firm aspects, such as family influence (Astrachan, Klein, & Smyrnios, 2002); family involvement (Barontini & Bozzi, 2018; Castro & Sharma, 2011; Diéguez-Soto, López-Delgado, & Rojo-Ramírez, 2015; Shanker & Astrachan, 1996; Sharma, 2002); the family effect (Dyer, 2006), the firm's communication method and history (Blombäck & Brunninge, 2013; Sciascia, Clinton, Nason, James, & Rivera-Algarin, 2013); management, ownership, governance, and complexity (Corbetta, 1995; Litz, 1995); family structure (Daspit, Madison, Barnett, & Long, 2018); corporate entrepreneurship (Randolph, Li, & Daspit, 2017); and family firm trusts (Scholes & Wilson, 2014).

Several scholars (Li & Daspit, 2016; Rondi, De Massis, & Kotlar, 2018; Sciascia et al., 2013) opined that family firms' heterogeneity influenced their willingness and ability to innovate (Chrisman, Chua, De Massis, Frattini, & Wright, 2015; De Massis, Frattini, Kotlar, Petruzzelli, & Wright, 2016). The innovation of family versus non-family firms is influenced by their idiosyncratic strategies and heterogeneity (Chrisman et al., 2005). On the one hand, the formulation of strategies is different between family and non-family firms (Chua, Chrisman, & Steier, 2003), and, often, differences may derive from goals, governance, and resources (Sharma et al., 1997). Moreover, strategies differ even between family firms, owing to their strong heterogeneity, traced in particular through firm history.

There is a double link with firm's heterogeneity and the implementation of strategies because the literature reveals that the different family features, such as values (Fletcher, Melin, & Gimeno, 2012), family brand (Craig et al., 2008), long-term vision (Le Breton-Miller & Miller, 2006), and non-financial objectives (Astrachan & Jaskiewicz, 2008) influence family firm strategies. Conversely, different strategies nurture heterogeneity.

The literature reveals how family firms' innovations and long-term intentions are manifested either by their socio-emotional wealth or by their transgenerational succession intentions (Li & Daspit, 2016). These authors noted that family firms with a long-term orientation or with non-family management established the most aggressive, innovative strategies. Conversely, family firms with a restricted, short-term view about wealth preservation, or with family-member managers, appeared to be less innovative. Thus, family firms with more resilience, transgenerational succession plans are more likely to follow aggressive innovation strategies (Randolph et al., 2017).

Moreover, innovation could be affected by economic goals and attitudes related to technological change (Kammerlander & Ganter, 2015). Thus, a family's relative emphasis on command, continuity, connections, and community (Miller & Le Breton-Miller, 2005b) affect innovation, while possibly excluding ability, ownership, or control (Chrisman, Fang, Kotlar, & De Massis, 2015).

A family firm's heterogeneity traced by its innovation propensity might be caused by family traditions (De Massis et al., 2016; Rondi et al., 2018), family dynamics, communication patterns (Sciascia et al., 2013), or stories passed down from generation to generation (Kammerlander et al., 2015). The approach to innovation of a firm may depend on its risk propensity, the family's attachment to the past (De Massis et al. (2016), or how closely the family system is associated with the family firm's intentions to innovate, a factor termed the family business innovation posture (Rondi et al., 2018). This last construct explains the role of the family in family business innovation, intending to unlock innovation potential by identifying different kinds of family business orientations toward innovations, considering the risk-taking propensity and the tradition attachment. In this sense, "the firm's ability to engage in innovative activities is constrained by its posture" (Rondi et al., 2018, p. 3) and depends on the family. Moreover, as Jaskiewicz and Dyer (2017) suggest, integrating family aspects into the family business can help disentangle the family business innovation posture. According to this perspective, family firm narratives are a specific means of uncovering family aspects and dynamics, especially those that are more sensitive and emotional and identify key family members in family business innovation postures. As recently shown, narratives "describe an adequate instrument to impart cultural family values" (Zwack, Kraiczy, von Schlippe, & Hack, 2016, p. 591), creating an entrepreneurial legacy that through the family's rhetorical reconstruction of past, motivates subsequent generations to engage in innovations strategies (Jaskiewicz et al., 2015) and affects family business innovation propensity (Kammerlander et al., 2015). For this reason, this work focuses on narratives to investigate family aspects in family business innovation posture.

Narratives and Innovation Strategies

Narratives are accounts that confer meaning to events, periods of life, and feelings experienced during key moments. Through making connections among the past, present, and future, narratives create arcs and myths that impact family businesses' behavior and strategies (Labaki, Bernhard, & Cailluet, 2019). The narrative in family businesses incorporates and transmit hero-journey stories across generations (Miller, 1999) by sharing language, jargon, and legends (Dyer, 1988) and reinforcing culture and continuity (Smith, 2018). Recently, Hamilton, Cruz, and Jack (2017) argued that narratives provide a better understanding of intertwined connections between families and businesses across generations and guarantee the understanding of the genesis, practice, and continuity of family firms. Such stories influence the evolution of the family firm, placing them in a confluence of past observations and incentives to change (Kammerlander et al., 2015). Thus, narratives propagate values and encourage emulation (Smith, 2002). They sustain the conceptualization of actions and events as metaphors that reinforce shared meanings within family firms (Johansson, 2004) and contribute to the creation and strengthening of culture (Dyer, 1988). Narratives preserve histories and traditions across generations, influencing future behavior, strategy, and decisions, aiming to perpetuate family pride and heritage (Smith, 2018). Stanley (2001, p. 279) highlighted the importance of stories narrated around the proverbial kitchen table to strengthen the affective attachment to the firm and promote entrepreneurial indoctrination and innovation proclivity.

Narratives show a highly potential interpretive perspective and are appropriate for family businesses to capture complex social constructs (Dawson & Hjorth, 2012). Moreover, stories of the family business, encompassing generations are natural forces that either stimulate or prevent change (Rae, 2004).

Finally, narratives concur to define and transmit the identity of a family firm over time, contributing to explain and make sense of the firm's past, present, and future (Dalpiaz, Tracey, & Phillips, 2014), considering the role of the family, and framing "how organizational constituents make sense of the organization and construe its core attributes in the context of the family and across generations" (Dalpiaz et al., 2014, p. 1388).

Family business transfer, in fact, is a continuing process (Lambrecht, 2005) and "the rich narratives of the participants spanning the generations can help shed light on the relational dynamics of how family and business as well as family members, are inextricably interconnected" (Dawson & Hjorth, 2012, p. 350).

In other words, narratives facilitate a deeper understanding of the family aspects that affect family business behavior by considering relationships and casual nexuses (Hjorth, 2007) and helping understand family business innovation posture more deeply. Often, family firms share rhetorically reconstructed narratives of the family's and the founder's past behavior (Kammerlander et al., 2015), and confer high importance on their history, preserving their legacy over time, and approaching innovation strategies in a resistant manner. On the other hand, when narratives are focused on a firm's present and future, family firms show a proclivity toward innovation strategies. This underlines the power that told stories have to identify different innovation postures with different strategic implementation.

METHODOLOGY

Research Design and Setting

Given the novelty of the authors' work and their intention to answer the following questions:

"Is there a main driver that influences innovation strategies in small family firms?" if yes, "which is it and how it acts?"

The authors, building on the construct of the family business innovation posture, focused on the relevance of narratives as a means to unpack innovations strategies in family firms and to use a qualitative method through an inductive and interpretive approach. A qualitative research design is particularly appropriate for family business studies (McCollom, 1990) because it is suitable for penetrating the veil of the family and avoiding the gathering of data that is not useful (Litz, 1997). For this study, it is particularly appropriate, given the necessity to extend and build theory in the field of innovation strategies (Suddaby, Bruton, & Si, 2015). More precisely, based on a multiple case study (Eisenhardt, 1989), the authors analyzed a purposeful sample of ten Sardinian (Island in the Mediterranean Sea) family firms operating in different sectors—wineries, bread, and baking; cheese factories; and pastry and pasta—and at least at the second generation. The sampled firms were selected according to Patton's suggestions (1990): "logic and power of purposeful sampling lie in selecting information-rich cases for study in depth. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the research" (Patton, 1990, p. 169). Also, the selected small fam-

Table 1. Firms' demographical data

Firm #	Industry	Year	Generation	Active family members	Employees	Market*
A	Winery	1900	3	6	30-70	L-R-N-I
B	Winery	1950	3	4	20-50	L-R-N-I
C	Winery	1990	2	4	10-40	L-R-N
D	Winery	1970	2	3	10-40	L-R-N-I
E	Bread and bakery	1970	2	5	12-20	L-R
F	Bread and bakery	1968	2	5	15-20	L-R-N
G	Bread and bakery	1918	4	4	35-50	L-R
H	Pastry and bakery	1990	2	3	15-30	L-R-N-I
I	Cheese factory	1980	2	5	40-60	L-R-N-I
L	Bread and bakery	1998	3	5	18-30	L-R-N-I

*L= local; R=regional; N= national; I= international

ily firms can generate innovation and are represented as described by Howorth, Rose, and Hamilton (2006). Their owners can be labeled as heroes (Welter et al., 2017), managing everyday firms, which are characterized by a blooming heterogeneity and operate under resource constraints and conditions of adversity (Bradley, 2015; Powell & Baker, 2014). Moreover, they must implement innovative strategies to survive in their markets.

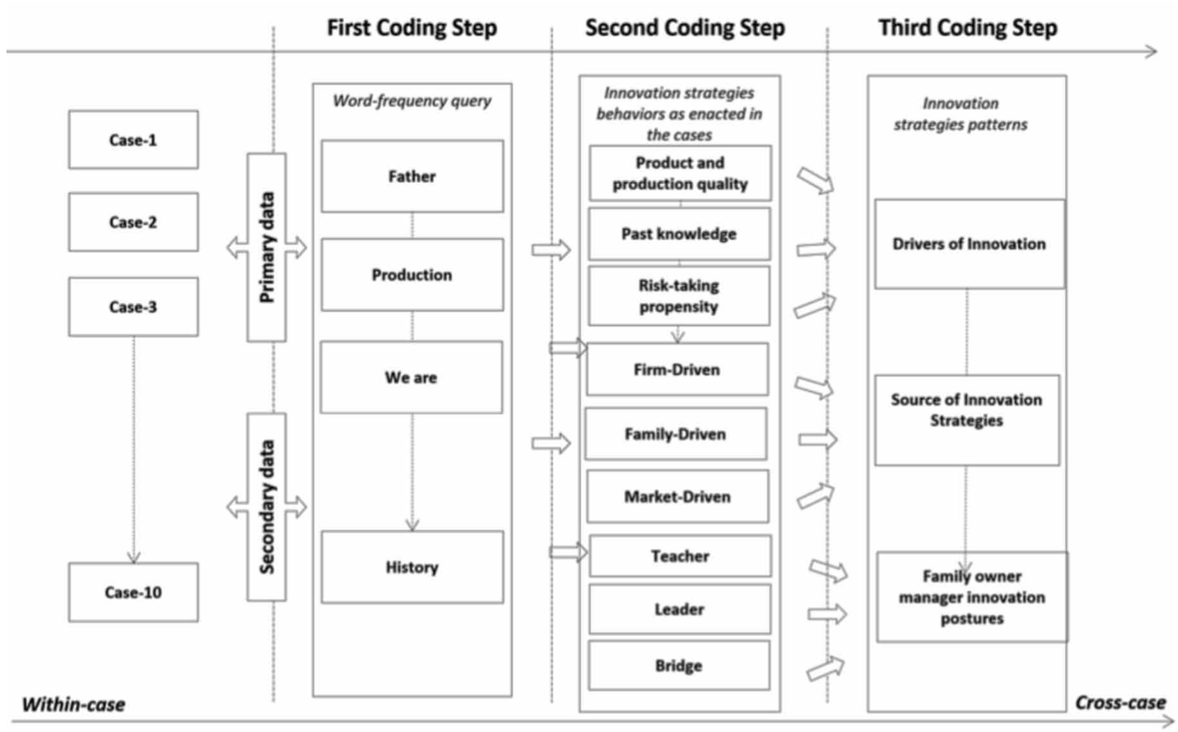
All sample firms were small- and medium-sized companies, and their demographical data are synthesized in Table 1.

The authors collected data from primary sources (ten semi-structured interviews carried out with the family owners' managers) and secondary sources (archival data from both internal and external organizational sources; business publications; official websites; corporate materials). Besides, several informal follow-ups by e-mail and telephone were conducted, and, owing to the exploratory nature of their work, the authors administered additional interviews when theoretical saturation was reached (Yin, 2011).

The semi-structured interviews were carried out face-to-face, and the duration was averaging 20–40 minutes. The inclusion criteria for organizations were: access to key informants (Pettigrew, 1990) and substantive background knowledge about the organizations and their environment (i.e., history, work habits, and way of organizing projects) (Sandberg & Tsoukas, 2011). The interviewees were family owner-managers because a family owner-manager is the main decision-maker in a family firm (Chrisman, Chua, Pearson, & Barnett, 2012), and a focus on his/her perception allows underlining the relevance of the individual level in the definition of innovation strategies (Wales, Monsen, & McKelvie, 2011; Chrisman et al., 2012; Eddleston & Kellermanns, 2007). In this sense, the family owner-manager as a board member is a powerful representative for deeply understanding innovation strategies in family firms owing to his/her influence over the family business (Anderson & Reeb, 2003; Astrachan et al., 2002; Hoy & Sharma, 2010; Miller, Le Breton-Miller, & Lester, 2013) and related to his/her significant emotional investment in the firm (Astrachan & Jaskiewicz, 2008).

Each interview guide had three main sections. The first included open-ended questions that enabled informants to provide an overview of their small family firm's history, competitors, and customer base. The second section focused on a firm's innovations, and the third section focused on how company goals were formulated.

Figure 1. Data analysis process
Source: Adapted from Saldaña (2015)



Data Analysis

For our data analysis, we used the NVivo 10 software program to aid us in entering codes, examining passages of text in which codes appeared, and using the word count feature to calculate the most frequently occurring words. We conducted the data analysis in three main rounds of coding (see Figure 1).

In the first round, the open-ended responses were run through a word-frequency query launched on NVivo, using words with stemmed variants (e.g., “product” and “products” were counted as “product”), and weighted percentages were calculated (see Table 2). The words used most often were viewed as a proxy that represented participants’ perspectives. Supporting this approach was the assumption that important and significant words would be used more frequently (Carley, 1993).

During the second round of coding, each researcher independently analyzed single cases, extending the provisional list of codes (father, production, product, past, market, family, and so on), derived from the most frequently occurring words in the interviews (including the stemmed variants) (Miles & Huberman, 1994). In this way, the authors engaged in an open coding activity of interview transcripts, field notes, and archival data. The process of coding was conducted as follows: first, each transcript was read word-for-word and independently coded by two authors in a search for themes that could capture relevant information about the family, its shared stories, the firm, and the family firm innovation. A code was assigned to a section of text when the authors identified a phenomenon present in it as a theme (e.g., tradition or knowledge). Second, the authors analyzed batches of two or three transcripts in joint meetings, in which the two authors who had coded a given transcript compared and discussed their

Table 2. Using NVivo queries to identify the most frequently used words in the data

Words	Length	Number of Uses	Weighted Percentage (%)
Father	5	186	0.47
Production	10	162	0.21
We Are	5	146	0.37
Product	8	135	0.34
Past	5	123	0.31
Market	7	97	0.24
Firm	7	84	0.21
Job	6	82	0.41
Sardinian	8	78	0.20
Family	8	70	0.18
Now	6	64	0.16
Sons	5	64	0.16
Started	8	62	0.16
Grandfather	5	46	0.12
Quality	7	45	0.11
Generation	11	42	0.11
Decisions	9	35	0.09
Brother	8	35	0.09
Mother	5	31	0.08
Time	5	31	0.08
History	6	27	0.07

Source: Authors´ elaboration

independent coding to determine a final coding for the transcript. The noncoding researcher served as judge whenever the two coding authors sought further clarification on a coded passage (Krippendorff, 2004). Third, the authors engaged in a cross-case analysis revisiting the raw data, case studies, and NVivo codes to arrive at a set of patterns, such as product and production quality, past knowledge, risk-taking propensity, family firm innovation posture (Rondi, De Massis, & Kotlar, 2018) illustrating how the stories' content was associated with family firm innovation (Strauss & Corbin, 1998). Concerning the family firm's innovation posture, the authors concentrated their attention on the role of the family owner-manager (usually the father) as he is the main decision-maker in these kinds of firms (Chrisman et al., 2012). By examining the variety of family owner–manager's innovation postures with different sources and drivers of innovation, we developed a typology of three ideal types: mentor, leader, and bridge (Table 3).

Table 3. Codification and final list of codes

Drivers of Innovation	Source of Innovation Strategies	Family owner-manager innovation postures	Sources*
Product and production quality	Firm-Driven	Mentor	5
Past knowledge	Family-Driven	Leader	2
Risk-taking propensity	Market-Driven	Bridge	3

*Case studies
Source: Authors´ elaboration

Table 4. Different innovation strategies

Firm	*Firm-Driven*	*Family-Driven*	*Market-Driven*
A			X
B	X		
C		X	
D	X		
E	X		
F		X	
G			X
H			X
I	X		
L	X		

Source: Authors´ elaboration

RESULTS

The analysis of the narratives revealed that the family firms in the sample employed three kinds of innovation strategy, which the authors labeled as follows: "firm-driven" (five firms), "family-driven" (two firms), and "market-driven" (three firms) (see Table 3), which are related, respectively, to the following drivers of innovation: product and production quality, past knowledge, and risk-taking propensity (see Table 4).

The first driver, namely, product and production quality, referred to the widespread attention that family owner-managers focus on: what concerns the product and the production, in terms of quality improvement and quantity enhancement. Family owners represented their firms as the expression of their product. The following extracts from interviews with them can better explain this idea.

We are proud of our product, and we invest in improving its quality. (…) customers like our product, and we try to guarantee high quality (Informant B).

Our goal is innovating in production. New machinery and new techniques allow us to make a better product to compete in international markets. Our laboratory is quite similar to a small mechanized factory. Over time, clients will remember the product, not our name (Informant L).

The second driver, prior knowledge, refers to a continuous reference to past paths as the most important departure points from which firm strategy should be built. The core of the narrative feature relates to the family. The following quotes illustrate this perspective.

I agree with the common thinking that innovating is necessary, but I can't ignore my history, my origins, and my roots. Then, I adopt innovative strategies that don't misrepresent the story of my family and my ancestors (Informant C).

In my blood vessels, flour flows. This means that this bakery is my family. Innovating what I've inherited means moving toward new horizons by building on tradition (Informant F).

The third driver, the risk-taking propensity, refers to the attitude of family owners toward adopting risky initiatives. In this scenario, the market is the main concern of the family owners, who are engaged in the relevant entrepreneurial and innovative activities. The following quotes exemplify the participants' understanding of this concept.

If we want to survive, we have to conceive innovation strategies that allow our family firm to outcompete in the market (Informant A).

Our history and our past are important. However, we have to change our strategy and promote innovation. This does not mean to forget the past, but thinking out of the box and accept the risk of path break-in (Informant G).

The mentioned quotes and the identified drivers show that family firms experience a different innovation posture, owing to their attention toward the product and production, prior knowledge, and risk-taking propensity. These drivers, however, are guided by a common figure that is the most important subject within the firms: he administers the father figure and all the adopted innovation strategies. The informants recognized the relevance of the father figure as the glue within the family businesses. Informant A said, *"Without him* [the father], *our family firm would not be like this. He's the glue of everything. He's the mind, the heart, and the arms."*

However, the recognition of the importance of the father figure's role produces different effects on innovation strategies, by stimulating the family firms toward the implementation of different innovation strategies characterized by the focus, respectively, on the firm, family and market. In this view, family firms adopt *firm-driven strategies*, *family-driven strategies*, and *market-driven strategies*.

As illustrated by the following quotes, *firm-driven strategies* occur when owners focus on improving the quality of the product or the production process:

He [the father] always told us this: always remember that you will never be able to fight with another company for the quantity of the product … but you can always distinguish yourselves for quality (Informant D).

For him [the father], guaranteeing high product quality is the only goal to pursue. Our product is our firm. So, if we want to survive, it's necessary to increase our quality (Informant E).

In such a firm, the father figure fulfills the role of a mentor, providing guidance and successful frameworks to his employees and family:

He was the one who drove everything, even though he gave us so many responsibilities … But anyway, I was quiet because for whatever he was there, and therefore, I took decisions with much more tranquility than when he died (Informant D).

Our father taught us everything and listened to our ideas too. (…) He taught us to love our family firm and to improve our product. All this is thanks to the ability we have of mutual listening and support (Informant I).

In this case, innovation strategies are characterized by the combination of the father figure's experience and the ideas generated by the younger generation.

In other words, the more the father figure acts as a *mentor*, the more innovation strategies appear to be *firm-driven* and conceived as a mix between his experience and knowledge and the novelty brought by new generations.

The second kind of innovation strategies, that is, *family-driven strategies,* are characterized by traditions and knowledge, which develop competitive products based on distinctive and unique resources, as the following quotes can better explain:

Our goal is preserving tradition as a result of our strong family history and identity. As my father said, "the past is our key to the future" (Informant C).

Changing doesn't mean removing our past. My father always told us to value our roots. (…) I'm convinced that our tradition needs to be reinforced and proposed as what differentiates our firm from the others (Informant F).

Within these family firms, decisions regarding business strategy are affected by the father figure's personal goals, such as security, employment, or family needs. This type of firm innovates in a way that is consistent with the father figure's culture and values. As the following quotes illustrate, the father figure is the *leader*.

Everything we want to innovate must receive the approval of dad. I know that it may sound strange, but I think it's right. After all, he has more experience than us (Informant C).

If we family members want to introduce a change [in the product or production process] and he [the father] does not agree, and we cannot convince him, it becomes difficult to carry it forward. It leads you to abandon the idea (Informant F).

In this case, innovation strategies are characterized by the continuous tension between tradition and prior knowledge on the one hand and the necessity to innovate, on the other.

In other words, the more the father figure acts as a *leader*, the more the innovation strategies appear to be *family-driven*, and based on prior knowledge and tradition.

The third kind of innovation strategy, that is, *market-driven strategies,* is followed by family firms that take risks, develop new products, and enter into new competitive markets. The following quotes underline the concept using the words of informants.

Survival down through the generations implies the acceptance of risky initiatives that increase the chance of achieving good results in the market. As our father did, we do (Informant A).

The key to success is innovating. Our father taught us that the past is fundamental and represents the base from which to start to reach more ambitious and far goals. I believe he's a wise person (Informant H).

These firms' success is tied to fathers who innovate, absorb external knowledge, and share their experience with employees involved in the innovation process. In this sense, these father figures represent a *bridge* between the past and the present. In these firms, family employees, from those at the junior most to the senior-most levels, embrace the responsibility to grow the firm and to maintain competitive advantages:

All of us are important to our family firm. Undoubtedly, my father is the one who possesses the most embedded knowledge and ability. However, we are fortunate because he always shared his knowledge and abilities with us (Informant A).

In May 2012, we won a national award for our bread. … When you win a prize, it gives you the awareness of what you are and what your value is, and the responsibility begins to be seen not as something negative but has to carry on something (Informant G).

In this case, innovation strategies are characterized by the ability and proclivity to take risky initiatives and promote innovation to outcompete others in the market.

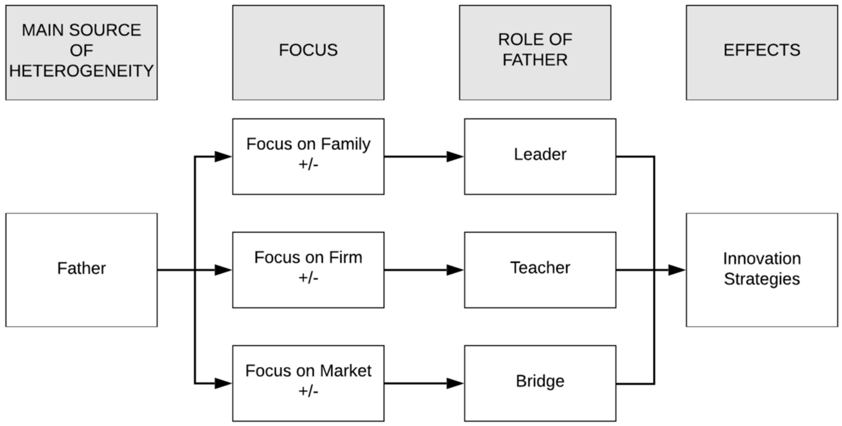
In other words, the more the father figure acts as a *bridge* between the past, present, and future, the more the innovation strategy can be defined as *market-driven* and based on the proclivity toward the conquering of new markets.

DISCUSSION

This chapter contributes to the topic of strategic management in the family business by investigating the innovation strategies, addressing the following research questions: *"Is there a main driver that influences innovation strategies in small family firms?"* If yes, *"What is it, and how does it act?"*

The findings present interesting insights and allow us to address the research questions by observing that, in the content analysis of ten narratives developed from ten owner-managers of family firms, the most important driver for innovation strategies in small family firms is the father figure. He represents the key actor that can define the firm's strategic path. If he acts as a mentor, he pays the closest attention to the quality of product and production and leads the firm to follow firm-driven innovation strategies. If he acts as a leader, he indicates his care for past paths, traditions, and prior knowledge, spurring the

Figure 2. The general model
Source: Own elaboration



firm to follow family-driven innovation strategies. Finally, if he acts as a bridge, he indicates an ability to create a link between the past, present, and future, contributing to a market-driven innovation strategy.

In other words, assessing the results of this study, this chapter explains: 1) how innovation strategies are related to the figure of the father, 2) how innovation strategies are conceived, and 3) a set of innovative strategies that small family firms adopt. Below, Figure 2 explains the concepts mentioned above in a general model.

The findings have important implications for academics and practitioners. The academic implications are related to the field of innovation strategies and heterogeneity in family businesses. This chapter extends previous studies, focusing on the relevance that narratives have for the investigation of family firms and for the understanding of how and why these firms adopt different innovation strategies. Most prior research has generally theorized that narratives concur in defining and transmitting the identity of the family firm over time, contributing to explaining and making sense of the firm's past, present, and future (Dalpiaz et al., 2014). Our chapter provides positive evidence that supports past research results, showing in an analysis of narratives that it is possible to isolate the dynamics that lead family firms to follow an innovative or traditional path. Narratives, in this view, are how family firms can be understood in terms of strategies and behaviors. This can contribute to the literature on micro-foundations approach that, as underlined by Felin et al. (2015), is able to unpack aggregate concepts of macro-management in terms of individual action and interaction and is particularly useful in the study of innovation strategies and innovative behaviors (De Massis & Foss, 2018). The figure of the father and his attitude, charisma, and behavior affect the entire family firm, concurring in defining strategies and making innovation decisions. Moreover, the findings contribute to extending previous studies on the innovation posture of family businesses (Rondi et al., 2018) by proposing a set of innovative strategies that originate from the father's posture as a mentor, leader, or bridge. In relation to heterogeneity studies in family firms, this chapter extends the well-known categories of heterogeneity (Chua, Chrisman, Steier, & Rau, 2012), namely, governance, goals, and resources, by proposing a model that highlights dimensions of family heterogeneity dimensions and provide new insights on the relationship between the role of the father posture and three drivers related to family business innovation: product and production quality, past knowledge, and risk-taking propensity.

For practitioners, this chapter suggests that the in-depth knowledge and understanding inhabiting the father figure's role and rule can help younger family owners create and identify innovation trajectories that may depart from the past and from what the father figure would have done. Gaining awareness that the father posture represents both a threat and an opportunity can produce consultants and entrepreneurs in the most objective and rational definition of choices that deviate from the need to necessarily maintain the family balance and, instead, have the objective of guaranteeing the long-term longevity of the family business under conditions of success.

CONCLUSION

This chapter contributes to the question of innovation strategies in family firms by studying, under the lens of heterogeneity, what elements affect innovativeness. By reading between the lines of the ten narratives of small family businesses, the authors found that the father is the main driver for implementing innovation strategies.

Specifically, if the father acts as a mentor, leader, or bridge to the future, innovation strategies can be labeled, respectively, as firm-driven, family-driven, or market-driven and affect family business innovation posture. These findings show that heterogeneity generates different perceptions of innovation attitudes and strategies. Family firms with firm-driven innovation strategies are interested in guaranteeing firm growth and in applying common types of innovation to improve production and product quality. Family-driven innovation strategies are adopted by family firms that search for a balance between tradition and innovation, hoping for transgenerational growth by keeping a link with the past but avoiding radical changes. Finally, family firms adopting market-driven strategies want to become market leaders by outperforming competitors and by anticipating customer needs and preferences.

This study is not without limitations. However, these can be considered points of reflection for future research, aimed primarily at identifying indicators to test the proposed model and verifying the validity of the same and the appropriateness of studying innovative strategies in a larger sample. Furthermore, the analysis of longitudinal, cross-cultural, and cross-country studies could be particularly useful for verifying the incidence of cultural and contextual variables and scrutinizing what occurs during family firms' lifecycles to understand how innovation strategy decisions are made at different times. Finally, further research into innovation could be grounded on perspectives related to family embeddedness, observing whether and how family dynamics affect the implementation of innovation strategies.

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KEY TERMS AND DEFINITIONS

Creativity: Ability to generate new ideas, new concepts, and new thoughts.

Family firm: A firm managed by a family to transfer the property and the governance across generations.

Heterogeneity: Characteristic of family firms that highlight differences in terms of goals, governance, and resources.

Innovation: Ability to create something new that helps in solving problems and pursuing goals.

Narratives: Accounts that aim to focus on the story of something.

Sardinia: It is the second-largest island in the Mediterranean Sea.

Strategy: Definition of long-term goals, plans, actions, and resources.

Tradition: Embedded behavior, values, processes, etc. that characterize communities living in a specific area.

Chapter 9
Structural, Psychological, and Socioemotional Factors That Determine Innovation Decisions in Family Firms

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ABSTRACT

This chapter explores the structural, psychological, and socioemotional factors in innovation in a funeral home in Mexico and analyzes the firm's stage in the innovation process. This qualitative study examines socioemotional wealth through the FIBER dimensions and the stage in the innovation process through the Readiness for Innovation in Family Firms (RIFF) framework. The findings suggest that socioemotional wealth has not allowed the implementation of governmental bodies. The existence of two generations in management has allowed the firm to take advantage of the knowledge and experience of the old generation and the skills of the young generation to continue innovating in products, processes, and services. The firm has the willingness and ability to adopt innovation, although SEW's accumulated endowment has limited long-term innovations as the expansion of the business to other states. This chapter addresses the Arriaga Group case study, a well-known family business firm in Hidalgo, Mexico.

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INTRODUCTION

Family firms have, implicitly and explicitly, a multiplicity of goals and sometimes are contradictory (Chua, Chrisman, De Massis, & Wang, 2018). Family firms are a combination of business and family-oriented goals (Chua, Chrisman, & Steier, 2003), so they have a broad wealth, both economic and emotional. Socio-emotional wealth (SEW) refers to the combination of non-financial and emotional values designed to meet family needs for family identification, control and harmony (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). SEW connotes the emotional value that satisfies the family's affective needs, such as reputation, continuity, and family influence. Various studies have determined that family firms are different from non-family businesses. However, socioemotional wealth (SEW) is the variable that determines heterogeneity, not only with non-family companies but also among themselves (Gómez-Mejía et al., 2007).

Family firms make choices aimed at protecting SEW's accumulated endowment within the business. The economic values can be sacrificed to safeguard the family harmony and the continuity of the family dynasty. The family would be willing to put at risk the company in order to preserve the socioemotional endowment (Berrone, Cruz, & Gómez-Mejía, 2012). Thus, SEW plays a decisive role in making strategic decisions of the company, and therefore, in innovation. Family firms are forced to innovate in order to stay in the market and to be competitive. The complexity of the family business makes it difficult for the understanding of decisions regarding innovation, where financial and emotional values are involved.

In the Global Family Business Survey (2018), in which 2,953 companies in 53 countries participated, the main challenge family firms face the need to innovate. Research in innovation in family firms is fragmented and contradictory (Duran, Kammerlander, van Essen, & Zellweger, 2015). The evidence reflects two trends, those that defend that family firms are conservative and that do not take risks, and the second current that argues that family businesses have managed to remain in the market over time, thanks to investment in innovation. In this research, innovation is understood as the process of the implementation of a new product, process, or experience that adds value to the family business.

Innovation in family firms has been studied. Literature review shows that innovation in family firms depends on the degree of involvement in governance and SEW (Li & Daspit, 2016). Diversification decisions compromise SEW goals (Saridakis, Lai, Muñoz Torres, & Mohammed, 2018). Nevertheless, there is little research that explains the variables that determine innovation as the psychological, structural, and socio-emotional variables through a qualitative methodology, and most of the research in innovation in family firms have been in manufacturing industries. However, little research has been done in the service industry. Holt & Daspit (2015) state that the influence of the family can inhibit innovation in family businesses due to emotional and inflexible attachments to existing strategies. Sometimes the company is not ready to adopt the innovation process. The adoption of innovation depends on the structural and psychological aspects of the members of the firm. Holt and Daspit (2015) proposed the Readiness for Innovation in Family Firms (RIFF) framework aimed to determine the stage in which companies are for adopting innovation. The proposed stages are initiation, decision making, and experimentation. Therefore, innovation decisions in family firms do not depend solely on financial aspects but also on socioemotional, structural, and psychological variables. Holt and Daspit's (2015) proposal has not been applied, so this is the first time that will be applied in a case study. In this context, the questions that guide our research are: *How do structural, psychological, and socio-emotional factors affect the innovation process?* and *how do structural and psychological factors define the stage of innovation in the family business?*

Thus, this research aims to explore the structural, psychological, and socioemotional factors in innovation and to analyze the stage in the innovation process where the firm is. De Massis, Frattini, and Lichtenthaler (2013) pointed out the lack of qualitative studies related to innovation in the family business. This research draws on the qualitative approach based on a case study in a Mexican funeral home. It tries to reach a deeper understanding of the link between the SEW and the decision-making process-oriented to innovation.

The chapter is structured as follows. After this introduction, in the next section, we discuss the findings from the review of literature on socioemotional wealth and innovation. The second part describes the methodology used to aim the research objective. In the third part, the data analysis is presented, and finally, in the fourth part, the results are discussed, and the conclusions are presented.

BACKGROUND

Socioemotional Wealth

The family business has a multiplicity of goals, both financial and non-financial, they pursue family-oriented non-financial benefits for the survival of the firm and the enrichment of SEW, as stated by Chua et al., (2018). Family businesses are distinguished by non-economic objectives that have to do with the family's wishes to provide work for the siblings and establish a reputation in the community (Miller, Wright, Le Breton-Miller, & Scholes, 2015). SEW belongs to the umbrella concept of social capital that was systematically studied at the beginning of the 20th century and showed the importance of social cohesion and personal investment in the community. SEW gives importance to the networks of personal relationships to provide the basis of trust and cooperation (Goto, 2014), being these variables a priority in any family business since the future depends to no small extent on the cooperation and trust sustained among its members.

The concept of socio-emotional wealth arises in 2012, from the research of Gómez-Mejía et al. (2007), who suggest that decision making in these companies is aimed at avoiding the loss of socio-emotional wealth. In this sense, SEW refers to the emotional endowment, manifested in emotions, relationships, and ties between family and business. Socio-emotional wealth is the accompanying approach that captures "the emotional endowment" of family owners, including the desire to execute authority, the appointment of reliable family members to important positions, retention of strong family identity, and continuation of the family dynasty (Gómez Mejía et al., 2007). When there is a threat to the emotional endowment, the family is willing to make decisions that are not directed by economic logic, and where harmony and stability are a priority to maintain the health of relationships between family members.

In this sense, family shareholders seek to accumulate a wealth of two types: financial and socio-emotional. Financial wealth by logic focuses on profitability and profit maximization, while socio-emotional wealth focuses on the continuity and reputation of the company. Table 1 classifies the objectives of family shareholders.

SEW refers to the non-financial benefits that shareholders obtain. These are all aspects that add value to the owner's family but are not necessarily related to the creation of economic value (Cruz Serrano & Núñez Letamendia, 2013). SEW suggests that family businesses are motivated and committed to their preservation, referring to non-financial aspects or "affective endowments" of family owners (Berrone et al., 2012). The preservation of SEW is so crucial in family businesses that when they face a threat of

Table 1. Objectives of family shareholders

Maximization of financial wealth	Maximization of socioemotional wealth
Economic growth	Continuity
Efficiency	Family influence
Cost of effectiveness	Reputation

Source: (Cruz Serrano & Núñez Letamendia, 2013)

the SEW endowment, the family is willing to make decisions that even put the company at risk in order to preserve the endowment (Berrone et al., 2012), without being any economic logic that manages to explain it. SEW refers to the stock of affective value related to the family.

Family owners make decisions such as the creation or reservation of strategic positions for family members, which could become nepotism. Miller et al. (2015) pointed out that family-oriented altruism can be generated, such as the creation of jobs for incompetent family members or the use of financial resources for personal purposes.

SEW is a 5-dimensional concept, known by the acronym FIBER (Berrone et al., 2012). Next, the five dimensions will be described

1. **Family Control and Influence:** The family is the one who exercises control of the family business. Through control, family members can preserve the SEW endowment. The control can be either direct (family members such as CEO or board of directors), or indirect (board members and managers). Family members can exercise both controls (Berrone et al., 2012). Retaining control and influencing the business can sometimes overcome financial considerations (Gómez-Mejía et al., 2007). Family members need to preserve control of the company, despite financial considerations (Stankiewicz, 2016) and control the strategic direction of the company. When trying to guarantee the influence of family members, nepotism and talent flight can be favored by reserving key positions for family members. Control can facilitate the possibilities of integrating the next generation into the family business by giving them job opportunities.
2. **Identification of Family Members With the Firm:** The reputation of the company is significant for the family, and that family members feel identified with the family business. Identification is a characteristic that distinguishes family businesses and is a crucial dimension of SEW. The family business can be understood as an extension of the family (Stankiewicz, 2016). Family members seek to maintain the prestige of their image, so they usually have higher levels of social responsibility and citizenship (Berrone et al., 2012).
3. **Binding Social Ties:** Family businesses often establish strong ties with the communities where they are located. The formation of lasting relationships with stakeholders (employees, suppliers, and customers) is an advantage that generates trust and reputation, which favors stakeholder loyalty and reduces transaction costs (Cruz Serrano & Núñez Letamendia, 2013). Non-family members may have strong feelings of closeness toward the company. Sometimes the feeling of society can become so strong that the members of the community feel the company as their own, even if they do not work in it, but are only consumers.

Table 2. Positive and negative aspects of socio-emotional wealth

SEW dimensions	Positive Aspects	Negative aspects
Desire for control and influence	• Lower agency costs, as there is no separation between ownership and control	• Expropriation of shareholders rights • Nepotism
Identification of the family with the company	• Greater commitment to the business project • Highest reputation	• Resistance to change • Risk aversion
Building lasting relationships with stakeholders	• Social capital • Greater confidence, loyalty, and motivation • Greater market knowledge	• Limited innovation • Resistance to change • High salary costs
Presence of emotional ties	• Greater confidence, loyalty, and motivation • Greater flexibility	• Nepotism • Absence of meritocracy • Inability to attract non-family members • Less flexibility
Desire for continuity	• Long term vision • Patient capital	• Nepotism / absence of meritocracy • Resistance to change

Source: (Cruz Serrano & Núñez Letamendia, 2013)

4. **Emotional Attachment:** In family businesses, family emotion is mixed with the business, which makes it a complex organization. Affective considerations are usually a priority, as well as financial issues. It is important to protect the harmony and welfare of family members.
5. **Renewal of Family Bonds to the Firm Through Dynastic Succession:** The family business seeks dynastic succession by creating family ties towards the company. Family owners want the family to identify and feel the pride of the company. The main objective of the family is to maintain the business for future generations (Kellermanns, Eddleston, Sarathy, & Murphy, 2012). The preservation of the dynasty and the continuity of the values of the family business are crucial for the family. The more family members identified with the family business, the more emotions can be developed. Family owners seek the connection of generations with the company and the transgenerational vision through the history, values , and traditions of the family (Hauck, Suess-Reyes, Beck, Prügl, & Frank, 2016).

SEW could seem a barrier to the growth of the family business by damaging profits and putting the economic value of the family business at risk. This perspective implies a myopic vision of the family business and its contribution to the economic growth and welfare of society (Cruz Serrano & Núñez Letamendia, 2013).

The desire to perpetuate the company to future generations makes decision-making less conditioned by the short term. It gives the family business a patient capital (Sirmon & Hitt, 2003), although others consider that these lasting relationships and this very long-term vision translate into immobility, resistance to change, and lack of innovation (Cruz Serrano & Núñez Letamendia, 2013). Table 2 below shows the benefits and negative aspects of SEW.

The environment and the strategy followed by the company define in a significant way whether if SEW can be an advantage or a barrier for the company. If the company is in a stable environment with a defensive strategy, then it can bring significant benefits. But, if on the contrary, the company is in a very aggressive market with an accelerated technological change, then it can be completely harmful

Table 3. Restrictive and extended SEW

	Restricted SEW (short term)	Extended SEW (long term)
Typical priorities of the SEW	• Permanent job security and access to business resources for all members	• The long-term well-being of later generation motivated, capable and willing to promote the company
Focal stakeholders	• Immediate family	• The family, over time, the company, and all the participants.
Related theories	• Agency and behavior, altruism	• Stewardship theory, stakeholder theory, sustainability
Government agreements	• Family-dominated leadership and government, regardless of ability.	• Only competent, motivated family members. A balance between executives and family and non-family managers
Strategic results	• Strategic conservatism or stagnation, low investment in the business, risk aversion, family extraction of business funds	• Generous investment in products and processes, continuous reinvestment in the business and its renewal
Commercial results	• Lower growth and longevity	• Superior growth and longevity
SEW results	• Nepotism, entrenchment, family control of the company	• Family pride in their offers and relationships with stakeholders and the community

Source: (Miller & Le Breton, 2014)

and risky to make decisions that affect the company in exchange for the family endowment (Bertrand & Schoar, 2006)

The time horizon also defines SEW priorities, as indicated in Table 3. In a long-term perspective (extended SEW), there is a transgenerational benefit and results in positive outputs, such as caring for a reputation in the community. In the short term (restrictive SEW), there is an immediate benefit, such as providing security for the family, securing positions for family members, and family control of the company (Makó, Csizmadia, & Heidrich, 2016).

Innovation

The literature review shows inconsistent findings in innovation in the family business. There is heterogeneity in the studies related to family involvement and innovation output (Zonghui & Daspit, 2016). Non-economic and emotional values are mixed in family businesses to meet the family's objectives that can influence innovation capabilities (Kammerlander & Granter, 2015). Miller et al. (2015) stated that the objectives set by the family determine innovation in companies. There are companies whose objective is to provide the family's wishes, such as providing jobs for family members and establishing a reputation in the community, while others raise a long-term vision and create robust businesses aimed to transmit to their families, invest in horizons to long term and are willing to sacrifice the present to develop quality human resources, lasting relationships with stakeholders and financial reserves. In this sense, innovation decisions are directly related to SEW. Family firms with long-term orientation tend to invest more in R&D than those with a short-term orientation.

Family businesses with a short term orientation of non-economic benefits, with a restricted SEW, invest less in innovation than companies with a long term orientation, with an extended SEW, and are willing to take risks for the long term benefit of the firm, including innovation (Miller & Le Breton, 2014), as well, family firms have a longer-term innovation performance, tan non-family firms (Németh & Tibor, 2019). The more family members in top management influence the risk-taking in the innovation of new products (Kraiczy, 2013) negatively. However, succession strengthens new product orientation (Cucculelli, Le Breton-Miller, & Miller, 2016).

The higher the percentage of shares held by the family, the higher the influence of the business family in business decisions and, consequently, the higher the SEW is (Martínez Romero & Rojo Ramírez, 2017). Family involvement with the company facilitates innovation (Nordqvist & Melin, 2010). Likewise, the greater the number of generations involved in the family business, the relationship of knowledge exchange and innovation is strengthened (Zahra, Neubaum, & Larraneta, 2007). On the one hand, previous generations are based on tradition to make decisions, while new generations seek to reform the business, through new techniques and fresh ideas to innovate the family business. Likewise, the long-term orientation and employability of family members in managerial positions in family businesses can act as engines of innovation capabilities (Kammerlander & Ganter, 2015).

According to De Massis, Frattini, Kotlar, Petrusselli, and Wright (2016), companies can carry out innovation processes, either inside or outside the company. Under the first approach, the company can innovate from existing knowledge through mechanisms such as ambidexterity or punctual balance, taking advantage of prior knowledge. On the other hand, the company can seek knowledge in other geographical and technological contexts for the development of new products, avoiding the risk of anchoring in the past with obsolete products. Under this approach, the past is perceived as a resource of resistance that leads to inertia.

Family businesses are a particular organizational way to influence tradition in product innovation (De Massis et al., 2016). Due to strong ties with the past, family businesses are conventionally seen as conservative (Gómez-Mejía et al., 2007). The process of innovation in family businesses is not simple. Family influence leads to pursue non-economic objectives, for the emotional attachment to the family members themselves, so sometimes the family business is not ready to adopt an innovation. Holt and Daspit (2015) proposed the Readiness for Innovation in Family Firms (RIFF) framework, which determines the degree to which the family and non-family members are collectively and individually prepared and motivated for the adoption of an innovation. Holt and Daspit (2016) analyzed the readiness for innovation in the family business, analyzing structural and psychological factors, concerning family, individual, and signature factors, to determine the degree of readiness. Innovation readiness refers to the degree to which the family, the company, and other actors agree to carry out innovations in the company. Likewise, the adoption of an innovation is measured in 3 stages: initiation, decision making, and experimentation, as summarized in table 4.

The initiation stage occurs when the company recognizes a need and proposes the adoption of a specific innovation. That is when the family becomes aware of the need to introduce innovations in the company.

In the decision-making process, it is not only important to be clear about the need to adopt an innovation, but the structural aspects of the family, such as a concentrated involvement in ownership and management, give the family control to influence policies and decisions. The collective commitment of the family is also required to solve different courses of action that lead to innovation. It is a requirement for the family to visualize innovation as a market opportunity. Holt and Daspit (2015) pointed out that when innovation is seen as a threat to the family, then a coalition can hardly be formed to achieve it.

Table 4. Innovation readiness framework

	Initiation (willingness to adapt)	Decision making (willingness to adapt)	Experimentation (ability to adapt)
Family	Structural factors: - *Perceived discrepancy.*- Family belief and understanding that there is a difference between the current state of practice and a more desirable state (without a particular innovation in mind)	Structural factors: - *Ownership control*.- The extent to which the family has sufficient ownership to exercise discretion and guide the strategic direction of the firm Psychological factors: - *Innovation appropriateness*.- The belief among the family that a specific innovation is correct for the situation that is being addressed. - *Family Commitment*.- Family belief and resolve among the family to pursue courses of action that will lead to successful innovation - *Knowledge, skills and ability alignment*.- The extent to which family and non-family members have knowledge, skills, and abilities that align with the innovation	Psychological factors: - *Innovation benefits.*- The belief among the family that innovation is beneficial to the family's goals and aspirations.
Individual		Structural factors: - Knowledge, skills, and ability allignment.- Family and non-family members have knowledge, skills, and abilities	Psychological factors: - Perceived family support.- The belief that a governing coalition is committed to the success of the innovation. - Innovation efficacy.- The belief that the individual can successfully adopt the innovation.
Firm		Structural factors: - Support climate.- Sufficient tangible (incentive systems) and encouraging intangible (culture and climate) environment to support adoption. - Facilitation strategies.- A set of clearly articulated goals and objectives supported by a detailed adoption plan defining roles and systems to measure progress.	Psychological factors: - Collective efficacy.- The shared belief that the governing coalition is committed to the success of the innovation. - Collective trust.- The shared belief that the guiding coalition will act in the best interest of the firm's stakeholders.

Source: (Holt & Daspit, 2015)

Regarding individual factors, it is necessary to take into account that family and non-family employees have the knowledge, skills, and abilities to face innovation. It is essential to keep in mind that all employees have specialized skills and are trained for innovation. Concerning firm factors, the organizational climate in the firm may enhance or inhibit the ability to innovate. Policies and standards oriented or innovation facilitates processes.

In the experimentation stage, individuals must also have management support. The enthusiasm family shoes toward innovation are essential. Non-family members, in addition to knowledge and skills, need the feeling of accomplishment to adapt to innovation and not return to their state of comfort. It is important not to close the borders to other stakeholders such as employees, suppliers, and customers. A plan to overcome obstacles of knowledge is important for innovation readiness. Shared psychological sentiments are fundamental for innovation to identify areas where successful innovation needs coordinated efforts. Shared appraisal of employees' abilities is a key factor for innovation, as well as collective trust.

Table 5. Research variables

Innovation Readiness Factors		Socioemotional Factors
Structural Factors	**Psychological Factors**	**FIBER**
Family factors: - Ownership control - Perceived Discrepancy - Family Commitment - Knowledge, skills and ability alignment	Family factors: - Innovation appropriateness - Innovation benefits Individual factors: - Perceived family support - Innovation efficacy	- Family control and influence - Identification of family members with the firm - Binding social ties - Emotional attachment - Renewal of family bonds to the firm through dynastic succession
Firm factors: - Support climate - Facilitation strategies	Firm factors: - Collective efficacy - Collective trust	

Source: Based on Holt and Daspit (2015); Berrone et al. (2012)

RESEARCH DESIGN

The results of socio-emotional wealth cannot be generalized for all companies; for this reason, the research methodology has a qualitative approach based on a case study. According to Yin (1983), a case study is empirical research that investigates a contemporary phenomenon in its real context, where the limits between the phenomenon and the context are not shown precisely, and where multiple sources of evidence are used. The case study aims to analyze the current phenomenon exhaustively within a real context in order to contribute to a deeper understanding of reality.

One of the requirements for this research was that the family business included in the case study must have at least two generations in the company, who have participated in the process of decision making of the business and who work in the firm.

The primary data collection tool was the semi-structured interview, in order that the interviewee could extend his point of view. Likewise, the observation was used to complement the data obtained from the interview. The interview took place in one of the funeral home offices. Two of the family managers participated in the interview and lasted approximately 3 hours, to complement some missing data, subsequent calls were made to one of the managers to answer questions and supplement information that had not previously been possible to obtain. The interviewees were Mr. Patricio Arriaga, CEO of the family business, and Mr. Pedro Arriaga, son of Mr. Patricio, with the position of Director of Operations and Planning. The testimonial phrases of the interviewees were analyzed for the results.

The Readiness for Innovation in Family Firms (RIFF) framework proposed by Holt and Daspit (2015) was used to analyze the structural and psychological factors. SEW was analyzed through the FIBER dimensions proposed by Berrone et al. (2012). Table 5 presents the dimensions included in our research that conducted the interviews. The interview guide is shown in Table 6.

Once the interviews were done, the testimonials were analyzed and interpreted. For the interpretation, observation and interview notes were included in order to complement the data given by interviewees.

Table 6. Interview guide

Family control and influence - Does the family make decisions on the strategic decisions of the firm? - How is the ownership of the firm?
Identification of family members with the firm - What actions do you take to achieve a sense of belonging of family members to the company? - How were your childhood and your relationship with the business?
Binding social ties - What social activities does the company perform in the community? - How is the relation with customers, suppliers, government, and other stakeholders?
Emotional attachment - Are there strong emotional ties between family members? - Do emotions and feelings often affect the decision-making processes regarding innovation in the family business?
Renewal of family bonds to the firm through dynastic succession - Continuing with the legacy and family tradition is an important objective for my family business? - Do family members have better salaries than the rest of the employees? Do you save posts for the family members?
Innovation readiness - Is the family involved in the innovation decisions of the firm? - Do the family members agree with the idea of introducing innovations? - Are their discrepancies between the family members regarding the difference in the current state and desirable state of the firm (without a particular innovation in mind)? - Do family members believe that specific innovations are correct for the firm? - Is the family committed to the courses of action that will lead to successful innovation? - Do family and non-family members have knowledge, skills, and abilities aligned with the innovations? - Are there incentive systems and culture to support the adoption of innovations? - Do you have systems to measure the progress of innovations? - Do family support and believe in the innovation ideas? - Is there a collective efficacy and collective trust in the coalition that will act in the best interest of the firm's stakeholders?

Source: Own elaboration

DATA ANALYSIS

Grupo Arriaga is a funeral company located in the state of Hidalgo, Mexico. The company has its antecedents at the end of the 19th century, when Cipriano Arriaga, a carpenter, began to manufacture mortuary boxes. Subsequently, when observing that a decent funeral service was not offered in the town, he decided to undertake the funeral service that met the expectations of the community with efficiency, respect, and human quality. In 1928, one of his sons, Don Pedro L. Arriaga, continued with this work and acquired the agency and founded the Arriaga Funeral Services Company.

Currently called Grupo Arriaga, Funerarias en Hidalgo has a total of 150 employees, it is in the fifth generation, and at this moment, two generations participate in the management of the family business. It is important to highlight that it is the only funeral home in Mexico that is in the fifth generation in the country. It is 90 years old, and 100% of the shares are in the hands of the family. Grupo Arriaga has four funeral homes (3 in the city of Pachuca and one in Tizayuca), a cemetery, a florist, and a forecasting company that offers future funeral service plans. The company also has a foundation that seeks to generate a social impact by assisting vulnerable sectors on issues of prevention, attention in addictions, support for the elderly, thanatological, and economic support in funeral services.

Governance Bodies

Despite being in the fifth generation, the company does not have governance bodies of the family business. The management and governance are carried out through the Board of Directors, consisting solely of family members.

Family members working for the company are aware of the importance of professionalizing the firm through governance bodies. Previously they have tried to establish the Family Council and the Family Assembly, but it has not been possible because not all family members agree in their institution. They even already have a family protocol, but family members who do not work in the company have not agreed to formalize it. Managers have been trained in family business issues; they have taken courses and diplomas from family businesses and know the elements of family government. Grupo Arriaga has faced four successful successions without a succession plan, and the successions were due to the death of the previous owner. The firm plans in the medium-term, to carry out the successful transition to the last generation. They have full knowledge of the risks that a family business entails in the fifth generation without the existence of governance bodies.

Socioemotional Wealth (FIBER Dimensions)

Family Control and Influence

Family members are the ones who make strategic business decisions. The Board of Directors consists solely of family members. Financial and strategic decisions are made in the Board of Directors, such as investment in new funeral homes, dividends, and profit-sharing. In the company work three members of the fourth generation and two of the fifth generation. All family members hold executive positions in the family business. The fourth generation is an average of 60 years old and 45 years of experience in the family business, while the fifth generation has an average of 30 years of age, and the family members working at the firm have 15 years of experience in the business. The fifth-generation family members working in the firm are two women and one man, they all have superior studies. Until this moment, members of the fifth generation have no children. Among the objectives of family, owners are the preservation of control and independence of the business.

Identification of Family Members With the Firm

The sense of belonging to the family business by family members is solid. Grupo Arriaga has significant meaning for the family. In the office are photographs of the founder and family members who have collaborated in the company. While the interviews were being conducted and the interviewees told the story of the company, they referred with great respect and admiration to their predecessors.

Funeral homes are a peculiar business because of the characteristics that distinguish them. When we asked Pedro, one of the partners of the last generation, how his childhood had been, and his relationship with the firm, he answered the following:

"Since I was a child, I came to the funeral home, my father put me to clean the chandeliers and floats, so I played among the mortuary boxes. I grew up here at the funeral home, and since childhood, I knew that I wanted to work here. In the summers, I worked at the funeral home, and did the above cleaning

activities and also helped to load the deceased to the floats, gradually I became more involved in the business activities. For our family, the funeral home has great significance and is a significant part of us. Our life is the funeral home, on Saturdays and Sundays we continue working in the family business, some weekend I do not come, I feel weird."

The training for women was different. The two daughters of the CEO began to work formally in the business, once they finished their superior studies. For family members, the fact that the company bears the family name represents a great responsibility. Pedro points it out like this:

"We are proud of the funeral home. Since the company is named with our last name, it means to take the stamp of the family and the company; it is a big compromise for us."

Binding Social Ties

Grupo Arriaga is based on four pillars: family harmony, human capital, heritage, and preservation of tradition.

The family business has maintained good relations with all stakeholders over time. It has always made payments on time to his suppliers, so they have excellent relations since many years ago. However, they are open to establishing relationships with new suppliers.

"Suppliers are significant for us; we consider them strategic partners, we have been working with them for years, we always make payments and, unlike other competitors, we have no debts to them, and that makes us a committed company."

The company has a social reputation with a strong reputation and performs philanthropic activities. The family has always kept in mind the importance of supporting the community. During the entire existence of the company, there has been the Arriaga Foundation that offers support to different non-profit organizations that seek to improve the quality of life of the community as the House of Jesus, the House of the Good Mother, the House of Addictions and CIFUNI (an organization that supports people with blindness problems. The company's history is presented on the website, and the following is indicated:

"Over the years, the Arriaga Agency achieves the experience and is part of the history of Pachuca and its society, which recognizes it as an important part of the growth of the City."

Grupo Arriaga is supported on four pillars: family harmony, human capital, heritage, and preservation of tradition. Employees are essential capital for the family business. Some employees have been working with them for many years. The employee who performs the embalming of the bodies that is 79 years old and started working in the funeral home since the age of 16, so he has been working for the firm for more than 60 years.

Emotional Attachment

In this type of business, the control of emotions is significant. The interviewees emphasize that it is impossible not to lose control of feelings with family members on some occasions; there are feelings of jealousy, rivalry, and anger; however, there is harmony, and they have always tried to have clear rules. In general, there is a good relationship and a climate of cordiality among family members, although in the fifth generation it is necessary to start putting padlocks because now it would become a consortium of cousins if the rules were not formalized, they could arise conflicts between the family and the company. Family managers are clear that honorability is a significant value. Respect for their clients is essential because they are aware that the customers are going through an awkward moment and have to be empathic. This type of business requires experience and firm values.

Renewal of Family Bonds to the Firm Through Dynastic Succession

Family members have different remuneration than non-family members. The goal is to remain working in the company. Both the father and the son, agree that being a family member represents an advantage when selecting new managers. The CEO seeks to perpetuate the family dynasty through transgenerational succession. Family managers have been trained to manage the business achieving an efficient performance. They have also taken courses specifically in family businesses. The continuity of the company's values are crucial for the family and preserve the business tradition. The training, experience, and love of the family business are requirements met by family managers, which makes them have the knowledge and skills to fill strategic positions.

Since childhood, there has been a great approach to the family business. Pedro makes an interesting analogy:

"I observe the life of a circus, and I think the way they live is not easy. The families and employees do not have a fixed residence. They live in mobile homes, they go from city to city, and the trapeze artists risk their lives in every performance. Besides, years ago, when animals were allowed in the circus, the owners and employees were surrounded by these animals, they had to endure their odors and risks involved in being close to them. However, children, since their early childhood, learned to develop the same tasks and skills, such as feeding and bathing animals and adapting to that way of life without conceiving any other because that life was passionate for them. In the same way, we have grown up in the funeral home."

Besides the superior studies and diplomas, Pedro coursed all kinds of business-related courses and has participated in all the operations and activities of the business, which allows him to make strategic decisions. He is aware that the success of the business is in the involvement of all business operations.

"At this moment, I have taken courses in body embalming, makeup, and floristry. I carry out and supervise the activities and train new employees."

Innovation

Innovation is a priority for the company, and family members are concerned about innovating the business. The company has innovated in products, processes, and services, and innovation is always aimed at customer satisfaction. The company is constantly innovating and offers the public emotional services for family and friends to say goodbye to the deceased loved one. The company has systematized processes and a strategic plan for two years and tools for decision making, such as the Balanced Score Card. They have tried to certify with ISO 9000, but it has not been possible because the fourth generation has not recognized the importance of the processes. They are currently working to achieve this goal and consider that in 1.5 years, they will be able to obtain it. After so many decades, they have managed to consolidate the capacity for innovation, which has allowed them to become the most prominent funeral home of the entity.

"Although there are other funeral businesses in the city of Pachuca, our company occupies the number one place in the top of mind. We conduct surveys to the public, and in the total of the surveys, 97.5% of the sample places Grupo Arriaga as number 1. Likewise, consumer satisfaction surveys are applied, whose purpose is to measure different variables such as empathy, security, tangible elements, and responsiveness, with an average of 4.75 on a Likert scale from 1 to 5."

The company has innovated through tradition, that is, based on the experience and know-how that has been accumulated over the years. In recent years they have innovated by taking ideas from national and international competition. Innovation ideas, therefore, arise by combining both proposals. The longest generation is more traditional. Recently it was invested in a new innovative funeral home with modern furniture and facilities, which break with the conventional ideas of a funeral home in Mexico. The fifth-generation drove this idea, and at first, it was not entirely accepted by the fourth generation. However, the investment was made, because they consider they have to be at the height of the best funeral homes. Mr. Patricio commented as follows:

"On one occasion, a customer who was accompanying a relative in the new funeral home told me this: "how good it feels to be here, I feel that I am in a ballroom and not in a funeral home." Therefore, we have traditional funeral homes for conservative clients and the most modern for clients looking for something different."

Pedro adds the following: "In Mexico, we are very traditional and conservative, our clients usually ask us for the same chapel in which their grandparents and parents were veiled, and we are respectful of that. As long as possible, if the chapel is not occupied, the funeral service is performed where the customer wishes."

The funeral home has managed to adapt to the needs of the market through innovations. Grupo Arriaga has focused its innovation processes, both in products, processes, services, and experiences. It has introduced memorable ceremonies such as remembrance of life, music, paper butterflies, roses, and living butterflies. Similarly, it offers floats of different models, the essence of memory, coffins, and urns with various designs, such as the bios urns. The cemetery has family crypts and niches for ash deposits.

Even when they do not have a remuneration system for the impulse to innovation, they have implemented the "Tell us your story" program, focused on quality, and the goal is that customers can mention an employee from whom they received an extra service. At the end of the year, nominations are made, and the employees are rewarded. The family managers are conscious that this kind of business is peculiar and that staff turnover derives costs, so they try to avoid it. When hiring personnel, they look for psychological characteristics. They look forward to disciplined, productive, and honorable employees.

The family is committed to innovation, and coalitions are controlled aimed to achieve innovation. One of the owners is a priest and does not participate in the management of the company, but he is a mediator in the company. He represents a pillar that has helped in the harmony of the family. Employees are committed to innovation; managers have permeated their importance; they usually adapt to innovations and get excited about the idea of the business expanding nationwide.

Just as SEW can have positive effects on the company, it can also affect it negatively. Some innovations have failed to materialize by maintaining SEW. They have stopped making renovations in some funeral homes, investment in new funeral homes, and expansion throughout the country because not all family members agree with the innovations. Of course, not all innovations have been profitable, as in the case of the essence of the memory, which has not been successful since its introduction, however, the company is willing to take risks, because the family member know that if not, the business is in danger of stagnation and loss of market share.

Grupo Arriaga has made innovations from research in other geographical contexts, importing machinery and technology. In addition, the fact of having so many years of experience and the involvement of family members, as well as non-family members in the innovation processes has led them to have knowledge and skills to implement different innovations in products, services and managerial innovations, which makes the family business to be in the experimentation stage, as indicated in Table 7 below.

As shown in Table 7, the structural factors in initiation and decision making stages are not a problem in the family firm. Grupo Arriaga has introduced innovations driving the funeral house to be number one in the top of mind in the market and to have competitive advantages. The conflicts are related to psychological factors at the family, individual, and firm levels.

SOLUTIONS AND RECOMMENDATIONS

Like any family business with an age of almost a century, Grupo Arriaga has a strong family wealth endowment, and the family's goal is to preserve it and continue with the family legacy. Family members constitute the Board of Directors, so the control is absolutely in the hands of the family. Although the company is currently facing a crucial problem and the propensity to view the conflict and ideological rivalries as destructive is common, they are an opportunity for a new venture (Gura, 2011).

Grupo Arriaga is a company that has a strong endowment of SEW and has been able to make decisions to benefit financial and family goals. Through the questions to the interviewees based on FIBER (Berrone et al., 2012), the case study reveals that the family has total control of the company, there is a high sense of identity of family members with the firm, and the firm has strong social ties with stakeholders. Family involvement is a strength that Grupo Arriaga has, which facilitates innovation, coinciding with Nordqvist and Melin (2010). The participation of the children in the funeral home since they were kids, has been determinant for the identification. When children are not involved in the business, they will hardly be identified with the company. The firm is part of the family legacy, and the dynasty has been preserved. Family members are well identified with the business, and it has high prestige in society. It is a firm that, in recent years, has made innovations driven by the family managers of the fifth generation in products, services, and processes. The participation of the two generations has allowed the knowledge exchange to innovate (Zahra et al., 2007), they have managed to take advantage of the experience of family members of the fourth generation, with the fresh ideas of the fifth generation. Of course, there have been family disagreements, and sometimes they have had to sacrifice the investment in innovation to maintain family harmony, coinciding with the provisions of Miller et al. (2015), who state that the family goals influence innovation. SEW has also been an obstacle for the establishment of governing bodies of the family business since not all family members visualize the objectives and benefits involved.

Table 7. Readiness for innovation in family firms (RIFF) framework

	Initiation	Decision making	Experimentation
Family	Structural factors: - *Perceived discrepancy.*- The family has clarity that innovation is a necessity to stay in the market and gain competitive advantages.	Structural factors: - *Ownership control*.- The family has absolute control and is the sole owner of the business. - *Family Commitment*.- In general, the family has the belief of introducing innovations to the business. Innovations in processes and the introduction of systems have facilitated operations, although initially, the fifth generation could not see the benefits it would provide to the company. There is resistance when innovation requires a substantial investment. Psychological factors: - *Innovation appropriateness*.- The family has the belief that the innovations in product and service carried out so far have been correct. Process innovations have been more complicated, since the fourth generation who has managed the business, presents resistance to innovations in these areas.	Psychological factors: - *Innovation benefits.*- Not all family members believe that innovation is an essential factor for the company. Some members of the fourth generation consider some innovations are risky.
Individual		Structural factors: - *Knowledge, skills and ability alignment*.- Family and non-family members have knowledge, skills, and abilities that align with the innovation. They have staff that has been working for the company for more than 60 years. They recognize that staff turnover is more expensive than keeping valuable employees, although, because of the type of business, the employees that do not adapt, leave the company by their own decision. It is not a simple business, emotional skills are required, and discipline, productivity, and honorability are sought in the employee profile.	Psychological factors: - *Perceived family support*.- Managers know that coalition building is the key to innovation. Within society, one of the owners is a priest and is a mediator in the family. Family members have great respect for him, and it is he who helps the commitment to the coalition. - *Innovation efficacy*.- In the introduction of innovations, personnel is trained to adopt innovations, and their effectiveness is confident.
Firm		Structural factors - *Support climate.*- The company has an adequate incentive system. By introducing some innovation, personnel is trained so that it can be adapted appropriately. - *Facilitation strategies.*- There is a detailed strategic plan that sets out the objectives and innovations. The Balanced Score Card has allowed them to measure progress, make necessary adjustments in time, and have indicators for operation and decision making.	Psychological factors: - *Collective efficacy.*- A shared belief that the governing coalition is committed to the success of the innovation. - *Collective trust.*- Employees trust managers and get excited about the idea of expanding nationwide. There is confidence that appropriate decisions will be made that benefit all stakeholders.

The family firm has bound strong social ties with the stakeholders. Some employees have worked for the firm for many years ago. Suppliers are very satisfied with Grupo Arriaga because the payments are always on time. The top of mind surveys conducted to the population has always placed Grupo Arriaga as number one. The firm has high levels of social responsibility and citizenship, coinciding with Berrone et al. (2012), who state that family businesses are conscious about their responsibility with society. Grupo Arriaga has always participated in social actions, supporting different non-economic institutions. Until this moment, the members of the fifth generation who work for the firm, comply with the professional requirements and training for work, without nepotism. The company is part of the family, and ideas are discussed concerning the company, even outside the company's physical facilities, which makes it a company that continually searches for innovation options. This strong interaction between family and firm has made it easier to adopt and experience innovations, coinciding with the stipulations of Holt and Daspit (2015).

Family members have emotional attachments to the family firm. There are harmony and respect between the family members, but the absence of governance bodies may provoke conflicts between them that affect the firm's objectives. Therefore, the development of a succession plan is decisive, so that the transition to the next generation is successful, as well as the previous successions in order to continue developing long-term strategic plans that allow the implementation of innovations. It is envisioned that if the company fails to professionalize in family business issues, it runs the risk of facing severe problems. It is recommended to the firm to formalize the family protocol that has already been developed and in case that there is a need to make modifications, they should be carried out so that it can be established as a guide for decision-making regarding the family's participation in the management and control of the company. Likewise, it is recommended to establish other government bodies such as the Family Council and Family Assembly.

This research responds to the call of De Massis et al. (2016), to the reconsideration of the shared vision of the past in innovation. Grupo Arriaga has managed to make exciting innovations, searching in other geographical contexts, crossing the country's borders to generate ideas of innovation. The family members have combined the old ideas with the new ones, taking advantage of the experience of the fourth generation and the new proposals of the fifth generation. The longest-running generation has innovated through tradition. It must be taken into account that this is a peculiar business. The new generation, having studied and trained in family management and business issues, bases its innovations on competition and has introduced technological changes. These results coincide with Zahra et al. (2007), who point out that the participation of several generations encourages innovation.

Our findings show that the firm is in the experimentation stage, according to the Readiness for Innovation in Family Firms (RIFF) framework (Holt & Daspit, 2015). Grupo Arriaga has ownership control and commitment to innovation. They also have the knowledge, skills, and abilities that align with innovation. Managers have gained stakeholder confidence, but not all family members glimpse the benefits of innovation. Grupo Arriaga has overcome the obstacles involved in structural factors; however, it must work on the psychological aspects to form coalitions necessary to continue introducing innovations. De Masis et al. (2016) pointed out that firms can innovate from tradition from the past or in other geographical and technical contexts, in this case, there is a combination of both schemes, the fourth generation has innovated from tradition and the fifth generation is willing to take risks, innovating from ideas taken from other states and countries.

According to the Readiness for Innovation in Family Firms (RIFF) framework (Holt & Daspit, 2015). Grupo Arriaga can adopt the innovation stage. The family has the belief that innovation is beneficial for the firm. At the individual level, there is not enough support from the family in the psychological factors. On the other hand, the structural factors in the willingness to adopt the innovation stage are overcome, family and non-family members have knowledge, skills, and abilities.

Like any company that takes risks, not all innovations have been accepted by the market. However, this has not meant the cessation to continue introducing new products and services. SEW has allowed having a long-term vision, with substantial social capital and an honorable reputation with all stakeholders. Family members who manage the company have a significant commitment to the business project and have earned the trust and loyalty of employees and suppliers. The company has an extended SEW, has a family pride, and has had sustainable growth. Likewise, members of the family business feel a special affection for it (Stankiewicz, 2016); there is a substantial family endowment.

FUTURE RESEARCH DIRECTIONS

Future research should be oriented to exploring SEW as a determinant variable in succession processes. More research has to be made, either qualitative as well as quantitative studies, in order to understand the influence of SEW in the innovation process deeply.

CONCLUSION

This study shows evidence of the difficulties family firms have in the decision-making process related to innovation. Some opportunities have passed away for the benefit of SEW. In this study, the FIBER elements of SEW, as well as the readiness for innovation framework, including the structural and psychological factors, were analyzed. The case study reveals that SEW can be an obstacle for the formalization of governance bodies in the company. Being in the fifth generation and because of the size of the family business, family owners must institute governance bodies to continue the family dynasty.

Our research allowed us to answer the two questions raised in the investigation. However, these results must be taken with discretion, as they describe SEW and innovation processes in a single business and as a case study, the results cannot be generalized to all family businesses.

The findings of this research agree with the literature. SEW has benefited the company, because thanks to the appreciation that family members have for the company, it is the most recognized and respectable funeral home in the entity. However, for the protection of the family endowment, no actions have been carried out by the owners who work for the company. At this time, family members who work in the firm, have the necessary experience and knowledge, so there is no nepotism, although the economic rewards are better than for the rest of the employees, since they are family members and the goal is that the members can continue with the family firm. Grupo Arriaga has collective trust with the employees who are excited about the expansion project, but there is no support from all the family members. Even though the firm is recognized as the most honorable and respectable funeral house in the state of Hidalgo, they need to keep innovating, and coalitions are fundamental for this objective.

This study has two main contributions, first, is the analysis if SEW and innovation through a qualitative methodology. According to the literature review, this is the first research where the Readiness for Innovation in Family Firms (RIFF) framework (Holt & Daspit, 2015) has been applied and linked to SEW. Second, the findings show that SEW has not been a limitation for the innovation of new products and services, but SEW has limited the expansion of the business to other states in the country. This can be understood that SEW does not limit the investment of innovations in products in a short time, but it can be a detractor for long-time investments in the business. As stated by Chua et al. (2018), Grupo Arriaga has pursued family-oriented non-financial benefits for the survival of the firm and the enrichment of SEW, but it has passed away opportunities such as postponing funeral home renovations, and the territorial expansion

This research points out that the family business has innovated from tradition. However, the fifth generation has driven innovation in products and services, which has allowed the firm to continue in the market and be a stable business and recognized by society.

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KEY TERMS AND DEFINITIONS

Affect Endowment: Set of likeliness and care that the family members have to the firm.

Coalition: Alliance that includes more than two parties to achieve a common goal.

Emotional Endowment: Set of emotions, relationships, and ties between family and business.

FIBER: Five-dimensional concept that explains the concept of socioemotional wealth, explained as family control and influence, identification of family members with the firm, binding social ties, emotional attachment, renewal of family bonds to the firm through dynastic succession.

Innovation: Changes in products, services, management, machinery that suppose a novelty.

RIFF: Readiness of Innovation in Family Firms framework that determines the degree in which the family and non-family members are collectively and individually prepared and motivated for the adoption of an innovation.

Socioemotional Wealth (SEW): Non-economic goals that have to do with the family's wishes to provide work to the family and establish a reputation in the community.

Chapter 10
Socioemotional Wealth and Its Effect on Family Firm Performance

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ABSTRACT

Family firm is the oldest and the most prevalent type of business entity in the world. A unique feature that sets apart a family business from its non-family counterparts is the Socioemotional Wealth (SEW). Preservation of SEW among family firms is of paramount importance. Various strategic choices including need for innovation and internationalization are influenced by SEW. Studies also show that a family firm's SEW plays an influential role in the firm performance. This chapter outlines the different scales used to measure SEW, checks the reliability and internal consistency of the existing REI scale in Indian context, investigates the heterogeneity of family firms and understands the effect of different SEW dimensions on firm performance. The findings reveal that SEW has a significant positive effect on firm performance. Contributions of the study and scope for future research are also discussed.

INTRODUCTION

The family business is the leading and the most prevalent type of entity in the world (Saiz-Álvarez, Leitão, Palma-Ruiz, 2019; Sharma, Chrisman, & Gersick, 2012). Family firms contribute to two-thirds of all businesses across the globe, generate around 70-90 percent of annual global GDP, and create 50-80 percent of jobs in the majority of countries worldwide (Saiz-Álvarez, Leitão, & Palma-Ruiz, 2019; Saiz-Álvarez & Palma-Ruiz, 2019). In the United States, one-third of S&P 500 firms are owned/controlled and managed by the founding family, accounting for 89 percent of total tax returns, 64 percent of GDP, and employing 62 percent of the total workforce (Anderson & Reeb, 2003; Astrachan & Shanker,

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2003). While the importance of family firms is even higher in Europe (Botero, Cruz, De Massis, & Nordqvist, 2015), they also significantly contribute to the growth of economies in South and East Asia, Latin America, and Africa. More than 60 percent of the companies in Europe and the Americas are family firms (Ernst & Young, 2013). In Southeast Asia, around 85 percent of the businesses are either founders or family-run. These statistics reveal the sheer dominance enjoyed by family firms in the world.

Family business, just like any other phenomenon in management studies, is governed by several theories. One of the most influential theories since 2007 that govern family business (Odom, Chang, Chrisman, Sharma, & Steler, 2019) is the socioemotional wealth theory (SEW). The distinguishing factor between family firms and non-family firms is the concept of socioemotional wealth. The SEW theory was conceptualized in 2007 by Gomez-Mejia, Takacs, Nunez-Nickel, and Jacobson. They defined SEW as "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" (Gomez-Mejia et al., 2007, p. 2).

The concept of SEW has garnered tremendous interest from the researchers working in the area of the family business, albeit the concept is just more than a decade old. Socioemotional wealth is a construct formed by five dimensions. Berrone, Cruz, and Gomez-Mejia (2012) identified five major dimensions of SEW and proposed a set of items to measure such dimensions, which they labeled as FIBER (Martínez Romero & Rojo Ramírez, 2017). FIBER is an acronym which can be expanded as Family control and influence (F), Identification of family members with the firm (I), Binding social ties (B), Emotional attachment of family members with the firm (E), and Renewal of family bond to the firm through dynastic succession (R).

The extant literature on SEW emphasizes the significance of this non-economic factor in strategic decision making (Cennamo, Berrone, Cruz, & Gomez-Mejia 2012; Naldi, Cennamo, Corbetta, & Gomez-Mejia, 2013). The use of emotions over rationality typically characterizes the decision-making process in a family firm. Family firms tend to protect their SEW, even if the opportunity cost of preserving this wealth is high.

Some of the empirical studies have highlighted the effect of SEW on family firm performance (Anderson & Reeb, 2003; Simoes Vieira, 2014; Barontini & Caprio, 2006; Morck, Schleifer, & Vishny, 1988). Family firms represent a complex world with different models of governance and management, which affect performance differently (Gottardo & Moisello, 2015).

In this chapter, we will primarily study, from a SEW perspective, the effect of different SEW dimensions on family firm performance in the context of Indian MSMEs micro, small, and medium enterprises). Before diving into this, we will attempt to understand the concept of SEW, its five dimensions, the different scales used to measure SEW, and the role of SEW in strategic decision making.

The objectives of this chapter are:

- To outline the different scales used to measure SEW.
- To check the reliability and internal consistency of the existing REI scale in the Indian context.
- To investigate the heterogeneity of family firms.
- To understand the effect of different SEW dimensions on firm performance.

The REI scale developed by Hauck et al. (2016) is found to be reliable and internally consistent in the Indian context. Using this scale, based on the primary data collected from 91 family firms, our findings reveal that SEW has a significant positive effect on family firm performance.

The rest of the chapter is arranged in the following manner: background, the main focus of the chapter, hypotheses development, methodology, data and results, limitations, discussion, future scope, and conclusion.

BACKGROUND

Family Business

The existing literature boasts of several definitions of the family business. According to Chrisman et al. (2005), the role of family involvement defines the family business. Further, family involvement can be expressed through ownership, management, and governance. The essence is another aspect that has been attributed to resources (Habbershon & Williams, 1999), intention, and behavior (Churchill & Hatten, 1987). Apart from resources, intention, and behavior, two other features of the essence-based definition of family business are shared history and commitment to the future. According to Burns and Whitehouse (1996), a family firm is a business where the members of a given family are joined together to work, make decisions, accomplish specific tasks and distribute the benefits fairly. Chua, Chrisman, and Sharma (1999) defined family business as a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.

The family business is known to be the oldest and the most prevalent type of entity in the world. Regardless of the scale of operation, legal form, and industrial activity, family firms are considered to be a cornerstone of overall socio-economic development (Poutziouris, Smyrnios, & Klein, 2006). Family firms usually start small and grow over the years. Family firms have a greater chance of being successful and profitable than other forms of firms (Dawson & Hjorth, 2012). The extant literature states that the family businesses have more inclination in having their family members involved in the management and ownership of the business. Hence the family members hold significant managerial positions within the business and are directly involved with the daily operations (Astrachan & Shanker, 1996). The distinguishing factor between a family firm and a non-family firm is SEW, a non-financial objective of a family firm.

Socioemotional Wealth (SEW): Theoretical Background

As a management concept, family business borrowed theories from different domains like financial economics and strategic management (Berrone et al., 2012). These included the agency theory (Morck & Yeung, 2003; Schulze, Lubatkin, Dino, & Buchholz, 2001), stewardship theory (Miller & Le Breton-Miller, 2006), and the resource-based view of the firm (Habbershon & Williams, 1999; Habbershon, Williams, & MacMillan, 2003). These theories were used to explicate the behavior of family firms. However, these theories do not encompass all the idiosyncrasies of family firms and therefore there was a need to have a home-grown theory (Berrone et al., 2010; Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2010; Gomez-Mejia et al., 2011) that would entail all the aspects (including non-financial) of family businesses.

Gomez-Mejia et al. (2007) developed the SEW theory that would take care of the diversities and uniqueness of family firms compared to other forms of business organizations. The SEW theory was an extension of behavioral agency theory postulated by Wiseman and Gomez-Mejia (1998) and Gomez-Mejia, Welbourne, and Wiseman (2000). The behavioral agency theory is a combination of prospect theory, behavioral theory of the firm, and agency theory. According to the behavioral theory, a firm makes choices depending on the reference point of the firm's dominant principals (Berrone et al., 2012). In the case of family firms, the reference point is the non-financial aspect of the non-economic objective. Thus, the dominant principals will make decisions accordingly to preserve effective endowment (socioemotional wealth). In the case of family-run organizations, preserving SEW is one of the most important objectives (Gomez-Mejia et al., 2007). Even when there is a threat to family business's affective endowment, the family is often known to make decisions that are not driven by economic logic and are willing to prioritize family over the firm.

Introduction to Socioemotional Wealth (SEW)

Over the last few decades, the scholarly field of family business research has garnered tremendous importance. However, the field has often been alleged to have a dearth in the strong theoretical and methodical foundation (Prügl, 2019). In order to address this gap, many scholars have made attempts to develop autonomous theories and tested concepts (e.g., Chrisman et al., 2005; Zellweger et al., 2012). Gómez-Mejía et al. (2007) provided the field of family business research with a new theory when they introduced the concept of socioemotional wealth (Berrone et al., 2012).

The roots of SEW can be traced back to the behavioral tradition of the management field (e.g., Berrone et al. 2012; Gómez-Mejía et al. 2010). The behavioral agency model, developed by Wiseman and Gómez-Mejía (1998), is based on Kahneman and Tversky's (1979) prospect theory and the behavioral theory of the firm (Cyert & March 1963). On the other hand, the behavioral agency model proposes that decision-makers' risk preferences can shift depending on the reference point used to compare anticipated outcomes (Wiseman & Gómez-Mejía, 1998). From the family firm perspective, the loss or gain of SEW is assumed to be the most significant reference point in decision-making (Berrone et al., 2012; Gómez-Mejía et al., 2007, 2010).

The SEW theory was conceptualized in 2007 by Gomez-Mejia and colleagues. They defined SEW as non-financial aspects of the firm that achieve the family's affective needs like identity, ability to apply family influence, and the continuation of the family dynasty. Both, the economic as well as the affective needs arising from family ownership can influence decision-making in family firms (e.g., Chua et al., 2015; Gómez-Mejía et al., 2007; Pieper, 2010; Schulze & Kellermanns, 2015; Zellweger et al., 2012). The SEW logic hints at the fact that the family-run organizations are motivated by the need to preserve SEW in their strategic decision-making process. Socioemotional wealth also referred to as "affective endowments" of the owning family, which is derived from the family's controlling position in a particular firm (Berrone et al., 2012). SEW explains the differences in strategic choices of family businesses compared with non-family businesses. The examples of these strategic choices are the risk-taking choice, environmental protection, internationalization, human resources management, proactive stakeholder engagement (Cennamo et al., 2012; Naldi et al., 2013). In the majority of the current studies, SEW has been used for exploratory explanation. Only some scholars have drawn attention to various degrees of SEW, which result from the heterogeneity of family firms.

Measurement of SEW

Due to the relatively multifarious nature of many concepts like SEW in family business research, the quality of measurement is critical (Godfrey &Hill 1995). Accordingly, family business scholars need to place particular emphasis on research design, construct validation, and sophisticated analytical techniques (Bergh, 2001) to make advancements in the field. Berrone et al. (2012) were among the pioneers to provide alternative proxies to measure the concept of SEW. They introduced a five-dimension model called FIBER to measure SEW. FIBER is an acronym for the five dimensions that are used to compute SEW of a family enterprise. By introducing the FIBER dimensions, Berrone et al. (2012) acknowledged the multi-dimensional and reflective nature of SEW, which implies that the five dimensions are correlated and are measurable indicators of the SEW's latent construct.

After the introduction of the FIBER model by Berrone et al. (2012), multiple researchers came up with their scales to measure the SEW, though the underlying dimensions were similar.

Goel et al. (2013) developed a variable set of the four five-point Likert scales (1=not at all important and 5=very important) can be considered as the direct and multidimensional measurement scale of SEW containing the following four dimensions: a) Preserving family traditions and the family character of the business, b) Creating and maintaining the workplace for the family, c) The owner's independence, and d) Independence in management.

Naldi et al. (2013) compressed the extant FIBER model to examine the level of SEW from three dimensions of Family Control and Influence (F), Family Dynasty (R), and Family Reputation (I).

Schepers et al. (2014a) measured SEW using a five-point Likert scale (1=totally unimportant and 5=very important) for four questions taken from the Strategic Orientations of Small and Medium-Sized Enterprises (STRATOS) questionnaire (Bamberger, 1994, p. 399; Bamberger & Weir, 1990, p. 109): (1) maintaining family traditions/family character of the business, (2) creating/saving jobs for the family (both may be considered as proxies for the perpetuation of the family dynasty), (3) independence in ownership, and (4) independence in management (both may be considered as proxies for the ability to exercise family influence and maintaining family control) (Gómez-Mejía et al., 2007; Goel et al., 2013).

Just like Goel et al. (2013), Schepers et al. (2014a), and Vandekerkhof et al. (2015) used the STRATOS questionnaire to measure SEW.

Schepers et al. (2014b) operationalized SEW with the variable set of the six items on a seven-point Likert scale (1=completely disagree; 7=completely agree). The items were: a) In delegating responsibility and selecting new managers family members have benefits, b) Family members have a salary different from nonfamily members, c) An essential goal of the family business is to create jobs for family members, d) The successors should be selected from the family, e) To maintain the family's employment is the main goal for the business, and f) To protect the management's independence is an important goal for the family business.

Debicki et al. (2016) also stepped up to contribute to the existing literature on SEW by developing a SEW importance (SEWi) scale. It is a configuration of the non-financial benefits which are connected to the family members' wellbeing, and their other emotional attachments originated from operating the business. SEWi scale is composed of three distinct dimensions, namely, a) Family Prominence, b) Family Continuity, and c) Family Enrichment.

Table 1. Multi-dimensional and direct scales to measure SEW

Authors	Year	Scale and Dimensions
Naldi, Cennamo, Corbetta, and Gómez-Mejía	2013	F: Family Control and Influence R: Family Dynasty I: Family Reputation
Debicki, Kellermanns, Chrisman, Pearson, and Spencer	2016	SEWi scale 1) Family Prominence 2) Family Continuity 3) Family Enrichment.
Hauck, Suess-Reyes, Beck, Pruegl, and Frank	2016	REI scale R: Maintaining the transgenerational vision and the dynastic owner's positions, the need for giving and conserving family values, traditions inside the family E: Emotional bonds among the family members I: The cohesion, safety representing the intertwining of the family and business, and their effect on identity

Table 2. Uni-dimensional and direct scales to measure SEW

Authors	Year	Scale and Dimensions	Scale	Alpha
Goel, Voordeckers, Van Gils, and van den Heuvel	2013	STRATOS questionnaire 1) Preserving family traditions/family character of the business 2) Creating and maintaining the workplace for the family 3) The owner's independence 4) Independence in management.	5-point Likert scale	0.73
Schepers, Voordeckers, Steijvers, and Laveren	2014a	STRATOS questionnaire 1) maintaining family traditions/family character of the business 2)creating/saving jobs for the family 3) independence in ownership 4) independence in the management	5-point Likert scale	0.70
Schepers, Voordeckers, Steijvers, and Laveren	2014b	1) In delegating responsibilities and selecting new managers, being a family member is a significant advantage 2) Family members deserve other remuneration than non-family members 3) Providing jobs for the family is one of the main goals of the firm 4) Successors need to be chosen from the family 5) Creating/saving employment for the family is the main objective 6) Independence in management is an essential objective for the firm.	7-point Likert scale	0.64
Vandekerkhof, Steijvers, Hendriks, and Voordeckers	2015	STRATOS questionnaire 1) maintaining family traditions/family character of the business 2)creating/saving jobs for the family 3) independence in ownership 4) independence in the management	5-point Likert scale	0.70

Through an empirical validation of FIBER, Hauck et al. (2016) shortened the existing model and developed an REI scale to measure the SEW. The components studied in this scale are: a) Maintaining the transgenerational vision and the dynastic owner's positions, the need for giving and conserving family values, traditions inside the family (R), b) Emotional bonds among the family members (E), and c) The cohesion, safety representing the intertwining of the family and business, and their effect on identity (I).

Socioemotional Wealth and Its Role in Strategic Decision Making

The economic and affective values derived from family ownership may influence decision-making in family firms (e.g., Chua et al., 2015; Gómez-Mejía et al., 2007; Pieper, 2010; Schulze & Kellermanns, 2015). The SEW logic hints at the fact that the family-run organizations are motivated by the need to preserve SEW in their strategic decision-making process. SEW also referred to as "affective endowments" of the owning family, which is derived from the family's controlling position in a particular firm (Berrone et al., 2012). SEW explains the differences in strategic choices of family businesses compared with non-family businesses. The examples of these strategic choices are the risk-taking choice, environmental protection, internationalization, human resources management, proactive stakeholder engagement (Cennamo et al., 2012; Naldi et al., 2013), among others. The desire to preserve and increase the family's SEW, through control of the business, plays a pivotal role in major managerial choices. The family would make choices in order to avoid SEW losses, even if it comes at the cost of financial losses (Gottardo & Moisello, 2015).

Gottardo and Moisello (2015) argued that decision-making in family firms is primarily driven by the firm's desire to preserve and increase the family's SEW. In pursuit of maintaining a specific level of SEW, the family business owners likely tend to keep business within the family.

It is also known that the family-run organizations may make use of emotions (and not rationality) to execute important decisions. Even a slightest of a threat to SEW prompts family firms to make decisions that would avert SEW loss. Even if the opportunity cost of maintaining SEW is high, the family firms are dedicated to preserving their SEW.

MAIN FOCUS OF THE CHAPTER

The main focus of this chapter is to understand the effect of different SEW dimensions on family firm performance.

Socioemotional Wealth and Its Effect on Family Firm Performance

Though family firms tend to focus more on non-financial goals than the financial objectives, the firm's financial performance cannot be neglected entirely. Earning profits with stronger family ties should be the instrumental objective of family firms.

Dyer and Dyer (2009) contended that typically, the family firm tends to prefer "firm performance" over "family performance," however, in reality, family relationships are much more important than any financial rewards (Dyer, 2018).

Gottardo and Moisello (2015) observed that family firms tend to outperform their non-family firms' counterparts in the first 25 years when typically, the socioemotional wealth is high. The presence of Family CEO and founding family members on the board has a positive effect on firm performance, however, when the succeeding generation takes over, the presence of family members in the business has a negative impact on firm performance.

It is also quite intriguing to note that the importance of SEW preservation dwindles with the entry of new generations into the business (Gomez-Mejia et al., 2011). The reasons for this include expanding the family circle, which results in waning family ties and diminishing identification with the firm (Le

Breton-Miller & Miller, 2013). Picking up from where Gomez-Mejia et al. (2011) left, Gottardo and Moisello (2015) observed that within the family business segment, the first-generation business tends to outperform multi-generational family firms. At a broader level, the financial performance of multi-generational family businesses and non-family firms are not significantly different.

The relationship between SEW and family firm performance is quite impressive. If the family firms have high profitability, the succeeding generation is more likely to join the family business. Thus, profitability ensures that "Renewal of family bond to the firm through dynastic succession" (R), one of the SEW dimensions; FIBER (Berrone et al., 2012) is strengthened. Therefore, in order to preserve SEW, family firms are expected to outperform their non-family counterparts.

Some of the studies undertaken in the US context concluded that the presence of Family CEOs benefits the firm performance (Anderson & Reeb, 2003; Chu, 2011; Maury, 2006) when the founder is alive. However, Anderson and Reeb (2003) contend that family ownership and firm performance among the listed US firms have a reversed U-shape relationship, which means that the relationship is positive up to a certain point, but becomes negative after that point.

Maintaining the goodwill of family business (Berrone et al., 2010) and encouraging the succeeding generation to join the family business (Sirmon & Hitt, 2003) would have a positive impact on the family firm's financial performance, as the family members typically tend to have a long-term perspective.

The existing empirical literature on the financial performance of family firms presents mixed results. Some of the studies that have been undertaken on publicly traded firms find that family firms perform better than non-family firms (Anderson & Reeb, 2003; Simoes Vieira, 2014). However, this is true only when the founder is alive. The performances of firms with a descendant family CEO and non-family firms are not statistically distinguishable (Barontini & Caprio, 2006). Moreover, empirical studies analyze the effect of the nature of the CEO, founder, heir, or outsider on firm performance, finding that the owner-manager conflict in non-family firms is costlier than the conflict between family and non-family shareholders. However, the contrary holds in the case of a descendent-CEO (Villalonga & Amit, 2006).

Levinson (1971) opined that ownership and management in the hands of founding family members would result in lousy firm performance. Therefore, it was essential to have professional managers on board that could help family firms have a sound financial performance. Perrow (1972), a noted sociologist, agreed with Levinson (1971) and made the same argument when he stated that employing family members just because of their family affiliation (and not professional qualification) would have a detrimental effect on firm performance. He also suggested that more the family members involved in the family business, worse, will be a state of the firm's performance.

Schulze, Lubatkin, and Dino (2003) noted that the tendency of founding family owners to practice goals related to dimension B of FIBER, that is maintaining binding social ties by filling critical positions in the firm with family members rather than the most qualified person would negatively influence performance. On the other hand, Anderson and Reeb (2003) suggested that firms with continued founding family presence have a positive impact on accounting and market performance, controlling for industry and firm characteristics. However, this study was undertaken on publicly traded family firms.

In support of Anderson and Reeb (2003), Martin and Gómez-Mejía (2016), felt that family owners' dimension I (maintaining the firm's reputation due to their identification) and dimension E (emotional attachment with the firm) of FIBER has a positive association with firm's financial performance.

As seen earlier, there has been inconsistency in the findings of the effect of SEW on firm performance. Some of the plausible reasons for this are a) difference in the definition of the family business, b) difference in the method of calculating SEW, c) whether the study is undertaken on public family firms or private family firms.

Taking forward the research on SEW and family business, in this chapter, we attempt to understand what could be the effect of different SEW dimensions on firm performance in the context of Indian family MSMEs.

HYPOTHESES DEVELOPMENT

Impact of Renewal of Family Bond to the Firm Through Dynastic Succession on Firm Performance

The SEW dimension of "renewal of family bonds to the firm through dynastic succession" focuses on preserving the family dynasty within the family enterprise (Jones et al., 2008). Desire to continue the family business by passing on the baton of leadership to the next generation of the founding family results in inherent satisfaction that the family members experience by being able to contribute to the perpetuation of the family dynasty. In order to ensure the trans-generational ownership of the family business, the founder/owners of family firms create a conducive environment that allows family members to be together in every situation, make decisions in unison and achieve family consensus on essential issues (Marler et al., 2017). Family business owners assign much importance to this SEW dimension, which ensures that the family name and influence are maintained across generations (Debicki et al., 2016).

Further, it is argued that the relationship between the SEW dimension of "renewal of family bonds to the firm through dynastic succession" and firm performance may be referred to as causal and synergistic, while in some cases overlapping too (Zellweger & Nason, 2008).

However, it cannot be ignored that certain aspects of family continuity may have adverse effects on firm performance. In order to preserve this SEW dimension, family firms may take individual decisions overlooking the short-term goals in pursuit of achieving the long-term objectives (Zellweger, 2007). Therefore, if this SEW dimension gets priority over the firm goal, then it is likely that "renewal of family bond to the firm through dynastic succession" might have a negative effect on firm performance, in certain instances (Chrisman et al., 2008; Jones et al., 2008). Thinking for a long-term horizon is an essential attribute of family firms, which provides this form of business organization with a competitive edge over their peers (Habbershon & Williams, 1999; James, 1999). Thus, family organizations that prioritize long-term goals over their short-term objectives are likely to have a better performance. Thus, we hypothesize the following:

Hypothesis One: In family MSMEs, renewal of family bonds to the firm through dynastic succession has a positive effect on firm performance.

Impact of the Emotional Attachment of Family Members on Firm Performance

Emotional attachment of family members emphasizes the role of emotions in the family business set-up. According to this SEW dimension, a family enterprise is a place where the affective needs such as the need for belonging, need for cohesion, and need for security are met (Berrone et al., 2012; Barros & Palma-Ruiz, 2020).

In the context of a family firm, the founder/owners can derive their emotional needs or affective endowments from different avenues. For instance, being able to contribute towards their family business yields much emotional satisfaction to the founding family members. Working together in the same business results in the formation of a strong family bond not only among the family members but also between family members and the firm (De Vries, 1993; Tagiuri & Davis, 1996; Barros, Hernangómez, & Martín-Cruz, 2017). The development of this emotional bond plays an instrumental role in the decision-making as well as the behavior of family members toward the firm (Baron, 2008). Ensuring the well-being of the founding family is the primary objective of family-owned enterprises (Gomez-Mejia et al., 2011). Family-owners derive satisfaction from the fact that their family members enthusiastically contribute towards the business. They also feel happy about the fact that they can provide an opportunity as well as a stable platform for their children, siblings, and other relatives in the form of the family business organization. When multiple members of the family work in the same business, it is plausible that there is the development of strong emotional bonds among them (Baron, 2008).

Moreover, the emotional attachment of the family members to the firm results in an increased focus on reputation, which is likely to create a synergistic association between this SEW dimension and firm performance. Thus, we hypothesize the following:

Hypothesis Two: In family MSMEs, emotional attachment of family members with the firm has a positive effect on firm performance.

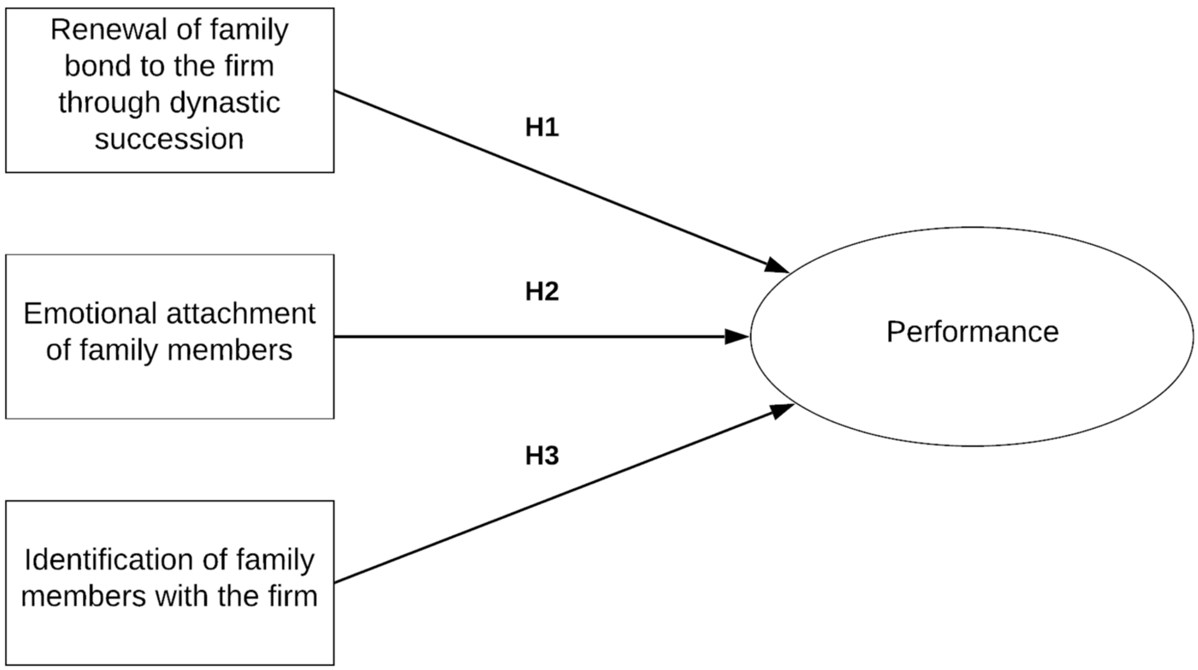
Impact of Identification of Family Members With The Firm on Firm Performance

The extant literature on family business and SEW indicates that the preservation of the SEW dimension of "identification of family members with the firm" plays a crucial part in the decision-making process in family enterprises (Deephouse & Jaskiewicz, 2013).

Members of the founding family often tend to identify themselves with their family business typically when the firm has the right name in the society and has a substantial brand value associated with it (Dyer & Whetten, 2006). The family members working in the business tend to imbibe their family values in the work culture. Arregle et al. (2007) found out that family firm owners who identify themselves with the firm are likely to exhibit positive vibes that serves two purposes, namely, first creates a positive public image of the organization and second, serve as a potential ground to numerous beneficial business activities which will, in turn, provide a competitive advantage to the firm.

It can be argued that when family firms owners assign high priority to derive positive family identity because of their association with the firm, they will be engaged with the mission and the collective goals of the organization, and are therefore expected to exert more effort and time to the organization, and ensure that the firm's reputation is enhanced through its business activities. This suggests that enhancements in this dimension of SEW– family identification to the firm – are likely to be positively related to performance outcomes of the firm. Therefore, we hypothesize the following:

Figure 1. Hypothesized model



Hypothesis Three: In family MSMEs, identification of family members with the firm has a positive effect on firm performance.

METHODOLOGY

In order to measure the SEW of family firms, we use the REI scale developed by Hauck et al. (2016). REI can be expanded as Renewal of family bonds to the firm through dynastic succession (R), Emotional attachment (E), and Identification of family members with the firm (I).

REI scale was developed from an in-depth study on the conceptualization and operationalization of FIBER. The study concluded that the dimensions REI can be used instead of FIBER to measure SEW. The composite reliability of each of the three dimensions, R (0.782), E (0.853), and I (0.720), is acceptable.

REI scale is a parsimonious multi-dimensional scale which is high in theoretical value as well as practical value. It is of reasonable length consisting of only nine items. The scale captures distinct dimensions of SEW, and each distinct dimension comprises multiple items (three items each). The REI scale is based on the proposed FIBER scale. Thus, using a multi-dimensional and a direct way to measure SEW is highly buoyant (Prügl, 2019).

We use the already established scale to measure SEW. The REI scale (Hauck et al., 2016) was developed, considering the German-speaking family firms in Germany and Austria. The scores of the scale items of the independent variables are all calculated using a five-point Likert-type scale ranging from 1 (“Strongly Disagree”) to 5 (“Strongly Agree”), with higher scores indicating higher levels of the

Table 3. Reliability Statistics

Cronbach's Alpha	N of Items
.864	9

Table 4. Item-Total Statistics

Items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I1	33.6923	28.304	.661	.844
I2	33.8242	28.013	.670	.842
I3	33.5934	28.377	.732	.838
E1	33.6374	28.856	.691	.842
E2	33.7363	28.974	.722	.840
E3	33.6813	29.286	.659	.845
R1	33.9780	29.377	.521	.857
R2	33.8901	29.343	.493	.860
R3	34.2308	30.202	.346	.879

construct in question. Using the same scale in India, it is necessary to validate the scale before putting it to use. Therefore, to check the reliability of the scale in the Indian context, we use SPSS to find its Cronbach's Alpha (Santos, 1999).

In addition to the Cronbach's Alpha, we also confirmed whether the respondents understood the meaning of each of the nine questions correctly. For this, we interviewed respondents of six family firms and asked them their interpretation of each of the nine questions. We found out that the responses of all six family firm owners were consistent in the meaning constructions for all the items. Thus, there was no need for us to drop any of the items. The total number of items stood at nine.

According to Cristobal, Flavian, and Guinaliu (2007), the items with corrected item-total correlation (Column C) lower than 0.30 are not acceptable. However, for exploratory study, 0.20 is an acceptable value for inter-item and item-the total correlation. Further, apart from the item R3, the deletion of none of the other items causes an increase in Cronbach's Alpha (Column D).

To reduce the potential of socially desirable answers, we followed the recommendations of Podsakoff, MacKenzie, Lee, and Podsakoff (2003), offering all respondents anonymity and confidentiality during data collection.

To measure the performance, we used return on assets (ROA) metric (a commonly used measure of financial performance) that is validated by prior research in management studies (Herrero, 2018; Minichilli, Nordqvist, Corbetta, & Amore, 2014). Using a 5-point Likert scale (1=much worse than competitors to 5=much better than competitors), the respondents rated their firm's ROA compared with key competitors. This approach is supported by previous studies demonstrating that assessing subjective financial

Table 5. Profile of the family firms

No.	Particulars	Total (N=91)	Percentage	Mean	Standard Deviation
1	Type of Business				
a	Manufacturing	29	31.87		
b	Services	27	29.67		
c	Others	35	38.46		
2	Firm Age in generations				
a	First	32	35.16		
b	Second	42	46.15		
c	Third and above	17	18.69		
3	Owner Gender Composition				
a	Males	71	78.02		
b	Females	20	21.98		
4	Sales turnover				
a	Less than Rs. 5 crores (micro)	54	59.34		
b	Between Rs. 5 crore and 75 crores (small)	29	31.87		
c	Between Rs. 75 crore and Rs. 250 crore (medium)	8	8.79		
6	Firm Age (in years)			25.55	17.27
7	Number of family members involved in the business at present			3.37	2.06

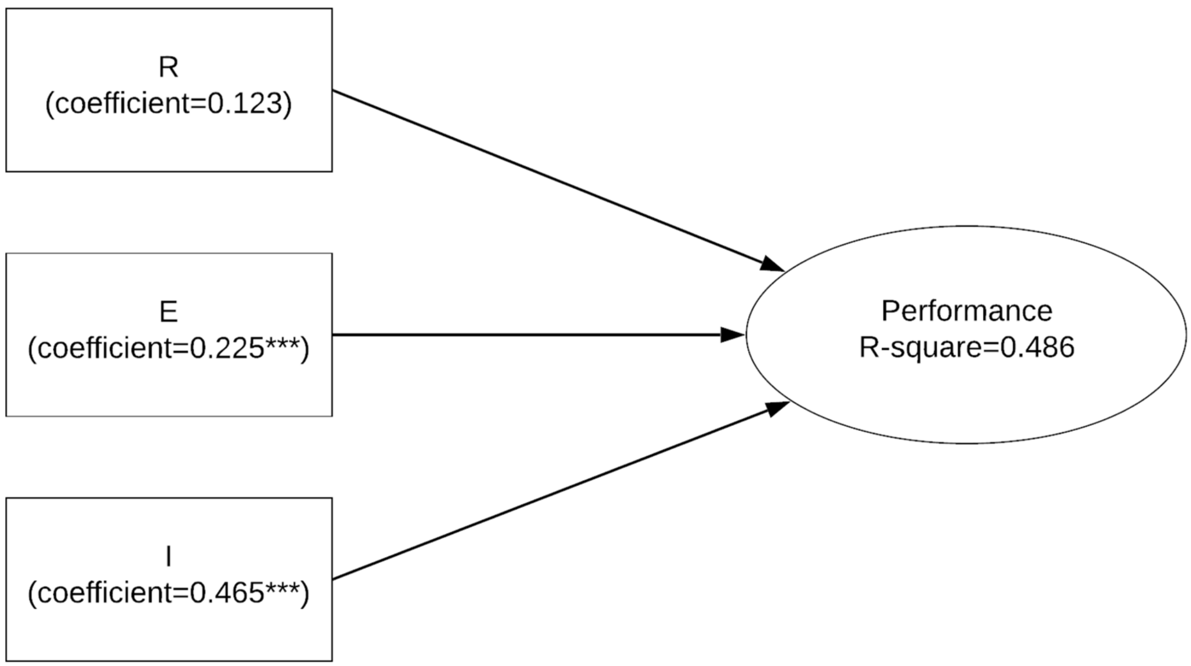
performance is useful in studies on family businesses (Alonso-Dos-Santos & Llanos-Contreras, 2019; Rutherford, Kuratko, & Holt, 2008). Other studies have described individual financial performance as part of a broader definition of performance (Wallace, Little, Hill, & Ridge, 2010).

We also control several variables, as is done in other SEW-performance studies. Past studies have used firm-level control variables such as the age and size of the firm, the number of family members involved in the business, and the generation of ownership. These studies have shown that many of these variables are related to performance, but not all are directly relevant to our hypotheses (O'Boyle Jr, Rutherford, & Pollack, 2010; Schepers et al., 2014a). We have used the following control variables: age of the firm calculated as the number of years since a firm was founded, size of the firm calculated in terms of annual sales turnover, number of family members involved in the family business calculated as natural logarithm of the number of family members and generation was measured with dummy variables representing four generations (first, second and third or higher generations).

The appendix contains the questionnaire that was used to collect the data.

Figure 2. Results of the model with total effects illustrating the relationships between REI dimensions and performance

*Note: The values in the figure represent standardized coefficients. *p < .10, **p < .05, ***p < .01*



DATA AND RESULTS

To collect the SEW data, we employed a survey method. A structured questionnaire was developed. Survey data was collected from business families spread across different parts of India. We received a total of 91 completed questionnaires from MSMEs.[1] The main sample characteristics are shown (firm age, sales turnover, number of family members involved in the business at present, and others).

Out of the total sample, 31.87 percent of family businesses belong to the manufacturing sector, whereas 29.67 percent belong to the services sector. The family firms in our sample are heterogeneous concerning the family generation that is running the business. The majority (46.15 percent) of our sample is run by the second generation, with 35.16 percent of the family firms being run by the first generation and 18.69 percent run by the third generation and above. Looking at the gender composition, the male owner to female owner ratio is close to 3:1, with 78 percent of the family firms managed by males and 22 percent of the family businesses being managed by females. Concerning the sales turnover, close to 60 percent of the family firms were categorized as micro-enterprises with a turnover of less than Rs. 5 crores (Rs. 1 crore = Rs. 10 million). The remaining 40 percent were small (turnover between Rs. 5 crore and Rs. 75 crores) and medium enterprises (turnover between Rs. 75 crore and Rs. 250 crores). On average, 3.37 members of the founding family work in the family business, and the average age of the family firms surveyed is 25.55 years.

In addition to the necessary family business information that is collected, we have also obtained the data to measure SEW of the family firms. There are nine data items (three for each dimension) in the questionnaire that are measured using a 5-point Likert scale. The 91 respondents answered the questions about each of the three dimensions of SEW, and we could get their individual SEW scores.

From the data, it is quite evident that SEW priorities may differ from one family firm to the other, despite similar levels of family involvement in ownership and management (Hoy & Sharma, 2010; Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015).

We also performed ANOVA to analyze the variance among the three dimensions. We found out that there was a significant difference ($p=0.0058$***) among the variances of each of the three dimensions, which shows that the family firms are heterogeneous. SEW is an important driver of heterogeneity among family-run organizations (Filser et al., 2018).

Besides, we can also see that family firms are heterogeneous in terms of their size, age, generation of ownership, industry/sector, the gender of the founder, and family involvement (refer to Table 5).

Our sample of 91 family firms was relatively small compared to those used in similar regional studies (Goel et al., 2013; Ng, Dayan, & Di Benedetto, 2019; Razzak, Abu Bakar, & Mustamil, 2019).

Figure 2 describes the significant total effects of REI dimensions on firm performance. As seen in the figure, emotional attachment (E) and identification of family members with the firm (I) have significant positive effects on firm performance ($c2=0.225$*** and $c3=0.465$*** respectively). However, the renewal of family bonds to the firm through dynastic succession (R) does not have a significant effect on firm performance. That is, for R, the standardized coefficient is $c1=0.123$.

The use of self-reported data, while joint in family business research, may lead to common method bias. Therefore, we performed a Harman one-factor test (Podsakoff & Organ, 1986) on the four main variables (REI dimensions of SEW and performance) to determine whether common method bias was a potential limitation. Results from this test showed that all four factors were present and that the most covariance explained by one factor was less than 50 percent.

SOLUTIONS AND RECOMMENDATIONS

In this chapter, we study the effect of different dimensions of SEW on family firm performance. Based on the extant evidence, we can see that the results are inconsistent and mixed. Family firms tend to outperform their non-family counterparts at large; however, breaking the family firms into family ownership and family management, we get varying results.

Family management may have a positive or a negative effect on firm performance; similarly, family ownership also may tend to have either a positive or a negative effect on firm performance. In any case, it is essential to note that the crux of the matter lies in the SEW of family firms. Therefore, increasing the SEW levels of the family firms is the solution to these issues.

Considering the significance of achieving the non-financial goal of SEW to family firms, the family businesses must take conscious effort to improve their respective socioemotional wealth levels.

From the study, it is evident that all three dimensions of SEW, namely R, E, and I (REI scale), have a positive effect on firm performance. Out of the three dimensions, two dimensions, namely E and I, have a significant positive effect on firm performance. Therefore, the family firms need to undertake practices that will help to enhance E and I.

In this section, we present a few recommendations that can be adhered to by the family business owners and their succeeding generations to not only maintain the current SEW levels but also enhance it. These recommendations are purely based on our conversations with some of the family firms surveyed.

Having at least one meal of the day together, celebrating festivals together, praying together, and going for an annual vacation together are some of the recommendations if followed, can improve the SEW of family firms. Through these activities, the personal relations among the family members working in the business are enhanced and thus can manifest into improved professional relationships. Such get-togethers also provide a platform for the family members to discuss the business outside of the playing field and can help in the generation of solutions to the business problems through fresh perspectives. Also, consider a brother-sister duo working in a family business started by their father. Post marriage, the sister has moved to a different home. Physically the brother and sister may have distanced. In such cases, following the recommendations that are shared earlier in this section can be put to use. Having lunch together in the office at least twice in a week can be made possible, an annual vacation also does not seem to a daunting task, praying together before the start of the business day could be another solution, and of course when it comes to celebrating festivals, both the families (sister's in-laws as well as her maiden family) can come together and share their happiness. Some of these recommendations are likely to enhance the SEW dimension E (emotional attachment) of family firms.

To increase the SEW dimension of I (identification of family members with the firm), family members should work upon following ethical practices and doing their duties keeping their *Dharma* (righteousness) in mind. In Indian philosophy, there is a concept of Pancha Yajna (five sacrifices), which states that every individual must practice Pancha Yajna to repay their Pancha Runa (five debts). These Pancha Yajna/Runa are Bhuta Yajna/Runa (environment), Manushya Yajna/Runa (stakeholders), Pitru Yajna/Runa (forefathers), Rishi Yajna/Runa (knowledge) and Dev Yajna/Runa (celestial beings). From a business standpoint, the family members should see to it that they perform Pancha Yajna, that is, protect the environment, protect the stakeholders, take care of their forefathers and celestial beings and pass on the knowledge. Apart from this, in ancient Indian literature, there is evidence of *Shubh Labh*, which means earning profits through ethical means. By following these practices, it is likely that the SEW dimension I of the family members can be enhanced.

LIMITATIONS

As is the case with any research, our study has certain limitations. First, the focus of this study is only on unlisted family firms. The publicly traded family businesses were not considered, considering the issues of accessibility and hierarchy involved in getting in touch with the big family houses. Thus, the results obtained for MSME family firms cannot be generalized to publicly listed family firms. Second, convenience sampling and snowball sampling were used to select the sample and collect data. Therefore, the sample is not representative of the entire population. However, it is essential to note that Chrisman, Chua, and Sharma (1998) defend the use of non-statistical sampling procedures in Family Business research, citing the lack of a universally accepted definition of, and nationwide statistics on, this organizational form. Third, the results could be skewed as the respondents would try to answer the best possible alternative for every question, thereby resulting in a social desirability bias. Though to reduce the possibility of socially desirable answers, we followed the recommendations of Podsakoff et al. (2003), offering all respondents anonymity and confidentiality during data collection, we cannot completely get away this kind of bias.

DISCUSSION

We found support for two of the three hypotheses concerning the relationship between SEW dimensions and performance. Specifically, two REI dimensions (identification of family members with the firm and emotional attachment of family members) were significantly positively related to firm performance, consistent with the corresponding hypotheses. The results imply that family MSMEs can triumph over the liability of their small size by drawing on the SEW endowment, specifically from these two dimensions.

This study contributes to the theoretical literature in several ways. First, it confirms the particular applicability of SEW to family MSMEs in India. Family businesses across the world are profoundly different from one another because of their cultural diversities (Randerson, Dossena, & Fayolle, 2016). Hence, our study on family MSMEs in India fulfills the call of Nordqvist and Melin (2010) by broadening the geographical and cultural base of family business research. To the best of our knowledge, this is one of the first studies to delve into the relationship between SEW and family firm performance in India.

Our findings augment the existing literature. We find that SEW should not be viewed as a barrier to business performance and growth (Gómez-Mejía et al., 2007; Laffranchini et al., 2018), but rather as a vehicle for better performance. Our study has specific practical implications, as well. We find two of the three SEW dimensions; identification of family members with the firm and emotional attachment have a significant favorable influence on the firm performance. Managers of family MSMEs can learn from these results and exploit the advantages of the two dimensions to ensure better firm performance. For instance, senior management can promote identification with the family business by promoting values and cultures that are unique to the firm. Furthermore, encouraging secure emotional attachment to the family firm can reinforce employees' commitment and sense of responsibility and contribute to the firm's long-term success. Promoting identification with and attachment to the firm also has the benefit of discouraging actions that could damage the firm's performance.

FUTURE SCOPE

The family business is a cardinal topic and an evolving field of research. Thus, there is an abundant scope to undertake future research in this field. In this chapter, we posit some of the future research areas that can be considered. First, the sample of 91 family firms is small; thus, caution should be exercised when generalizing the results. Future research efforts should focus on obtaining data from a larger sample of family businesses, which would provide opportunities for more appropriate comparisons and better generalizability of the results. As mentioned earlier, two of the three SEW dimensions were found to be significant antecedents to firm performance. This finding could be a result of the Indian culture and style of living. It is quite possible, in different cultures, other SEW dimensions would serve as significant antecedents. Future studies could replicate this research in other cultures or undertake cross-cultural comparisons. Finally, this study uses only a financial measure (ROA) as the dependent variable. It would be intriguing to see whether the results using other performance variables such as sales growth and profit growth would be similar.

CONCLUSION

In this chapter, we discussed the concept of SEW in detail, including the SEW dimensions (FIBER) and the different tools used to measure SEW. Besides, we also looked at the effect of different dimensions of SEW on family firm performance. Finally, we bring to the table specific recommendations that can be used by family firms to enhance their SEW levels.

In a family firm, SEW plays a pivotal role. Be it the role of SEW in decision-making or the impact of SEW on family firm performance, and SEW cannot be ignored. The dimensions that are used to measure SEW are unique in their way and are mutually exclusive. Though there are several tools (made out of different combinations of FIBER) used to measure SEW of family firms, the underlying dimensions of FIBER remain the same for all models.

In this chapter, we have outlined the different scales to measure SEW and also studied the impact of SEW on family firm performance. However, it is challenging to conclude whether family firms with high SEW have a positive or negative effect on firm performance. Mostly, the studies use family control and influence (F) as a proxy to measure SEW while investigating the impact of SEW on firm performance. There have been mixed results. One of the reasons for this could be the cultural differences in the population studied by the researchers. Some studies state that family management has a positive effect on firm performance, while some studies opine otherwise. Also, there is a difference between the impacts of family ownership and family management on firm performance. It is seen that family management has a significant impact on firm performance, while family ownership does not have a significant effect. Other studies have contended that professional managers are better than family heirs, and thus, the relationship between the former and firm performance is positive. However, all said and done, it is tough to conclude the exact impact of SEW on firm performance.

Finally, we provide some recommendations to the family firm owners and the founding family members who are actively involved in the business to enhance their SEW levels. Thus, this study contributes to strengthening families and improving firm performance simultaneously.

In conclusion, we argue that SEW is still under-represented in family business research and that the effect of family endowments on the commercial business activity should not be overlooked. The family firm is the most common business model in the world. Therefore, it is a key driver of venture creation, job opportunities, and the economic development of nations. Our results suggest a simple interaction between SEW dimensions and family firm performance. While our results are encouraging, more research is needed to obtain a fuller theoretical understanding of SEW as an antecedent for strategic behaviors in a family business setting.

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KEY TERMS AND DEFINITIONS

Family Business: A business in which two or more members of the founding family are actively involved in the ownership and management of the firm.

FIBER: The acronym FIBER is used to measure Socioemotional Wealth. It is expanded as Family control and influence (F), Identification of family members with the firm (I), Binding social ties (B), Emotional attachment (E), and Renewal of family bond to the firm through dynastic succession (R).

Firm Performance: Firm performance can be measured either by sales growth or return on assets.

Predecessor: A person who has retired and passed on the reins of the business to the current leader.

Return on Assets: Return on assets is the ratio of profits to total assets.

Socioemotional Wealth: Socioemotional wealth is a non-financial goal of a family firm that deals with the affective endowment of family members working in the family business.

Succession: Succession is the process of transfer of business (ownership and management) from one generation to the other.

Successor: A person who is next in line to take over the reins of the business.

ENDNOTE

1 The MSME definition is based on MSME Amendment Bill (2018) and www.smefutures.com

APPENDIX

Questionnaire

Family Business Background

1. Name of the Respondent
2. Gender
   - Male
   - Female
3. Highest Education obtained
4. Community to which you belong? (Marathi, Sindhi, Gujrati)
5. Name of your Family Business
6. Age of the firm (in years)
7. City in which you have your family business?
8. Your Designation in the Family Business
9. Number of family members involved in the family business as of today
10. The family business is now running in which generation
    - First
    - Second
    - Third and above
11. Nature of the family business
    - Manufacturing
    - Services
    - Others
12. Type of industry (FMCG, Hospitality, and others)
13. Number of Employees
14. Sales Turnover (in Rs. Crore)
    - Less than 5
    - Between 5 and 75
    - Between 75 and 250
15. ROA
    - much worse than competitors
    - worse than competitors
    - equal to competitors
    - better than competitors
    - much better than competitors

Concept of Family Business

Below is the group of statements describing your concept of a family business with which you may agree or disagree. Using the 1-5 scale below, indicate your agreement with each item. Please treat each statement separately from the other.

1. Family members have a strong sense of belonging to our family business

2. My family business has a great deal of personal meaning for family members
3. Family members are proud to tell others that we are a part of the family business
4. In my family business, the emotional bonds between family members are very strong
5. Strong emotional ties between family members help us maintain a positive self-concept (belief about oneself)
6. In my family business, family members feel warmth for each other
7. Continuing the family legacy is an important goal for my family business
8. Successful business transfer to the next generation is an important goal for family members
9. Family owners are less likely to evaluate their investment on a short term basis

Chapter 11
Preference Reversal Under Vulnerability:
An Application of Neural Networks in Mexican Family Firms

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ABSTRACT

The behavioral agency theory explains that preferences have not always been stable over time and might change with the framing of the problem. A concept largely used in behavioral economics has been recently adopted in family firms' literature: preference reversal. Preference reversal explains that in the presence of vulnerability, family firms are willing to change their most critical point of reference, socioemotional wealth, and that they are willing to focus on financial wealth. This chapter introduces the concept of preference reversal, explains the application of preference reversal in family firms, and makes an empirical exploration of the presence of preference reversal. The study explores one of the cases of firm vulnerability: a low financial performance by applying neural networks. The study applies to Mexican family firms and finds indications of preference reversal.

INTRODUCTION

Preference reversal is a concept from behavioral economics that explains the discrepancy between gamble-choices and prices assigned to those gambles (Tversky & Thaler; 1990; Tversky, Slovic, & Kahneman, 1990). More recently, the concept has been used in family business literature to refer to the change in priorities in loss avoidance from the preservation of socioemotional wealth to the preservation of financial wealth (Zellweger, 2017). The preservation of the stock of socioemotional investment is, in the context of family firms, the most critical point of reference that guides decision making (Cennamo, Berrone, Cruz, & Gómez-Mejía, 2012; Gómez-Mejía, Cruz, Berrone, & De Castro, 2011; Gómez-Mejía et al., 2007).

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Preference reversal has been applied in behavioral economics studies and psychology studies (Yukalov & Sornette, 2015; Tsetsos, Usher, & Chater, 2010). Family firm scholars have concluded that socioemotional wealth is the primary referent for decision making in family firms (Cennamo et al., 2012; Gómez-Mejía et al., 2011; Gómez-Mejía et al., 2007). Gains or losses in socioemotional wealth constitute the reference for problem framing in family firms (Berrone, Cruz, & Gómez-Mejía, 2012). In other words, socioemotional wealth is a high priority referent in family firms' decision making. Literature shows that family principals shift their concerns about losses of their socioemotional wealth when a firm faces vulnerability (Gómez-Mejía et al., 2014). Under conditions of a family firm's vulnerability, when firm survival is at risk (Gómez-Mejía et al., 2014), decision-makers solve the dilemma (socioemotional wealth versus financial wealth) by focusing on the preservation of future financial wealth and are willing to take a risk on socioemotional wealth. This change of priorities is called preference reversal.

Behavioral agency theory has long been used as a theoretical framework for explaining the decision making in the family firm. Socioemotional wealth is a concept derived from the behavioral agency theory. Some empirical studies use mixed gambles, another concept derived from behavioral agency theory, to explain how family firms consider both socioemotional wealth and financial wealth (Gómez-Mejía et al., 2014; Gómez-Mejía et al., 2007; Campbell, Campbell, Sirmon, Bierman, & Tuggle, 2012). What remains unexplored is the empirical application of preference reversal, which, unlike mixed gambles, explains a total focus on financial wealth.

The purpose of this chapter is twofold. First, to introduce the concept of preference reversal, and to explain its theoretical application in family firms. Second, to explore the presence of preference reversal in family firms when there is a vulnerability. The study is applied to Mexican family firms. This study is exploratory, and by using neural networks, it explores one of the cases of firm vulnerability: low financial performance. The findings indicate that there is a presence of reversal preference.

This chapter extends and applies the behavioral agency model by empirically exploring the presence of preference reversal. Preference reversal is not easy to study because it implies a decision-making process. It has been measured empirically by using experiments where subjects are informed to make a gamble following some instructions (Van Horen & Pieters, 2013). The study of a firm is entirely different because firms cannot make a choice and cannot be instructed as subjects can to make a decision. So, the chapter uses neural networks to advance preference reversal. This implies a huge extension to the study of family firms because preference reversal can be tested.

The chapter goes as follows. Section 1 contains the theoretical background, which explains the basic theoretical ground of behavioral agency theory and socioemotional wealth. This section also introduces the concept of preference reversal. Section 2 contains a literature review of the applications of behavioral theories to family firms. This section focuses on the differences between mixed gamble perspective and preference reversal. Section 3 contains the methods (neural networks), data collection, variable explanation, and analysis. Section 4 describes the discussion. Moreover, section 5 shows the conclusions and future research.

THEORETICAL BACKGROUND

Behavioral Agency Theory

In order to understand preference reversal, it is important to understand the concept of behavioral agency theory. Behavioral agency theory states that individuals' decisions are reference-dependent, which means that individuals frame their problems by comparing anticipated outcomes versus a reference point (Wiseman & Gómez-Mejía, 1998). In other words, the agent's risk preferences change with the framing relative to prospective changes in their wealth (Lim, Lubatkin, & Wiseman, 2010). This theory also states that risk-taking behavior and risk preferences change over time.

According to this theory, problems can be framed as choices between potential losses (negative framing) or potential gains (positive framing). Framing can be a positive or negative referent to current wealth (Tversky & Kahneman, 1986). A positive framing implies that agents anticipate gains in their wealth, or, in other words, promise acceptable, expected value. In such a case, agents are more likely to exhibit risk-averse preferences and prefer conservative investments that represent a sure gain, even if it is only small. Conversely, if agents anticipate losses in their wealth, the framed prospects are negative. Agents then prefer uncertain gains (riskier investments) and exhibit risk-seeking behaviors (Wiseman & Gomez-Mejia, 1998). Table 1 presents a definition of different terms of behavioral agency theory.

According to behavioral agency theory, risk-bearing is different from loss aversion. Risk bearing refers to the perceived risk (Sitkin & Pablo, 1992) by agents when they frame potential gains as realized gains, and thus perceive more risk-bearing, which makes them risk-averse. Conversely, agents that anticipate losses bear less risk and thus are willing to accept riskier investments. Additionally, loss aversion refers to the preference for options that avoid losses altogether over options that limit the size of the loss. Loss aversion refers to the avoidance of the loss, even if it means accepting a higher risk (Kahneman & Tversky, 1979). Loss-averse decision-makers want to prevent the losses of their accumulated endowment (Wiseman & Gomez-Mejia, 1998), and they prefer riskier actions that avoid anticipated loss over less risky options that minimize the loss (Thaler & Johnson, 1990).

Preference Reversal

Preference reversal is a term used in behavioral economics (such as Behavioral Agency Theory and Prospect theory). The preference reversal phenomenon was first observed by Lichtenstein and Slovic (1968). They concluded that when choosing between a gamble A with a low payoff, but a high probability of winning and a gamble B with high payoff and low probability of winning, the agents will choose the gamble that has higher probabilities of winning. However, when these agents were ordered to put a price on those gambles, they charged a higher price to the bet that has higher probabilities of winning, even if they are not willing to choose it.

Preference reversal is defined by Tversky and Thaler (1990) as an anomaly. Anomalies are events when preferences are difficult to rationalize, and agents do not exhibit stable, well-defined preferences. This anomaly can be explained as a violation to the transitivity theorem, or stochastic transitivity (Safra, Segal, & Spivak, 1990)[1]. As previously mentioned, behavioral agency theory can explain the non-stable preferences.

Table 1. Definition of behavioral agency theory terms

Term	Definition
Risk-taking	Making resource commitments before the relationship between these commitments and their potential performance outcomes are fully understood
Problem framing	Framing a choice situation as a potential loss or a potential gain relative to some reference point, such as current wealth or aspirations for wealth
Gain context	Anticipating a return above one's reference for gauging acceptability
Loss context	Anticipating a return below one's reference for gauging acceptability
Reference point	Performance or wealth goals used in judging the acceptability of alternatives
Risk aversion	Preference for lower-risk options at the expense of returns
Loss aversion	Preferring options that avoid losses altogether over options that limit the size of the loss

Source: Own elaboration based on Lim et al. (2010)

In sum, preference reversal argues that with two options A and B, in which A is highly-priced, it is not always preferred over B. According to Tversky and Thaler (1990), this happens because agents can have preestablished preferences and behavioral variations. According to Tversky et al., (1990), the cause of preference reversal is procedure invariance because payoffs are weighted heavier than pricing when an agent is making a choice.

Socioemotional Wealth and Reverse Preferences in Family Firms

The construct of socioemotional wealth is the family firm variant of behavioral agency theory (Kumeto, 2015; Lim et al., 2010). Using behavioral agency theory, studies of family firms examine the effects of risk-bearing by a nontraditional form of wealth, namely socioemotional wealth (Gómez-Mejía et al., 2007). Socioemotional wealth is an umbrella concept that covers different types of social and affective endowment that accrue to family members because of controlling a business (Miller and Le Breton-Miller, 2014). The term socioemotional refers to the noneconomic utilities gains that family members obtain from their businesses (Gómez-Mejía, et al., 2007), the stock of affect-related value that a family derives from its controlling position in a particular firm or business (Berrone et al., 2012), and to the types of social and affective endowments that accrue to family members derived from their controlling position (Miller & Le Breton-Miller, 2014).

Under the basic principles of behavioral agency theory, socioemotional wealth is an affective wealth at risk, or risk-bearing, because the family firm is negatively related to risk-taking (Gómez-Mejía et al., 2014). The difference between the traditional behavioral agency theory and behavioral agency theory when applied to family firms is that loss aversion is also applied to non-financial utilities, namely, socioemotional wealth. According to Gottardo and Moisello (2015), family firms' decision-making is influenced by the affective or emotional commitment, in the form of a stock of affective values that the family derives from its controlling position.

Berrone et al., (2012) explained that family principals frame their gains or losses based on the socioemotional wealth. The preservation of the stock of socioemotional investment is, in the context of family firms, the most critical point of reference that guides decision making (Cennamo et al., 2012; Gómez-Mejía et al., 2011; Gómez-Mejía et al., 2007). When there is a threat to socioemotional wealth

Table 2. Terms of Behavioral Agency Theory Applied to Family Firms

Term	Definition
Personal endowment	The personal endowment of family principals comprises the financial and socioemotional endowment of the family.
Reference point	Performance or wealth goals used in judging the acceptability of alternatives. For family principals, the reference point is the socioemotional wealth.
Problem framing	Framing a choice situation as a potential loss or a potential gain relative to socioemotional wealth.
Gain context	Anticipating a return over one's reference for gauging acceptability
Loss context	Anticipating a return below of one's reference for gauging acceptability
Risk bearing	Perceived risk to personal wealth that results from threats to socioemotional wealth
Risk-taking	Making resource commitments before the relationship between these commitments and their potential performance outcomes are fully understood.
Risk aversion	Preference for lower-risk options at the expense of returns
Loss aversion	Preferring options that avoid losses in socioemotional wealth altogether over options that limit the size of the loss

Source: Own elaboration based on Lim, Lubatkin, and Wiseman (2010), and Kumeto (2015)

(potential loss) or an opportunity to enhance it (potential gain), family firms, or specifically the family, will take action to preserve the socioemotional endowment. In this set of scenarios, family principals, as behavioral agency theory explains, can be either risk-averse or risk seekers.

The desire to preserve socioemotional wealth puts the firm at risk but contradicts the economic logic. In other words, the family will accept a greater probability of failure and below-target performance, if this implies the preservation of the socioemotional wealth (Gómez-Mejía et al., 2007). At the same time, the socioemotional wealth perspective recognizes that both non-financial and financial objectives affect the problem framing and the chosen actions (Naldi et al., 2013). Table 2 defines the important characteristics of behavioral agency theory applied to family firms.

Preference Reversal in Family Firms

Family firms' decision-makers have personal wealth, or a wealth-endowment, that is comprised of financial and socioemotional wealth. Under strict behavioral agency theory, financial wealth is the only endowment that is considered when making financial decisions, and agents want to prevent losses in their accumulated endowment (Wiseman & Gomez-Mejia, 1998). Nevertheless, in family firms, agents have both types of wealth: socioemotional wealth and financial wealth.

Scholars have studied the pursuit of both emotional and financial goals (Berrone et al., 2010; Chrisman & Patel, 2012; Distelberg & Sorenson, 2009). When applied to family firms, behavioral agency theory states that socioemotional wealth is the main referent for family firms (Cennamo et al., 2012; Gomez-Mejia et al., 2011; Gómez-Mejía et al., 2007), because gains or losses in socioemotional wealth constitute the reference for problem framing in family firms (Berrone et al., 2012). In other words, socioemotional wealth is the highest priority referent in family firms' decision making. Family firms will always prefer to avoid losses in their socioemotional wealth.

In order to perform strategic choices, family firms have two utility dimensions in tandem: socioemotional and financial wealth. Gómez-Mejía, Patel, and Zellweger (2018) argued that family firms face a tandem in which they must weigh both anticipated losses and gains (Bromiley, 2009) in socioemotional but also in financial terms. Family principals weigh how losses and gains impact on current socioemotional wealth and future financial wealth. The problem with financial wealth is that it is fully fungible and that a change in one utility often changes the other utility in the opposite sense (Gómez-Mejía et al., 2018). However, this does not occur all the time. Financial and socioemotional wealth have some overlapping areas. Martin and Gómez-Mejía (2016) argued that some elements of socioemotional wealth are negatively related to financial wealth, and others are positively related. Financial and socioemotional wealth also have some common ground, particularly when the survival of the first survival is at risk, as this puts both financial and socioemotional wealth also at risk.

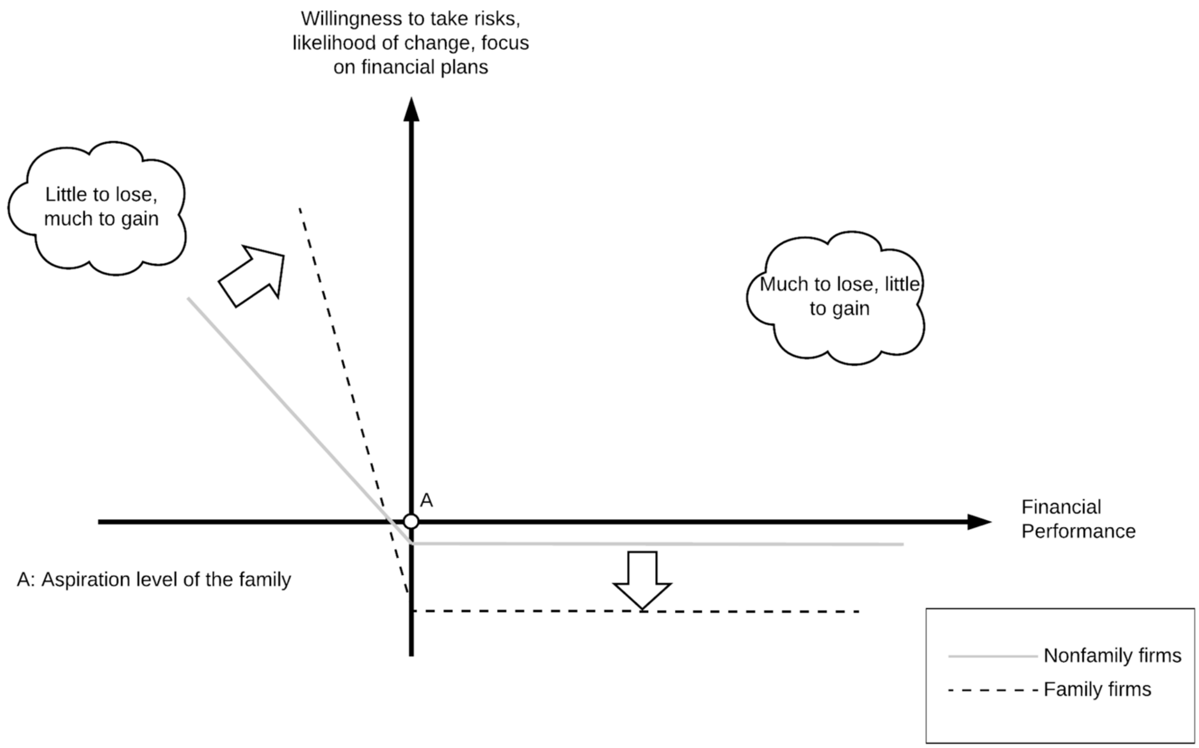
Even if this literature about preference reversal in a family business is not fully developed, some scholars had made some advances in the topic. They found that preference reversal occurs when the firm faces vulnerability. Family principals shift their concern about losses to their socioemotional wealth when the firm faces vulnerability (Gómez-Mejia et al., 2018), and when there is an overlap between the family and the business (De Massis, Kotlar, Chua, & Chrisman, 2014). Under unsafe conditions, when firm survival is at risk (Gómez-Mejía et al., 2018), decision-makers solve the dilemma (socioemotional wealth versus financial wealth) by focusing on the preservation of future financial wealth and willing to sacrifice their current socioemotional wealth. The degree to which family firms are willing to protect socioemotional wealth also varies depending on the degree of overlap between family and business. Family principals are willing to accept higher financial risk in order to preserve their socioemotional wealth because a threat to socioemotional wealth makes family firms more willing to accept greater risk of financial losses (Gómez-Mejía et al., 2007). According to Zellweger (2017), the conditions of vulnerability are a decline in firm performance, low levels of slack resources, and public pressure.

Figure 1 portrays the willingness to take a risk in the vertical axis and financial performance in the horizontal axis. The dotted line explains the behavior of family firms. The other line explains the behavior of nonfamily firms. The figure shows that for both family and nonfamily firms, the relationship between financial performance and risk is linear when risk is below zero. When performance is positive, there is a negative relationship with risk.

LITERATURE REVIEW: APPLICATIONS OF BEHAVIORAL THEORIES IN FAMILY FIRMS

As previously explained, there is not much literature that explains the preference reversal in family firms. However, some studies apply behavioral theories to explain phenomena in family firms. Kotlar et al. (2018) studied the conflicting explanation of initial public offering (IPO) underpricing phenomenon. The authors explain that on one side, behavioral agency theory predicts that family firms are loss averse and will discount their shares in order to minimize their losses. On the other side, prospect theory explains that family firms maximize their financial wealth by demanding a higher IPO. They argued that these contradictions could be explained by adding aversion to losing realization of the behavioral agency theory. Another study only focused on the loss aversion of family firms about the aversion to losses in their socioemotional wealth. Leitterstorf and Rau (2014) proved for a sample of 153 Germain IPOs that family firms are willing to preserve socioemotional wealth (SEW) even if they sacrifice financial performance.

Figure 1. The behavior of family and nonfamily firms
Source: Zellweger (2017)



Mixed gambles is another application based on the behavioral agency theory. According to this theory, risk preferences change with the problem framing and with reference points. The concept of mixed gambles was analyzed by Bromiley (2009) in a management context. It explained that strategic choices represent a mixed gamble because there can be both losses and gains associated with the decision, contrary to win-win and lose-lose situations (pure gambles). Mixed gambles refer to the potential outcomes of both losses and gains (Bromiley, 2009). Scholars have demonstrated that family principals consider both financial and socioemotional wealth, using a mixed gamble perspective (Gómez-Mejía et al., 2018; Gómez-Mejía, Campbell, Martin, Hoskisson, Makri, & Sirmon, 2014). Various papers have applied the mixed gamble perspective. For example, Alessandri, Cerrato, & Eddleston (2018) found that financial slack alters the mixed gamble calculus of internationalization. Gómez-Mejía et al., (2014) conducted a study for R&D in family firms, in which they concluded that family firms are differentiated from nonfamily firms by the mixed gamble applied to R&D decisions. Cruz and Justo (2017) applied the mixed gamble perspective to the portfolio entrepreneurship. The authors concluded that entrepreneurs weigh potential gain and loss outcomes and that family firms are more willing to engage in portfolio entrepreneurship than nonfamily firms. Gómez-Mejía, Patel, and Zellweger (2018) also applied the mixed gamble perspective to acquisitions. They use the concept of vulnerability to highlight that family firms will focus on socioemotional wealth under such conditions.

Although the mixed-method perspective and preference reversal are similar concepts, they have some differences. First, they refer to different concepts. A mixed gamble perspective refers to the fact that family principals consider both socioemotional and financial wealth when making decisions (Bromiley, 2009; Gómez-Mejía et al., 2014). Preference reversal refers to the change in wealth prioritization. According to the behavioral agency perspective, family firms will prioritize the avoidance of losses in socioemotional wealth. The change of prioritization between socioemotional wealth and financial wealth is called preference reversal (Zellweger, 2017). Second, according to the literature review, a mixed gamble perspective is applied to understand empirical differences between family and nonfamily firms. This is contrary to preference reversal, which is only a concept to understand the change of the prioritization. Third, a mixed gamble perspective has been applied in the last years to explain family firm behavior and how they differ from nonfamily firms. A mixed gamble perspective can be easily distinguished, and so is applicable from secondary data. Preference reversal is a more complex concept as it comes from behavioral economics. Recent applications of preference reversal imply applications of gambling choices (Yukalov & Sornette, 2015; Tsetsos et al., 2010; Gómez-Mejía et al., 2014).

METHODS

The exploration of the presence of preference reversal has been explored using experiments, quasi-experiments, and simulations. Consumer behavior tests preference reversal by using experiments. Van Horen and Pieters (2013) experimented with testing preference reversal in copycat brands. They found that although the buyer prefers certain brands, they are willing to change and prefer the copycat if there is uncertainty about the quality of the original product. This type of experiment is also applied in psychology. Lin (2006) experimented with students, in which the participants needed to evaluate a bet which did not have an explicit probability of winning with the limited available information available to evaluate. The author concluded that the problem of preference reversal might be related more to inadequate knowledge than to inconsistencies in choices. Tsetsos et al. (2010) used a simulation-based on neural networks.

Based on Tsetsos et al. (2010), this study uses neural networks to inquire about the prediction effect of low performance (vulnerability) on socioemotional wealth preservation. The neural network is a methodology that predicts outcomes based on machine learning algorithms.

Data Collection

The sample contains quarterly financial and non-financial data from Mexican publicly held companies after excluding the nonfamily firms. Nonfamily firms are part of the sample. The sample period covers 2012-2017. Data comes mainly from Economatica. The database of Economatica contains financial information of stock exchanges in the Americas; data was collected by quarters. The family ownership data was collected from the Capital IQ database. As neural networks can only use cross-sectional variables, used variables are transformed into averages.

Variables

Family Ownership: According to Berrone et al., (2012), the common proxy used to capture family control is the stock ownership in the hands of the family members (*family ownership*). Following Gottardo and Moisello (2015), family ownership is the percentage of shares owned by family members and can be used as a measure of socioemotional wealth. This variable was calculated by adding the percentage of shares of each family member. The family members were previously identified based on the work of Bustani Garcia (2013). So, for each family member, the ownership percentage was added in order to obtain a total of family ownership.

In order to delineate the decision to keep or release family ownership, a dummy variable was calculated. The decision of keeping, augmenting, and releasing family ownership is an indicator of the family firm's willingness to focus on socioemotional wealth or their focus on financial wealth. The dummy transformation was calculated using the last observed period versus the average of the observation of the variables for the whole sample period. The variable takes the value of 0, 1, or 2. 0 implies no changes in family ownership (socioemotional wealth), 1 implies a reduction of family ownership (focus on financial wealth), and the 2 implies a rise in family ownership (focus on socioemotional wealth). A release of family ownership indicates a firm willing to focus on financial performance. Family firms might also want to keep their family ownership without changes. Family firms may also want to increase family ownership, which is an indication of the family's willingness to keep their socioemotional wealth.

Low Performance: Vulnerability can be expressed in different ways. In particular, Zellweger (2017) explains that one type of vulnerability is low performance. Low performance can be measured as a deviation from the past performance or a deviation from the industry average. This study uses a measure of deviation from a previous performance. Performance can be measured in several ways; this study uses return on equity. A dummy variable was used to depict low performance. This variable takes value 1 when the last period performs worse than the average and takes value 0 when the firm performs better than the average of the firm during the sample period.

Sales of Goods: The variable sales of goods is a variable used only as a covariate, to express the variation of the model. This variable is calculated as an average of the firm's sales of goods during the sample period.

Analysis of Preference Reversal under Vulnerability

The performed neural network analysis has followed the multilayer preceptor, using only one layer, with hyperbolic tangent as the hidden layer activation. The neural network has two different functions: multilayer perceptron and radial basis function. Multilayer perceptron was chosen because it allows less hidden layers, and so, the relationship of factors on the prediction of the dependent variable is more direct.

The following graph shows the neural network and the results. A neural network has a dependent variable associated with factors and covariates. The factor is a variable that might influence the results of the dependent variable. The covariate variable implies a variation and can also be used to improve the power of prediction of the neural network.

The graph shows the influence that factors and covariates have on the prediction of the dependent variable. The graph shows the dependent variable, the factors, and the covariates. The dependent variable is a dummy variable that takes value 0 when there are no changes in the family ownership, 1 when there is a reduction of the family ownership, and 2 when there is an increase of the family ownership.

Figure 2. Neural network

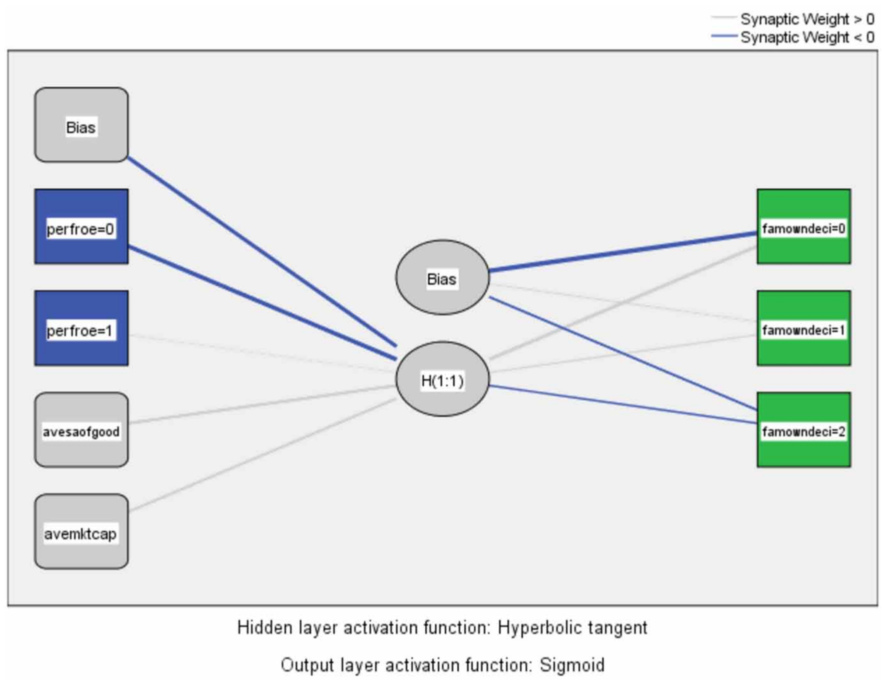


Table 3. Model summary

Training	Sum of Squares Error	8.115
	Percent Incorrect Predictions	42.4%
	Stopping Rule Used	Relative change in training error criterion (.0001) achieved
	Training Time	00:00:00.007
Holdout	Percent Incorrect Predictions	66.7%

Dependent variable: famowndeci

The factor variable is low performance. The neural network methodology allows checking the effect of the values of dummy variables. Figure 1 shows the effect that low performance has on the decision to release, keep, realize, or increase family ownership (socioemotional wealth versus financial wealth). The figure also shows the effect that sales of goods have on the prediction of family ownership decisions.

According to neural networks methodology, the graph shows the relation that factors and covariates have with the layer, and then the relationship that the hidden level has with the dependent variable. The negative relationships are depicted with blue lines, and the positive relationship is depicted with grey lines. The strong relationships are depicted with thicker lines.

Thus, Figure 2 shows that high performance and a bias term as factors have a strong negative relationship with the hidden layer. The hidden level has a strong negative relationship with the decision to increase the family ownership. The bias has a strong level because the model has a small number of

Table 4. Classification

Sample	Observed	Predicted			
		0	1	2	Percent Correct
Training	0	0	1	0	0.0%
	1	0	19	0	100.0%
	2	0	13	0	0.0%
	Overall Percent	0.0%	100.0%	0.0%	57.6%
Holdout	0	0	0	0	.0%
	1	0	2	0	100.0%
	2	0	4	0	0.0%
	Overall Percent	0.0%	100.0%	0.0%	33.3%

Dependent variable: famowndeci

variables, and an error might explain all the unknown variables. Table 3 depicts the error of the model, which is 8.115, and is acceptable.

Table 4 depicts the classification, where there is a good percentage of correct answers for the classification of the decision of the firm to release family ownership, or in other words, the decision to focus on financial wealth.

DISCUSSION

Behavioral agency theory states that although agents do not have stable preferences over time, they can have a critical point of reference. In family firms, the preservation of the socioemotional investment is the most critical point of reference that guides decision making (Cennamo et al., 2012; Gómez-Mejía et al., 2011; Gómez-Mejía et al., 2007).

Preference reversal is a change of reference to the critical point. This study explores the presence of preference reversal in family firms. In family firms, a reversal of preference occurs if family firms are willing to accept losses in socioemotional wealth in order to prevent losses in financial wealth. This occurs in the presence of vulnerability. This study aims to explore the preference reversal that occurs in family firms in the presence of low performance by applying neural networks.

The results show that there is a strong negative effect of the high performance in the decision of family firms to increase family ownership. An increase in family ownership implies that family firms are not willing to lose control of the firm and the ownership. They want to keep control, indicating a focus on socioemotional wealth. There is also a weak positive relationship between low performance and the decision to decrease family ownership. This implies that low performance is positively related to the decision to release family ownership. When family firms decide to release family ownership, they prefer to lose control of the firm. This might be an indicator of focus on financial performance and thus an indication of the presence reversal.

It is not easy to measure the preference reversal without using experiments. The machine learning allows the computer to assist in the prediction of the results. It thus creates the ability to explore the effect of certain variables on the probabilities of choosing a result. This methodology is useful and permits the exploration of preference reversal without using experiments.

The application of neural networks is not common in family firms' literature. Papers that prove the presence of preference reversal are also not abundant in the literature. So, this is a first exploratory approach to confirm the presence of preference reversal.

CONCLUSION

This study introduces the concept of preference reversal, a concept used in behavioral economics, but difficult to apply in empirical studies. Preference reversal refers to the discrepancy between the choice of a gamble and the pricing of that gamble. In family firms, the preference reversal refers to the change of the critical point of reference from the preservation of socioemotional wealth to the preservation of financial wealth (Zellweger, 2017).

This study explores the presence of preference reversal in family firms. The results indicate that there is a relationship between low performance and the decision to release family ownership, and this implies that family firms might want to preserve financial wealth in the presence of vulnerability.

This study is an empirical test of the presence reversal in family firms, which contributes to the advancement of the study of family firms' decisions. It also contributes to the advancement of the methods used in the family firms' literature by using neural networks based on machine learning.

Although this study is important because it constitutes a first exploration of the preference reversal in the family firm, further research is needed. Particularly, future refinements of this study might include testing of more variables, the inclusion of hypothesis, and the applications of experiments.

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KEY TERMS AND DEFINITIONS

Artificial Intelligence: Intelligent machines are those that can perceive the environment and perform actions that maximize the objective or task.

Behavioral agency theory: Theoretical perspective that explains that individuals' decisions are reference-dependent, as they frame their problems by comparing anticipated outcomes versus a reference point.

Machine learning: Computational field that aims to the development of techniques for making machines to learn.

Mixed gambles: Situations in which there can be both losses and gains associated with the decision.

Neural networks: Computational models, inspired in biological networks, that learn and make a prediction based on algorithms.

Preference reversal: Explains the discrepancy between gamble choices and prices assigned to those gambles.

Problem framing: Framing a choice as a potential loss or potential gain about a reference point.

Reference point: Performance or wealth goals used in choosing alternatives.

Socioemotional wealth: Noneconomic utility gains and affective endowments that families obtain form their business or from their controlling position.

Vulnerability: Situation that puts firm survival at risk, such as low performance, low levels of slack resources, and public pressure.

ENDNOTE

1 Transitivity is a term used in economics and mathematics to describe the relationship between a, b and c, and if a and b are related, and b is related to c, so a and c are related.

Chapter 12
The Strategic Divestment Decision in the Family Business Through the Real Options and Emotional Lenses

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ABSTRACT

Divestments have received little attention in family business research, although representing one of the most important strategic and financial decisions. Additionally, they have been insufficiently studied from the owning family's emotional perspective. This chapter contributes in filling these gaps by focusing on the core entity of the family business as object of divestment from the Real Options and Regret theoretical lenses. It suggests a characterization of the family business divestment decision and a series of propositions with case vignettes around configurations of divestment options, their valuation, and influence in different emotional family business archetypes.

INTRODUCTION

Divestments are among the most important strategic and financial decisions in organizations. They started to gain scholarly interest in the 1980s (Montgomery, Thomas, & Kamath, 1984, p. 830) and have been increasingly studied since, mainly in relation with the financial value creation (Haynes, Thompson, & Wright, 2000; Kaplan & Weisbach, 1992; Lee & Madhavan, 2010; Rosenfeld, 1984). In family businesses, however, the underlying processes of divestment decision-making do not only obey financial and strategic logics but also emotional logics.

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As the headline of an International New York Times article puts it, "*Selling a business involves more than money*". Founders often have a deep attachment to their company, making of their divestment an emotional and a reversible decision. It is indeed not uncommon for founders to buy back their company shortly after the sale (Sullivan, 2016). Examples of family owners and managers who faced the emotional dilemma of selling or not selling the family business are not hard to find.

In August 2019, The New York Times featured an interview with John Brooks, four years after the sale of Malt-O-Meal, his family's business which was the fourth-largest cereal producer in the USA. Mr. Brooks acknowledged that the sale was not satisfying as it left a void in his life and set the three branches of the family apart. He wished the family still owned the company (Sullivan, 2019).

In 2011, The Guardian and ProPublica's headline stated "*Bancroft family members express regrets at selling Wall Street Journal to Murdoch*". This sale was concluded following Murdoch's offer for a significant premium to the share market price, in a context when newspapers share prices were flagging. The article featured quotes from some family members who were happy with the price they got while others were confessing that looking back, they wished they did not sell their shares (Tofel, 2011).

In 2008, the American Anheuser-Busch, also known as the "King of Beer", was sold to the Belgian AB InBev. As reported in the book documenting the sale, members of the senior generation looked at how much money they were personally going to make. For August IV, member of the young generation, however, "it wasn't about the money." Acknowledging the enduring emotional tie he has to the business, August IV tried to prevent the deal at any cost. When the senior generation, Patrick Stokes and his father, decided to sell out, it became very hard for him to do anything at that point though (Macintosh, 2010, pp. 315-316).

In 2006, Pierre-Emmanuel Taittinger, member of the younger generation, was prone to regrets following the sale of the French century-old Taittinger House of Champagne to the American investment fund Starwood Capital. Taking up the challenge of reconsidering his family's divestment decision, he managed to buy it back at a significantly higher value, less than a year after the initial sale. All these examples illustrate the role of family emotions, namely regret, when it comes to divestment.

Still, most of this literature to date has overlooked the underlying emotional processes of divestment. This phenomena was initially explained by the secrecy surrounding the divestment process (Hayes, 1972) as well as by the sensitive and confidential nature of divestment as a research topic (Duhaime & Baird, 1987, p. 495). Additionally, divestment is sometimes not thoroughly planned (Hayes, 1972) and monopolized by a restricted group of managers from the headquarters (Torneden, 1975). These explanations are particularly true for family businesses which are known for their reluctance to publicly disclose information (Davis, 1983; Lee, 2006). Also, the emotional rationale is by far more complex in family businesses than other types of businesses given their hybrid identity intermingling family and business systems (Davis, 1983; Sundaramurthy & Kreiner, 2008).

The scarce studies acknowledging the emotional dimensions have viewed divestment processes as more painful and emotionally unsettling than acquisition processes, leading to more time needed for the CEO to develop the decision in the organization (Lindgren & Spångberg, 1981, p. 44). Many divestment decisions tend to occur after the CEO has been replaced, since new CEOs are more likely to display lack of emotional resistance in initiating a divestment process (Lindgren & Spångberg, 1981, p. 38). The social context of different types of major shareholders also affects corporate divestment behavior (Fleischhacker et al., 2015), particularly in family businesses (Hirigoyen & Basly, 2018). "The money for tears" metaphor (Fleischhacker et al., 2015) seems to best illustrate the emotional difficulty of making such a decision and the subsequent level of divestment premium to let go, depending on the degree of overlap between the family system and the business system.

Whereas less attention has been generally given to divestment decisions as compared to other financial and strategic decisions (Buchholtz, Lubatkin, & O'neill, 1999), the last decade started witnessing an exponential increase in the number of published articles on divestment in the family business. The pioneering work of Sharma and Manikutty (2005) helped set the stage of analysis with a dynamic view on divestment, followed by studies on different aspects of divestments, ranging from antecedents to outcomes[1] (e.g., Akhter, Sieger, & Chirico, 2016; Chung & Luo, 2008; Dehlen et al., 2014; Di Toma & Montanari, 2012; Feldman, Amit, & Villalonga, 2019; Fleischhacker et al., 2015; Kim, Hoskisson, & Zyung, 2019; Niedermeyer, Jaskiewicz, & Klein, 2010; Praet, 2010; Salvato, Chirico, & Sharma, 2010; Zellweger & Brauer, 2013).The contributions of these works offer however a partial picture of the divestment phenomena in terms of emotional dimensions.

In the same time, this surge of interest has occurred in an evolving academic context, adapting revised models of decision-making from economics, finance or marketing to the family business field, beyond the rational decision-making assumptions. These models suggested including both financial and emotional components to address family business valuation (Zellweger & Astrachan, 2008) and wealth considerations, such as emotional costs and returns (Astrachan & Jaskiewicz, 2008) and socio-emotional wealth (SEW) (Gómez-Mejía et al., 2007). Despite their positive implications, these concepts still lack a consensus in terms of empirical and theoretical underpinnings (Kellermanns, Eddleston, & Zellweger, 2012; Labaki, Michael-Tsabari, & Zachary, 2013a; Prügl, 2019). To overcome these shortfalls and get more clarity and rigor in perspectives, scholars suggested going back to the basics by studying selected emotions rather than new emotional constructs and considering the heterogeneity of the family business emotional archetypes (Labaki, Michael-Tsabari, & Zachary, 2013b; Labaki, 2019).

In this chapter, we address the theoretical caveats of the divestment decision in family business by bridging different theoretical perspectives. First, we focus on the emotion of regret, which is salient in divestment decisions (Hirigoyen & Labaki, 2012), under the lens of regret theory (Loomes & Sugden, 1982). Second, we complement the traditional framework of agency theory (Jensen & Meckling, 1976) which is predominantly used to study divestments with a new theoretical perspective not yet introduced in the family business field. Lying at the intersection of the finance and strategy literatures, the real options theory (Myers, 1977) stands as a promising theory recently used to study divestment strategies as options (e.g., Chi, 2000; Damaraju, Barney, & Makhija, 2015).

Given this, our chapter aims at exploring the research question *How do real options influence the divestment decision-making and interact with the emotion of regret?*. Overall, we offer a comprehensive model of the divestment decision-making in different family business emotional archetypes. Using the agency, real options and regret theoretical lenses, we suggest a characterization of the divestment decision in the family business and a series of propositions around the configurations of divestment options, their valuation and influence in different emotional family business archetypes.

The organization of the chapter is as follows. We first provide an overview of the background of study and a characterization of the divestment decision in the family business. Then, we present the theoretical scope and the literature review. We make a series of propositions on the divestment options and illustrate them with vignettes of real family business cases representing different emotional archetypes. We finally reflect on the limitations, future research directions and contributions of our study.

BACKGROUND

Ever since Davis' (1974) early attempts to provide a planning and analytical framework of divestments, three major streams in management, industrial organization, finance, and corporate strategy, contributed to this object of study (Kong Chow & Hamilton, 1993). Looking into the intersection of the finance and strategy literatures, research on divestment has particularly developed after the waves of takeovers in the 1970s in the USA, which ended-up in failures and massive lay-offs and downsizing. The divestment decision was analysed from a strategic perspective in relation with the value creation of listed managerial businesses. This was in line with the predominant and traditional view that financial value maximization is the main objective of the firm. In order to achieve this objective, a common practice among firms was to use *window dressing* through spin-offs or fixed assets disposals to artificially increase the net profit, enabling them to meet their shareholders' needs in terms of dividends payout. By doing so, however, these firms were short-term oriented. The divestments have progressively led to the destruction of these companies' financial value over the long-run, threatening their continuity. This phenomenon has put agency theory in perspective, providing arguments on the necessity to install sound governance practices to control for managerial behaviors in relation with divestments. These observations were mainly derived from and proposed to non-family businesses whose financial decisions differ from those of family businesses. Family businesses are actually known for their long-term orientation and their preferences for self-financing (Gallo et al., 2004; Poutziouris, 2001) and for lower levels of dividends (Calvi Reveyron, 2000; Hirigoyen, 1984) and financial leverage (Gallo, Tápies, & Cappuyns, 2004; Lyagoubi, 2006). Only recently and progressively, studies began investigating different types of ownership, leading to a reverse statement in family business divestitures (Wu, Xu, & Phan et al., 2011).

So, which theoretical frameworks are relevant to analyze how divestments playout in a family business setting in terms of motives, process, and consequences? We suggest building on and looking beyond the fundamental assumptions of agency theory which views divestment as a result of agency conflicts (principal-principal and agent-principal) and is solely geared towards financial value creation. As Kogut and Kulatilaka (2004) observed, there is reasonable evidence that organizations are sensitive to option considerations. The real options paradigm offers a relevant framework for decision-making under uncertainty in the study of organizations, including small business settings (Driouchi & Bennett, 2012). Since the seminal works of Kester (1984), and Myers (1977). Real options theory has had increasing influence in finance and strategic thinking, but is still nascent in the area of divestments (Bowman & Hurry, 1993; Chi, 2000; Damaraju et al., 2015; Li et al., 2007) while not being yet explored in family businesses. This theory views the capabilities and assets of an organization as a bundle of options for future strategic choice (Myers, 1977), providing a dynamic view of the structural processes defining and framing company strategy (Bowman & Moskowitz, 2001) towards sustainable competitive advantage (Bowman & Hurry, 1993). Studies from a real options lens were combined with other theories to tackle issues such as agency conflicts, transaction costs (Chi & McGuire, 1996), resources, capabilities and organizational learning (Bernardo & Chowdhry, 2002; Kogut & Kulatilaka, 2001; Pandza et al., 2003). It is particularly suited to the divestment decision since it simultaneously addresses the reason for divestment and the value creation from divestment (Shyam Kumar, 2005).

As the family business divestment decision is imbued with emotions, we choose to include the emotion of regret in different divestment options considerations. Regret theory (Bell, 1982; Loomes & Sugden, 1982) focuses on the emotion of regret and its implications on behavioural decision-making (e.g., Zeelenberg, 1999). Its framework is dynamic by nature as it considers different timeframes of the decision-making process, accounting for anticipated and experienced regret. It stipulates that individuals are impelled to avoid the experience of regret and make decisions that minimize the expected regret to achieve desired outcomes. In family business, this rationale is particularly relevant for understanding how past stories and experiences infused with emotions might shape the strategic decisions of the family business owners and managers, such as divestment (Hirigoyen & Labaki, 2012; Labaki, Bernhard, & Cailluet, 2018).

CHARACTERIZATION OF THE DIVESTMENT DECISION IN THE FAMILY BUSINESS

Given the limited research on divestments in the family business, characterizing the divestment decision is a challenge by itself but a necessary endeavour. We will start by discussing what does a divestment decision represent or mean, what is the object of divestment, the main reasons for a family business to divest and the characteristics of the family involved in the divestment process. In the present chapter, a family business is viewed as a business controlled by at least two family members who hold key managerial and/or governance positions.

Definitional Issues, Object, and Typology of Divestment

While scarce definitional efforts exist on divestment in the family business literature [2], we adapt existing definitions in the finance and strategy literature (e.g., Cadiou, 1989; Hoskisson, Johnson, & Moesel, 1994) to the family business and offer the following definition: "Divestments in the family business refer to a rupture of an investment cycle, acted through the sell-off[3] of *tangible/intangible/financial assets* and/or through downsizing the human resources, towards expected positive *financial and/or emotional* cash flows and value creation for the family shareholders".

The object of divestment allows us to specify our definition, either in relation with the *core or primary* business activities or with the *new and non-core, also called satellite or peripheral,* business activities. High levels of psychological ownership towards the core business have been reported recently in the literature (Bernhard & Jaskiewicz, 2010; Bernhard & O'Driscoll, 2011; Bernhard & Labaki, 2016). The key characteristics of psychological ownership are a strong feeling of possessiveness for and a high degree of psychological attachment to the target (Pierce, Kostova, & Dirks, 2001). This attachment is expected to be stronger when the identity of the family is linked to the corporate identity of the business, as it was the case of the Taittinger family's core champagne business which held the family name. The level of identification or identity-fit between the family and the business(es) are also motivating factors for divestment decisions. Families have different levels of emotional attachment and identification to different businesses in the portfolio, leading them to more easily divest those with the lower level of attachment or identification, especially businesses other than the core business (Michael-Tsabari, Labaki, & Zachary, 2014). When the level of identification to the satellite businesses of the portfolio is high, the exit strategy of family businesses seems to differ as there is a preference to shut them down by closing the operations rather than selling them for financial gain (Akhter et al., 2016). Kim et al. (2019) extended the concept of favoritism introduced by Carney (2005), which refers to special criteria families use to discriminate between multiple businesses. They coined "the socioemotional favoritism" (SEF) expression to describe the family-centered socio-emotional processes that families have towards certain business units which they choose to divest or not divest while focusing on foreign subsidiaries. Additionally, some researchers highlighted the differences in perspectives in the exit decision depending on the characteristics of the buyer (external versus internal) (Dehlen et al., 2014) or the priority of the exit options available (merge, sell, dissolve) (Chirico et al., 2019).

In light of the above considerations, we limit our focus in this chapter to the divestment of the core business as a representation of significant, although different, levels of identification and emotional attachment for the family shareholders, geared towards a buyer who is not part of the family.

In addition, different typologies of divestments exist. Montgomery and Thomas (1988) referred to three types: refocusing strategy, tactical sell-off and distress sale, which they applied to two distinct characteristics of divestments: the forced (or constrained) divestment and the voluntary (or desired) divestment. The first two types of divestment correspond to the desired divestment whereas the third one corresponds to a forced divestment whose duration tends to last less than the former one.

Other classifications distinguish divestments in terms of consequences. On the one hand, divestment is a consequence of the failure of recent acquisitions and, on the other hand, a consequence of general policies (acquisitions that were divested for reasons related to the refocusing or deleveraging of acquiring companies) (Meschi & Métais, 2007).

Divestments that are part of clearly identified strategies are expected to create more value than those taking place in a reactionary or piecemeal manner or arising from unidimensional or short-term performance criteria (Montgomery et al., 1984). Based on a sample of French acquisitions in the USA, the value created seems higher for divestments following general company policies (strategic reasons) than for those following failures (Meschi & Métais, 2007).

We maintain that the emotional interactions in the decision-making process about each type of divestment are different. The constrained divestment is often made mandatory or stands as the only option possible, because of the necessity of a distress sale. The latter can be due to external constraints such as institutional factors or governmental regulations, especially in emerging economies. Higher levels of block-holdership by the government are, for example, associated with more divestment for different considerations (Wu et al., 2011). Internal constraints might relate to the absence of a family heir or successor, leading the owner-managers to prefer terminating the business instead of seeking an external successor or selling the business (Santarelli & Lotti, 2005) or to the lack of motivated or qualified family members able to take over the business especially during financial crisis (Hirigoyen & Basly, 2018).

This chapter focuses on the analysis of the option of desired or voluntary strategic divestment of the core business by the family to an external buyer, from the agency, regret and real options theoretical perspectives.

Motives for Divestment

The interest in divestment among scholars was triggered by a wave of takeovers and acquisitions in the USA in the 1960s, followed by speculations about a wave of divestments in the 1970s. As Hayes (1972) has put it at that time, “the maneuverings, secrecy, and emotionalism characterizing divestment will diminish as corporations realize its strategic potential.” He also added that “acquisition and divestiture are two sides of the same coin; but they are opposite sides”, while calling for a strategic consideration of divestment in terms of risk and rewards. Nearly five decades later, his call is still relevant particularly for the family business characterized by the interaction of the family and the business. Bridging the strategy, finance, and family business literatures, we identified different motivations for divestments that are relevant in family business, ranging from strategic and financial to family and emotional motivations.

Strategic and Financial Motivations

Divestment decisions are part of the strategic and financial development of businesses because they allow redefining the portfolio of assets of the firm (Magnin, Rougnon, & Thibierge, 2001). They are viewed as a strategic activity which stands as a response to diverse types of managerial decisions and behavior (such as excessive acquisitions, over-diversification, or poor performance).

Back in the 1970s and 1980s, the literature started to agree that divestiture decisions, like other major management decisions, should be rooted in corporate strategy and consequently geared towards value creation (Montgomery et al., 1984). Theoretically, agency theory has been the predominant theoretical framework for the analysis of divestment decisions. A divestment operates at the nexus of finance and strategy and is intended to make adjustments towards an alignment in the interests of the shareholders (Haynes et al., 2000; Wu et al., 2011), in the spirit of agency theory. Financial and strategic motivations are closely intertwined.

From a financial motivation perspective, divestments tend to occur following performance shortages related to two main factors: diversification with unrelated business units (Kaplan & Weisbach, 1992; Meschi & Métais, 2007; Shleifer & Vishny, 1991) and financial structures with high leverage (Klein & Klein, 2001; Nguyen, 2018; Sentis, 1998) in terms of long-term debt at maturity as well as short-term liquidity gaps (Lang, Poulsen, & Stulz, 1995). Evidence shows that voluntary divestiture transactions or sell-offs often have a positive impact on shareholder wealth, increasing the stock prices of the divesting firms and generating significant positive excess returns to both sellers and buyers (Jain, 1985; Lee & Madhavan, 2010; Rosenfeld, 1984) while reducing the debt level of the divesting firms (Sentis, 1998).

From a strategic motivations' perspective, divestments stem out of the need to grow on the long-term by converting the assets into liquidities, which will be invested in future or existing operations expected to be more profitable (Cadiou, 1989; Hamilton & Kong Chow, 1993). The divestment of resources can be perceived as an integral part of the strategic management of the firm's resources portfolio, either when the value-creating potential of these resources is lost or when bundling those resources differently contributes to wealth creation, through the exploitation of opportunities and development of capabilities towards creating competitive advantages (Ireland, Hitt, & Sirmon, 2003). As shown by Di Toma and Montanari (2012), these motivations are particularly valid in family businesses which are characterized by succession uncertainties with a lack of organizational capabilities and divergent family shareholders' goals.

Complementing agency theory, other studies have built on organizational learning theory and the experience curve theory to study the association between the value creation from divestment and the level of past knowledge acquired in previous acquisitions, the degree of similarity of the acquisitions, and the level of exponential memory loss relative to that experience, depending on the period of time between the different events (Meschi & Métais, 2007). According to these authors, the experience of management of acquisition and portfolio of activities seems to reduce the probability of divestment following failure. The "gross experience of acquisition", which is not yet depreciated by memory loss over time, increases the probability of doing a good divestment while the mid-term experience reduces the risk of divestment following a failure. Villalonga and McGahan (2005) explored the relationship between prior alliances of Fortune 100 firms with the choice of alliances over divestitures. From an organizational learning perspective, they found positive knowledge spillovers from alliances to divestitures. Building on real options theory, they found that prior alliances confer an option to engage in divestments when the value of the option makes it worthwhile to exercise but that firms rarely choose to exercise that option. This last stream of the literature brings into light the importance of prior experiences and highlights the role of experienced regret in anticipating future regret with divestments based on experience.

Family and Emotional Rationale

The decision to divest in the family business seems to include socio-emotional wealth (SEW) considerations in addition to traditional financial considerations. In a sample of listed Belgian family firms, Praet (2013) found that families which exert a significant influence on the business through the board of directors are less likely to engage in divestments whereas family businesses at the founder's stage are more active divestment-wise than other family businesses, while being less hindered by emotional considerations. Fleischhacker et al. (2015) research shows that non-financial goals affect divestment behavior depending on the level of family and business interaction and the ownership structure of the family business. Zellweger and Brauer (2013) observed that when the family business has poor financial performance along with institutional pressure in terms of media coverage, the likelihood of predominance of financial considerations over socio-emotional wealth considerations increases and leads to divestments. Using a sample of publicly-traded USA firms, Feldman, Amit, and Villalonga (2016) concluded that family firms are less likely to divest than non-family firms, especially when their CEO is a family member, and when the business units are unrelated. In a similar line, Chung and Luo (2008) found that family-controlled business groups are less likely to divest unrelated businesses than their non-family counterparts; while Feldman et al. (2019) found that family businesses are less likely to undertake divestitures and once they do so they tend to create higher firm value than non-family businesses. Kim et al. (2019) showed that family CEOs are less likely to divest foreign subsidiaries than non-family CEOs in Korean multinational family businesses, particularly when the subsidiaries have larger affective endowments. These authors introduced the notion of socioemotional favoritism, supplementing the widely used socioemotional wealth perspective (Gómez-Mejía et al., 2007). Based on a Swedish sample, Chirico et al. (2019) observed that as performance deteriorates, the likelihood of exit increases for non-family firms but decreases for family firms. They attributed such reason to the family owners' greater focus on non-financial utilities and desire for transgenerational continuation. Salvato et al. (2010) looked qualitatively at the factors underlying the process of exit in family firms by drawing on a case where the exit was successful. By analyzing the exit from a continuity perspective, they suggested that the fear of key family agents from losing identity – among other factors – is likely to impede the change process. By comparing divestment of core and peripheral entities in French firms, Nguyen (2018) found that the financial motivations are less significantly correlated with the divestment decision of core assets than non-core assets. The author suggests that socio-emotional considerations might explain part of these differences.

Overall, these studies highlight differences in divestment behaviors between family and non-family businesses, especially related to the core business, alluding to family and emotional logics.

Added to this, Sharma and Manikutty (2005) studied the divestment decision within a dynamic time frame. Borrowing from anthropological and sociological perspectives, the authors conceptually explained the managerial behavioral gap between the time when the manager realized the need for a divestment decision and the time when the decision is acted by using family cultural and structural dimensions. While focusing on one specific emotion in a dynamic perspective, Hirigoyen and Labaki (2012) suggested that the expected, as well as the experienced regret, may influence decisions of the owner-manager, including divestment, who would altruistically seek to maximize not only the financial value out of the decision but also the emotional value. In a similar line of thought, Zellweger and Astrachan (2008) maintained that the controlling owners take into account the cost of future regret when deciding on a change in their asset position. They considered that the more positive the perception of autonomy by the controlling owners, the higher their aversion to regret the potential loss of autonomy and, consequently, the higher their required compensation for the foregone loss that will be captured in emotional value. Stated differently, the higher the regret, the higher the perceived emotional value needed in order to capture the potential loss. On another note, Di Toma et al. (2012) argued that exit is not necessarily a sign of failure for entrepreneurial families but could be viewed as positive. Among the exit options, they studied the private equity buyout and found qualitatively that this buyout plays the role of a governance mechanism that may balance the family's wealth protection and the business' future growth by helping realign the different family members' interests.

It is therefore relevant to consider the interests and the regret of the family owners in the divestment of the core business, especially when it is closely connected to family history and identity. Our theoretical framework is intended to address these variables and initiate propositions in this direction.

THEORETICAL FRAMEWORK AND PROPOSITIONS

This chapter bridges finance and strategy and goes beyond the scope of the traditional assumptions of the financial theory, which is based on the paradigm of the rationality of the decision-maker. It examines the actual behavior of the family owner by building on agency, real options and regret theoretical lenses. This three-fold approach helps to anticipate different situations that would lead the family to exercise or not to exercise the *divestment option*, depending on the level and type of both the expected regret and expected value creation out of the divestment.

Family Owners as Actors of the Divestment Decision: An Agency Relationship's View

The characteristics of decision-makers differ and affect the divestment decision accordingly. Feldman et al. (2016) and Feldman et al. (2019) suggested a difference in behavior and outcomes, depending on whether the manager is a family or non-family member. While focusing the current chapter on the family owners, several situations can unfold, leading to convergent or to divergent interests of the family members in relation with the divestment decision. In an agency relationship's view (Jensen & Meckling, 1976), the larger shareholder group of the family can pursue its own interests at the detriment of the minority family shareholder group, which leads typically to the principal-principal conflict (Shleifer & Vishny, 1986). Intergenerational differences may also lead the senior family owners-managers to seek their own interests at the detriment of the next generation interests or vice-versa. The likelihood of a divestment decision by senior controlling family owner-managers may depend on their attitude towards retirement, their years of experience in the business and their role as founders or developers. In reference to Sonnenfeld (1988) and Sonnenfeld and Spence (1989), four different attitudes - the general, the monarch, the ambassador and the governor - can lead to different divestment behaviors. "The general" identifies herself or himself with an immortal and heroic stature. She or he manoeuvres to preserve this figure by all means, including divesting the core business in order to preserve his heroic memory. This was the case in the Anheuser-Busch family, which was presented in the introduction, since "the general" divested the business in an attempt to hinder or terminate the intrafamily succession process. In other cases, "the monarch" attitude of the senior owner-managers may lead to a major resistance towards letting go, therefore to refuse the sale of the core business despite significant losses. At the contrary, "the ambassador" or "the governor" are more flexible about simultaneously retiring and letting go, either by maintaining a guidance role for the first or completely disconnecting from the business for the latter. In both cases. These attitudes facilitate the divestment decision since they rely on the other family owners' wishes instead of their own exclusive interests in order to avoid disrupting the family harmony. Looking at the younger generation, it appears that when their feelings of psychological ownership are weak or non-existent, they may find it easier to divest the core business that they were not initially involved in, as this might contribute to establishing their legitimacy in the family business. This is in line with the observation of Lindgren and Spangberg (1981) about the lesser extent of emotional resistance of new CEOs to divest.

These insights show the heterogeneity of family owners in terms of interests in relation with the divestment decision and the subsequent likelihood of agency conflicts among them. These could impact the outcomes of a decision in relation with divestment. The regret theory and real options reasoning offer a complementary framework to the decision-making process, allowing family owners to include their expectations and their emotion of regret in the divestment equation towards value creation for family owners.

Addressing Divestment in Family Businesses Through the Real Options Perspective

Understanding how the real options perspective informs the divestment decision requires presenting an overview of the main theoretical principles and techniques as they apply to the family business.

An Overview of Real Options Theory

The general umbrella of real options theory encompasses three specific lenses: real options valuation, real options reasoning, and real options as capabilities for firm evolution and managerial decision-making (Driouchi & Bennett, 2012).

The *option valuation* dates back to the beginning of the past century (Bachelier, 1900). Translated several decades later into *stock option valuation* formulas by Black and Scholes (1973), it was simplified and refined by Cox, Ross, and Rubenstein (1979). As early as 1977, Myers was the first to consider projects as risky investment options that can be evaluated. His article published in the *Journal of Financial Economics'* marked the birth of this new research corpus. Myers (1977) suggested creating a link between the evaluation of financial options, which are traded and non-traded financial instruments, and investment projects. He showed the utility of real options theory to the valuation of projects by highlighting the shortcomings of the traditional valuation methods. He particularly questioned the relevance of the Net Present Value (NPV) in analyzing an investment that does not generate immediate gains, but that opens a field of opportunities for future growth, which are not included in the NPV calculation. He used the option valuation models to estimate the value of a risky project by arguing that part of the value of a firm should include the present value of the options to make further investments on possibly favorable terms. The traditional valuation procedures, such as discounted cash flow (DCF) analysis, actually ignore the value of *managerial flexibility*, which allows, for example, to dynamically react to changing market conditions or unexpected family events in family businesses. By measuring the value of such adaptability, the real options methodology appears an important tool in the valuation of assets under uncertainty (Frayer & Uludere, 2001).

The *real options reasoning or thinking* views real options as heuristics in the strategic planning framework. It proposes a methodology, serving more as a strategic mapping procedure than a valuation exercise *per se*. Under the option logic, decision-makers acquire competences for sequencing commitment in a predictive, incremental and flexible manner, including reversible alternatives, in order to create value (Driouchi & Bennett, 2012; McGrath, 1999). They engage in a strategic decision-making process, from proactive planning to identification of alternatives during the planning, and to strategy formulation (Driouchi & Bennett, 2012).

The *real options view as capabilities* for decision-making considers real options as platforms for organizational learning and as investments for developing new capabilities or competencies in sequencing a strategic commitment (Bowman & Hurry, 1993). They allow to reverse organizational inertia, sustain competitive advantage and create value (Driouchi & Bennett, 2012).

Overall, the real options theory stands at the intersection of finance and strategy and allows to view divestment as a valuable strategic option to be or not to be exercised towards value creation for family owners.

The Real Option of Divestment: Properties and Mechanisms

Technically, real options are based on the same principles than financial options, in the sense that options give an owner *the right*, but not the *obligation*, to take *action*, such as divest. These options arise from the interplay between the existing investments, the knowledge and the capacities of the organization and its environmental opportunities allowing preferential access to future opportunities, such as the opportunity to gain capital, to grow (Bowman & Hurry, 1993; Myers, 1977) or to realign the interest and strengthen harmony of the family (Di Toma & Montanari, 2012; Niedermeyer et al., 2010).

Although non-traded in financial markets, real options are non-contractual obligations. They are implicit contracts in terms of economic opportunities for which prior capital commitment is necessary (Bowman & Hurry, 1993; Kogut, 1991; Weick, 1979). Just like financial options, they have five key components: the value of an asset, the exercise or strike price, the time to expiration, the volatility, and the risk-free rate. Unlike financial options, however, real options require ownership of real assets (tangible or intangible). They entail an explicit assessment of the opportunities linked to the modification of a decision following a change in circumstances. They also highlight the underlying flexibility of the strategic decision of divestment, improving the analysis and optimizing the outcome.

Several categories of real options have been identified and studied:

- *The option to alter* the operating scale (shut down the production) is relevant in more or less favorable market conditions for projects with a flexible structure, allowing the adaptation of the outputs to the demand (e.g., Brennan & Schwartz, 1985);
- *The option to defer or wait to divest* allows to leverage the timing considerations by collecting useful information and learning before divesting. It is carried out under identical conditions than the waiting to invest option (e.g., Ingersoll Jr. & Ross, 1992);

- *The time-to-build option* is the option to abandon the business or the project in midstream if new information is unfavorable. It is valued as a compound option from the perspective of a staged investment. Each stage buys an option of the next stage(s) and is valued accordingly (e.g., Majd & Pindyck, 1987);
- *The option to abandon* allows the business to permanently abandon unprofitable projects or current operations. It is a relief option that helps retrieve the value of a project's assets through their resale, especially under harsh environmental conditions. The abandonment option is equivalent to a put option (Myers & Majd, 1983; Myers & Majd, 2001) and is particularly relevant when there is full ownership of the business unit. Damaraju et al. (2015) suggested that full or higher level of ownership can be conceptualized as the firm taking a substantial put option position on the business unit itself. In the same time, they explain that the ongoing cost of owning the divestment option of a business unit is likely to be large because the units considered for divestment may have current or future financial issues, to which we can add the potential emotional issues of the core family business. Therefore, non-divestment can be thought of as holding the put option, and divestment of the core family business can be thought of as the exercise of the put option.

Building on insights from the family business literature and the theory of regret, we argue that including the real option reasoning in the divestment decision of the core business contributes to understanding *ex-ante* the creation of both financial and emotional value for the family owners and the potential arbitrage between them.

Valuation of the Divestment Option of the Family Business

The valuation of the divestment option (OV) of the core family business encompasses components related to the core business valuation (V) and to the liquidation value (L). As soon as the present value of the remaining cash-flows of the core business becomes lower than its liquidation value at a given period, the value of the divestment option becomes the additional loss in value that the owners could risk if they do not divest. While including regret in a real option reasoning framework, we first present the specificities of the core family business value then we connect them with the liquidation value.

Financial and Emotional Considerations in the Eyes of Regret Theory and The Family Business Literature

The concept of emotional value (EV) of the family business is introduced to complement the financial value (FV) concept. Traditionally, the financial value (FV) of a given company or project corresponds to the net present value of the expected cash-flows (FCF) until the end of its lifetime[4]. In a family business, the private benefits of control can be added to these traditional cash-flows and discounted at the weighted average cost of capital (r) (Astrachan & Jaskiewicz, 2008). Still, a part of the subjective value in the eyes of the family owner(s) remains unexplained by the financial aspect of the ownership stake, captured in the financial value of the firm, neither by the present value of the private benefits of control. This part represents the emotional value (EV) defined in terms of the endowed emotional benefits and emotional costs related to the ownership stake (Zellweger & Astrachan, 2008, p. 348). The minimum price (V) at which the family owner would be willing to sell an endowed entity includes both his or her perceived financial and emotional value of that entity.

The emotional value in the eyes of the owner is therefore the residual between the discounted financial cash-flows, representing the financial value, and the minimum price at which he or she is willing to sell.

Emotional Value (EV) = Total Value (V) – Financial Value (FV)

This formula of calculation leads us to inquire about the discount rate of the cash-flows. It has been argued that the cost of equity capital is different in family businesses because family owners would have different expectations as compared to non-family owners. In particular, they might have lower expectations financially but higher expectations on the emotional side (Poutziouris, 2001; Zellweger, 2007). In line with Hirigoyen (2014), we suggest a refinement in terms of calculations by including r’ as the emotional discount rate, representing the expected emotional rate of return of the owner(s). Following Astrachan and Jaskiewicz (2008), we assume that the emotional value (EV) is the perceived difference between the family business’ emotional returns and emotional costs by the owner(s). The emotional returns (ER) refer to the positive emotional cash-flows such as pride, opportunities for self or offspring, family cohesion and community recognition, while the emotional costs (EC) refer to the negative emotional cash-flows such as family tensions, rivalry, stress and conflict (Astrachan & Jaskiewicz, 2008). EV is computed as the net present value of the Emotional Cash-Flows (ECF), that is the difference between the positive and negative emotional cash flows, discounted at the rate r’.

Total Value (V) = FV + EV

$$FV = \sum_{t=1}^{n} \frac{FCF_t}{(1+r)^t} \quad EV = \sum_{t=1}^{n} \frac{ECF_t}{(1+r')^t}$$

Looking into this valuation formula, the emotion of regret appears as a relevant component to consider (Astrachan & Jaskiewicz, 2008; Zellweger & Astrachan, 2008). We build on regret theory to extend our understanding of the core business’ valuation formula prior to focusing on the specific value of the option to abandon the family business.

In a family business, the nature of regret of an owner-manager can be business-based or family-based (Hirigoyen & Labaki, 2012). It is defined as “the emotion s/he realizes or imagines if the present situation, perceived by the family on the one hand and by the business, on the other hand, would have been better if s/he would have acted differently” (Hirigoyen & Labaki, 2012, p. 122).

Decision-making is an emotional process that is symptomatic of an expectation whose renunciation can be particularly costly for the decision-maker. Using the myth of *Ulysses and the Sirens*, Elster (1979, p. 90) provocatively wrote: “*Would Ulysses let himself be bound to the mast if he knew that the shallow waters around the Sirens’ island were too difficult for anyone else but him to master*?”. Anticipating the temptation of the Sirens, Ulysse tied himself to the mast and put wax in the ears of his men. Just like him, managers can choose to pre-commit themselves to a specific course of action, in order to become unable to deviate from that course of action without considerable cost. This choice would guard them against the occurrence of unpleasant emotions, such as regret, by avoiding the confrontation with a new context that jeopardizes their expectations. They can therefore anticipate the outcomes of certain decisions in order not to regret them or to minimize their regret at later stages. Regret theory and recent conceptualizations in the family business suggested that the owners pre-evaluate the emotional costs of regret related to a decision, then make choices to avoid or minimize the regret (Bell, 1982; Bell, 1983; Hirigoyen & Labaki, 2012; Loomes & Sugden, 1982) in order to achieve the desired family and business outcomes (Hirigoyen & Labaki, 2012).

Choosing to analyze divestment from the option's rationale by introducing the emotion of regret is one way to pre-commit towards reducing the emotional costs and increasing the overall value created out of the divestment. Integrating the option of divestment in the decision-making process requires taking into account the expected level of regret following the divestment and estimating the difference between the total expected value of the object of divestment, both financial and emotional, and the abandonment value. As family businesses do not form a homogeneous group in terms of family owners' expectations and perceptions, conflicting interests between different owners' parties reflect different perceptions of the regret they will express in relation with a divestment decision. These perceptions affect the exercise of the option of divestment and its value.

Given the above, we suggest the following proposition:

Proposition 1: The emotional components of the option of divestment

P 1.1: Different levels of perceived regret may exist among the family owners relative to the divestment decision.

P 1.2: Different levels of regret are associated with different perceptions about the financial and emotional costs and returns, therefore leading to different valuations of the core business.

At the same time, analyzing divestment strategy from the real options perspective entails engaging in a process of resource-divestment choices (Bowman & Hurry, 1993; Kester, 1984; Myers, 1977). Practically, the individual will hold the option until the opportunity arrives and then decides between striking the option to capture the opportunity or abandoning it, that is divesting or not divesting the core business.

As mentioned previously, the value of the core family business is traditionally determined by the present value of its expected financial and emotional cash flows. According to the proponents of the real options approach, these cash-flows fluctuate under uncertainty conditions. The option to abandon the business will be exercised when the actual cash flows from the liquidation value (L) at the present time exceeds the remaining expected cash flows and/or when the core business investments lead to a Net Present Value (NPV) that is negative (Myers & Majd, 1983). As Klasa (2007) observed, for example, the family tends to consider the option of selling its shares when their market value exceeds the "private" value set by the family. The exercised option to abandon becomes equivalent to the difference between the liquidation value and the expected total value of the business, with levels of emotional and financial components specific to the characteristics of the owners.

Value is therefore created through the strategic, managerial and operational or organizational flexibility (Bowman & Hurry, 1993; Frayer & Uludere, 2001). Given the quantification of the benefits from this flexibility, when uncertainty increases, it translates into a higher value of the option (Frayer & Uludere, 2001). In a family business, we argue that the divestment option's reasoning also increases the family flexibility relative to exercising or not exercising the option of divestment. It allows the family owners to anticipate different scenarios and assess them while making it more acceptable for them to consider a divestment decision in the face of opportunity. As such, the likelihood of family tensions when faced with an imminent divestment decision may be decreased. The family members would benefit from an *ex-ante* thoughtful process about divestment and be prepared in a more serene way to face that decision. The valuation of the flexibility that comes with the divestment could contribute to an arbitrage between financial and emotional value and decrease the likelihood of divergence of interests among family members around the divestment decision.

Given the real options reasoning and literature insights, we suggest the following proposition:

Proposition 2: The impact of the option of divestment on the family business.
P 2.1: The integration of the real option of divestment in the owners' reasoning is likely to contribute to family flexibility in addition to strategic and organizational flexibility.

On the Family Business Variations of the Divestment Option Valuation

Family businesses are not homogeneous over the life cycle since they evolve with different degrees of emotional interactions between the family and the business. Depending on the emotional archetype of the family business (Labaki et al., 2013b), the family owners' regret and related expectations as well as the level of divergence among those expectations are different. Family owners can predominantly seek one type of value expectations (e.g., financial value) at the detriment of another type of value expectations (e.g., emotional value) or vice-versa as illustrated by the examples of the Bancroft and the Anheuser-Busch families in the introduction of this chapter.

This requires accounting for different intensities and types of regret depending on the weight that family owners give to each type of value expectations. When the valuation expectations of the majority owners collide, the option of divestment has a similar valuation. However, in some cases, the valuation of the option of the controlling owner(s) is different from the valuation of the other owners. This may lead to the decision of exercising the option of the majority owners at the detriment of the interests of the minority owners.

Building on the model of the owner-manager regret developed by Hirigoyen and Labaki (2012) and the emotional archetypes proposed by Labaki et al. (2013b), we identify five configurations of divestment options. Each configuration is based on the characteristics of regret and value expectations on the one hand, and the level of agency conflicts according to the family business emotional archetype on the other hand. Overall, this contributes to assessing the divestment option's value.

Regret and Agency Conflicts Across Emotional Archetypes of Family Businesses

Three emotional archetypes are identified by Labaki et al. (2013b): enmeshed, balanced, and disengaged family businesses. Each archetype reflects predominant characteristics of the emotional nexus, that is the way emotions bind the business and the family.

Enmeshed and balanced emotional archetypes of family businesses tend to characterize first and second generation businesses, known for the predominance of a collectivistic culture (Labaki et al., 2013b). According to Sharma and Manikutti (2005), family businesses with collectivistic culture are characterized by a predominance of non-economic goals as compared to individualistic cultures where economic goals prevail.

In balanced family businesses, family owners are likely to have a high degree of identification with and psychological ownership to the core business with moderate to low levels of agency conflicts. On this basis, we expect that family owners have moderate levels of family and business regret that they manage skillfully in order to balance the weight of financial value and emotional value expectations.

They will seek either to maintain the core business in the family's hands or to exercise their divestment option in acceptable conditions. In the latter case, the family and business regret will be minimized through a sale of the business which creates significant emotional value, although the financial value creation could be relatively weak. This could be the case when the core business is the object of family tensions. The proceeds of the business sale may allow future investments or entrepreneurial projects providing opportunities for the family to work as a unit and maintain its harmony on the longer-term (Di Toma & Montanari, 2012; Niedermeyer et al., 2010).

Enmeshed family business owners are characterized by extremely high levels of identification and psychological ownership to the business that contribute to their less likelihood to accept an arbitrage between financial and emotional value. The agency conflicts are almost inexistent as all family owners are aligned in terms of expectations. The family-based regret in relation with the divestment option is viewed as extremely high as compared to the business regret, often leading the family not to exercise the divestment option.

Disengaged family business archetypes are often characterized by individualistic cultures and represent family owners of the third generation and onward. The majority owners are likely passive, weakly identified to the core business and have a low degree of psychological ownership. They view the business from a portfolio perspective and are very demanding in terms of financial value expectations. They tend not to accept a decrease in the financial value at the benefit of emotional value. As these businesses generally span many owners, it is not unlikely to see conflicting agency-principal-principal interests among majority or passive owners who are disengaged and minority or active family owners who still have a sense of commitment to the family business.

Given this, we suggest the following proposition:

Proposition 3*:* Nuances of the divestment option across balanced, enmeshed and disengaged family businesses

P 3.1: Family owners of balanced family businesses will likely have a higher level of expected family and business regret relative to divestment, leading to a higher divestment option valuation than owners of disengaged family businesses.

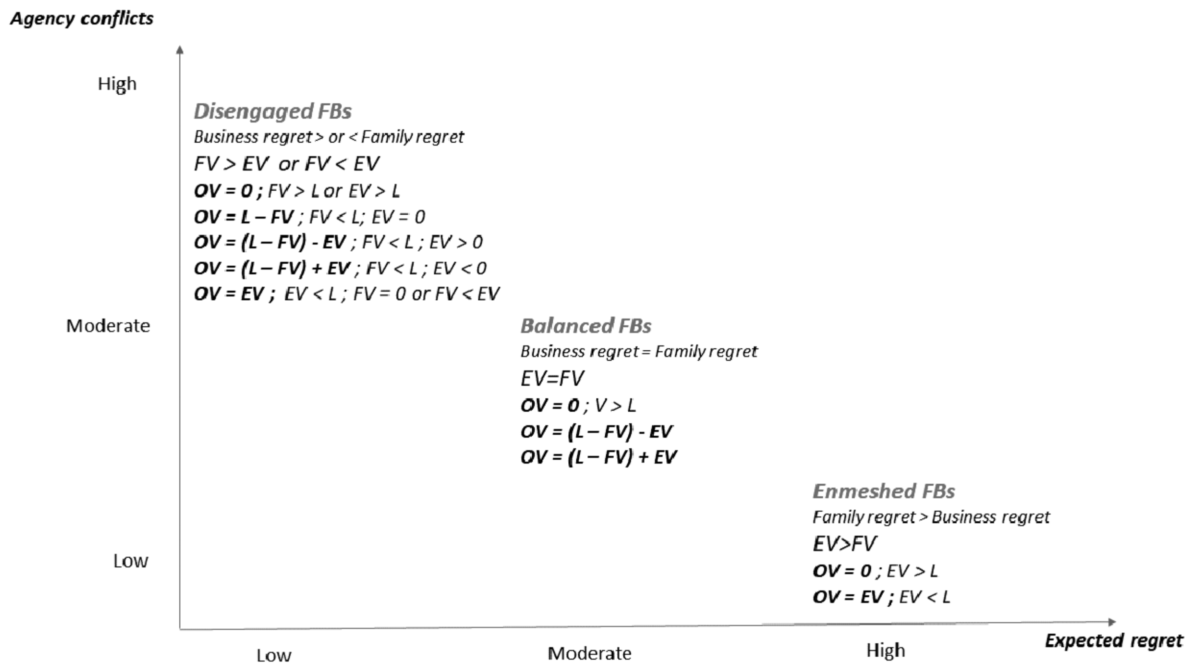
P 3.2: Family owners of balanced family businesses will likely have a lower level of expected regret than owners of enmeshed family businesses, leading to a lower divestment option valuation.

P 3.3: Family owners in enmeshed family businesses will likely have a higher level of expected regret than balanced and disengaged family businesses, leading to a higher divestment option valuation, than family owners in balanced family businesses.

ILLUSTRATIVE VIGNETTES AND DIVESTMENT OPTION CONFIGURATIONS

A typology of configurations can therefore be drawn in enmeshed, balanced and disengaged family businesses, depending on the level of the family and the business-based regret, the agency conflicts among family owners, and the subsequently expected value. We provide vignettes to illustrate different option divestment situations inspired by real family business cases. The following figure presents these different configurations of the divestment option reasoning.

Figure 1. Divestment options across family business archetypes



Legend: FB = Family Business, EV = Expected Emotional value, FV = Expected Financial value, OV = Divestment Option Value, L = Liquidation Value, V = Expected Total Value

Before presenting the selected cases, we provide a reminder of the different variables and possibilities.

We assume that V is the expected lifetime value of the core business, L is its liquidation or abandonment value today and OV is the divestment option's value. The option's reasoning allows a different valuation of the divestment option (OV) depending on the emotional archetype of the family business as different levels of FV and EV can exist within the V formulations.

If $V>L$, $OV = 0$ as the option of divestment is not likely to be exercised.
If $V \leq L$, $OV= L-V$.

Building on the real option reasoning for each of these conditions, we include different compositions and variations of FV and EV, relative to the emotional archetype of the family business.

1) OV = 0

When $V > L$, the family owners are likely to hold on to the divestment option and continue their commitment to the core business rather than divest it. As they will not exercise the option at present, OV is nearly zero ($OV = 0$).

Depending on the family business emotional archetype, different compositions of the expected V by family owners can exist, with EV and FV levels perceived as more or less important.

In the case of balanced family businesses, the expected value at present can have a balanced weight between EV and FV with the business-based regret equivalent in intensity to the family-based regret. OV = 0 as long as FV + EV > L.

In the case of enmeshed family businesses, the expected value at present can include an insignificant level of FV and significant level of EV. The family-based regret is more important than the business-based regret in the eyes of the family owners. In this case, OV is = 0 as long as EV > L.

In disengaged family businesses, the expected value in the eyes of some owners can include an insignificant level of EV and be mainly composed by FV at the opposite of other owners, and vice versa. The business-based regret tends to predominate in the first case whereas the family-based regret tends to predominate in the latter. Therefore, OV = 0 as long as FV > L or EV > L.

The following vignette illustrates the non-exercise of the divestment option by the Hermès family business.

Vignette 1: The Hermès case

In December 2010, the New York Times titled its article "*Families controlling Hermès move to fight off a takeover*" (Jolly, 2010), following an attempt by Bernard Arnault, the head and controlling owner of LVMH, to increase its stake in the capital of the listed Hermès family business. According to the press, Bernard Arnault must have foreseen opportunities for a takeover of Hermès, given nascent divergent interests among family shareholders around the priorities of financial versus emotional value expectations. Although the family shareholders who were more inclined to financial value did not to represent the majority of shareholders, the sale of their shares would have threatened the family control of the business over the longer run. As Bertrand Puech, chairman of Emile Hermès, the family management company, said in an interview in Le Monde (Vulser, 2010) "*we are a united family, animated by one spirit, one to transmit to our descendants the unique jewel received from our parents. The Hermès family* - in reality, three families, the Puechs, Guerrands, and Dumases -*wants to state clearly that LVMH will never take control of the group*". The Hermès family, characterized by a balanced family business archetype with a significant identification and psychological ownership to the business, decided to create a holding company grouping more than 50 percent of the capital, to provide the opportunity and the right for family members choosing to sell to do so within the holding structure. Family members can therefore trade between themselves while excluding the option of divestment to a non-family member and maintaining family harmony.

The Hermès case illustrates the reaction of the family owners towards a divestment opportunity to outsiders. The divestment option was valued as nearly zero (0) in the eyes of the controlling family owners since the liquidation value at that time, was perceived as lower than the expected emotional and financial value, leading therefore to the non-exercise of the divestment option.

Given this vignette and the previous insights, we suggest the following proposition.

Proposition 4: On the non-exercise of the divestment option of the core business

P 4.1: In balanced family businesses, family owners with moderate levels of expected regret will not exercise their divestment option as long as both the expected financial value and emotional value exceed the liquidation value of the core business, leading to OV = 0 given that EV=FV and EV + FV > L.

P 4.2: In enmeshed family businesses, family owners with high levels of expected regret will not exercise their divestment option as long as the expected emotional value is positive and exceeds the liquidation value of the core business, leading to OV = 0 given that EV > FV; 0 and EV > L in the eyes of the owners.

P 4.3: In disengaged family businesses, some family owners with high levels of regret will not exercise their divestment option as long as the expected financial value exceeds the liquidation value of the core business, whereas other family owners with high levels of expected regret will not exercise their divestment option as long as the present emotional value is positive and exceeds the liquidation value, leading to OV = 0 given that either FV > EV or < EV and EV > L or FV > L.

As the proponents of the real options theory put it, when the value of the expected future cash-flows becomes equal or less than the liquidation value, owners are likely to exercise their divestment option OV, which will be equivalent to L-V. The composition of the valuation option will be, however, different in family business depending on the expectations and regret of the family owners. We argue therefore that four possibilities of the divestment option valuation exist: OV = (L – FV) – EV, OV = (L – FV) + EV, OV = (L – FV) – EV, and OV = EV.

2) OV = L – FV

In disengaged family businesses, the value expectations can be heterogeneous with significant discrepancies among family shareholders, leading to different option valuations. For the family owners who have a weak identification with and attachment to the core business, the EV is nearly zero (0), EV< FV and the FV is a predominant component of their expected core business value. These owners tend to be more interested in the financial value than the emotional value of the core business, leading to OV= L – FV given that FV ≤ L.

Vignette 2: The ThyssenKrupp case

Early December 2013, the Krupp Foundation, which manages the Krupp family wealth since the late 1960s, lost its blocking minority in ThyssenKrupp (Costa, 2013). ThyssenKrupp, Germany's largest steelmaker by output, was involved in diverse activities ranging from elevators to car wind-turbine parts. By deciding not to participate to a capital increase, the foundation lost its veto right and seat on the supervisory board (Hromadko, 2013). This marked an additional exit from the Krupp shareholding family, as part of a growing trend of divestments of the company, approved by the family, especially in the American market. As accounted by the press, the majority family shareholders were mainly interested in financial returns. The emotional archetype of the family business was disengaged, with a low level of identification of the family members to the core business. Although the company's spokesman maintained that the company is still holding on to its core business, the Steel Europe business (Kaeckenhoff, 2013), the facts showed that the family no longer controlled the business. This translated into a low level of family-based and business-based regret, leading the family members to exercise their option of divestment at a relatively moderate value, given that the business market value has significantly decreased (11 bn USD) since 2008 (Andresen, 2013) following bad expansion strategies, bribery and price-fixing scandals (Costa, 2013).

Given this, we argue that the EV was perceived as significantly lower than FV by the controlling Krupp family owners and the liquidation value as higher than the expected financial value at that time. This have probably led these owners to have low regrets and exercise their option valuation at L – FV, leading to further diluting the family control of the core business.

3) OV = (L – FV) - EV

In disengaged families, there is another possibility for the divestment option valuation as other family owners may have predominant emotional expectations over financial expectations. The following vignette of Château d'Yquem illustrates such a situation.

Vignette 3: The Château d'Yquem case

Dating back to 16th century, Château d'Yquem was a French wine dynasty whose family ownership took a turn in the late 1990s. In November 1996, the family feuds and divergence of interests benefited an outside investor. Bernard Arnault, from LVMH, announced a controlling 55 percent stake from 40 family shareholders (A. Denis, 1996), putting an end to the family control over nearly 400 years. The sale deal has not been, however, easily and fully sealed by then. One of the family owners and president of Château d'Yquem, Count Alexandre de Lur Saluces, refused to sell his 8% shares. He expressed his concerns in 1997: ''Everything you see here is the fruit of an obstinate pursuit of perfection by my family. I feel deeply worried, agitated, and disappointed when I think that the continuity that has created this very fragile environment is now threatened by a corporate shark.'' (Cohen, 1997). The Count reflected on his expected regret in the advent of sale, by declaring that he was afraid LVMH would dilute the quality of the estate's renowned wines and even use the Yquem name on other consumer products (Mansson, 1999). On this basis, the Count engaged in a 30-month legal battle to block the sale of the shares from the family shareholders to LVMH.

The other family shareholders had, however, a lower level of regret towards the business sale. They had different expectations and were less attached than the Count to the business. "The shares they inherited have never given them a meaningful financial return" and were related to strong negative feelings within the family (Gordon & Nicholson, 2008). Therefore, they sold their shares in what they may have seen as a win-win financial situation" (Mansson, 1999). As a matter of fact, their perceived family business value was mainly financial rather than emotional.

Sources in the press also reported that given the resistance shown by the Count to sell his shares unlike other family shareholders, LVMH had to pay more than the share price of 1996 just to get him drop his lawsuits against LVMH and encourage him to sign the deal (Mansson, 1999). Therefore, LVMH had to pay a higher financial value in line with the one perceived in the eyes of the owner-manager and compensate for his emotional value. In addition to the financial terms, an agreement was reached according to which the Count will stay as CEO of the Yquem estate and the future direction of the Château will strictly respect tradition and quality. Therefore, the divestment option was exercised by the Count based on a valuation that accounted both for the emotional value and the financial value. As the Count explained, "my responsibility is to do all that is in my power so that Yquem remains what it is (…) The promises I've received from Bernard Arnault and the executives of LVMH seem to guarantee that the values I've upheld will be maintained. I'm happy to continue the work of my predecessors with them at Yquem" (Mansson, 1999).

The Château d'Yquem's owners are an example of high levels of divergent interests, leading each owners' group to exercise the divestment option with a different option valuation. Therefore, whereas we argue that for the 40 controlling owners' the option value was equal to L-FV, the Count's option value is equal to (L-FV)-EV as the EV at the time of the proposal was viewed as positive and higher than the liquidation value. Therefore, the Count did not exercise his option immediately since this situation allowed him to maintain the outlook for the future positive emotional cash-flows. He only sold his shares when the liquidation value increased and allowed him to maintain the level of EV positive. As such, he minimized his regrets regarding both the financial and emotional value. The emotional value was compensated through a higher financial value on the one hand, and the maintenance of the prestige and respect of the tradition and values of the business following the sale, which are important emotional components in relation to the business. His option valuation was likely OV = (L – FV) – EV with the FV likely to absorb part of the EV through an arbitrage between EV and FV.

4) OV = (L – FV) + EV

In families with expected negative emotional value for the core business due to family tensions or other negative cash-flows, the value of the option is equal (L-FV) + EV.

Vignette 4: The PSA Peugeot Citroen case

The Peugeot family, a synonym of French automobile, has set the premises of losing its grip on the eponymous family business after two centuries in control. In October 2013, the family agreed to have their 25% stake and 38% voting rights diluted in an attempt of raising more capital, putting an end to the control of Peugeot by the French industrial dynasty (Stothard, 2013). By doing so, the family exercised the divestment option of its core business, thus becoming a minority shareholder. The French press reported significant family tensions and divergent interests among the family shareholders along with other accounts from some Peugeot family members maintaining that the family is united. The length of the decision-making process and the struggles of active family members to avoid the divestment showed that the decision has not been easily made. The logic behind the divestment can be viewed under high levels of regret by the active family shareholders as compared to other shareholders, explained partly by the payment of significant dividends despite a difficult financial situation in an attempt to meet the level of financial expectations of some non-active family shareholders (Albouy, 2012) and avoid having them exit the business. As mentioned by Thierry Peugeot to his cousin Robert in an open letter, "I'm worried about Peugeot's strategy of disengagement that you seem to want to implement. I consider that the Peugeot family must continue to support Peugeot and not lose interest" (Amiot & Feuerstein, 2014). The family was split between the fans of Thierry and those of Robert, with some neutrals (Michelson, 2014). The situation became so unbearable that the family had no other choice than diluting the capital. By doing so, the divestment of the business was made with higher levels of regret on the active shareholders part than on the other family shareholders part, with an option value that accounts for financial value with the most part and a minor emotional value.

5) OV = EV

In some cases, family owners who put more emphasis on the emotional value as compared to the financial value are willing to exercise the option of divestment if the divestment leads to limiting the emotional value destruction or the creation of emotional value. Their perceived value of the divestment option focuses on the emotional value. This could be the case when the core business is the source of family conflicts. Astrachan and Jaskiewicz (2008) argued that when the EV is negative, the overall perceived business value is decreased, which increases the probability of business sale. Maintaining the business in the family's hands would worsen the family and business relationships because of tensions and divergence of interests among the owners. On the longer-term, this sale can, however, have a positive impact on the overall value through new financial or emotional investments more in line with the family's expectations (Di Toma & Montanari, 2012). In the case of EV < L, this translates into an option valuation equivalent to the EV as the financial value is not the focus of attention of the family. Selling the core family business, although not at a significant financial value in the eyes of the owners, would generate a better outlook for the family unity and harmony, viewed as positive emotional cash-flows, such as through new entrepreneurial endeavors or other projects of common interest.

Vignette 5: The Lacoste case

In 2012, a family feud in the Lacoste clothing company led to the loss of control of the family over the business and the sale of its shares to the Swiss Maus Brothers. This feud was rooted in long-time rivalries and jalousies that were openly expressed during the succession process over the nomination of the chairman of the board (Letessier, 2012).

After contemplating various options, Sophie Lacoste-Dournel, chairman of the board of directors and granddaughter of the founder, announced the decision of divestment on behalf of the other family shareholders. By being visibly moved, she explained, "the decision was very difficult and very painful but it was the only one that could ensure the sustainability of the company and its employees. These shares were left to us by our grandparents, not in a spirit of possession but of transmission." She added that she wanted "to avoid a shareholder and operational war and make sure that "employees are not put in insecurity" (P. Denis, 2012). "Any actions opposing the two remaining groups of shareholders could be damaging to the interests of the company and the employees" (Press release). The divestment option that was exercised was therefore made with low levels of regret on the business side but high levels of regret on the family side. The divestment option was valued mainly in emotional terms rather than financial terms as the financial aspects of the sale were not the focus of attention. Following the sale, several family members pursued their engagement in other projects, strengthening their connections on the basis of the family's entrepreneurial values and history. These included the philanthropic initiative of Porosus Endowment Fund supporting talent in the field of sport and culture and the purchase of Fusalp, a textile and sportswear company, aimed at its strategic development over the long-term.

Given this, we suggest the following proposition.

Proposition 5: On the exercise of the divestment option of the core business

P 5.1: In disengaged family businesses, the passive family owners with low levels of expected regret will exercise their divestment option as soon as the present financial value falls below the liquidation value of the core business, leading to OV = L – FV given that FV>EV, EV is nearly 0 and FV < L (Vignette 2)

P 5.2: In family businesses, the family owners with low levels of expected regret will exercise their divestment option as soon as the present emotional value and financial value fall below the liquidation value of the core business.

P 5.2.1: In disengaged and balanced family businesses, the family owners perceiving the present financial value of the core business as below the liquidation value and the present emotional value as positive will exercise their option as soon as there is an arbitrage between the financial value to compensate the loss of emotional value or an additional emotional cash-flow, leading to OV = L – FV – EV given that EV>0, FV<L (Vignette 3)

P 5.2.2: In disengaged and balanced family businesses, the family owners perceiving the present financial value of the business as below the liquidation value and the present emotional value as negative will exercise their option, leading to OV = L – FV + EV given EV<0 and FV < L (Vignette 4)

P 5.3: In disengaged and enmeshed family businesses, the family owners with low levels of expected regret will exercise their divestment option as soon as the expected emotional value falls below the liquidation value of the core business, where the FV aspect is deemed less important in the eyes of the owners in an option reasoning, leading to OV = EV (Vignette 5).

DISCUSSION

For the owners of enmeshed or balanced family businesses as well as for the minority or the active owners of disengaged family businesses, we argued that the expected emotional value is significant. We included in the OV the emotional value component. While the option of divestment will not be exercised whenever V>L as in the case of Vignette 1 (Hermès), four alternatives seem to exist when the divestment opportunity strikes at the present time with a given liquidation value.

If the expected EV at the present time is < 0 or insignificant while FV is the significant focus of the family owners, we argued that the latter would be inclined to exercise their divestment option valued as L – FV as soon as L > FV. This is the case of the controlling and passive owners of disengaged family businesses who are significantly interested in the financial value of the core business which is almost equal to V (FV = V). The case of Vignette 2 (ThyssenKrupp) illustrates it accordingly.

If EV is <0 but the family owners are concerned about both EV and FV, then they will value the divestment option as L – FV + EV, which is the case of Vignette 4 (PSA Citroen) and will divest in a way to compensate for the future financial losses as well as emotional losses, with a potential arbitrage between both.

If the expected EV at the present time is < 0 while being the object of a significant focus of the family owners, this means that the remaining emotional cash-flows until the end of the lifetime of the business will generate more emotional costs than emotional benefits in the eyes of the owners. Maintaining the family business in the family's hands instead of selling it at the present time to outsiders is expected to destroy even more emotional value in the future. This could be the case when the core business is the source of conflict, has ripped the family apart and does not provide positive emotional outcomes such as pride or good reputation, perhaps because of family misbehaviors, tensions or ethical problems. This can spill also into the business and affect it accordingly. The divestment is therefore a more valuable option as it can contribute to reconnect the family members around other projects on the one hand, and create feelings of pride through the sale of the core business to a major competitor or another business family with similar values, who would help grow the business while preserving the family identity, name, and values. Di Toma and Montanari (2012) showed, for example, how a private equity buy-out plays a governance mechanism role by helping re-align the family members' goals and incentives and improve organizational capabilities. In this case, the option valuation reflects the additional loss or destruction of emotional value that the family will be able to avoid or minimize by divesting at the present time while creating it potentially in the future. OV is equivalent to the EV. The Vignette 5 (Lacoste case) illustrates it accordingly.

When the EV is > 0 while L > FV, any divestment is likely to destroy emotional value by tearing the family apart and leading the family members to use the proceeds of the sale individually rather than collectively, or by not making good use of the family name or values by the outside buyer. This was the case for the Taittinger and Brooke families, for example. The EV is therefore either not created and equal to zero or rather destroyed and will be accounted for with a negative sign in the option valuation. This could be the case for the active family owners in disengaged family businesses. The divestment is expected to destroy emotional value and will not be exercised unless a compensation is provided such as in the case of Vignette 3 (Château d'Yquem). As long as in the eyes of the Count, the EV was higher than the liquidation value, he refused to sell. When LVMH provided him with a liquidation value which included a higher financial value in addition to other positive emotional cash-flows such as the commitment to respect the traditions and values and the position of president of the estate, he agreed to sell. His option valuation was therefore = (L – FV) -EV.

Overall, the different cases of option valuation seem to lead to different divestment decisions. The equations are sometimes similar, but the rationale behind is different. Interestingly, the four illustrations of the family businesses who exercised the option of divestment were businesses holding the family name. This might connect to a potential higher psychological ownership owners of family business as compared to other businesses. However, these cases showed potential differences in the perceptions by different family owners' clans that may lead to exercising the divestment option only when the composition of the value meets their expectations while accounting for their levels of regret. A clear understanding of the family business emotional archetype and the characteristics of the regret and value expectations, contribute, therefore, at least partly, to a more accurate evaluation of the option behind the divestment decision that fits best the family owners.

FUTURE RESEARCH DIRECTIONS

This chapter has limitations that open avenues for future studies. As Bowman and Moskowitz (2001) observed, the real options approach to strategic analysis presents planners with a dilemma between the considerations about the flexibility and the potential for errors and biases in the assumptions. Biases might affect the owners' subjective valuation of the business. Zellweger and Dehlen (2011) argued that the more non-financial goals motivate the owners, the more likely they are affect-infused when determining the asset's value, leading to heightened SEW and hence to biased value perceptions. By referring to Forgas´ (1995) affective infusion model, they explained that the degree of affect infusion in the formation of their subjective ownership value's assessments is dependent on the target features of the value assessment process, the personal features of the owner assessing the value, and the situational features under which the value is determined. Building on the study by Dehlen et al. (2014), it appeared that the asymmetry of information of the current family owners, about the abilities of potential external entrants and family internal successors, might also impact the evaluation process and render a family internal versus external transfer more or less likely. Scholars are encouraged to consider the biases in the family owners' evaluation process as well as their specificities in relation with the family business archetypes.

According to Bowman and Moskowitz (2001), the difficulty in developing customized models may explain, in part, the limited use of the real options approach. Building on an analysis of an R&D investment decision at Merck, they showed that the assumptions incorporated in most standard option valuation models can conflict with the conclusions reached by strategic analysis. Therefore, they invited users of real options models to create a customized model for each situation. Our chapter has mainly built on the real option reasoning to derive propositions about variations of the divestment option valuation rather than engaged in mathematical considerations of valuation models of family businesses. The illustrative vignettes allowed to set the stage for exploratory efforts to capture the divestment decision-making rather than generalizability of the findings, while being specific by themselves.

In-depth qualitative studies and quantitative surveys would help cast light on the underlying emotional processes at different time frames before and after the exercise of the divestment option. As Pellegrin (1999) and other family business accounts in our introduction indicate, it is often difficult for the family to let go the business even after the sale. Assessing the different types and intensities of regret along with the evolving interests and perceptions of the different parties in the post-divestment phase is a promising research avenue. This can be done through a quantitative survey and scenario analyses via validated scales (e.g., Buchanan et al., 2016) or through magnetic resonance imaging to capture the emotion of regret (e.g., Coricelli, Dolan, & Sirigu, 2007). The post-divestment initiatives are also an important consideration since the divestment might constitute the starting point of a new family entrepreneurial venture (Niedermeyer et al., 2010; Rau, 2013). The satisfaction of the family owners following the sale might also depend on the level of experienced fairness and control during the process (Niedermeyer et al., 2010). A follow-up survey or qualitative study after the divestment decision is made would help drawing a more complete picture of the family business divestment landscape.

Given the complexity of the divestment decision, other variables can extend the analysis. These include the type of prospective buyer that might influence the valuation of the option of divestment as well as the interaction between family and non-family owners of the family business, in line with Fleischhacker et al.'s (2015) observations.

In light of the theoretical angle of real options, other research questions remain pending: how do managers and shareholders recognize and exploit divestment real options' opportunities? To what extent and how the real options reasoning or technique is practiced in family businesses? How does real options reasoning create competitive advantage in family businesses? What is the long-term impact of a divestment decision on the family and the business?

Lastly, we suggest analysing other decisions such as investment via the real options and emotional lens. Pursuing this promising direction would allow to enhance our understanding of the peculiarities of the strategic decisions in the family business.

CONCLUSION

Although recent conceptual and empirical research has yielded insights into the strategic divestment decision of family businesses (e.g., Akhter et al., 2016; Chirico et al., 2019; Hirigoyen & Basly, 2018; Niedermeyer et al., 2010; Praet, 2010), there have been only limited efforts to scrutinize the emotional dimensions of divestment through rigorous theoretical modelling. In this chapter, we contributed to the efforts of family business strategy theorizing through a more fine-grained perspective on the strategic decision of divestment in family business.

First, we presented a literature review on the conceptualization and the motivations of divestment in family business. By bridging different literatures from the finance and strategy fields with the family business field, we have set the stage to a conceptual exploration of the divestment decision process. We suggested a refinement of the definition of divestment in relation with the core family business. We also showed that a dual rationale drives the decision of divestment by family owners, at the intersection of financial, strategic dimensions on the one hand, and emotional and family dimensions on the other hand.

Second, in terms of theoretical positioning, we surpassed the agency theory framework which is predominantly used in divestment studies. We chose two complementary perspectives providing an applicable and an original angle of study for family business divestment, from organizational behavior (regret theory) and from finance and strategy (real options theory). Building on these theories, we extended the initial insights of research on divestment as well as other existing research on emotional dimensions such as emotional value (e.g., Zellweger & Astrachan, 2008) or regret in family business (e.g., Hirigoyen & Labaki, 2012). We also accounted for the heterogeneity of family businesses by making a series of propositions on the role of regret and the nuances of the divestment option valuation which predominate in different family business emotional archetypes (Labaki et al., 2013b).

This chapter highlighted the importance of a research-neglected but crucial strategic decision that is divestment, which differs among family businesses depending on the level of family and business emotional interaction. Family stakeholders have different value creation's expectations and levels of regret in relation with the divestment decision. Depending on the agency-principal-principal relationship, these expectations might be conflicting. Building on the real options reasoning, we argue that the emotional and financial value is created not only through strategic and organizational flexibility (Bowman & Hurry, 1993) but also family flexibility. Therefore, the family business owners seek the optimal arbitrage between financial and emotional value creation in their divestment option reasoning. Overall, our chapter opens perspectives for future studies on the strategic divestment decision-making, taking into account the identified factors of the core business valuation from an option and emotional perspective.

As Feldman et al. (2019, p. 444) put it, "divestitures are a highly underutilized, though potentially very valuable, corporate strategy." On the practice level, we argued that the reasonings of the real options theory and regret theory offer an extended picture and more alternatives on how families can make better decisions that contribute to the business continuity. Applied to family business divestment, the real options reasoning suggests that the key issue is managing the emotional and financial intricacies of divestment. This includes at first identifying the family business archetype and the owners' expectations in type and intensity. Then, engaging in an option reasoning to evaluate the divestment option and choose to exercise or not exercise it in a way that limits the regrets while preserving or favouring access to opportunities that would create the expected financial and emotional value by family owners. Our propositions provide therefore family business managers and advisors with a functional grid of analysis that can be used in their decision-making to predict and fulfil their potential of value creation while minimizing their regret in relation with the core business divestment.

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KEY TERMS AND DEFINITIONS

Agency Relationship: An arrangement between two parties, such as between a principal (owner) and an agent (manager), which entails a delegation of action from the principal to the agent with the expectation that the latter operates in line with the owners' interest. A divergence of interest is known as the agency conflict. This relationship can also operate between two principals (majority-minority owners).

Divestment: The rupture of an investment cycle, acted through the sell-off of tangible, intangible and/or financial assets and/or through downsizing human resources, towards expected positive financial and/or emotional cash flows and value creation for the shareholders.

Divestment Option: The option to abandon owned assets permanently through their resale. Also referred to as abandonment option, its mechanism is equivalent to a put option.

Divestment Option Value: When the present value of the remaining cash-flows of an asset or project falls below its liquidation value at a given period, the difference reflects the value of the option of divestment. It is the additional loss in value that the owners could risk if they do not divest immediately. The divestment option value varies across family business emotional archetypes.

Emotional Value: The net present value of the emotional cash-flows at a given period, discounted at the emotional rate of return in the eyes of the owner. It is also the difference between the discounted financial cash-flows representing the financial value and the minimum price at which the owner is willing to sell.

Family Business: A business controlled by at least two family members who hold key managerial and/or governance positions.

Liquidation Value: The immediate value in cash that would be generated from selling the business.

Regret: The emotion that a family member realizes or imagines if the present situation, perceived by the family on the one hand and by the business, on the other hand, would have been better if s/he would have acted differently.

ENDNOTES

[1] A literature review presenting their main findings will be exposed in the upcoming sections.
[2] We use the term “divestment” while acknowledging that it is synonymous to business “divestiture,” “sale,” or “exit.”
[3] As opposed to spin-off which refers to distributing all the ordinary shares that a company owns in a subsidiary to existing shareholders (Kong Chow & Hamilton, 1993).
[4] In reference to the discounted cash-flows valuation method.

Chapter 13
Sustainability Attitudes of Tourism Family Firms in Alpine Tourism Regions

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ABSTRACT

Recognising opportunities and risks are central for every business to stay successful in the long-run and a mandatory capability to create realistic management strategies. Recent papers argue strategic planning is sustainable in the long run. However, little is known about the owner-managers' attitudes and perceptions of challenges and opportunities of family businesses. This research shows the results of a qualitative inquiry identifying attitudes on sustainability of owner-managers in tourism family firms. Furthermore, attitudes towards the three dimensions of sustainability are analysed. The results reveal an awareness of economic and social sustainability attitudes while the environmental dimension seems to be less prominent.

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INTRODUCTION

Sustainability has emerged as an integrated concept consisting of environmental, social, and economic dimensions using resources in a sustainable way. The question arises, how to develop sustainable strategies based on the applicability of the fundamental principles and objectives and how the requirements for sustainable development can be managed (Sharpley, 2000). The goal of sustainable development is "to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987, p. 15). The focus, from an economic viewpoint, is to provide employment and wealth to human beings (Garvare & Johansson, 2010). This evolved towards the concentration on values and goals, e.g., equal education and job opportunity, security, and well-being (Robert, Parris, & Leiserowitz, 2005). Sustainability addresses, for instance, biodiversity, preservation of nature, life support systems, cultural diversity, distinctive and threatened communities, education, or resource allocation (Robert et al., 2005).

Recognizing opportunities and challenges is key to business success. Recent research shows that successful family firms differentiate from non-family firms in terms of governance (Neubauer & Lank, 2016), planning and executing strategies (Chrisman, Chua, Massis, Minola, & Vismara, 2016) and the ownership structure (Chua, Chrisman, & Sharma, 2003). Especially in small and medium-sized family firms (SME) participating multiple generations from the business (Gallucci, Santulli, & Calabrò, 2015). Furthermore, family members tend to stay longer in top management positions of the family firm, compared to managers in non-family firms (Kellermanns, Eddleston, Barnett, & Pearson, 2008). Besides factors such as strategic priorities, community demographics, manager characteristics, firm size, education, or ties to institutional authorities, family-firm specific factors play a role. Thus, family values and moral standards, such as ownership structure, influence owner-managers decisions in implementing sustainable practices in family firms, as the aim is to run a business that satisfies market and family objectives at the same time (Le Breton-Miller & Miller, 2016).

Recent research revealed moderating factors such as the family background, firm governance, the environment, and nature that influence the sustainability behavior of family firms (Le Breton-Miller & Miller, 2016). However, Le Breton-Miller and Miller (2016) conclude that there is not a simple answer on the sustainability behavior of family firms and call for further research considering the relationships between family firm ownership, management, and the organizational context. Authors suggest that future research needs to focus on the definition of strategic problems and opportunities supporting owner-managers to improve the sustainability behavior of the family firm (Saiz-Álvarez, Leitão, & Palma-Ruiz, 2019; Saiz-Álvarez & Palma-Ruiz, 2019). The authors follow this call and ask the following research question: *How are sustainable attitudes shaping the perceptions of family firm owners towards opportunities and challenges faced by tourism family firms?*

Based on qualitative interviews, this research assesses owner-managers' perception of opportunities challenges and risks. The authors identify whether the recognition of opportunities and risks include any considerations about sustainable attitudes, such as claiming the importance for future generations and implications on the environment or any consideration related to the local community. This indirect approach is relevant to avoid owner-managers attempts in paying lip services to sustainability. The following literature review shows the latest research related to sustainability, family firms, and sustainable attitudes. The methodology section presents the data collection procedure, followed by the results and discussion section and the recommendations to practitioners and scholars. The authors contribute to the body of knowledge of sustainable tourism, showing how sustainable attitudes are shaping the perception of family firm owner-managers.

LITERATURE REVIEW

Sustainability

Brundtland's (1987) report on sustainability lead to a widely discussed concept and classification of the three pillars of sustainability: environmental sustainability, social sustainability, and economic sustainability. The environmental dimension of sustainability concentrates on the exploitation and consumption of natural resources to improve human welfare by protecting the sources of raw materials and preventing harm (Goodland, 1995). The economic dimension of sustainability concentrates on valuing things in money terms, such as valuing natural resources or access to shared resources such as air or water (Goodland, 1995). The social dimension of sustainability concentrates on the systematic community participation and thus requires maintenance and replenishment of the community by shared values, rights, and cultural interactions (Goodland, 1995).

Research on sustainability evolved into different directions, and findings uncovered contradicting results. Hansmann, Mieg, and Frischknecht (2012) reported conflicts between the three pillars of sustainability within firms. Product and process development generate social and economic benefits and facilitate the responsible use of natural resources (Hansmann et al., 2012). Educational efforts embedded within social sustainability, raise income and employment as well as the social and human capital (Hansmann et al., 2012). Moreover, social sustainability also influences the behavior of the company towards its employees, its customers, and other social establishments and groups (Gibson, 2006). Also, the environmental protection of natural resources and the reduction of environmental risks affect humans' well-being and safety (Hansmann et al., 2012). Another different research stream examines the environmental impact and determinants to assess sustainability (Arushanyan, Ekener, & Moberg, 2017). Findings highlight the economic effect outweigh environmental concerns e.g., examining the exploitation of gas in natural reserve areas (Pope, Annandale, & Morrison-Saunders, 2004).

Sustainability has developed from a rather vague concept to a more precise specification (Moldan, Janoušková, & Hák, 2012). The sustainability debate also focused on sustainable development and integration patterns into the decision-making process (Devuyst, 1999). Sustainability as an integrative concept *is reasonable to design sustainability assessment as an essentially integrative process that can act as a framework for better decision-making on all undertakings—policies, plans, and programs as well as physical undertakings— that may have lasting effects* (Gibson, 2006, p. 260). Devuyst (1999) proposes an assessment framework for social initiatives and an agenda for a sustainable change. Arushanyan et al. (2017) suggested a sustainability assessment framework for scenarios, risks, and opportunities. The framework provides an iterative approach to divide assessments into different steps and the analysis of risk and opportunities followed by the integration and interpretation of the results (Arushanyan et al., 2017). Some scholars argue that sustainability has the potential to change decision-making practices towards a more all-encompassing approach of key factors such as local conditions and cultures, rather than treating them separately (Gibson, 2006). For example, combating increasing poverty and protecting the environment cannot be viewed separately, and both were likely to fail if not addressed together (Gibson, 2006).

Stakeholder Theory as a Theoretical Background

Researchers adopted several theories within the sustainability domain to examine the sustainable behavior from different viewpoints. Hörisch, Freeman, and Schaltegger (2014) applied the stakeholder theory to sustainable management and identified three challenges for managing sustainability: strengthening the sustainability interests, creating mutual sustainability interests, and empowering stakeholders as intermediaries between sustainable development and the environment. Stakeholder theory is descriptive, instrumental, normative, and managerial at the same time. It establishes a framework to examine the connections between stakeholders and the achievement of management goals and involves stakeholders (Donaldson & Preston, 1995). The stakeholder approach aims to create mutual interests for all stakeholders and sustainability management emphasizes the links between social, economic and environmental goals and offer a different viewpoint to analyze business habitats (Hörisch et al., 2014). Starik and Kanashiro (2013) argued that scholars employed many management theories to explain the need for sustainability, and none of the theories have unique features to assist the management in moving toward sustainability. Following Byrd (2007), the stakeholder theory allows answering who should be involved in the sustainable tourism development process. Based on stakeholder theory, this research identifies the owner-managers attitudes regarding sustainability.

Sustainability in Tourism

The concept of sustainability emerged in the tourism field as *ecotourism* in the beginning 1990s (Boo, 1990; Bramwell & Lane, 1993; Wight, 1993). The central focus of ecotourism is international nature conservation, the promotion of income in developing countries, and the protection of the rainforest (Boo, 1990; Wight, 1993). The idea of *ecotourism* is currently an important part of the conservation concept in developing countries (Boo, 1990). A reason for sustainable decisions and behavior is the declining biodiversity in the tropic rainforest and massive exploitation in developing countries (Scheyvens, 1999; Wall, 1997; Wight, 1993). As such, environmental sustainability is given when resource harvesting does not exceed the reproduction of natural resources. Moreover, for non-renewable resources, the depletion of non-renewable resources should require a comparable development of renewable substitutes for that resource (Pan et al., 2018). Recent literature focuses predominantly on large, profit-maximizing organizations (Bos-Brouwers, 2010; Chen & Chang, 2013; Klewitz & Hansen, 2014; Triguero, Moreno-Mondéjar, & Davia, 2013). Many scholars suggest additional research in companies of different sizes and industries (Del Río, Carrillo-Hermosilla, Könnölä, & Bleda, 2016; Triguero et al., 2013).

Tourism Family Firms and Sustainability

Family firms behave differently than non-family firms (Getz & Carlsen, 2000). The close relation of the family, business, and shared property ownership influence decisions taken by owner-managers (Debicki, Kellermanns, Chrisman, Pearson, & Spencer, 2016). Until the late 1990s, only a few studies investigated the strategic planning process and the environmental factors considered by family-owned businesses (Sharma, Chrisman, & Chua, 1997). Recognizing business opportunities and identifying potential risks is essential to stay competitive over the years (Eshima & Anderson, 2017). Thus, strategic management proposes various ways to deal with competitiveness (Porter, 2004; Ritchie & Crouch, 2011). The literature argues that the strategic management process consists of goal formulation and implementation and organizational performance as an outcome (Sharma et al., 1997).

However, decision-making in family firms is influenced by additional values compared to non-family firms (Gomez-Mejia, Cruz, Berrone, & Castro, 2011). According to the construct of socioemotional wealth (SEW), family firms follow non-economic goals like the preservation of family wealth (Berrone, Cruz, & Gomez-Mejia, 2012). Owner-managers take a loss of economic benefits to preserve the socioemotional wealth of the family firm (Berrone et al., 2012). From a value-based perspective, values related to sustainability are reflected in beliefs, objects, or behaviors. Values frame attitudes and form standards by which behavior is evaluated. However, values can be similar to sustainability goals and, therefore, can be interpreted as an indicator of values (Robert et al., 2005). Family firms have distinct values such as tradition, loyalty, and trust, which in turn (Mahto, Davis, Pearce II, & Robinson Jr., 2010) influence the strategic orientation and position and competitive outcome (Chrisman et al., 2016). Unique resources, such as familiness, evolve from the interaction between the family and the business (Kraus, Mark, & Peters, 2011) and influence the strategic decision-making behavior of owner-managers and thus are contrary to externally controlled firms (Barros, Hernangómez, & Martin-Cruz, 2016). Family firms, which are controlled and held by the same party, face lower costs and information asymmetries within the same firm (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012).

However, the research identified several factors, which negatively affect family firm performance. Conflicts between family members (Kellermanns & Eddleston, 2004), hyper conservatism (Block, 2012), nepotism (Lubatkin, Durand, & Ling, 2007), and aggressive competition are a few factors influencing owner-managers decision-making. Values such as long-term orientation (Riviezzo, Garofano, Napolitano, & Marino, 2015) and the aim to hand over the business to a successor (Sharma, Chrisman, & Chua, 2003) influence the sustainability of family firms positively (Le Breton-Miller & Miller, 2016).

Most family firms are SMEs and facing fewer economies of scale and scope (Pikkemaat & Zehrer, 2016). SMEs engage in implicit corporate social responsibility (CSR), which consists of habits or product characteristics and services rather than formalized CSR processes (Matten & Moon, 2008). Some research found that SME owners possess a good intuitive understanding of sustainability while lacking theoretical knowledge (Fassin, van Rossem, & Buelens, 2011). Contrary, SMEs can make decisions faster without formal processes delaying the implementation (Condon, 2004). Decision-making is influenced by the emotional components of the owner-manager and adding personal values and culture in this process (Fassin et al., 2011).

The tourism industry consists of a large variety of actors offering various tourism products and services (Hristov & Zehrer, 2017). Most of the businesses are small and medium-sized family firms or family-governed businesses facing a rigidly competitive tourism market in Austria (Peters & Strobl, 2015). In 2015, tourism contributed with 8,7% to the gross domestic product (GDP) of Austria (Huber-Bachmann, 2018). The tourism sector overall disposes of 74% of family firms, and those family firms employ nearly 80% of all employees in the tourism sector.

In tourism, family firms are heavily involved in the community, establishing a social meaning to its stakeholders. Family firms are the fundamental basis of tourism development and one of the most important employers and contributors to regional development (Kallmuenzer & Peters, 2017). The strategic orientation directs family firms to reach a competitive advantage (Chrisman et al., 2016). Such strategic orientation can vary in sustainability values and behavior (Olson et al., 2003). Fuhrman (2009) found that a critical component of sustainability is family values and the continuation of the family itself. Additionally, the findings revealed the importance of a strategic planning process, industry knowledge, the maturity level of the industry, and the relation to the suppliers and customers as a major factor in sustainable behavior. Setting up a strategic management process includes considerations about environmental opportunities and threats, organizational resources and skills, social responsibilities, and family interests (Sharma et al., 1997).

Resources such as social capital, entrepreneurial orientation, and intellectual capital, combined with a strategic management process, contribute to small business performance (Campbell & Park, 2017). Sustainable behavior in tourism SMEs appears to be different as personal and motivational attitudes such as cost savings, personal lifestyle or participation for environmental protection influence the sustainable behavior (Font, Garay, & Jones, 2016). Generally, SMEs have more informal organizational structures and are trapped in daily business and operative management (Skrt & Antoncic, 2004). Moreover, SMEs often confronted with limited financial resources, limited strategic planning, and less economic know-how (Zehrer & Haslwanter, 2010).

METHODOLOGY

This study applies a qualitative research approach (Creswell, Hanson, Clark Plano, & Morales, 2007). A qualitative approach is useful if little is known about the underlying facts (Creswell, 2014). Nowadays, sustainability is promoted as a concept to reach competitive advantage and to provide additional values for customers. Therefore, sustainability is perceived as a value to attract new potential customers, regardless if the family firm itself behave sustainably. Thus, the authors indirectly ask for sustainable attitudes, which can be expected to be extremely biased concerning the importance of different sustainability dimensions. Therefore, the authors selected an indirect approach to examine the sustainability attitudes of owner-managers' perception (Jo, 2000; Kearsley, 1976).

The authors developed an interview guideline about the perceived strength and opportunities in the respective family firm. The interviews implicitly contain attitudes regarding social, environmental, and economic aspects, which are perceived as important by owner-managers. This approach offers the opportunity to analyze the collected data for implicit, hidden attitudes avoiding a social bias in the responses (Jo, 2000).

The authors collected data through face-to-face interviews from five different tourism destinations and family firms between June 2017 and November 2018 in Western Austria, a region with many small and medium-sized rural tourism family firms. First, participants had to identify themselves as family firms by asking self-perception questions about the business type and the company share owned by family members. Participants were asked: (1) if they would describe themselves as family firm; (2) if the family holds the majority of ownership; (3) if a minimum of two family members are employed in the firm; (4) if it is more than one family holding shares on the firm; (5) and if the management of the firm is done by the family (Chua, Chrisman, & Sharma, 1999; Miller, Le Breton-Miller, Lester, & Cannella, 2007; Westhead & Howorth, 2016). The data sample consists of apartments, private accommodations, and hotels. Finally, 98 family-firms agreed to conduct an interview. Table 1 shows the descriptive data of the data sample.

A detailed description of each conducted interview, including participants' age, gender, the founding year of the family business, the region, and the number of employees is shown in the Appendix (table 2). All interviews were conducted in German and lasted between 30 minutes and 90 minutes. All interviews were recorded on an audio voice recorder for transcription. All audio files were transcribed into a

Table 1. Sample Description

Description	Min.	Max.	Mean	SD
Generation in lead	1	5	2.02	1.025
Family members in management	1	4	1.68	0.667
Age of participants	22	76	47.49	10.795
Gender	No. Participants	Percentage		
Female	54	55.02%		
Male	44	44.98%		
Region	No. Firms	Firm ID		
Pillersee	50	6,7,8,10,11,17,18,19,20,21,22,23,24,25,26,27, 29,30,31,32,33,42,43,44,45,46,47,48,49,50,51, 55,56,57,58,66,67,68,72,73,78,79,80,81,82,85, 86,87,95,96		
Upper Tirol	35	3,4,5,12,13,14,15,16,37,38,39,40,41,53,54,59, 60,61,62,63,64,65,69,70,71,74,75,76,77,83,84, 88,89,90,91		
Zillertal	6	9,28,34,35,36,52		
Ischgl	5	92,93,94,97,98		
Hall-Wattens	2	1,2		
Total	98			

SD = Standard Deviation, No.= Number

usable text format and analyzed with MaxQDA (VERBI Software, 2018). The text corpus was analyzed using open and in-vivo coding in a first coding cycle, and pattern coding in the second coding cycle. In-Vivo coding is used to create codes based on participants' language and worldviews (Saldaña, 2013). In a second coding cycle, pattern coding was applied to develop major themes and attitudes (Saldaña, 2013). Two authors coded the text corpus independently. The authors merged the codes from the first coding cycle and discussed incoherent codes in the team as long as all researches agreed. In the case of an opposite viewpoint, the authors consulted additional scientists and discussed and agreed on the corresponding code. Other studies applied the same process to reach a common understanding of the coding in case of the opposite meaning (Miles, Huberman, & Saldaña, 2014). Finally, all second-order themes were aggregated into abstract themes to create owner-managers' attitudes on sustainability.

RESULTS

The emerging results from the qualitative data are categorized into three dimensions: environmental sustainability, social sustainability, and economic sustainability.

Environmental sustainability

Participants mentioned *climate change* as a future challenge and felt threatened. Climate change is recognized by 22 family firms as a serious threat to discontinue the winter season (ID 4, 5, 12, 15, 16, 18, 29, 31, 32, 33, 36, 37, 40, 42, 69, 71, 72, 73, 75, 87, 93, 97). Owner-managers associate climate change in winter seasons with a lower amount of snow and a reduced winter season, resulting in decreasing revenues and increasing risks of business failure.

"Where I am a little bit worried now is the whole climate change. Because last winter seasons were very difficult" (ID 40) or "A risk, of course, is climate change." (ID 32) or "No snow, no guests." (ID 05) or "If demand declines due to missing snow, then this affects all of us, not only me." (ID 12)

Firms already experienced low turnover periods caused by missing snow periods and an uncertain outlook. This encourages firms to fewer investments or disinvestments in the affected destination. Weak winter seasons cause a shift from winter to summer sports activities, as customers perceive winter sports activities and high temperatures as a mismatch (ID 93).

"When there is sunshine in Munich, guests do not have a desire for snow and skiing." (ID 93)

Owner-managers perceive the impact of climate change as a serious threat to the existing business. Interestingly, no owner-manager mentioned immediate actions to reduce forthcoming climate-change impacts. Instead, owner-managers propose a strategy to expand and merge small ski resorts to larger resorts to stay competitive in the future. Those owner-managers perceive this opportunity as a sustainable and long-term approach towards firm survival (ID 9, 30, 53, 90, 92, 94).

"The planned ski area expansions or new summer innovations with the canyons in the region. A topic is also Nordic combinations during winter. These are all factors that are very important for us as a company." (ID 30) or "The expansion of the glacier would be valuable, i.e., when the merger of the South Tyrolean glacier happens, plus all the tourism activities in summer." (ID 90)

However, larger ski resorts cannot guarantee the sustainable survival of family firms in the region. Fifteen owner-managers mention *sustainable tourism* as an opportunity for the region (ID 2, 3, 8, 25, 43, 52, 53, 54, 61, 71, 78, 93, 94, 97, 98), living in harmony with nature and going back to a more natural way of tourism and proposing a respectful and careful treatment of the nature as the fundamental base for future tourism.

"That is the respectful treatment of humans and animals and the environment. Respect the environment and respect the animals." (ID 61)

Interviewees perceive it as necessary to respectfully treat the environment and also reflect the ecosystem as a system of nature, humans, and animals. Unfortunately, the exploitation of natural resources and destruction of the fundamental base prevents eco-tourism. Family firms reported *natural hazards* (ID 24, 28, 32, 64, 93, 97) as the main threat to their ongoing business. Environmental disasters, such as heavy rain, rock avalanches, or other natural hazards, are significant threats for the respective firms.

"Natural hazards may be a risk for us. This is a task for the next generation – they need to make it safer… That is certainly an important point (…)". (ID 64)

However, the threat of natural hazards should be solved by the next generation and not by the current generation. Especially if a natural disaster takes place, it continues to have a long-term effect on the guest's perception.

"When there are such extreme events, then people think of Galtür. The avalanche event from 1999 is then back in mind." (ID 97)

Large natural disasters are remembered several years after the event has taken place, and thus influence the future decisions of guests.

Social Sustainability

Regional embeddedness is a core theme appearing in the interviews. Embedded in the social, regional structure and collaboration with regional suppliers are perceived as a major benefit to generate value in the region. Participants mentioned the importance of *regional collaboration* as an opportunity (ID 2, 4, 5, 8, 10, 11, 13, 19, 22, 23, 24, 28, 29, 33, 34, 35, 40, 42, 43, 45, 46, 50, 54, 55, 58, 59, 60, 68, 71, 74, 77, 78, 80, 81, 84, 85, 86, 87, 89, 90, 94, 95, 96, 98). Owner-managers perceive the regional collaboration and embeddedness into the region as a unique strength, and this attitude derives from surviving in the long run.

"Just a little bit of integration, for example, when there are events with the ski show… they can sell what they want, …that is a sense of participation and also involvement. I always say live and let live." (ID 77)

Instead of claiming their profits, owner-managers of family firms mentioned that every business in the region should gain profit to survive (ID 77). Owner-managers also identified the declining population of villages as a threat to regional development, reflecting a high consciousness for the community. However, owner-managers also mentioned that the increased traffic as a problem and an appropriate strategy is needed, such as to increase the prices for accommodations and products to reduce the demand and avoid over-tourism.

"And that is what happens on the street, cars need to slow down, and the hotels have to increase the prices. The hotels have to charge what you pay in a 4-star hotel in summer - then traffic will decrease." (ID 53)

The authors found that owner-managers attach great importance to trustful, long-term employees as a sustainable strength.

"Especially the staff, the permanent staff is, in any case, a huge strength." (ID 89)

However, staff shortage is perceived as a structural problem for the tourism industry. Interestingly, those who do not seem to have such long-lasting employee relationships do not perceive this as a business problem and externalize this as an industry-related issue.

"You need a hell of a time getting qualified personnel." (ID 49) or "My employees are my strength." (ID 05) or "My employees are 100% loyal to the family business." (ID 34)

Handing over the business to the next generation is a goal and a challenge for family firms: However, we found two types of owner-managers' attitudes concerning leadership succession. One group argued, handing over to the next generation is essential to maintain the family's wealth and to run a sustainable business.

"There is a risk that I cannot find a successor who wants to do this all." (ID 93)

The second type of owner-managers claims their openness towards an exit strategy, e.g., selling or handing over to an external successor.

"Closing, give up, passing on, and selling – everything is possible." (ID 06)

However, the majority of owner-managers would like to hand over the family business to the next generation, but without any pressure or burden for the succeeding generation. The general economic situation is perceived as another factor for sustainable tourism. A depression or economic slowdown of the global economy might prevent a successful business continuation in the long term. The lack of tourists' purchasing power might also prevent a successful continuation of the business and therefore results in a termination of employment and the business itself (ID 14, 33, 37, 39, 47, 48, 65, 71, 74, 76, 78, 79, 80, 84, 94).

"In case of a world economic crisis, vacation is the first thing that is canceled." (ID 74)

Other factors which are perceived positively on sustainability are values and tradition of the family firm. Family values acting as a frame influence the decision behavior of the owner-managers decisions. This is reflected in social interactions between owner-managers and tourists.

"Our familiness and friendly service with our guests." (ID 7)

Economic Sustainability

Participants indicated a dependency on the destination management organization (DMO). This is perceived as a contrast to the social sustainability code of regional collaboration (ID 1, 4, 5, 8, 12, 28, 35, 51, 67, 76, 87, 94).

"Honestly, we are addicts to the destination management organization. If they do not do anything anymore, then nothing goes on, then it is certainly bad for us because no more people are coming." (ID 12)

Owner-managers tend to collaborate with other family firms, but the strategic development of destinations is perceived as a task for DMOs. Furthermore, the respondents feel they can hardly influence destination development and strongly depend on external regional development. Although some businesses see succession as desirable, the majority of family-businesses seems to lack strategic planning.

"Because we spend far too much time on day-to-day business, and afterward, we do not have a clear mind for business development or larger things." (ID 28)

A lack of strategic planning of owner-managers prevents a long-term orientation and unconsciously transfers the regional development responsibility to DMOs. Interestingly, owner-managers state a respectful collaboration with other family firms but report price competition as a threat to their own business. Sustainable cash-flow and profit are needed for long-term and economically successful and sustainable businesses.

"I see price dumping as a huge risk. Not that the prices are too low. It is the other way around; the service level has increased." (ID 49)

This contrasts with previous statements, where owner-managers promote a collaborative way of working. The call for quality contributes to the demand for optimized price policies in the region and equally implies economically sustainable thinking. However, this is not surprising as many owner-managers argue that the quality of products and services is key for long-term success. Thus quality is a strength to their respective business (ID 2, 3, 6, 11, 13, 15, 21, 25, 31, 36, 37, 40, 43, 44, 47, 49, 50, 52, 53, 58, 60, 62, 65, 68, 74, 75, 80, 95, 96, 98). A key aspect is to improve the service.

"Perfect service" (ID 22) or "We offer of course also a very good service, for what we have, we offer the maximum of service." (ID 34)

Another aspect is investments in quality for the next few years:

"As I said, I think it is important to invest in sustainability and quality for the next years, and this does not mean more beds in our village and the whole region, but rather improve added value." (ID 35)

Owner-managers divide the perception of quality into several values to uphold a certain quality level. Service, equipment, condition of rooms and buildings and space named as critical factors for long term success (firms 5, 9, 14, 17, 20, 21, 22, 27, 34, 37, 38, 55, 62, 68, 73, 76, 84, 86, 90, 93, 96, 97):

"We are very well equipped, we have everything here." (ID 68) or "The size of our apartments, they are very spacious." (ID 76)

DISCUSSION

The results reveal different attitudes and perceptions of owner-managers in family firms in the alpine region. Respondents perceive climate change as a significant threat to *environmental sustainability*. Climate change negatively affects winter and skiing tourism, and existing research confirm shorter winter seasons and the reduction of ski destinations in lower regions (Agrawala, 2007; Steiger, 2012). Additionally, owner-managers perceive natural hazards as a risk for their business. However, it is not clear if natural hazards are the result of climate change or a result of the increased construction density in the corresponding region. Surprisingly, environmental preservation is not mentioned often during the interviews, suggesting this is not a present theme in the owner-managers mindset. The environment and nature are substantial resources for tourism family firms, and the authors identified only limited awareness to add more effort in environment protection.

Furthermore, owner-managers perceive regional development as a task for the local authority or DMO. However, shifting the responsibility to other organizations leads to passive wait-and-see behavior, and thus, future business opportunities might be missed. Owner-managers often pass the responsibility for innovation to the local DMO (Pike & Page, 2014; Zehrer & Hallmann, 2015). Generally, owner-managers are aware of environmental sustainability and attach a positive attitude to the surrounding nature. However, owner-managers shift environmental protection and responsibility to future generations, which is a risk, and recent research already shows current and severe impacts on nature (Condon, 2004; Pan et al., 2018; Steiger, 2012).

Owner-managers relate *social sustainability* to the quality and education of staff members and intend to build long-term employee relationships. However, owner-managers perceive staff shortage and insufficient education as a structural issue of the tourism industry and thus affect the own family business. Research shows that tourism firms should invest in further education and should be the initiators (Pechlaner, Beritelli, Pichler, Peters, & Scott, 2015). However, owner-managers care about employees and support the socioemotional wealth in family firms (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Respondents suggest investments in regional infrastructure (e.g., cable car, sports facilities) should be initiated and organized by the DMO to increase the value-added to the region and attract new tourists. However, several owner-managers state the shutdown of restaurants as a significant problem for regional development, which addresses social sustainability and point towards awareness for social responsibility.

Many respondents expressed concerns about low-prices and their negative influence on value creation and leveraging profits – they strongly recognized this as a threat to *economic sustainability*. Interestingly, owner-managers perceive the price competition as a threat to economic sustainability and argue at the same time to invest in a higher quality and service level, which, in turn, increases the cost structure. The focus on quality and service increases the cost structure and competition between tourism firms in the region. The competition is changing from direct price competition to a service competition with additional products and services for the same price level. Owner-managers address hospitality and the tradition of the family business as a primary differentiator. Family firms perceive their family and the family-atmosphere as the main strengths of hospitality. However, owner-managers do not relate to environmental or social sustainability as a substantial factor in a holistic view.

SOLUTIONS AND RECOMMENDATIONS

Owner-managers show awareness of the sustainable development of the environmental, economic, and social factors to run the business in the future. Sustainability of family-run tourism firms is an interplay of several attitudes. From the economic perspective of owner-managers' attitudes, the following recommendations arise. Owner-managers need to develop a common strategy in cooperation with local DMO's, as a single-family firm does not have the capacity and capability to make a change in the region sustainably. Developing sustainable strategies (new customer segments, sustainable offers, renaturation, a strategic position as a sustainable destination) can hardly be developed from a single-family firm. Therefore, collaboration with local DMO's and collaboration with other family firms is highly recommended (Pechlaner et al., 2015).

Many owner-managers need to invest in online marketing alongside the traditional distribution channels to avoid dependencies of the local DMO. Especially family firms need to build long-term relationships with customers. At the same time, family firms need to differentiate from competitors. As many owner-managers mention deteriorated hardware and investment congestions, which in turn decreases customer satisfaction, owner-managers need to invest in new equipment.

Regarding the environmental dimension, climate change is a changing factor for winter tourism destinations. Owner-mangers should concentrate on alternative winter activities and need to put effort into the summer season. However, this is not a simple undertaking and has to be coordinated with the DMO to attract the destination. Investments in summer activities, such as outdoor activities or attractions, attract the destination. Investments in summer sports activities such as hiking, biking, or outdoor fun activities are recommended. Owner-managers need to protect the environment for future businesses, as the destination image is part of the tourism product. Also, natural hazards are remembered by the customers several years after a similar occurrence, and thus might be harmful to family businesses as well as to the destination itself.

From a social perspective, regional embeddedness is central to family firms, and family firms need to collaborate in a higher intensity to build an active community to create social value for the region. Not surprisingly, employees are the critical resource in this employee intensive industry. Thus, owner-managers need to invest in education and long-term relationships with their employees, even if it is a difficult undertaking due to daily business restrictions. Nevertheless, motivated and well-educated employees are essential to successful and sustainable businesses. Owner-managers neglecting investments into employees carry the risk of failure in the future.

FUTURE RESEARCH DIRECTIONS

The research results reveal new research opportunities for future studies. Long-term environmental sustainability is perceived as a mandatory factor for the economic survival of the family firm. Interestingly, short-term business goals overrule long term efforts in environmental sustainability goals. Tourism regions with less economic strength, pay attention to short-term goals in contrast to long-term sustainability goals to achieve a profit. Thus, we propose:

Proposition 1: Environmental sustainability is perceived as a mandatory factor for the long-term economic survival of businesses, but short-term business goals overrule long-term sustainability goals.

The focus on short-term goals could explain why tourism firms may behave differently as expected. The attitudes of owner-managers are sustainable, and environment protection is perceived as mandatory to survive the future challenge. However, if the businesses are in a challenging position, credit is paid only to short-term goals. Short-term seasonal business goals seem to overrule long-term efforts and get more emphasized, e.g., active environmental protection.

Owner-managers define social sustainability with embeddedness in the region, as well as relationships with employees and other firms in the region. Thus, we propose:

Proposition 2: Owner-managers perceive social sustainability as a long-term relationship and define it as a collaboration between employees and other family firms within the region.

Owner-managers perceive the strategic development of the destinations as a task for the DMO. Strategic development is not perceived as a task for the family business and business level. Thus, we can propose:

Proposition 3: Small and medium-sized family firms in tourism destinations perceive strategic development as a task of the DMO.

Competition in tourism destinations prevents most tourism family firms from increasing sales prices. To attract new customers, the tourism family firms increase the service level, which in turn results in a higher cost structure and lower margins. Thus, we propose:

Proposition 4: Investments in product and service quality increase the competition between family firms due to increased costs without the opportunity to earn higher margins.

CONCLUSION

The authors examined tourism family firms concerning the underlying concepts of sustainability. The authors investigated the perceived attitudes of owner-managers in the alpine region by conducting 98 interviews in family-firms in Western Austria. Family firms address economic sustainability differently. While most owner-managers are aware of sustainable economic development, only a few shows no specific interest in the economic growth of the region. Environmental sustainability - as a resource - is taken for granted. A reason could be that sustainability is often regarded as a regional policy task.

An example is climate change, which is perceived as a risk for sustainability. At the same time, climate change is controlled by investments in artificial snow-making equipment. Family firms externalize influencing factors such as climate change or social responsibility to public bodies, such as the government or DMO. As a result, the government and DMO need to increase the effort to create awareness in tourism family firms for current trends, opportunities, and threats. Awareness is a prerequisite for the strategic development process to respond to future challenges. As a consequence, tourism policy needs to strengthen the internal marketing effort of destination management organizations in order to train family firms in their destinations better to create awareness for current trends, opportunities, and threats and, thus, long-term thinking amongst them. The latter is a prerequisite for the initiation of independent strategic actions of family firms in a tourism destination.

The conducted study contributes to the on-going research stream of sustainability. It provides fruitful findings for researchers in the field of sustainable development of family firms in the tourism context. This research faces some limitations. Data collection was conducted in Western Austria, and the results may vary in other regions outside the Alpine region. The interviews were conducted as face-to-face interviews, and interviewers' influence participants may occur. The analysis is based on the perception of owner-managers and their attitudes towards sustainability. Considering future research, a quantitative approach to test the perceived attitudes and relations about the competitive advantage of family firms would be useful.

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KEY TERMS AND DEFINITIONS

Attitude: Willingness of an individual to respond to external actions and changes.

DMO: Destination management organisation to promote a certain tourism destination.

Economic sustainability: Principle of action on business and economic aspects of sustainability.

Environment: Surrounding spatial system with embedded objects and causal relationships between manifold tourism actors.

Family Firm: A company run and owned by the same business family.

Owner-manager: Managing director and owner of the firm.

Social sustainability: Principle of action on social aspects of sustainability e.g. employment.

Sustainability: Principle of action for lasting satisfaction of needs while preserving the natural ability to regenerate.

APPENDIX

Table 2. Detailed dataset

ID	Region	Age	Gender	Founded	Employees
1	Hall-Wattens	47	M	2012	3
2	Hall-Wattens	45	F	1899	9
3	Tiroler Oberland	64	F	2005	1
4	Tiroler Oberland	35	F	2005	1
5	Tiroler Oberland	46	F	2009	0
6	Pillerseetal	52	F	1962	1
7	Pillerseetal	71	F	1975	0
8	Pillerseetal	48	F	1980	0
9	Vorderes Zillertal	54	M	1929	50
10	Pillerseetal	49	F	2000	0
11	Pillerseetal	48	F	1970	0
12	Tiroler Oberland	49	F	2005	0
13	Tiroler Oberland	36	M	2011	4
14	Tiroler Oberland	53	M	1963	2
15	Tiroler Oberland	37	M	1978	2
16	Tiroler Oberland	46	F	2001	0
17	Pillerseetal	62	F	1984	0
18	Pillerseetal	48	F	1965	0
19	Pillerseetal	48	F	1979	0
20	Pillerseetal	42	F	2002	1
21	Pillerseetal	53	F	1985	0
22	Pillerseetal	51	M	1972	12
23	Pillerseetal	50	M	1920	1
24	Pillerseetal	76	F	1956	1
25	Pillerseetal	32	F	2012	3
26	Pillerseetal	52	F	2015	0
27	Pillerseetal	30	F	2015	0
28	Vorderes Zillertal	45	M	1959	12
29	Pillerseetal	38	M	2009	93
30	Pillerseetal	42	F	1961	20
31	Pillerseetal	38	M	2012	0
32	Pillerseetal	56	M	2006	1
33	Pillerseetal	51	M	1991	10
34	Vorderes Zillertal	46	M	2015	8
35	Vorderes Zillertal	29	M	1942	3
36	Vorderes Zillertal	38	M	1950	0
37	Tiroler Oberland	46	F	1979	18

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Table 2. Continued

ID	Region	Age	Gender	Founded	Employees
38	Tiroler Oberland	60	F	1975	0
39	Tiroler Oberland	45	F	1978	2
40	Tiroler Oberland	39	F	1985	13
41	Tiroler Oberland	49	F	1966	2
42	Pillerseetal	56	F	1970	0
43	Pillerseetal	48	F	1912	16
44	Pillerseetal	39	M	1968	9
45	Pillerseetal	50	F	1970	2
46	Pillerseetal	50	F	1935	1
47	Pillerseetal	36	M	1964	2
48	Pillerseetal	67	F	1972	0
49	Pillerseetal	34	M	1912	24
50	Pillerseetal	46	F	1965	0
51	Pillerseetal	46	F	1958	0
52	Vorderes Zillertal	52	M	2000	1
53	Vorderes Zillertal	65	F	1978	0
54	Tiroler Oberland	46	F	1964	0
55	Pillerseetal	51	M	1978	3
56	Pillerseetal	55	F	1961	0
57	Pillerseetal	45	M	2003	3
58	Pillerseetal	33	M	1992	6
59	Tiroler Oberland	52	M	2014	0
60	Tiroler Oberland	45	M	1964	2
61	Tiroler Oberland	62	F	1956	0
62	Tiroler Oberland	41	M	1982	23
63	Tiroler Oberland	35	F	2007	0
64	Tiroler Oberland	54	M	2012	23
65	Tiroler Oberland	62	F	1955	0
66	Pillerseetal	50	M	1586	28
67	Pillerseetal	55	M	1991	2
68	Pillerseetal	46	M	1970	23
69	Tiroler Oberland	47	F	1970	0
70	Tiroler Oberland	56	F	1957	0
71	Tiroler Oberland	48	F	1977	0
72	Pillerseetal	39	F	2013	0
73	Pillerseetal	22	F	1985	1
74	Tiroler Oberland	58	F	1967	3
75	Tiroler Oberland	26	M	1917	8
76	Tiroler Oberland	55	F	1997	2
77	Tiroler Oberland	49	M	2004	0
78	Pillerseetal	73	M	1930	16

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Table 2. Continued

ID	Region	Age	Gender	Founded	Employees
79	Pillerseetal	41	M	1937	3
80	Pillerseetal	28	F	2016	1
81	Pillerseetal	30	M	1979	15
82	Pillerseetal	51	M	1991	1
83	Tiroler Oberland	54	M	1987	6
84	Tiroler Oberland	33	F	2010	0
85	Pillerseetal	50	M	2013	5
86	Pillerseetal	57	F	2012	0
87	Pillerseetal	45	M	1975	10
88	Tiroler Oberland	59	F	1992	1
89	Tiroler Oberland	39	M	1956	35
90	Tiroler Oberland	71	F	1986	1
91	Tiroler Oberland	60	M	1990	13
92	Ischgl	34	M	1969	17
93	Ischgl	55	M	1999	1
94	Ischgl	32	M	1982	4
95	Pillerseetal	45	F	1956	2
96	Pillerseetal	56	F	1960	0
97	Ischgl	48	F	1979	1
98	Ischgl	26	M	1875	58

Chapter 14
Marketing Management Inside the Business Family:
The Family Mindketing

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ABSTRACT

This chapter shows the forms of relationship between the family business (FB) and its customers, through marketing and branding management. By reviewing literature, authors address three concepts: marketing and branding to generate value, the strategic and operational phase within business management, and consumer behavior along with the performance of the Company based on the rational or emotional. With these elements and through an exploratory theoretical method, authors present in a first phase the SOFT model as a starting point for understanding the decision making within the FB. Subsequently, the chapter defines that the client's decisions exposed to the marketing and branding actions are given through his triune brain, in which there are intellectual, limbic, and reptilian decisions. Authors propose through these two perspectives the relational concept between FB and client that they have called MindKeting as an exploratory proposal that helps to understand the types of decisions and actions that must be taken at the time of marketing management and brand of FB.

INTRODUCTION

Thirty years ago, academic research on family businesses was not appreciated. However, in recent years it has been shown that successful family businesses are very different from non-family ones, being driven by value or non-financial objectives; they can also generate networks and long-term relationships that foster trust and altruism; they succeed in the marketplace by identifying the family as a brand identity,

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and often have a long-term perspective (Astrachan, 2010). In this context, it is demonstrated that the family brand contains familiar personality elements relevant to the market and visible to be more attractive (Reuber & Fischer, 2011). The family business brand includes the characteristics of the family (i.e., family involvement) and the company (i.e., the age of the company), which are relevant for predicting the communication of the family business brand. It is necessary to indicate that the communication of the family business brand positively affects the income of the company considering that these positive effects are influenced by the way the information is presented (Barroso-Martínez et al., 2019). Lude and Prügl (2018) provide evidence that brands that emphasize their family business background are automatically perceived as more authentic and indicate that the promotion of the family nature of a company leads to an inference of trust in the family business.

Strategic planning is historically one of the most important practices applied by companies in this area. Within the implementation of strategies, three dimensions of strategic planning are raised as a practice: the modes of planning, the reasons for planning, and the planning court (Nordqvist & Melin, 2010). Under these three dimensions is the brand strategy, which is family-based and suggests a way to achieve competitive advantage by valuing family nature. Indeed, when family members manage the company's resources, efficiency is achieved. However, when family members combine their participation in management with an appropriate and well-planned brand strategy aimed at communicating to the family as a brand, the firm also shows a higher rate of sales growth (Gallucci, Santulli, & Calabrò, 2015).

In addition to brand strategies, companies should pay more attention to appropriate marketing strategies, such as advertising, promotion, and interactive marketing, to create competitive advantages, as these are the way to improve the value of the company's brand. Some of the success factors could come from aggressive advertising through mass media, such as television, radio, and social networks (Majid et al., 2016).

Both strategy and practice are important within organizations where emotional intelligence and social intelligence are influential elements that provide vision, leadership, and transformation in family businesses (Boyatzis & Soler, 2012). The emotional component does not cease to be an influential one in planning, taking into account that the decisions made can personally destabilize the members of the business family (Arenas-Cardona & Rico-Balvín, 2014), which influences both the strategic and operational levels of the organization.

The brand and marketing of the family firm are presented throughout its value chain, and the leadership applied influences the operations and teamwork processes, the social climate, and finally, the results (Pedraja & Rodríguez, 2004). Leaders can generate value using social and emotional intelligence, considering that they can create a shared vision among various stakeholders of the family, the organization, and the community, which creates resonant relationships where a positive emotional appeal is generated (Boyatzis & Soler, 2012). The social-emotional force becomes an engine that generates harmony, power, survival and can even manage an entire network in the supply chain (Maloni, Hiatt, & Astrachan, 2017) that affects the perception of the brand and, therefore its value within its environment.

Considering that commercial and marketing management is vital for the company and are based on professionalization, education and motivation (Henao, 2017) and that brand managers should pay attention to the brand positioning strategy, managing it to improve the feeling from consumers to the brand (Manthiou et al., 2018), we ask ourselves two questions: a) How do we use emotion or reason for the strategic or operational management of the marketing area in a family business ?; b) How do we connect the marketing strategies and actions of a family business to customer´s reasons or emotions? Based on these questions, we seek to provide through a theoretical approach, a classification of marketing management within the family business, as well as serving as a strategic guide to understanding the emotional or rational burden of those who make decisions within the organization and their customers. In this way, the objective of the present study is to demonstrate the marketing management profiles of the family business, through the emotional business-client relationship. In order to do this, we present this exploratory study based on a theoretical framework structured in three parts: the importance of marketing and branding as a way of providing value to customers and the company; strategy and operability as a basic structure of the company for its performance; and the human behavior analyzed from the perspective of the consumer and from the perspective of the company.

BACKGROUND

Marketing and Branding: Value for the Client and the Company

The field of marketing has been developing as a paradigm based on elements based on the metaphysical, esoteric, and in general, any anti-scientific approach. However, in order to create scientific foundations as a science, it is necessary to consider the strategic and tactical as part of its operability (Garcés, 2005). Kotler and Keller's new approach (2012) establishes a conjunction between the social and the entrepreneurial by defining it as "the social process by which both groups and individuals get what they need and want, through the creation, delivery and free exchange of valuable products and services with other groups and individuals" (p. 5). Due to this, such as the amplitude of marketing that it has been developing its focus in other disciplines that can create confusion given its scope, where the value of the client explores topics ranging from psychology to administrative sciences (Lehmann, 2005).

On the other hand, the brand is presented as an exclusive prerogative of the marketing and communication staff, without considering that the brand is built along a process involving the other parts of the company; however, the commercial phase becomes the terminal phase of a process involving all the company's resources and functions. "Brand management leads to the design and implementation of programs and activities that help build, measure and manage brand value" (Keller, 2008, p.38) which establishes a process similar to marketing where there is a focus on the customer; the brand can be seen as the totality of all consumer experiences in such a way that the consumer seeks forms of contact with it and is easily recognizable and identifiable (Ghodeswar, 2008) due to their loyalty to them". In this context, the family brand contains elements of family personality, relevant to the market, and visible to be more attractive (Reuber & Fischer, 2011). In this context, family businesses should pay more attention to appropriate marketing strategies, such as advertising, promotion, and interactive marketing, to create competitive advantages, and thus enhance the value of the company's brand. Some of the success factors could come from aggressive advertising through mass media, such as television, radio, and social networks; however, they do not make an effort to improve brand value until they are affected by the decline in the number of customers. Lack of brand value would also affect the customer's intention to buy in the future, so work must be done continuously to develop, improve and maintain the brand in order to compete (Majid et al., 2016).

Family-Based branding strategies are a rather neglected and unexplored aspect of family business research (Parmentier, 2011) as a way to achieve a competitive advantage by valuing family nature. Some studies highlight that when family members participate in business management, the company's resources are managed efficiently, while when family members combine their participation in management with an appropriate and well-planned branding strategy aimed at communicating the family as a corporate brand, the company also shows a higher rate of sales growth (Gallucci et al., 2015). The characteristics of the family (i.e., family involvement) and the company (i.e., the age of the company) are relevant in predicting the communication of the family business brand. Besides, brand communication of family businesses positively affects company revenues. However, these positive effects are influenced by the way information is presented on a website (Barroso-Martínez et al., 2019).

Strategy and Operations: Thinking and Making Inside the Company

Under the perspective of Lambin, Gallucci, and Sicurello (2009), a grounded scheme of the influence of marketing within organizations is established. First, a cultural dimension given by the business philosophy is defined; a strategic dimension or analytical mind; and an action dimension or commercial arm. At this point, Lambin et al. (2009) establish that market-oriented management must be part of the culture. They must be managed with an analysis that leads to actions, i.e., managing strategic marketing and operational marketing together, in order to have favorable results for the company. The strategic approach, on the other hand, establishes the proactivity and reactivity towards the market (anticipation and response) while the operability establishes the actions focused on the marketing mix or 4Ps and transactional or relational approach between company and client.

This division of marketing work within companies pushes the development of brands to create differences based on the added value of the product offered and generates the denominated brand capital value that becomes the guide for future strategies and actions of organizations (Keller, 2008). In addition to creating a brand genetic code that is connected to the company's culture (Cuomo et al., 2009) which must be transmitted by its leaders to employees, so that there is alignment of employees to the values and vision of the brand (Terglav, Konečnik Ruzzier, & Kaše, 2016).

As noted above, the past 30 years of research have consistently shown that the strategies that characterize successful family businesses are often quite different from non-family businesses. Because of family influence, family businesses have differentiating characteristics based on their motivational factors. For example, research shows that family businesses are value-driven, pursue goals other than purely financial, can rely on long-term networks and relationships that foster trust and altruism, achieve market success by identifying family with brand identity and often have a long-term perspective. These characteristics shape the family business strategy and may make the family business strategy different from that found in non-family businesses (Astrachan, 2010).

Behavior and Socioemotional Wealth Based on Thoughts and Feelings

The triune concept is the theory defined by Paul MacLean to show a hierarchy of three types of brains with different chemistry and structure. It defines the cerebral cortex as the external intellectual brain; the middle level is called the limbic brain, which is in charge of processing emotions, and finally, the reptilian or primitive brain, the emotional, intuitive brain. These three brains, according to MacLean, can be defined as three biological computers interconnected with each other, with their intelligence, subjectivity, their own temporal and spatial sense, besides possessing their memory (Schkade & Potvin, 1981). For MacLean, the reptilian brain has the greatest impact on human life, even in those businesses where the human being wants nothing to do with the neocortex, while the limbic brain is that part of the brain that indicates what is real. The human being tries to be intellectual or rational, but it is the limbic brain that performs the filter that leads to rationality (Holden, 1979). The reptilian brain can play an important role in advertising processes since it awakens affective emotions taking into account the little participation of individuals at the moment of being exposed to a message (Chaudhuri & Buck, 1995).

On the other hand, and under this theory are distinguished four stages of the mind that influence human behavior. 1) The unconscious mind or "reptilian" (brain stem); 2) The "gross" feeling, or limbic conscious mind (allocortex) with controlled emotional behaviors (basic needs, impulses); 3) Perception, the "silly" external conscious mind (later neocortex), of learned automatic behaviors (habits, skills, conditioned behaviors); 4) Thought, the "intelligent" internal conscious mind (former neocortex). Thought-mediated behavior (anticipation, planning, problem-solving). These stages have their functions with interactions that allow cooperation for the control of human behavior (Aurell, 1989).

MacLean's idea, although it has conceptual errors according to evolutionary psychology and neuroscience (according to his critics) for not being based on empirical studies, is a metaphorical model to explain the psyche and human behavior (Carvajal, 2018), and can be complemented with Jungian theory in which personality is defined with conscious and unconscious elements that determine a way of being (Amezaga & Saiz, 2015) with a common base in all humanity: the collective unconscious (Couto, Bartholomeu & Montiel, 2016). According to Jung and subsequent studies, there are eight psychological types where thought (T) and feeling (F) are evaluative functions that establish a rational structure to perceptions and are also different ways of processing reality (Amezaga & Saiz, 2015). Jung's theory of psychological types is used to identify preferences and defines types in the form of dichotomous attitudes. Within these functions, the functions of intuition (N) and sensation (S) are defined as irrational to explain the experiences and perceptions that provide information; in this way, it determines the level of pragmatism of individuals (S) or, in their counterpart, decision making based on unconscious experiences and perceptions (N). On the other hand, rational types defined as thought (T) and feeling (F) are used in the decision-making process. The function of thought seeks to analyze and evaluate the data received, while feeling takes feeling as the main criterion for decision-making. In this way, some individuals decide with the mind and others with the heart (Licht, de Oliveira, & Ventura, 2007); it is then said that the interaction between emotional and cognitive abilities influences decision-making (López-Galán & De-Magistris, 2017).

The emotional component does not cease to be an influential factor in planning, taking into account that the decisions made can personally destabilize the members of the business family. Although the family protocol provides tools to solve problems and avoids long-term conflicts, it does not guarantee the emotional stability of the members (Arenas-Cardona & Rico-Balvín, 2014).

Socioemotional wealth (SEW) seeks to manage financial weaknesses through control, culture, and family experience in order to increase profitability (Gallizo et al., 2017). Within the SEW, there are three dimensions of high relevance: a) the family prominence that is the most important dimension within the SEW as it represents the importance of how the family is perceived, being the owner of a business. For the family, the reputation of the business also reflects the reputation of each of its members; b) The Family Continuity that represents the need for family business leaders to maintain and keep control of the business; c) The Family Enrichment is the third dimension. It shows how leaders have the desire to create harmony in the whole family, even with those who do not work in the business. There is a sense of altruism to help and promote all members as a form of motivation for the company to exist (Marett, Marler, & Marett, 2018).

Storytelling and construction become triggers of opportunities and serve to transfer knowledge of values and vision, as well as increase commitment to the company, by family successors (Tegtmeier & Classen, 2017). However, this commitment must not only be visualized or understood internally, but must also connect with customers and consumers who also make decisions based on cognitive or affective attitudes (Solomon, 2017) that are formed according to the type of communication that adapts to a hierarchy of effects that seeks to generate awareness, knowledge, taste, preference, conviction and purchase of the product (Clow & Baack, 2010). In other words, decision making within a family business is based on logical or emotional behaviors; and these, in turn, end up in actions that seek an affective or cognitive attitude on the part of customers.

SOLUTIONS AND RECOMMENDATIONS

Marketing Problem in Family Businesses

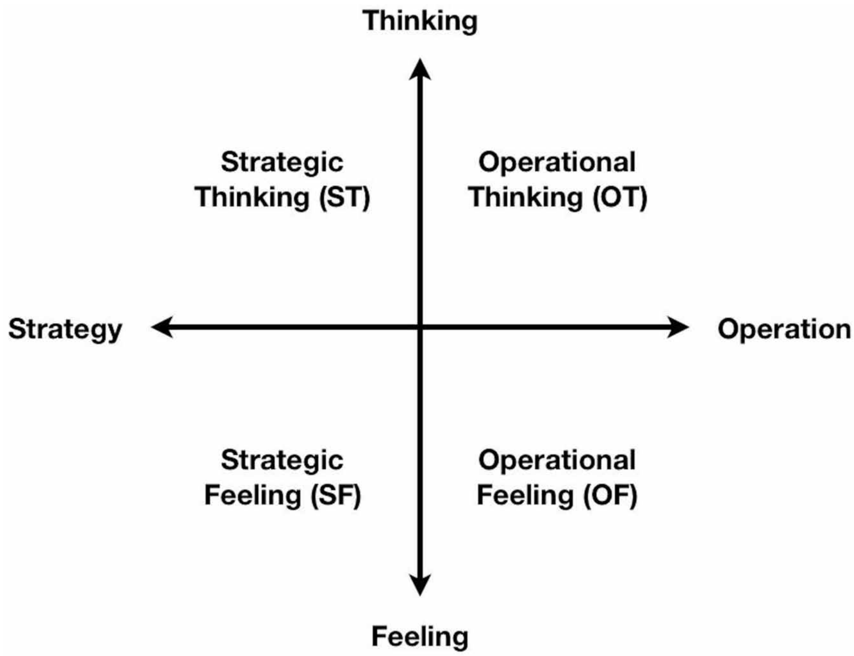
In the literature review, it defines the approach of marketing and branding towards the creation of value for the client, establishing a strategic phase and an operational phase, both connected to the business philosophy (Lambin et al., 2009). However, this business strategy and operation has not been intertwined with the rational (financial) or emotional (family) decisions of key family members (Astrachan, 2010); as well as with the consumer perspective, in which cognitive and affective factors are fundamental axes in the decision making of individuals (Licht, Oliveira, & Ventura, 2007; López-Galán & De-Magistris, 2017). Thus, the value for the client is translated into strategies and actions developed in the management of marketing in the family business, focused on profitability or the family, in which the client will also be emotional or rational at the time of deciding to buy.

The Company of Thought vs. The Company of Feeling

The starting point for our proposal is based on the choice of two theories given the coincidences between them. On the one hand, MacLean's theory raises the concept of the triune brain with "levels of the brain" that go from the emotional to the rational, and on the other hand, Jung's dichotomous theory that explains the bipolar buttons of thought and feeling.

In this way, we rely on Jung's theory regarding the psychological types of thinking (T) and feeling (F) (Amezaga & Saiz, 2015), and associate it with the concepts of financial wealth and socio-emotional wealth (Gallizo et al ., 2017); In this way, we define that decisions focused on financial wealth are "T" decisions considering sustainability thinking based on the profitability of the company, as opposed to decisions focused on socio-emotional wealth defined as "F" decisions, since the focus is on family-based sustainability. With this argument, we define that decision-making based on reason, block decisions based on emotions, and vice versa. As a complement to this theory, we place strategy (S) and operability (O) as the cross-sectional division of a company, so marketing management is also managed in these two areas (Garcés, 2005; Lambin et al., 2009). In this way, we rely on Jung's theory regarding the psychological types of thinking (T) and feeling (F) (Amezaga & Saiz, 2015), and associate it with the concepts of financial wealth and socio-emotional wealth (Gallizo et al ., 2017); In this way, we define that decisions focused on financial wealth are "T" decisions considering sustainability thinking based on the profitability of the company, as opposed to decisions focused on socio-emotional wealth defined

Figure 1. Forms of marketing and branding management according to the company's wealth approach. SOFT Model
Source: Own elaboration



as "F" decisions, since the focus is on family-based sustainability. With this argument, we define that decision-making based on reason, block decisions based on emotions, and vice versa. As a complement to this theory, we place strategy (S) and operability (O) as the cross-sectional division of a company, so marketing management is also managed in these two areas (Garcés, 2005; Lambin et al., 2009).

This double dichotomy becomes transversal, where the strategy and operability of branding and marketing are complemented by the rational (T) or emotional (F) behavior of the family. Under the defined scheme, we propose the SOFT model (strategy, operation, feeling, and thinking), whose focus is to establish a cross vision between the order of the company and the family. The SOFT model aims to establish a certain business coherence, taking into account the decisions of the family. In this way, four combinations are obtained that allows the person who is developing the marketing and brand management plan to understand how he should deal with the different management of his plan, based on strategic thinking, operational thinking, strategic feeling and operational feeling that are defined as marketing management profiles in family businesses (Figure 1):

Strategic Thinking: The Strategist

The actions that are worked on at this point arise from the crossroads between strategy and reason. Here, the marketer has a way to see things as a Strategist. They must be concerned with developing strategies that seek the profitability of marketing management; their vision is creative landed at a numerical value.

Everything that is done in each action must be obvious, direct, and to avoid that the ideas are of free interpretation since that would generate confusion. The strategist can be a dreamer; however, all ideas must be grounded and coldly calculated. It must be considered that tactics will be born from here, and the future of the organization and brand management depends on it.

Operational Thinking: The Soldier

The crossing of the operative part with the rationality of the marketer allows having the operative thought. At this point, the actions must be captured so that they are fulfilled in the market and do not remain in a piece of paper; the activities must be developed thinking that someone can execute them complying with a schedule and establishing their priorities in terms of efficiency for the business.

This is where every activity based on efficiency is set in motion as a basis for the value proposition. Everything that is done must be something that becomes real, and family fantasy has no place. The strategy that has been developed must be apparent, as it is the only way to carry out the relevant tactics. At this point, there is no place for emotion; actions must be rigorously performed and are thought so that everything created here is to give an order that must be fulfilled.

Strategic Feeling: The Poet in Love

The strategic sentiment is born from the emotion of family members and the company's strategy. How the brand will be built according to the values of the family group has an important weight here. It is sought that each decision taken at this point protects the family; they are well-structured ideas that affect the family and the staff of the organization. When they are developed, it is done with family inspiration, seeking competitiveness in the business environment, generating in the end, the strategy that will be the basis for actions that generate a better family environment: It is a well-planned story that makes the reader experience many emotions.

Operational Felling: Detail-Oriented Person

Just as when you do things for a couple and seek that the emotional actions thought are carried out to perfection, so marketing and branding actions must be worked. At this point, the activities are evaluated in order to create a suitable family work climate and management that seeks a positive impact on the family.

Times and management, in general, are adapted to the members of the family; the result of management is important, but above all, the interests of the well-being of the family members involved prevail.

The balance between strategic feeling and strategic thinking must be clear because it will give way to the execution of certain actions in the operative part; however, this balance is a utopia in every decision, taking into account the bipolarity of this psychological type. Thus, a very rational decision will make the financial interests prevail over the family; on the contrary, each emotional decision will make the family prevail over the profitability of the company.

Marketing and Branding Within the Family Business

Family businesses develop their plans, always looking for a financial or non-financial result, which makes the different departments when working on their plans are focused on finding them, the marketing department is no exception. It works their creative proposals focused on the result, hoping to achieve the premise: to satisfy the customer to get the best return. However, one must take into account that non-financial results which are social-emotional wealth, with which one must work to correctly delimit the marketing approach and brand values (Terglav et al., 2016).

The company, having an imaginary line that connects the strategic and operational, can have a hierarchical structure by positions, which goes from one direction to an operator, having a backbone to which each department adjusts. The operative part will not be able to have positive results if the strategy is not clear; equally, in the commercial area it is necessary the strategy not only of the marketing plan but also of the management of the brand, to later execute it in the market with operative actions and to obtain the expected results. It is also necessary to understand that companies work their marketing planning with an external or market perspective. Within this, branding plays an important role since it is an internal or business perspective (Cuomo et al., 2009). Marketing and branding actions must be seen holistically, and not in a separate way. Brand management crosses over the entire organization; therefore, what is developed must be thought in the generation of value for the client, also creating the brand value.

Figure 2 includes the variables of marketing and branding that must be worked in each field, taking into consideration that both strategies and actions will reflect the management of marketing and branding. It can be understood then, that marketing and branding strategies, that is, those that go from market analysis to communication strategy, can be worked from an approach of strategist (ST) or poet in love (SF), where there will be perspectives, decision making, and solutions different from the situation, according to the prioritization between family or profitability. In the same way, the actions generated by a soldier (OT) focused on efficiency will be different from the actions of the detail-oriented persons (OF) who will be the promoters of a "more familiar" projection of the company. It should be noted that this marketing and branding management will be crucial in the projection of the corporate brand and, therefore, generating a positioning and reputation according to its approach.

SOLUTIONS AND RECOMMENDATIONS

Family MindKeting: A New Concept in Family Marketing

The planning of marketing and branding must work the tasks from the perspective of the client and the expected of the company. The management of the marketing plan is constructed from a strategic - operational point of view; however, by evaluating how it will affect the consumer from a perspective of cognition - emotion, one would have much more complex management of marketing and branding.

Based on MacLean's theory (Aurell, 1989; Chaudhuri & Buck, 1995), we consider that the client, in his search for value in the products offered by a company, makes decisions according to his reptilian, limbic or cortex brain. This client must be in tune with the company, which means that according to the strategies or actions of the company, the client will accept or reject the value proposals that the company makes. Under this premise, we understand that there is a categorization of four types of marketing and branding management (SOFT models) aimed at three types of customer decisions. This business-client

Figure 2. Strategy and operations elements for marketing and branding management
Source: Own elaboration

	Strategy	Operation
Marketing	**Strategic marketing** • Market analysis • Problems / needs definition • Objectives • Segmentación • Value proposal • Positioning • Basic strategies • Competitive strategy • Loyalty strategy	**Operacional marketing** • Marketing mix for goods and services • Loyalty programs • Sales • Customer service • Budget • Schedule for planning
Branding	**Strategic branding** • Brand Architecture • Positioning • Brand strategy • Communication strategy	**Operational branding** • Packaging • Communication content • Advertising

relationship is what we have called MindKeting. The MindKeting concept, under this scenario, is presented as the ways to create a better relationship with the customer according to their levels of cognition and affectivity in conjunction with decision making and marketing actions and branding according to the thought or feeling within the business environment. In this way, the Family MindKeting concept establishes twelve types of relationships, the product of the vision and perspective of customers and the family within the company, resulting in a matrix with profiles of key relationships in the process of interaction between the two (Figure 3).

Money and Family: Again, the Dilemma

As already shown in the literature review, the business dilemma of family and monetary wealth is again posed as part of the strategic and operational management of organizations. We define it as a dilemma considering Jung's theory in which psychological types are explained as bipolar on/off buttons, it means, if there is a decision based on thought, the feeling does not exist (it is "off"); therefore, we can establish that marketing and branding management approaches end up projecting a corporate brand of a type of company according to its "T" or "F" approach.

Figure 3. SOFT model applying to consumer decision. The MindKeting Matrix
Source: Own elaboration

	The strategist	The soldier	The Poet	Detail-oriented
	Strategic Thinking (ST)	Operational Thinking (OT)	Strategic Feeling (SF)	Operational Feeling (OF)
Intellectual	The expert	The informant	The conquer	The witness
Limbic system	The analytic	The seller	The lover	The servant
Reptilian system	The empathic	The promoter	Romeo	The friendly

Companies T, Rational or More Structured

Within the T companies, we have strategists (ST) and soldiers (OT). Each of them will have a customer perspective according to how they (the customers) make their purchasing decisions. Under this perspective, we present the definition of this relationship and the management of marketing and branding variables, which must be done.

The Strategist + Intellectual Client: The Expert

The strategies under this perspective seek to define a segmentation, positioning, and value proposition, based on information that shows the advantage of the company over others. The information must be of high relevance for the consumer to evaluate alternatives in a more objective and focused on the price-benefit ratio for him. The brand identity and the management of its communication must be based on a competent personality and must be channeled into highly credible media. If we use an example of security-based, positioning offered by a family business as a value proposition, we would have the phrase: "Our security is guaranteed by state-of-the-art technology."

The Strategist + Limbic Client: The Analyst

Strategies for this type of client seek to be more persuasive, placing a brief emotional dose in the value proposition. For the client, the value proposition, in addition to fulfilling its objective, must have emotional components based on its social projection or its symbolic component. In this relationship, the strategist must project a functional, aesthetic, and symbolic product for the client, and the brand must project competition with emotional elements. The management of the communication must be channeled in high credibility media and interactive media. Positioning must project a mixture of rationality and emotionality. e.g., "Our technology at your service 24 hours a day".

The Strategist + Reptilian Client: The Empathic

The strategies for this type of client seek to generate an immediate purchase. The value proposition is of the moment, should encourage the use of a highly profitable opportunity for the company, and obviously must be very attractive for the experience, for the customer. The strategist knows that his client is emotional and will project to be a brand of moments and experiences that are channeled through all kinds of media according to the need of the moment, the client. E.g., "State-of-the-art technology at the lowest price on the market."

The Soldier + Intellectual Client: The Informant

In this relationship, the entrepreneurial approach is based on informative actions. Soldier management is the creation of goods and services, budget, and work schedules that are fulfilled efficiently. Creating brand value is achieved through brand management through packaging and choosing the right communication and marketing channels. The soldier does not think but acts according to the high demands of a rational customer.

The Soldier + Limbic Customer: Sellers

The relationship under this approach is based on the sale. Soldier management is highly persuasive through salespeople who expose the benefits of the product and where the brand is exposed based on the persuasion of the sales force in its interaction with the consumer. The consumer becomes "vulnerable" to certain benefits that arouse emotions in him/her and establishes a relationship according to the promise of value that the salesperson exposes.

The Soldier + Reptilian Customer: Promoters

The reptilian customer is emotional, so promotions and promoters are essential to show the company's value proposition. The soldier seeks to generate an immediate purchase through actions that push the product to the customer and that are striking for their emotional content, focused on the moments of use, beyond the price.

Companies F, Emotional or More Familiar

Within the F companies, we have the poets in love (SF) and the detail-oriented persons (OF). Their family perspective based on social-emotional wealth also connects with the client, but their form differs from those T companies mentioned above. Their approach is warmer and oriented to generate relationships with the client, showing what they are like: a family business.

The Poet in Love + Intellectual Client: The Conqueror

The marketing strategies of the poet in love are based on showing himself as a conqueror of an intelligent client. It is a mixture of falling in love with high doses of rationality. The promise of value must be shown with certainty, although the strategy is based on a high commitment to the family within the company. In this relationship, there is a company (poet in love) who wants to reach his client through very rational persuasion. The strategy here is the creation of a strong positioning based on the values of the company and a brand communication entrenched in those values. E.g., “Security is our commitment.”

The Poet in Love + Limbic Client: The Lover

In this relationship, the client is more flexible with the company but seeks to channel their doubts through certain questions of a rational nature. The company is still a poet in love, but now it will behave like a lover for the client, showing itself much more persuasive with arguments that balance the rational and the dreamlike. In this relationship, the company bases its strategy on a positioning that mixes its family values with the emotions of the client, and the content of its communication is much more flexible. E.g., “We like to provide security to our clients because they are part of us.”

The Poet in Love + Reptilian Client: Romeo

The relationship between the company and the client is highly emotional. The value proposition that is strategically measured by the company focuses on falling in love with the customer through decisions that seek to develop products and define communication, which shows a warmer firm and closer to the reality of the consumer. The positioning of the company is very emotional and connects to the consumer according to the experiences that can provide, beyond the functionality of their products. Ex: “We are always by your side to protect you.”

The Detail-Oriented + Intellectual Client: The Witness

The relationship is a mix of a family-focused operation and a demanding customer-focused operation. The company chooses to show rational arguments based on other people’s experiences, to demonstrate the value of its products, backed not only by their attributes and functionality but also by the family business brand. The marketing actions seek to show the business brand as a backer of the products it offers, to obtain repeated experiences of purchase (re-purchase).

The Detail-Oriented + Limbic Client: The Servant

Under this relationship, the family business is more helpful. Its actions are focused on customer service and a closer relationship with the customer, without disassociating itself from the promise of value that has been determined in its strategic phase. The marketing and branding actions seek to show a company focused on service and direct contact with the client, generating a brand with a personality of familiarity.

The Detail-Oriented + Limbic Client: The Friendly One

In this relationship, both parties are highly emotional, becoming the most flexible company and creating a value proposition based on a philosophy (not just an action) of customer service and stakeholder relations inclusive. The marketing and branding actions have emotional content with a very familiar and exciting brand.

FUTURE RESEARCH DIRECTIONS

This exploratory study based on the literature review allows us to provide a first solution (with a theoretical focus) to the dilemma of family organizations when managing the marketing and corporate brand or products of the company. The focus of the study shows three different aspects in this line: 1) The classification of family businesses according to their strategic and operational management based on decision making according to thought and feeling; 2) Buying decisions of the client, based on an emotional brain, semi-rational or rational at the time of being exposed to marketing actions, branding, and marketing of companies; and 3) The relationship that exists between family business models and decision making by establishing a link according to each case.

We are aware of the limitations of the proposal, taking into account its theoretical nature; However, we believe that this can give way to future empirical studies that clarify this family-client business relationship, in such a way that a line of marketing and branding is deepened from the perspective of family businesses.

We believe that the first and main challenge for family organizations is to have a critical and introspective vision based on this theoretical model named Mindketing, contemplating the type of clients that the organization has, and identifying the business approach to strategy or operability. After knowing the position in this "emotional radar," it should establish the strategic moves that you want to handle according to the type of client, remembering the adaptability that the model shows. In this way, what we are looking for is that, according to the client's decisions, there is empathy in family-businesses given their knowledge of it. With this, two opportunities arise: a) The ability to develop an appropriate diagnostic self-analysis that is the cause of strategies and actions that generates competitiveness for the organization; and b) The capacity for continuous improvement, product of self-understanding, which leads to the sustainability of the company and the creation of a better vision in the long term.

We believe that with this theoretical foundation, marketing, and branding decision-makers within family businesses can have a clearer view of their role within the organization and can make use of the tools we propose, in a more positive way considering the type of business they run. In the same way, they can solve the dilemma of bipolarity thinking-feeling, looking for an approximation of the balance of both psychological types focused on the resolution of conflicts. Although it is true, Jung establishes that there is a contraposition of both types, we think that with the Family MindKeting approach, a transversal solution can be proposed in which members and not members of the family, join their efforts in the marketing strategy and action, in such a way that the positions of the company are minimized, thus achieving a "chameleon" company that adjusts to its clients and their demands.

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KEY TERMS AND DEFINITIONS

Capital Brand Value: This concept refers to the financial value that a brand has earned, given the product and marketing management of the company.

Collective Unconscious: A common platform, composed of archetypes that shape our individuality, being a second psychic system, whose nature is universal and impersonal.

Financial Wealth: The profitability gives that a company shows in its performance. Together with the family business, they represent the total value of a family business.

Hierarchy of Effects: Within the advertising theory, the hierarchy of effects model serves to clearly define the objectives of campaigns and create individual advertisements, following six steps: awareness, knowledge, taste, preference, conviction, and purchase.

MindKeting: An application of marketing in the family business, focused on creating relationships with the consumer through strategic or operational ways of conducting marketing and branding management of the company.

Positioning: The position that an idea occupies in the mind of the consumer, that is, the mental interpretations that consumers have.

Reputation: The ordinary relationship that a company has with its audiences. Unlike positioning, it consists of an added benefit for the company and is aimed not only at the consumer but in general, at the stakeholders.

SEW: Socioemotional wealth. It is the family wealth given by the interaction and family relationships that promote business development. It is defined as the company's non-financial wealth that functions as an engine for its development if it is well managed. This wealth does not occur in non-family companies.

SOFT Model: A Proposed model where decision-making and actions based on the thoughts or feelings of family members involved in the company's marketing and branding management.

Chapter 15
Family Business Firms' Branding:
Managing Strategic Attributes That Influence Millennial Consumer Behavior

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ABSTRACT

Company decision making tends to center on Millennials, particularly because they represent a significantly large market with many behavioral characteristics and patterns that elude organizational leaders. Family business scholars have not yet delved into this contemporary phenomenon, which is relevant due to shared similarities between millennials and family businesses' values/beliefs. That said, are family business firm (FBF) branding efforts influencing Millennial consumers' behavior? If so, what FBF branding attributes drive Millennial purchase decision-making? This chapter provides insights on FBF branding, with a global presence, and the attributes driving millennials to patronize these firms, and includes quantitative and qualitative analysis and discussion on a conceptual model.

INTRODUCTION

Branding is one of the most important elements of business strategy as it provides greater competitiveness to family business firms (FBFs) by allowing them to differentiate their products and services from those of their competitors. Extant literature on branding highlights not only the differentiating aspect but also its importance to create added value to the product beyond its functionality (Knox, 2004; Keller, 2003). Therefore, products' added values differentiate them in the marketplace and stimulate customers to have a preference for or have loyalty toward one brand and not to another. FBFs, similar to non-family businesses, develop brands to attract and maintain customers, and through the brand, promote their values, image, a certain prestige, and a lifestyle (Presas, Muñoz, Guía, 2011; Da Silva & Alwi, 2008). A brand

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comprises a name, symbol, and design (O' Malley, 1991) that identifies the products or services of an organization and differentiates it in the market (Kotler & Armstrong, 2011). A firm's brand is one of its most critical organizational assets and plays a key role in improving the financial equity of the firm (Kotler & Keller, 2006).

In the case of FBFs, branding offers them the opportunity to commercialize their products and services using their name, identity, values, history, vision, and culture as unique elements of its organization (De Chernatony, 1999, Harris & de Chernatony, 2001; Wanhill, 1997). Why should a FBF communicate its history, values, and identity through corporate and product branding? In recent years, some scholars on family business have pointed the benefits of leveraging on the family brand (Astrachan & Astrachan, 2015) to foster customers' positive perceptions of the family firm (Blombäck, 2009; Frost, 2008), achieve success in the market, improve sales growth (Bruce, Peters, & Naik, 2012), or to add symbolic attributes to the firm's products or services beyond their physical characteristics (Aaker, 1991).

Regarding the value of a firm, which consists of both tangible and intangible assets, Habbershon and Williams (1999) considered that the strength of FBFs lies in their intangible resources. This set of intangible resources that makes FBFs unique is called "familiness" (Habbershon, Williams, & McMillan, 2003). Therefore, the family business brand becomes a manifestation of the principal family and business values, with a specific product or service that will attract a public with whom it shares similar values. Millennial consumers are family-oriented (Hershatter & Epstein, 2010); that is, this Generation is well aligned with the core of FBFs and their identity as family businesses, or familiness (Habbershon & Williams, 2000).

Millennials, also known as Generation Y, have been the focus of many business dynamics debates because, for one, they represent the largest market since the Baby Boomers (Belleau, Summers, Xu, & Pinel, 2007). There are conflicting opinions on the birth-years the Millennial Generation embraces, with some researchers stating it includes those born between 1977 and 1994 (Noble, Haytko, & Phillips, 2009), 1979 and 1994 (Myers & Sadaghiani, 2010), 1981 and 1994 (Jayson, 2010), 1982 and 2003 (Sandeen, 2008), and after 1982 (Oblinger, 2003) among others. Nevertheless, they are commonly characterized as being highly creative, proactive, tech-savvy, open-minded, and environmentally and socially conscientious consumer activists.

As with all generations, a lack of a single definition, concept, or theory that fits all Millennials has led such a generation to be analyzed in different fields of study and from different approaches. This is equally applicable to both Millennials as well as FBF branding around the world. Therefore, an analysis of the Millennial consumer behavior (MCB) is essential to business dynamics improvement, including branding effectiveness. Moreover, the comprehension of Millennials is as insufficient as the effects of FBF branding efforts on consumer behavior; according to Kashmiri and Mahajan (2014), the scarce literature on the subject matter is odd given the economic importance of FBFs. As a result, the following questions emerge, are family business firms' branding efforts influencing Millennial consumers' behavior? What family business attributes drive Millennial consumers' purchase decision making? How are family businesses managing the attributes of their branding strategies?

With the questions above in mind, the objectives of this study are to (i) evaluate the branding efforts of the family business firms to engage Millennial consumers, (ii) evaluate the branding efforts of the family business firms to ensure Millennial consumers' brand recognition, and (iii) determine the family business attributes that drive Millennial consumers' purchase decision making. To do so, an empirical study was held with Millennial consumers residing in the Metropolitan Area of the Valley of Mexico.

The study considered the daily consumption products of five large family business firms and five large non-family business firms, all of which have a global presence.

This chapter is organized as follows: Section two includes a review of previous literature on family business firms, branding, and Millennials' consumer behavior. The study design and hypotheses framework are in Section three. Section four presents the study findings and discussion, and Section five presents directions for future research and concluding remarks.

BRANDING STRATEGIES OF FAMILY BUSINESS FIRMS

Studying FBFs from the perspective of family-based branding strategies (Gallucci, Santulli, & Calabró, 2015; Astrachan & Astrachan, 2015; Craig, Dibrell, & Davis, 2008) allows the identification of those strategies that characterize them. Various researches on FBFs have shown that the current and main characteristic that makes these businesses unique is the family's participation in the firm (Carsrud & Brännback, 2012; Hess, 2006; Habbershon & Williams, 1999). On the latter, there are many studies related to FBFs analyzed from different perspectives. For this research, FBFs are mainly characterized by being those in which management remains in the family´s hands (i.e., two or more generations) and, in this case, influence through stock control, the firm's administration, and management.

Branding implies the process of quantifying the value and authenticity of products and services that create a solid brand (Keller, 2008). Branding strategy defines rules and gives direction on what, how, when, where, and to whom the brand message is communicated. An issue that has not been studied in depth by family business scholars is the branding impact on these firms (Reuber & Fischer, 2011), and, importantly, both terms have not been studied together to analyze their impact on consumer purchasing behavior. In 1997, the construct "family-based brand" was created by Wanhill, when, for the first time, different elements of the family were introduced in the firm's corporate brand such as name, values, identity, and history (Wanhill, 1997). Marketing is not only considered as the factor influencing consumers for the firm's benefit, but also an essential element to communicate values, family identity, and history through strategies that shape and highlight a corporate brand identity based on the family itself (Craig et al., 2008).

Family brand identity is the result of a comprehensive planning process that mainly includes a vision where the brand bears the family history and the founder's core values and transcendent objective, highlighting its nature as a family business and thereby increasing stakeholders' influence through firm reputation. Generally, corporate brand identity is determined by emphasizing different features of the firm (Gallucci & Santulli, 2013; Blombäck & Ramirez-Pasillas, 2012). It should express the way CEOs would like stakeholders to see the firm (Scott & Lane, 2000). It is essential to understand how to manage and implement the corporate brand identity not only to achieve the objectives of the organization but also to obtain a competitive advantage (Micelotta & Raynard, 2011). Therefore, a family brand should communicate different messages that make up the corporate and product brand, built on the family nature and combining different elements including their values, tradition, history, and responsibility (Astrachan & Astrachan, 2015; Gallucci et al., 2015) to achieve a sustained competitive advantage (Gallucci et al., 2015).

Several recent academic studies on family businesses (e.g., Gallucci et al., 2015; Bruce et al., 2012; Kärreman & Rylander, 2008; Craig et al., 2008; Ataman & Ülengin, 2003; Kamber, 2002) show that adding symbolic attributes to the firm's product through the family brand will attract customers, thereby contributing to the product's success and having a direct impact on business growth. Hence, corporate and product family-based branding strategies are a sustained competitive advantage (Gallucci et al., 2015). FBFs may benefit from communicating their truly unique and relevant family-brand values to consumers as it may directly affect their purchasing behavior and generate a positive impact on profit and, therefore, business growth.

However, consumers' awareness of FBFs is scarce; further, consumers usually cannot distinguish FBFs from non-FBFs (Carrigan & Buckley, 2008). Several studies indicate that when a family business is identified, consumers perceive them as more successful, profitable, innovative, enterprising, and transparent than non-FBFs (Carrigan & Buckley, 2008; Hess, 2006; Leach, 1991). Consumers consider FBFs more trustworthy, principled, and authentic (Orth & Green, 2009; Carrigan & Buckley, 2008) for purchasing their products and services over those offered by non-family firms (Binz, Hair, Pieper, & Baldauf, 2013).

Hence, the importance of knowing and meeting consumers' needs, particularly for Millennials, who represent 28% of the world's population (UNSD, 2017) and 33% of Mexico's population, with a total of 40.5 million young people, according to figures of the National Population Council (CONAPO, 2014). Millennial consumers (M-consumers), like those of other generations, need marketing strategies that will broaden their awareness of FBF brands and strategies that influence their perception of FBF brands and their preference for their products. This generation of consumers does not identify with many of the brands that were popular with other generations. Because Millennials are difficult to impress (Van den Bergh & Behrer, 2016), it is also harder for them to identify with brands.

According to several authors, the reason Millennials do not identify with brands may be due to a change in Millennials' values (Cennamo & Gardner, 2008), which are different from previous generations; for instance, Millennials are characterized by mastering technology (Howe & Strauss, 2000) and by their collective environmental, social, and cultural consciousness. Millennials are willing to pay more for products and services if they are produced with the least amount of environmental damage possible (California Green Solutions, 2010; Sheahan, 2005). Their perception of the world is different, and this represents a real challenge for family businesses, as they must adapt to the Millennials' needs to continue operating in the market. Reliable knowledge of family business and Millennial values are important to establish a correct marketing strategy. Company branding is now focused on reflecting the values and ideology of the society in which they operate (Holt, 2006) and that differ among cultures (Levy & Luedicke, 2013). Likewise, Stephens (2013) and Rajagopal (2016) posited that there is an increase in consumer interest for brands aligned with their values and beliefs. The question of which values or beliefs a brand should reflect is increasingly essential, but the answer is still not clear (Shepherd, Chartrand, & Fitzsimons, 2015). Table 1 describes the values and beliefs of FBFs and Millennials and which the latter considers necessary about branding. A challenge facing FBFs is how to market their family brand for M-consumers. Hence,

Hypothesis One: The higher the FBF branding, the greater the M-consumer preference to purchase from the FBF.

Consumer Behavior Drivers

Consumers' purchasing behavior depends on their perception of a brand as well as the product and service offered by a firm. According to Hatch and Shultz (2001), there are three elements essential to the creation of a corporate brand: corporate vision, culture, and stakeholders' perceptions. Corporate vision and culture are related to the way things are done, as well as the philosophy of the brand embodies. Perception is shaped by a series and combination of brand and product and service attributes. These attributes are branding efforts meant to appeal to consumers, drive their behavior, and directly influence their purchase decision making.

One of the drivers most commonly associated with purchase decision making is the product and service quality. The latter, according to Zeithaml (1988), is determined by consumers' assessment of the product/service. Each product and service will be associated with different quality indicators; for instance, determinants of a meal's quality vary significantly from those of an automobile's. Common attributes include the physical characteristics, such as product shape (Sevilla & Kahn, 2014), packaging (Merwe et al., 2013), typeface logos (Hagtvedt, 2011), the very design of the product and, of course, its functionality (Monö, 1997).

The product variety is also considered a critical quality attribute; in other words, an increase in the perceived variety of products improves consumer perception of quality and the brand (Berger, Draganska, & Simonson, 2007). Moreover, variety is best perceived when products are strategically placed to increase access points for ease of purchase in the sense that consumers may purchase the product at multiple locations at their convenience. Another attribute growing in influence is a firm's engagement in corporate social responsibility (CSR) as it reflects positively on consumer perception of the brand (Madden, Roth, & Dillon, 2012).

Brand presence is an essential driver because it determines the degree to which branding efforts are executed as well as consumer recognition and awareness. There is greater recognition when branding efforts include brand positioning. The latter entails remaining in consumers' minds (Gwin & Gwin, 2003) by developing a striking brand image fit for the target market (Wang, 2012). The ultimate intention of brand positioning is to create brand awareness to the extent of surpassing recognition to front-of-mind awareness.

Because brand presence has increased significantly, Millennials are exposed to branding at an earlier age (Rajamma et al., 2010) than previous generations. This means that i) these consumers are accustomed to incessant branding efforts, and ii) firms should be aware that this generation is highly responsive to branding. It is then reasonable that FBFs delegating efforts toward brand recognition and awareness would be well-aligned with M-consumers' preferences.

Brand image is also a significant driver as it reflects consumer perception through the alignment of branding efforts with their beliefs and viewpoints. Brand image is associated with a brand name, which, according to Rahman, Haque, and Hussain (2012), may even act as a substitute for product quality in consumer decision making. This means that the name of a brand is much more than an identifier; in fact, there are brand names synonymous with high technology, quality, sustainability, innovativeness, familiness, and tradition, among others. According to Rajamma et al. (2010), branding is especially crucial for M-consumers, as they tend to adopt brands as a means of self-expression.

Values are fundamental to consumers, including M-consumers. As long as the brand reflects Millennials' values, they will allocate a positive image of the brand (Saxton, 2005), which will undoubtedly influence their purchase decision making. Brand selection is based on consumer perception of its prestige, credibility, and quality (Ozsomer & Altaras, 2008). This means that the more M-consumers perceive they can trust a brand, the higher their intent to purchase. Therefore, the perceived brand image directly impacts consumer decision-making. For instance, a low brand image, or lack thereof, leads consumers to distrust the product and, in turn, negatively influences their purchase decision making. The key, then, lays in understanding that all factors influencing perception will ultimately drive M-consumer preference to purchase.

Millennials, despite popular belief, are family-oriented (Hershatter & Epstein, 2010), similar to previous generations. Furthermore, it is not that their culture, values, and beliefs are different from other generations (Bartosik-Purgat, 2014); instead, what has shifted are their priorities. Therefore, Millennials are well aligned with the core attribute of FBFs and their identity as family businesses—familiness (Habbershon & Williams, 2000). Moreover, Millennials are raised and schooled with analytical and critical thinking (Dussault, 2014); ultimately, this means that they see nothing wrong with questioning just about everything surrounding them. For such reasons, the higher the FBFs' branding efforts, transparency, and appeal to M-consumers the more they will be drawn to the brand; hence,

Hypothesis Two: The higher the M-consumer perception of FBF branding drivers, the greater their preference to purchase from the FBF.

Price has been considered a strong determinant in consumer behavior when there are no other cues that influence consumer perception (Jacoby, Olson, & Haddock, 1971). In this sense, the price enables consumers to segment the offerings and make blunt purchase decision-making in the absence of other qualifiers. Furthermore, consumer perception of price is well associated with product quality (Shih, 2012; Utaka, 2015) in that it depends on consumer satisfaction with the price as well as with the product and service itself (Munnukka, 2008).

Ordun (2015) found that price is an attribute that does not vary across generations; however, M-consumers adopt price as an influencer in decision-making as long as it is fair pricing (Nowak et al., 2006). In other words, price is a cue that ought to be balanced with product quality and satisfaction with business dynamics. Price has been considered a quality indicator; for instance, because they are painfully aware of negative consequences for society (Nowak, Thach, & Olsen, 2006) and the environment of purchasing the wrong products or from the wrong firm, for Millennials, price takes a backseat. Therefore, many other cues prove to be of more considerable significance for Millennials. Furthermore, as was stated earlier, corporate philosophy, including the values and FBF's familiness embedded in a brand, are reliable attributes driving purchase decision making; hence,

Hypothesis Three: An increase in M-consumers' preference to purchase from a FBF decreases the influence of price on consumer behavior.

Attributes can influence the perception of other attributes, resulting in multiple routes toward preference; for instance, the higher the perceived attraction, the greater the consumer perception of product usability (Sonderegger & Sauer, 2010), resulting in intent to purchase. Being socially responsible, sustainable, and transparent regarding operations also directly impacts consumer trust and satisfaction, which, in turn, positively influence their behavior and attitude toward the firm (Kang & Hustvedt, 2014). Brand image is impacted by consumers' experience with the product in that its familiarity helps shape behavior, perception, preference, and intent to purchase. Besides, consumer perception of product qual-

Table 1. Family Business Firms, Millennials and what is important about branding

Family Business Firm *Do*	Millennial Generation *Wish*	Family Business Branding for Millennials
Uphold values such as respect, honesty, loyalty, quality, and hard work, credibility, obeying the law, commitment, altruism, social responsibility, fairness, and integrity. (Koiranen, 2002; Dumas & Blodgett, 1999; Dyer, 2003; Zellweger & Nason, 2008)	To connect digitally through the Internet, email, laptops, smartphones, social media, and instant messaging. (Eastman & Liu, 2012; Young & Hinesly, 2012; Simões & Gouveia, 2008; McMahon & Pospisil, 2005; Prensky, 2001; Mangold & Smith, 2012)	Likely to be less influenced by traditional advertisement than peer-generated to assess product/website value and purchase decisions; disseminate product information of their experiences, opinions, and expertise with other consumers. (Simões & Gouveia, 2008; Smith, 2012; Mangold & Smith, 2012; Goldsmith & Horowitz, 2006; Walsh, Gwinner, & Swanson, 2004; Gerzema & D'Antonio, 2011)
Consider the preservation and development of the firm for the next generation and family and view the community's wellbeing as a responsibility. (Ceja & Tapies, 2011; Mandl, 2008; Dyer, 2003)	To simultaneously coordinate multiple aspects of their lives, thus, they show a low tolerance for delays and need immediate access to information, which is achieved via Internet access, laptops, and mobile devices. (McMahon & Pospisil, 2005; Mangold & Smith, 2012)	Significantly more motivated by personalization, competitive prices, and rates, and unique experiences and are attracted to digital marketing, interactive technology, graphics, and side ads that create an emotional connection with the brand. (Smith, 2012; Mobolade, 2016; Mangold & Smith, 2012)
Focus more on a long-term orientation for sustainability than on short-term profits. (Mandl, 2008; Ceja & Tapies, 2011; Dyer, 2003; Zellweger, 2007)	To engage civically, confident, self-reliant, goal- and teamwork-oriented, and socially and ecologically aware. (Holt, Marques, & Way, 2012; Howe & Strauss, 2003; Alsop, 2008; Barber, Taylor, & Dodd, 2009; Gesell, 2010)	Engage in online communications with firms, seek consumer reviews online before purchase, and are active in promotion and branding efforts via social media. (Mangold & Smith, 2012; Bounie et al., 2008)
Regard their interaction with the environment, their stakeholder relationship, and responsibility with the community. (Kelly, Athanassiou, & Crittenden, 2000; Ceja & Tapies, 2011; Mandl, 2008; Dyer, 2003)	To identify with traditional values and are closely connected with family. (Holt et al., 2012; Mobolade, 2016)	Firms' social responsibility influences purchase decisions and potential brand recommendations. (Mobolade, 2016)
Significantly invest more in their collaborators and the community's development. (Denison, Lief, & Ward, 2004; Zellweger & Nason, 2008)	To engage in and are good at multitasking, they are multicultural, diverse, and enjoy multiculturalism. (McMahon & Pospisil, 2005; Holt et al., 2012; Mobolade, 2016; Eastman & Liu, 2012)	Prefer genuine and authentic brands whose advertisements depict actual consumers genuinely reacting to the brand. (Malkoski, 2016; Mobolade, 2016)
Adamantly focus on integrity, climate, and positive and ethical behavior. (Blömback, Brunninge, & Melander, 2010; Dyer, 2003)	Not to sacrifice family and friends for a career because work is not a priority for them; but, they also do not stop seriously considering it. Generally, they want to live a less stressful life. (Gursoy, Maier, & Chi, 2008).	
Value philanthropy, see the good in people and are more emotional, elemental, and humane than non-FBFs. (Ward, 2008)	To purchase from firms that share their values. (Gerzema & D'Antonio, 2011)	
Differentiate from non-FMFs due to their "excellence, laboriousness, initiative, simplicity, and austerity (ELISA)." (Gallo & Cappuyns, 2004)	To postpone marriage and childbirth. (Mobolade, 2016; Martin, Astone, & Peters, 2014)	
	To investigate and authenticate and freely express themselves. (Tapscott, 1998)	

Source: Own elaboration

ity and firm reputation has a direct impact on purchase decision-making (Tsiotsou, 2006) as it is also directly associated with consumer satisfaction. The latter, along with brand loyalty, is directly influenced by price and product quality (Auh & Johnson, 2005). Family firms may have a superior organizational reputation, being perceived as more trustworthy and authentic, as employers that are more loyal and better corporate citizens than their non-family analogs (Carrigan & Buckley, 2008).

Product and service attributes, when perceived positively, may result in brand loyalty, meaning positive feelings about the brand (Liu, 2007). Brand loyalty occurs when consumers' growing responsiveness toward the brand is reflected in repurchase behavior. Williams and Page (2010) concluded that given the selective nature of the Millennial generation, this generation values "experience," purchasing and repurchasing provide a series of experiences that increase familiarity with the brand (Tam, 2008). Customers tend to rely on their own experiences more than relying on advertising (Berry, 2000); therefore, accounting for a cyclical process where every good and satisfying experience prompts repurchase, further solidifies loyalty. Brand loyalty is essential for any consumer, including Millennials, and is undoubtedly vital for firms' sustained growth. Perhaps the difference among generations becomes evident in the practical manner in which Millennials can endorse and discard a firm in a "Tweet.".

Millennial buyers select and consume products that help them to define who they are, what is important to them, and what they value in life also serves to express some aspect of their personality or image. They use their considerable knowledge about the latest trends, images, and reputations of retailers, products, and brand names to be considered experts or leaders among peers. They have the desire to make the best decision concerning not only price and quality but consider making suitable investments for the future. Millennial customers found high confidence and trust in the brand names of their choice. (Ordun G., 2015).

There are also circumstances in which consumers do not necessarily select a brand due to the attributes mentioned above and drivers, and instead, they inherit the preference. For instance, a person that has always seen the same brand of honey in their household and has been raised as a consumer of that brand is likely to continue to purchase it. Therefore, there is a tradition of purchase and consumption. This heritage exponentially strengthens brand loyalty (Wiedmann et al., 2013); hence:

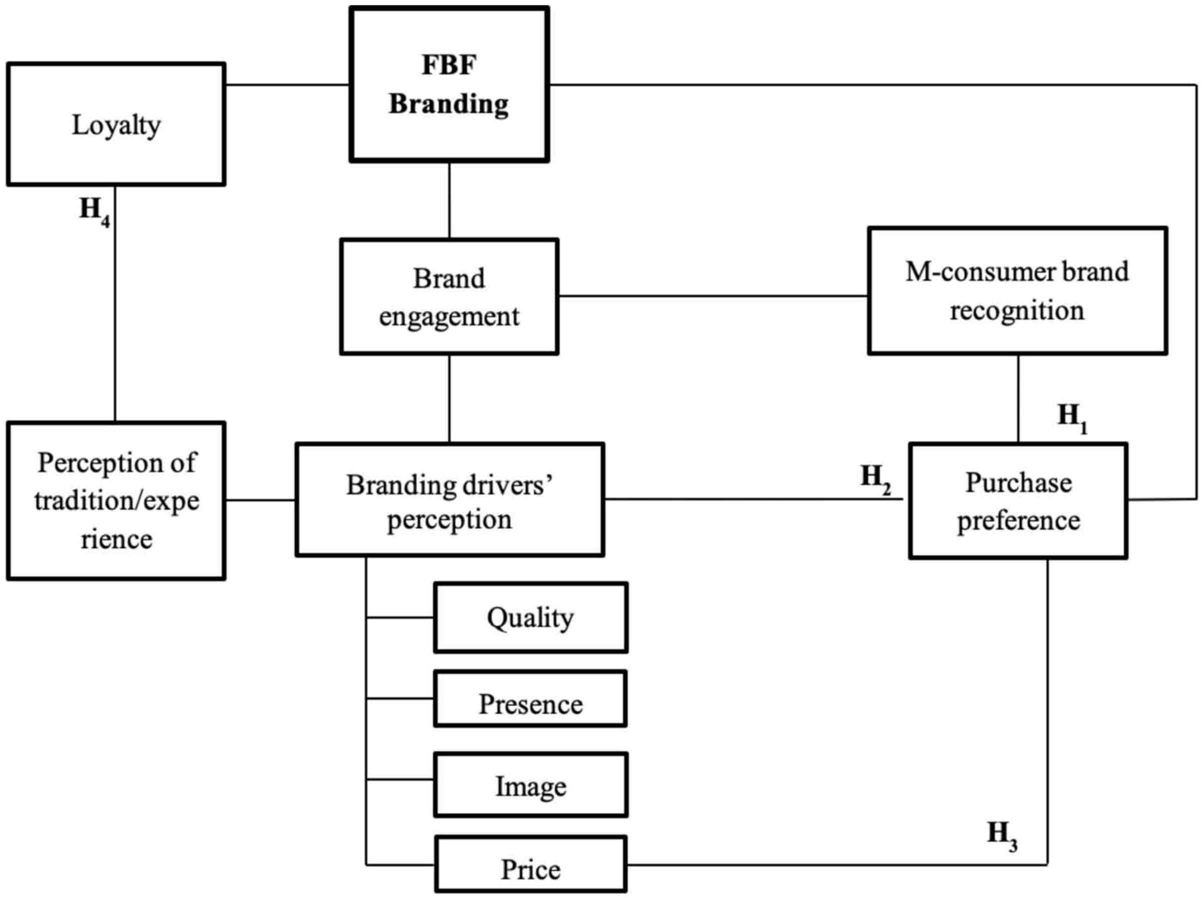
Hypothesis Four: The higher the M-consumer perception of tradition and experience associated with a FBF brand, the higher their loyalty toward the FBF.

STUDY DESIGN

The general objective of the study is to understand large family business firms' branding attributes that M-consumers associated with preference to purchase from said firms. To do so, four hypotheses were established, and a framework developed to illustrate the relation between each hypothesis and corresponding variables further. Figure 1 illustrates the framework of these hypotheses and shows how M-consumer behavior is influenced by the awareness, or lack thereof, of a brand owned by a large FBF.

A semi-structured survey was developed to uncover the attributes that drive M-consumers to purchase from large FBFs rather than from large non-family-owned firms. The survey focused on FBF branding and consumer behavior regarding perceptions and preferences to purchase; the questions emphasized the selection of FBFs over non-family business firms, the recognition of brands being owned by a FBF, and the attributes that drive Millennials to prefer to purchase from an FBF. Participants were presented with pairs of the same products (staples) each from a different mainstream brand; respondents were requested to select the brands they prefer to purchase from and the brands they recognize to be from an FBF. To determine branding drivers influencing M-consumer behavior, participants were required to indicate the elements that motivate or drive their preferences to purchase. The survey was developed in English, translated into Spanish for its administration, and translated back into English for analysis; special

Figure 1. Hypotheses framework
Source: Own elaboration



attention was paid to ensure consistency between languages. A descriptive study was carried out that measured the frequency of several factors and, hence, the size of the problem (Grimes & Schulz, 2002).

From a purposively selected sample, a total of 464 semi-structured surveys were administered to Millennials, both men and women, residing in the Metropolitan Area of the Valley of Mexico (Greater Mexico City) to evaluate M-consumer behavior regarding FBFs branding. Thirty-five percent of the sample was eliminated from the study due to incomplete data and inconsistencies with the selection criteria (i.e., M-consumers residing in Greater Mexico City). Therefore, once outliers were eliminated, the sample size was reduced to 302 participants. Respondents' ages ranged from 18 to 35 years, with 53 percent responded by women. There were no apparent differences in responses between women and men or across age ranges; instead, the responses were quite consistent among respondents.

SOLUTIONS AND RECOMMENDATIONS

There were many elements uncovered by the present study that contribute to the existing literature on the subject matter; for instance, FBF branding based on core family values is effective with M-consumers. Also, they not only share the same values with other generations but also are somewhat responsive to the firm's identity. Respondents' perceptions of FBF branding efforts were determined by two means: i) achieving M-consumer FBF brand recognition and ii) achieving M-consumer engagement derived from preference to purchase from the FBF brand. Findings revealed that Millennials residing in Greater Mexico City are mostly able to recognize those brands associated with FBFs. The 40% of respondents were able to identify 60% of FBF brands effectively; only 1% could not recognize any, and 4% successfully recognized all FBF brands. To shed light on the degree of M-consumer awareness of FBF brands, respondents' brand recognition was classified into one of two groups: low awareness and high awareness. Results indicate that 65% of respondents are classified as highly aware of FBF brands, while 35% demonstrate low awareness. Therefore, the first analyzed element in FBF branding is being accomplished, as the majority of respondents can recognize FBF brands.

Although M-consumers can recognize FBF brands, the question of their preference to purchase from these brands follows. Findings suggest that M-consumers are less inclined to purchase FBF brands; that is, their purchase preferences are not necessarily influenced by the fact that the brands are associated with an FBF. Despite high awareness regarding brand recognition, 80% of the respondents exhibit a low FBF brand preference, and only 20% present high FBF brand preference. Thirty-two percent of participants prefer to purchase from 20% of the FBF brands, and 37% prefer to purchase from 40% of said brands. Only approximately 1% of consumer preference to purchase matched their brand recognition. This means that there is a 20% decrease between FBF brand recognition and preference to purchase from the same brands. Therefore, the second analyzed element in FBF branding is not being accomplished because the majority of respondents do not seem to be engaged by the FBFs in question; hence, H_1 is not accepted.

Results indicate that Millennials are very much aligned with FBFs' values; they are quite responsive to businesses they know are led by a family and operations that are aligned with family values. Thus, if M-consumers that recognize FBF brands prefer to purchase from them, then it stands to reason that a lack of preference is, in all probability, a consequence of ineffective FBF branding efforts, specifically engagement efforts. Therefore, it would seem that FBFs are reaching M-consumers through branding but only at a superficial level; that is, with no more than memory connections. This means that M-consumers can recollect the association of a brand with a FBF but do not identify with the brand as consumers. These results led us to corroborate that FBFs should commit efforts toward engagement and substantially increase branding strategies, especially regarding brand image and presence. This would motivate or drive consumers' purchase decision-making based on perceived FBF brand attributes.

To determine the elements of branding efforts that are driving M-consumer behavior, subsequent hypotheses were evaluated by considering those respondents that both recognized FBFs and preferred to purchase from them. The various attributes that influence consumer behavior were considered to be integrated within the branding drivers provided by the respondents: i) quality, ii) brand presence and iii) brand image. Findings suggest that 77% of perceived branding attributes are elements of the branding drivers. Besides, the more these drivers were perceived by M-consumers, the more they seemed to opt for FBFs, with a 55% frequency. In other words, an increase in driver perception increases the preference to purchase from FBF brands; hence, H_2 is accepted. That said, the drivers individually provide further insights into M-consumers' behavior.

Quality, the first consumer behavior driver, proved to be the most effective in regards to M-consumers; it was highly perceived and accounts for 47% of driver perceptions. Participants described the following attributes in order of highest to lowest influence in their decision-making: physical characteristics, variety, ease of access, and CSR engagement. Furthermore, the driver is essential to purchasing decision making as 31% of those who perceived this driver also preferred to purchase from the associated FBF. The second driver, brand presence, described the correlation between brand awareness driven by recognition and preference. The driver was perceived 26% less than the quality driver; however, it remains important to their purchase decision making as 21% of the time the drivers were perceived, the FBF brand was preferred. Further, respondents affirmed that brand familiarity and positioning, in that order, are the most influential attributes. In that sense, it is the driver's brand presence that takes M-consumer behavior from brand recognition to front-of-mind.

The third driver—brand image—depicts consumer perception of the alignment of branding efforts with their beliefs and viewpoints. It was the driver least perceived by M-consumers, with only 9% frequency. However, it does contribute to their decision making as 6% of the times that said the driver was perceived the FBF brand associated was preferred for purchase. Furthermore, respondents defined the following attributes in order of highest to lowest influence in their decision-making: brand name, trust, credibility, prestige, and values. M-consumers seem to be more driven by product quality than by the FBF brand itself. Therefore, again, FBF branding and Millennial affinity for FBFs, are not resonating; i.e., the brands are not attracting this audience because of what they do and represent as a FBF, but merely because of the product they offer. Hence, the hypothesis in question would not be acceptable if divided by each of the branding drivers.

Price is a strong determinant in consumer behavior, as in many cases, it acts as a reference point for purchase decision making. For instance, a consumer might state that she/he has *x* amount of money to spend on a product, and anything above it might be unattainable or even unreasonable. In contrast, others might state that some products and services should have a specific price to ensure quality or agree that price does not equate to quality and satisfaction. In any case, price is commonly associated with ultimate decision-making. Findings suggest that M-consumers prioritize various attributes before price in their purchase decision-making process regarding FBF brands. Only 12% of respondents considered price to be influential in their brand selection. These consumers demonstrate a more significant influence by other branding drivers (i.e., quality, trust, and prestige among others), where their preference to purchase from FBF brands are more relevant than the price of the product itself; hence, H_3 is accepted.

Results indicate that M-consumers that stated purchase tradition (i.e., it has been purchased in their family household for generations) and the experiences (i.e., happenings and feelings they have and share) surrounding the actual consumption of the product are strong drivers for purchase decision making. This resulted in the most influential aspect because, for every statement of tradition and experience, there is a conviction to repurchase, meaning 100% of the respondents stated such a driver is loyal to the respective FBF brands; hence, H_4 is accepted. FBFs ought to further explore M-consumer keenness for tradition and experience. The fact remains that these consumers desire the meaning behind a purchase and special moments that capture emotions. Thus, it is plausible that FBF branding efforts to engage M-consumers lay in the attributes mentioned above. Table 2 summarizes the findings of drivers related to M-consumer decision-making and the brand purchase preference associated with FBF.

It is noteworthy that the findings revealed that 3% of the respondents not only prefer to purchase from FBFs but are also driven to purchase because the brand is domestic; that is, the fact that the brand is Mexican is a strong determinant for these M-consumers. According to Wang and Chen (2004), this

Table 2. Findings of drivers related to M-consumer decision-making and the brand purchase preference associated with FBF

Drivers	Consumer perception	Contribute to consumer decision-making	FBF brand associate	Hypothesis
Quality	47%	31%	Was preferred for purchase	H_2 is accepted
Brand presence	26%	21%	Was preferred for purchase	
Brand image	9%	6%	Was preferred for purchase	
Price	-	12%	Was preferred for purchase	H_3 is accepted
Tradition/experience	-	100%	Was preferred for purchase	H_4 is accepted

Source: Own elaboration

occurs because consumers are ethnocentric and perceive domestic products and services to be of higher quality than foreign ones. Although the percentage is low, we expect this tendency to increase due to current political tensions, reflecting a greater preference for domestic brands. Therefore, FBFs may promote their brand origin as it may prove to be influential in M-consumer purchase decision making and, ultimately, brand preference.

FUTURE RESEARCH DIRECTIONS

The main limitation of the study is the sample size. Although a total of 464 respondents participated in the study, the results reflect only the characteristics of the sample and, therefore, are not generalizable. Future research could study Millennial consumers' degree of ethnocentricity and the effect of brand origin on the preference to purchase. Besides, a cross-cultural study regarding FBF branding and consumer preference could shed light on cultural implications for Millennial consumers' behavior.

CONCLUSION

As has been stated, the ostracizing of Millennials, including in Mexico, is due to a lack of understanding of this generation. Millennials are, for all intents and purposes, the target market for many FBFs not just because of their purchasing power but also for their deep social and environmental values. They are proactive consumers and represent the most significant market since the Baby Boomers (Belleau et al., 2007). Therefore, M-consumer behavior should be analyzed appropriately to understand the generation better as well as to improve FBF branding efforts.

The branding drivers analyzed are, in fact, equally influential on M-consumers concerning FBFs; however, some attributes were found to be of greater impact than others were. For instance, M-consumers in Mexico are very much family-oriented, and they are responsive to family and corporate values. They are enthused by tradition, and the many and particular experiences acquired when purchasing and consuming a product. Even though the price is a strong determinant, the study shows that these consumers are not prioritizing price as an influencer of FBF brand selection. They are attracted to FBF brands, and when they are knowledgeable of the latter, they tend to prefer to purchase from them. Therefore, FBFs could benefit significantly from transforming branding practices, so they focus on consumer connections with the brand rather than just on a product level; by doing so, brand loyalty is potentiated.

FBFs should certainly allocate efforts toward the right understanding of M-consumers because, in terms of marketing and branding practices, no useful results will come from actively not listening to consumers. Some authors have stated that Millennials are particularly disloyal consumers (Syrett & Lammiman, 2004) who resist traditional branding (Bush, Martin, & Bush, 2004). However, consumers are ever-changing, and it is the FBF that must develop branding strategies to fit best and adapt to said changes. It is rather simple if M-consumers purchase differently, why are FBFs not selling differently? It seems that FBFs are those that should be adapting traditional branding efforts to new market needs and requirements and not the other way around. In Mexico and around the world, Millennials make up an attractive, large, target market with very particular values and comprising more than 39 million people; thus, FBFs must protect and defend Millennials' values to acquire and retain them as consumers. Every FBF must create a brand following its principal family and business values and join the consumer's world, rather than the latter joining the former's world.

This research has revealed that brand management is essential for family business firms since the analysis and planning are done in brand management decreases the differences between the identity of a brand and the perception that stakeholders have of it. Promoting FBF identity as "A Family Company" could positively influence consumer purchase decision making and, in turn, positively affect business growth. The latter is essential to remember while moving forward because M-consumers are responsive to FBFs' values; therefore, these companies should take advantage of this affinity and further promote family identity through branding efforts. It is relevant to communicate a higher FBF brand purpose, which should reflect M-consumers' values. Having a well-thought-out brand purpose will grow the brand identity and, thereby, influence Millennials' purchasing decisions and potential brand recommendations.

MANAGERIAL IMPLICATIONS

The large FBFs with global presence should commit efforts toward engagement and substantially increase branding strategies, especially regarding brand image and presence to motivate or drive local or not local consumers' purchase decision-making based on perceived FBF brand attributes. Likewise, they should work their branding related to traditions and experiences since they are strong drivers for purchase decision making. These types of consumers desire the meaning behind a purchase and special moments that capture emotions. Finally, yet importantly, they should promote their brand origin as it may prove to be influential in M-consumer purchase decision making and, ultimately, brand preference.

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KEY TERMS AND DEFINITIONS

Brand Engagement: A relationship between a brand and its consumers driven by interactions.

Brand Image: It is associated with a brand name and may even act as a substitute for product quality in consumer decision making.

Branding: Implies the process of quantifying the value and authenticity of products and services that create a solid brand.

Consumer Behavior: It depends on their perception of a brand as well as the product and service offered by a firm.

Family Business Firm: Are mainly characterized by being those in which management remains in the family´s hands.

Loyalty: This occurs when consumers' growing responsiveness toward the brand is reflected in repurchase behavior.

Millennials: Also known as Generation Y, represent the largest market since the Baby Boomers, born between 1977 and 1994.

Perception: Is shaped by a series and combination of brand and product and service attributes.

Presence: It determines the degree to which branding efforts are executed as well as consumer recognition and awareness.

Price: This is a cue that ought to be balanced with product quality and satisfaction with business dynamics.

Purchase Preference: A considerable inclination from the customer towards a brand.

Quality: The standard of a brand measured against another brand of a similar kind.

Chapter 16
Data Analytics:
Challenges and Opportunities for the Family Business

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ABSTRACT

The growing proliferation of data in firms around the world have made analytics a success factor for business growth, and by default, achieving greater performance. This research proposes a data analytics model for marketing decision making. Literature was reviewed, and several key factors for the growth of the family business were identified. In addition, 140 marketing managers from family and non-family firms in Spain were surveyed. Four key factors were identified to implement a data analytics project. An empirical model is presented, which allows visualizing the relationships that generate quality information. Data analytics is a competitive advantage for recognized firms in the world; however, there is an underutilization of information by the family business. This chapter allows reducing the gap between competitors, regardless of their ownership structure. Therefore, it declares a challenge and an opportunity for the family firm.

INTRODUCTION

This research refers to the key success factors (FCE) necessary for the development of data analytics within the firm, certain resources that require quality information for marketing decision making. Information quality is understood as technological knowledge through information technologies, which is used as the basis for good decision making and positive results (Ji-fan et al., 2016). The main characteristic of the

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FCE is that it allows the entrepreneur to achieve the objectives of quality information for commercial decision making, and what distinguishes them from the competition; as an imperfectly imitable analytical resource due to its unique processing, causal ambiguity or social complexity (Barney & Clark, 2007).

The main interest of the research is to propose to the family firm (FF), an FCE configuration to implement data analytics within the organization. This responds to the fear that the FF have expressed for maintaining satisfactory growth rates. According to PriceWaterhouseCoopers (2018), a series of factors that are expected to be relevant to promote the growth of FFs have been identified, including the difficulty in accessing adequate talent, and the generation of information for decision-making. On the other hand, it is our interest to establish what type of organizational structure presents better results when there are data analysts within the firm. Also, from the academic point of view, we are interested in deepening the conceptual comparison between FF and non-family members (NFF). It is specifically pertinent that this type of study has rarely attracted scholars in technology (Alberti & Pizzurno, 2013). There are only studies on knowledge management and that, according to Massaro et al. (2016), are long and alone are raised from the perspective of the processes.

Within the framework of the data analytics literature, the research was conducted with a series of surveys of 140 FF and NFF marketing executives based in Spain. The items were outlined with topics on direct management support, professional talent, alignment of information technology (IT) with the commercial strategy, quality information for decision making, and the organic structure of data analysts. We apply a sampling technique for convenience, where the interrelation of the FCE associated with a data plan and its relationship with organizational performance is explored. A structural equation model was used to process the survey, and mediation and moderation variables were included. During the survey, the biggest obstacle was to contact the executive director. However, we declare the following objectives of the chapter:

- Position data analytics as FCE in the FF, for decision making in marketing.
- Fill the conceptual gap on IT alignment in the FFs business strategy.
- Propose a conceptual model for a data analytics project, in the context of FF.
- Demonstrate what type of analyst organization gets the best results for data analytics.

After this introduction, the review of the proposed background, methodology and relationships, solutions, and recommendations and, finally, the conclusions of the study are presented.

BACKGROUND

This study proposes an FCE configuration to implement data analytics within the firm, which is capable of generating information for commercial decision making. The proposal was made based on the issues that the FFs currently declare relevant to foster growth (talent and organizational structure) (PriceWaterhouseCoopers, 2018). These issues are complemented by the factors that the FF literature mentions as important for the growth and development of the FFs, that is: the direct and explicit support of the administration (Soliman & Janz, 2004), the level of alignment of the information systems and information technology in commercial strategy (Young et al., 1999), the level of professional (Heck, 1998; Premkumar, Ramamurthy, & Nilakanta, 1994), and organic structure (Tung et al., 2000). We have also incorporated some comparisons between FF and NFF, in order to generate greater pragmatic understanding between both property structures. Next, we review the data analytics literature linked to the topics above, and at the end of this section, the hypotheses related to the study are raised.

Family Firms vs. Non-Family Firms

The FFs have an important contribution to the global gross product, employment, and economic growth (IFERA, 2003; Tharawat, 2014), which is the commercial organization with the greatest presence worldwide (Anderson & Reeb, 2003; Family Firm Institute, 2017). However, only in the last decade have they enjoyed a more significant presence in the public and political debates of the European Union's Member States. This recent interest in FFs is due to its recognized burden on economic and social development, as well as the growing interest that the subject has generated in the academic field (Austrian Institute for SME Research, 2015).

The FF is defined as a managed organization to pursue the vision of the firm in the hands of a dominant coalition controlled by members of the same family or a small number of families, and potentially sustainable between generations of the family or families (Chua, Chrisman, & Sharma, 1999). According to Dunn (1996), the FF is characterized by a long-term orientation and a conservative style against the risks that may arise in its operational processes. Therefore, and according to Alberti and Pizzurno (2013), this leads these firms to avoid risky projects that compromise substantial resources and generate mostly unpredictable results. Even, it is likely that in the FF, there is no internal organizational context that encourages business behavior (Gibson & Birkinshaw, 2004).

Innovation, in the context of FF, plays a critical role in the competitive environment and in obtaining performance (Alberti & Pizzurno, 2013). The OECD (2015) has stated that data-driven innovation is a leading source of growth for the 21st century. Therefore, and within our research, technological innovation is considered a key driver to foster the competitive advantage of firms (Shane & Ulrich, 2004). Also, technology innovation is a resource capable of processing data that facilitates the development and commercialization of new products or services (Chiesa, Manzini, & Pizzurno, 2008). In summary, greater adoption and use of information technology in firms will probably give higher performance and a competitive advantage over the competition (Dosi, 1982; Hymer, 1976). However, Alberti and Pizzurno (2013), warn that the family climate can hamper incentives to experiment with risky innovation opportunities.

Regarding FF versus NFF, it is necessary to diagnose how it is currently operating. The literature mentions that there may be differences in various aspects of management between both ownership structures (Donckels & Fröhlich, 1991; Dunn, 1996; Naldi et al., 2007; Zahra, 2003); and even this distinction is presented when implementing technological strategies (Cassia, De Massis, & Pizzurno, 2011; De Massis et al., 2013). According to Hunt (2000), from the perspective of the theory of resources (RBV), in the FFs, a technological climate does not predominate; FFs are more conservative rather than innovative (Alberti & Pizzurno, 2013). Finally, Teal, Upton, & Seman (2003) suggested that there are few differences between high growth FFs concerning NFFs, which suggests that their high growth orientation is more important than their property.

Data Analytics and Quality Information

According to Beath et al. (2012), we face an explosive growth of data in firms in the world. So much so that these have exceeded the growth of income, reaching an average annual rate of 40%. Information is data or transformed data that helps in the user's decision making (Sen, 2001). These data or a fraction of them, in general, the FF submits them to standard software or information packages; true "black boxes" that generate reports without exposing internal data and procedures (Kouaib & Jarboui, 2017). The data analytics configuration presented here goes beyond traditional reports. It manages to extract the hidden "truth" from consumers through the configuration of various resources and processes (Phillips, 2016). It allows executives better knowledge about the dynamics of their business over time when working with data and perfecting analytical models (Davenport & Harris, 2007). It drives innovation and growth, new products and services, marketing programs, and strategy creation (Davenport & Kirby, 2016).

The types of data for analytics are: structured and unstructured. Structured data is stored, identified, and linked within the firm (for example, business data warehouse, CRM history, order management, and billing systems). Unstructured data is generally binary that does not have an identifiable internal structure (for example, social networks, videos, sensors, emails, and calls). As an example, Beath et al. (2012) indicated that some firms are discovering that unstructured data collected through social networks allow for more excellent knowledge and that they can potentially have direct repercussions on customer service, improve operations and accelerate innovation. Additionally, Barton and Court (2012) commented that today, there is a large volume of useful information, with multiple data sources and where social networks and machine sensors stand out.

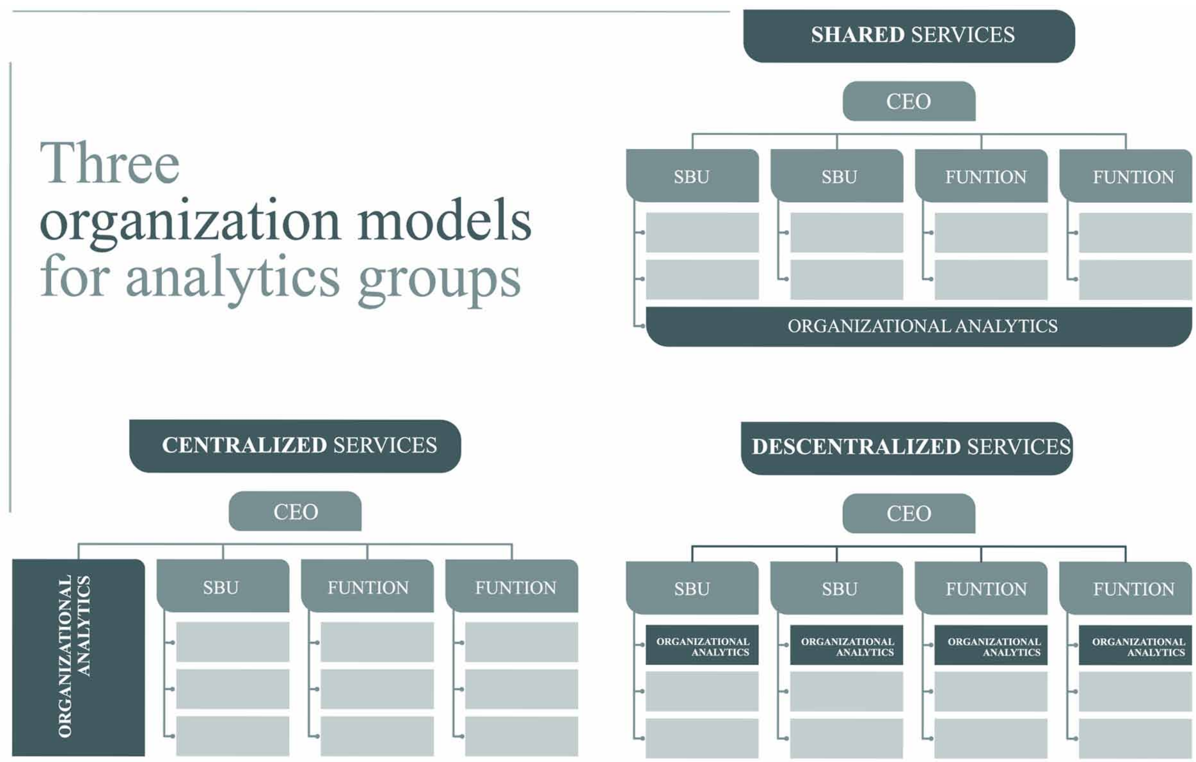
Investments in IT that provide quality information in the FF will depend on several internal factors, such as the history of the firm, the organizational culture, the characteristics of the sector, customer relationships, the age profile, or the experience of executives (Ogbonna & Harris, 2005). Without prejudice to the importance of investing in data analytics that includes both structured and unstructured data. The FF will always have the possibility of implementing data analytics. An initial stage of data analytics is feasible to generate from traditional systems, such as employee records, customer orders, inventory management data, and financial transactions.

Finally, any data plan, which includes analytics, must keep in mind the utility of stored data. A large percentage of stored data is useless if the administration has not specified how it will be used, that is, who will make the decisions or provide what services with what data (Sivarajah et al., 2017). Only a small percentage of organizations have benefited from technological investments that provide quality information for decision making (Gupta & George, 2016), managing to obtain data mining or other marketing purposes, as well as an opportunity for distinction as a business organization (Ogbonna & Harris, 2005).

Organizational Structure for Analytical Talents

The organizational structure for analytical talents refers to the operational dependence of personnel within the organization in order to obtain the best performances on consumer knowledge. The following authors recognize at least three structures that are currently in force in companies, among the ways of structuring analytical talent is the centralized, decentralized or shared structure (Verhoef, Kooge, & Walk, 2016). The decentralized services model is where each business unit or function has its group of analysts (Hagen et al., 2013). The integrated shared services model is a centralized model that works under the responsibility of a specific business unit or function, and from there, it serves other business

Figure 1. Types of organizational structures for data analysts
Source: Based on Hagen et al. (2013) and Verhoef et al. (2016)



units of the organization (Verhoef et al., 2016). Finally, the centralized services model is located outside the business units or functions of the organization; from there, it serves multiple commercial units (Hagen et al., 2013; Verhoef et al., 2016). The distribution of data analysts within the organization is presented in Figure 1. Table 1 describes the advantages of each type of structure.

Key Success Factors of Data Analytics

In addition to the topics declared by the FF as relevant, the NFF literature also declares as key: IT (Ji-fan et al., 2016); primary resources, learning, culture, and data (Gupta & George, 2016); investment (Akter et al., 2016); procedures (Isson & Harriott, 2013; Verhoef et al., 2016). Without prejudice to these additional factors, our investigation has emphasized those that coincide as critical for both property structures. The factors studied are the following.

Management Support for Data Analytics

The managerial support is given by the level of support of the executives to the resources and processes that generate the data analytics. This is represented through the support given to analytical talent and the design and implementation of a data plan. Consequently, Davenport and Harris (2007) defined it as a manager's passion for data analytics, its repeated use in decision making, the declaration of being an

Table 1. Advantages of the three organizational models for analytical groups

Centralized	Decentralized	Shared
• Standardized processes and methodologies through the corporate strategic axes. • Independent point of view. • Direct and agile information for middle-level managers. • Ideas or practices shared throughout the organization. • Extensive knowledge and skills. • Broad knowledge and analytical skills. • Generation of economies of scale. • A general strategic vision.	• Shocking results. • Analytical needs aligned with the business unit. • Staff knowledgeable about the needs of the business unit. • Immediate responses.	• Standardized processes and methodologies. • Knowledge of specific needs of business units attended frequently. • Broad knowledge and analytical skills. • Generation of economies of scale. • A broad strategic vision.

Source: Based on Hagen et al. (2013) and Verhoef et al. (2016).

'analytical competitor,' and basing the corporate strategy on analytical information. Besides, ideally, the primary support for data analytics should be the Chief Executive Officer. Several executive directors have been found who are driving the change towards analysis in their firms; many of them have stated internally or publicly that their organizations are involved in decision-making based on facts. Many executives pressure managers of the organization to support their strategies with information from data analytics. This attitude is important since the lack of administrative support is also cited as a key factor that affects the success of the initiatives (Gupta & George, 2016). Leaders must invest enough time and energy to align the executives of the organization in support of the mission (Barton & Court, 2012). A data plan must be fully aware of senior management. This helps a project to develop in an alienated manner to commercial interests, in search of more support from senior management (Verhoef et al., 2016). The embrace of data analytics throughout the firm requires the leadership of executives at the top of the organization and a passion for data analytics. Similarly, it has been observed that the personal perceptions of executives play an important role in their willingness towards IT (Ogbonna & Harris, 2005).

Alignment of Information to the Commercial Plan

The alignment of information to the business plan implies the coordination of resources and analytical processes, that is, coordinating key factors, in order to achieve the objectives of the business strategy. Generically and according to Kaplan (2012), it implies to direct the entire organization in a single strategic direction so that value is generated as a result of the interaction of the sum of the parts. In short, it is sought that the information generated by data analytics is in line with the needs of commercial teams. Such marketing planning does not have to involve complicated theoretical models or be highly formalized (Hogarth-Scott, Watson, & Wilson, 1996). However, lack of planning can lead to disorder, and ad hoc approaches to marketing activity (Quinton & Harridge-March, 2006). The above is supported by Blankson and Stokes (2002), who stated that several of the executives or owners do not attach importance to issues of long-term planning, to the reward of staff members, to the use of technological systems, to the appreciation of long-term objectives or knowledge of the market environment.

Notwithstanding the preceding, statistics indicate that 55 percent of fast-growing FFs use formal strategic planning and only 46 percent in the case of firms with slow growth. The strategic alignment of the data plan to the commercial strategy according to Akter et al. (2016) is achieved to the extent that:

the plan promotes the achievement of the objectives of the business plan, the plan has quantified goals and objectives (indicators), the plan is supported with initiatives to meet those goals and objectives, and finally, investments in data analysis are prioritized by the expected impact on business performance. In line with the previous ones, Alberti and Pizzurno (2013) state that the evidence indicates that technological planning and innovation processes are more conducive to achieving performance in the FFs.

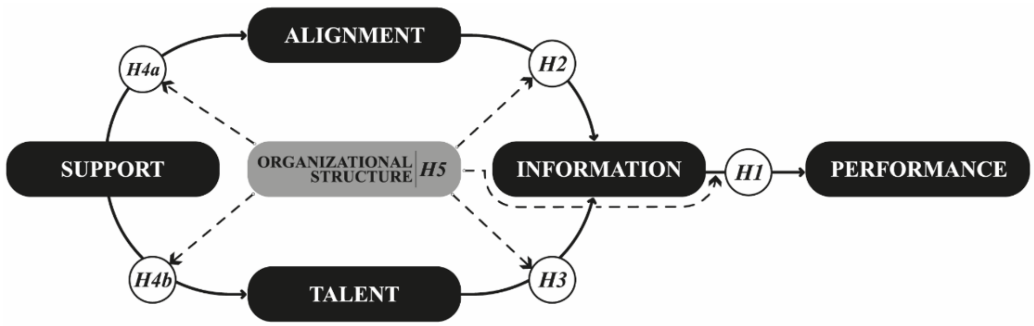
Analytical Talent in Knowledge Generation

According to Akter et al. (2016), analytical talent is configured through a series of personal qualities, ranging from: knowledge of technical elements (including operating systems, statistics, programming languages and database management systems); elements of technological management (knowledge of the management of data resources that is necessary to support business goals); business elements (understanding of the various internal and external organizational functions); and relational elements (ability of the individual to communicate and work with people from other business functions). Therefore, and according to these personal qualities, the talent recruitment process is critical for a data analytics project in the FF. However, recruitment in FF is an under-analyzed area of research (Sharma, 2004), which is a weakness, given the critical role of talent in organizational performance and the importance of FFs in world markets (Turban & Cable, 2003). Therefore, attracting talented candidates is a critical human resources task that significantly affects organizational performance (Ehrhart & Ziegert, 2005; Turban & Cable, 2003). According to Ogbonna and Harris (2005), executives have the responsibility to guarantee the level of skills in talent, its permanence, its renewal, or its training by the demands of the environment. In summary, the importance of talent lies in its ability to extract unknown data, write programs to convert them into structured data, analyze the data, interpret the results and advise managers on what to do about it, all in a short time and with a sense of urgency (Davenport, 2014).

Quality Information for Decision Making in Marketing

Resource-based theory (RBT) has been considered an appropriate framework to study the effects on business performance. It is a theory that recognizes the value of resources, such as the quality of information (Akter et al., 2016; Gupta & George, 2016; Ji-fan et al., 2016). According to Barton and Court (2012), the slow performance of IT investments to achieve knowledge is due to the disconnect between the quality of information and the need for top-line executives. The definition of quality information, according to Ji-fan et al. (2016), is represented under four dimensions that characterize it, that is, integrity, updating, format or technical characteristics, and precision or accuracy thereof. 'Integrity' indicates the extent to which the user perceives that the analytics contains all the necessary information; 'accuracy' describes the perception of the fidelity of the information; 'format' refers to the perception of how well information is understood and presented; and 'precision' refers to the user's perception of the extent to which the information is up to date (Wixom & Todd, 2005). Still, quality information is recognized as an excellent basis for positive decision making and performance (Ji-fan et al., 2016). However, any data or information stored is not usable. You should always consider what it will be used for, for what purpose (Quinton & Harridge-March, 2006). In summary, and according to Akter et al. (2016), quality information represents knowledge. Therefore, it is a key factor in the decision-making process.

Figure 2. Model for a data analytics project, with the five key factors of the FF
Source: Own elaboration



Conceptual Model and Hypotheses Proposed

Based on the issues declared as key (FCE), and especially those that FF studies mention as such, we have configured six interactions that explain the relationships between factors (see Figure 2), which influence the organizational performance of a FF. To base these relationships, we have relied on the general literature of data analytics, since the FF literature is still passive in this field. Therefore, the proposed hypotheses are:

Quality Information and Organizational Performance

The information factor allows business managers to understand the essential needs of the market and thereby increase organizational performance (Wang, White, & Chen, 2015). The information comes from data analytics, which, in turn, is supported by a data plan that contains the information required to create value, thereby improving organizational performance (Verhoef et al., 2016). Also, the literature review showed us that the factors linked to data analytics affect the quality of the information, and consequently positively affect the financial results of the firms (Barton & Court, 2012; Davenport & Harris, 2007; McAfee, Brynjolfsson, Davenport, Patil, & Barton, 2012). Based on these arguments, we propose that:

Hypothesis One (H1): The information has a positive impact on the performance of FF and NFF.

Alignment of Information and Quality Information

According to Kaplan and Norton (2008), managers, in this case, those associated with the delivery of information, should align their results, response time, and initiatives to achieve the objectives of information quality preset by the organization. In practice, all support units should be reinforced to deliver quality information to their internal customers, according to business requirements. For information technology (IT) units (often not internally valued), management must plan data strategies that go beyond daily operations, that is, to have as a key function the generation of information for commercial strategies (Huang & Hu, 2007). Given the above, the following hypothesis is proposed:

Hypothesis Two (H2): The alignment has a positive impact on the information generated by FF and NFF.

Analytical Talent and Quality Information

According to Sivarajah, Kamal, Irani, and Weerakkody (2017), analytical talent is determined by the potential of the individual to generate knowledge (information). Data alone is not a panacea; it requires talent to be exploited (Zeng & Glaister, 2017). Analyst talent is key to the success of any firm. Also, it is necessary to have different skills, not only analytical skills but also talent with a business sense, experience in data and tools, communication, and visualization skills to deliver a powerful message. Specifically, there is a consensus that accurate intuition comes from individuals capable of synthesizing and extracting the "truth" from multiple data sources, as cited by Phillips (2016). Based on these arguments, we propose that:

Hypothesis Three (H3): Talent has a positive impact on the information generated by FF and NFF.

Management Support, Information Alignment, and Quality Information

The management support literature indicates that managers must align the critical information needs for decision-making, that is, formalize, through a data plan, the information requirements necessary to implement the business strategy. Managers with direct responsibility in the generation of information reports must design the data strategy plan according to the needs of commercial information. This implies framing the scope of the analyzes and establishing expectations of quality information for each interested party (Isson & Harriott, 2013). Given the above, the following hypothesis is proposed.

Hypothesis Four 'a' (H4a): Support has a positive indirect effect on information, which is mediated by alignment.

Management Support, Information Alignment, and Analytical Talent

Managers must support analytical talent to direct and motivate their work, and thus discover hidden information from consumers. Management support for analysts implies setting goals and incentives so that the performance of the data analyst is integrated and motivated (Eichhorn & Towers, 2015). Davenport et al. (2001) narrate the experience of the multinational Earthgrains, where the company's Chief Executive Officer had a sign in his office that said: "In God we trust, everyone else provides data." He had worked hard to develop standards that would encourage employees to behave as a data-driven organization. We propose that:

Hypothesis Four 'b' (H4b): Support has a positive indirect effect on information, which is mediated by talent.

Organizational Structure

Firms can have one or more data analysts, which are organized into one or more units. The point is, how should we organize to capture the benefits of analytics? Hagen et al. (2013) delivered their vision from higher analytics, and indicate that talent is crucial to interpret and convert data, so organizational structures, and analytical processes must be designed with these expert teams in mind. The solution of how to organize analysts is not unique, will often depend on various considerations that make each model have its appeal (Verhoef et al., 2016). Based on these arguments, we propose that:

Hypothesis Five (H5): The type of organizational structure of the analysts will moderate the relationships of the model.

METHODOLOGY AND MODEL ADJUSTMENT

We have reviewed the data analytics literature linked to the factors declared as key in the FF and NFF. The following describes the design of our research and the empirical application (adjustment) of the proposed model.

Design of the Investigation

A survey was designed to provide empirical evidence of the proposed model. A convenience sampling technique was applied, and the participants were FF and NFF marketing managers based in Spain. To identify the FFs, the firm's self-perception criterion was used (Casillas, Moreno, & Barbero, 2010). For sampling, 2,676 managers were invited to participate randomly and in a personalized way. The filter used for the invitations was: organizations with more than 200 employees and based in Spain. Managers willing to participate were sent a link to the survey designed in Qualtrics. Qualtrics is one of the most widely used market research platforms worldwide (Qualtrics, 2019), which allows the design and distribution of surveys.

Prior to the main data collection, a pretest was carried out through Qualtrics, in a sample with 26 marketing managers, with the same profile as the main sample, to assess the comprehensibility of the items and scales used in the questionnaire, as well as the suitability of the data collection technique used in the survey. The survey was structured into two sections. The first section of the questionnaire collected data related to the determinants proposed in the conceptual model (managerial support, alignment of information to the business plan, analytical talent, and quality information). In the second section of the questionnaire, information on the profile of the organizations was requested. The responses were coded on a seven-point Likert scale (1 = "Strongly disagree", 2 = "Strongly disagree", 3 = "Disagree", 4 = "Neither agree nor disagree", 5 = "Agree", 6 ="Quite agree" and 7 ="Totally agree").

The gathering of information was achieved within six months. All managers who agreed to participate (240) were contacted electronically to announce the date on which the survey would be available. The response rate was 71 percent and involved 140 valid cases.

To validate the measuring instrument, exploratory factor analysis was performed in SPSS, version 23. Subsequently, confirmatory factor analysis was applied, with AMOS version 24, which allowed us to estimate the measurement model first and then estimate the structural model. We managed to identify the representative factors of the relationships raised. Factor loads were located above the threshold of 0.6 that is considered acceptable when the scales are in the early stages of development (Chin, 1998). The validity of the data set was analyzed using the MasterValidity complement available at statwiki.com (Gaskin & Lim, 2016).

Model Fit

Finally, the adjustment of the model (measurement model) was estimated through the ModelFit complement of Gaskin & Lim (2016), which estimates different indexes of the goodness of fit. We have considered the most used indexes, according to Jackson, Gillaspy, and Purc-Stephenson (2009), the comparative adjustment index (CFI), and the approximation of the mean square error (RMSEA). A model is considered appropriate when its CIF is greater than 0.95, and if RMSEA is less than 0.06 (Hu & Bentler, 1999). In our proposed model, both goodness of fit indexes was excellent, CFI = 0.969 & RMSEA = 0.044. Therefore, the proposed conceptual model was empirically validated, which allows us to move forward in the next section.

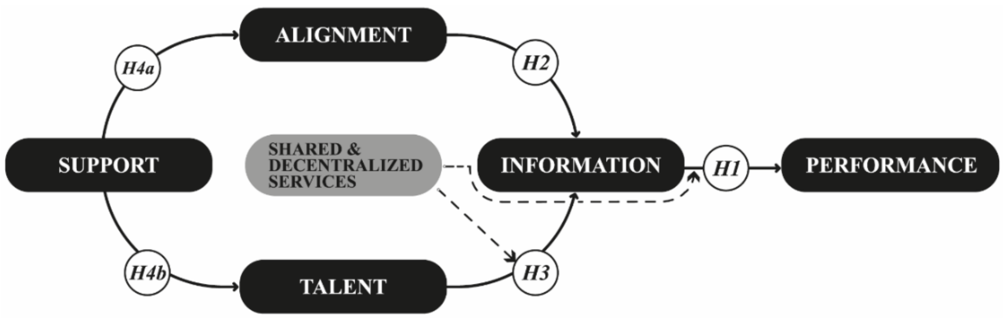
SOLUTIONS AND RECOMMENDATIONS

Based on Falk and Miller (1992) and through the estimation of the model, we were able to determine that all the proposed relations of our proposal (H1... H5) have good predictive power. Our findings confirm a positive effect of 'quality information' in decision making, which leads to improved 'organizational performance.' Regarding the contrast of the relationships proposed in the research, the results on the factors (support, talent, alignment, information, and performance) indicate that all relationships are significant in the general model under study. When comparing FF and NFF, it is concluded that the H2 relationship that is 'alignment → Information' for the FF is not significant. This means that, in the case of FF, scientific evidence indicates an effect that is not appreciable for H2. This finding is in contrast to the NFF, where the alignment of the information does affect the quality information. Recall that the data analytics literature indicates that managers who align their data strategy with business requirements will have a better chance of generating the knowledge required to add value. Therefore, this result for the FF is not consistent with Luftman (2003), who declared that the alignment of the capacities to generate information is a process that adequately drives the commercial strategy. The estimate validates that there is no difference between the rest of the proposed relationships; this is comparing FF and NFF. In sum, empirical evidence allows us to validate for the FF the following:

- The finding of Wixom, Yen, and Relich (2013) that commercial users find the "truth" about consumers from quality information (information) thus triggering actions that generate a wide range of commercial values (performance).
- As indicated by Davenport (2014), about the abilities of human beings (talent), which represent the most important resource to exploit the hidden truth of higher analytics (information).
- The statement by Barton & Court (2012) reveals that leaders (support) must invest enough time and energy to align the organization's executives in support of a mission supported by a data strategy (alignment).
- The finding of Verhoef et al. (2016), which says that the corporate vision (support) defines analytical competence (talent), as a key ingredient for the success of the organization.

Regarding the non-significance of the H2 relationship, it leads us to the question, "Why does the FF not achieve effects between the alignment of the data and the commercial plans?" The answer may be with Blankson and Stokes (2002), about the fact that owners and executives of FFs do not give impor-

Figure 3. Effects of the moderation of the decentralized and shared organizational structure
Source: Own elaboration



tance to matters related to planning and obtaining quality information for marketing. Alternatively, as stated by Akter et al. (2016), the alignment to the information is achieved as long as the data plan has real commercial knowledge support.

By including in the model the variable ‘organic structure of data analysts’ as moderator, the test reflected only differences in H1 and H3. This result reflects a favorable condition when it comes to decentralized or shared structures (see Figure 3). The centralized structure revealed no favorable effects on the model for H1 and H3. In summary, when using a centralized structure, there are no effects that favor relationships ‘information → performance’ & ‘alignment → information.’

CONCLUSION

Currently, data analytics is the means through which firms are generating knowledge, and they do so from the great proliferation of data that different technological sources generate. Many of these technologies (simple or complex), help us to cross data, to obtain hidden truths from consumers. Consequently, the above analysis allows us to state that data analytics is the basis for obtaining more commercial information in the FF, compared to traditional data sources.

In this study, we have raised several key factors that we should consider when implementing a data plan or strategy in order to achieve greater organizational performance. To build our model, we have considered data with different ownership structures (FF, NFF), which allowed us to compare the effectiveness of multiple causal relationships. The conclusions have been clear and revealing for the FF, and respond to our initially set goals, that is:

1. **Position data analytics as FCE in the FF, for decision making in marketing.** We managed to describe how marketing decision making can benefit from data analytics, and how the FF can achieve a competitive advantage over the competition. Of course, it is also possible for a decision-maker to make a good decision using only experience and intuition, particularly in circumstances where he has a great experience with the subject in question (Davenport & Kim, 2013). However, scientific research has shown that fact-based decisions are more accurate and produce better results. We cannot forget that the amount of data is increasing dramatically, and the FF must move forward with the same speed.

2. **Fill the conceptual gap on IT alignment in the FFs business strategy.** Our study responds to a knowledge gap in the data analytics literature for FFs. Although there are abundant studies on data analytics, none analyzes the distinctive capacity that characterizes FF. We only found analytical studies in NFF. Also, it has been demonstrated that the distinctive capacity of the FF is not a technical obstacle to implementing a data plan; what is in line with Teal et al. (2003), about that the practices in the field of marketing of high-growth FFs do not differ significantly from the NFFs.
3. **Propose a conceptual model for a data analytics project, in the context of FF.** The proposed conceptual model has good predictive power and confirms the positive effect of information on organizational performance. However, the FFs do not achieve significant effects between the alignment of information with the business plan and the knowledge required in marketing decision making. This result leads to a challenge for the FF 'improve alignment' based on a strategic planning process, which includes key objectives and indicators.
4. **Demonstrate what type of analyst organization gets the best results for data analytics.** Similarly, our analysis managed to conclude that there are two types of organizational structures for data analysts that are key in the organizational performance of the FF: the decentralized structure and the shared structure. Both show favorable effects on all the exposed relationships. On the contrary, a centralized structure of analysts shows no significant effects on the relationship between the variables of alignment, information, and performance. This means that it is recommended that the FFs use decentralized or shared structures, which is where the relationships of the proposed model generate relevant effects on organizational performance.

In another area, the FFs must keep in mind the opportunity that exists in data analytics through the use of quality information for decision making. This acquired knowledge triggers, in turn, a series of actions that imply a wide succession of commercial values. Therefore, the FFs face the opportunity to expand their knowledge by combining various sources of data. In this sense, powerful technologies abound at affordable costs that allow access to information from virtually anywhere in the world and at any time (Barton & Court, 2012). Consequently, today, the FFs have the opportunity to access a technological capacity that generates information to improve daily operations, improve customer experiences, and implemented strategies. It is also important to keep in mind that the implementation of a data plan in the FF implies properly configuring the interaction of a set of factors that promote the generation of commercial information. The proposed model seeks to represent an initial configuration for the FF: an opportunity to implement a data project.

Another great challenge for the FFs, and which we have commented, is to align the information generated by the installed capacity of data analytics with the needs of marketing. The results show that today, the FFs do not generate important effects on the need for information required by the commercial area; that is, today, the FFs do not generate useful information for decision-making based on data analytics. Consequently, organizational performance is diminished. Therefore, the FFs should keep in mind that aligning the data plan with corporate strategies would imply better meeting the needs of customers, increasing sales and revenues, and creating new products and services, thus being able to expand into new markets thanks to quality information (Columbus, 2014). Without a doubt, this is the main challenge of the executives responsible for implementing data and commercial strategies. Finally, if FF's conservative nature does not predominate, for example, risk aversion (Zahra, Hayton, & Salvato, 2004), then data analytics represents the basis of growth.

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KEY TERMS AND DEFINITIONS

Analytics: Analytics is the processing of data, through IT, of a quantitative and qualitative type to help an organization better understand its businesses and markets (knowledge discovery) and to make timely business decisions.

Data: Data is an essential raw material for creating and implementing successful analytical solutions.

Data Plan: The data plan or data strategy is a program, based on resources and processes, which aims to generate information for decision making.

Family Firms: It refers to those businesses where multiple members of the same family are involved as owners or managers, either contemporaneously or over time.

Information: Information is a resource in a large data environment that allows the organization to improve business value and organizational performance.

Knowledge: Knowledge is the primary resource that underlies the creation of new values, heterogeneity, and competitive advantage.

Performance: Organizational performance refers to the firm's ability to obtain and retain customers, and to improve sales, profitability, and return on investment.

Section 3

Contextual Experiences on Strategic Management in Family Businesses

Chapter 17
The 3D IFB SWOT Analysis as a Strategic Tool to Develop Entrepreneurial Plans for Family Businesses

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ABSTRACT

This chapter provides a framework that family business members can use to strategically and entrepreneurially evaluate themselves before they prepare the final strategic plan of the family firm. The tool consists of four phases. The first phase is the Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis of the Individuals that are members of the family business. The second phase is the SWOT analysis of the Family's generational groups. Each generation in the family business will work in groups according to their year of birth. The third phase is the SWOT analysis of the Business. The fourth and most important phase is the integration called 3D IFB SWOT Analysis. It is 3D because it is three-dimensional, integrating the Individual, the Family's generations, and the Business.

INTRODUCTION

The pioneers in the study of family businesses identified early in their theoretical work, three systems that composed this entrepreneurial institution: family, business, and ownership (Tagiuri & Davis, 1996). Later, others recognized the importance of another element of analysis, the individual (Casillas, Acedo, & Moreno, 2007). The relationships among these systems have been explained by different theories such as agency, stewardship, socio-emotional wealth (Madison, Holt, Kellermanns, & Ranft, 2016; Berrone, Cruz, & Gomez-Mejia, 2012) among others. Each framework helps in some way to assess the strengths and weaknesses of each system.

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Early in the development of the field, researchers and practitioners recognized the importance of strategic planning in family businesses (Ward, 1987; Carlock & Ward, 2001). They began to use the tools already available in the strategic management field to propose frameworks that could facilitate planning among family and business (Carlock & Ward, 2001). For example, Carlock and Ward (2001), introduced the use of the Strengths-Weaknesses-Opportunities-Threat (SWOT) analysis, originally from Weihrich (1982), now applied to the family business, but in a very conventional and general way. Other disciplines such as psychology and family therapy, education, health and medicine, have used this tool to provide insights and prepare action plans to individuals, families and professionals (Carter, 2019; Clark, 2011; Ortega-Altamirano, Rodríguez-Oliveros, González-Unzaga, & Reyes-Morales, 2018; Shurden & Shurden, 2013; Tang, Huang, Ma, & Liu, 2018).

The SWOT has been used as a proven developmental results-oriented strategic planning tool (Helms & Nixon, 2010). However, a search of the literature has not yet revealed a comprehensive approach to use it with family businesses.

Strategic planning is a necessity among family businesses, and there is a lack of appropriate tools that could be used by researchers and practitioners in the process. Even more necessary considering that two main issues for family businesses in the length of time of five or fewer years are a completion of a strategic plan, succession, and the incorporation of new generations in leadership positions in the firm (PWC, 2019 US Family Business Survey).

The purpose of this chapter is to propose a framework grounded in the resource-based view theory (Habbershon & Williams, 1999) from the strategic management field but complemented with other theories. The framework considers the strengths and weaknesses of the internal systems or entities of a family business: the individual, the family, and the business. The institutional theory foundations will be used as a basis for assessing the external environment of the systems identifying opportunities and threats.

This chapter makes the following contributions: (1) reexamination of the importance of the individuals for the family business, (2) analysis of the family groups per generation and suggest a framework to generate a balance check for them, (3) use of an existing strategic management tool, the SWOT analysis, now based on theoretical approaches applied to family firms, to match the individuals and the families with the business to generate input for the long-term strategic family business plans.

In summary, the chapter makes a theoretical contribution because although it does not generate new theory, it improves the existing theories (Whetten, 1989) and tools that researchers and consultants in the family business field could use.

BACKGROUND

The pioneers that study family businesses identified three systems in the firms (Tagiuri & Davis, 1996). The models, such as the three circles, included the systems: family, business, and property and the areas of intercept among them (Tagiuri & Davis, 1996). Eleven years later, Casillas et al. (2007) argued that the family business is a complex institution from the human and social points of view and added the fourth circle to the model. They highlighted the importance of the individual as the model's center. The individual has personal values and reasoning (Casillas et al., 2007). The principal values in each of the three traditional circles -family, business, and property-, are very different. It is important how coherence is given to all this so that the family business operates and transcends generations. Casillas et al. (2007), adapting the model presented by Gersick, Davis, McCollom, and Lansberg (1997), proposed a dynamic model of the family business including the individual at its center and described how each system (individual, family, business, and ownership) evolves. They mentioned the evolution of each system and the challenges in each phase but did not propose how to deal with them, likely because it was beyond the scope of their research at that time.

The agency and stewardship theory has explained the relationships between the members and the systems of a family firm since the end of the 20th century and the beginning of the 21st (Madison et al., 2016). The agency theory offers a more economic view of the people, and the stewardship theory a more humanistic view (Madison et al., 2016). They concluded that although they are conceptually different, they are interdependent; at the same time, contradictory and complementary. However, one of the advantages of using stewardship theory in studying the strategic decisions of a family firm is that it provides strategic flexibility (Zahra, Hayron, Neubaum, Dibrell, & Craig, 2008).

Another model or theory to explain family businesses is "socioemotional wealth" (Gómez-Mejia, Haynes, Núñez, Jacobson, & Moyano-Fuentes, 2007), which is an extension of previous theories. The main notion of socioemotional wealth is that in the family firm, the principals (family owners) will make decisions that contribute positively to the accumulated endowment of the company. The problem is how to assess decisions' effect on that endowment (Berrone et al., 2012) but, more importantly, to be clear in what is the endowment. According to Berrone et al., (2012), the socioemotional wealth has the following dimensions: family control and influence, family identification with the firm, binding social ties, and emotional attachment.

Family businesses have been studied from the perspective of psychology in order to explain the behavior or the relationship of the individuals with the family firm (Björnberg & Nicholson, 2012). Psychology has also been used to explain the role of advisors in family businesses' decisions and even more so in individual, family, and business organizations (Strike, Michel, & Kammerlander, 2018).

Family businesses have also been studied from the institutional theory point of view, considering that the context in which the firm operates is important (Soleimanof, Rutherford, & Webb, 2018). The context is the external environment that surrounds the family businesses and its members. The institutional theory considers family as one of the seven key societal institutions (Holt, Pearson, Payne, & Sharma, 2018). The other six, which are part of the external environment of the family firm, are market, state, corporations, professional groups, religion, and community (Holt et al., 2018). The institutional theory foundations distinguished between formal and informal institutions (North, 1990). Formal institutions provide written rules or laws, regulations, and infrastructure to society (North, 1990). Informal institutions provide norms, values, and beliefs to society (North, 1990). Although Soleimanof et al. (2018) explained in their research that the relationship between family businesses and institutions is reciprocal, for this chapter, what is of interest is how formal and informal institutions influence the family firm and its elements.

From the strategic management field, the Resource-Based View (RBV) approach provides a theoretical framework to assess the competitive advantages of family firms (Habbershon & Williams, 1999). The RBV emerged between 1980 and 1990 as an explanation of the competitive advantages of the firms looking inside their internal environments more than outside (Wernerfelt,1984; Barney, 1991). According to RBV, firms have intangible and tangible resources. The resources have what Rothaermel (2012) called VRIO characteristics: value, rarity, costly to imitate, and organization to capture value. The scholars in family businesses proposed to researchers and practitioners to use the RBV approach first to define the *familiness* antecedents of specific firm performance. Considering the criticisms received by RBV and its VRIO, the author also considered the model proposed by Frank, Kessler, Rusch, Suess-Reyes, and Weismeier-Sammer (2017), which includes communication and communicated decisions to assess familiness. Other researchers such as Cabrera-Suárez, De Saá-Pérez and García-Alameida (2001) used the RBV and the knowledge-based view to explain the nature of knowledge transfer to new generations as a resource that can create a competitive advantage in family businesses.

In some way, Habbershon and Williams (1999) suggested to research some pre-strategic formulation process to assess what the family and the business intrinsically have. Those researchers opened the conversation on *familiness*, the "unique bundle of resources a particular firm has because of the interaction of the system between the family, its members and the business" (Habbershon & Williams, 1999, p. 129). That is to say, the set of specific resources used by each family that provides shape to their family business's competitive advantage. Most of the time, family firms' advantages are specific to a given family and business (Habbershon & Williams, 1999). There is the importance of providing tools that facilitate each family business in identifying its *familiness* and to build on it. Habbershon and Williams, in the proposed model (1999, p. 129), included the family, the business, and the individual. At that time, they did not mention the ownership system. When Habbershon, in 2007, designed the conceptual model to assess the transgenerational potential of family businesses, he includes sources of *familiness*: leadership, networks, capital, decision making, culture, relationships, governance, and knowledge. Some of these attributes are personal or individual, while others are collective. There resides the importance of analysis at the individual and family group level. Organizational culture, as a source of familiness, can encourage entrepreneurship in the family business (Zahra, Hayton, & Salvato, 2004).

Social capital is also a special resource that family businesses have. Pearson, Carr, and Shaw (2008) showed that social capital is a relevant category for identifying the cognitive, relational, and structural dimensions of *familiness*. The cognitive dimension that results in a shared vision of stewardship promotes the formation of family entrepreneurial teams (Discua-Cruz, Howorth, & Hamilton, 2013), which is more than family businesses. The social capital should have, according to Pearson et al. (2008), stability, closure, interdependence, and interaction.

Today, there are many members of family businesses who might very successful but do not know nor can they describe appropriately what their *familiness* is, let alone how to take care of it, improve it and transmit it to the next generation (Vega-Rosado, 2015). Still, many family business leaders think in the present time. The results of the 2019 US Family Business Survey mentioned that only 18% of family businesses have a robust succession plan. The respondents said that by 2020, all of them would have a mid-term strategy roadmap in place, but in 2019, 27% do not have a strategic plan, 31% have an informal plan, and 42% are advanced (PWC, 2019 US Family Business Survey). Paradoxically, 62% expect to pass the family business to the next generation, and 39% of them to do so within the next five years (PWC, 2019 US Family Business Survey). In another study, Vega-Rosado (2015) found that only 29% of a sample of family businesses have a strategic plan in place. However, in the same study Vega-Rosado (2015) found that the circumstances of the family and its members are a factor that prevents planning for the future of the family business and is something that should be considered as a pre-phase before the strategic planning for the family firm.

The process of strategic management formulation differs between companies that are in the hands of families and those that are not (Chua, Chrisman, & Steier, 2003). The family system is an important element in the process. However, the literature does not explicitly provide a framework that the families in business could use to engage in a strategic management process looking first at the family as the source of entrepreneurship and decision making for the continuity of the business. Prior studies have mostly focused on family firms, but not on the family that is the source of entrepreneurship for the firm

(Soleimanof et al., 2018). However, there are studies (Aldrich & Cliff, 2003 as cited by Soleimanof et al., 2018) that recognize the idiosyncrasy of the family, unique patterns of hierarchies and relationships, its informal get-togethers, dialogues and social interactions that transfer vision, norms and values and how they impact the family firm.

Having reviewed the current landscape, we will now revisit the basis of the family business field. In the resource-based framework to strategy analysis proposed by Habbershon and Williams in 1999, they included the identification and classification of resources, strengths, and weaknesses appraisal. They included too the identification of opportunities and capabilities, appraisal of next-generation potential, identification of resource gaps, and how to augment and replenished the resource base (Habbershon & Williams, 1999). Another advantage of using the RBV to anchor this work is that it incorporates other theories used to analyze family businesses, such as the agency theory (Eisenhardt, 1989 as cited by Habbershon & Williams, 1999).

Researchers that previously recognized the importance of strategic planning in family businesses (Carlock & Ward, 2001) integrated tools from the strategic management field into the family business field. In 2001, Carlock and Ward introduced work on strategic planning for family businesses. They presented a parallel planning process for the family and the business, then proposed how to unify them. There was a significant contribution to the strategic management of family firms but still does not present a framework where the individual members of the founding family would provide input to the process as recognized by other researchers (Casillas et al., 2007). They introduced the use of the Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis, but conventionally to analyze the family business. However, they recognized that one technique to secure data accuracy included in the SWOT is to ask key employees, managers, family members, directors, customers, and suppliers to list just two or three strengths, weaknesses, opportunities, and threats (Carlock & Ward, 2001). Those researchers (Carlock & Ward) recognized in 2001 that the information from the SWOT is the input to assess the possible business strategy and family re-invention, if necessary. However, they do not recommend how to conduct an in-depth SWOT analysis to reach the next strategic step. They also proposed a parallel planning process (PPP) for the family and the business to develop a viable business strategy as the outcome. Shambers (2016) argued that the strategic process in family businesses requires much work with a SWOT.

Because the RVB approach only looks at the internal environment of the family firm and its systems, the author also used institutional theory as a reference, which makes it possible to examine the external environment that influences family businesses. However, in the assessment of individual and family strengths and weaknesses, it is necessary to incorporate other insights from psychology and organizational behavior.

This chapter's author argues that the mechanisms or models that previous authors proposed for planning and strategic processes have not included, since the beginning, the family and the business and even less do they integrate individuals as personal actors taking into consideration their strengths and weaknesses. The literature currently lacks a tool that helps researchers and advisors to do that. However, frameworks developed recently to understand the linkages between the family and the business indicate that the field of family business resides at the nexus of the two entities, the family and the business and that a model is incomplete if it does not include the individual (Payne, 2018). The gap is that academics, researchers and advisors do not have enough tools that help them to bring together the individuals and families in business to think about their present and future and consider their strengths, weaknesses, opportunities, and threats in relation to the family and to the business or in relation to them as individuals' catalysts to create entrepreneurial teams with other family members (Discua-Cruz et al., 2013).

The following sections justify why to incorporate the individual, the family, and the business in the analysis.

Individual (I)

In a recent publication, Payne (2018) recognized that the individual is missing from his proposed model to understand the nexus between the family and the business. Also, Payne (2018) documented that the individual actors and their contributions are an area of inquiry that should be revisited to understand family businesses. The RBV approach considers the contributions of individuals to a new venture such as financial, social, and human capital (Discua-Cruz et al. 2013). Individuals are also essential to create entrepreneurial teams together with other individuals (Cooney, 2005; Kamm et al., 1990; Ucbasaran et al., 2003 as cited by Discua-Cruz et al., 2013).

Recent studies show that emotions and feelings have been understudied in family businesses (Berrone et al., 2012). That analysis should be at the individual level and not at the group level (Robbins & Judge, 2017). Other scholars (Björnberg & Nicholson, 2012) used the science of psychology to explain the relationship of the individuals with the systems of the family business and to explain their commitment and willingness to become a member of the family business

In terms of individuals and the theoretical foundation that could be used to examine their behavior in a family business, they may adopt the agent or steward behavior (Madison et al., 2016) or both. This behavior could either benefit or damage the family business. The agent behavior in a positive sense might be altruism without opportunism to avoid asymmetry or might be the opposite. The steward behavior includes identification, commitment to the family firm, and leadership that transforms others, including non-family members, in the company to serve others before themselves (Berrone et al., 2012; Björnberg & Nicholson, 2012)

Some individual factors that could affect the discretion of a person as a successor in a family business are tolerance of ambiguity, locus of control, cognitive complexity, professional aspiration, and power base (Mitchell, Hart, Valcea, & Townsend, 2009) among others. Accordingly to De Massis, Chua, and Chrisman (2008), some individual factors that affect the successor are lack of ability or motivation and illness. Also, De Massis et al. (2008) mentioned the factors that affect the incumbent, such as attachment to the business, illness, remarriage, divorce, and the birth of new children.

Individual orientation is important to develop entrepreneurship among family businesses (Zahra et al., 2004). Some of the characteristics of an entrepreneur include its mindset, perseverance, capacity to learn from failure, and to develop self-leadership to control its behavior, actions, thinking, motivation, and direction (Neck, Neck, & Murray, 2018). Entrepreneurship is needed in the family business, and it is developed at the individual level (Zahra et al., 2004).

Family (F)

The last five years of research in family business recognize the significant effect of the family in business and of business in the family (Payne, 2018). Previously in 2012, James, Jennings, and Breitkreuz recognized and documented the necessity of rebuilding bridges between family science and family business research.

Some of the non-economic goals of a family in business are better explained by stewardship theory (David, Allen, & Hayes, 2010; Pearson & Marler, 2010; Vallejo, 2009 as cited by Madison, Holt, Kellermanns, & Ranft, 2016). For example, commitment, reciprocity, and identification with the business. However, agency and stewardship governance theories are both used to investigate family involvement in the firm as a group more than individual behaviors or contributions (Madison et al., 2016)

The oldest generations must consider that their children will behave as agents or as stewards in the family business, depending on the previous parent-child relationship (Eddleston & Kidwell, 2012). Parents who are overly generous with their children may be creating a moral problem for themselves and the company without realizing it (Eddleston & Kidwell, 2012).

Some aspects of the relationships among generations that could cause problems in families are conflicts, rivalries, competition among parent-child or siblings, sensitivity to too much consensus, lack of trust among the family members, and lack of commitment (De Massis et al., 2008). However, it is significant for the succession of the family business that the next generations are involved in the strategic planning process (Mazzola, Marchisio, & Astrachan, 2008).

This phase of the analysis, at the family level, is crucial because family objectives and business strategies are inseparable and can create a more unified long-term strategy and build the commitment to fulfill it (Aronoff & Ward, 1994 as cited by Habbershon & Williams, 1999). However, Discua-Cruz et al. (2013) pointed out that the commitment to the *interests of the family* rather than to the family business is more important. When a family group prepares its SWOT, areas that they can build as a family group, more than a family business should be identified. It is here, where they can begin to build on the family's assets more than just maintaining them for future generations (Discua-Cruz et al., 2013). If the senior generation is not ready to leave, an option to provide opportunities to junior generations is to build family entrepreneurial teams (Discua-Cruz et al., 2013).

Business (B)

The agency theory applies more when the family business pursues financial goals, but stewardship theory applies more when family agendas are pursued (Westhead & Howorth, 2006). From the point of view of agency theory, research demonstrates that mechanisms that work for non-family businesses may also suit family businesses as well, for example, the board of directors, incentive compensation plans, and monitoring activities, (Anderson & Reeb, 2004; Braun & Sharma, 2007; Chrisman, Chua, Kellermanns, & Chang, 2007).

However, strategic flexibility in family businesses is better explained by stewardship theory (Zahra et al., 2008) than by agency theory. Moreover, strategic decision making and participative management are more supported by stewardship governance mechanisms, such as cooperation and empowerment, and are linked to higher levels of entrepreneurship in family businesses (Eddleston, Kellermanns, & Zellweger, 2012).

Some internal factors that may affect the family business, especially the succession, are related to financial health and processes, for example, tax burden, opportunity costs of external financing, and the lack of financial resources to hire professional managers (De Massis et al., 2008). Process factors related to succession may also cause severe problems in a family business (De Massis et al., 2008).

External factors that may affect the family business are related to the context in which it operates. These include changes in the political or economic environment in which the business operates, changes in the scale of the business, in the number of customers or suppliers, among other factors (De Massis

Table 1. Summary of the framework for the 3D IFB SWOT for family businesses

	Resource-Based View Approach (Habbershon & Williams, 1999)		**Institutional Theory (Soleimanof, Rutherford, & Webb, 2018)**	
	(S) Strengths	**(W) Weaknesses**	**(O) Opportunities**	**(T) Threats**
(I) Individual (Berrone et al., 2012; Björnberg & Nicholson, 2012; Payne, 2018; Robbins & Judge, 2017; Shepherd, 2016).				
(F) Family (De Massis et al., 2008; Eddleston & Kidwell, 2012; James, Jennings, & Breitkreuz, 2012; Madison et al., 2016; Payne, 2018).				
(B) Business (Eddleston et al., 2012; Habbershon & Williams, 1999; Payne, 2018; Zahra et al., 2008).				

Source: Author's elaboration.

et al., 2008). The performance of family businesses will be affected significantly by the quality of the institutions that exist at the national level (Soleimanof et al., 2018).

Because family firms reside at the intersection of the family system and the business system (Goel, Mazzola, Phan, Pieper, & Zachary, 2012), the framework proposed in this chapter does not include ownership as a separate system. Going back to the traditional definition of the family business, majority owners must be members of the same family (Lansberg, Perrow, & Rogolsky, 1988). Often, family ownership is described as an effective organizational governance mechanism because it reduces problems between ownership and management (Anderson & Reeb, 2003; Chirico, Ireland, & Sirmon, 2011; Jensen & Meckling, 1976; Tsai et al., 2006 as cited by Madison et al., 2016). In other types of businesses, ownership is separate from managing the business, but not in the family business. Ownership as a separate system in the SWOT analysis proposed for family businesses is beyond the scope of the current chapter. This is recognized as a limitation of this work that could be expanded in the future. In the next section of this chapter, how to develop each phase of the process will be explained.

Table 1 summarizes the framework that is justified by the literature review presented above and expanded in the following sessions of the chapter. The number three (3) is for the three systems or dimensions (D) that will be studied. I for the individual. F for the family's generations in the business. B for the business, a family business (FB).

AN INTRODUCTION TO A CASE STUDY

This case is based on the family business 3A Press Corporation (Three A Press), founded in 1996 by three young entrepreneurs from the Rosado's family. The founders of this company carry in their veins the Rosado's family heirloom that had its first print shop in 1948. This is the only printing company in Puerto Rico that serves four different markets, the life sciences, pharmaceutical, laminated boxes, and commercial.

The company has its facilities in Lajas, on the west side of Puerto Rico, a country in the Caribbean, and a territory of the United States of America. In 2018, they generated nearly US $15.4 million in sales. They have 120 employees. Three A Press is distinguished for being a print company that serves four different markets in one place. This is thanks to the fact that they have the technology, and the human and physical resources to make it possible.

Three A Press holds a story of four generations. The founder was Mr. Victor Ángel Rosado-Ramos, who established the Rosado Printing Press in 1948 in a rented garage in San Germán, Puerto Rico. He was mainly devoted to the commercial market with the use of the technology called Letter Press.

In 1979, the youngest son of Don Victor, Mr. Alexis Rosado-Díaz, buys his father's printing company. Don Alexis, at that time, saw the opportunity for the company originally founded by his father to become a supplier of the life sciences, pharmaceutical, and electronics industry, which at the time rose sharply on the island. Don Alexis was the expert in the use of Offset technology. In 1982, the Rosado Printing, now held by Don Alexis, was incorporated as Insert Corporation, positioning itself at the time as one of the first three printing companies on the market in Puerto Rico. In 1995, Don Alexis sold the printing company to a multinational company. He, with his money, guaranteed the loan his children made to start a new business in the same industry. Don Alexis died in 2014.

In 1996, the children of Don Alexis: Ángel Alexis, Marie Alexia, and Axel, incorporated 3A Press in Lajas, Puerto Rico. The company's current name alludes to the letter A which begins the names of the three siblings who incorporated the company. They developed the use of the technology "computer to plate." Besides serving the commercial and pharmaceutical market, they added the cardboard one. They made investments in new technology and equipment for the company and made permanent improvements to the infrastructure of the government building were 3A Press is located. They made businesses only in Puerto Rico, and still, the firm is growing in terms of contracts and clients. However, they are affected by the economic recession that is suffering the country, and that has caused an exodus of pharmaceutical, medical devices, and electronic companies during the last years. Another threat is the Internet and technology, which make printing unnecessary due to the use of electronic documents.

Currently, in 2019, two members of the Rosado's family third generation, run the company: Marie Alexia Rosado-Collado as President, and Ángel Alexis Rosado-Collado as Vice-president and General Manager of 3A Press. They are the current stockholders of 3A Press and share 50 percent each one on the ownership and profits of the business. Marie does not have children. Ángel Alexis has four children, one girl, and three boys. The three boys work at the business and receive salaries. The girl began in 2019 to collaborate in the business after she finished her medical doctoral studies and prepares for revalidation. All Ángel Alexis' children are Millennials and have completed university degrees. Marie and Ángel Alexis, for the first time in life, are thinking about retirement.

The story of the author with the company began in 2009 when working on a research project on family businesses. That year one of the members of the fourth generation was the author's student. He introduced the author to his father, the Vice-president and General Manager of the firm. In the beginning, the members of 3A Press, family, and non-family members talk about the business and its complexities. After the author's interaction with them, they began to talk about the "family business" and how each one as individuals and family members relates to the business. In the first interaction, the author used the transgenerational model developed by Habbershon (2007) to study family businesses. 3A Press family members began to recognize their importance as a family business and to recognize its familiness. Nevertheless, it was not enough to take firmly and continuous steps in terms of the professionalization of the family business to strengthen its weaknesses. In a second interaction, the author used a tool developed by Belausteguigoitia-Rius (2003) to make a diagnostic on the professionalization of 3A as a family business. The author administered the instrument separately to the President and the Vice-president of the company. After the results have been analyzed, curiously, both siblings see the family business, in general, the same way. They agreed that the family business needs professionalization in terms of the internal system of the family and the business. However, they disagree on what system, between the family and the business, is more professional. For Marie, the order is from the best to the worst: family, business, and ownership. For Alex, business, family, and ownership. These siblings, most of the time, argue by the priorities among the family and the business systems. Indeed, their conflicts are in their interactions as a family in the business. Their perspectives, styles, and characteristics as individual actors, treatment of each other as family members working together are the point of conflict at the business. They see in a different way how the business should be managed. Paradoxically, their different individual capacities are also a competitive advantage for the firm. Marie is the entrepreneur that seeks new businesses, the public speaker, the marketing person for the business. Ángel Alexis is the manager, the operations expert, the person that keeps the business running day by day. Some bridge between them is missing.

After the author worked with 3A Press and many other family businesses, she began to think about what else to do to help those in similar situations to move forward. The study of the importance of the individuals in the literature review included before provided some answers. The author began the design of a tool that helps individuals, families, and business to assess its strengths, weaknesses, opportunities, and threats. She also began to test the tool among small family businesses. Three A Press´ owners agreed that the author presents its case using this tool. The next sessions of this chapter will present the SWOT process for individuals, family's generations, and businesses. In each part, the author will explain how to prepare for each phase illustrating its use and its integration using the case of the Rosado's family from Three A Press.

3D IFB SWOT ANALYSIS

Phase 1: Individual SWOT Analysis

The first phase is the SWOT analysis of the individuals (I) who are members of a family in the business. These members may or may not be owners; they may or may not be employees of the family business. They should be, whether biologically or legally, members of the family in the business. In some way, the continuity of the family business between generations depends on them no matter what they do with their lives.

The individuals, the people who are members of a family business, should list their key personal strengths and weaknesses, plus the opportunities and threats that the environment offers. What is a strength from the individual or personal point of view? It is something that the person does extraordinarily well (MindTools, 2019). It may also be a trait or characteristic favorable to the person to attain goals and be successful in life.

According to Habbershon and Williams (1999), family members may be a competitive advantage to the firm. It is important to determine what type of resource do they are, what value they add to the firm, what capabilities the firm gains with this resource, as well as what sustainable competitive advantage and return they offer to the business.

All people have strengths, such as agreeableness, assertiveness, the capacity to solve conflicts, cooperation, emotional stability and intelligence, organization, persistence, responsibility, self-confidence, sociability, and the ability to develop trust, as well as other personal strengths (Robbins & Judge, 2017). These strengths are all demonstrated by putting them into action and how people behave in the face of difficult life situations such as problems, illness, conflict, or constraints. A strength is something that other people can see in the individual, and because it is observed, the strength may be used to describe the individual positively. It is not something you say you have; it is something that other people see in your behavior as a favorable trait exhibited in different situations. This may include personality traits, behaviors, attitudes, aptitudes, knowledge, skills, experiences, personal and financial, or infrastructure resources (MindTools, 2019). The capacity of an individual to recognize opportunities and get others to pursue them (Discua-Cruz et al., 2013) may be a tremendous strength that could help generate entrepreneurial teams in the family even before the founding of a business (Wright & Vanaelst, 2009 as cited by Discua-Cruz et al., 2013).

A weakness in the individual is something that prevents the person from attaining goals or solving problems or difficult situations in life. It could be present in someone's personality, character, or hereditary traits or behaviors. For example, antagonism, anxiety, depression, disorganization, distraction, shyness, insecurity, nervousness, lying, among others. (Robbins & Judge, 2017). Just as the strengths, weakness is seen or observed by others and continuously pointed out as areas to be improved. All people may have weaknesses that are intrinsically part of them (Habbershon & Williams, 1999). A person can accept weakness as something difficult to change, and that is an important stage of personal development. The recognition of it is the first step in improving.

Individuals have an environment, a context (Soleimanof et al., 2018), and situations that surround them. This environment or situation may represent opportunities or threats. An opportunity for individuals is something in the external environment or out of their control, but that represents an advantage or benefit for personal life. Examples include a call for a new job position or for an internship, a scholarship, continuous education, a salary raise, relocation, spiritual and personal development using different methodologies, loans, or grants available to attain a goal, among other possibilities. Family business, as institutions are part of the external environment that surrounds individuals (Soleimanof et al., 2018).

In the external environment of the individuals, there are not only opportunities but also threats. A threat is something in the external environment, out of the individual´s control, that represents a disadvantage or harm. For example, a firm downsizing, a change in legislation, changes in technology with unknown effects; other people with characteristics more desirable or attractive; lack of access to financial credit; lack of opportunities to people with the same demographic characteristics such as age, and social, political or cultural discrimination to the individual or membership group (Barsukov, 2018). These are all examples of threats or disadvantages.

The previous step is a personal reflection answering the following questions: (1) Sincerely, where do I want to be in one to five years regarding the family and the business? (2) Where do I want to be beyond five years from now regarding the family and the business? Due to privacy, the individual answers of

Three A Press´ family members are not included here. In general, everyone wants to remain linked to the business, but differently than now.

If the person sincerely does not want to have any relation with the family business, it can stop here. However, if the person has any doubt regarding the relationship that voluntarily or by moral responsibility or obligation wants or is requested to have with the family business, the following steps of the process should then be taken.

To prepare the *Individual SWOT Analysis*, the first step to be completed is the individual profile. This should include age, civil status, academic preparation, and professional or vocational interest. The purpose of this step is to create awareness of personal characteristics or traits in the present stage of life. These characteristics influence current decision-making as well as future capacity to attain goals. The profile for the six members of 3A Press that participated in the process is included in Table *2*.

The first two steps will guide the third step for the individual, which is to consciously think, analyze, and list personal's strengths, weaknesses, opportunities, and threats. To prepare the individual's SWOT, at least three questions were included per part for a total of twelve open-ended questions per person. Each one is addressed to think in oneself concerning others and to the family business. A summary of the Individual's SWOTs for the Rosado's family is included in Table 3.

Phase 2: Family SWOT Analysis

The second phase is the Family's SWOT analysis. A family is an important unit of analysis that has, at times, been studied separately from the business (James et al., 2012). Some researchers argue that the stewardship theory is more suitable when the family agenda or non-financial objectives in the family business are more important (Westhead & Howorth, 2006). However, the literature speaks of more advanced concepts like "entrepreneurial stewardship" among the members of a family who prefer to transmit the entrepreneurial spirit to more than one family business (Discua-Cruz et al., 2013). Researchers who have used the SWOT analysis with family businesses in a less formal way and emerging countries argued that a united family is the best social insurance one can have. Other researchers prefer to the most attention to family entrepreneurial teams (FET) instead of the family business (Discua-Cruz-Cruz et al., 2013). The author of this chapter is following a more balanced approach trying to capture the strengths, weaknesses, opportunities, and threats of both the individuals and the family in the business.

In this part of the analysis, the author suggests that generations organize family members. It is well established that depending on the generation of a person he or she has strengths and weaknesses that affect the way in which the individual performs in the workplace (Bennett, Beehr, & Ivanitskaya, 2017; Horovitz, 2012, UNO, 2014, Volgin & Rybakovskii, 2005; Zemke, Raines, & Filipczak, 1999). However, if one is working with a small family business is possible to divide groups of family members among senior generation (SG) and junior generation (JG) without so much complexity.

For demographers, the term *generation* is defined as a set of people born at the same time (Volgin & Rybakovskii, 2005). Different studies demonstrate that the people grouped by generations or different cohorts of birth dates have different values related to life and work (Bennett et al., 2017; UNO, 2014) and other differences in relation to the decisions that they made, for example concerning to finances. Research on Indian family businesses revealed that though the studies could vary in the years that they used to categorize or describe the generations, the essence is the same. For general purposes, in any categorization, the people born between a space of the same 15 to 20 years have more similarities than those born beyond that space of time. There are similarities within the same generations and differences

Table 2. Profile for Individuals' members of the Rosado's family at Three A Press

Name (in order of birth)	Profile*
Mr. Ángel Alex Rosado-Collado	Is the oldest of Rosado's siblings. Baby Boomer (six years of difference with his sister Marie) The third generation in the business. Has four children. Bachelor's in business administration and economics General Manager of the corporation. Has 50% ownership in the business.
Ms. Marie Alexia Rosado-Collado	Is the second of Rosado's siblings. The third generation in the business. Generation X. No children. Bachelors in marketing. Master's degree in business administration – human resources management. President of the corporation. Has 50% ownership in the business.
Mr. Axel Rosado-Collado	The youngest of Rosado's siblings. Generation X The third generation in the business. Has four children. No university studies. Production worker. Does not participate in the ownership of the business. Did not participate in the SWOT analysis.
Ms. Alexsandra Rosado-Báez	First children of Ángel Alex Millennial Fourth generation. Medical Doctor (MD). Studying for medicine revalidation. Began working in 2019 at 3A Press as Administrative Assistant. Does not participate in the ownership of the business.
Mr. Alexis Rosado-Báez	Second children of Ángel Alex Millennial The fourth generation in the business. Bachelor in entrepreneurial and managerial sciences Position in 3A: Warehouse Supervisor Does not participate in the ownership of the business.
Mr. Axel Rosado-Báez	Third children of Ángel Alex. Millennial The fourth generation in the business. Bachelor in entrepreneurial and managerial sciences Position in 3A: Operations Supervisor Does not participate in the ownership of the business.
Mr. Alexandré Rosado-Báez	Fourth children of Ángel Alex. Millennial The fourth generation in the business. Has one child. Bachelor in progress in entrepreneurial and managerial sciences Position in 3A: Die-Cutter Supervisor Does not participate in the ownership of the business.

Note: Due to privacy some personal information was omitted.
Source: Author's elaboration.

Table 3. Summary of Individual's SWOT analysis for the Rosados' family

Name of Individual	(S) Strengths	(W) Weaknesses	(O) Opportunities	(T) Threats
Ms. Marie Alexia Rosado-Collado	-Interpersonal skills -Intuitive -Compassionate -Passionate -Team builder -Problem solver -Visionary -Sales skills	-Annoyance -Self-confidence -Sense of guilty -Anger management -Overachiever -Unstructured -Knowledge of printing functions & technology -Scattered	-Learn new skills -Build a new organizational culture -Attract new customers to the business	-Stress -Unhealthy food & habits -Disorganization -Criminality -Wrong organizational culture -No replacement for me at business -Competition in the market
Mr. Ángel Alex Rosado-Collado	-Analytical thinking -Math ability -Self-learner -Appreciates loyalty & hard work -Experience in the printing business -IT savvy and creative -Resourceful & solution driven -Passionate about the business -Work under pressure -Leader of the infrastructure project	-Strong character & body language -Human relations -Constructive & timely feedback to others -Not receptive to feedback -Too many hats -Unfinished tasks -Disorganization -Time management -Unable to delegate	-Free time for family & leisure -Respected professional -Presence of Pharma Co. -Networking (printing industry, suppliers) -Human resources & consultant available in the market	-Health problems -Long working hours -Energy and raw material costs -Competition
Ms. Alexsandra Rosado-Báez	-Sincere -Cooperator -Flexible -Courteous -Persistent -Honest -Empathic -Sensible -Friendly	-Anger management -Communication of emotions -Lack of math skills -Decision making -Self-confidence	-Develop technological skills -Global warming awareness	-Unhealthy food -Bad government decisions -Anger could damage FB
Mr. Alexis Rosado-Báez	-Organized -Structured -Leadership -Sincere -Cooperator -Photographic mind -Design of work areas	-Wake up hours & time management -Self-confidence -Character -Body language -Communication -Emotional intelligence	-Learning opportunities -Incentives and employment opportunities in my town -FB is growing	-Life cost -Criminality -Political regulations -Economic recession – lack of investment in the country -Organizational culture threats my efforts in FB
Mr. Axel Rosado-Báez	-Solution seeker -Quality is a priority -Analytical skills -Continuous improvement. -Mechanical skills	-Character -"Yes," to everything -Time management -Emotional intelligence -Anxiety	-Learn more -Engineering studies -Consistency -Improve interpersonal relationships	-Time -Accident probability
Mr. Alexandré Rosado-Báez	-Great attitude -Cares for others -General knowledge of equipment & programs	-Establish priorities -Be more serious -Understanding of some processes	-Support to study -Advance in technology -FB growing	-Stress (work, study, personal) -Criminality -Economic recession -Poor communication in FB

Note: Not every member of the Rosado's family participates in the Individual's SWOT. The participants were those that are owners or managers at the business.

Source: Author's elaboration.

among generations. Studies on family businesses, demonstrate the challenge represented by the generational gap and the necessity of working together. Discua-Cruz et al. (2013) recognized the importance that other authors (Hoy & Verser, 1994 cited by Discua-Cruz et al., 2013) gave to intergenerational entrepreneurship as a means to transform the family business.

For this work, this author will describe generations using the categories proposed by the United Nations Organization (UNO, 2014), but expanding the description using other resources and studies (Bennett et al., 2017). UNO explained in its report *Overcoming Generational Gap in the Workplace* (2014) that how each generation relates to jobs is different. This affects the marketplace and affects the interaction of different generations in the family business.

The purpose of suggesting this as part of the analysis is for entrepreneurial families, researchers, and advisors to have a guide to group their members into generations using some parameters. This will facilitate building on generational strengths and minimize the threats that affect family businesses when people across generations do not have good understanding and cannot work together to encourage the continuity of the business. Especially in the case of younger generations of the family firm, this process could facilitate them in assessing what contributions they could make to the future of the company founded by their predecessors. The family SWOT analysis, particularly prepared by younger generations of families in business, can contribute to answering the third question included by Holt, Pearson, Carr, & Barnett (2017, p. 195) in their list of research opportunities presented to the Family Firm(s) Outcomes (FFO) model: "What processes and mechanisms, facilitate the younger generations' contributions to family and firm nonfinancial wealth stocks?" Some of the contributions could be, for example, legacy, image, prestige, and community reputation. According to some scholars (Hammond, Pearson, & Holt, 2016; Hunter & Rowles, 2005; Weick, 1995 as cited by Holt, Pearson, Carr, & Barnett, 2017), these nonfinancial outcomes emerge through social interactions and exchanges among individual family members.

The analysis of the family by generations could help to avoid a succession crisis, most common when junior generations are not interested in the business of senior generations (Discua-Cruz et al., 2013). However, some studies found that sometimes a crisis is beneficial because it could develop a new form of organization among the family members such as entrepreneurial teams (Discua-Cruz et al., 2013).

The **Traditionalists or the Veterans** generation were those born from 1925 to 1945. They lived through the Second World War (1939-1945) and experienced uncertainty in the economic, political, and social environment that surrounded them. Due to this environment, they learned to be hard workers and conservative in their financial decisions. They are very loyal to the organizations in which they work. For them, seniority is more important than academic preparation or experience. They are risk-averse and do not like change, preferring the secure status quo. Their leadership style is more authoritative and less democratic. They are happy setting rules and obeying them (ONU, 2014).

The **Baby Boomers** are children of the traditionalist or veteran's generation. Many of them were conceived and born between 1946 and 1964 when their parents returned home from World War. They were brought up in a healthy and abundant economy. It is an egocentric generation that thinks that the world revolves around them (ONU, 2014). Their families are mostly nuclear and traditional, sometimes including two married parents of opposite genders and their biological or adopted children living in the same residence. The Boomers live to work from at least 8 AM to 5 PM, and other activities are less important in their lives. They measure their success by material achievements and are very loyal to their careers (Robbins & Judge, 2017).

Generation X was born between 1965 and 1980. They grew up in the era of globalization. They saw and were influenced by the Boomers generation and witnessed their parents´ sacrifice for their companies. This generation saw their parents (Baby Boomers) that live to work, and they decided to do the opposite: work to live and have free time for themselves, for their families and relationships. They are more independent, resilient, and adaptable or willing to change than previous generations (ONU, 2014). They have two career parents (Robbins & Judge, 2017). They are also cynic, distrust, and skeptical of

Table 4. Generations by year of birth

Year of birth	Name of the generation
1925 – 1945	Traditionalist, Veterans
1946 – 1964	Baby Boomers
1965 – 1980	Generation X
1981 – 2000	Generation Y or Millennials
2001 – present	Generation Z or Nexters

Source: United Nations Organization (UNO) Joint Staff Pension Fund (2014). Overcoming Generational Gap in the Workplace. New York, NY: Talent Management Team - Executive Office - United Nations Joint Staff Pension Fund.

authority. This was the first generation raised on “to-do lists” (ONU, 2014). Many of them grew up in blended families, family units where one or both parents have children from a previous relationship but have combined to form a new family. They are team-oriented, loyal friends, and seek happiness and pleasure (Robbins & Judge, 2017).

Generation Y or Millennials were born between 1981 to 2000 with computers and the Internet as part of their lives since birth. It is a big group of people that grew up with empowerment, focused on the self, and thinking that they deserve awards for what they do. Their parents, although in many cases, they do not live together, structured their children’s lives and provided material safety and security as the law requires. This generation was encouraged to make decisions, question authority, and express their opinions. They were raised in a consumer economy. They expect to negotiate and influence the terms and conditions of their jobs. Their experience in online social networks, multiprocessing, and global-mindset helped them develop problem-solving skills that previous generations do not have (ONU, 2014). However, Millennials can use for better or worse the knowledge that they have of new technologies making their knowledge strength and a weakness. They are idealistic, confrontational, and less willing to accept diverse points of view (Francis & Hoefel, 2018).

Generation Z or Nexter (those that come next; after Millennials) were born from 2001 to present. They are “native digital,” influencers, match the real with the virtual world without any problem. A study made by researchers Francis and Hoefel (2018), the Mckinsey Consulting firm, reveals that Generation Z behavior can be described with four elements: value individual expression, avoid labels, mobilize for different causes, believe in the efficacy of dialogue to solve conflicts and improve the world. They are “communaholic” radically inclusive (Francis & Hoefel, 2018). In summary, they are the generation that always is searching the truth.

Table 4 provides a summary of generations by year of birth. It could be used as a reference to organize the family by generations.

After the family members are organized by groups of generations, using the above categorization or grouping by senior and junior generation, the first step is to prepare the profile of each generation of the family. For example, the profile could be developed with the following information, most of them using the average in each category for each generation. Suppose that the first generation, the founders, are preparing their profile:

- Age average of the first generation of the family in the business.
- Civil status most common in the first generation.
- Average academic preparation for the first generation.
- Most common personal and professional interests.

Concerning each generational group, answer the following questions trying to use consensus.

- Where do we want to be in one to five years regarding the family and the business?
- Where do we want to be within five years or more regarding the family and to the business?

In the answers to the above questions, each generation can evaluate what type of successor they want to be or what type of family business they want to bequeath to the next generation. Gimeno, Baulenas and Coma-Cros (2010) identified six types or models of family businesses. Using them as reference could help in the reflection. The captain where one person manages and decides everything in the small family business. The emperor is the leader of a family business that has grown and can have different business units, but he or she is the unique chief and decision-maker. A family team is an extended family working in a small family business. A professional family business is one were few professional members of the family lead a complex business. The model called “corporation” by Gimeno et al. (2010) is not because of its legal entity, is because it is a complex big business governed by a complex family. The last model identified by Gimeno et al. (2010) is the family investment group, which is a group of people from the same family that invest together in different businesses and are part of the property system of those companies.

The professionalization of the family business is another topic that should be considered by the generations of the family. Professionalization is a process of gradual transformation (Belausteguigoitia-Rius, 2003) throughout the family business. The generations in business should also ask themselves: how professional is our family and how professional is our business? How professional is the family business that we want to bequeath to the next generation? Stewart and Hitt (2012) proposed different modes of professionalization among family businesses, such as: minimally professional, wealth-dispensing, and private, entrepreneurially operated, entrepreneurial family business groups, pseudo-professional public family firms, and hybrid professional family firms.

Returning to the questions above, the family members of the same generation, especially those of the older generation, can prepare their SWOT analysis and make a reflection on the type of family business that they are constructing or their legacy to the next generation. Every member of the family should think about what is the relation that they want to have with their previous and next generations of the family business. It is critical for the continuity of a family business that the potential successors have quality relations with the founders. The generations profile for Three A Press is included in Table 5.

Each generation of the family should list their key strengths, weaknesses, opportunities, and threats collectively. In Three A Press, this process was guided by the author, who used a questionnaire of twelve questions, three per each part of the SWOT. The Rosado´s family was divided into two groups, one for the senior generation and one for the junior generation. The senior generation has two members, Marie and Ángel Alex. Marie is from Generation X, and Ángel Alex is a Baby Boomer. The average of their ages is in the group of Generation X. Though both are now the senior generation in Three A Press, however, their differences could be explained by the generational gap; that is not too much, but Ángel Alex is a

Table 5. Family's generations profile for 3A Press

Name of Generation	Profile
Senior generation (one Baby Boomer and one Gen X)	Age average: 52 Average academic preparation: College degree Most common personal interest: Cycling Most common professional interest: Printing In five years: Work on the business, plan succession, do new businesses abroad. Beyond five years: Work less, travel more, implementation of a succession plan.
Junior generation (4 Millennials)	Age average: 30 Average academic preparation: College degree Most common personal interests: Cycling and other sports and arts such as play guitar and piano. Most common professional interest: Printing In five years: Work on the business, plan succession, do new businesses abroad. Beyond five years: Work less, travel more, implementation of a succession plan

Note: Due to privacy some details are not included.
Source: Author's elaboration.

Table 6. Summary of SWOT for Rosado's Family's generations

Name of Generation	(S) Strengths	(W) Weaknesses	(O) Opportunities	(T) Threats
Senior Generation Marie and Ángel Alex Rosado-Collado	-Experience -Knowledge -Dedication -Hardworking people -Experience -Contacts (customers & suppliers)	-Communication -Like to keep control -Not planning succession -Time – aging	-Entrepreneurial programs to develop ourselves -Minority status -Customers locations worldwide -Fourth generation interest in FB	-A toxic society -Illness among this generation -Political and economic instability
Junior Generation Millennials Alexsandra, Alexis, Axel, Alexandré Rosado-Báez	-Unity and self-protection -Communication among them -Empathy -Leadership -Inquisitors -People skills -Technological & mechanical skills	-Anger management -Time management -Body language -Emotional intelligence -Communication with others (especially senior generation) -Repressed in expression	-USA priority to local businesses -More knowledge of the industry -Learn more in general -Study other degrees -Influence the senior generation and the FB -New businesses out of 3A -Jobs out of 3A	-Opportunistic behavior of other people -Lack of opportunities in the country -Life cost -Resistance to change of senior generation -Lack of authority in the FB.

Source: Author's elaboration.

hard worker, and Marie seeks more time for her and her family. The junior generation is composed of four Millennials: Alexsandra, Alexis, Axel, and Alexandré. Their age average is 30 years.

Table 6 presents the summary of the SWOT for the two-generational groups present at 3A Press in 2019.

The strengths and weaknesses of each generation are inversely complementary. For example, the senior generation has experience and contacts. Millennials have technological and mechanical skills.

Table 7. Summary of SWOT for 3A Press, the year 2019

(S) Strengths	(W) Weaknesses	(O) Opportunities	(T) Threats
1. Business growth (using sales as a measure) 2. Modern machine and equipment. 3. Loyal employees. 4. Customers' relationships at headquarters. 5. Providers for four industries. 6. Financial health. 7. Goodwill of the family business: print quality. 8. The commitment of the family with the family business.	1. Weak organizational culture (emphasis on the short-term, reactive). 2. Lack of a human resources department. 3. Idle time of equipment. 4. Waste in the production line. 5. Lack of strategic and succession plan.	1. Make new (site or presence) businesses abroad. 2. Obtain new knowledge and competencies through new qualified hires and nearby universities and consultants. 3. Develop an industrial area near its location. Minority status	1. Electronic documents. 2. Cost of raw materials and energy. 3. Competition inside and outside the country (lower production and overhead costs abroad). 4. Disinvestment in the country. 5. Economic recession 6. Instability in government regulations regarding businesses and the economy.

Source: Author's elaboration.

The senior generation has communication problems within and between; the Millennials have strong communication within their group and strengthen unity among themselves. The weaknesses of the senior generation in terms of lack of succession plan can be worked out if they empower the junior generation, which already has leadership and business knowledge. The literature review, among other things, highlighted the importance of communication to assess familiness in family businesses (Frank et al., 2017). This is an element that senior and junior generation must work strongly in 3A Press.

All the members of this family business demonstrate stewardship and emotional ownership to the family business in the way that they expressed their answers to the questions in the individual and family's generation SWOTs. For example, thanks to the fact that the senior generation requested the juniors to work at the family business to gain a salary and to learn about the business, they have developed a Millennials' group that is a steward of the family business. They are the appropriate agents for the family business, avoiding opportunistic behaviors, as mentioned by them in the group meeting (Berrone et al., 2012; Björnberg & Nicholson, 2012; Eddleston et al., 2012; Madison et al., 2016).

Phase 3: Business SWOT Analysis

The third phase of the process is to prepare the SWOT for the business, the family business. In this process, it is highly recommended to include the managers and key employees of the family business. Over the years, the author has had periodically contact with the managers of each department and key employees in 3A Press. This family business with some relative frequency prepares this analysis formally or informally. For this chapter, the author is going to use updated facts provided by the company's members, the homepage of the business, and other sources. The summary of the 3A Press SWOT analysis for the family business is presented in Table 7.

The family business could use its strengths to take advantage of its opportunities. For example, 3A Press can use its contacts at headquarters offices to make a presence abroad. Probably the strategy should be obtaining location advantages having a presence close to the main customer. The operations should be technology-intensive because, recently, 3A Press made much investment in equipment for the facilities in Puerto Rico, and it is necessary to build on that and generate the return on investment before they invest in equipment for other locations. Specifically, operations related to art design for their printed works or operations that could be handled over the Internet using communication technologies.

At least three of the weaknesses of 3A Press can be solved using the second opportunity in the list of Table 7. Three A Press needs to hire non-family professionals to develop a human resources department with leaders that help to create a strong organizational culture with an emphasis on long-term goals, proactive to anticipate and avoid problems such as waste and idle time. These leaders could also guide the Rosado's family into the development of a strategic plan for the business and a succession plan for the family in the business.

The goodwill of the family business, as a strength, should be used in all the marketing efforts to compete with other locations and insider's competition. The waste in the production line and the cost of raw materials should be taken together to urgently present data to the employees and decide a course of action where they are part of the solution. Some incentive to the employees, such as an economy bonus could work with them.

Phase 4: The 3D IFB SWOT Analysis

Since the family business is a dynamic and integrated system (Gersick et al., 1997; Casillas et al., 2007), the author suggests in the fourth phase to integrate the previous SWOTs into one. Due to importance giving to study the individuals (Berrone et al., 2012; Björnberg & Nicholson, 2012; Payne, 2018; Robbins & Judge, 2017; Shepherd, 2016), the families (De Massis et al., 2008; Eddleston & Kidwell, 2012; James et al., 2012; Madison et al., 2016; Payne, 2018) and the business (Eddleston et al., 2012; Habbershon & Williams, 1999; Payne, 2018; Zahra et al., 2008) in the literature of family businesses, the author suggest to integrate the SWOTs of all of them. This integration accompanied by suggestions to take strategic actions could only be possible when the person that works with the family business, researcher or advisor, has a long and in-depth knowledge of the individuals, family members, and its systems. This is the case of the author with the example presented. Table 8 presented the partial 3D IFB SWOT for 3A Press. It integrates the SWOT of the individuals, family's generational groups, and the SWOT of the business and recommends strategies accordingly.

The purpose of this final analysis is to make the family business stronger and to encourage its continuity among generations. This will be the input for the long-term strategic plan of the family firm. To attain this purpose, the family business as an integrated system will have priority over the individuals and the desires of each generation of the family. The common good will be to transcend the individual interests and generational interest of the family members for the surpass of an institution, the family business, and its entrepreneurial capability throughout time.

RECOMMENDATIONS

The worth of making the 3D IFB SWOT analysis for the family business is that its members could assess and balance the stock of strengths, weaknesses, opportunities, and threats for the Individuals, Family, and Business. This happens if the process is converted into an open, intelligent, and structured dialogue or conversation between the members of the family and the business as happened in 3A Press. The President, Marie Rosado-Collado, said: "The SWOT exercise has been beneficial and very revealing. The excitement has returned to me because I feel that we are moving in the right direction."

Table 8. Partial 3D IFB SWOT for 3A Press, Corporation - Rosado's family

	Strengths	Weaknesses
Opportunities	*FB Opportunity:* Presence abroad *Individuals´ strengths:* Marie: People and sales skills. Alex: Experience and savvy in printing operations. *Family's generations strength:* Senior gen: Experience and contacts. Millennials: Technology skills and communication among them. *FB strength:* Customer relationships at headquarters ***Strategic option:*** Make a presence abroad close to a key customer using communication technologies and a low-cost investment in infrastructure.	*FB Weakness:* Organizational culture *Individuals´ opportunities:* Marie: Contribute to building a new organizational culture. Alex: Strategically develop the new generation. Alexsandra: Use its social skills from the MD preparation into the FB. Alexis: Learn more related to structure and efficiency. Axel: Gain authority to execute as Operations Supervisor. Alexandré: Pursue graduate studies to support the new organizational culture. *Family's generations opportunity:* *Senior gen:* Bequeath a family business with an influential organizational culture that secures the transfer of Rosado's entrepreneurial spirit among generations. Millennials: Be stewards and owners of a family business with a healthy organizational culture. *FB opportunity:* Use local talent. ***Strategic option:*** Develop as a team an organizational, entrepreneurial culture oriented to long term goals and strategic results.
Threats	*FB Threat:* Production and overhead costs *Individuals´ strengths:* Alexis: structured and organized Axel: problem solver *Family's generations strength:* Senior gen: Experience. Use it to be advisors of junior generation. Millennials: Leadership, inquisitors, technological & mechanical skills. *FB strength:* Financial health. ***Strategic option:*** Although despite the costs and losses in raw material, 3A Press has healthy finances, the senior generation should act as advisors; empower and encourage the Millennials to seek solutions to cost reduction. They have the knowledge and the skills to analyze data and suggest a course of action that the senior generation should implement with wisdom.	*FB Weakness:* Lack of human resources department *FB Threat:* Cost and competition *Individuals´ strengths:* Marie: MBA in human resources. Alexis: BBA with a concentration in human resources. *Family's generations strength:* Millennials: Most of them have College degrees with credits or concentrations in human resources. *FB Opportunity:* Local talent. ***Strategic option:*** The family members' owners and managers should establish the requirements to recruit and hire a human resources manager that encourages the desired organizational culture that, among other things, build a team into the organization to counter fight the competition lowering costs and production waste. This will produce savings for the business, and the results could be bonuses for the employees and lower prices to the customers.

Source: Author's elaboration.

The family business could take advantage, especially of the strategies that allow the continuity of the family business and entrepreneurial spirit of the family among generations. Many times, an external facilitator could lead the process much better than an insider. In some cases, for practical and convenience purposes, the SWOTs that have more importance are those of the individuals interested in the business, and the SWOTs of the generation succeeded and the generation of the successors of the family business.

FUTURE RESEARCH DIRECTIONS

The strategic management field applied to family businesses has many opportunities for future research. All the tools that are typically used to develop the strategy formulation, implementation, and evaluation should be considered and studied, adding to the equation from the beginning of the individual and the family system. New and unique tools could be developed for the family business strategy process considering the idiosyncrasy of this type of business.

CONCLUSION

The SWOT is one of the tools that can be used in the stage of the strategy formulation process to match the internal environment of a firm with the external environment (David & David, 2015). In a family business, if one begins with the business, as typically is done, without considering the individuals and the family, it could be a waste of time and resources. The framework proposed in this chapter incorporates from the beginning the individuals' members of the family. Then includes the generations of the family in business considering their differences accordingly to dates of birth. The third phase is the SWOT analysis of the family business. The last step is the integration of the three SWOTs. If the process is followed and participative, it could end with the main input for the strategic plan of the FB, namely the strategies that the family business should pursue in the following years.

The *3D IFD SWOT* has provoked a structured, but flexible, conversation between the members of the Rosado's family at 3A Press. They are grateful for the opportunity of using the tool.

LIMITATIONS

The 3D IFB SWOT analysis as a proposed framework should be tested more. It is statical in terms that present a point in time in the individual, the family's generation, and the business. It is necessary to repeat its use periodically, investing a considerable amount of time, people, and resources, but at the same time, it could represent a tool for continuous improvement of the family business and for continuous revision of the strategies that it is going to pursue.

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KEY TERMS AND DEFINITIONS

Entrepreneurial: Describes the act and risk to take the initiative and advantage of opportunities.

Family business: A business that is founded and controlled (51 percent or more) by two or more members of the same family, persons that have a consanguineous or legal relationship. The founders' goal is to transfer the business to new generations of their families.

Opportunity: Element, aspect, or fact in the external environment that help to attain a goal or objective or is beneficial and produce an advantage.

Strategy: Thoughtful and deliberate action that is done to pursue a goal or objective.

Strength: An internal characteristic, trait, or resource that helps to attain a goal or objective or is beneficial and produce advantages and resilience.

Threat: Element, aspect, or fact in the external environment that prevents or opposes to attain a goal or objective; it hurts and produces a disadvantage.

Weakness: An internal characteristic, trait, or resource that prevents or opposes to attain a goal or objective; it hurts and produces disadvantages.

Chapter 18
Strategic Orientation of the Managers of a Tunisian Family Group Before and After the Revolution

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ABSTRACT

This chapter studies the strategic orientations of a leader of a group of Tunisian family businesses in a context of uncertainty and transition after the revolution in Tunisia. The specific nature of the family business is that it performs significantly better in terms of sustainability, profitability, and growth when compared to non-family businesses, especially since a majority of Tunisian companies are family businesses. In this respect, authors study the strategic orientations that can ensure the sustainability of family companies through cognitive mapping. The analysis of the cognitive map of the general manager of a group of Tunisian family businesses will help us to compare its entrepreneurial orientations adopted before the revolution and its current orientations allowing the long-term growth of family businesses after the revolution. A discussion of the findings, conclusions, and managerial implications, as well as suggestions of areas for future research, are provided.

INTRODUCTION

Eight years after the revolution, the Tunisians (owner-managers, managers, entrepreneurs, and academics) are engaged in the construction and implementation of the new Tunisia. In this context, it would be interesting to see how Tunisian family business managers are acting strategically to ensure the sustain-

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ability of their companies, taking into account the macroeconomic environment in which they must ensure their development and contribute to the country's growth.

With the significant challenges faced by Tunisian companies in general and family businesses in particular, managers act differently. Some adapt by developing a strong ability to listen and persist despite everything, others make an effort to adapt but do not resist for long if conditions do not improve, some others choose to suspend their activities and sometimes even stop them as soon as they feel disruptions in the course of their business. Therefore, the sustainability of Tunisian family businesses seems to be threatened.

In this light, we have chosen, as part of this exploratory research study, to detect the strategic orientations of Tunisian family business managers in a transition context. The first question to be examined is to see how Tunisian managers perceive the future of their family businesses concerning the current circumstances in Tunisia. Moreover, secondly, it would be interesting to see how they intend to act in an uncertain, threatening, and unpredictable context to perpetuate the family business in a country in transition. Qualitative research using cognitive mapping seems to be the best tool to solve our research questions. This chapter is structured as follows. First, we present the theoretical framework and the context of our research. Next, we describe the methodological framework in more detail. Last, we present the findings from an exploratory study, provide a brief discussion, underline limitations of our research, and suggest areas for future research.

BACKGROUND

Family Businesses in the Transition Period

Research on family businesses in the academic world is not a new area, but this type of business is gaining attention and growing interest in recent years. Given their uniqueness, family firms offer a singular context for researching entrepreneurial orientation (Nordqvist & Melin, 2010) and analyzing how some environmental and organizational characteristics relate to entrepreneurial orientation or its outcomes (Miller, 2011). Indeed, in most developing economies, family businesses account for most industrial output, entrepreneurial activities, corporate growth, economic development, innovation, and employment. Even in Tunisia, the field of the family business is beginning to deal with some other issues (performance, transmission, governance). However, in recent years, a new field has emerged in Tunisia: entrepreneurship in the family context.

Moreover, thanks to the previous research study (Ellouze Karray, 2010), we have shown that entrepreneurship is born within the Tunisian family and develops, among its members active in the family business, entrepreneurial orientations allowing its development and conditions its sustainability. Mignon (2002) distinguishes two leading families of sustainability: the sustainability of power and the sustainability of the project. According to the author, "sustainability of control is ensured when the capital remains in the hands of the same group of shareholders (generally an individual or a family); sustainability of management is achieved when the company's managers are from the same group." On the other hand, "the sustainability of the organization is preserved when the company has been able, throughout its history, to withstand the test of the profound upheavals in its environment and preserve, to this day, the essential part of its identity" (Mignon, 2002).

In the context of our research, it is the question of the sustainability of the organization that is of concern, especially if we start from the risks expressed by Tunisian family business managers who were involved after the revolution: risk of insecurity of places and people, financial risks (insolvency, unprofitability, etc.), social risks (problems with workers' unions) and strategic risks (loss of partnership contracts, promising markets, export orders and international competitiveness).

In addition to these emerging risks in the Tunisian context in a period of transition, we add the risk of uninsured succession for family businesses, the majority of which are in the process of passing through the second generation. In a study conducted on family businesses in Sfax, Mezghani (2007) points out that of the 101 family companies surveyed, 33 companies carried out the managerial transfer, and six began this transfer. While 23 companies carried out the legal transfer, and four started it. Among these transferred companies, the succession is ensured by 15 successors (Sons/Daughters) for the legal department and 22 successors (Sons/Daughters) for the day-to-day management. Six other companies are still managed, legally and daily, by the founders, and only one is managed daily by an employee-manager. This study shows that, compared to family businesses where there was no reflection on transmission, members other than the founders (sons, daughters, or other family members) are involved in the management. This survey shows that of the 35 companies where there was no reflection, 23 did not think about the transfer since these companies are still managed daily and legally by their founder. The others have integrated into the management of their companies: family members (6 sons/daughters), other members (4 foreigners), and an employee manager. According to the author, "there is a willingness to transmit despite the assertion that there is no reflection on this "subject" Mezghani, 2007, p. 11).

Thus, Tunisia, in a period of transition, is no longer the same in the state of mind of its inhabitants, in its functioning, in the vision of its desired and hoped-for future. Indeed, the Tunisian family companies that we are interested in are currently facing these critical risks that could lead to their disappearance.

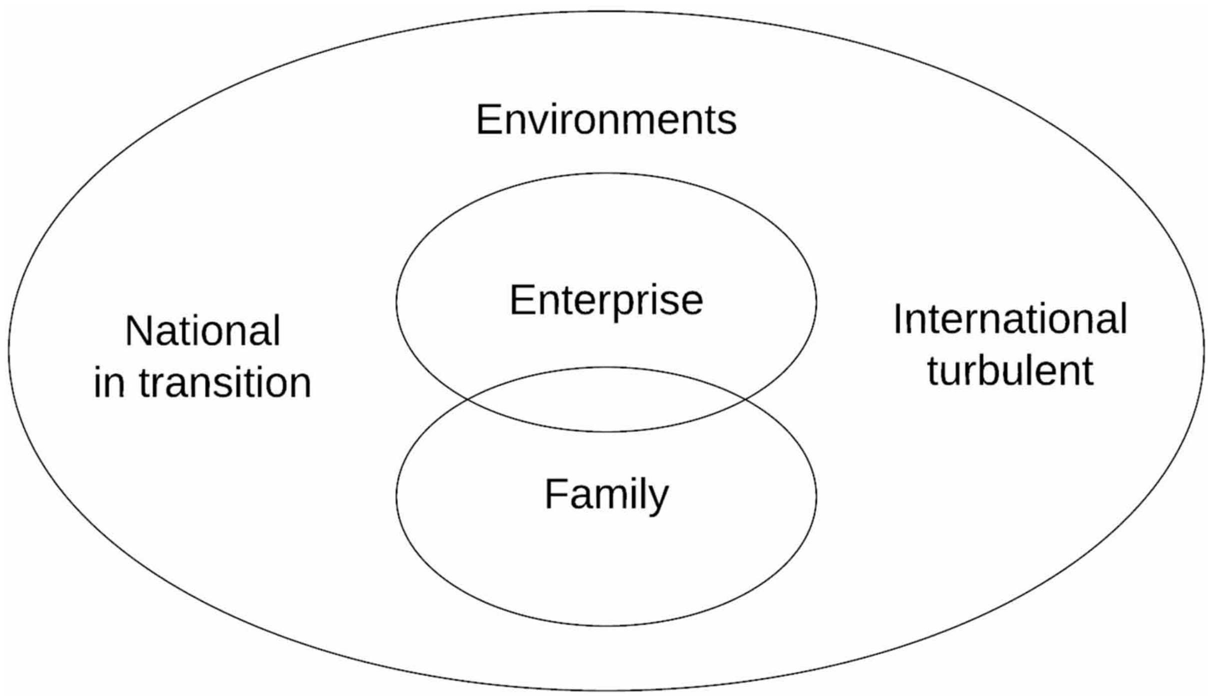
The specificity of family businesses, which is reflected in the dual logic of the company and the family, can only aggravate their situation in Tunisia compared to other non-families, since they must resist the turbulence of the local and international environment and ensure their sustainability in order to guarantee the earnings of its owner-managers on the one hand, and to preserve the employment of their staff who have immersed themselves in the company's family culture, with whom they have long-standing affinities and relationships, some of them since the company's inception.

Indeed, we consider that the family business belongs to a complex system like any organization. However, it is more complex than "the system is made up of a large number of elements that interact in a complex way" (Simon, 1991: 172) since it is closely linked to another complex system, that of the family. It should also be recognized that these two systems (see Figure 1) are open to their environment, which has implications for the degree of complexity required to understand the strategic orientation of its manager.

As shown in the figure above, it is difficult to manage different systems at the same time. According to Catry and Buff (1996), good management of exploitation is not enough. It is also necessary to know how to manage the interaction between the family entity and the business entity, i.e., to manage the antagonisms that arise between the interests of the family and those of the company. To do this in the 21st century, we must make decisions that are good for the family business and not those that serve the interests of the family.

For this chapter, it would be interesting to know what strategic orientations the managers of a family business may have during a period of political, economic, and social transition and also in a threatening, uncertain, and increasingly turbulent international context. Ardito and Dangelico (2018) underlined two

Figure 1. Complexity of the nested systems of the Tunisian family business
Source: Own elaboration



main strategic orientations: technology orientation and market orientation. Technology orientation covers the adoption of new technologies, products, and ideas, while market orientation implies responding to the needs of customers. Moreover, to compete and survive in today's globalized economy, small family firms need to be both entrepreneurially and strategically oriented (Ardito, Messeni Petruzzelli, & Albino, 2015). Nevertheless, the process of inferring the strategic orientation of managers of the family business must take into account the influence of turbulence and the increasing complexity of the environment on their strategic visions and intentions corresponding to their cognitive dimension (Verstreate, 2001). In order to shed light on this dynamic, we should clarify the two concepts that could have an impact on the results of this research.

The Transition Period in Tunisia

The concept of "revolution" means, according to the dictionary of legal vocabulary (2000), a complete change in the constitutional order, generally carried out in a sudden and violent manner, but always by breaking with the previous legal system and sometimes taken in the sense of any significant change in social structures, democratic regime, etc.

Some people in Tunisia replace this concept by the concept of "the uprising" which does not really mean the same thing according to the same source since it is defined as a collective revolt movement that makes the attack or plot that foments it a crime; besides, an armed uprising carried out with armed troops or with weapons.

We consider that the ambiguity is noted on our part in the fact that what happened in Tunisia is a revolution and not a popular uprising according to these definitions. Although this may be a controversial subject, it is not the purpose of this chapter

It should be noted that the revolution in Tunisia has disrupted all political, economic, and social conditions and has made the country in a period of transition not only from dictatorship to democracy but also from a weak economy to a buoyant and attractive market making the social climate coherent and peaceful.

The International Development Research Centre (2012) considers that transitions periods are generally disorganized and unpredictable, often destabilizing, and may be subject to setbacks. It defines the term “transition” as any major political, economic, or social transformation that occurs in a country. Nevertheless, it would be important to note that this definition encompasses the well-known transformations of recent years, during which countries have moved from communist regimes to market economies, from military regimes to civilian governments, from war to a certain degree of political peace. Moreover, transitions can also include a radical transformation of the nature of governance. Based on this study, the transition to democracy can be particularly turbulent. As Fabry (2005) said, the success and extent of the transition process will depend on the initial level of development, the commitment of the population and the various political and economic actors to the changes, and finally, on the method used by the governments.

Entrepreneurial Orientation in Family Businesses

The research of Shapero and Sokol (1992) and Brockhaus (1982) determined that the family environment, and in particular an entrepreneurial father, leads to the credibility and desirability of the “entrepreneurial act.” According to Bienaymé (2008), an entrepreneurial family is “a renewed whole which has known, since the generation of the founder and through its tendency and parental alliances, how to preserve the industrial tool, make it grow and make it reach a viable dimension in terms of turnover, number of employees or simply in terms of reputation on a commercial, technical or cultural level”. Also, family ownership can likely influence entrepreneurial orientation. Nevertheless, if entrepreneurial orientation can be higher in the founder stage when ownership is centralized, it dissipates as other generations become involved (Zellweger, Nason, & Nordqvist, 2012; Kellermanns, Eddleston, Barnett, & Pearson, 2008). The existence of the board affects not only on strategic decisions of the company (Huse, 2000) but also varying levels of entrepreneurial orientation (Arzubiaga, Kotlar, De Massis, Maseda, & Iturralde, 2018; Bauweraerts & Colot, 2017; Zellweger et al., 2012).

Moreover, Mezhoudi (2008) states that “family solidarity characterizes Tunisian society. For the author, “the family is the first cell from which the entrepreneur emerges. Furthermore, the entrepreneur is generally influenced by the cultural values and beliefs shared by his family members. This can influence the orientation of the creator. This has long been the school where the entrepreneur learned the first instructions to start a business. According to this orientation, “commitment” is a gift received from the family as an inheritance.

This concept is called family entrepreneurial orientation and can be defined as the attitudes and mindsets of families to engage in entrepreneurial activity (Zellweger et al., 2012). Rather than maximizing their entrepreneurial orientation, long-term value-creating family firms seem to manage these dualities to combine the attributes of family and business (Nordqvist et al., 2008). In this way, such a family business can become what Miller (1983) called the «entrepreneurial firm» defined as “any organization that engages in product- market innovation, undertakes somewhat risky ventures, and is first to come up with «proactive» innovations, beating competitors to the punch" (Miller, 1983, p. 771).

The case study that we will analyze in the empirical part testifies to the existence of a Tunisian entrepreneurial family according to research conducted before the revolution. This research will reveal whether there has been a change in the strategic orientation of the managers of the family group in question during the transition period through which the country is passing.

METHODOLOGICAL FRAMEWORK

The Research Context

In order to solve our research problem, we will compare the strategic orientation of a manager of a family group before and during the revolution in the Tunisian context. The purpose of this research is to know the strategic perception of a family business manager of the future of his company in a context of revolution and transition and also to identify how he intends to act in these circumstances. The comparison of the results of previous research on the strategic group in question before the revolution with the results of a new investigation on the same case may reveal the existence or not of an entrepreneurial orientation even in the context of the revolution in Tunisia.

Studies relating to the strategic orientations of family businesses are still little explored in Tunisia, especially after January 14, 2011, and that is why the empirical focus of this study is exploratory. We have opted to use the qualitative method. The choice we made is based on the case study as an appropriate research strategy. There appears to be a consensus on the use of this technique for exploratory purposes (Yin & Heald, 1975; Eisenhardt, 1989; Wacheux, 1996). It has also been shown that such a process (exteriority, inductive approach, case, qualitative method, and exploratory focus) dominates in Francophone research on SMEs (Boissin, Castagnos, & Guieu, 2000). The case method aims to "understand the dynamics present within a single environment" (Rispal, 2002, p. 48), as is the case in the family business studied. For his part, Wacheux (1996, p. 89) defined the case method as "spatial and temporal analysis of a complex phenomenon by conditions, events, authors, and implications." On this basis, the use of the case study method seems to be the right research strategy to choose from.

Among many research studies that employ qualitative methodologies, we find a diversity of approaches with case studies being the most widely used (Linares & López Fernández, 2018). According to Wacheux (1996), a case study is a qualitative method of accessing reality that includes monitoring or reporting on the chronological sequence of events and assessing and understanding causalities and formulating an explanation. Our study concerns a family group case located in the city of Sfax, considered to be the second-largest city and the second-largest industrial center in Tunisia. This group is composed of several small and medium-sized companies created successively based on different strategic choices. The conditions for selecting the case during the search before the revolution are based on the following criteria, namely:

- The criteria for defining the family business previously selected.
- The group's growth reflects the success of the strategies adopted. This observation can guide the resolution of the research problem of this exploratory study.
- The development of the parent family company and the current size of the family group (its composition as an SME).
- The knowledge of the group's general manager and certain family managers, which facilitates our task as researchers.

Data Collection

To solve the research problem, we chose to conduct a qualitative study of a family group case composed of several SMEs. This study is carried out in two different periods, one before the revolution and one during the transition period. The second generation manages all these family businesses. All the choices made by its managers have enabled this company to develop and grow, becoming a profitable and evolving group. We are then interested in knowing the strategic orientation adopted by the latter by comparing it with the results of previous research.

Our approach to the research field resulted in some personal and preliminary contacts with the group's general manager during the first research. These contacts made it easier to make appointments with the other managers of the group. We used the interview data collection method based on the questionnaire technique. The information collected, which traces the history of the family group and the various strategic choices, is obtained through the latter's response to a set of questions prepared in advance. Any information is only taken into account if it is taken up by at least one other manager.

As part of this transitional study, we interviewed the general manager of the family group based on two open-ended questions. The Director General's speech was transcribed on a cognitive map containing all his logics. The interview with this general manager, family member, lasted 60 minutes.

The results of the two studies allow us to compare the information obtained before the revolution with that deduced from the speech of the group director after January 14, 2011, in order to verify whether or not the entrepreneurial orientation already observed in the previous study persists.

During the first research, the history and details provided by the various interviewees correspond to a period ranging from 1948, the year the parent company was created, to 2008, the year in which the case study of the group in question was carried out. In the current research, the data collected from the speech of the Group's Chief Executive Officer covers the period from January 14, 2011, to June 2012 (see Figure 2).

CASE STUDY OF THE FIRST RESEARCH

Overview of the Family Businesses of the Group Studied

It is a family group "X" belonging to the family "X" and led by four brothers. Three of them were born between 1947 and 1952, and the fourth-youngest was born in 1962. The three oldest have no specific training except for the last one who went on to study management until the third cycle. This group consists of nine small and medium-sized companies in addition to the parent family business, which is the

Figure 2. Tracing the longitudinal study of the family group "X"
Source: Own elaboration

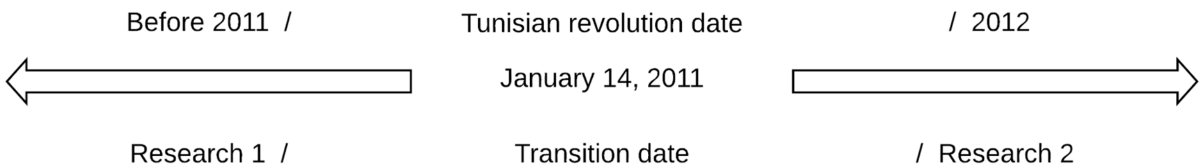
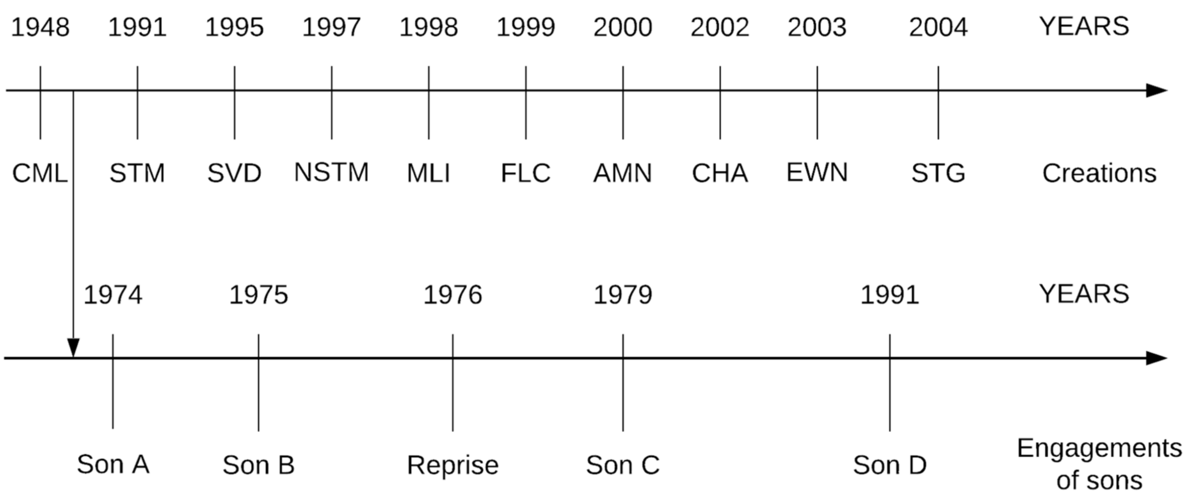


Figure 3. The entrepreneurial continuum and the commitment of the sons (before the revolution)
Source: Own elaboration

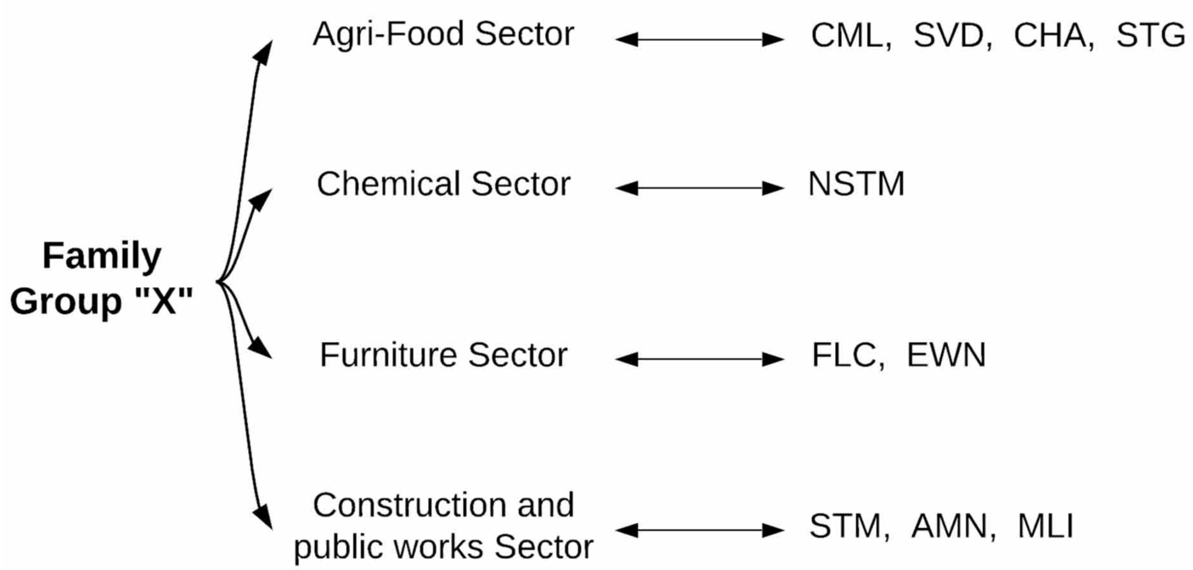


starting point for the creation of the other companies. This parent company, now in its second generation, is well-positioned within its core business sector.

In 1948, Father "M" based his business on his profession to create the family company "CML," which manufactures candy. This family business belongs to the agri-food sector. At 65 years old, he passed the torch to his sons "A" and "B" who worked with him in the management of "CML." The father, who left the business world early to make way for his children, had confidence in them and considered them well prepared to take over. Indeed, the strategic activity of the family managers of the parent family company "CML" reflects a strong entrepreneurial logic as indicated in Figure 3. These managers, who gradually became involved in the family business, made several decisions and had to make rather important strategic choices. It should be noted that the managers, although they have all the powers and have total autonomy in decision-making since 1976, have made it possible for them to inform their father of what is happening in order to benefit from his experience until his death.

The family group "X," which has been formed since the transfer, is characterized by a well-diversified portfolio of activities through a method of internal and, in some cases, external growth. The scope of activity of this group extends over four different sectors. The strategy adopted by these managers is reflected in the creation of several family businesses. As illustrated in Figure 4, these creations reflect a

Figure 4. Classification of family businesses in the group by sector of activity
Source: Own elaboration



new strategic orientation since, in twenty-eight years since the takeover of the parent company "CML" until 2004; family managers have created nine SMEs in different sectors, in addition to other choices to develop the family business (specialization and internationalization). Not to mention that any significant entrepreneurial actions did not mark the twenty-eight years preceding the transfer.

Taking into account the information gathered during the first research, we will summarize in Table 1 the data relating to each of the companies by sector of activity, trying to show each time the reasons that have led the brothers to choose certain strategies overtime to develop the family business. We note that the group's core activities revolve around four main areas:

- A first axis which concerns the activity of production of sweet products.
- A second axis concerns the activity of chicken production.
- The third area of focus is foam and trade show production.
- A fourth axis concerning real estate development and the electricity of buildings.

Table 1 illustrates the fact that the family SMEs in the "X" group belong to four different business areas. We can point out that the companies CML, SVD, NSTM, and STM are the four companies that represent the starting point for the development of the other companies in the group. These companies, which are gradually being created over time, have no functional links between them in terms of activity, no similarity in terms of the key success factors, and no common point in terms of the skills used.

Table 1. Summary table of data on SMEs in the family group

Sector of activity	Family business	Year of creation	Activities	Relations with other companies in the group
Agri-food industry	CML	1948	Production of candy, Chwingum, and Halawa	None during the first years of creation: it is the parent company
	SVD	1995	Production and sale of chicks	Sales of chicks to CHA from 2002 onwards
	CHA	2002	Incubator (FLS)	Transfer of chicks to the farm
			Breeding	Transfer of chickens to the slaughterhouse
			Slaughterhouse	Transfer of slaughtered chickens for distribution
			Distribution	Sale of chickens to STG
	STG	2004	Restoration chain	Purchase of AMP chickens converted to poultry-based menus
Chemistry	NSTM	1997	Foam production	Sale of foam for the company FLC
Furniture	FLC	1999	Exhibition production	Use of foam produced by NSTM
	EWN	2000	Exhibition marketing	Purchase of LTC salons
Buildings and public works	STM	1991	Building electricity	Ensures the installation of electricity for buildings built by AMN
	AMN	2000	Buildings and public works	Sale of the buildings built to MLI
	MLI	1998	Real estate development	Purchase of buildings constructed by the company AMN

Source: Authors' development

INTERPRETATION OF THE RESULTS

To summarize the strategic orientation ensuring the development of family SMEs, we will explain the results of the first research (Ellouze Karray, 2010) carried out before the revolution concerning the family group "X." The parent family company "CML" initially manufactured only candy. After the recovery, the managers were forced to expand the range of products to meet the increasingly strong competition, especially as the agri-food sector in the field of sugar production was growing. The brothers took advantage of customer confidence in their product and existing distribution networks to introduce new products, namely "chwingums and Halawa." This has led to an improvement in the size of the company, through a better competitive positioning (customer loyalty, quality products, and a wide range of products). The acquiring managers with an entrepreneurial approach have successively adopted strategies that take into account the competitive environment and the opportunities for growth on the market, knowing that the parent company and the managers hold money market funds that enable them to finance the SMEs created or purchased each time.

It should be noted that the entrepreneurial continuum (see Figure 3) did not stop in 2004 with the business creation paradigm. However, the managers of this group also joined the upgrading program that allowed them to develop new high value-added products. Also, they have set up an R&D laboratory enabling it to diversify its offer and adapt it to market demand and optimize production lines. Thanks also to technical coaching, the establishment of a Physico-chemical and microbiological control laboratory, and major efforts to improve hygiene conditions, the parent company has obtained ISO 9001 and ISO 22000 certification. Indeed, they have oriented the strategy in such a way that the companies that export will have a production unit that is in an international standing in terms of organization, technology, production team, quality control, and product safety. For all this, it took three or four years to set up the system: HACCP or ISO during the period 2004-2008. All these elements are essential to understand the European market. The Executive Director adds, "I believe that the more we diversify our activities, the greater the chance of penetration, so I always encourage people to think." The internationalization strategy is also adopted by family managers to allow new marketing opportunities for their products that reach a maximum sales threshold on the local market. Exporting makes it possible to extend the geographical area of the company and ensure the expansion of the activity in question. It is a proactive strategy necessary to prepare for new global and local economic conditions.

Based on the principle of contextualization (Rispal, 2002), the data analysis carried out will enable us to identify an entrepreneurial orientation among family managers to develop a family business based on the paradigm (Verstreate & Fayolle, 2005) of business creation, innovation, and business opportunity through export or international activity.

Qualitative Study After the Revolution

Within the framework of this qualitative research concerning the same family group "X", we proceed by making an appointment in advance and then by explaining the purpose of this investigation and finally we begin our interview with an open question addressed to the director who will encourage him to speak freely while answering a first clear question: What do you think of the Tunisian revolution? Then, we continue with a second open-ended question: "How do you intend to perpetuate the family business?

As Cossette and Audet (1994) point out, "a map is intended to be a representation of the conceptualization that the subject constructs of his reality, the concepts but also the links that are found there must have been formulated spontaneously or in response to open questions." In this way, to access the richness of the manager's speech, we have chosen to let him express himself on a few open questions. Thus, the information will be obtained directly and based on open-ended questions to allow the director to express himself freely and increase the chance of obtaining more ideas about the previously explained research subject. As Wacheux (1996) notes, the actor's discourse is never, a priori, reality, but the way he perceives events; he restores the elements present in his memory at the time of the meeting or gives his analysis on a specific situation. Indeed, Benmostefa (2015, p. 271) explains that "trying to examine the cognitive universe of individuals is an attempt to understand the representations they make of the system in which they evolve. These representations guide their actions, which in turn provide them with perceptual landmarks. Thus, it affirms that the individual actor, in his cognitive path, tends to link factors structuring cognitive patterns dictating his behaviors. This is why cognitive mapping is the dominant tool that allows researchers to approach representations of the subjects they are studying".

Our task is then to draw a first manual version of the director's cognitive map from the moment he starts talking. All his speech will be transcribed into links and concepts influencing, and others influenced in a graphic representation called the cognitive map. The Decision Explorer software developed by Eden, Ackermann, & Crooper (1992) will then be used to graphically present the director's speech and process the data on his map based on the manually schematized map and the recording of the interview. The manager speaks freely, so we obtain data, concepts that appear in his cognitive map using his language, without introducing previously identified variables that could have restricted the manager's field of expression.

During the interview, we analyze, synthesize, and sometimes we have to code a whole sentence of the director into a single concept or piece of concepts while keeping the meaning and logic expressed by the interviewee. Our involvement during the interview was total since we refocus the remarks at the appropriate time, and we show a high level of attention and listening effort.

The Interest of the Cognitive Map

The development of cognitive sciences was accompanied by other methodological advances in order to better "capture" the mental representations of individuals (Schmit & Grégoire, 2019). In addition to the use of computer simulations, some studies highlight the role of other techniques such as cognitive maps (Cossette, 1994; Verstreate, 1996) or verbal protocol analysis. The purpose of cognitive mapping is to describe a conscious perception of reality in sufficient detail to capture the idiosyncratic perception that an individual has of the world (Langfield-Smith, 1992). According to Verstreate (1996), a cognitive map is a methodological tool for collecting data for researchers wishing to access representations of the subjects they encounter and interview. The cognitive map can be defined as a graphical representation of the researcher's mental representation of a set of discursive representations stated by a subject from his or her cognitive representations about a particular object (Cossette & Audet, 1994). Thus, the use of cognitive mapping can be fascinating as it facilitates the exploration, awareness, and transformation or confirmation of stated ideas (Audet, 1994; Cossette, 1994; Eden, 1988). Besides, it makes it possible to carry out a specific analysis (Eden et al., 1992). Huff (1990, p. 41) states that "The cognitive map is particularly well suited for exploring strategic vision in a CEO or other key stakeholders... It can help to clarify the content and process of strategic change over time and predict the direction of strategic action in the future". Also, Fiol and Huff (1992) argued the value of the map by the fact that the process of building the map is essentially based on three phases. The cognitive map reminds us of past events, structures a problem in terms of its causes and consequences, means of action and objectives to be achieved or avoided to reveal the lack of information, an essential factor in the decision-making process.

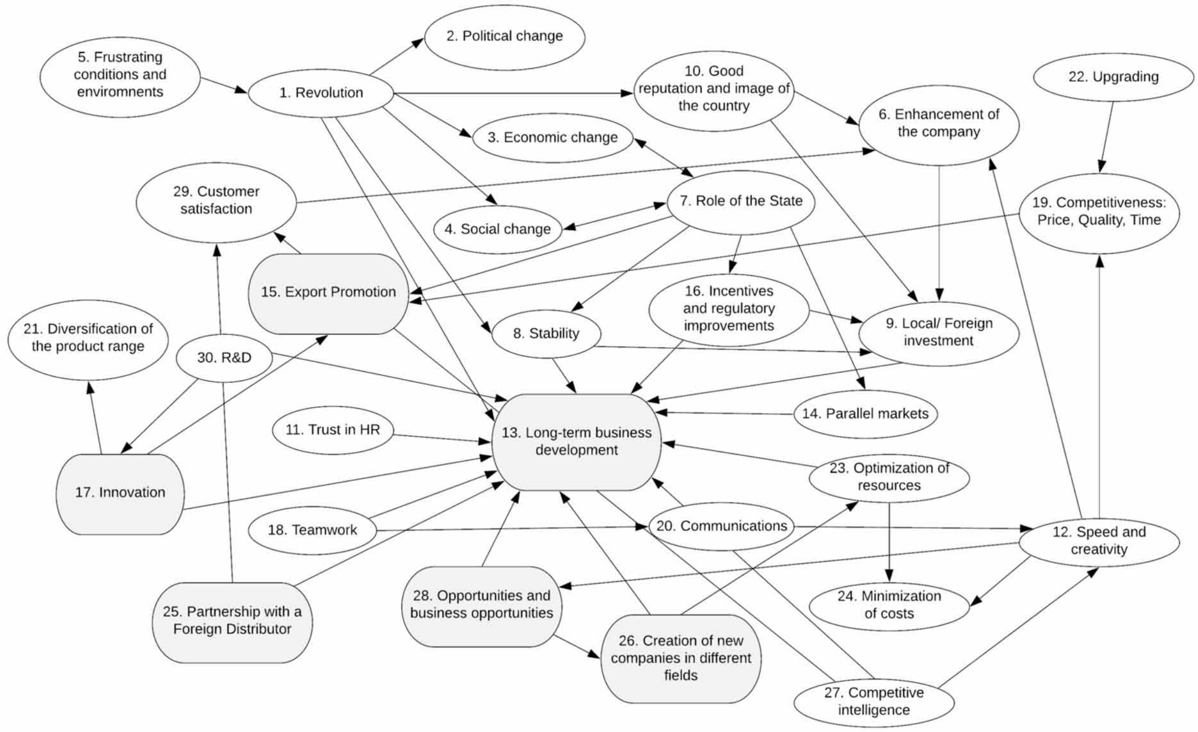
Tracing the Cognitive Map of the General Manager of Group "X"

The Decision Explorer software helped to build the cognitive map of the General Manager of Group "X" after the first manual version was completed during the interview with him. We have opted for a centralized graphic layout. Particular attention has been paid to long-term business development. Thus, we have placed the central theme at the core of the map, and all the arrows and concepts start from it, then from the new concepts, according to the schemes used by the manager.

DISCUSSION

We noted from the speech given during the interview with the group's general manager that he is optimistic about the future of Tunisian companies, whether or not they are family businesses. He considered that even though the revolution has changed the economic, political, and social aspects, the State would be able to improve regulations, guarantee incentives for economic entities, and above all, encourage com-

Figure 5. The cognitive map of the General Manager of Group "X"
Source: Own elaboration



panies to invest and develop for their benefit and that of the country. The revolution has given Tunisia a good image and has given companies the benefit of this good reputation.

For him, it is always necessary to preserve his commercial reputation and try to enhance his image towards third parties and stakeholders in order to make his investment and entrepreneurship paths profitable. So he wants to take the initiative to create opportunities, exploit them, and to train them as a privilege. Indeed, he confirms his comments by the fact that the company has always taken advantage of the opportunities that arise and the opportunities to buy out companies in difficulty to diversify its portfolio of activities and subsequently minimize the risk of being a specialist only in the agri-food sector. The group includes companies in the real estate, livestock, slaughtering, and marketing sectors of poultry, furniture, electrical, and foam. Several vertical and horizontal integrations in addition to the partnership with a foreign distributor in order to get closer to international customers and not be satisfied with exporting. This partnership is stimulated by BRC (British Retail Consortium) and IFS (International Food Standard). Its certifications are intended for companies that wish to sell products under the private label.

The technological and qualitative changes experienced by the parent company were accompanied by an increase in the number of jobs offered, from 457 in 2009 to 150 in 1999. Besides, and in order to be able to master the new technologies introduced, the company has strengthened the management of its staff by achieving a management ratio of 17% in 2008. Also, it relies on communication and symmetry of information. This will facilitate teamwork and accelerate the worker's performance in order to be more confident and reassured, especially after January 14, 2011). Given the development of its activities, this

Table 2. The list of all concepts in the cognitive map of the manager of group X

Number	Concepts	Number	Concepts
1	Revolution	16	Incentives and regulatory improvements
2	Political change	17	Innovation
3	Economic Change	18	Teamwork
4	Social change	19	Competitiveness: Price, Quality, Time
5	Frustrating conditions and environments	20	Communication
6	Enhancement of the company	21	Diversification of the product range
7	Role of the State	22	Upgrading
8	Stability	23	Optimization of resources
9	Local/ Foreign Investissements	24	Minimization of costs
10	Good reputation and image of the country	25	Partnership with a foreign distributor
11	Trust in HR	26	Creation of new companies in different fields
12	Speed and creativity	27	Competitive intelligence
13	Long-term business development	28	Opportunities and business opportunities
14	Parallels markets	29	Customer satisfaction
15	Export Promotion	30	R & D

Source: Authors' development

company was able to achieve a turnover of 40 MD in 2008 against 11 MD in 1996 on the local market knowledge that the percentage of export turnover has increased from 28% in 2005 to 47% in 2008. The parent company is looking to sell its products in Europe, America, and Asia.

The study of the cognitive map of the General Manager of Group "X" resulted in 30 concepts (see Table 2) based on the numbering performed by the Decision Explorer software. Some of these concepts influence one or more other concepts, and one or more others influence others. In the following, we proceed to analyze the centrality of the concepts in order to know the relative importance of each of them, then to identify the explanations and consequences and finally to carry out an analysis of the loops. To perform all these analyses and obtain accurate results, the use of the Decision Explorer software is important, as Gendre-Aegerter (2008) points out. We lift two heads (concepts 13 and 24) and seven heads (concepts 5, 11, 18, 22, 25, 27, and 30). This shows that according to this manager (long-term business development and cost minimization) are concepts that are influenced by others. They are considered as outputs that are presented as outcomes, results, or objectives to be achieved while concepts (Frustrating conditions and environments, Trust in HR, Teamwork, Upgrading, Partnership with a foreign distributor, Competitive intelligence and R&D) are concepts that only influence other concepts. These are factors considered as inputs. These are the means or explanations for achieving the objectives of the concepts they influence.

According to Eden (2004), since the number of heads in the map is low, this indicates that the cognitive vision of the interviewed manager is simple and well organized concerning the revolution as well as the strategy that allows the sustainability of the family business.

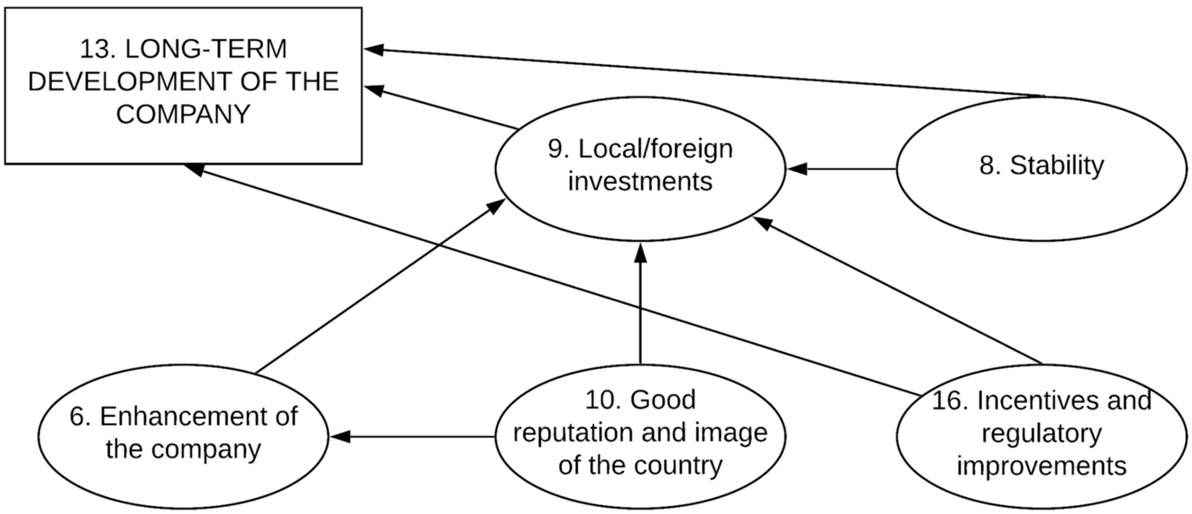
Table 3. Analysis of the centrality of the concepts on the map of the manager of the "X" group

Concept wording	Number	Number of concepts involved in the calculation	Centrality Score
Long-term business development	(13)	29	22
Revolution	(1)	28	16
Export Promotion	(15)	29	15
Local/Foreign Investissements	(9)	28	15
Opportunities and business opportunities	(28)	29	14
Competitive intelligence	(27)	29	14
Innovation	(17)	29	14
Incentives and regulatory improvements	(16)	28	14
Stability	(8)	28	14
R & D	(30)	28	13
Creation of new companies in different fields	(26)	28	13
Partnership with a foreign distributor	(25)	28	13
Optimization of resources	(23)	28	13
Diversification of the product range	(21)	28	13
Teamwork	(18)	28	13
Parallel markets	(14)	28	13
Speed and creativity	(12)	25	13
Role of the State	(7)	26	13
Enhancement of the company	(6)	29	13
Competitiveness: Price, Quality, Time	(19)	28	12
Trust in HRs	(11)	28	12
Good reputation and image of the country	(10)	28	12
Customer satisfaction	(29)	23	10
Minimization of costs	(24)	24	10
Communication	(20)	24	10
Social change	(4)	24	10
Economic change	(3)	24	10
Political Change	(2)	24	10
Frustrating conditions and environments	(5)	23	9
Upgrading	(22)	11	4

Source: Authors' development

We measure the centrality score of each concept calculated by the Decision Explorer software in the same way as explained by Cossette (2003). All concepts directly related to it (first level) have a value of 1; second-level concepts (related to first level concepts) have a value of 0.5, third level concepts have a value of 0.33, fourth level concepts have a value of 0.25, and so on until the seventh level. The centrality score is the sum of its values. We include all the centrality scores in Table 3 in order to identify the

Figure 6. Example of influence links in the map of the General Manager of Group "X"
Source: Own elaboration



central concepts around which the interviewee constructs his or her thought and which best reflects his or her cognition concerning the questioning theme.

For the general manager of the "X" group, the central idea in his speech is represented in the concept with the highest centrality score 22, which is the concept of "Long-term business development (13)." This same concept is one of the heads of the map, which explains why, for him, it is an objective to be achieved in his group and which informs his opportunistic strategic orientation. Other important central concepts in addition to concept 13 are: Revolution, Export promotion, Local/foreign investment, Opportunities and business opportunities, Competitive Intelligence, Innovation, Incentives and regulatory improvements, Stability, R & D, Creation of new companies in different fields, Partnership with a foreign distributor, Optimization of resources, Diversification of the product range, Teamwork, Parallel markets, Speed and creativity, Role of the State and Enhancement of the enterprise. These factors show the existence of entrepreneurial orientation in this general manager. Since these are factors considered as means of action allowing the achievement of its central objective, which is the development of the family business in the long term despite the current circumstances through which Tunisia passes. He even sought to take advantage of the context of the revolution and its possible positive consequences. Other factors with a centrality score of 12 or less are considered explanatory factors and indirectly influence the desired outcome.

From Figure 6, we note that the central concept of "long-term enterprise development" is directly influenced by stability, local and foreign investment, and regulatory incentives and improvements. It is indirectly influenced by the development of the company as well as by the good reputation and image of the country.

Table 4 shows that the concept of revolution (1), which is central, has positive influencing links with the concept of long-term business development and with the concept of good reputation and image of the country as well as four negative links with the concepts of political change, social change, economic change, and stability.

Table 4. Analysis of influence links between concepts

Concepts	Links with the concept	Concepts	Links with the concept
1	+13 -8 +10 -4 -3 -2	16	+13 +9
2	+7	17	+21 +13 +15
3	+7	18	+13 +20
4	+7	19	+15
5	+1	20	+12
6	+9	21	+13 +29
7	+4 +3 +2 +15 +16 +8 -14	22	+19
8	+9 +13	23	+13 +24
9	+13	24	0
10	+9 +6	25	+13 +29
11	+13	26	+13 +23
12	+6 +24 +19 +28	27	+13 +29 +12
13	0	28	+13 +26
14	-13	29	+6
15	+13	30	+17 +13

Source: Authors' development

The concept of the role of the state (7) also has a negative influencing link with the concept of the parallel market (14) in addition to other positive links with the concepts: Stability (8), Social Change (4), Economic Change (3), Political Change (2), Export Promotion (15) and Incentives and Regulatory Improvement (16). Concepts 13 and 24 have no influencing links since they are heads; other concepts only influence these concepts.

Table 5 above shows that the central concept (13), which has 16 direct links considered as explanations for long-term business development. They represent for the interviewed manager the means of action to be undertaken or already begun to achieve his objective of perpetuating the family business. These factors show the entrepreneurial spirit of this manager.

The following concepts: role of the State, the revolution, speed and creativity, innovation, and competitiveness are the factors that have the most consequences and promote the achievement of the objective of the General Manager of Group "X." Other factors, which have consequences, that allow the development of companies according to the director interviewed are: research and development, partnership with a foreign distributor, diversification of the product range, good reputation and image of the country, stability, business opportunities and opportunities, teamwork, optimization of resources, creation of new companies in different fields, competitiveness: Price, Quality, Time, incentives and regulatory improvements. All these factors directly or indirectly influence the development of companies in the long term, to reflect an entrepreneurial approach on the part of this manager.

We note from Table 6 that six loops are formed by the following concepts: Political change, economic change, social change, and the role of the state. These loops represent all the possible combinations between these different concepts that influence each other according to the interviewee's logic. The small number of concepts involved in these loops, on the one hand, and the existence of six loops in the

Table 5. Direct links (Explanations and consequences) of each concept in the map

Concept number	Number of directs links	Concept number	Number of directs links
13 Long-term business development	16 explanations	16 Incentives and regulatory improvements	2 consequences 1 explanation
7 Role of State	7 consequences 3 explanations	19 Competitiveness: Price, Quality, Time	2 consequences 1 explanation
1 Revolution	6 consequences 1 explanation	23 Optimization of resources	2 consequences 1 explication
12 Speed and creativity	4 consequences 2 explanations	26 Creation of new companies in different fields	2 consequences 1 explanation explication
9 Local / foreign investments	1 consequence 4 explanations	27 Competitive intelligence	3 consequences
8 Stability	2 consequences 2 explanations	28 Occasions et opportunités d'affaires	2 consequences 1 explanation
15 Export Promotion	1 consequence 3 explanations	14 Les marchés parallèles	1 consequence 1 explanation
6 Development of the company	1 consequence 3 explanations	18 Teamwork	2 consequences
29Customer satisfaction	1 consequence 3 explanations	20 Communication	1 consequence 1 explanation
17 Innovation	3 consequences 1 explanation	24 Minimization of costs	2 explanations
2 Political change	1 consequence 2 explanations	25 Partnership with a foreign distributor	2 consequences
3 Economic change	1 consequence 2 explanations	30 R&D	2 consequences
4 Social change	1 consequence 2 explanations	5 Frustrating conditions and environments	1 consequence
21 Diversification of the product range	2 consequences 1 explanation	11 Frustrating conditions and environments	1 consequence
10 Good reputation and image of the country	2 consequences 1 explanation	22 Upgrading	1 consequence

Source: Authors' development

Table 6. Analysis of the loops on the map of the director of the group "X"

The loops	Involved Concepts	The loops	Involved Concepts
Loop 1	2 Political change 4 Social change 7 Role of the State	Loop 4	3 Economic change 4 Social change 7 Role of the State
Loop 2	2 Political change 3 Economic change 7 Rôle of l'Etat	Loop 5	3 Economic change 7 Role de the State.
Loop 3	2 Political Change 7 Role of the State	Loop 6	4 Social change 7 Role of the State

Source: Authors' development

map, may indicate that the image of the environment that the director interviewed traces is representative of good cognitive skills and the presence of feedback. Moreover, it shows that the manager is aware of the constraints facing the company and is convinced of the essential role that the State can play in regularising the situation.

Finally, we deduce from Tables 5 and 6 that this Executive Director has an opportunistic strategic vision of the current environment since he gives importance to the concepts "role of the State" and "revolution," especially in terms of influencing links having respectively 7 and 6 links causing consequences on other concepts. Thus, the entrepreneurial orientation of the manager takes into account the turbulent and uncertain environment and conditions his entrepreneurial actions by the smooth running of the revolution.

THE STUDY FINDINGS

The longitudinal study from the date of creation of the parent family business to 2008, carried out during a first research study (Ellouze Karray, 2010), clearly shows the existence of a robust entrepreneurial orientation which is manifested by the innovation of the company's products, certification, export, acquisition and creation of new companies in the same field and in different fields of activity, as well as a risk-taking in some cases. This pronounced entrepreneurial orientation has been the result of several sources that have nourished it over the years, namely reinvesting a surplus of liquidity from the mature activity generating profits, guaranteeing important positions for all the brothers and allowing them an income, taking advantage of specific opportunities in promising fields of activity and above all, generating and implementing the entrepreneurial impulses of the owner-managers influenced by their timely, creative and innovative logics of action.

The qualitative study carried out during the current research using the cognitive mapping of the General Manager of Group X reveals the existence of entrepreneurial orientation in this group by analyzing the respondent's cognitive patterns. Indeed, the CEO of the group even during the revolution, after January 14, 2011, develops a development strategy by taking advantage of opportunities and opportunities, creating new companies in different fields, innovating in production tools and diversifying the product range, internationalizing through exports and foreign partnerships, creating value within his group by different means. He takes into consideration in his strategic reflection the Tunisian context of which he is fully aware, as we have deduced from the analysis of the loops. The Tunisian revolution and the uncertainty that reigns in the country do not frighten the director-general of the "X" group interviewed. On the contrary, thanks to its entrepreneurial spirit, we have noticed a rather opportune vision of the future of the country as well as of companies thanks to the intervention of the Tunisian State to improve, encourage, encourage and organize a framework favoring entrepreneurship.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This exploratory research has several limitations. The first limitation is that it is impossible to generalize the results. The second is that the first research uses a different methodology than the second study, which may lead to a lack of results in either study. It would be interesting to do the same study in other family businesses (SMEs or groups of family businesses), in different sectors to be able to verify the existence of entrepreneurial orientation even during the transition period.

CONCLUSION AND PRACTICAL IMPLICATIONS

The main purpose of this research was to verify the existence of entrepreneurial orientation in the "X" group during the Tunisian revolution. The idea was to compare the results of previous research conducted before 2011 on the same group and the results we can obtain from the current study conducted after the revolution. To do this, we have chosen to use cognitive mapping as a means of tracing, first, the cognitive patterns of the General Manager of Group "X" and, second, to reveal his strategic choices reflecting his entrepreneurial orientation if it exists, knowing local circumstances and international influences including those generated by the revolutions of the countries bordering Tunisia, namely Libya and Egypt.

We conclude that this new context did not upset the logic of the action of the interviewed manager, who broadly represents that of the other managers of the group since he is the Chief Executive Officer. The strategic orientation in this group before the historic day of January 14, 2011, and even after that date has not changed, except the non-existence in previous research of concepts such as revolution, the role of the state, changes affecting the economy, social and political life. Before 2011 the group is developing based on its internal capacities and skills, after January 2011, the group's managers rely on the role of the state and the benefits of the revolution in addition to their resources. We also note that family paradigms respond to entrepreneurial paradigms, in this case, studied, and the entrepreneurial phenomenon is also stimulated in family businesses as presented by Richomme-Huet (2008). We noted that the cognitive map best represents the strategic orientation based on the interviewee's speech by using his or her cognitive schemas. It should be stressed that we cannot generalize the results obtained on all Tunisian family businesses since the purpose of this exploratory research was not to generalize the results on the Tunisian context but essentially aims to complete the longitudinal study begun earlier by comparing the results of the two studies.

This chapter has a theoretical contribution compared to other research on family businesses. Indeed, we have provided the literature with a qualitative study on a Tunisian family group before and especially during the revolution, a transitional period in the history of Tunisia. Moreover, the other contribution of this research is the knowledge of the current Tunisian context on the one hand, and the identification of the cognition of the managers of a family group of the revolution, on the other hand.

The practical contribution of this chapter is of interest to family managers, researchers, consultants, foreign investors, and third parties in the company in general. Some may realize the benefits of the revolution, others may have ideas on how they can take advantage of current circumstances, and some others may be encouraged to invest and do business in Tunisia through partnerships or other strategic maneuvers.

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KEY TERMS AND DEFINITIONS

Case Method: A qualitative method of access to reality. The case method combines two elements: the case itself and the discussion of that case. In this way, it makes it possible to account for the chronological sequence of events and also to evaluate and understand causalities and formulate an explanation.

Cognitive Map: A representation of the conceptualization that the subject constructs of the system in which he evolves. The set of cognitive representations that emerge make it possible to understand his actions, the links between the factors structuring the cognitive patterns dictating his behaviors.

Cognitive Mapping: A tool that allows researchers to approach representations of the subjects they are studying.

Entrepreneurial Family Business: A business actively owned and managed by more than one member of the same family.

Entrepreneurial Orientation: A firm-level strategic orientation that captures an organization's strategy-making practices, innovativeness, pro-activeness, and risk-taking.

Exploratory Research: Research conducted on problems that have not been investigated clearly, in order to establish priorities and develop operational definitions. More precisely, exploratory research helps improve the final design of research and determine the data-collection method and selection of topics.

Strategic Orientation: The concept of strategic orientation is adopted to understand the effects of being entrepreneurial across different research contexts.

Chapter 19
Conflict Management in the Family Business: A Case Study From Turkey

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ABSTRACT

Conflicts in family businesses can have devastating effects if they cannot be turned into functional conflicts and managed effectively. Institutionalization is the most effective solution in this process. Managing conflicts in family businesses where business and family relationships are bound by certain rules to get easier. However, conflicts can be managed effectively with methods such as; producing solutions before a conflict arises, effective communication between family members and non-family member employees before and during the conflict, separation of work and family from each other, prevention of nepotism, successful and effective planning, fair and performance-based reward system, determining the roles precisely and bringing them to a written form, receiving support from experienced non-family member employees, and bringing professional managers to work. This chapter addresses the Sabansi Holding case study, a well-known and influential business family in Turkey.

INTRODUCTION

Some factors make it easier for each enterprise to achieve its success according to the quality and capacity of the work it does. These factors are defined as critical success factors. Critical success factors determine the points to be considered for success. In some cases, these critical success factors may become inapplicable and may cause problems within the enterprise. These problems may be of internal

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or external origin. In family businesses, due to their structure, some internal problems are different from other businesses, and if the necessary precautions are not taken, they turn into a conflict.

Family businesses consist of family and business systems. Both family and business are complex systems by themselves. As family businesses cover both systems at the same time, they have a complex nature with two elements. Family members are part of both the family system and the business system. This situation has the potential for conflict because each system has its own rules, roles, and requirements. The understanding differences between family and business systems lead to conflicts (Barros, Hernangómez, & Martín-Cruz, 2019). As a result of failure or lack of activating conflict management, the life span of these enterprises shortens. It is seen in the studies that the life expectancy of family businesses is limited to the life of the founder. The short life expectancy of family businesses, which are the lifeblood of national economies all over the world, poses a great threat to shareholders as well as other internal and external stakeholders. At the same time, conflicts are seen as one of the defining characteristics of family businesses (Saiz-Álvarez, Leitão, & Palma-Ruiz, 2019; Saiz-Álvarez & Palma-Ruiz, 2019). When family businesses are mentioned, the arrival of conflicts to mind primarily is due to the widespread family relationships that destroy families and companies. While some family businesses can overcome problems with conflict management, many family businesses become victims of conflicts on the other hand (Sorenson, 1999, pp. 325-326; Sharma, 2004).

Types of conflicts in family relations and revealing what they caused are the main purpose of this study. In the literature section of the chapter, the types of conflicts in organizations are explained, and their sorts, causes, and management styles encountered in family businesses are discussed in detail. Afterward, conflict in one of the family businesses that have a voice in Turkey's economy and results are given as a case study.

CONFLICTS IN ORGANIZATIONS AND THEIR TYPES

Conflict is the foremost of the most important topics that are being studied in many disciplines, such as psychology, sociology, and primarily in management science. Therefore, there is no single definition of conflict in the literature (Topaloglu, 2011, p. 251). In terms of management science, conflict can be defined as "disagreement arising from various sources between two or more people or groups" (Kocel, 2010, p. 646). According to Wall and Callester (1995, p. 517), "it is a process that occurs when a person or group understand that their interests are hindered or adversely affected by their opponent." In other words, conflicts occur in organizations when individuals cannot choose between alternatives in case of any decision-making or when individuals prefer different options (Akat, Budak, & Budak, 1999, p. 330). In broader terms, conflict is a "disagreement between two or more organization members or groups due to the necessity of working in jobs with functional dependence and/or having different statuses, aims, values or perceptions" (Kilic, 2001, p. 87). Esquivel and Kleiner (1996), on the other hand, describe the conflict as "a disagreement or dispute over interest or idea."

The common idea in many of the definitions in the literature is that conflict is a perception. If no one is aware of the conflict, then it is assumed that there is no conflict. However, in order to start a conflict process, disagreement and dispute are needed for interaction (Robbins & Judge, 2013, p. 454). Conflicts sometimes appear open and distinct, sometimes remain implicit. However, as the implicit conflict continues internally, it can affect the behavior of the staff from secret confrontation to open opposition, even sabotage. Each conflict puts pressure on the staff. Excessive pressure, in particular, can cause many behavioral disorders and various problems within the human body (ulcers, heart diseases, and others) (Kocel, 2010, p. 645).

Conflicts in organizations are generally discussed in three sub-titles in the literature. The type of conflict that supports group performance and allows it to develop is the functional conflict. Task conflicts and process conflicts are functional conflicts, also referred to as structural conflicts in the literature. On the other hand, the conflict that disrupts the unity and integrity of the enterprise is a non-functional conflict. The type of non-functional conflict is the relationship conflict. It is observed in the studies that relationship conflict is always a non-functional conflict (Robbins & Judge, 2013, p.455).

Task Conflicts: This type of conflict covers conflicts related to tasks and operating issues. Conflict issues of this type are generally related to the fact that an employee-facing different job instructions and commands due to being responsible for two different superiors, the uncertainty between the completion time of the processes, the importance and meaning of financial data, what regulations made by the government mean and the importance degrees of various business objectives.

Process Conflicts: Process conflicts are the disagreements about the methods to be applied in performing a job. For example, disagreements about the way reorganization are implemented within the organization and disagreements about how the work is distributed among the members of the organization are examples of process conflicts. While task conflicts express what should be done, process conflicts determine how something should be done (Jehn, 1997, pp. 256-282).

Relationship Conflicts: It is a type of conflict arising from emotions and interpersonal relationships. The interpersonal hostility, which is at the core of infighting and relationship conflicts, increases personality conflicts, and reduces mutual understanding. Conflicts arising from differences in evaluation, minor controversies, and dislike of people are called relationship conflicts. The reasons for these conflicts between the two employees may be insignificant arguments, contemptuous comments, or someone making fun of someone else's work clothes. Other indicators of relationship conflicts include the fact that employees are narrow-minded or do not speak to a person because they do not like him or her. Besides, the impact of social culture on the individual triggers relationship conflict (Jehn, 1997, pp. 256-282). This situation prevents the completion of organizational tasks (Robbins & Judge, 2013, p. 455). The greatest importance of conflicts for the enterprise is undoubtedly due to its impact on organizational performance. In almost all enterprises, there is an optimal level of conflict that can be qualified as functional and can affect the performance of the organization positively (Topaloglu, 2011, p. 252). Conflict, above a certain level, reduces functional effectiveness, and even prolongation of the process jeopardizes the existence of the organization (Senturan, 2014, p. 149).

It is suggested by researchers to encourage constructive ones and minimize the relational ones. However, it is not easy to distinguish between these two types of conflicts (McShane & Glinow, 2016, p. 197).

Types of Conflicts in Family Businesses

Family businesses have a complex two-component nature, consisting of a combination of family and business systems. Family members are part of both the family system and the business system. This situation has the potential for conflict because each system has its own rules, roles, and requirements. While sensuality and close relationships are important factors in family systems, the business system is a system where rationality and formal relations are more dominant. Family and business systems' being converse fundamentally naturally causes conflicts. Ensuring unity and solidarity among family members is of great importance for the continuation of both the company and the family (Harvey, 1999, p. 44-50).

When the types of conflicts in family businesses are examined, it is seen that there are mainly relationship conflicts, especially in family relations. In most family businesses, family members have key information and decision-making powers, because members can provide information from inside by their links, and they have an informal power in the enterprise even if they do not have legal positions in the company. However, the lack of specific career planning and the inability to achieve institutionalization affects this dynamic power negatively and cause conflicts (Tetik & Uluyol, 2005, pp. 32-33). The relationship conflict that is experienced primarily brings about the conflicts of task and process. However, as the relations are very intertwined, it cannot be determined which conflict and in what form. Therefore, conflict management in family businesses is more difficult and complicated.

Task conflicts in family businesses arise in matters such as enlarging the business, directing investments, and fulfilling the duties of business and family life together. Process conflicts are seen in limits of authority and responsibilities, working with father's procedures instead of systematic plans, differences in approaches in financial activities and marketing, and the field of employment. The level of task and process conflicts needs to be adjusted well. In order to improve cooperation, it is necessary to express different opinions about the definition and solution of the problems and to allow them to compete with each other. Thus, conflicts about tasks and processes serve to create a common understanding and to reach shared goals more easily. Failure to keep task and process conflicts at the required level increases the risk. Also, there is a potential for conflicts that begin as a task and process conflict to turn into relationship conflict after a while (Torun & Ercan, 2006, pp. 33, 39).

For this reason, conflicts encountered in family businesses are divided into two groups by researchers; they are called simple and complex conflicts. While a simple conflict is a type of conflict that can easily be resolved and is not effective in decision-making processes, there is a "tendency to blame someone" in complex conflicts. A complex conflict leads to a decrease in productivity, and no effective decision can be made. This type of conflict can be characterized by anger, fury, and anxiety that can lead to inefficiency (Alderson, 2015, p. 142). A wide range of decisions is taken in business management on all occasions. Decisions of various sizes and importance are required for financial resources, which to be the head of the enterprise, which personnel to be placed in which jobs, and for the realization of many daily transactions. Decisions taken by family members who do not trust and support each other are not healthy and can turn into a complex conflict (Uluyol, 2004, p. 64). Conflicts may arise due to a variety of reasons, such as the ambition of family members to keep the management and business under control and conflicts between family members and non-family managers/employees, including conflicts of personal relationships within the family. As a result of the favoritism attitudes of the family members in the management, the complex conflict arising due to efforts to involve family members with inadequate experience and skills in the management team generally have a negative impact on the business (Caputo, Marzi, Pellegrini, & Rialti, 2018, p. 519).

Reasons such as fight for wealth and inheritance among family members, separation of authority, dispute between spouses, uncertainty on family and business boundaries, favoritism of the founder for the most beloved or most valued one, uncertainty in the balance of authority and responsibility in the enterprise, second/third generation being considered as "child" and the disregard of their thoughts, the highly controlled behavior of the founding and second-generation executives, the effort to form a party in the family dispute, the establishment of a controlled area within the enterprise by turning the business into a game and power area for a fight of the throne, often preferring to find a criminal and punishment rather than defining faults in the process in crises/wrong decisions, considering non-family members and employees as probable criminals, hiding wealth and prioritizing personal wealth in the capital wealth relationship create a complex conflict and a potential power that will bring the end of the enterprise (Aricioglu, Koras, & Guclu, 2019, p. 20). Failure as a result of the wrong decisions made due to conflicts can affect not only the family business but also the whole society (Uluyol, 2004, p. 64).

According to psychologists, conflicts are seen at the idea stage of the entrepreneurship stage in family companies (Paisner, 1999, p. 73). Many entrepreneurs have included conflicts with their parents among the reasons for establishing their business. Relationship conflicts that start during or even before the establishment of the enterprise continue in different dimensions (generation conflicts, siblings' and cousins' conflicts, etc.) after the establishment of the enterprise and trigger other types of conflict. Relationship conflicts arising from family members, which are complex conflicts in family businesses, are examined in detail in this section.

Relationship Conflicts Between Family Members

There are family members who play a role in the relationship conflict that damages family businesses. These family members are in contact with each other in four ways: 1) shareholder and active employee in the enterprise, 2) only shareholder and not an employee in the enterprise, 3) not shareholder, only employee, and 4) neither a shareholder nor employee family members. Conflicts are seen in family relations established by all these means; the conflicts caused by *the owner/manager within himself and with his wife, generation conflicts, conflicts between siblings, competition between cousins, and conflicts caused by the people who joined the family subsequently (brides and grooms).* It is of great importance that these conflicts are recognized and managed promptly in order not to harm the enterprise.

Conflicts Within the Owner/Manager

Among the goals of family business owners/managers in establishing the company are unresolved conflicts with their parents. Being under control might have given him discomfort. He may have set up his own business to get rid of both the authority of his father and the competition of the more powerful figures (Levinson, 1971, pp. 90-98). However, the founder himself can make the same mistakes in the subjects he criticizes his father. This is also influenced by social culture. Since it exhibits autocratic leadership, it is not possible to question the founder's authority or struggle with him for the employees. When his children grow up and take part in the business, two forces encounter, and the founder's internal conflict increases (Paisner, 1999, p. 73). In this period, while children, who want to gain their personalities, show themselves, and become more independent, want to take more responsibility, parents struggle to protect their authority over the children. While the owner/manager wants to hand over the company to his children and retire, on the other hand, he thinks that he is needed for the business to be better. He is between retiring from work, leaving it to children and losing his dominance, and being thrown aside, and this situation increases his internal conflicts. The reason for the inadequacy of children is the failure of the founder to transfer the necessary powers in time due to the anxiety of seeing them as competitors (Uluyol, 2004, pp. 56-74). Because of his being emotional, the fear that the enterprise will be divided or closed in the period after him due to the reasons such as brother-cousin fights, wastage, and so on increases his internal conflicts. Therefore, he refrains from retiring and remains at work until he dies or becomes disabled to do the job for health reasons. The owner/manager conducts both the parent role and the businessman's role together. Experiencing workaholism due to holding all the powers in the enterprise also causes problems in establishing the work-family life balance. Sometimes, these people cannot decide what is better for the family or the business. They might not be objective, especially in doing transfer planning and give priority to the wrong child. In such cases, they might have difficulty in making decisions and experience internal conflicts (Gules, Aricioglu, & Erdirencelebi, 2013, p. 183).

Conflicts Between the Owner/Manager and his Spouse

Conflicts between spouses may occur in family or business relations. In the family environment, the husband spends a large part of his time at work and his inability to show sufficient love and attention to his wife and children prevents the correct establishment of work-family life balance, (Torun & Ercan, 2006, p. 34) and makes an important cause of the conflict between spouses. Both family and business relationships affect each other. There may be disagreements or livelihood problems between spouses, just like in everyday life. However, in the case of divorce, if the spouse is also a shareholder and wants to take her share, the company may face a division or sale problem. In the case of divorce, the shareholder might have difficulties in case of ex-spouse's demand for the value of her share, and the continuation of the ex-spouse as a partner may cause various conflicts. If one of the divorced spouses in the enterprise remarries, the ex-spouse and the children may try to put pressure on the new spouse by not accepting her. Especially the fact that someone coming into the family subsequently will be a partner in the heritage can lead to a relationship conflict. Conflicts between old and new spouses and children adversely affect business activities. Also, children from the new spouse may not be desired to take part in the enterprise by the children of the former spouse who make sacrifices and contribute to the growth of the business.

On the other hand, the increase in the success of the business, along with the new spouse, may make the ex-spouse jealous. Conflicts between the spouses increase the internal conflicts of the owner/manager, and disrupt the peace in the family and also the organizational atmosphere in the enterprise, and demoralize other non-family workers. Among children, the problem of whose side to take place arises, and they remain in the middle of the conflict. Especially in cases where family relations and business relations are mixed, jobs cannot be carried out in a healthy way, and this situation threatens the sustainability of the enterprise (Uluyol, 2004, p.77).

Conflicts Between the Owner/Manager and Children (Generation Conflicts)

Every generation from past to present has progressed with differences from the previous generation. However, in this process, while each generation considers the previous generation as incomplete and inadequate, it calls the next generation irresponsible and disrespectful. This emerging situation has resulted in intellectual and behavioral conflicts between generations. As a result of the developments in the last century, conflicts between generations in the rapidly changing societies became more evident and necessitated the change of old value judgments and understanding of life (Zengin, 2017, p. 285). While older generations, having difficulty in complying with innovations, cling to tradition, and old life understanding, new generations that are open to innovation have been more successful in adapting to developments quickly (Rodoplu, 2003, p. 464). As a natural consequence of this, the existing separation between adult generations and youth are growing and transforming into generation conflicts (Celik, Soysal & Alici, 2004, p. 191).

According to sociologists, these generations have been briefly named as X, Y, Z generations for the last 50 years. Accordingly, it is possible to summarize the management approaches of different generations as follows (Rodoplu, 2003, p. 472; Zengin, 2017, p. 283): Among the important features of generation X are; specialization, strict adherence to organizational hierarchy, abstinent and realistic, strict supervision, loyalty, compulsory use of technology, authority and lower educational level comparing to subsequent generations. The characteristics of generation Y can be listed as being opposed to bureaucracy and control, highlighting the quality of life and individual initiative, having a low sense of loyalty, growing with technology, ambitious, impatient, and high self-confidence. Generation Z (crystal generation), on the other hand, can be seen as more libertarian, preferring loneliness due to weak social relations, born with technology and higher creativity. Generation Z is just starting to take place in enterprises. The fact that this generation started to take place in enterprises creates the possibility of different conflicts. Different characteristics of different generations can bring along important problems and conflicts in daily life and business management. When it is considered from the perspective of family businesses that are dominated by purely authoritarian and single-person effective, the situation should be handled more seriously (Celik et al., 2004, p. 191).

The founder has an important role in establishing common goals, norms, values, and attitudes between family and employees and has a place accepted by employees (Kets De Vries, 1993, p. 60). In the early stages of organizational growth, the founder developed long-term relationships. The conflict that arises in the absence of the founder increases with the passing of the enterprise to other generations. Davis and Harveston (1999, pp. 312-315) discussed the inter-generational conflict in their studies. It has been observed that the conflict is increasing in the transition from the first generation to the other generations. In the transference of generation, it is seen that the conflict increases in the period when the hidden effect (founder's shadow) of the founder continues in the second generation, and the conflict decreases in the period when he does not affect. This rule continues in the following generations. Therefore, a "transfer plan" is of great importance for conflict management (Davis & Harveston, 1999, p. 318).

Many factors cause generation conflicts in family businesses. Some of these factors (Nas, 2000; Erdogan, 2002, pp. 14-15; Akdogan, 2000, p. 43; Saglam, 2003; Celik et al., 2004, p. 192) are:

- Since there is a "natural organization" in family businesses, you cannot go beyond what the boss (the elder) says. Therefore, in companies where the founder is alive, the founder cannot be open to change because he imposes his own culture on the enterprise.
- The authority and responsibility limits of the family members in the management in family businesses are not determined. But here too, the limit of authority and responsibility is between the two lips of the founder or older brother.
- The boss does not trust the people to whom he will transfer the business. Significant opinion differences may arise, especially among generations. While the father thinks that the son is too young, inexperienced, and does not yet have the authority and responsibility to take over, the son might often think otherwise. As the transfer of authority for the future cannot be done effectively, there may be chaos in the management after the first generation.

When it comes to the transfer of the business in family businesses, the priority is the boy with the effect of social roles as well. Generally, the eldest boy is preferred. It is seen that the girls who are less in number and even do not/cannot take part in the business have less conflict with their fathers, and generally, there is less competition between them. There are studies on this topic in the literature (Dumas, 1989; Overbeke, Bilimoria, & Somers, 2015). Conversely, boys in their twenties and thirties experience more problems with their fathers. However, as both get older, competition decreases, and they have a much better working relationship. The involvement of different skills, expertise, and knowledge in the enterprise reduces the conflict experienced by the younger generation (Alderson, 2015, p. 146). Or vice versa, the second generation begins to behave like the first generation changing with the influence of him.

The fact that the first generation is closed to change and quite ungenerous in expenditures in family businesses can make it difficult for the second and third generation to exhibit management understanding in the enterprise. The first generation can behave shyly, especially in the use of new technologies and methods and new product development (Gules et al., 2013, pp. 185-190).

Conflicts Between Siblings

Another dimension of the competition between the father and his children is experienced among siblings. If the father supports the side of one of his children and tries to determine whom to replace him, this may cause an increase in competition (Levinson, 1971, pp. 90-98). The on-going competition among the children since their early ages, in order to court favor with their parents, gets bigger when the children grow up and get involved in the business. This competition affects all management decisions and enlarges the power struggles in organizations. The reasons for the conflicts between the siblings include the feeling of not being able to get paid for their work, the thought that the other sibling receives more wages even though he works less than himself, the incitement of the brothers by their wives, and the presidential struggles. Economically, these siblings may think that other siblings get more wages, even though they work more, siblings who are out of the enterprise may feel excluded and may feel that their parents like some siblings more. Conflicts between siblings often turn into a field battle, especially after the death of the father, who is the manager (Stamelman & Brown-Sherman, 1995).

Most of the conflicts in family businesses take place between siblings (Alderson, 2015, p. 143). There is a great contention among siblings in the board of the management of all family businesses. Business partners, employees, and friends support the contention because everyone takes aside. Activities in the organization can turn into continuous family conflict. In family businesses, the older brother often replaces his father. However, this tradition is found appropriate by the younger brother or siblings if they believe that the older one is suitable. This tradition is broken only when the elder son has some health problems or is inadequate or unwilling for the management. In the past, this situation was considered normal by the younger brother, but now this understanding is also changing. When the two brothers are given the right to have an equal voice as a result of disagreements about who to be dominant in the management, there may be disagreements in business processes (Dede, 2019, p. 142). It is a rarely seen case that the younger one is equal in skill, ability, and experience and reaches maturity before the others. Also, the elder child establishes an earlier and wider relationship with members of the family and has a greater impact on them. The younger siblings try to alleviate the effects of childhood relationships, but the older sibling tries to control them by imposing him certain tasks in the enterprise. This protection goes on until the older siblings believe that he is truly capable and able to work independently. If the siblings have equal share and management rights in the company, they can defend their policies on the board of directors. The younger brother cannot overcome the problems that usually arise from mutual relations; he thinks that his siblings violate his rights, and feels that he is too much under control and underestimated. The elder brother, on the other hand, does not trust the younger brother, taking him under control, not allowing making decisions freely causes the little brother to believe that his thoughts are right (Yakupogullari, 2001, p. 67).

On the other hand, gender discrimination has brought a dimension to the conflicts between siblings. For example, a father who protects his daughter against his son or thinks the daughter should belong only to home may give her only the role of motherhood by undermining her attempts. Considering the grooms as possible successors, although the grooms have added success to many family businesses, the issue of giving them shares may constitute the source of conflicts between the siblings (Paisner, 1999, p. 75).

Conflicts Caused by People who Joined the Family Subsequently

Subsequently, joining the family refers to individuals who do not have blood ties and join the family through marriage; these are brides and grooms. As these people come from a different culture and lifestyle, there may be some difficulties in adapting to the new family. The brides or grooms, whether active in the family business or living at home, may cause some conflicts within the family, which can sometimes reach to large sizes and may lead to the disintegration of the enterprise, family disintegration or both (Aronoff, McClure, & Ward, 1993, pp. 62-63).

The brides and grooms are probably from different backgrounds. They lack experience in preparing themselves for a family-run business environment. Values and expectations may be different. The family of a business owner differs from other families in their habits of vacation, leisure, or having regular meals. These issues are also a cause of tension. For example, a hard day in the business for the husband may be a picnic day for his wife, who was brought up in another environment. These expectations are also a source of conflict (Uluyol, 2004, p. 83). There is also no guarantee that the brides and grooms will get along well with each other. These conflicts in family systems pose a particular problem for the enterprise personnel who seek to establish harmonious business relationships. Family members who work well with each other in normal times fall into a dilemma. While the spouse gives support to her husband in the conflict with other family members cause work breakdown in the business, the behavior of giving support to the opposite side can be seen as disloyalty by her husband (Fleming, 2000, p. 113). The fight that arises as a result of the involvement of business partners' wives in the business life is called "sister-in-law's fight." This power struggle among women or jealousy, in other words, leads to the destruction of enterprises, and partners and even brothers can become enemies to each other (Bozkurt, 2011).

The way to reduce such conflicts is to establish principles based on mutual love and trust in the family because jealousy and conflicts are often emotional and irrational. Therefore, in order to strengthen rational behaviors, it is necessary to establish and install systems consisting of principles on which each family member can agree (Paisner, 1999, p. 91). The importance of the family constitution is very important for this reason.

Conflicts Between Cousins

The participation of cousins in the business begins in the third generation. In this case, the members of three generations can work actively at the same time, and even the fourth generation members may start to grow up and take care of the company gradually. The work of at least three generation members together creates various conflicts. Because these people who have been educated in different periods make up very big differences in terms of education, culture, experience, and many other subjects and diversity management becomes more difficult (Uluyol, 2004, p. 85).

Although nuclear family members have more similar backgrounds, children from individuals who joined the family through marriage are exposed to different values of these parents as they grow up. Each generation gets different from the previous generation. New generations that grow in different environments do not bear the same family values over time, and this divergence manifests itself even in the instinct of the brothers who represent the second generation to protect their nuclear families. The degree of integration of the third generation with the family, their perspectives on the concept of family, business values, expertise, expectations, and interests begin to differentiate gradually. Each intergenerational transition may reduce family ties (Dede, 2019, p. 145).

The fact that family members reside in different geographical areas has different interests, information, income, experience, presence of different kinship relationships and levels, and the presence of different family branches in the management and opposition of the company pave the way for conflicts. Power-opposition fights between those active in management and others, complaints of the non-management ones about being not given sufficient information, people coming from the same families see each other as rivals, and that everyone is interested in their interests and struggles to take over the company may cause conflicts between these people (Gules et al., 2013, p. 195). Since the number of people interested in business has increased considerably in the third generation, there are more conflicts between individuals. While cousins' dispute topics between themselves and their predecessors prevent the management from being effective and productive, deteriorate the morale and motivation of the employees, the prominence of personal interests may lead to the deterioration of unity and solidarity and ultimately the failure of the enterprise (Karpuzoglu, 2000, pp. 92-93).

Another problem of family businesses in this period is that people who do not have the necessary experience and skills want to work actively in the enterprise. If these people are taken into the enterprise, efficiency and productivity will decrease. Otherwise, resentment and unethical behaviors will be seen in these people. The establishment of an effective communication system, shareholder agreement, and written job descriptions will reduce such conflicts.

MANAGEMENT OF CONFLICTS IN FAMILY BUSINESSES

As in the case of other enterprises, in order to achieve beneficial results, conflicts in family businesses need to be managed as well. The thing to understand from the concept of conflict management is to look at conflicts from a framework that increases efficiency and effectiveness. Conflict management aims to eliminate the causes of negative conflicts and to make positive conflicts beneficial for both individuals and businesses. Whether conflicts result in the benefit or harm of the organization or individual depends on a variety of factors. In many cases, conflicts can harm the individual and other systems, especially the business system in which he is involved.

Conflicts that are difficult to solve, but also important, in family businesses are seen as a result of the problems and tensions in the family relations and their reflections on the duties and processes in the enterprise. As these problems are kept as family secrets, the reason for the conflict and resistance, especially in the field of change, cannot be understood. It is almost impossible to reveal the problem and propose a solution (Beckhard & Dyer, 1983, pp. 64-65).

As in the sources of conflicts, the ways of resolving conflicts in family businesses depend on the behaviors of the father (founder), children, siblings, cousins, people who joined the family subsequently, and non-family member employees. Besides, it is necessary to take the behaviors of expert consultants into account.

Different methods of solution are used to resolve conflicts in family businesses. Some of them are; the use of force, softening, ignoring, changing parties and tasks, directing them to different purposes, giving a message that we are a family, and so on. The following are the methods described by Finch (2005, pp. 7-8).

Finding a Solution Before a Conflict Arises*:* Before rejecting a conflict, it is best to determine the potential cause of the conflict, because when a conflict occurs, it can create an emotional reaction and pressure. If possible issues that may create conflicts within the enterprise are known in advance and countermeasures are taken, the confusion that may occur during the conflict can be prevented. Apart from this, the time and effort to be spent on conflict resolution can be spent on other issues that may be more important for the enterprise. Some minor problems can grow over time and cause catastrophes. While timely interventions can minimize their impact, this can go down to the destruction of the business and the disintegration of families when ignored with the thought of it would pass over time (Herz-Brown, 2011).

Effective Communication*:* In particular, effective communication between family and business is important to identify and generate solutions before a conflict arises. Regular family meetings should be held to discuss both family and business issues. Periodic meetings to inform both non-working family members and other members working in the company about the activities of the enterprise will ensure that people are informed about the current situation of the enterprise and its plans. An effective communication refers to two-way communication, where mutual ideas are evaluated. In cases of blockages in the exchange of information, misunderstandings, disruptions in communication, disruptions in activities and conflicts occur. If family business owners/partners work together to prepare a partnership agreement and establish clear rules on how to communicate between individuals and whom to account for whom, they can prevent conflicts arising from misunderstandings on a large scale. Speaking about the problems openly reduces the possibility of misunderstandings, improves trust among individuals, and increases the company's chances of long-term success (Gage & Gromala, 2002). The essence of the whole communication process is the establishment of trust among family members. Openness and sincerity bring trust in the family, and trust in the family, on the other hand, brings family harmony (Martin, 2001, p. 93). The development of communication should start primarily with family relations between family members. For this purpose, family meetings should be held, and issues should be discussed openly and sincerely, and everyone should be able to get it off their chest. For the problems that will arise, solutions should be sought together and in time (Uluyol, 2004, p. 69). Family members should talk freely about everything causing fear, anxiety, anger, and frustration to each other and express the appreciation one feels for the other. If the family members are still unable to resolve the conflict after prolonged arguments and discussions, then, they should search for professional help. However, it is very difficult for family businesses to get professional help from outside. On the other hand, not solving the problem increases anger and hostility, leads to a burst of complaints, and weakens relations (Yakupogullari, 2001, p. 69).

Separation of Work and Family From Each Other*:* It is about setting rules that define the boundary between work and home. It should be ensured that business relations do not affect family relations or vice versa. For this purpose, the positions and roles of everyone in the company should be determined precisely. Nepotism should be prevented. Because of Nepotism, employees develop feelings of resentment, anger, and hatred. These feelings cause deterioration in the relations between family members and other employees because they are injustice, and not being given the duties, powers, and responsibilities they deserve may even lead them to leave family businesses. Therefore, finding a job for family members should not be among the duties of the family business. The rules of employment should be defined and declared in writing. The important thing is not to find a job for family members, but to find the personnel who have the talent, skills, and experience required by the jobs, and place them in the necessary positions (Karofsky & Karofsky, 2016). Professional managers should be employed in the enterprise, and the necessary authority should be transferred. Also, transfer planning should be done to ensure that the heir is equipped.

Successful/Effective Planning*:* Only 30 percent of family businesses can be transferred to future generations. The reason for this is the failure of management and the oppression of the close relationship between family members. Plans must be organized for some time and step by step. Non-family members also should participate in and discuss the preparation stage of plans. In particular, a heritage plan, a strategic contingency plan, and a transfer plan should be prepared.

Reward System*:* The existence of a fair reward system appropriate to the performance and roles of individuals will help prevent potential conflicts and jealousies. It is important to ensure loyalty and business ownership of employees through the award system, in which no favoritism is performed. Preventing nepotism will increase organizational justice and promote trust among other employees.

Defining Roles*:* Family members in close relationships are often involved in defining jobs and roles. The uncertainty in the boundaries of the work and the roles of individuals has a conflict-causing effect. In order to prevent the confusion of the roles of family members within the family with the roles within the enterprise, the roles should be determined and written. In particular, family members who work in lower levels may feel restricted by their authority and become unable to exercise the authority required by their position as a result of the reflections of the rule-making attitudes within the family.

The ways of resolving conflicts in family businesses depend on the behavior of the father (founder), children, siblings, cousins, family members, and non-family employees as in the sources of conflict. Besides, the behaviors of expert consultants should be considered. Family members should benefit from a consultant who will be able to work as a family member in all relationships with the company and that they can trust. On the other hand, non-family member employees working in the enterprise can support family members in resolving conflicts and achieving a consensus. In particular, the elderly and experienced employees who have been working in the same company for many years and respected by everyone can help prevent conflicts with their recommendations.

The most important and useful way to resolve conflicts for family businesses is to bring professional management to power. Every business needs a systematic tradition that remains in the background to guide managers in their business. Family businesses are more advantageous in this respect than others, but the professional manager must be fully delegated and provided sufficient space for action (Yakupogullari, 2001, p. 70).

A CASE STUDY: EXPERIENCES AT SABANCI HOLDING

It was mentioned in the text that the conflict in family relations has negative effects on the sustainability of the enterprise. Experiences and their results at Sabanci Holding, which is owned by the Sabanci family, one of the well-known families steering Turkey's economy and providing very serious employment, are discussed as a case study.

About Sabanci Family

The historical process of the Sabanci family, which owns 53 percent shares of Sabanci Holding according to the generations (1st-2nd-3rd Generation) within the holding, is as follows "Sabanci Again Among The Most Powerful Business Women in the World" (2018).

About Haci Ömer Sabanci (First Generation Entrepreneur) (1906-1966)

Haci Ömer Sabanci founded the first companies that make the base of the industrial organizations that make up the Sabanci Group. Haci Ömer Sabanci was born in a small village in Kayseri. At the age of 13, a few years after he lost his father, he moved to Adana, the land of cotton. Haci Ömer, who started his new life as a cotton worker in Adana, started to work as a "labor contractor" after a short while. With the savings he made in a few years, he entered cotton trade and established a modest business. He married Ms. Sadika in 1928 and had six boys named İhsan, Sakip, Haci, Sevket, Erol, and Özdemir. Thanks to his creative power, forward-thinking, and undaunted efforts, he established successful businesses in many business lines.

About İhsan Sabanci (Second Generation Entrepreneur) (1930-1979)

Ihsan Sabanci, the first child of Haci Ömer and Sadika Sabanci, was born in 1930 in Akcakaya Village of Kayseri in financial difficulties. İhsan Sabanci, who died at a young age, engaged in the textile business during his youth. In the years when the family was engaged in the cotton trade, he carried out unginned cotton (unseeded cotton) procurement transactions. He passed away at the age of 49.

About Hacı Sabanci (Second Generation Entrepreneur) (1935-1998)

Haci Sabanci was born in Akcakaya Village of Kayseri in 1935. He spent his secondary education, youth, and most of his life in Adana. Haci Sabanci began his career in a company affiliated with the Sabanci Group, engaged in automobile marketing and cotton export trade. He performed the duty of Vice Chairman of the Board of Directors of Ömer Sabanci Holding Inc., and he was the Chairman of the Board of Directors of some of the companies affiliated to the Holding and the Chairman of the Board of Trustees of Sabanci Foundation. He passed away at the age of 63.

About Özdemir Sabanci (Second Generation Entrepreneur) (1941-1996)

Özdemir Sabanci, the youngest son of Sadıka-Haci Ömer Sabanci, was born in Adana in 1941. After completing his high school education at Tarsus American College, he studied Chemical Engineering in Manchester, England. Later, he specialized in the same subject in Switzerland. Özdemir Sabanci, who has superior talent in producing projects, provided the establishment of factories with a 50-50 percent partnership with the Japanese. Toyota automobile factory, which was founded with great efforts of Özdemir Sabanci, became a milestone in the transition to modern technology and opening abroad for the Turkish automotive industry. He passed away at the age of 55. As the youngest child, he was the second generation to receive the best education. With forming foreign partnerships, he had a great impact on the national economy.

About Sakip Sabanci (Second Generation Entrepreneur) (1933-2004)

Sakıp Sabanci, who served as the Chairman of the Board of Directors of Haci Ömer Sabanci Holding from its establishment, was born to a family with financial difficulties in Akcakaya village of Kayseri.

He started his career as a cashier at Bossa Flour Factory at a very young age. He became Farm Manager and Bossa Textile Manager, respectively. After his father's death in 1966, he was appointed to be the Chairman of the Board of Directors of Sabanci Holding. He made great strides for Holding and showed great success.

About Güler Sabanci (Third Generation Entrepreneur) (1955-….)

She is the daughter of the second generation İhsan Sabanci. After graduating from the business department of the best university in Turkey, she started her working life in LASSA Rubber Industry Inc. in the holding in 1978. Güler Sabanci served in various managerial positions for 14 years. In 1997, she became the Director of Sabanci Holding's Tire and Reinforcement Materials Group. With the death of Sakip Sabanci in May 2004, Güler Sabanci was elected as the Chairman of the Board of Directors and Executive Managing Director of Sabanci Holding. She continues her duties. Güler Sabanci ranked 41st in Fortune's 50 Most Powerful Businesswomen in 2018 (Sabanci Again Among The Most Powerful Business Women in the World, 2018).

About Sabanci Holding And Its Management

Haci Ömer Sabanci Holding Inc., which is one of the largest groups of Turkey, is the parent company representing Sabanci Group companies and manages the affiliated companies of the Group with a strategic portfolio approach. Sabanci Group's main business areas are rapidly growing sectors of Turkey, such as; banking, insurance, energy, cement, retail, and industry. Sabanci Group companies are the leaders of the sectors in which they operate.

Sabanci Group was established in 1925 and became a holding in 1967. It went public in 1997. The Sabanci family is the largest shareholder of Sabanci Holding, with a 53.9% share proportion. 42.8% of Sabanci Holding shares are publicly traded.

Sabanci Holding's executive activities are conducted by the Executive Committee, which consists of the CEO belonging to the Board of Directors, Finance Group President (CFO), Sector Group Directors, and Human Resources Group Head.

Sabanci Group companies operate in 13 countries and market their products in Europe, Middle East, Asia, North Africa, North and South America. Sabanci Group has become a significant force contributing to the development of Turkey's economy by growing in the main activity areas thanks to its reputation, brand image, strong partnerships, and its knowledge and experience about Turkey's markets. In 2018, Sabanci Group generated combined sales revenue of ₺88 billion and consolidated net profit of ₺3.8 billion ("Sabanci Overview," 2019).

Sabanci Holding's chairman of the board of directors (third generation) and four of the members (1 from the second generation others from the third generation) are from the members of the Sabanci family. The CEO and three members are non-family professional managers.

Separations in Sabanci Holding as a Result of Conflicts

The founding entrepreneur assigned all the second generation at a certain age within the enterprises. Especially the last child received a good education and has been a pioneer of innovation. Sakip Sabanci from the second generation was in charge of the management from the establishment of the Holding until 2004. Despite showing successful leadership, he was influenced by family values. It can be seen that family values outperformed business values in some decisions. In particular, institutionalization was delayed, therefore. Members of the Sabanci family were also encouraged to work within the holding from an early age in the third generation. Family members who do not wish to take part in the Holding have been granted work permits on condition that they will not be competitors. However, the issue of whom to take over the management upon the sudden death of Sakip Sabanci when he was in charge of the administration led to major conflicts, causing some family members to leave the holding. In particular, the lack of institutionalization and the absence of a family constitution and transfer plan were effective in this process. Sevket Sabanci from the second generation, his son Ali Sabanci and his daughter Emine Kamisli also left Sabanci Holding and founded Esas Holding together. This separation caused serious problems in terms of corporate reputation and cash flow in Sabanci Holding.

On the other hand, following the resignation of Demir Sabanci, the son of the second generation Özdemir Sabanci, from his duties in the Sabanci Group, selling his holding shares and establishing his own business drew attention on the holding. Thus, both Sevket and Haci Sabanci from the second generation with their wives and children have no shares in the holding left. The consecutive separation of family members from the holding showed that conflicts within the family could not be resolved. Non-family founder members also stated that they wanted to sell their shares. As the holding that is one of the two largest industrial groups in the country was open to the public, these developments led to a depreciation of the shares. Thus, the board of directors of the holding had to make a written statement to all the media institutions about the issue ("Parting Winds in the Holding", 2009).

The increase in the family in numbers over time and the lack of importance given to institutionalization posed a serious threat to the sustainability of the holding. The other major mistake is that the CEO, an external member, receives and presents reports to the same family members. This situation led to a dilemma in professional managers (Ergu, 2012). As a result, the CEO resigned from his position in 2019 (Cenk Alper became the new CEO of Sabanci Holding, 2019). Ali Sabanci, who is from the third generation and among the separated members of the Holding, argues that a Family Constitution should exist and be applied equally to everyone without favoring anyone ("National Family Business Summit," 2018).

RESULTS

In addition to their contribution to national economies, it is seen that the life expectancy of family businesses which play a major role in establishing the political and social balance and providing employment is short. These enterprises have several strengths (rapid decision-making, team spirit, family reputation, strong family ties, flexibility, loyalty to the country) and weaknesses (lack of financing, the existence of a closed culture approach to change, nepotism, the uncertainty of authority and responsibilities, conflicts, bag blindness). For the sustainability of family businesses, it is compulsory to implement strategies that will highlight the superior aspects and make corrections on the weak sides. In order to achieve this, it is necessary to make fundamental changes in the family members' perspectives on business and the world, their attitudes, and behaviors (Erdirencelebi, 2019).

Family businesses grow through a series of life stages and show different characteristics in each phase of the life cycle. These phases should be known well, and what needs to be done in each phase should be planned. Family, business, and property systems should be delineated well, and roles should not be confused. The founder has a tremendous impact on the business. The business is almost integrated with the founder. As a result of the founders' adoption of the company in line with the effort they gave to the enterprise, adopting a centralized management approach and distrust of professional managers, it can be seen that the enterprise becomes more difficult to manage with a modern understanding and resists change. This situation increases conflicts.

Similarly, conflicts in family relations have a negative impact on business processes. Conflicts in family relations also bring along conflicts with non-family member employees. Non-family member employees are caught in a circle of fire and can leave the company after a while. As it is also seen in the case study discussed in the chapter, important decisions should be shared with all employees (family members and non-family members) in order to prevent conflicts, and one should be open for opinions and suggestions.

In order to prevent conflicts in family businesses, important decisions should be shared with all employees (family members and non-family members) and be open to opinions and suggestions. The problems in the family should not be reflected in the business, and also the problems in the business should not be reflected in the family. Family members should respect and trust each other following ethical rules. The goals and interests of the enterprise, and the goals and interests of family members should be balanced. Problems arising from the lack of knowledge and experience of the subsequent generation of family businesses should be resolved without destructive criticism. Active family members' gaining training and experience related to the sector in which the business is located should be emphasized. In the transfer to the next generation, managers/owners should behave objectively by taking into account age, gender, and education factors. Equity between partners should be fair, and a balance should be established without favoritism. Family members should be sensitive to interfering with the decisions of other family members, especially the higher generation, and relations between generations should be linked to formal elements. In family businesses, individuals should replace the concept of "you-me" with "we." Providing family unity, expectations, and expenditures of family members should be made according to a certain rule (Yurttadur & Nakipoglu, 2015, p. 418).

Effective communication is the key element in protecting and strengthening family relationships. Lack of communication or inadequate communication in the family brings along conflicts. On the other hand, as the family progresses in the development dimension, the need for a family council increases. It is important to prepare a family constitution, a family assembly/council, a shareholder agreement, and some plans (inheritance plan, strategic contingency plan, and transfer plan) in conflict management. As seen in the case study, the unexpected death of the second generation (Sakip Sabanci) resulted in conflicts and the withdrawal of the shareholder family and non-family partners from the holding. Also, the lack of a family constitution of the family discussed in the case study was perceived as favoritism by other family members in the selection of the third-generation member. On the other hand, the professional manager experienced difficulties in effective decision-making and implementation and subsequently resigned.

Institutionalization is the most important and effective way out in this process. In many scientific studies in the literature, it is stated that institutionalization of family businesses has an important place in ensuring the continuity of these enterprises (Davis & Harveston, 1998; Chung & Luo, 2008; Marcus, 1980; Brundin, Samuelson, & Melin, 2008; Balderrama, 2015; Leaptrott, 2005; Melin & Nordqvist, 2007; Findikci, 2005; Guney, 2008; Parada, Nordqvist, & Gimeno, 2010; Ulukan, 2005, Erdirencelebi, 2012).

The possibility for conflict is less in family companies with high levels of institutionalization because, along with institutionalization, both business and family relations are bound to the principles. Rules are established in the enterprise and recruitment, job descriptions, qualifications that the employees will have, and the authority and responsibilities within the enterprise are determined. Besides, whom to take over the enterprise in the future is bound to certain rules, and in a company where the rules are settled, the problems arising from conflict are at a minimum level. However, there is a higher level of conflict in the companies which are not institutionalized, managed by traditional rules, and therefore family rules and company management rules are mixed up.

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KEY TERMS AND DEFINITIONS

Conflict: Dispute, disagreement between persons or groups for various reasons.

Conflict Management: Managing the process in order to reconcile existing conflicts and turn negative conflicts into functional conflicts.

Family Businesses: Businesses on which the family values of individuals from the same family have an impact, and all or most of the ownership and management are in the family members.

Founder Entrepreneur: Founder family member who founded the business in family businesses, owner of the business.

Functional Conflict: A type of conflict that enhances performance that contributes to organizational objectives.

Generation Conflict: Conflict between adult and young generation.

Institutionalization: The unification of the enterprise around the corporate culture shared by everyone and having common rules, principles, and standards and having a corporate identity that distinguishes it from other enterprises.

Nepotism: Employment of individuals in favor of nepotism, regardless of merit, based on kinship.

Professional Manager: A person who has a managerial talent and has acquired a profession by training in this job, who is a salaried employee, assumes the management responsibility of the enterprise at the risk of profit and loss for someone else and tries to achieve organizational objectives.

Chapter 20
Tracing the Root of Conflict:
When Good Intentions Turn Bad

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ABSTRACT

The evolution of the family and tracing the root of conflict were explained in this chapter using family power framework (FPF). A 60-year-old Filipino family business was used as a case study. Through this perspective, different lenses were unraveled to understand the conflict and nature of the family business dyad. It sought to understand generational conflict (first, second, and third generations) using (FPF). Sources of conflict were a misappropriation of funds, embezzlement, and succession problems. Sources of power involved parental power, sibling power, and kinship power. In a family business, conflict is a genetic makeup of the family and business dyad and it is inevitable but can be mitigated and managed. The case is a struggle within a family system that interplays with forces of power, authority, influence, and generations.

INTRODUCTION

Family as the cornerstone of society is one of the social systems (Luhmann, 1995) that provides love, support, friendship, acceptance, and companionship (Hoiberg, 2013). However, it could well be a site of conflict, frustration, disappointment, and rejection (Levinson, 1971).

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Business, on the other hand, a subsystem of the economy that operates according to profit, efficiency, and sustainability (Luhmann, 1995), is the purveyor of social change. It is nature is “hyper-competitive” (Lewin & Volberda, 2003), “high velocity” (Brown & Eisenhardt, 1997), and “shaped by jolts” (Meyer, Brooks & Goes, 1990)

When family and business fused, these two systems are always operating on Achilles heels, which lead to their demise. Why? Because both functions differently, the other focuses on intimacy, love, and relationships while the other operates on profit, performance, and stability.

Hence, the objective of this book chapter is to provide an analysis of intergenerational conflict and understand the power relationships within the family business systems and relate it to a 60-year-old family business.

BACKGROUND

Conflict has been portrayed as a sustained cystic event in the family business (Kaye, 1991). It also diminishes the performance and survival of family firms (Levinson, 1971). Nepotism, co-opting family members, infighting, personal relationship tensions within the family, sabotaging ambitions of family members, emotional exhaustion, and conflict arising between family and non-family managers/employees are the problems that the family in business have been facing (Boles, Johnston, & Hair, 1997; Corbetta & Salvato, 2012). Despite the depth of such problems, these areas have been under-researched. “Although conflict is a core area of concern, we know surprisingly little about it and even less about conflict management in family businesses” (Kraus, Filser & Kellermanns, 2015, p. 123).

Indeed, there is a growing knowledge of conflict and conflict management in other fields. However, we cannot deny the fact that understanding conflict from a family business perspective is scarce (Caputo et al., 2018). This is also supported by the early call from various researchers that there is a need to unpack concepts related to family business and conflict (Prince, 1990; Kaye, 1991; Lunberg, 1994; Kellermans & Eddleston, 2006).

Stemming from this gap, this chapter explored intergenerational conflict using the Family Power Theory of McDonald (1980) and related it to a 60-year-old family business in the Philippines. The Family Power Theory is used to understand the dynamics of relationships within the family in the business. It is a theoretical concept and is used in decision making, familial power, and authority (Blood & Wolfe, 1960) and influence (Safilios-Rothschild, 1970). McDonald (1980) in his assessment after a decade of using family power as a framework, he concluded that it has problems in terms of issues and structures. To settle these issues, he asked future researchers to essentially look inside the structure of family and its final outcome of the process that came out from conflicting relationships and interactional processes (McDonald, 1980) specifically the distribution of power in the family according to (1) who controls the definition of family situation which determines the possible range of relevant decisions, (2) who actually decides which decisions are to be taken into account and which are not and (3) who decides which individual will implement final decision and understand power according to (1) marital, (2) sibling, (3) parental, (4) offspring, and (5) kinship links (McDonald, 1980).

In this book chapter, the authors used the family power framework and tried to understand the dynamics of intergenerational relationships of a 60-year-old family business in the Philippines.

Case study method was used because the sample was rare or unique to investigate intergenerational conflict (see Siggelkow, 2007 as cited in De Massis & Kotlar, 2014). More than that, the sample was chosen because the authors had deep access to the family members and offered a distinctive and extraordinary setting in which to observe a phenomenon (De Massis & Kotlar, 2014). A consent to be interviewed and results to be published were asked from the family. In order to protect their identity, aliases were used. An in-depth interview was used to gather primary data from family business owners. The narrative was analyzed according to intergenerational conflict using Family Power Theory. The authors believe that this case study is an attempt to understand the intergenerational conflict (Siggelkow, 2007). The authors would like to highlight that this study represents an additional attempt to unravel concepts about the intergenerational conflict that can enlighten issues and contribute knowledge for the scholarship of family business and conflict.

MAIN FOCUS OF THE CHAPTER

The Narrative of the Case: Escobar Memorial Hospital and Colleges

In a classic case of "*quien no lo tiene, lo hace; y quien lo tiene, lo deshace,"* or "those who do not have it, build it; and those who do have, destroys it," Escobar Memorial Hospital and Colleges shows the difficulty of what most family businesses in the third-generation experience. The Escobar Memorial Hospital and Colleges has lived a long life of more than 60 years and experienced many changes during its lifetime. Today, however, the institution is on its last leg. Gone are the days where patients would fill the rooms of the hospital and class full of students studying in the adjacent building for a noble cause. The family business is, without a doubt, now merely a shadow of its former self. But why? What could have driven a successful institution with a promising future to fend for itself in today's standards? To answer this, the researchers looked at its governing body, the family, and the relationship, dynamics, and power in its detail using McDonald´s theory on family power (1980).

The tale began during the 1950s when the couple Crisanto and Linda started a small-scale clinic along the streets of Metro Manila. Although small, the clinic was able to make ends meet and was still known as Country Clinic. The two worked together successfully in tandem, but the business was not able to grow significantly. It was not until the death of Cristanto in the 1960s that the Country Clinic took off and experienced the beginnings of what Escobar Memorial Hospital and Colleges would be. Without anyone to support Linda, the closest friends of Crisanto took it upon themselves to support the spouse of their deceased friend. They began by expanding the clinic into a hospital. Ever since Linda had the vision of building a school alongside the hospital as a training ground for future nurses and doctors. Eventually, the company grew from one lot to thirteen lots in the same compound. Country Clinic was no longer a suitable name and was changed into Escobar Memorial Hospital and Colleges in memory of Crisanto. With 2,000 students enrolled and a healthy inflow of patients, it was the golden age of Escobar Memorial Hospital and Colleges.

The success of Escobar Memorial Hospital and Colleges continued until the 1990s where the children of Crisanto and Linda were actively taking part in the business. Linda, due to her age, slowly started to let go of the business. To prepare her six children for the eventual departure, she began dividing the family businesses among her and her children. It was divided as such that Linda would still own the majority of the shares, 57 percent, and her children will share the remaining equally. However, for tax purposes, only five children were listed as owners of the corporation, while the excluded child was named the owner of the lot. At the time, it was a sound idea for both the mother and the children. However, time will show how family relationships will shape the outcome of this decision.

Since the success of the family business, Linda began looking into the ways of helping the less fortunate through means other than the services offered in their establishments. What opportunity she saw was in the excess earnings of Escobar Memorial Colleges managed by Romel and Elsa, the fourth and sixth child, respectively. She decided to utilize the excess earnings and redistribute them as scholarship funds and other philanthropic activities. While intentionally for a good cause, it prevented the colleges from growing through reinvesting the earnings. In response, Romel and Elsa opened a separate bank account in order to transfer excess earnings to limit the amount their mother Linda would take. It would not be until much later what these two siblings did be revealed to the rest of the family and act as another source of conflict.

It came to be when Linda released total control from Escobar Memorial Hospital and Colleges and was replaced by Alan, her eldest son. She did have a daughter who was older than Alan; however, Vicky was unable to assert her position during her short term as president. Alan, on the other hand, was assertive, dominant, and authoritative. He took complete control of both the hospital and colleges and delegated positions among the rest of his siblings. Not all siblings were in line with the decision, and somewhere more vocal than the rest. Romel and Elsa openly opposed Alan and attempted to contradict him at every expense they got. It escalated to the point of becoming a family feud, splitting the family into sides. The animosity between the two was even inherited by their children, the third generation.

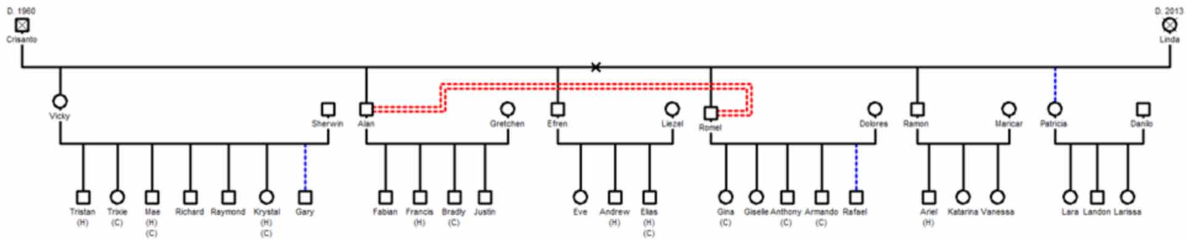
In an attempt to reassert his dominance, Alan ousted his two biggest denouncers, Romel and Elsa. He continued by restructuring the board by replacing them with his wife and children. He expected his children and wife were easier to control compared to the other siblings. Even then, the board continued to be divided. The newly appointed members had ideas of their own, yet Alan shot each one down. The board became an echo chamber filled with malcontent and frustration, especially from the third-generation members. Without a functional board, the overall structure of Escobar Memorial Hospital and Colleges soon started to collapse. Things were bleak for the Escobar family, yet the chair still clung to the past.

Ultimately, the family filed for bankruptcy. There were few opportunities for the family to redeem themselves; however, they were stubborn to the bitter end. The dream and struggle of the first generation vanished alongside the family business. Escobar Memorial Hospital and Memorial fell in just the span of three generations.

The Escobar Family

The Escobar family lineage began when married couple Crisanto and Linda gave birth to Vicky, their first-born daughter. Linda continued to give birth to four more children, namely Alan, Efren, Romel, and Ramon, and later adopted a girl as their sixth child named Patricia. Their small family of three quickly grew to a family of eight, with all the children joining the family business. After Crisanto and Linda, Vicky and the rest of her siblings had begun to have families of their own. Pursuing their interest, they continue to manage the family business while including their own families in it. The eldest of the children is Vicky, the only daughter of the four (4) Linda gave birth to. Vicky married her now-husband named Sherwin. The couple had six children, while also adopting a boy. The children are named Tristan (Male), Trixie (Female), Mae (Female), Richard (Male), Raymond (Male), Krystal (Female), and their adopted son, Gary (Male), from eldest to youngest, respectively. The second child is Alan, the eldest of the four

Figure 1. The Escobar Family Genogram
Source: Own elaboration



boys in the family, he married his now-wife, Gretchen. They grew into a family of six, including their four children. The eldest is Fabian, followed by Francis, Bradly, and Justin, all of whom are boys. The third child is Efren, who married Liezel and had three children. The eldest of Efren's children is Eve, the only girl, followed by Andrew and Elias. Born after Efren is Romel, the fourth child. He married Dolores, and they were blessed with four children and adopted another one. They have two girls and three boys in their family. Gina is the eldest of the siblings, followed by Giselle, Anthony, Armando, and Rafael, the adopted one. The youngest child, Linda, gave birth to is Ramon, who is together with Maricar and their three children. The eldest is Ariel, the only male, trailed by Katarina, and Vanessa. The youngest of the siblings Patricia is married to Danila, and have three children together, who are Lara, the eldest, Landon, the only male child, and Larissa, the youngest of their family.

The Escobar Family Tree

Crisanto and Linda had six children together – five were conceived, and one was adopted – actively helping in the family business:

- Vicky had the chance to become the next family business leader by right of primogeniture but failed to assert control on her younger brother;
- Alan was the most devoted to the business out of all the siblings and held the position of chairman since his parents retired;
- Efren, one of the passive siblings;
- Romel continues to question Alan's decisions as chairman and attempts to struggle for family business leadership;
- Ramon, one of the passive siblings; and
- Patricia, the black sheep among the siblings, was given the short end of the stick in the family business.

Issues, Controversies, and Problems

When Linda and her husband Crisanto started their quaint, little clinic in Metro Manila, Philippines – they dreamed of it to be accessible and across the city. To an extent, they became successful. Several country clinics were opened across Metro Manila in the testament of their dream and became a modest financial success. Things were going well for the Escobars, until the unfortunate death of Crisanto, leaving Linda to manage all the clinics by herself. At this point, none of her children were old enough to help in the family business. On her own, she struggled to keep the business afloat. In their business venture, Crisanto was responsible for providing treatment while she handled their operations. His sudden death left her unprepared to manage everything single-handedly. Crisanto's close friends saw how Linda was trying her best to sustain the business despite deeply mourning. To honor their late friend's memory, they lent out a helping hand in maintaining the clinics without taking anything in return. With their help, the clinics were saved. They later thought of the idea to transform the clinics into a single, large hospital where more can be accommodated. After giving much consideration, Linda decided to liquidate the clinic's assets and built upon a single lot the beginnings of the hospital. She began to dream anew. Aside from being a hospital, she wanted the new institution to also serve as a training ground for nurses. When the hospital was built, it was named Escobar Memorial Hospital and Colleges in memory of her late husband. The newly built hospital grew exponentially. It started accepting around 2,000 students at the time it was built and soon accepted 4,000 students as more lots were purchased for further expansion. It ultimately peaked a total of 13 lots with all of Linda's children managing a part of the business.

First-Second Generation Conflict

The dispute between the first and second generation, began when Linda, one of the first-generation members, steadily authorized the second generation to manage the business while she turned to philanthropic projects. The root of the conflict arises from the funding used in these philanthropic projects, and the funds came directly from the excess earnings of the business, which was supposedly used for expansion. As time went on, it appeared that the business is going on a decline. Therefore, two members of the second generation, Romel and Patricia, opted to open a separate bank account and place some of the excess funds into these accounts. These actions were taken without the knowledge of both their mother, Linda, and the rest of the second generation.

For Linda, she had achieved her dream. She honored her husband's memory through the institution, fulfilled their original dream, and successfully trained generations of new nurses through their college. However, she wanted to do more. She felt she could contribute much more now that she became successful. Linda soon began philanthropic initiatives that were not necessarily tied to healthcare and education. In her home region, CALABARZON, she donated a subdivision named Doña Linda Subdivision to give back to her local community. She also commissioned to build a cathedral and offered full medical coverage for families in National Capital Region. However, these acts of kindness were not without cost. From the retained earnings of the family business, Linda took out large sums of money to fund her initiatives. Her withdrawals were left undisclosed to her children, except for Romel and Patricia, who were directly responsible for the financials of Escobar Memorial Hospital and Colleges. They tried on multiple occasions to dissuade their mother from withdrawing haphazardly from the retained earnings of the business. At the rate their mother is withdrawing from the business' funds, they knew they would inevitably stagnate and spiral to bankruptcy without any reinvestments. Despite their best efforts, Linda would not control her philanthropic expenditures. Romel and Patricia decided to take a drastic measure. If their mother would not control her withdrawals, they would control how much their mother could take. The two opened a separate, unofficial bank account and transferred a portion of the company's earnings to the newly opened account. This way, Linda could continue with her altruistic efforts without severely harming the family business. Despite their good intentions, Romel and Patricia were discrete in opening this separate account and covered their tracks carefully. Their decision remained unknown to their mother and the rest of their siblings for almost a decade.

Source of Conflict: Misappropriation of Funds for Philanthropic Deeds

Source of Power: Parental Power

Under Roman Law, the ability to destroy one's property was considered an essential right of ownership. It stated that *"jus utendi fruendi abutendi"* or owners have the right to use the principal, use the income generated by the property, or completely consume and destroy the property" (Radin, 1925). In family businesses, the founder of the business would have the right to destroy it. The founders typically consist of husband and wife—ones who built the business and grew it.

In this case, Linda (first-generation owner) used the company's profit for philanthropic deeds because she felt that she had to share her wealth by helping unfortunate ones. Linda possesses parental power, which gave her the authority to take what she owns without considering the repercussions of her actions. However, why was this perpetuated? Linda not only donated a subdivision but also contributed to building a Cathedral. More than that, she also provided full medical coverage for low-income families. These are shreds of evidence of Charity, but why was it considered a problem?

Philanthropy or Charity is an act of voluntary commitment to the well-being of others (Schuyt, 2016), and it is deeply rooted in cultural and religious teachings regarding the responsibilities of more fortunate towards less fortunate (Schuyt, 2016). More than that, it has always been expected for family businesses to extend philanthropic efforts toward the well-being of their respective communities (Astrachan & Aronoff 1998; Sanborn & Portocarerro, 2003).

Philanthropy is not just a merely voluntary act of financial giving to support those who had fallen on hard times or helping the less fortunate and making sure that their basic needs were met (Schuyt, 2016) but also monitoring and taking care the family business as well.

To resonate with FPT, Linda's deed of giving is never a bad thing to do, but it can also be a source of conflict for succeeding generations. Her power as a parent and founder encompasses family and business structures recognized by second generations or children. Second generations will never interfere with the founder's actions because of respect but will make ways to calculate risk and minimize consequences.

As a solution to this problem, a strong family constitution and laws should be stated, especially when family firms engage in philanthropy. The recognition of family power, especially parental power, should be acknowledged but should be aligned according to the firm's values and strategies. Furthermore, the second generation should practice transparency for all family members regarding the steps that were made to avoid confusion and conflict. Hence, avoiding possible conflict in succeeding generations.

Second-Second Generation Conflict

Years after Escobar Memorial Hospital and Colleges was incorporated, Linda's children were slowly starting to join the family business. It was not long after all six of her children were managing a portion of the institution. At that time, ownership of the thirteen lots owned by the institution belonged to the mother and the rest of her children. The family then decided to transfer the ownership of the land to the company. However, for tax purposes, not all the siblings were included as owners of the company. Instead, land ownership was divided among the company, Romel, and Patricia. The two relented to their family's decision in the hopes of not causing any disagreement. It was not until the family discovered the existence of the secret bank account; they both created did the ownership become a problem. Hence, the bank account became a scandal. Romel, the fourth sibling in the family, had always tried to wrestle control from his elder brother and chairman, Alan. Romel's rivalry towards Alan was no secret; he would always try to steal the spotlight during meetings and oppose Alan's decisions. The other sibling, Patricia, was no better in the family standing. Not only was she the sixth child, but she was also adopted sometime after Crisanto had died. She felt like an outcast and was often seen as the black sheep of the family. Despite her status, she tried to do what is best for the family and the business. The two siblings, however, realized the possibility of embezzling the funds for themselves and declaring it as Linda's withdrawals. After her passing, funds continue to vanish from the firm's retained earnings seemingly. Alan caught wind of the missing funds and launched a financial investigation in the firm. After a thorough audit, they were able to trace where the money disappeared to and uncovered the secret account opened by Romel and Patricia years ago. This scandal shocked the whole family, which prompted the family to press charges, led by Alan. They were successful in ousting the two siblings. However, Romel and Patricia still own the land, which further complicated the feud. Alan also barred any of their children to join the family business and instead replaced the ousted members with his own family to exert more control over the board. As a retaliation, the ousted members also filed a case against their family and the company. Up to this day, the cases files against each other have yet to be resolved.

Source of Conflict: Embezzlement

Source of Power: Sibling Power

Huston (1985) defined the interpersonal relationship as the essence of the closeness of the relationship within the family. Aside from mother and child, sibling relationships are one of the most intimate relationships in the family system (Cook, 2001). Sutton-Smith, Roberts, and Rosenberg (1964) also supported this claim that sibling dyads are one of the strongest relationships in the family.

However, when family fused with the business system, a different environment was woven. Literature about sibling conflict revealed that it is an inevitable part of everyday family life (Furman & Buhrmester, 1992). Social scientists found out that conflicts in sibling relationships involve constructive and destructive strategies (Emery, 1992; Dunn & Munn, 1986; Shantz, 1987). Constructive conflict is a problem solving, negotiating an approach to differences between parties. However, in contrast, destructive conflict is coercive, manipulative, avoidance strategies that a sibling obtains the goal, and as a result, the resolution is futile. Hence, cognitive growth may be stunted.

In this case, the conflict exacerbated when Alan found out that his siblings, Romel and Patricia, opened a secret bank account. Alan, as the president as well as the elder brother of the family, executed his sibling power through filing a case against Romel and Patricia for embezzlement. The opening of a secret account to mitigate the spending of Linda by Romel and Patricia have put them into bad limelight and was used as evidence for fraud. The intention that is supposed to be good turned into a bad one because of the lack of communication and transparency between siblings. The sibling relationships became destructive and became the site of the execution of the power of one sibling to another. This process of siblings in conflict is called "powering" or "the ongoing confrontation in which power inputs of all participants are reciprocally put to the test" (Sprey, 1972).

Second-Third Generation Conflict

After the family scandal that nearly destroyed the family's ties with one another, Alan tried to blanket the incident by forbidding the remaining family members to make mention of it ever again. Since he ousted his two siblings from the board and their immediate family from whatever position in the family business, he took the liberty to replace the vacancies with his wife and children. Out of his four children, Frederick was being groomed to be the successor of the family business.

Frederick grew up closely with his father and saw his dad be his childhood hero. Knowing for a fact he is bound to take over his father, he absorbed his father's habits and tried to learn from him as much as possible. Frederick was successful enough to ascend to the president's seat and enjoyed the autonomy he has earned. However, his father's presence still looms over him. While Alan gave up his presidential position, he still refused to relinquish his chairmanship of Escobar Memorial Hospital and Colleges. Family members have urged both father and son to centralize the leadership of the family business into a single entity. Particularly vocal from the other families was Elias, the eldest son of Efren. Efren had stood a neutral stance since the beginning of the family feud, avoiding getting caught in the crossfire, but Elias saw differently. Having already been caught in the crossfire between the feuding parties, he saw it fit to leave the family business and work independently outside. His self-imposed exile led him to work for large corporations and eventually to Singapore, where he spent three years advancing his career as a management consultant. He eventually returned to the family business upon the request of his family and was given a seat on the board of directors. Elias was dismayed to see the current state of the family business had not improved since he has left. The hospital was left unmaintained, and there have been fewer patient admissions over the past few years. It was bleeding out money; it was only being kept afloat with the college's income. Whatever income left was also being siphoned by family members to sustain their extravagant lifestyles. Despite these incidents, Alan has done nothing to improve the current state of the family business. He stubbornly held onto the past glory of his mother's ambition, refusing to make any decisions that could risk the business.

Alarmed by the failing state of his family's business, Elias was zealous during the board meetings. He actively brought up strategies and goals for the family business and tried to gain support from fellow board members. Behind closed doors, family members show their support, but during board meetings, he found himself alone pushing Alan for change. Without any willing allies to support him, Elias was hopeless. He considered selling the family business for a considerable fortune and received multiple offers for the land. The family members, not including Alan and Frederick, all agreed to sell the business. They faced staunch resistance from the father and son, but Frederick soon relented. He realized the sinking ship that was Escobar Memorial Hospital and Colleges and joined the rest of his family to convince his father. Obstinately, Alan rejected all the offers in the name of his mother's memory.

Source of Conflict: Succession Problem: The Gap between Second and Third Generation

Source of Power: Kinship Power

The need for control is one of the pitfalls in managing the family business. De Vries (1997) identified that entrepreneurs lack the fluidity to change from the role of being superior to that of a subordinate. The issue of dominance and submission posed serious difficulty to them. Deference for them is a threat or infringement of their will. To compromise, founders gave up their superiority but still keeps track of the business. Even when they move away, their concerns linger on (De Vries, 1997, p. 27)

For instance, Alan, as the President of Escobar Memorial Hospital and Colleges, finds it hard to let go of his position; however, he does not want to give up chairmanship. He appointed his son to be the president of the company, a move that may lead to nepotism. Although family business is a site of nepotism, a question of competency opens wounds for other family members. The management is suffering along with the entrance of the third generation in the family business with different mindsets and styles of managing.

Kinship power is vested to the ones who belong in the upper echelon in managing the family business. The "family" in the family business is both a resource and constraint (Davis & Harveston, 1998). It can be a source of power or can be a source of conflict. In a highly organized family business, Low & MacMillan (1998) defined three levels of analysis that can illuminate functions and power; (1) individual, (2) group, and (3) organizational levels. Davis and Harveston (1998) spearheaded the analysis by relating these levels to the family business. They attested that at the individual level, it recognizes specific demographic characteristics of the owner/manager that possesses predictive validity regarding the critical demographic process (Hambrick, 1989). At the group level, family members who belong to the upper echelon exercise considerable influence in terms of decision making. Lastly, at the organizational level, family members who work and who do not work in the family business abide by their institutionalized rules and procedures. In this level, size and formality are considered.

To resonate with the case, the decision-making is being done at the group level. Kinship power is being exercised at this stage. Kinship power comprises the authority of first, second, and succeeding generations. When generations do not agree and settle their differences, dominance will always take its place over equality.

In this case, is the family business legacy a reason to save a sinking ship? For Alan, it is the foundation of the whole family business. For Frederick and Elias, it means "let the ship sink and salvage what can be saved."

The entry of the third generation in this picture is a catalyst to provide strategies in salvaging the family business. Third generations question mostly second-generation' authority, especially when the business is in turmoil. However, defensive as they can be, the second generation founded a defensive structure against the third generation. Hence, the clash and conflict that led to the demise of the family business.

Given the rapid changes happening in society, whether it is technological and social, leaders should foresee intergenerational conflicts. The need to let go of control is a skill that every leader should learn.

SOLUTIONS AND RECOMMENDATIONS

Table 1 presented the sources of conflict and family power among generations. It showed that that the level of conflict was multi-faceted involving (1) first and second generations; (2) within the second generation; and (3) second and third generations.

For the first and second generations, the source of conflict was the misappropriation of funds. Furthermore, the source of power came from parental power.

For second-generation conflict, the source of conflict was embezzlement. Accordingly, the source of power came from sibling power.

Table 1. Sources of Conflict and Family Power

Generational Conflict	Source of Conflict	Source of Power	Analysis
First-Second Generation Conflict	Misappropriation of Funds	Parental Power	Powering
Second Generation Conflict	Embezzlement	Sibling Power	Systemic Power Struggle
Second-Third Generation Conflict	Succession Problem	Kinship Power	Competition to Acquire power

Source: Own elaboration

For the second and third generations, the source of conflict was the succession problem. Moreover, the source of power came from kinship power.

Conflict management is one of the less-studied fields in the family business. The tension is more complex than any other type in organizations because of the overlapping of business and family subsystems (Kellermanns & Eddelston, 2006). Family firms struggle types of conflict not present in non-family businesses such as sibling rivalry, preferences not to work in the family business, marital discord, and ownership dispersion conflicts among family members (Dyer, 2003; Schulze, Lutbakin, & Dino, 2003). Hence, conflict tends to be more persistent in family firms than in non-family firms.

This chapter sought to understand family power relationships and conflict intergenerationally. In terms of conflict, misappropriation of funds and embezzlement were evident as the source of conflict in first-second and second-second generations conflict. Moreover, in the second and third generations, the succession problem is being highlighted as the source of conflict. In terms of sources of power, authors have found that power that came from parents or founding generations seemed to be absolute and carved in the stone. The family power that was used by the first generation is powering (Sprey, 1972). Powering is an alternative to individual power in marital status. The decision-making lies solely from the marital relationships neglecting the children's opinion. Hence, decisions are central from parents or founder.

Furthermore, the source of power in the second generation seemed to be a systemic power struggle between siblings. By this time, when the succession is passed to one of the successors, the marital power is not as influential. The conflict that is circulating within the siblings become systemic (Kaye,1991). This means that the members react to one another's problematic behavior, such as withdrawal, refusal to delegate, aggression, and others. Intense, serious discord between siblings is fatal to the existing ownership structure (Aronoff & Ward, 1992).

Moreover, in terms of kinship power, the authors have found out that the relationship is more complicated. Kinship power comprises the authority of first, second, and succeeding generations. Since it is a site of rationality and fairness, it is a site of conflict and constraint.

Having said these, authors would like to emphasize the family business role of each member of the family in decision making to manage conflict between the family and business identities (Shepherd & Haynie, 2009). There should be a dichotomy and clear boundaries between the role in the family and business.

In the beginning, parental power leads to powering; hence, there is a decline in the inclusivity of children to participate in decision making. It is imperative that during the process of decision making, children are being consulted. Moreover, in terms of resolving sibling conflict, there should be a compromise, clear communication, and following code of mutual understanding (Sorenson, 1999). Communication is the key to resolve the conflict; thus family members should frequently interact (Wakefield, 1996).

Accordingly, in terms of understanding kinship power in the family business, especially for founders and previous generations (Haveston & Davis, 1999), trust should be understood well by each family member, trust that younger generations are more open to innovation, trust that younger generations can also succeed, and younger generations are more open to dialogue and consensus. In addition, the role of non-family members (e.g., external accountants, advisors, trusted employees, and other key players) also play vital roles in managing potential family business conflict by being pro-active ad ensuring that there is sufficient attention given to critical operational functions, such as planning, designing, controlling, and communicating (Finch, 2005).

The shift of focusing the inquiry to the core of the family structure in the business system was one of the objectives of this chapter. The power relationship according to family structure (parental, sibling, and kinship) suggested different levels of power and authority that influenced decision making both at family and business levels. More than that, conflict is a genetic makeup of the family and business dyad, and it is inevitable, but it can be mitigated and managed. The case is a struggle within a family system that interplays with forces of power, authority, influence, and generations.

FUTURE RESEARCH DIRECTIONS

In family business research, an empirical inquiry about the Asian family business is imperative to unravel concepts and create a meaningful interpretation. Asia offers diverse perspectives in managing their family and business, whether it is about succession, philanthropy, leadership, and conflict management.

It is important to accept for family firm owners that conflict is a genetic makeup of family and business systems, and it is inevitable but can be mitigated and managed. The case is a struggle within a class that interplays with forces of power, authority, influence, and generations. For family business owners, the neglect of looking at conflict as part of the evolution process is neglect to look into the deeper origin of family transacting to different social institutions in the social system. Given the historical epochs from enlightenment to industrial revolutions, family business as social institutions endured, evolved, and reinvented themselves to adapt to social changes.

Hence, this book chapter urges family business researchers to enrich the scholarship of understanding the Asian family in the business. It also challenges scholars to holistically use theories from different fields to create meaningful interpretations that can be useful to future inquiries.

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KEY TERMS AND DEFINITIONS

Escobar Memorial Hospital and Colleges: A 60-year-old family business owned by the Escobar family in the Philippines.

Family Business Conflict: The tensions that are not addressed and resolved in the family business systems.

Family Conflict: The tensions that are not addressed and resolved in the family system.

Family Power Theory: A framework proposed by McDonald that assesses the power relationships among parents, siblings, and kin.

Intergenerational Conflict: The tensions of first, second, and third generations in the family business.

Sources of Conflict: The root of tension among generations in the family business.

Sources of Power: The origin of power relationships among generations.

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